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# Goucher College

Financial Statements

June 30, 2022 and 2021

# Independent Auditors' Report

To the Board of Trustees of
Goucher College

We have audited the financial statements of Goucher College (the College), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the College as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the College and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

**Auditors' Responsibilities for the Audit of the Financial Statements**

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

Baker Tilly US, LLP

Philadelphia, Pennsylvania
October 24, 2022

## Goucher College

Statements of Financial Position
June 30, 2022 and 2021
(In Thousands)

| | 2022 | 2021 |
|---|---|---|
| **Assets** | | |
| Cash and cash equivalents | $ 8,189 | $ 12,240 |
| Accounts and loans receivable, net | 6,810 | 6,747 |
| Contributions receivable, net | 1,594 | 1,030 |
| Deposits with bond trustee | 2,562 | 2,546 |
| Investments | 242,185 | 258,135 |
| Split-interest agreements | 6,420 | 7,391 |
| Investment in plant assets, net | 166,210 | 171,892 |
| Other assets | 1,665 | 1,860 |
| Total assets | $ 435,635 | $ 461,841 |
| **Liabilities and Net Assets** | | |
| **Liabilities** | | |
| Accounts payable and accrued liabilities | $ 7,829 | $ 7,857 |
| Deferred revenues and deposits | 2,663 | 3,501 |
| Payables under split-interest agreements | 1,511 | 1,706 |
| Long-term debt | 100,230 | 103,030 |
| Obligation under interest rate swap agreement | 2,098 | 4,430 |
| Refundable advances from U.S. government | 949 | 1,268 |
| Other liabilities | 7,634 | 8,231 |
| Total liabilities | 122,914 | 130,023 |
| **Net Assets** | | |
| Net assets without donor restrictions | 90,680 | 95,431 |
| Net assets with donor restrictions | 222,041 | 236,387 |
| Total net assets | 312,721 | 331,818 |
| Total liabilities and net assets | $ 435,635 | $ 461,841 |

*See notes to financial statements*

## Goucher College

Statements of Activities
Years Ended June 30, 2022 and 2021
(In Thousands)

| | 2022 | | | 2021 | | |
|---|---|---|---|---|---|---|
| | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | With Donor Restrictions | Total |
| **Revenues, Gains and Support** | | | | | | |
| Tuition and fees, net of student aid of $33,556 in 2022 and $30,346 in 2021 | $ 23,566 | $ - | $ 23,566 | $ 27,675 | $ - | $ 27,675 |
| Government appropriations | 9,761 | 1,000 | 10,761 | 12,380 | 1,000 | 13,380 |
| Contributions | 4,498 | 4,028 | 8,526 | 6,095 | 3,954 | 10,049 |
| Auxiliary enterprises | 13,566 | - | 13,566 | 1,583 | - | 1,583 |
| Other sources | 2,708 | 51 | 2,759 | 243 | 3 | 246 |
| Endowment assets appropriated for expenditures | 10,607 | 1,341 | 11,948 | 10,817 | 1,160 | 11,977 |
| Net assets released from restrictions | 1,921 | (1,921) | - | 1,186 | (1,186) | - |
| Total revenues, gains and support | 66,627 | 4,499 | 71,126 | 59,979 | 4,931 | 64,910 |
| **Expenses** | | | | | | |
| Salaries, wages and fringe benefits | 34,578 | - | 34,578 | 31,851 | - | 31,851 |
| Depreciation | 8,604 | - | 8,604 | 8,896 | - | 8,896 |
| Utilities, plant and equipment expenses | 2,747 | - | 2,747 | 2,338 | - | 2,338 |
| Food service expenses | 3,854 | - | 3,854 | 1,217 | - | 1,217 |
| Interest expense on long-term debt | 4,106 | - | 4,106 | 3,841 | - | 3,841 |
| Student wages and awards | 3,295 | - | 3,295 | 1,446 | - | 1,446 |
| Outside services and independent contractors | 5,037 | - | 5,037 | 3,434 | - | 3,434 |
| Student and faculty travel | 969 | - | 969 | 38 | - | 38 |
| Supplies and other | 6,997 | - | 6,997 | 5,010 | - | 5,010 |
| Total expenses | 70,187 | - | 70,187 | 58,071 | - | 58,071 |
| Revenues, gains and support over (under) expenses | (3,560) | 4,499 | 939 | 1,908 | 4,931 | 6,839 |
| **Other** | | | | | | |
| Change in fair value of interest rate swap agreement | 2,332 | - | 2,332 | 1,635 | - | 1,635 |
| Net realized and unrealized gains (losses) on investments, net of amounts appropriated for expenditures | (3,523) | (18,845) | (22,368) | 8,024 | 55,719 | 63,743 |
| Net assets released from restrictions for investment in plant assets | - | - | - | 1,401 | (1,401) | - |
| Increase (decrease) in net assets | (4,751) | (14,346) | (19,097) | 12,968 | 59,249 | 72,217 |
| **Net Assets, Beginning** | 95,431 | 236,387 | 331,818 | 82,463 | 177,138 | 259,601 |
| **Net Assets, Ending** | $ 90,680 | $ 222,041 | $ 312,721 | $ 95,431 | $ 236,387 | $ 331,818 |

*See notes to financial statements*

## Goucher College

Statements of Functional Expenses
Years Ended June 30, 2022 and 2021
(In Thousands)

| | Instruction and Departmental Research | General Administration | Student Services | Library | Auxiliary Enterprises | Physical Plant | Total 2022 |
|---|---|---|---|---|---|---|---|
| Salaries, wages and fringe benefits | $ 16,886 | $ 7,837 | $ 5,126 | $ 644 | $ 1,063 | $ 3,022 | $ 34,578 |
| Depreciation | - | - | - | - | - | 8,604 | 8,604 |
| Utilities, plant and equipment expenses | 311 | 319 | 117 | 4 | 200 | 1,796 | 2,747 |
| Food service expenses | - | - | - | - | 3,854 | - | 3,854 |
| Interest expense on long-term debt | - | - | - | - | - | 4,106 | 4,106 |
| Student wages and awards | 473 | 46 | 2,279 | 100 | 396 | 1 | 3,295 |
| Outside services and independent contractors | 562 | 1,761 | 2,099 | 111 | 125 | 379 | 5,037 |
| Student and faculty travel | 514 | 79 | 365 | 7 | 4 | - | 969 |
| Supplies and other | 1,169 | 2,809 | 1,193 | 492 | 396 | 938 | 6,997 |
| Plant allocation | 5,423 | 832 | 1,084 | 1,332 | 10,175 | (18,846) | - |
| Total expenses | $ 25,338 | $ 13,683 | $ 12,263 | $ 2,690 | $ 16,213 | $ - | $ 70,187 |

| | Instruction and Departmental Research | General Administration | Student Services | Library | Auxiliary Enterprises | Physical Plant | Total 2021 |
|---|---|---|---|---|---|---|---|
| Salaries, wages and fringe benefits | $ 16,283 | $ 6,352 | $ 4,894 | $ 708 | $ 1,051 | $ 2,563 | $ 31,851 |
| Depreciation | - | - | - | - | - | 8,896 | 8,896 |
| Utilities, plant and equipment expenses | 312 | 153 | 77 | 31 | 120 | 1,645 | 2,338 |
| Food service expenses | - | - | - | - | 1,217 | - | 1,217 |
| Interest expense on long-term debt | - | - | - | - | - | 3,841 | 3,841 |
| Student wages and awards | 425 | 21 | 882 | 38 | 79 | 1 | 1,446 |
| Outside services and independent contractors | 447 | 1,352 | 1,281 | 100 | 156 | 98 | 3,434 |
| Student and faculty travel | - | 2 | 34 | - | 2 | - | 38 |
| Supplies and other | 757 | 2,377 | 447 | 469 | 241 | 719 | 5,010 |
| Plant allocation | 5,112 | 784 | 1,021 | 1,256 | 9,590 | (17,763) | - |
| Total expenses | $ 23,336 | $ 11,041 | $ 8,636 | $ 2,602 | $ 12,456 | $ - | $ 58,071 |

*See notes to financial statements*

## Goucher College

Statements of Cash Flows
Years Ended June 30, 2022 and 2021
(In Thousands)

| | 2022 | 2021 |
|---|---|---|
| **Cash Flows From Operating Activities** | | |
| Tuition and auxiliary enterprises receipts | $ 36,401 | $ 27,104 |
| Government appropriations | 13,984 | 9,800 |
| Contributions received for operating purposes | 4,497 | 6,575 |
| Investment income | 208 | 208 |
| Other sources | 226 | 675 |
| Payments to employees and suppliers | (57,927) | (43,838) |
| Interest paid | (4,293) | (4,012) |
| Net cash used in operating activities | (6,904) | (3,488) |
| **Cash Flows From Investing Activities** | | |
| Purchases of investments | (40,686) | (29,550) |
| Proceeds from sales and maturities of investments | 46,656 | 41,058 |
| Purchases of property and equipment | (2,804) | (1,492) |
| Student loan principal payments | 134 | 280 |
| Proceeds from termination of split-interest agreements | 266 | 45 |
| Net cash provided by investing activities | 3,566 | 10,341 |
| **Cash Flows From Financing Activities** | | |
| Proceeds from contributions restricted for long-term investment | 2,260 | 3,215 |
| Payments of bond principal | (2,636) | (2,197) |
| Payments for bond issuance costs | (2) | - |
| Repayment of refundable government loans | (298) | (257) |
| (Decrease) increase in refundable advances from U.S. government | (21) | 37 |
| Net cash (used in) provided by financing activities | (697) | 798 |
| Net (decrease) increase in cash and cash equivalents | (4,035) | 7,651 |
| **Cash and Cash Equivalents, Beginning** | 14,786 | 7,135 |
| **Cash and Cash Equivalents, Ending** | $ 10,751 | $ 14,786 |
| **Supplemental Noncash Disclosure** | | |
| Accounts payable and other liabilities relating to property and equipment purchases | $ 127 | $ 9 |
| **Reconciliation of Cash and Cash Equivalents, Ending** | | |
| Cash and cash equivalents | $ 8,189 | $ 12,240 |
| Deposits with bond trustee | 2,562 | 2,546 |
| Total cash and cash equivalents | $ 10,751 | $ 14,786 |

*See notes to financial statements*

## 1. College and Summary of Significant Accounting Policies

### (a) General

Goucher College (Goucher or the College) is a private, nonprofit, liberal arts institution of higher education located in Towson, Maryland. The College provides education and training services to approximately 2,300 students, primarily at the undergraduate level. The majority of full time students live on campus during the academic year. The College is governed by a Board of Trustees (the Board) assembled from a diverse community of volunteers with experience in finance, business management, government and education.

### (b) Basis of Presentation

Net assets, revenues and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the College are classified and reported as follows:

**Without Donor Restriction** - Net assets not subject to donor-imposed restrictions. Contributions includes gifts without restrictions, including those designated by the Board to function as endowment and restricted gifts whose donor-imposed restrictions were met during the fiscal year.

**With Donor Restriction** - Net assets subject to donor-imposed restrictions that will be met either by actions of the College and/or the passage of time. Included in this net asset category are gifts for which donor-imposed restrictions have not been met in the year of receipt, including gifts for buildings and equipment not yet placed into service; split-interest receivables; pledges; and investment returns of donor-restricted endowment funds.

Also included in this category are net assets subject to donor-imposed restrictions that they be maintained permanently by the College, including gifts and pledges wherein donors stipulate that the corpus of the gift be held in perpetuity (primarily gifts for endowment and providing loans to students) and that only the income be made available for operations. Other items in this net asset category include split-interest receivables for which the ultimate purpose of the proceeds is permanently restricted.

Revenues are reported as increases in net assets without donor restrictions unless the use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments are reported as increases or decreases in net assets without donor restrictions 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 restrictions to net assets without donor restrictions. Contributions with restrictions met in the same reporting period are recorded in the net assets without donor restriction class. Restrictions on gifts to acquire long-lived assets are considered met in the period in which the assets are placed in service. Clarifications of donor intentions are presented as reclassifications between the applicable classes of net assets in the year known.

The College presents the change in the fair value of the interest rate swap agreement, realized and unrealized gains or losses on investments of the endowment (net of amounts appropriated for expenditure), and the amounts released from restrictions for investment in plant assets in the other category on the statements of activities.

**(c) 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 judgments that affect the reported amounts of assets, liabilities and disclosures of contingencies at the date of the financial statements and revenues and expenses recognized during the reporting period. Significant items subject to such estimates and judgments include actuarial assumptions related to annuities, fair values of investments, interest rate swap valuation and valuation allowances for receivables. Actual results could differ from those estimates.

**(d) Cash and Cash Equivalents**

Cash includes all cash and highly liquid financial instruments with original maturities of three months or less, except for those held for long-term investment. Certain cash held by the College is restricted for the Federal Perkins Loan Fund.

**(e) Accounts and Loans Receivable**

Accounts and loans receivable consist primarily of interest-bearing loans due under the Perkins Loan program, student accounts receivable and grants receivable from the federal, state and local government programs. Management determines the allowance for doubtful accounts receivable based on historical collection rates, an assessment of economic conditions and a review of subsequent collections. Accounts and loans receivable are written off when deemed uncollectible.

**(f) Contributions**

Contributions received, including unconditional promises to give, are recognized as revenues in the appropriate category of net assets in the period received. Unconditional promises to give are recognized initially at fair value giving consideration to anticipated future cash receipts and discounting such amounts at a risk-adjusted rate. Amortization of the discount is recorded as contributions revenue. Conditional promises to give are not recognized until the conditions on which they depend are substantially met.

Allowance is made for uncollectible contributions based upon management's judgment and analysis of the creditworthiness of the donors, past collection experience and other relevant factors.

**(g) Deposits With Bond Trustee**

Deposits with bond trustee consist of debt service funds. These funds are invested primarily in short-term, highly liquid securities and will be used for payment of debt service.

**(h) Investments**

Investments are stated at fair value, which is generally determined based on quoted or published market prices. Investments in certain common collective trust funds, limited partnership interests and hedge funds (collectively, alternative investments) are stated at estimated fair value based upon the funds' net asset value (NAV) or their equivalents as a practical expedient, unless it is probable that all or a portion of the investment will be sold for an amount different from NAV. As of June 30, 2022 and 2021, the College had no plans or intentions to sell investments at amounts different from NAV. The estimated fair values are reported by the general partners or fund managers and are reviewed and evaluated by the College. These estimated fair values may differ from the values that would have been used had a ready market existed for these investments and the differences could be significant. Investment transactions are accounted for on a trade date basis. Realized gains and losses on sales of securities are determined using the average cost method.

Investments are exposed to certain risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities, changes in the value of investment securities could occur in the near term and these changes could materially affect the amounts reported in the accompanying financial statements.

(In Thousands)

### (i) Split-Interest Agreements

Split-interest agreements consist of irrevocable charitable remainder trusts and perpetual trusts held by others. At the dates these trusts are established, split-interest agreements and contributions revenue is recognized at the present value of the estimated future benefits to be received. The split-interest agreements are adjusted during the term of the trusts for changes in the value of assets and other changes in the estimates of future benefits, and such changes are recognized as net realized and unrealized gains on investments in the statements of activities.

The College is also trustee of certain assets under split-interest agreements, which provide for payments to the donors or their beneficiaries of income earned on related investments or specified annuity amounts. Assets held under these agreements are included in investments. Contributions revenue is recognized at the dates of the agreements, after providing for the present value of future annuity payments. The change in value of split-interest agreements is included in net realized and unrealized gains (losses) on investments in the statements of activities.

As of June 30, 2022, the College had $1,386,000 of gift annuity liabilities recorded in payables under split-interest agreements and $1,809,000 of corresponding investments that have been separately invested, as required by the State of Maryland. As of June 30, 2021, the College had $1,543,000 of gift annuity liabilities recorded in payables under split-interest agreements and $2,421,000 of corresponding investments that have been separately invested, as required by the State of Maryland.

### (j) Investment in Plant Assets

Investment in plant assets is stated at cost if purchased or at estimated fair value at the date of gift, if donated. Depreciation of the College's plant assets is computed using the straight-line method over 40 years for buildings; 20 years for land and building improvements; and 5 to 20 years for computer equipment, furniture, other equipment and library books. Repairs and maintenance costs are expensed as incurred.

### (k) Tuition, Student Financial Aid Programs and Auxiliary Revenues

Tuition and fees, net of student aid, and auxiliary revenues are summarized as follows as of June 30, 2022 and 2021.

| | 2022 | | | |
|---|---|---|---|---|
| | Undergraduate | Graduate | Other | Total |
| Tuition and fees, net of student aid | $ 17,868 | $ 5,698 | $ - | $ 23,566 |
| Auxiliary enterprises | 12,861 | 43 | 662 | 13,566 |

| | 2021 | | | |
|---|---|---|---|---|
| | Undergraduate | Graduate | Other | Total |
| Tuition and fees, net of student aid | $ 20,582 | $ 7,093 | $ - | $ 27,675 |
| Auxiliary enterprises | 1,204 | 2 | 377 | 1,583 |

Tuition revenue is recognized in the fiscal year in which the academic programs are delivered, i.e. when the performance obligation is satisfied. Room and board and other ancillary services revenue are recognized when the related service is performed. In addition, withdrawals that occur during the first five weeks of the undergraduate academic term or through 60% of the graduate term may receive a full or partial refund in accordance with the College's refund policy. Historically, refunds have been approximately 0.5% of the total amount billed.

Payments for tuition are due approximately three weeks prior to the start of the academic term, although the College has agreements with several local county school systems which allows for payment for their employees' graduate tuition at the completion of the term. Generally, the College's performance obligations are satisfied equally over the academic term. The College applies the practical expedient as allowed for within the accounting standards, and therefore, does not disclose information about remaining performance obligations that have original expected durations of one year or less. All remaining performance obligations will be satisfied in connection with the completion of the fiscal 21-22 academic year. The College determines the transaction price based on standard charges for goods and services provided approved by the Board reduced by discounts provided relating to institutional scholarships in accordance with the College's policies. Cash payments received in advance of services are deferred.

Summer graduate tuition revenue has been prorated equitably over the related term. Tuition revenue includes revenue related to approximately four weeks of classes that elapsed as of June 30, 2022. The remainder has been included in deferred revenues. Deferred revenues also include payments received for tuition or room and board prior to the start of the fall academic term (see Note 8).

The College provides financial aid to eligible students, generally in a "package" that includes loans, compensation under work-study programs and/or grant and scholarship awards. The loans are provided primarily through programs of the United States government (including direct and guaranteed loan programs) under which the College is responsible only for certain administrative duties. The grants and scholarships include awards provided through gifts and grants from private donors or from income earned on endowment funds restricted for student aid, as well as general funds scholarship awards. Grant and scholarship awards are netted against tuition and fees revenue.

Funds provided by the United States government under the Federal Perkins Loan Program are loaned to qualified students and may be reloaned after collection. Such funds are ultimately refundable to the government. The Extension Act amended Section 461 of the Higher Education Act to end the College's authority to make new Perkins Loans after June 30, 2018. The College is not required to assign the outstanding Perkins Loans to the Department of Education (DOE) or liquidate their Perkins Loan Revolving Funds due to the wind-down of the Perkins Loan Program, however, the College may choose to liquidate at any time in the future. As of June 30, 2022, the College continues to service the Perkins Loan Program. Approximately 14% and 17% of tuition and room and board revenues in 2022 and 2021 were funded by federal student financial aid programs (including loan, grant and work-study programs).

**(l) Title IV Requirements**

The College participates in student financial assistance programs (Title IV) administered by the United States DOE for the payment of student tuition. Substantial portions of the University's revenue are dependent upon the continued participation in the Title IV programs.

Institutions participating in Title IV programs are required to demonstrate financial responsibility. Financial responsibility is determined through the calculation of a composite score based upon certain financial ratios as defined in regulations. Institutions receiving a composite score of 1.5 or greater are considered fully financially responsible. Institutions receiving a composite score between 1.0 and 1.4 are subject to additional monitoring and institutions receiving a score below 1.0 are required to submit financial guarantees in order to continue participation. The College's composite score exceeded 1.5 in 2022 and 2021.

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

Pre-implementation land, buildings and equipment totaled $158,001,000 at June 30, 2022. Post-implementation land, buildings and equipment without outstanding debt for original purchase totaled $2,655,000, at June 30, 2022.

Included in contributions receivable, net is $170,000 of unsecured related-party receivables from Board members.

Included in other liabilities, post-implementation finance lease liability totaled $493,000 and pre-implementation finance lease liability totaled $186,000 at June 30, 2022.

**(m) Tax Status**

The College is qualified as a not-for-profit organization under Section 501(c)(3) of the Internal Revenue Code, as amended. Accordingly, the College is not subject to income taxes except to the extent it has taxable income from activities that are not related to its exempt purpose. No provision for income taxes was required for 2022 or 2021.

Management has analyzed the tax positions taken by the College and has concluded that as of June 30, 2022 and 2021, there are no uncertain positions taken or expected to be taken that would require recognition or disclosure in the accompanying financial statements. The College is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax period in progress.

**(n) Deferred Bond Costs and Unamortized Premium**

Costs incurred in connection with debt financing and bond premiums are deferred and are amortized over the period the obligation is outstanding using the straight-line method which approximates the effective interest rate method.

**(o) Derivative Instruments**

The College makes limited use of an interest rate swap agreement to manage interest rate risk associated with variable rate debt. Under the interest rate swap agreement, the College and the counterparty agree to exchange the difference between fixed rate and variable rate interest amounts calculated by reference to specified notional principal amounts during the agreement period. Notional principal amounts are used to express the volume of these transactions, but the cash requirements and amounts subject to credit risk are substantially less. Amounts receivable or payable under the swap agreement are accounted for as adjustments to interest expense on the related debt. The fair value of the swap is presented as an asset or liability on the statements of financial position. The change in the fair value of the swap is recognized in the statements of activities.

Parties to interest rate exchange agreements are subject to market risk for changes in interest rates and risk of credit loss in the event of nonperformance by the counterparty. The agreements include a cross-default provision should the counterparty commit an act of default under certain circumstances.

**(p) Financial Instruments and Credit Risk**

The College manages deposit concentration risk by placing cash and cash equivalents with financial institutions believed by management to be credit worthy. At times, amounts on deposit may exceed insured limits. To date, the College has not experienced any significant losses on these accounts. Credit risk associated with accounts receivable and contributions receivable is considered limited due to high historical collection rates and because substantial portions of the receivables are due from governmental agencies, and Board members and other donors committed to the mission of the College. Investments are made by diversified investment managers whose performance is monitored by management, the College's investment advisors and the Investment Committee of the Board. Although the fair value of investments are subject to fluctuation on a year-to-year basis, management and the Investment Committee believe the investment policies and guidelines are prudent for the long-term health of the College.

**(q) Accounting Standards Adopted in Current Year**

During 2022, the Organization adopted Accounting Standards Update No. 2020-07, *Not-for-Profit Entities (Topic 958) Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. Accounting Standards Update (ASU) No. 2020-07 improves financial reporting by providing new presentation and disclosure requirements about contributed nonfinancial assets. The adoption of ASU 2020-07 had no impact on financial statement presentation when applied retrospectively to all periods presented.

**(r) Accounting Standards Not Yet Adopted**

During March 2020, the Financial Accounting Standards Board (FASB) issued ASU No. 2020-04, *Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. ASU No. 2020-04 provides optional expedients and exceptions for applying U.S. GAAP to contracts, hedging relationships and other transactions that reference London InterBank Offered Rate (LIBOR) or another reference rate expected to be discontinued because of reference rate reform, if certain criteria are met. Entities may elect the optional expedients and exceptions included in ASU No. 2020-04 as of March 12, 2020 and through December 31, 2022. The College is currently assessing the effect that electing the optional expedients and exceptions included in ASU No. 2020-04 would have on its financial statements.

## 2. Coronavirus Disease (COVID-19) and Emergency Relief Funding

In January 2020, an outbreak of a new strain of the coronavirus disease, COVID-19, was identified. On March 5, 2020, the Governor of Maryland declared a State of Emergency and Existence of Catastrophic Health Emergency in the State of Maryland. The World Health Organization declared COVID-19 a public health emergency on March 11, 2020. On March 14, in consultation with the Governor, Maryland state departments of education and health and other public health officials, students and faculty were transitioned to remote operations. As a result of closing the majority of on campus operations in response to the Governor's order, in April and May 2020, the College issued credits to student accounts for room and board of $3,500,000. Credits issued reduce the amount of auxiliary enterprises revenue recognized in the statement of activities for the year ended June 30, 2020. The College continued to operate remotely for the majority of fiscal year 2021, and as a result had limited room and board revenue. Although the College was able to return to near normal operations in August 2021, the Board and the College's management continue to monitor the outbreak and the ongoing potential financial impact.

As a response to COVID-19, the government approved three relief packages between April 2020 and March 2021. Congress set aside approximately $76.6 billion between the Coronavirus Aid, Relief and Economic Security Act (CARES), Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA) and the American Rescue Plan Act (ARPA) to be allotted to the Educational Stabilization Fund through the Higher Education Emergency Relief Fund (HEERF).

Under CARES, the College received one grant comprised of two parts. Under the legislation, no less than 50% of the full grant was to be used for direct emergency aid to students. The remaining portion of the full grant was to be used by institutions to cover any costs associated with significant changes to the delivery of instruction due to the coronavirus. Institutions were given one calendar year from the date of award in their HEERF Grant Award Notification to complete the performance of their HEERF grant. The College was awarded approximately $1,575,000 of funding under CARES on April 24, 2020. Approximately $788,000 of the student relief portion of the grant was expended and recognized as government appropriations and student wages and awards as of 2020. Approximately $787,000 of the institutional portion of the grant was expended and recognized as government appropriations revenue and auxiliary enterprises as of June 30, 2021. As restrictions were met in the same period, these grants were reported as changes in net assets without donor restrictions.

Under CRRSAA, institutions received one grant comprised of two parts. Institutions were required to spend an equal amount on student emergency aid as they spent under CARES. The remaining portion was to be used defray expenses associated with coronavirus. Institutions were given one calendar year from the date of award in their HEERF Grant Award Notification to complete the performance of their HEERF grant. Institutions may recognize the institutional portion of the grant to the extent the grant was expended on student relief as of June 30, 2021. The College was awarded approximately $2,466,000 of funding on January 19, 2021. Approximately $20,000 and $739,000 of the student relief portion of the grant was expended and recognized as government appropriations and student wages and awards and approximately $0 and $1,678,000 of the institutional portion of the grant was expended and recognized as government appropriations, auxiliary enterprise, food service expenses, outside services and independent contractors, and supplies and other as of June 30, 2022 and 2021, respectively. As restrictions were met in the same period, these grants were reported as changes in net assets without donor restrictions.

Under ARPA, institutions received one grant comprised of two parts. Under the legislation, no less than 50% of the full grant is to be used for direct emergency aid to students. The remaining portion of the full grant is to be used to defray expenses associated with coronavirus, implement evidence-based practices to monitor and suppress coronavirus, and conduct direct outreach to financial aid applications about the opportunity to receive a financial aid adjustment due to a change in circumstance. On May 19, 2021, the College was awarded approximately $4,283,000 of HEERF under ARPA. At June 30, 2021, the College has not spent any ARPA funding. Approximately $1,913,000 of the student relief portion of the grant was expended and recognized as government appropriations and student wages and awards and approximately $1,184,000 of the institutional portion of the grant was expended and recognized as government appropriations, auxiliary enterprise, food service expenses, outside services and independent contractors, and supplies and other as of June 30, 2022.

**Employee Retention Credit**

The Employee Retention Credit (ERC), which was included as part of the CARES Act and amended by the Consolidated Appropriations Act (CAA) and the ARPA, incentivizes employers severely impacted by the COVID-19 pandemic to retain their employees when they might otherwise find it difficult to do so. The fully refundable tax credit is allowed against the employer's share of employment taxes for qualified wages paid after March 12, 2020 and before October 1, 2021. Credits in excess of the tax amounts paid by an employer are treated as overpayments and are also refunded to the employer. The ERC is calculated as a percentage of qualified wages (as defined in the CARES Act, as amended) paid by an eligible employer. The College qualified for the ERC in 2021 as it experienced a significant decline in gross receipts (defined as a 20% decline in gross receipts when compared to the same quarter in 2019). The College averaged less than 500 FTEs during 2019, therefore, it was considered a small employer during 2021. As a small employer, all of the College's otherwise qualified wages were eligible for the ERC. For 2021, the ERC equaled 70% of an employee's qualified wages up to $10,000 per employee per calendar quarter with a maximum annual credit of $28,000 for each employee.

The College accounts for this federal funding in accordance with FASB Accounting Standards Codification (ASC) 958-605 guidance for conditional contributions and, accordingly, revenues are measured and recognized when barriers are substantially met. The College claimed credits on timely filed Forms 941 and recognized revenue of $2,950,000 and $5,874,000 which are included in government grants in the statement of activities for the year ended June 30, 2022 and 2021. As of June 30, 2021, the College had an ERC receivable of $2,986,000. No receivable was recorded at June 30, 2022.

(In Thousands)

## 3. Accounts and Loans Receivable

Accounts and loans receivable, net are summarized as follows as of June 30, 2022 and 2021:

| | 2022 | 2021 |
|---|---|---|
| Loans to students | $ 839 | $ 1,002 |
| Amounts receivable from federal, state and local governments | 2,734 | 4,957 |
| Amounts receivable from students | 1,332 | 1,249 |
| Other | 2,286 | 110 |
| Total accounts and loans receivable, gross | 7,191 | 7,318 |
| Less allowance for doubtful accounts receivable | 381 | 571 |
| Total accounts and loans receivable, net | $ 6,810 | $ 6,747 |

## 4. Contributions Receivable

Contributions receivable, net are summarized as follows as of June 30, 2022 and 2021:

| | 2022 | 2021 |
|---|---|---|
| Unconditional promises expected to be collected in: | | |
| Less than one year | $ 652 | $ 860 |
| One year to five years | 947 | 372 |
| Thereafter | 257 | 23 |
| | 1,856 | 1,255 |
| Less allowance for uncollectable pledges | 130 | 204 |
| Less unamortized discount (interest rates ranging from 0.09% to 3.00%) | 132 | 21 |
| Total contributions receivable, net | $ 1,594 | $ 1,030 |

As of June 30, 2022 and 2021, 57% and 64% of contributions receivable, respectively, was due from five donors. 34% and 51%, respectively, of contributions revenue for 2022 and 2021 was received from five donors.

## 5. Fair Value Measurements

The fair value of the College's financial instruments is determined based on the amount that would be received if an asset were sold or paid to transfer a liability in an orderly transaction between market participants at the measurement date assuming the transaction occurs in the asset's principal (or most advantageous) market. Those fair value measurements maximize the use of observable inputs.

The three levels of the fair value hierarchy are as follows:

Level 1 - Unadjusted quoted or published prices for identical assets or liabilities in active markets that the College has the ability to access.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The following methods and assumptions were used to estimate the fair value of each class of financial instrument:

*Investments:* The fair value of U.S. treasury fixed income securities, equity mutual funds and certain common collective trust funds are determined using quoted or published market prices at the reporting date multiplied by the quantity on hand. The carrying amount of money market funds approximates the fair value because of the short maturity of these investments and are considered Level 1 inputs. Corporate and municipal fixed income securities are valued using matrix pricing which relies on various benchmarks to determine fair value and are considered Level 2 inputs. The fair value of the College's alternative investments are reported at the NAV reported by the fund managers or general partners, which is used as a practical expedient to estimate the fair value of the College's interest therein. These investments are not included in a level within the fair value hierarchy.

*Split-interest agreements:* The fair value is determined as the present value of future cash flows discounted at an interest rate that reflects the risks inherent in those cash flows (3.60% and 1.29% at June 30, 2022 and 2021, respectively). For remainder trusts, cash flows are based on the contractual payout rates of the agreements over a time period determined based on the current age of the annuitants and the 2012 IAR mortality tables at June 30, 2022 and 2021, respectively. These are considered Level 3 inputs as they reflect the College's own assumptions (see Note 1(i)).

*Interest rate swap:* The fair value is determined using pricing models developed based on the contractual terms of the swap (Note 9), the current LIBOR swap rate and other observable market data. The value is adjusted to reflect nonperformance risk of the counterparty or the College and uses Level 2 inputs.

(In Thousands)

The following table presents assets and liabilities, which are measured on a recurring basis at fair value, as of June 30, 2022 and 2021:

| | 2022 | | | | |
|---|---|---|---|---|---|
| | **Total** | **Level 1** | **Level 2** | **Level 3** | **NAV (1)** |
| Financial assets: | | | | | |
| Investments: | | | | | |
| Cash and short-term investments | $ 3,587 | $ 3,587 | $ - | $ - | $ - |
| Fixed income securities: | | | | | |
| U.S. Treasuries | 10,925 | 10,925 | - | - | - |
| Corporate | 11,616 | - | 11,616 | - | - |
| Municipal | 2,011 | - | 2,011 | - | - |
| Total fixed income | 24,552 | 10,925 | 13,627 | | |
| Mutual funds: | | | | | |
| Developed markets equities | 27,144 | 27,144 | - | - | - |
| Fixed income | 865 | 865 | - | - | - |
| Multi-asset | 4,922 | 4,922 | - | - | - |
| Emerging markets equities | 71 | 71 | - | - | - |
| Total mutual funds | 33,002 | 33,002 | - | - | - |
| Common collective trusts | 86,103 | 29,022 | - | - | 57,081 |
| Hedge funds | 30,037 | - | - | - | 30,037 |
| Limited partnership interests | 64,904 | - | - | - | 64,904 |
| Total investments | $ 242,185 | $ 76,536 | $ 13,627 | $ - | $ 152,022 |
| Other assets: | | | | | |
| Split-interest agreements | $ 6,420 | $ - | $ - | $ 6,420 | $ - |
| Financial liabilities: | | | | | |
| Interest rate swap | (2,098) | - | (2,098) | - | - |

(In Thousands)

| | 2021 | | | | |
|---|---|---|---|---|---|
| | **Total** | **Level 1** | **Level 2** | **Level 3** | **NAV (1)** |
| Financial assets: | | | | | |
| Investments: | | | | | |
| Cash and short-term investments | $ 521 | $ 521 | $ - | $ - | $ - |
| Fixed income securities: | | | | | |
| U.S. Treasuries | 6,499 | 6,499 | - | - | - |
| Corporate | 5,662 | - | 5,662 | - | - |
| Municipal | 1,352 | - | 1,352 | - | - |
| Total fixed income | 13,513 | 6,499 | 7,014 | - | - |
| Mutual funds: | | | | | |
| Developed markets equities | 34,617 | 34,617 | - | - | - |
| Fixed income | 12,122 | 12,122 | - | - | - |
| Multi-asset | 5,354 | 5,354 | - | - | - |
| Emerging markets equities | 97 | 97 | - | - | - |
| Total mutual funds | 52,190 | 52,190 | - | - | - |
| Common collective trusts | 108,546 | 40,274 | - | - | 68,272 |
| Hedge funds | 25,510 | - | - | - | 25,510 |
| Limited partnership interests | 57,855 | - | - | - | 57,855 |
| Total investments | $ 258,135 | $ 99,484 | $ 7,014 | $ - | $ 151,637 |
| Other assets: | | | | | |
| Split-interest agreements | $ 7,391 | $ - | $ - | $ 7,391 | $ - |
| Financial liabilities: | | | | | |
| Interest rate swap | (4,430) | - | (4,430) | - | - |

(1) These investments are measured at fair value using the NAV per share (or its equivalent) as a practical expedient and are not classified within the fair value hierarchy. The fair value amounts presented in this table are included to permit reconciliation of the fair value hierarchy table to amounts presented in the statements of financial position.

## 6. Investments and Investment Return

Investments, which are presented by investment class in Note 5, are professionally managed by outside investment organizations subject to direction and oversight by a committee of the Board. The Board has established investment policies and guidelines that cover asset allocation and performance objectives and impose various restrictions and limitations on the managers. These restrictions and limitations are specific to each asset classification and cover concentrations of market risk (at both the individual issuer and industry group levels), credit quality of fixed income and short-term investments and various other matters.

(In Thousands)

The table below summarizes investments for which NAV has been used to estimate fair value as a practical expedient, as well as the investee strategies, redemptions and unfunded commitments related to such investments at June 30, 2022 and 2021:

| | Fair Value | | Unfunded Commitments | | Redemption Frequency (if currently eligible) | Redemption Notice Period |
|---|---|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 | | |
| Common collective trust funds | $ 57,081 | $ 68,272 | N/A | N/A | Monthly | 1 - 30 days |
| Hedge funds: | | | | | | |
| Long and short | 13,291 | 11,952 | N/A | N/A | Monthly and Quarterly | 45 - 60 days |
| Absolute return | 9,349 | 9,613 | N/A | N/A | Quarterly | 65 days |
| Covered options | 2,282 | 3,945 | N/A | N/A | Monthly | 5 days |
| Carbon allowance | 5,115 | - | N/A | N/A | Quarterly | 90 days |
| Limited partnership interests: | | | | | | |
| Private equity | 1,618 | 2,123 | $ 1,472 | $ 1,651 | N/A | N/A |
| Venture capital | 54,182 | 48,122 | 10,198 | 6,535 | N/A | N/A |
| Private real estate and resources | 9,104 | 7,610 | 3,787 | 4,454 | N/A | N/A |
| Total | $ 152,022 | $ 151,637 | $ 15,457 | $ 12,640 | | |

Investment return, net of fees is included in the following sections within the statements of activities as follows:

| | 2022 | 2021 |
|---|---|---|
| Other sources | $ 10 | $ 8 |
| Endowment assets appropriated for expenditure | 11,948 | 11,977 |
| Net realized and unrealized (losses) gains on investments, net of amounts appropriated for expenditures | (22,368) | 63,743 |
| Total investment (loss) return | $ (10,410) | $ 75,728 |

Consistent with its investment policies and guidelines, the College invests in a variety of strategies with varying degrees of liquidity, including daily, monthly, quarterly and illiquid investments. As of June 30, 2022, the majority of the College's portfolio was redeemable either on a daily or monthly basis, and investments aggregating $85,540,000 were illiquid or redeemable on a quarterly basis.

## 7. Investment in Plant Assets and Leases

Investment in plant assets, net is summarized as follows as of June 30, 2022 and 2021:

| | 2022 | 2021 |
|---|---|---|
| Land and improvements | $ 14,724 | $ 14,675 |
| Buildings | 259,154 | 259,187 |
| Furniture, equipment and library books | 28,101 | 29,209 |
| Construction in progress | 4,865 | 2,436 |
| Total investment in plant assets, gross | 306,844 | 305,507 |
| Less accumulated depreciation | 140,634 | 133,615 |
| Total investment in plant assets, net | $ 166,210 | $ 171,892 |

(In Thousands)

### Leases

The College has entered into the following lease arrangements:

Finance leases: The College leases a variety of equipment and records the right-of-use asset of approximately $689,000 and $840,000 in investment in plant assets, net and lease liability of approximately and $679,000 and $833,000, net in other liabilities on the statement of financial position as of June 30, 2022 and 2021, respectively. These equipment leases have terms ranging from three to five years with expiration dates through 2026.

Short-term leases: Leases with an initial term of 12 months or less are not recorded on the statements of financial position and expenses for these leases are recognized on a straight-line basis over the lease term as an operating expense.

The College makes certain assumption and judgements in determining the discount rate, as most leases do not provide an implicit rate. The College uses their incremental borrowing rate (3%), for collateralized borrowing, based on information available at the commencement date in determining the present value of lease payments.

## 8. Deferred Revenues and Deposits

Changes in deferred revenues and deposits for the years ended June 30, 2022 and 2021 are as follows:

| | Enrollment Deposits | Summer Term Tuition and Housing | Fall Term Tuition and Housing | Conditional Contributions and Grants | Other | Total |
|---|---|---|---|---|---|---|
| Balance, June 30, 2020 | $ 68 | $ 1,188 | $ 3,785 | $ 134 | $ 189 | $ 5,364 |
| Revenue recognized | (68) | (1,188) | (3,785) | (134) | (1) | (5,176) |
| Payments or bills for future performance obligations | 80 | 1,411 | 1,617 | 167 | 38 | 3,313 |
| Balance, June 30, 2021 | 80 | 1,411 | 1,617 | 167 | 226 | 3,501 |
| Revenue recognized | (80) | (1,411) | (1,617) | (70) | (1) | (3,179) |
| Payments or bills for future performance obligations | 74 | 1,233 | 981 | 9 | 44 | 2,341 |
| Balance, June 30, 2022 | $ 74 | $ 1,233 | $ 981 | $ 106 | $ 269 | $ 2,663 |

(In Thousands)

## 9. Long-Term Debt

Long-term debt is summarized as follows as of June 30, 2022 and 2021:

| | 2022 | 2021 |
|---|---|---|
| Maryland Health and Higher Educational Facilities Authority (MHHEFA) Series 2012A Revenue Bonds | $ 17,775 | $ 18,745 |
| MHHEFA Series 2017A Revenue Bonds | 55,705 | 55,705 |
| MHHEFA Series 2017B Revenue Bonds | 23,726 | 25,392 |
| Total long-term debt, gross | 97,206 | 99,842 |
| Unamortized premium | 3,916 | 4,139 |
| Deferred bond costs | (892) | (951) |
| Total long-term debt, net | $ 100,230 | $ 103,030 |

On June 21, 2017, MHHEFA Series 2017A Revenue Bonds were issued to refinance the College's MHHEFA Series 2012B and 2012C Revenue Bonds. Series 2017A Revenue Bonds bear interest, payable semiannually, at fixed rates ranging from 3.0% to 5.0%. Serial bonds aggregating $21,335,000 are due in annual installments ranging from $2,535,000 to $4,975,000 beginning July 1, 2034 through July 1, 2038. Term bonds of $34,370,000 are due on July 1, 2044.

On June 21, 2017, the College issued MHHEFA Series 2017B Revenue Bonds to fund a portion of the cost of several residential building projects on campus. The Series 2017B Revenue Bonds bear interest, payable monthly, at a variable rate equal to 67% of one-month LIBOR plus 1.04%. Principal repayments, ranging from $124,000 to $223,000, are due monthly through June 1, 2033.

MHHEFA Series 2012A Revenue Bonds bear interest, payable semiannually, at fixed rates ranging from 2.25% to 5.00%. Serial bonds aggregating $8,975,000 are due in annual installments ranging from $600,000 to $1,280,000 beginning July 1, 2019 through July 1, 2027. Term bonds of $10,970,000 are due on July 1, 2034.

Subsequent to year-end, on August 11, 2022, MHHEFA Series 2022 Revenue Bonds of $48,854,000 were issued to refinance the College's MHHEFA Series 2012A and 2017B Revenue Bonds and an additional $8,487,000 to fund a portion of capital projects and an enterprise resource system implementation on campus. Series 2022 Revenue Bonds bear interest, payable monthly, at a variable rate equal to 83% of one-month SOFR plus 1.0%. Principal repayments, ranging from $0 to $355,000 are due monthly beginning July 1, 2024 through August 1, 2042, at which the remaining principal of $13,399,000 will be due.

On August 11, 2022, Goucher College entered into a term loan with a regional bank of $2,800,000 to reimburse itself for costs incurred to terminate the interest rate swap. This loan is interest only for 34 months at a variable rate equal to one-month SOFR plus 1.55%. The balance of $2,800,000 is due June 1, 2025.

On August 11, 2022, Goucher College entered into a line of credit agreement with a regional bank for up to $5,000,000. The College drew $4,052,000 on August 11, 2022 and repaid the full amount on August 15, 2022.

The 2017A, 2022 Revenue Bonds and loans with the regional bank are secured by a pledge of certain revenues of the College and are secured ratably and equally with its obligation under an interest rate swap agreement.

(In Thousands)

Maturities of long-term debt are as follows (based on the refinancing discussed above):

| | | |
|---|---|---|
| Years ending June 30: | | |
| 2023 | $ | - |
| 2024 | | - |
| 2025 | | 3,057 |
| 2026 | | 3,226 |
| 2027 | | 3,333 |
| Thereafter | | 87,590 |
| Total | $ | 97,206 |

No interest expense was capitalized for 2022 and 2021.

**Interest Rate Swap Agreements**

The College entered into an interest rate swap agreement with a national bank on May 19, 2017. The interest rate swap agreement is used to manage the College's interest rate risk on its variable rate debt. The agreement extends through June 1, 2033 and provides for the College to pay a fixed rate of 3.49% and receive a variable rate of 67% of the one-month LIBOR (0.71% at June 30, 2022) based on a notional amount of $23,726,000. The notional amount will decrease through June 2033. As of June 30, 2022 and 2021, the fair value of the interest rate swap agreement was a liability of $2,098,000 and $4,430,000, respectively. The interest rate swap was terminated on July 1, 2022.

Subsequent to year end, on July 1, 2022, the College entered into an interest rate swap agreement with a regional bank. The interest rate swap agreement is used to manage the College's interest rate risk on its variable rate debt. The agreement is effective beginning September 1, 2022 and extends through 2042 and provides for the College to pay a fixed rate of 2.357% and receive a variable rate of 83% of one-month SOFR, based on an initial notional amount of $52,227,000. The notional amount will decrease through 2042.

## 10. Retirement Plans

Retirement benefits are provided for eligible faculty and administrative employees by a contributory purchase plan, offering the opportunity for investment in a variety of annuity contracts and mutual funds. All participants have a fully vested interest in the contributions made by them or on their behalf, and the College has no obligation under the plan other than its monthly contributions.

The College also has a contributory defined contribution plan for all eligible employees not covered by the benefit plan described above. All participants are immediately vested in their contributions. Participants are not vested in employer matching contributions and the related earnings until three years of service have been completed.

The College's contributions to both plans were $840,000 in 2022 and $135,000 in 2021.

The College also maintains a deferred compensation plan for certain executives.

(In Thousands)

## 11. Net Assets

Net assets without donor restrictions consist of the following as of June 30, 2022 and 2021:

| | 2022 | 2021 |
|---|---|---|
| Without donor restrictions: | | |
| Undesignated | $ 52,964 | $ 57,112 |
| Funds designated as endowment | 37,716 | 38,319 |
| Total | $ 90,680 | $ 95,431 |

Net assets with donor restrictions consist of the following as of June 30, 2022 and 2021:

| | 2022 | 2021 |
|---|---|---|
| With donor restrictions: | | |
| Endowment | $ 205,595 | $ 221,022 |
| Split-interest agreements | 4,332 | 4,941 |
| Capital projects | 3,849 | 3,006 |
| Contributions and income designated for specific purposes | 6,905 | 6,061 |
| Student loan funds | 1,360 | 1,357 |
| Total | $ 222,041 | $ 236,387 |

## 12. Endowment

The College's endowment consists of approximately 700 individual funds established for a variety of purposes, including both donor-restricted endowment funds, including externally managed perpetual trusts and funds designated by the Board to function as endowments. Net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as allowing, subject to individual donor intent as expressed in a gift instrument, the Board to appropriate for expenditure or accumulate as much of an endowment fund as it determines is prudent for the uses, benefits, purposes and duration for which the fund is established. The College classifies endowment net assets with donor restrictions into two categories: historic cost and accumulated gains (losses). The historic cost category includes (a) an amount equal to the historic dollar value of all donor-restricted endowment funds, (b) the original value of subsequent gifts to a donor-restricted endowment fund and (c) accumulations to the donor-restricted endowment made in accordance with the directions of the applicable donor gift instrument at the time the accumulation is added to the fund. Accumulated gains (losses) include the change in value from historic cost net of amounts appropriated for expenditure by the Board. In accordance with UPMIFA, the College considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: the duration and preservation of the fund; the purposes of the College and the donor-restricted endowment fund; general economic conditions; the possible effect of inflation and deflation; the expected total return from income and the appreciation of investment; the other resources of the College; and the investment policies of the College.

(In Thousands)

Endowment net assets consist of the following as of June 30, 2022 and 2021:

| | 2022 | | | | |
|---|---|---|---|---|---|
| | | With Donor Restrictions | | | |
| | Without Donor Restrictions | Historical Cost | Accumulated Gains (Losses) | Total | Total Endowment 2022 |
| Board-designated net assets | $ 37,716 | $ - | $ - | $ - | $ 37,716 |
| Donor-restricted net assets: | | | | | |
| Funds with deficiencies | - | 2,613 | (116) | 2,497 | 2,497 |
| Perpetual trusts managed by others | - | 2,406 | - | 2,406 | 2,406 |
| Other funds | - | 90,887 | 109,805 | 200,692 | 200,692 |
| Total endowment net assets | $ 37,716 | $ 95,906 | $ 109,689 | $ 205,595 | $ 243,311 |

| | 2021 | | | | |
|---|---|---|---|---|---|
| | | With Donor Restrictions | | | |
| | Without Donor Restrictions | Historical Cost | Accumulated Gains (Losses) | Total | Total Endowment 2021 |
| Board-designated net assets | $ 38,319 | $ - | $ - | $ - | $ 38,319 |
| Donor-restricted net assets: | | | | | |
| Funds with deficiencies | - | - | - | - | - |
| Perpetual trusts managed by others | - | 2,941 | - | 2,941 | 2,941 |
| Other funds | - | 90,518 | 127,563 | 218,081 | 218,081 |
| Total endowment net assets | $ 38,319 | $ 93,459 | $ 127,563 | $ 221,022 | $ 259,341 |

Changes in endowment net assets for the years ended June 30, 2022 and 2021 are as follows:

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|
| Endowment net assets, June 30, 2020 | $ 28,472 | $ 162,906 | $ 191,378 |
| Investment return, net | 10,883 | 63,064 | 73,947 |
| Contributions collected | 1,000 | 4,993 | 5,993 |
| Appropriation of endowment assets for expenditure | (2,036) | (9,941) | (11,977) |
| Endowment net assets, June 30, 2021 | 38,319 | 221,022 | 259,341 |
| Investment return, net | (1,295) | (8,464) | (9,759) |
| Contributions collected | 1,000 | 2,832 | 3,832 |
| Appropriation of endowment assets for expenditure | (2,008) | (9,940) | (11,948) |
| Transfers | 1,700 | 145 | 1,845 |
| Endowment net assets, June 30, 2022 | $ 37,716 | $ 205,595 | $ 243,311 |

From time to time, certain donor-restricted endowment funds may have fair value less than the amount required to be maintained by donors or by law. At June 30, 2022, there were 9 funds with deficiencies with an original cost of $2,613,000 and current market value of $2,497,000. At June 30, 2021, there were no funds with deficiencies. The Board prohibits spending from individual endowment funds with market values below 90% of the historic cost.

The College 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. Under this policy, as approved by the Board, the endowment assets are invested in a manner that is intended to earn a 5% average annual compounded total return in excess of inflation, as measured by the Consumer Price Index (CPI), over a long-term time horizon of at least ten years. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate-of-return objectives, the College 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 College targets a diversified asset allocation that places emphasis on investments in equities, bonds and absolute return strategies in a ratio to achieve its long-term return objectives within prudent risk constraints.

As a general rule, the Board believes that a long-term spending rate of 5% of the College's endowment is appropriate. The actual spending rate in any given year may vary from the 5% target rate established by the Board depending on the financial needs of the College. The Board prohibits spending from individual endowment funds with market values below 90% of historic dollar value. In establishing these policies, the College considered the expected return on its endowment.

Accordingly, the College anticipates the current spending policy to allow its endowment to maintain its real value by appreciating through investment returns at a rate equal to planned payouts. Additional spending capacity will be provided through new gifts and any excess investment return.

## 13. Functional Expenses

Costs related to the operation and maintenance of physical plant, including depreciation of plant assets and interest on related debt, are allocated to program and supporting activities based upon square footage and usage of facilities. Fringe benefit expenses, including payroll taxes, the employer cost of health insurance and retirement contributions, are allocated to program and supporting activities based on salary costs by type of employee class directly charged to those programs. Certain costs related to the administration and maintenance of the centralized information technology and telecommunications networks, such as salaries, maintenance contracts and telecom agreements, are allocated half to the general administration category and a quarter to both the instruction and departmental research and auxiliary enterprises categories. Total fundraising expenses, which are included in the general administration category, were approximately $2,480,000 and $2,020,000 in 2022 and 2021, respectively.

## 14. Commitments and Contingencies

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

The College is a party to various litigation and other claims in the ordinary course of business. In the opinion of management, appropriate provision has been made for possible losses and the ultimate resolution of these matters will not have a significant effect on the financial position of the College.

(In Thousands)

## 15. Liquidity and Availability

Financial assets available within one year of the statements of financial position date for general expenditure such as operating expenses and scheduled principal payments are as follows:

| | 2022 | 2021 |
|---|---|---|
| Cash and cash equivalents | $ 8,052 | $ 11,492 |
| Accounts and loans receivable, net | 2,686 | 5,120 |
| Contributions receivable, net | 194 | 612 |
| Deposits with bond trustee | 2,562 | 2,546 |
| Investments, operating | 1,204 | 3,985 |
| Investments, funds designated as endowment available for short-term operating use | 5,000 | 520 |
| Investments, endowment appropriations | 12,998 | 11,828 |
| Split-interest agreements | 121 | 122 |
| Total | $ 32,817 | $ 36,225 |

The College's endowment funds consist of donor-restricted endowments and funds designated by the Board to function as endowments. Income from donor-restricted endowments is restricted for various purposes, including general use or for activities that occur as part of the normal operations of the College. At June 30, 2022 and 2021, donor-restricted endowment funds that are available for the College's general use or activities occurring as part of the normal operations of the College and board-designated endowment funds were $205,595,000 and $221,022,000, and $37,716,000 and $38,319,000, respectively. Both types of endowments are subject to an annual spending rate as described in Note 12.

The Board appropriated $12,998,000 for use in the next fiscal year in support of operating expenses. In addition, the Board authorizes up to $5,000,000 of board-designated endowment as available for short-term borrowing in support of operating activities, if needed. Although the College does not intend to spend from the board-designated endowment or the donor-restricted endowment other than amounts appropriated as part of our Board's annual budget approval and appropriation, these amounts could be made available, if necessary.

The College's cash flows have seasonal variations during the year attributable to tuition billing, government funding of financial aid and a concentration of contributions received at calendar and fiscal year-end. The College's practice is to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition, the College invests cash in excess of daily requirements in short-term investments.

## 16. Subsequent Events

The College has evaluated subsequent events through October 24, 2022, the date that the financial statements were issued. See Note 9.