BUCKNELL UNIVERSITY

Consolidated Financial Statements
including
Information on Federal Awards

June 30, 2020
(With comparative information as of June 30, 2019)

(With Independent Auditors' Reports Thereon)

BUCKNELL UNIVERSITY

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KPMG LLP
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Independent Auditors' Report

The Board of Trustees
Bucknell University:

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Bucknell University and its subsidiaries, which comprise the consolidated statement of financial position as of June 30, 2020, and the related consolidated statements of activities, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization's preparation and fair presentation of the consolidated financial statements 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Bucknell University and its subsidiaries as of June 30, 2020, and the changes in their net assets and their cash flows for the year then ended, in accordance with U.S. generally accepted accounting principles.

Report on Summarized Comparative Information

We have previously audited the 2019 consolidated financial statements of Bucknell University and its subsidiaries, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated October 25, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived before the adjustments to adopt ASU 2016-18. As part of our audit of the 2020 consolidated financial statements, we also audited the adjustments described in note 1(n) that were applied to adopt ASU 2016-18 retrospectively in the 2019 consolidated financial statements. In our opinion, such adjustments are appropriate and have been properly applied.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2020, on our consideration of Bucknell University and its subsidiaries' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Bucknell University and its subsidiaries' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Bucknell University and its subsidiaries' internal control over financial reporting and compliance.

KPMG LLP

Harrisburg, Pennsylvania
October 22, 2020

BUCKNELL UNIVERSITY

Consolidated Statement of Financial Position

June 30, 2020
(with comparative information as of June 30, 2019)

(In thousands)

		2020	2019
Assets			
Cash and cash equivalents	$	72,418	13,136
Inventories, prepaid expenses, and other assets		3,040	3,806
Accounts and other receivables, net		2,951	3,092
Contributions receivable, net		46,862	61,999
Loans and notes receivable, net		1,886	2,233
Investments		898,838	936,008
Funds held in trust by others		13,902	14,001
Property and equipment, net		390,886	380,958
Total assets	$	1,430,783	1,415,233
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued expenses	$	32,154	36,352
Deferred revenue and student deposits		13,969	11,886
Funds held for the accounts of others		2,835	2,606
Postretirement healthcare		81,763	75,491
Annuities payable		14,085	15,734
Advances from federal government		1,799	2,332
Long-term debt		174,431	137,814
Total liabilities		321,036	282,215
Net assets:			
Without donor restriction		468,535	464,606
With donor restriction		641,212	668,412
Total net assets		1,109,747	1,133,018
Total liabilities and net assets	$	1,430,783	1,415,233

See accompanying notes to consolidated financial statements.

BUCKNELL UNIVERSITY

Consolidated Statement of Activities

June 30, 2020
(with comparative information for the year ended June 30, 2019)

(In thousands)

	2020 Without donor restriction	2020 With donor restriction	2020 Total	2019 Total
Operating revenue:				
Net tuition and fees	$ 146,818	—	146,818	137,957
Sales and services of auxiliary enterprises	32,026	—	32,026	40,671
Grants and contracts	4,667	—	4,667	3,804
CARES Act (Higher Education Emergency Relief Funds)	1,946	—	1,946	—
Gifts and contributions	4,689	7,308	11,997	12,479
Interest income	1,251	—	1,251	2,713
Net investment income	21,301	24,245	45,546	44,149
Other	3,409	—	3,409	5,447
Net assets released from restrictions	30,157	(30,157)	—	—
Total operating revenue	246,264	1,396	247,660	247,220
Operating expenses:				
Compensation and benefits	151,204	—	151,204	147,774
Purchased services and supplies	54,345	—	54,345	62,602
Depreciation	24,533	—	24,533	23,648
Interest	5,048	—	5,048	5,438
Total operating expenses	235,130	—	235,130	239,462
Change in net assets from operating revenue, net of expenses	11,134	1,396	12,530	7,758
Nonoperating activities:				
Investment return, net of amount designated for current operations	(14,301)	(28,063)	(42,364)	(3,127)
Gifts and grants for capital or endowment	88	12,600	12,688	26,140
Change in present value of split interest obligations	(105)	(88)	(193)	(1,308)
Realized loss on defeasance of debt	(702)	—	(702)	—
Net actuarial gain (loss) on post-retiree healthcare obligations	(2,861)	—	(2,861)	(4,046)
Net periodic benefit costs other than service costs	(2,432)	—	(2,432)	(2,694)
Other gains (losses)	63	—	63	(89)
Net assets released from restriction or whose restrictions have changed	13,045	(13,045)	—	—
Change in net assets from nonoperating activities	(7,205)	(28,596)	(35,801)	14,876
Change in net assets	3,929	(27,200)	(23,271)	22,634
Net assets, beginning of year	464,606	668,412	1,133,018	1,110,384
Net assets, end of year	$ 468,535	641,212	1,109,747	1,133,018

See accompanying notes to consolidated financial statements.

BUCKNELL UNIVERSITY

Consolidated Statement of Cash Flows

June 30, 2020
(with comparative information as of June 30, 2019)

(In thousands)

		2020	2019
Cash flows from operating activities:			
Change in net assets	$	(23,271)	22,634
Adjustments to reconcile change in net assets to net cash used in operating activities:			
Postretiree losses other than net periodic expense		2,861	4,046
Amortization of net bond premium		(3,347)	(637)
Depreciation		24,533	23,648
Loss on debt defeasance		702	—
Loss on disposal of fixed assets		50	99
Contributions restricted for long-term investment		(12,600)	(25,955)
Net investment depreciation/(appreciation)		1,315	(32,611)
Changes in asset and liabilities:			
Inventories, prepaid expenses, and other assets		766	99
Accounts and other receivables		137	(22)
Accounts payable and other liabilities		2,461	(73)
Postretirement healthcare		3,411	3,178
Net cash used in operating activities		(2,982)	(5,594)
Cash flows from investing activities:			
Sales of investments		397,668	256,140
Purchases of investments		(346,301)	(204,152)
Loans and notes collected		351	477
Purchase of property and equipment		(39,391)	(43,228)
Net cash provided by investing activities		12,327	9,237
Cash flows from financing activities:			
Payment of long-term debt obligations		(30,123)	(3,277)
Proceeds from issuance of debt		69,385	—
Receipts under annuity liability arrangements		—	14
Payments to annuitants		(1,842)	(1,905)
Gifts and grants received for capital or endowment		15,827	17,898
Net cash provided by financing activities		53,247	12,730
Net increase (decrease) in cash and cash equivalents		62,592	16,373
Cash and cash equivalents – beginning of year		25,811	9,438
Cash and cash equivalents – end of year	$	88,403	25,811
Noncash securities donated	$	11,910	9,526
Interest paid		5,976	6,104
Cash & cash equivalents from statement of financial position	$	72,418	13,136
Cash & cash equivalents reserved for long term investments		15,985	12,675
	$	88,403	25,811

See accompanying notes to consolidated financial statements.

(1) Summary of Significant Accounting Policies

Bucknell University is a private, not-for-profit institution of higher education in Lewisburg, Pennsylvania. Bucknell University provides education services at the graduate and undergraduate levels within its three Colleges: The College of Arts and Sciences, The College of Engineering and The Freeman College of Management. These consolidated financial statements include Bucknell University, Bison Ventures, Inc., a wholly owned subsidiary formed in May 2009, and Bucknell Real Estate, Inc., a tax-exempt title holding company formed in October 2010 (collectively, the University). All significant intercompany balances have been eliminated in preparing these consolidated financial statements (financial statements).

The significant accounting policies followed by the University are described below to enhance the usefulness of the financial statements to the reader.

(a) Basis of Presentation

The financial statements of the University have been prepared on the accrual basis of accounting. The preparation of financial statements in conformity with U.S. generally accepted accounting principles (GAAP) requires management to make certain estimates and judgments that affect the reported amounts of assets and liabilities and disclosures of contingencies at the date of the financial statements and revenue and expenses recognized during the reporting period. Actual results could differ from those estimates.

Financial reporting standards require that net assets, revenue, gains, and losses be classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the University and changes therein are classified and reported as follows:

With Donor Restriction – Net assets with donor restriction are subject to donor-imposed stipulations that they are either maintained in perpetuity or that they will be met either by actions of the University and/or the passage of time.

Without Donor Restriction – Net assets that are not subject to donor-imposed stipulations. A portion of these net assets may be designated for specific purposes by action of the Board of Trustees or may otherwise be limited by contractual agreements with outside parties.

Revenue from sources other than contributions and investment returns on donor restricted endowments is reported as increases in net assets without donor restriction. Contributions are reported as increases in the appropriate category of net assets. Expenses are reported as decreases in net assets without donor restriction. Gains and losses on investments are reported as increases or decreases in net assets without donor restriction unless their use is restricted by explicit donor stipulations or by law. Expirations of restrictions recognized on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications from net assets with donor restriction to net assets without donor restriction.

Nonoperating activities include the following:

- Endowment investment income earned in excess of the University's spending policy;

- Gifts and grants restricted or designated for capital expenditures or long-term investment (e.g., endowment gifts);
- Split-interest agreements' net investment earnings and other gains or losses primarily related to annuity liabilities determined at net present value;
- Other gains or losses such as sale, exchange, disposal, or retirement of long lived assets (e.g., property and equipment) or long term liabilities (e.g., notes payable);
- Actuarial gains or losses and net periodic benefit costs other than service costs of the postretirement healthcare plan.

(b) Fair Value

The University accounts for its investments and funds held in trust by others at fair value; however, as permitted by GAAP, the University has not elected fair value accounting for any assets (accounts, loans, notes, and contributions receivable) or liabilities (long-term debt, postretirement healthcare obligations, and annuities payable) that are not otherwise required to be measured at fair value.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. A three-level hierarchy for fair value measurements is based on the transparency of inputs to the valuation of an asset or liability.

Inputs may be observable or unobservable and refer broadly to the assumptions that market participants would use in pricing the asset or liability. Observable inputs reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the University. Unobservable inputs reflect the University's view of assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances. That information includes, but is not limited to, the recent audited financial statements of the respective alternative investment funds, financial information of underlying securities of the respective funds provided by the fund manager, and review of the performance data of similar funds or investments.

Each investment and funds held in trust by others are assigned a level based upon the observability of the inputs, which are significant to the overall valuation. The three-level hierarchy of inputs is summarized below:

Level 1: Quoted or published prices in active markets for identical financial instruments.

Level 2: Other significant observable inputs, including quoted prices for similar financial instruments, interest rates, credit spreads, etc.

Level 3: Significant unobservable inputs. This category includes financial instruments whose fair value requires significant management judgment or estimation.

The University's policy is to recognize the transfers in or transfers out of Level 3 (or any other Level) on the date circumstances have changed or the defined event has occurred.

In certain cases, the inputs to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the determination of which fair value level is based on the lowest level of input that is significant to the fair value measurement of the specific alternative investment fund or fund held in trust by others.

The classification of investments in the fair value levels described above is not necessarily an indication of the degree of risks, liquidity, or price volatility.

(c) Cash and Cash Equivalents

Cash and cash equivalents include cash on deposit with financial institutions and other highly liquid investments with original maturities of three months or less except those held for long-term investment purposes.

(d) Investments

Investments are recorded at estimated fair value as described in note 1(b) and note 3. Because certain investments are not readily marketable, their net asset value per share or equivalent has been used as a practical expedient to fair value and is subject to additional uncertainty. Therefore, values realized upon disposition may vary significantly from currently reported values.

The University's investments are exposed to various risks such as interest rate, market, and credit risks. Such risks, and the resulting investment fair values, may be influenced by changes in economic conditions and market perceptions and expectations. Accordingly, it is at least reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amount reported in the consolidated statement of financial position.

With respect to investments that do not have a readily determinable fair value and for which it is industry practice for the investee to calculate and regularly report in its financial statements a net asset value per share (or its equivalent), the University, as a practical expedient, estimates fair value using the net asset value per share as reported by the investee. The University considers whether adjustment to the most recent net asset value per share is necessary if the net asset value per share obtained from the investee is not as of the University's financial statement date, if the University has plans to sell the investment in the short term, or if the investee's investment assets are not valued at fair value on a recurring basis.

(e) Funds Held in Trust by Others

Funds held in trust by others are for the benefit of the University based on the terms of the irrevocable trusts. These funds are neither in the possession, nor under the control, of the University. Such terms provide that the University a) is to receive annually the investment income earned by the funds that are held in trust or b) is to receive a remainder interest in the trust. The present values of the estimated future cash flows from the trust are recognized as assets and contribution income at the dates the trust

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is established. Investment income distributions from the trust are recorded as investment income and the carrying value of the assets is adjust for the changes in the estimates of future receipts. Funds held in trust by others are carried at fair value as described in note 1(b) and note 3.

(f) Property and Equipment

Property and equipment are stated at cost or at estimated fair value if acquired by gift, less accumulated depreciation. Depreciation of the University's property and equipment is computed using a straight-line method over 15 to 50 years for buildings and improvements and 3 to 10 years for equipment, furniture, fixtures, and library books. As permitted by generally accepted accounting principles, the University does not capitalize works of art, historical artifacts, and collectibles, which are principally acquired by donation.

Property and equipment, at cost, includes capitalized interest, when applicable. Interest is capitalized during the period required to ready the asset for its internal use, expenditures for the asset are being paid, and interest costs are incurred.

(g) Split-Interest Agreements and Annuities Payable

The University's split-interest agreements with donors consist primarily of charitable gift annuities, life income funds, and charitable trusts for which the University serves as trustee. Principally all assets held in these trusts are included in investments. Contribution revenue is recognized at the date the trusts are established after recording liabilities for the present value of the estimated future payments to be made to the donors and/or other beneficiaries. The liabilities are adjusted during the term of the trusts for changes in the value of the assets, changes in the estimated present value of future cash outflows, and other changes in the estimates of future benefits. The annuities payable represent the net present value of future cash outflows over the annuitant's life expectancy as required by the annuity agreements.

The University uses the applicable federal rate at the time of the gift as the basis for determining discount rates in recording annuity obligations at net present value for charitable gift annuities, life income funds, and charitable trusts for which the University serves as trustee. Discount rates for determining the net present value of annuities payable as of June 30, 2020 and 2019 ranged from 1.2% to 7.0%.

(h) Advances from Federal Government for Student Loans

Funds provided by the U.S. government under the Federal Perkins Loan Program (Perkins) are loaned to qualified students and may be reloaned after collections. These funds, excluding University required matching funds to Perkins, are ultimately refundable to the U.S. government and are reported as a liability.

(i) Debt – Original Issue Premium or Discount

A premium or discount (including the costs of issuance such as underwriting, bond rating, and legal) resulting from the issuance of long-term debt (typically the difference between the par amount of University Revenue Bonds and similar instruments versus the proceeds received) is amortized to interest expense over the life of the debt instrument using the interest rate method.

(j) Revenue Recognition

Tuition and Fees

Student tuition and fees are recognized as revenue during the year the related academic services are rendered. Discounts in the form of scholarships and financial aid grants, including those funded by the endowment and gifts, are reported as a reduction of tuition and fee revenue.

Student tuition and fees received in advance of services to be rendered are categorized as deferred revenue. Deferred revenue amounts for tuition prepayment plans, student deposits, and summer terms are shown in note 12(b).

Auxiliary Enterprises

Auxiliary services furnish goods and services to students, faculty, staff, and in some cases, the general public. Fee charges are directly related to the cost of goods provided or services rendered and are recognized accordingly. Revenues and expenses from auxiliary enterprises are reported as changes in net assets without donor restrictions.

Auxiliary enterprise revenues include activities for residence halls, dining services, athletics and the University bookstore. Over 95% of undergraduate students reside on campus and participate in a University provided dining plan. Student housing and dining charges are recognized as revenue during the academic year the services are rendered.

Contributions

A contribution is conditional if an agreement includes a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets exists. The presence of both a barrier and a right of return or right of release indicates that a recipient is not entitled to the contribution until it has overcome the barrier(s) in the agreement.

Unconditional contributions of cash and other assets, including contributions receivable (unconditional promises to give) are recorded as revenue based upon any donor imposed restrictions, on the date of the donor's commitment or gift. Noncash contributions are recorded at the estimated fair value at the date of the gift. Contributions receivable are recorded at the estimated present value, net of an allowance for uncollectible amounts. Contributions of assets other than cash are recorded at their estimated fair value at the date of the gift. Contributions to be received after one year are discounted at a rate commensurate with the risk involved. Amortization of the discount is recorded as additional contribution revenue and reported in accordance with donor-imposed restrictions, if any. Allowance is made for uncollectible contributions based upon management's judgement and analysis of the creditworthiness of the donor(s), past collection experience, and other relevant factors.

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Unconditional contributions restricted to the acquisition or construction of long-lived assets or subject to other time or purposed restrictions are reported as revenue with donor restriction. The donor restricted net assets resulting from these contributions are released to net assets without donor restriction when the donor imposed restrictions are met or the assets are placed in service. Contributions received for endowment investment are held in perpetuity and recorded as revenue with donor restrictions.

Grant Revenue

Grants and contracts awarded by federal and other sponsors are generally considered nonreciprocal transactions restricted by sponsors for certain purposes. Grant revenue is recognized when the conditions upon which it depends are substantially met, which primarily is when qualifying expenses or activities occur.

(k) Self-insurance

The University is primarily self-insured for healthcare fringe benefits of active employees and under age 65 retirees. Certain claims in excess of maximum amounts on a per claim and aggregate claim basis are insured under stop loss policies. The University includes a liability in accounts payable and accrued expenses for unpaid claims and an estimate for claims incurred but not reported.

(l) Tax Status

Bucknell University, recognized by the Internal Revenue Service as a not-for-profit educational institution, qualifies under Section 501(c)(3) of the Internal Revenue Code and thus is exempt from federal income tax on activities related to its exempt purpose. Bison Ventures, Inc., a wholly owned for-profit, taxable subsidiary, operates a bookstore in Lewisburg, Pennsylvania. Bucknell Real Estate, Inc., a title holding company formed for the benefit of Bucknell University, qualifies under Section 501(c)(2) of the Internal Revenue Code and thus is exempt from federal income tax on activities related to its exempt purpose.

The University records income tax liabilities and assets using a threshold of more likely than not for recognition and derecognition of tax positions taken or expected to be taken in a tax return. The University does not believe that there are any unrecognized tax benefits or costs that should be recorded in the financial statements. The University is subject to routine audits by taxing jurisdictions and provision for audit adjustments, if any, is included in the financial statements when estimable.

(m) Prior Year Comparative Information and Reclassifications

The financial statements include certain prior year comparative information summarized in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the University's audited financial statements for the year ended June 30, 2019, from which the summarized information was derived. In addition, certain reclassifications have been made to prior year amounts in order to conform to the current year presentation.

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(n) New Accounting Pronouncements

During 2019, the University adopted and retrospectively applied Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 requires the University to reclassify its net assets from three categories to two categories (net assets without donor imposed restrictions (previously reported as unrestricted net assets) and net assets with donor imposed restrictions (previously reported as temporarily restricted net assets and permanently restricted net assets). Additionally, ASU 2016-14 increases the quantitative and qualitative disclosures regarding liquidity and availability of resources, and requires expenses to be reported by both their natural and functional classification in one location.

During 2019, the University adopted ASU 2017-07, *Compensation – Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*. ASU 2017-07 requires the University to report the service cost component in the same expense line as other employee compensation costs and the remaining components are reported separately from those line items outside of operating expenses on the statement of activities.

The University adopted ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, and related amendments on July 1, 2018 using the modified retrospective method and elected to apply the standard only to contracts that were not completed as of that date. ASU 2014-09 requires an entity to recognize revenue to measure the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services, and to disclose sufficient information to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

The University adopted ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, as of July 1, 2018 and has applied the amendments of this standard on a modified prospective basis only to agreements that were not completed as of that date. ASU 2018-08 provides additional guidance to be used to determine whether a contribution is conditional and when a transaction should be accounted for as a contribution versus an exchange.

The University adopted and retrospectively applied ASU 2016-15 and 2016-18, *Statement of Cash Flows*, in fiscal year 2020. ASU 2016-15 addresses the diversity in practice around eight specific cash flow issues while ASU 2016-18 addresses the diversity in the classification and presentation of changes in restricted cash on the statement of cash flows under Topic 230, *Statement of Cash Flows*. ASU 2016-18 requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. As a result of this standard, cash held for long-term investment purposes of $15,985 and $12,675 was added to the cash flow statement as of June 30, 2020 and 2019, respectively, to reflect the application of ASU 2016-18.

In February 2016, FASB issued ASU 2016-02, *Leases (Topic 842)*, as amended, originally effective for the University in fiscal year 2020. The ASU requires lessees to report most leases as assets and liabilities on the balance sheet, while lessor accounting remains substantially unchanged. The ASU aims to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. However, in March 2020, FASB issued ASU 2020-05 which deferred the effective date of Leases to fiscal years beginning after December 15, 2019 for certain not-for-profit entities. The ASU is effective for fiscal year 2021 and the University has elected to defer implementation until that time.

(o) COVID-19 Pandemic

The outbreak of the Novel Coronavirus 2019 (COVID-19) has negatively affected global financial markets and national, state, and local economies; including higher education. While Bucknell met its Fall 2020 enrollment targets, the pandemic may have an adverse effect on the future financial and operating performance of the University. Adverse consequences of COVID-19 in the future may include, but are not limited to, impacts to enrollment including room and board revenues which are impacted by the number of students who chose the remote instructional option or defer admission; programs that involve travel or that have international connections; research; investment performance; philanthropic donations; increased financial need of students; increased expenses required for supplies and personal protective equipment; and changes in professional and general liability exposure. The University's financial performance will depend on future developments, including, for example, (i) the duration and spread of outbreaks; (ii) additional restrictions and advisories imposed or issued by federal, state, and local governments; (iii) legislation arising from circumstances related to, and actions taken in response to, the pandemic; (iv) the continued effects of the pandemic on the financial markets; and (v) the continued effects of the pandemic on the economy overall, all of which are highly uncertain and cannot be predicted. Therefore, the full impact of COVID-19 and the scope of any adverse impact on the University's finances and operations cannot be determined at this time.

(p) Subsequent Events

Management has evaluated subsequent events through October 22, 2020, the date the financial statements were issued and identified no matters requiring disclosure.

(In thousands)

(2) Receivables

(a) Accounts, Notes, and Loans Receivable

Accounts, notes, and loans receivable as of June 30 consist of the following:

		2020	2019
Accounts and other receivables:			
Students	$	147	839
Other		906	634
Less allowance for doubtful accounts		(325)	(325)
		728	1,148
Accrued grants/contracts revenue		2,223	1,944
Total	$	2,951	3,092
Loans and notes receivable:			
Student loans	$	1,751	2,113
Employee loans		361	342
Less allowance for doubtful accounts		(226)	(222)
Total	$	1,886	2,233

(b) Contributions Receivable

The net present value of contributions receivable as of June 30 is as follows:

		2020	2019
Unconditional promises expected to be collected:			
One year or less	$	15,062	16,164
Over one year to five years		28,959	19,895
Over five years		6,299	31,179
		50,320	67,238
Less allowance for uncollectible contributions		(3,458)	(5,239)
Total contributions receivable	$	46,862	61,999

Contributions receivable are recorded at estimated fair value on the date the donor's unconditional promise to contribute is made using the present value of future cash flows. Contributions receivable are not measured at fair value subsequent to the initial measurement because the discount rate selected for each contribution receivable remains constant over time.

Discount rates used to determine net present values of contributions receivable as of June 30, 2020 and 2019 ranged from 1.4% to 6.5%. The discount to present value amounted to approximately $7,873 and $4,789 at June 30, 2020 and 2019, respectively.

(In thousands)

(3) Investments and Funds Held in Trust by Others

(a) Investment Fair Value Accounting and Reporting

The following tables present fair value information at June 30, 2020 and 2019 of the University's investments and funds held in trust by others:

June 30, 2020		Level 1	Level 2	Level 3	NAV	Total
Short-term investments	$	40,256	—	—	—	40,256
Fixed income		58,402	339	—	—	58,741
Public equity		93,591	—	—	—	93,591
Commingled bond fund		—	—	—	46,663	46,663
Commingled equity		—	—	—	237,306	237,306
Alternative strategies		—	—	—	147,469	147,469
Real estate		—	—	—	42,928	42,928
Private credit		—	—	—	36,148	36,148
Private equity		—	—	7,330	187,329	194,659
Other		—	—	1,077	—	1,077
Total investments	$	192,249	339	8,407	697,843	898,838
Funds held in trust by others	$	—	—	13,902	—	13,902

June 30, 2019		Level 1	Level 2	Level 3	NAV	Total
Short-term investments	$	30,853	—	—	—	30,853
Fixed income		181,559	546	—	—	182,105
Public equity		130,548	—	—	—	130,548
Commingled equity		—	—	—	194,588	194,588
Alternative strategies		—	—	—	149,914	149,914
Real estate		—	—	—	38,578	38,578
Private credit		—	—	—	23,156	23,156
Private equity		—	—	9,877	175,248	185,125
Other		—	—	1,141	—	1,141
Total investments	$	342,960	546	11,018	581,484	936,008
Funds held in trust by others	$	—	—	14,001	—	14,001

(In thousands)

Investments reported at net asset value (NAV), as described in note 1(d), are excluded from the three-level hierarchy. The University has used an estimate of fair value of commingled equity funds and alternative investments based on the net asset value per share of the respective investment fund. These investments are redeemable, generally at each month, calendar quarter-end or anniversary date, at net asset value, under the terms of the underlying investment agreements or subscription documents. However, it is possible that these redemption rights may be restricted in the future. At June 30, 2020 and 2019, $1,438 and $5,823 respectively, of certain redeemable alternative funds were restricted from redemption due to limitation placed by the investment fund managers such as stated lock-up periods for recent investments made (usually within the last year) or due to investment funds that segregate certain underlying securities as currently nonredeemable (e.g., side pocket investments).

Private equity, real estate, and private credit investments generally are not redeemable at net asset value until the underlying partnership or limited liability corporation dissolves or the underlying investments of the vehicle are sold. The expected remaining lives for these private investments range from one to fifteen years. Most of the underlying investments in these private investments are ownership interests in closely held companies or assets and are not readily marketable. Although a secondary market may exist from time to time for private funds, individual transactions are typically not observable. When such secondary market transactions do occur, they may occur at amounts that differ from the reported net asset value. It is therefore, reasonably possible that if the University were to sell these investments in the secondary market, buyers may require a discount to the reported fair value and the discount could be significant.

The University has commitments to various limited partnerships. Outstanding commitments at June 30, 2020 and 2019 are displayed as follows:

		2020 Outstanding commitments	2019 Outstanding commitments
Real estate	$	46,269	42,474
Private credit		36,322	26,556
Private equity		131,837	98,095
	$	214,428	167,125

(In thousands)

The following tables present a reconciliation of investments in which significant unobservable inputs (Level 3) were used to determine fair value:

		Balance at June 30, 2019	Acquisitions/ purchases	Sales, redemptions, or distributions	Net appreciation (depreciation)	Balance at June 30, 2020
Investments:						
Private equity	$	9,877	—	(315)	(2,232)	7,330
Other investments		1,141	—	(64)	—	1,077
Funds held in trust by others		14,001	—	(352)	253	13,902

		Balance at June 30, 2018	Acquisitions/ purchases	Sales, redemptions, or distributions	Net appreciation (depreciation)	Balance at June 30, 2019
Investments:						
Private equity	$	13,420	—	(475)	(3,068)	9,877
Other investments		1,150	—	(9)	—	1,141
Funds held in trust by others		13,772	—	(253)	482	14,001

For fiscal years ended June 30, 2020 and 2019 there were no transfers between levels within the fair value hierarchy.

(b) *Purposes and designations*

The following is a summary of the purpose or designation of investments and funds held in trust by others:

		June 30, 2020			June 30, 2019
		Investments	Funds held in trust by others	Total	Total
Endowment	$	838,163	6,602	844,765	866,835
Split interest		22,202	7,300	29,502	32,591
Held for capital projects		31,676	—	31,676	47,680
Operations		6,797	—	6,797	2,903
Total	$	898,838	13,902	912,740	950,009

(c) *Additional Investment and Investment Income Information*

Unless precluded by donor restriction, endowment funds are pooled and collectively managed on a unitized basis. Each individual endowment fund subscribes to or disposes of units in the pool using the estimated fair value at the end of the preceding quarter such subscription or disposition occurs.

(In thousands)

Net appreciation includes unrealized and realized gains and losses on specific investment securities owned by the University as well as the University's share of net investment return on mutual funds, private funds, redeemable alternative funds, and net appreciation or depreciation of funds held in trust by others.

Investment expenses include those investment custody fees, internal and external investment advisory costs, and investment management fees incurred for services rendered for the sole benefit of the University. Investment expenses incurred directly by mutual funds and alternative investment funds that are contracted by the respective fund managers are included in the University's share of the respective fund's net investment return and are not reported separately as investment expenses by the University.

Investment income is presented in the consolidated statement of activities as follows:

		2020	2019
Endowment return available for operations	$	45,546	44,149
Endowment investment income and net appreciation		3,165	39,230
Endowment income withdrawn for operations		(45,546)	(44,149)
Net endowment income provided		(42,381)	(4,919)
Other gains – principally related to split interest agreements		17	1,792
Net investment income – nonoperating		(42,364)	(3,127)
Total investment return	$	3,182	41,022

(d) Endowment Accounting and Reporting

The University's endowment consists of individual funds established for a variety of purposes including both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. Net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

(e) Interpretation of Relevant Law Regarding Donor Endowments and Spending Policy

The Board of Trustees has interpreted Commonwealth of Pennsylvania law as requiring donor-restricted endowments, absent explicit donor stipulations to the contrary, to be managed with the long-term objective of at least maintaining the real value (after inflation) of the funds. Unless otherwise stated in the gift instruments, the assets in an endowment fund are donor-restricted until appropriated for expenditure in a manner consistent with the standard of prudence described in relevant law.

Commonwealth of Pennsylvania law permits the University to allocate to income each year a portion of endowment net realized gains based on a minimum of 2% and a maximum of 7% of a three-year or more moving average of the market value of the endowed assets. Unless the terms of a gift instrument state otherwise, accumulated endowment net realized gains may, therefore, eventually be spent over time by the University. As a result, net appreciation of donor endowments is recorded in the financial statements as net assets with donor restriction.

(In thousands)

The University's endowment spending policy allows for the spending of pooled endowment earnings determined at 4.5% of a 12-quarter moving average of the fair value of pooled assets. Should the determined spendable amount not provide for a 2.0% increment over the previous fiscal year spendable amount, the determined amount may be further adjusted to the 2.0% incremental level, but not exceeding 5.5% of the 12-quarter moving average of the fair value of pooled assets. In accordance with this policy, the rate for each of the years ended June 30, 2020 and 2019 was 5.5% of the applicable 12-quarter moving average of the fair value of pooled endowment assets.

(f) Summary of Endowment Balances and Activity by Net Asset Classification

Endowment net assets consisted of the following at June 30, 2020 and 2019:

	June 30, 2020		
	Without donor restriction	With donor restriction	Total
Donor-restricted endowments	$ —	547,606	547,606
Board-designated endowments	297,159	—	297,159
Total endowment net assets	$ 297,159	547,606	844,765

	June 30, 2019		
	Without donor restriction	With donor restriction	Total
Donor-restricted endowments	$ —	556,550	556,550
Board-designated endowments	310,285	—	310,285
Total endowment net assets	$ 310,285	556,550	866,835

	June 30	
	2020	2019
Net endowment assets with donor restriction:		
Endowments restricted by donor in perpetuity	$ 333,988	315,456
Endowments restricted by donor that permit, with restrictions, future expenditure	7,515	7,515
Accumulated investment gains on donor restricted endowments	206,103	233,579
	$ 547,606	556,550

(In thousands)

Changes in endowment net assets for the year ended June 30, 2020 are as follows:

		Without donor restriction	With donor restriction	Total
Endowment net assets June 30, 2019	$	310,285	556,550	866,835
Contributions received		87	17,835	17,922
Proceeds from expired split-interest agreements		—	1,320	1,320
Transfers		1,069	—	1,069
		1,156	19,155	20,311
Investment return		7,019	(3,854)	3,165
Endowment spending distribution		(21,301)	(24,245)	(45,546)
Endowment net assets June 30, 2020	$	297,159	547,606	844,765

Changes in endowment net assets for the year ended June 30, 2019 are as follows:

		Without donor restriction	With donor restriction	Total
Endowment net assets June 30, 2018	$	309,500	541,809	851,309
Contributions received		83	19,193	19,276
Proceeds from expired split-interest agreements		—	149	149
Transfers		1,020	—	1,020
		1,103	19,342	20,445
Investment return		20,272	18,958	39,230
Endowment spending distribution		(20,590)	(23,559)	(44,149)
Endowment net assets June 30, 2019	$	310,285	556,550	866,835

(g) Donor Endowment Funds with Fair Values Less than Contributed Value

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level of the original value of gifts donated. Deficiencies of this nature that are reported in net assets with donor restriction were $3,099 and $352 as of June 30, 2020 and 2019, respectively. Subsequent gains that restore the fair value of the assets of the endowment fund to the original value will be classified as an increase in net assets with donor restriction.

(h) Endowment Investment Return Objectives and Risk Parameters

The University 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 organizations must hold in perpetuity or for a donor-specified period, as well as board-designated funds. The long-term return objective, as approved by the Board of Trustees, is to produce an inflation-adjusted rate of return measured over rolling ten-year periods that exceeds the endowment spending policy. The University maintains a diversified asset allocation that places emphasis on generating an acceptable level of return given a prudent level of risk.

Risk may take the form of investment concentration, volatility, illiquidity, or other dimensions, and is monitored to ensure the incremental risks are appropriate for the given level of incremental returns.

To satisfy its long-term rate-of-return objectives the University 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 University targets a diversified asset allocation that is divided into four asset groups: growth, hybrid, real estate, and low-volatility assets. Growth assets (principally publically traded equity securities and mutual funds and certain private alternative investment funds) are intended to produce equity-like returns, while hybrid assets (principally redeemable alternative investment funds) are meant to produce returns that are less correlated with growth assets. Real estate assets (principally private real estate funds) are expected to provide both current income and capital appreciation. Lastly, low-volatility assets (principally fixed-income investments) should produce modest returns in most environments and provide stability for the endowment.

The ranges for these asset classes, as approved by the Board of Trustees in October 2019, are as follows:

	Range
Growth assets	50%–85%
Hybrid assets	10–50
Real estate assets	0–20
Low-volatility assets	0–20

(Continued)

(In thousands)

(4) Property and Equipment, Net

Property and equipment as of June 30 are summarized as follows:

		2020	2019
Land	$	5,326	5,326
Buildings and improvements		554,928	507,174
Equipment, furniture, and fixtures		141,561	137,849
Library books and materials		50,660	50,450
Construction in progress		23,198	42,062
		775,673	742,861
Less accumulated depreciation:			
Buildings and improvements		211,106	193,448
Equipment, furniture, and fixtures		124,844	120,411
Library books and materials		48,837	48,044
		384,787	361,903
Property and equipment, net	$	390,886	380,958

(In thousands)

(5) Long-term Debt

The table below summarizes long-term debt obligations as of June 30, 2020 and 2019:

		2020	2019
Note payable, 2.7%, final maturity 2033	$	596	634
Note payable, 3.12%, final maturity 2050		40,000	—
Total notes payable		40,596	634
Union county higher education facilities financing authority:			
Tax-exempt revenue bonds:			
Series 2002 B, variable, final maturity April 1, 2022		1,060	1,565
Series 2012 A, 4.0%-5.0%, final maturity April 1, 2042		—	26,715
Series 2013 A, 2.0%-5.0%, final maturity April 1, 2022		5,125	7,990
Series 2015 A, 2.9%, final maturity February 1, 2045		25,000	25,000
Series 2015 B, 3.0%-5.0%, final maturity April 1, 2033		21,960	21,960
Taxable revenue bonds:			
Series 2015 C, 4.9%-5.0%, final maturity April 1, 2045		50,000	50,000
Series 2020, 3.12%, final maturity April 1, 2042		29,400	—
Total University revenue bonds outstanding – principal		132,545	133,230
Total bonds and notes payable		173,141	133,864
Unamortized bond premium and issue costs, net		1,290	3,950
Total long-term debt, net	$	174,431	137,814

The original premium (discount), which includes debt issuance costs, is amortized to interest expense over the term of the bonds using the interest rate method.

(a) Bonds Payable

The University Revenue Bonds unless otherwise noted as taxable, are subject to Internal Revenue Code requirements to ensure interest paid to bondholders by the University qualifies as interest exempt from federal income tax.

In 2002, the University entered into various agreements with the Union County Higher Educational Facilities Financing Authority (Authority) that provided issuance of $7,890 University Variable Rate Revenue Bonds, Series 2002B. The Series 2002B bonds bear variable rate interest (0.01% and 1.90% at June 30, 2020 and 2019, respectively) as determined by the remarketing agent. The Series 2002B bonds are callable at any time in whole or in part by the Authority upon direction of the University. The Series 2002B bonds are remarketed weekly by the remarketing agent. The University must provide funds required to purchase tendered Series 2002B bonds should weekly remarketing proceeds be insufficient to pay the selling bondholders.

In April 2012, the University entered into various agreements with the Authority that provided for the issuance of University Revenue Bonds, Series 2012A, at a par value of $26,715. The proceeds of the bonds were used for the construction of academic and other facilities as well as improvements to existing facilities. In June 2020, the University issued the Series 2020 taxable bonds placing a portion of those proceeds, along with certain funds held by the 2012 Bond Trustee, into an irrevocable trust with an independent Escrow Agent in order to advance refund the Series 2012A bonds. The 2020 Escrow Fund is held by the Escrow Agent separate and apart from other funds of the University. The amount deposited into the escrow account was determined through an independent valuation and verification to be sufficient to pay the principal and interest of the refunded bonds when due, through and including the applicable maturity date or redemption date.

This advanced refunding released the University from all further obligations under the 2012 Loan Agreement in respect of the principal or redemption price of and interest on the Refunded Bonds. There was a nonoperating loss of $702 recorded in connection with this defeasance for the year ended June 2020. On July 1, 2020, the Escrow Agent purchased U.S. Government Obligations – State and Local Government Series (SLGS) in the amount of $29,232, returning the remaining $84 to the University, as per the escrow deposit agreement.

In April 2013, the University entered into various agreements with the Authority that provided for the issuance of $14,630 University Revenue Bonds, Series 2013A. The proceeds of the bonds were used to redeem the Series 2002A bonds. These bonds are not subject to call or early redemption.

In 2015, the University entered into various agreements with the Authority that provided issuance of the following University Revenue Bonds: Series 2015A, Series 2015B, and Series 2015C (taxable). The Series 2015 A, B, and C bonds were issued to finance the cost of student housing, academic, and other building construction and renovations.

The Series 2015A bond, issued in January 2015, was purchased by a financial institution and is callable at the purchaser’s option, at par, on February 1, 2035. In January 2020, the interest rate was modified from 2.9% to 2.55%. The original principal amount of $25,000, as well as all other terms and conditions of the original agreement, remain unchanged.

(In thousands)

In June 2020, the University entered into various agreements with the Authority that provided for the issuance of $29,400 University Revenue Bonds, Series 2020 (taxable). The proceeds of the bonds were used to advance refund the Series 2012A Bonds and pay bond issue costs. As stated above, a portion of the proceeds were placed into an irrevocable escrow account with an independent escrow agent. The Series 2020 taxable Bonds contain a provision allowing the conversion to tax-exempt bonds at an equivalent rate of 2.465% on January 15, 2022.

(b) Note Payable

In December 2009, the University entered into a loan agreement with the Borough of Lewisburg, Pennsylvania. The loan bears interest at 2.7%, requires annual debt service payments of $55, and matures in 2033.

In June 2020, the University entered into a loan agreement with a financial institution. The loan bears interest at 3.12% and matures in 2050. The proceeds are to be used to finance capital projects and for general corporate purposes.

(c) Future Principal Maturities

Principal maturities of bonds and notes payable, exclusive of net premium are as follows:

2021	$	4,399
2022		3,540
2023		4,456
2024		4,612
2025		4,783
Thereafter		151,351
	$	173,141

(d) Line of Credit

In June 2020, the University restructured its line-of-credit arrangement with a local bank increasing the amount from $20,000 to $30,000. This short-term borrowing facility is renewable annually and carries an interest rate on outstanding borrowings of the one-month London InterBank Offered Rate (approximately 0.18% at June 30, 2020 plus 1.45%). No amounts were borrowed under this facility during the years ended June 30, 2020 and 2019.

(In thousands)

(6) Composition of Net Assets

	June 30, 2020				2019
	Without donor restriction	With donor restriction: Appreciation or time	With donor restriction: Perpetual	Total	Total
Endowment funds:					
Scholarship and financial aid	$ 3,792	82,999	183,708	270,499	273,768
Instruction and academic programs	8,749	48,473	99,567	156,789	156,809
Library and related services	7	54,675	7,732	62,414	65,402
Facilities and capital improvements	10,245	11,583	6,883	28,711	29,849
Athletics	462	374	19,994	20,830	21,602
Other university activities	273,904	15,514	16,104	305,522	319,405
	297,159	213,618	333,988	844,765	866,835
Contributions receivable restricted for:					
Donor endowments	—	—	35,804	35,804	36,077
Other university purposes	—	11,058	—	11,058	25,922
	—	11,058	35,804	46,862	61,999
Split interest agreements	1,699	6,287	6,501	14,487	16,032
Other net assets	169,677	33,141	815	203,633	188,152
Total net assets	$ 468,535	264,104	377,108	1,109,747	1,133,018

(7) Defined-Contribution Retirement Plan

Retirement benefits for faculty and staff provided under the University’s defined contribution retirement program are administered by TIAA. The University’s policy is to pay its share of contributions (which is 10% of eligible salaries and wages) to the plan each month; there are no unfunded benefits. University contributions to the plan were $9,215 and $9,142 for the years ended June 30, 2020 and 2019, respectively.

(8) Postretirement Healthcare Benefits

Certain current and former employees are covered by a postretirement healthcare plan. The University accrues the cost of these postretirement benefits over the employee’s service period. Participants must have 15 years of continuous service after the later of: a) age 47 or b) date of hire to be eligible for postretirement healthcare benefits. Those benefits are limited per participant to a multiple of calendar year 2006 healthcare premiums. Furthermore, most participants retiring after September 1, 2006 are required to contribute up to 25% of retiree healthcare premiums. The percent of retiree co-payment is based on the participant’s annual salary at the time of retirement.

(In thousands)

The following table sets forth the plan's funded status and amounts recognized in the University's consolidated statement of financial position at June 30:

		2020	2019
Change in benefit obligation during the year:			
Benefit obligation at beginning of year	$	75,491	68,267
Service cost		3,659	3,442
Interest cost		2,432	2,694
Benefit payments		(2,680)	(2,958)
Actuarial gain		2,861	4,046
Benefit obligation at end of year	$	81,763	75,491
Change in plan assets during the year:			
Fair value of plan assets at beginning of year	$	—	—
Employer contributions		2,680	2,958
Benefit payments		(2,680)	(2,958)
Fair value of plan assets at end of year	$	—	—

		2020	2019
Net periodic benefit cost recognized for the year:			
Operating expense:			
Service cost	$	3,659	3,442
Nonoperating expense:			
Interest cost		2,432	2,694
Total periodic benefit costs	$	6,091	6,136
Effect of a 1% increase in medical cost trend rate:			
Change in total service cost and interest cost	$	968	967
Change in benefit obligation		8,922	8,529
Effect of a 1% decrease in medical cost trend rate:			
Change in total service cost and interest cost	$	(809)	(786)
Change in benefit obligation		(7,804)	(7,233)

(Continued)

(In thousands)

The following table sets forth the assumptions used in determining the plan's funded status and the amounts recognized in the University's financial statements at June 30:

	2020	2019
Weighted average assumptions for the year:		
Discount rate	3.29 %	4.03 %
Initial healthcare cost trend rate	6.50	7.00
Ultimate healthcare cost trend rate	5.00	5.00
Years remaining to attain ultimate healthcare trend rate	4	5
Weighted average assumptions at year end:		
Discount rate	2.39 %	3.29 %
Initial healthcare cost trend rate	6.00	6.50
Ultimate healthcare cost trend rate	5.00	5.00
Years remaining to attain ultimate healthcare trend rate	3	4
Measurement date	June 30	June 30
Mortality table	PRI-2012 White Collar Scale MP-2019	RP-2014 White Collar Scale MP-2018

Expected cash outflow information for fiscal years ending after June 30, 2020:

Year ending June 30:		
2021	$	3,149
2022		3,264
2023		3,333
2024		3,418
2025		3,655
2026–2030		22,035

(In thousands)

Additionally, the following items were recognized during the years ended June 30, 2020 and 2019 are presented in the consolidated statement of activities as nonoperating activities:

		2020	2019
Nonoperating activities include:			
Net actuarial gain during the year	$	(2,861)	(4,046)
Total nonoperating gain activities related to retiree healthcare	$	(2,861)	(4,046)

Amounts recognized in net assets without donor restriction in the consolidated statement of financial position include the following:

		June 30	
		2020	2019
Unrecognized actuarial gain (loss)	$	(3,467)	(606)

No actuarial gain or loss requires amortization during the year ending June 30, 2021.

(9) Commitment and Contingencies

The University has a contingent liability as guarantor of a portion of certain faculty and administrative employees’ mortgages and loans. The portion of these outstanding mortgages and loans that is being guaranteed by the University amounts to $882 and $1,251 and June 30, 2020 and 2019, respectively. No guaranteed mortgages were in default as of June 30, 2020 and 2019.

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

The University is obligated for certain future payments under construction and similar agreements of approximately $25,739 at June 30, 2020.

The University is party to various litigation and other claims in the ordinary course of business. It is the opinion of management, as advised by legal counsel, that these matters will not have a material effect on the financial statements of the University.

(Continued)

(In thousands)

(10) Related-Party Transactions

The President of the University and another member of the University's Board of Trustees serve on the board of directors, with the President serving as chair of that board, of a healthcare system providing certain health insurance services and other healthcare services to the University. Amounts paid to the healthcare organization and its affiliates for these services totaled $4,110 and $3,579 for the years ended June 30, 2020 and 2019, respectively.

In addition, the University and the healthcare system engage in certain programs whereby the University's faculty, staff and students, with the healthcare system's physicians and researchers, participate in academic and research endeavors consistent with the University's mission.

(11) Operating Expenses

The composition of operating expenses by natural and functional classification for June 30, 2020 and 2019 are as follows:

	Year Ended June 30, 2020						
	Programs				Institutional support		
	Academic and educational	Student services	Research and public service	Auxiliary	Administration	Fundraising	Total
Compensation and benefits	$ 90,435	24,088	2,035	7,710	18,965	7,971	151,204
Purchases services and supplies	16,887	15,529	1,322	13,189	5,382	2,036	54,345
Depreciation	9,420	4,830	—	9,270	606	407	24,533
Interest on indebtedness	1,066	267	—	3,017	698	—	5,048
Total	$ 117,808	44,714	3,357	33,186	25,651	10,414	235,130
Net periodic benefit costs reported in nonoperating activities	$ 1,487	387	—	124	305	129	2,432

	Year Ended June 30, 2019						
	Programs				Institutional support		
	Academic and educational	Student services	Research and public service	Auxiliary	Administration	Fundraising	Total
Compensation and benefits	$ 88,199	24,127	1,914	8,153	18,477	6,904	147,774
Purchases services and supplies	19,652	16,631	1,565	14,403	7,056	3,295	62,602
Depreciation	9,162	4,921	—	8,553	605	407	23,648
Interest on indebtedness	1,385	287	—	3,089	677	—	5,438
Total	$ 118,398	45,966	3,479	34,198	26,815	10,606	239,462
Net periodic benefit costs reported in nonoperating activities	$ 1,489	384	—	50	639	132	2,694

(In thousands)

(12) Revenue from Contracts with Students

(a) Net Tuition Revenue

Revenue from contracts with customers comprises revenue from students for tuition, fees, housing, and meal plans. For purposes of reporting on revenue from contracts with customers under U.S. GAAP, the University refers to customers as students. Transaction prices are based on a standard University fee schedule. In some cases transaction price for tuition is reduced by tuition discounts in the form of institutional financial aid awards that vary by student based on merit, need, or other qualifications. Revenue is recognized and presented in the consolidated financial statements net of any such tuition discounts.

The composition of net tuition revenue for June 30, 2020 and 2019 are as follows:

		2020	2019
Tuition and fees	$	209,058	199,819
Less scholarship discounts		(62,240)	(61,862)
Net tuition and fees	$	146,818	137,957
Auxiliary revenues:			
Campus housing	$	22,301	27,289
Student meal plans		7,501	9,483
Total auxiliary revenue from students	$	29,802	36,772

(b) Deferred Revenue and Student Deposits

Contract liabilities arise when payment is received in advance of the satisfaction of performance obligations. The University had contract liabilities to students, reported as deferred revenue, comprising of deposits and prepayments for future academic terms and services for which performance obligations have not yet been satisfied. The balances of contract liabilities arising from contracts with students as of June 30, 2020 and 2019 are as follows:

		2020	2019
Student deposits and prepayments	$	8,960	7,309
Student dining plans		2,829	3,361
Grants, contracts, and other		2,180	1,216
Total	$	13,969	11,886

(In thousands)

(13) Liquidity and Available Resources

The University's cash flows have seasonal variations related to the timing of tuitions billings, receipt of gifts and pledge payments, and transfers from the endowment. The University actively manages its resources to be available to fund general expenditures, such as operating expenses, interest and principal payments on debt, and internally funded capital construction as they become due. Cash and investments in excess of immediate requirements are invested in short-term investments such as interest bearing accounts, fixed income mutual funds, and US Government Treasury and Agency bills and bonds. As further described in note 5(d), the University has a line of credit in place of $30,000 (no amounts borrowed at June 30, 2020) to further supplement cash flows, if necessary. As of June 30, 2020, existing financial assets and liquidity resources available within one year were as follows:

		2020
Financial assets:		
Cash and cash equivalents	$	72,418
Accounts and other receivables, net		2,951
Investments		38,473
Total financial assets available within one year		113,842
Liquidity resources:		
Endowment payout for use over the next 12 months		47,533
Unsecured line of credit		30,000
Total financial assets and liquidity resources available within one year	$	191,375

BUCKNELL UNIVERSITY

Schedule of Expenditures of Federal Awards

Year ended June 30, 2020

Federal program	CFDA Number	Pass-Through Entity	Direct Award or Pass-Through Entity Identifying Number	Total Federal Expenditures	Passed to Subrecipients
Student Financial Aid Cluster:					
U.S. Department of Education:					
Federal Supplemental Educational Opportunity Grants	84.007	—	Direct	$ 413,589	—
Federal Work-Study Program	84.033	—	Direct	257,730	—
Federal Perkins Loan Program	84.038	—	Direct	2,113,262	—
Federal Pell Grant Program	84.063	—	Direct	1,652,515	—
Federal Direct Student Loans	84.268	—	Direct	13,943,315	—
Total Student Financial Aid Cluster				18,380,411	—
Research and Development Cluster:					
Department of Agriculture:					
Partnership Agreements	10.699	—	Direct	604	—
Department of Defense:					
Basic and Applied Scientific Research	12.300	—	Direct	13,862	—
Basic Scientific Research	12.431	SIMETRI, Inc.	W911NF-15-C-0047-P00003	228	—
Basic Scientific Research	12.431	SIMETRI, Inc.	W911NF-15-C-0084	743	—
Total CFDA 12.431				971	—
Total Department of Defense				14,833	—
Department of the Interior:					
Great Apes Conservation Fund	15.629	—	Direct	2,773	2,621
Endangered Species Conservation – Recovery Implementation Funds	15.657	Eastern Michigan University	F20AP00002	8,070	—
National Land Remote Sensing Education Outreach and Research	15.815	California University of Pennsylvania	AV18-PA-01	1,888	—
Total Department of the Interior				12,731	2,621
Department of Transportation:					
Highway Research and Development Program	20.200	Virginia Polytechnic Institute and State University	DTFH61-13-H-00024	109,912	—
National Aeronautics and Space Administration:					
National Aeronautics and Space Administration, Other	43.RD	Space Telescope Science Institute	HST-GO-14188.010-A	861	—
National Aeronautics and Space Administration, Other	43.RD	Space Telescope Science Institute	HST-GO-14686.002-A	3,994	—
National Aeronautics and Space Administration, Other	43.RD	Space Telescope Science Institute	HST-GO-15201.002-A	91,990	—
National Aeronautics and Space Administration, Other	43.RD	Space Telescope Science Institute	HST-GO-15238.005-A	30,051	—
National Aeronautics and Space Administration, Other	43.RD	Space Telescope Science Institute	HST-GO-15628.002-A	536	—
Total CFDA 43.RD				127,432	—
Science	43.001	—	Direct	49,586	—
Education	43.008	The Pennsylvania State University	NNX15AK06H	3,699	—
Total National Aeronautics and Space Administration				180,717	—

Federal program	CFDA Number	Pass-Through Entity	Direct Award or Pass-Through Entity Identifying Number	Total Federal Expenditures	Passed to Subrecipients
National Endowment for the Humanities:					
Promotion of the Humanities Fellowships and Stipends	45.160	—	Direct	$ 21,600	—
Promotion of the Humanities Research	45.161	—	Direct	24,584	13,234
Total National Endowment for the Humanities				46,184	13,234
National Science Foundation:					
Engineering	47.041	—	Direct	462,408	785
Mathematical and Physical Sciences	47.049	—	Direct	321,491	—
Mathematical and Physical Sciences	47.049	Syracuse University	DMR-1609523	19,459	—
Mathematical and Physical Sciences	47.049	Michigan State University	PHY-1565546	46,582	—
Total CFDA 47.049				387,532	—
Geosciences	47.050	—	Direct	7,623	—
Computer and Information Science and Engineering	47.070	—	Direct	56,911	—
COVID-19 – Biological Sciences	47.074	—	Direct	691	—
Biological Sciences	47.074	—	Direct	24,464	—
Biological Sciences	47.074	University of Montana	1639014	17,198	—
Total CFDA 47.074				42,353	—
Social, Behavioral, and Economic Sciences	47.075	—	Direct	16,642	—
Social, Behavioral, and Economic Sciences	47.075	The Research Foundation for The State University of New York, Albany	1904047	8,441	—
Total CFDA 47.075				25,083	—
Education and Human Resources	47.076	—	Direct	249,749	—
Total National Science Foundation				1,231,659	785
Department of Energy:					
Renewable Energy Research and Development	81.087	Duke University	DE-EE0008518	14,682	—
Department of Health and Human Services:					
Cardiovascular Diseases Research	93.837	Partners HealthCare System Inc. – Massachusetts General Hospital	5R01HL128168-05	81,766	—
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	Harvard University	5R01DK110559-04	16,526	—
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	Harvard University	5R01DK110559-05	12,077	—
Allergy, Immunology and Transplantation Research	93.855	—	Direct	10,132	—
Child Health and Human Development Extramural Research	93.865	—	Direct	62,238	—
International Research and Research Training	93.989	American Cancer Society, Inc.	5R01TW010898-08	12,950	—
Total Department of Health and Human Services				195,689	—
Total Research and Development Cluster				1,807,011	16,640

BUCKNELL UNIVERSITY

Schedule of Expenditures of Federal Awards

Year ended June 30, 2020

Federal program	CFDA Number	Pass-Through Entity	Direct Award or Pass-Through Entity Identifying Number	Total Federal Expenditures	Passed to Subrecipients
WIOA Cluster:					
Department of Labor:					
WIA/WIOA Adult Program	17.258	Central Pennsylvania Workforce Development Corporation	175-16-3032	$ (172)	—
WIA/WIOA Dislocated Worker Formula Grants	17.278	Central Pennsylvania Workforce Development Corporation	175-17-4032	5,051	—
Total WIOA Cluster				4,879	—
Other Programs:					
Department of Agriculture:					
Rural Business Development Grant	10.351	SEDA Council of Governments	DUNS 173853243	31,944	—
National Endowment for the Arts:					
Promotion of the Arts – Partnership Agreements	45.025	Mid Atlantic Arts Foundation	1855996 61 19	13,800	—
Small Business Administration:					
Small Business Development Centers	59.037	Kutztown University	SBAHQ-19-B0027	104,518	—
Small Business Development Centers	59.037	Kutztown University	SBAHQ-20-B0057	18,135	—
COVID-19 – Small Business Development Centers	59.037	Kutztown University	SBACARES20200501	2,527	—
Total CFDA 59.037				125,180	—
Total Small Business Administration				125,180	—
Department of Education:					
COVID-19 Higher Education Emergency Relief (HEERF) Act – Education Stabilization Fund	84.425E	—	Direct	973,227	—
COVID-19 Higher Education Emergency Relief (HEERF) Act – Education Stabilization Fund	84.425F	—	Direct	973,227	—
Total Other Programs				2,117,378	—
Total Expenditures of Federal Awards				$ 22,309,679	16,640

See accompanying notes to schedule of expenditures of federal awards.

BUCKNELL UNIVERSITY

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2020

(1) Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) presents the expenditures of Bucknell University's (the University) federal financial assistance programs for the year ended June 30, 2020. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule represents only a portion of the operations of the University, it is not intended to and does not present the consolidated financial position, changes in net assets, or cash flows of the University. Negative amounts on the Schedule, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

(2) Summary of Significant Accounting Policies

The Schedule is presented using the accrual basis of accounting, which is consistent with the University's consolidated financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(3) Federal Perkins Loan Program

The University administers and accounts for all aspects of the Federal Perkins Loan Program. Therefore, the University's consolidated financial statements include the program's balances and transactions. The balance of loans outstanding under the loan program at June 30, 2020 was $1,752,200. The amount presented on the Schedule is the beginning balance of the loans outstanding at July 1, 2019 plus the amount of the loans issued $0 during the fiscal year ended June 30, 2020. No administrative cost allowance was claimed for the Federal Perkins Loan Program for the year ended June 30, 2020.

(4) Federal Direct Loans

For the Federal Direct Loan Programs, the University is responsible only for the performance of certain administrative duties; therefore, the loan balances and transactions for those programs are not included in the University's consolidated financial statements. It is not practical to determine the loan balances outstanding to students under this program as of June 30, 2020.

(5) Indirect costs

The University has a federally negotiated indirect cost rate and therefore may not elect to use the de minimus 10% indirect cost rate.

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Harrisburg, PA 17108-1190

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

The Board of Trustees
Bucknell University:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the consolidated financial statements of Bucknell University and its subsidiaries (Bucknell University), which comprise the consolidated statement of financial position as of June 30, 2020, and the related consolidated statements of activities, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated October 22, 2020.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

KPMG LLP

Harrisburg, Pennsylvania
October 22, 2020

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Independent Auditors' Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

Board of Trustees
Bucknell University:

Report on Compliance for Each Major Federal Program

We have audited Bucknell University's (the University) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the University's major federal programs for the year ended June 30, 2020. The University's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the University's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the University's compliance.

Opinion on Each Major Federal Program

In our opinion, the University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control over Compliance

Management of the University is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the University's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the consolidated financial statements of the University as of and for the year ended June 30, 2020, and have issued our report thereon dated October 22, 2020, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

KPMG LLP

Harrisburg, Pennsylvania
April 29, 2021

BUCKNELL UNIVERSITY

Schedule of Findings and Questioned Costs

Year ended June 30, 2020

Section I – Summary of Auditors' Results

(a) Type of report issued on whether the consolidated financial statements were prepared in accordance with generally accepted accounting principles: **Unmodified**

(b) Internal control deficiencies over financial reporting disclosed by the audit of the consolidated financial statements:

- Material weaknesses: **No**
- Significant deficiencies: **None reported**

(c) Noncompliance material to the consolidated financial statements: **No**

(d) Internal control deficiencies over major programs disclosed by the audit:

- Material weaknesses: **No**
- Significant deficiencies: **None reported**

(e) The type of report issued on compliance for major programs: **Unmodified**

(f) Any audit findings which are required to be reported in accordance with 2 CFR 200.516(a): **No**

(g) Major programs:

- Student Financial Assistance Cluster – various CFDA numbers
- COVID-19 Higher Education Emergency Relief (HEERF) Act - Education Stabilization Fund – CFDA#84.425E, CFDA #84.425F

(h) Dollar threshold used to distinguish between Type A and Type B programs: **$750,000**

(i) Auditee qualified as a low-risk auditee: **Yes**

Section II – Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards*

None

Section III – Findings and Questioned Costs Relating to Federal Awards

None

Bucknell
UNIVERSITY

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Summary Schedule of Prior Year Audit Finding

Reference number: 2019-001

Compliance Requirement: Procurement, suspension and debarment

Contact person: Elizabeth D. Stewart, Associate Vice President, Treasurer & Controller

Condition: The University's documented procurement policies do not reflect all required elements of 2 CFR sections 200.318 through 200.326. Additionally, the University's policies require competitive bidding for equipment purchases over $5,000 but do not address purchases of other goods or services.

Status: Fully corrected. Corrective action was taken and relevant procurement policies were updated including those updates identified in 2019-001 to ensure proper processes are followed.