

# **Goucher College**

Financial Statements

June 30, 2021 and 2020

# Goucher College

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## Independent Auditors' Report

To the Board of Trustees of  
Goucher College

We have audited the accompanying financial statements of Goucher College (the College), which comprise the statements of financial position as June 30, 2021 and 2020, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 entity'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 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 financial statements referred to above present fairly, in all material respects, the financial position of Goucher College as of June 30, 2021 and 2020, 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.



Philadelphia, Pennsylvania  
October 20, 2021

# Goucher College

## Statements of Financial Position

June 30, 2021 and 2020

(In Thousands)

	<u>2021</u>	<u>2020</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 12,240	\$ 4,950
Accounts and loans receivable, net	6,747	3,592
Contributions receivable, net	1,030	1,052
Deposits with bond trustee	2,546	2,185
Investments	258,135	195,828
Split-interest agreements	7,391	5,591
Investment in plant assets, net	171,892	179,792
Other assets	1,860	1,288
	<u>461,841</u>	<u>394,278</u>
Total assets	<u>\$ 461,841</u>	<u>\$ 394,278</u>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable and accrued liabilities	\$ 7,857	\$ 6,545
Deferred revenues and deposits	3,501	5,364
Payables under split-interest agreements	1,706	1,773
Long-term debt	103,030	105,383
Obligation under interest rate swap agreement	4,430	6,065
Refundable advances from U.S. government	1,268	1,488
Other liabilities	8,231	8,059
	<u>130,023</u>	<u>134,677</u>
Total liabilities	<u>130,023</u>	<u>134,677</u>
<b>Net Assets</b>		
Net assets without donor restrictions	95,431	82,463
Net assets with donor restrictions	236,387	177,138
	<u>331,818</u>	<u>259,601</u>
Total net assets	<u>331,818</u>	<u>259,601</u>
Total liabilities and net assets	<u>\$ 461,841</u>	<u>\$ 394,278</u>

See notes to financial statements

**Goucher College**

## Statements of Activities

Years Ended June 30, 2021 and 2020

(In Thousands)

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenues, Gains and Support</b>						
Tuition and fees, net of student aid of \$30,346 in 2021 and \$39,073 in 2020	\$ 27,675	\$ -	\$ 27,675	\$ 26,697	\$ -	\$ 26,697
Government appropriations	12,380	1,000	13,380	4,096	231	4,327
Contributions	6,095	3,954	10,049	2,983	2,742	5,725
Auxiliary enterprises	1,583	-	1,583	13,586	-	13,586
Other sources	243	3	246	873	7	880
Endowment assets appropriated for expenditures	10,817	1,160	11,977	16,081	1,118	17,199
Net assets released from restrictions	1,186	(1,186)	-	1,534	(1,534)	-
Total revenues, gains and support	59,979	4,931	64,910	65,850	2,564	68,414
<b>Expenses</b>						
Salaries, wages and fringe benefits	31,851	-	31,851	35,521	-	35,521
Depreciation	8,896	-	8,896	10,504	-	10,504
Utilities, plant and equipment expenses	2,338	-	2,338	2,938	-	2,938
Food service expenses	1,217	-	1,217	3,643	-	3,643
Interest expense on long-term debt	3,841	-	3,841	4,295	-	4,295
Student wages and awards	1,446	-	1,446	2,411	-	2,411
Outside services and independent contractors	3,434	-	3,434	3,659	-	3,659
Student and faculty travel	38	-	38	792	-	792
Supplies and other	5,010	-	5,010	5,526	-	5,526
Total expenses	58,071	-	58,071	69,289	-	69,289
Excess of revenues, gains and support over (under) expenses	1,908	4,931	6,839	(3,439)	2,564	(875)
<b>Other</b>						
Change in fair value of interest rate swap agreement	1,635	-	1,635	(1,447)	-	(1,447)
Net realized and unrealized gains (losses) on investments, net of amounts appropriated for expenditures	8,024	55,719	63,743	(7,112)	(7,379)	(14,491)
Net assets released from restrictions for investment in plant assets	1,401	(1,401)	-	923	(923)	-
Increase (decrease) in net assets	12,968	59,249	72,217	(11,075)	(5,738)	(16,813)
<b>Net Assets, Beginning</b>	82,463	177,138	259,601	93,538	182,876	276,414
<b>Net Assets, Ending</b>	\$ 95,431	\$ 236,387	\$ 331,818	\$ 82,463	\$ 177,138	\$ 259,601

See notes to financial statements

## Goucher College

Statements of Functional Expenses  
 Years Ended June 30, 2021 and 2020  
 (In Thousands)

	<b>Instruction and Departmental Research</b>	<b>General Administration</b>	<b>Student Services</b>	<b>Library</b>	<b>Auxiliary Enterprises</b>	<b>Physical Plant</b>	<b>Total 2021</b>
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)	-
<b>Total expenses</b>	<b>\$ 23,336</b>	<b>\$ 11,041</b>	<b>\$ 8,636</b>	<b>\$ 2,602</b>	<b>\$ 12,456</b>	<b>\$ -</b>	<b>\$ 58,071</b>

	<b>Instruction and Departmental Research</b>	<b>General Administration</b>	<b>Student Services</b>	<b>Library</b>	<b>Auxiliary Enterprises</b>	<b>Physical Plant</b>	<b>Total 2020</b>
Salaries, wages and fringe benefits	\$ 18,036	\$ 6,022	\$ 6,237	\$ 718	\$ 1,084	\$ 3,424	\$ 35,521
Depreciation	-	-	-	-	-	10,504	10,504
Utilities, plant and equipment expenses	343	133	106	1	191	2,164	2,938
Food service expenses	-	-	5	-	3,638	-	3,643
Interest expense on long-term debt	-	-	-	-	-	4,295	4,295
Student wages and awards	526	133	1,249	76	418	9	2,411
Outside services and independent contractors	445	1,635	1,119	85	356	19	3,659
Student and faculty travel	403	50	335	2	2	-	792
Supplies and other	1,157	2,571	897	451	310	140	5,526
Plant allocation	5,916	906	1,182	1,453	11,098	(20,555)	-
<b>Total expenses</b>	<b>\$ 26,826</b>	<b>\$ 11,450</b>	<b>\$ 11,130</b>	<b>\$ 2,786</b>	<b>\$ 17,097</b>	<b>\$ -</b>	<b>\$ 69,289</b>

See notes to financial statements

# Goucher College

## Statements of Cash Flows

Years Ended June 30, 2021 and 2020

(In Thousands)

	<u>2021</u>	<u>2020</u>
<b>Cash Flows From Operating Activities</b>		
Tuition and auxiliary enterprises receipts	\$ 27,104	\$ 43,346
Government appropriations	9,800	4,016
Contributions received for operating purposes	6,575	4,523
Investment income	208	206
Other sources	675	1,112
Payments to employees and suppliers	(43,838)	(56,377)
Interest paid	(4,012)	(4,450)
	<u>(3,488)</u>	<u>(7,624)</u>
Net cash used in operating activities	<u>(3,488)</u>	<u>(7,624)</u>
<b>Cash Flows From Investing Activities</b>		
Purchases of investments	(29,550)	(50,934)
Proceeds from sales and maturities of investments	41,058	60,868
Purchases of property and equipment	(1,492)	(1,667)
Student loan principal payments	280	246
Proceeds from termination of split-interest agreements	45	123
	<u>10,341</u>	<u>8,636</u>
Net cash provided by investing activities	<u>10,341</u>	<u>8,636</u>
<b>Cash Flows From Financing Activities</b>		
Proceeds from contributions restricted for long-term investment	3,215	2,941
Payments of bond principal	(2,197)	(2,133)
Repayment of refundable government loans	(257)	(749)
Increase in refundable advances from U.S. government	37	3
	<u>798</u>	<u>62</u>
Net cash provided by financing activities	<u>798</u>	<u>62</u>
Net increase in cash and cash equivalents	7,651	1,074
<b>Cash and Cash Equivalents, Beginning</b>	<u>7,135</u>	<u>6,061</u>
<b>Cash and Cash Equivalents, Ending</b>	<u>\$ 14,786</u>	<u>\$ 7,135</u>
<b>Supplemental Noncash Disclosure</b>		
Accounts payable and other liabilities relating to property and equipment purchases	<u>\$ 9</u>	<u>\$ 505</u>
<b>Reconciliation of Cash and Cash Equivalents, Ending</b>		
Cash and cash equivalents	\$ 12,240	\$ 4,950
Deposits with bond trustee	<u>2,546</u>	<u>2,185</u>
Total cash and cash equivalents	<u>\$ 14,786</u>	<u>\$ 7,135</u>

See notes to financial statements

# Goucher College

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Notes to Financial Statements  
June 30, 2021 and 2020  
(In Thousands)

## 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.



# Goucher College

Notes to Financial Statements  
June 30, 2021 and 2020  
(In Thousands)

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## **(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, 2021 and 2020, 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.

# Goucher College

Notes to Financial Statements  
June 30, 2021 and 2020  
(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, 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. As of June 30, 2020, the College had \$1,629,000 of gift annuity liabilities recorded in payables under split-interest agreements and \$2,156,000 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, 2021 and 2020.

	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

  

	2020			
	Undergraduate	Graduate	Other	Total
Tuition and fees, net of student aid	\$ 21,327	\$ 5,370	\$ -	\$ 26,697
Auxiliary enterprises	12,342	47	1,197	13,586

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 percent 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 percent of the total amount billed.

# Goucher College

Notes to Financial Statements  
June 30, 2021 and 2020  
(In Thousands)

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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 20-21 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, 2021. 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, 2021, the College continues to service the Perkins Loan Program. Approximately 17 percent of tuition and room and board revenues in 2021 and 2020 were funded by federal student financial aid programs (including loan, grant and work-study programs).

## **(I) 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 2021 and 2020.

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.

## Goucher College

### Notes to Financial Statements

June 30, 2021 and 2020

(In Thousands)

Pre-implementation land, buildings and equipment totaled \$166,571,000 at June 30, 2021. Post-implementation land, buildings and equipment without outstanding debt for original purchase totaled \$2,885,000, at June 30, 2021.

Included in contributions receivable, net is \$149,000 of unsecured related-party receivables from Board members.

Included in other liabilities, post-implementation finance lease liability totaled \$833,000 at June 30, 2021.

#### **(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 2021 or 2020.

Management has analyzed the tax positions taken by the College and has concluded that as of June 30, 2021 and 2020, 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

Effective July 1, 2020, the College adopted the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842) (as amended)*. Topic 842 was issued to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements. Under the provisions of Topic 842, a lessee is required to recognize a right-of-use asset and lease liability, initially measured at the present value of the remaining lease payments, in the statement of financial position. In addition, lessees are required to provide qualitative and quantitative disclosures that enable users to understand more about the nature of the leasing activities.

The College elected the option to apply the transition requirements at the effective date of July 1, 2020, which allows the effects of initially applying Topic 842 to be recognized as a cumulative-effect adjustment to net assets without donor restrictions in the period of adoption. Consequently, the financial statements and disclosures required under Topic 842 have not been updated as of and for year ending June 30, 2020. The College also elected the package of practical expedients, which permits the College to not reassess prior conclusions about lease identification, classification and initial direct costs. In addition, the College elected the short-term lease recognition exemption for all leases that qualify under Topic 842.

The most significant effects of the adoption of Topic 842 on the College's financial statements relate to enhanced disclosures around the College's finance leases (see Note 7).

During August 2018, the FASB issued ASU No. 2018-13, *Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*. ASU No. 2018-13 modifies the disclosure requirements for fair value measurements in Topic 820, *Fair Value Measurement*. The amendments are based on concepts in the FASB's *Concepts Statement, Conceptual Framework for Financial Reporting—Chapter 8: Notes to Financial Statements*, which the Board finalized on August 28, 2018. ASU No. 2018-13 was adopted by the College in 2021 and was applied retrospectively to all periods presented (see Note 5).

## (r) Accounting Standards Not Yet Adopted

During September 2020, the FASB issued ASU No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. ASU No. 2020-07 improves financial reporting by providing new presentation and disclosure requirements about contributed nonfinancial assets, including additional disclosure requirements for recognized contributed services. ASU No. 2020-07 is effective for the College in fiscal 2023 and is to be applied on a retrospective basis. The College is currently assessing the effect that ASU No. 2020-07 will 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.

## Goucher College

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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 percent 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 \$739,000 of the student relief portion of the grant was expended and recognized as government appropriations and student wages and awards and approximately \$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, 2021. 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 percent 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, and therefore, no revenue has been recorded.

### **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 January 1, 2022. 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 percent 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 percent 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.

## Goucher College

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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 of \$5,874,000 on timely filed Forms 941 which are included in government grants in the statement of activities for the year ended June 30, 2021. As of June 30, 2021, the College had an ERC receivable of \$2,986,000.

### 3. Accounts and Loans Receivable

Accounts and loans receivable, net are summarized as follows as of June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Loans to students	\$ 1,002	\$ 1,286
Amounts receivable from federal, state and local governments	4,957	1,377
Amounts receivable from students	1,249	1,140
Other	110	178
	<hr/>	<hr/>
Total accounts and loans receivable, gross	7,318	3,981
	<hr/>	<hr/>
Less allowance for doubtful accounts receivable	571	389
	<hr/>	<hr/>
Total accounts and loans receivable, net	<u>\$ 6,747</u>	<u>\$ 3,592</u>

### 4. Contributions Receivable

Contributions receivable, net are summarized as follows as of June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Unconditional promises expected to be collected in:		
Less than one year	\$ 860	\$ 1,222
One year to five years	372	545
Thereafter	23	26
	<hr/>	<hr/>
	1,255	1,793
	<hr/>	<hr/>
Less allowance for uncollectable pledges	204	708
Less unamortized discount (interest rates ranging from 0.09% to 2.63%)	21	33
	<hr/>	<hr/>
Total contributions receivable, net	<u>\$ 1,030</u>	<u>\$ 1,052</u>

As of June 30, 2021 and 2020, 64 percent and 50 percent of contributions receivable, respectively, was due from five donors. 51 percent and 32 percent, respectively, of contributions revenue for 2021 and 2020 was received from five donors.

## Goucher College

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### 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 (1.29 percent and 0.6 percent at June 30, 2021 and 2020, 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, 2021 and 2020, 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.



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The following table presents assets and liabilities, which are measured on a recurring basis at fair value, as of June 30, 2021 and 2020:

	2021				NAV (1)
	Total	Level 1	Level 2	Level 3	
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)	-	-

## Goucher College

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	2020				
	Total	Level 1	Level 2	Level 3	NAV (1)
Financial assets:					
Investments:					
Cash and short-term investments	\$ 523	\$ 523	\$ -	\$ -	\$ -
Fixed income securities:					
U.S. Treasuries	6,451	6,451	-	-	-
Corporate	7,300	-	7,300	-	-
Municipal	1,477	-	1,477	-	-
Total fixed income	15,228	6,451	8,777	-	-
Mutual funds:					
Developed markets equities	29,008	29,008	-	-	-
Fixed income	6,865	6,865	-	-	-
Multi-asset	4,708	4,708	-	-	-
Emerging markets equities	79	79	-	-	-
Total mutual funds	40,660	40,660	-	-	-
Common collective trusts	83,950	28,908	-	-	55,042
Hedge funds	23,875	-	-	-	23,875
Limited partnership interests	31,592	-	-	-	31,592
Total investments	\$ 195,828	\$ 76,542	\$ 8,777	\$ -	\$ 110,509
Other assets:					
Split-interest agreements	\$ 5,591	\$ -	\$ -	\$ 5,591	\$ -
Financial liabilities:					
Interest rate swap	(6,065)	-	(6,065)	-	-

(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.

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### 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.

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, 2021 and 2020:

	Fair Value		Unfunded Commitments		Redemption Frequency (if currently eligible)	Redemption Notice Period
	2021	2020	2021	2020		
Common collective trust funds	\$ 68,272	\$ 55,042	N/A	N/A	Monthly	1 - 30 days
Hedge funds:						
Long and short					Monthly and Quarterly	45 days
Absolute return	11,952	11,540	N/A	N/A	Quarterly	65 days
Covered options	9,613	9,116	N/A	N/A	Monthly	5 days
Limited partnership interests:						
Private equity	3,945	3,219	N/A	N/A		
Venture capital	2,123	1,971	\$ 1,651	\$ 1,646	N/A	N/A
Private real estate and resources	48,122	24,279	6,535	11,261	N/A	N/A
	7,610	5,342	4,454	5,747	N/A	N/A
<b>Total</b>	<b>\$ 151,637</b>	<b>\$ 110,509</b>	<b>\$ 12,640</b>	<b>\$ 18,654</b>		

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

	2021	2020
Other sources	\$ 8	\$ 74
Endowment assets appropriated for expenditure	11,977	17,199
Net realized and unrealized gains (losses) on investments, net of amounts appropriated for expenditures	63,743	(14,491)
<b>Total investment return</b>	<b>\$ 75,728</b>	<b>\$ 2,782</b>

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, 2021, the majority of the College's portfolio was redeemable either on a daily or monthly basis, and investments aggregating \$73,497,000 were illiquid or redeemable on a quarterly basis.

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### 7. Investment in Plant Assets and Leases

Investment in plant assets, net is summarized as follows as of June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Land and improvements	\$ 14,675	\$ 12,675
Buildings	259,187	259,539
Furniture, equipment and library books	29,209	30,063
Construction in progress	2,436	4,087
Total investment in plant assets, gross	305,507	306,364
Less accumulated depreciation	133,615	126,572
Total investment in plant assets, net	<u>\$ 171,892</u>	<u>\$ 179,792</u>

### 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 \$840,000 in investment in plant assets, net and lease liability of approximately \$833,000, net in other liabilities on the statement of financial position. 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 (3.7 percent), 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, 2021 and 2020 are as follows:

	<u>Enrollment Deposits</u>	<u>Summer Term Tuition and Housing</u>	<u>Fall Term Tuition and Housing</u>	<u>Conditional Contributions and Grants</u>	<u>Other</u>	<u>Total</u>
Balance, June 30, 2019	\$ 121	\$ 1,107	\$ 831	\$ 136	\$ 189	\$ 2,384
Revenue recognized Payments or bills for future performance obligations	(121)	(1,107)	(831)	(136)	(189)	(2,384)
	<u>68</u>	<u>1,188</u>	<u>3,785</u>	<u>134</u>	<u>189</u>	<u>5,364</u>
Balance, June 30, 2020	68	1,188	3,785	134	189	5,364
Revenue recognized Payments or bills for future performance obligations	(68)	(1,188)	(3,785)	(134)	(1)	(5,176)
	<u>80</u>	<u>1,411</u>	<u>1,617</u>	<u>167</u>	<u>38</u>	<u>3,313</u>
Balance, June 30, 2021	<u>\$ 80</u>	<u>\$ 1,411</u>	<u>\$ 1,617</u>	<u>\$ 167</u>	<u>\$ 226</u>	<u>\$ 3,501</u>

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### 9. Long-Term Debt

Long-term debt is summarized as follows as of June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Maryland Health and Higher Educational Facilities Authority (MHHEFA) Series 2012A Revenue Bonds	\$ 18,745	\$ 19,345
MHHEFA Series 2017A Revenue Bonds	55,705	55,705
MHHEFA Series 2017B Revenue Bonds	<u>25,392</u>	<u>26,989</u>
Total long-term debt, gross	99,842	102,039
Unamortized premium	4,139	4,356
Deferred bond costs	<u>(951)</u>	<u>(1,012)</u>
Total long-term debt, net	<u>\$ 103,030</u>	<u>\$ 105,383</u>

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 percent to 5.0 percent. 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 percent of one-month LIBOR plus 1.04 percent. 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 percent to 5.00 percent. 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.

The 2012A, 2017A and 2017B Revenue Bonds 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.

Maturities of long-term debt are as follows:

Years ending June 30:	
2022	\$ 2,636
2023	2,739
2024	2,857
2025	2,987
2026	3,128
Thereafter	<u>85,495</u>
Total	<u>\$ 99,842</u>

No interest expense was capitalized for 2021 and 2020.

# Goucher College

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### Interest Rate Swap Agreement

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 percent and receive a variable rate of 67 percent of the one-month LIBOR (0.06 percent at June 30, 2021) based on a notional amount of \$25,392,000. The notional amount will decrease through June 2033. As of June 30, 2021 and 2020, the fair value of the interest rate swap agreement was a liability of \$4,430,000 and \$6,065,000, respectively.

### 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 \$135,000 in 2021 and \$918,000 in 2020.

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

### 11. Net Assets

Net assets without donor restrictions consist of the following as of June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Without donor restrictions:		
Undesignated	\$ 57,112	\$ 53,991
Funds designated as endowment	38,319	28,472
Total	<u>\$ 95,431</u>	<u>\$ 82,463</u>

Net assets with donor restrictions consist of the following as of June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
With donor restrictions:		
Endowment	\$ 221,022	\$ 162,906
Split-interest agreements	4,941	3,402
Capital projects	3,006	4,975
Contributions and income designated for specific purposes	6,061	4,484
Student loan funds	1,357	1,371
Total	<u>\$ 236,387</u>	<u>\$ 177,138</u>

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### 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) includes 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.

Endowment net assets consist of the following as of June 30, 2021 and 2020:

	2021				
	Without Donor Restrictions	With Donor Restrictions			Total Endowment 2021
		Historical Cost	Accumulated Gains (Losses)	Total	
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	<u>\$ 38,319</u>	<u>\$ 93,459</u>	<u>\$ 127,563</u>	<u>\$ 221,022</u>	<u>\$ 259,341</u>
	2020				
	Without Donor Restrictions	With Donor Restrictions			Total Endowment 2020
	Historical Cost	Accumulated Gains (Losses)	Total		
Board-designated net assets	\$ 28,472	\$ -	\$ -	\$ -	\$ 28,472
Donor-restricted net assets:					
Funds with deficiencies	-	4,310	(217)	4,093	4,093
Perpetual trusts managed by others	-	2,429	-	2,429	2,429
Other funds	-	81,212	75,172	156,384	156,384
Total endowment net assets	<u>\$ 28,472</u>	<u>\$ 87,951</u>	<u>\$ 74,955</u>	<u>\$ 162,906</u>	<u>\$ 191,378</u>

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Changes in endowment net assets for the years ended June 30, 2021 and 2020 are as follows:

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Endowment net assets, June 30, 2019	\$ 35,114	\$ 168,316	\$ 203,430
Investment return, net	382	2,217	2,599
Contributions collected	1	2,046	2,047
Appropriation of endowment assets for expenditure	(7,525)	(9,674)	(17,199)
Transfers	500	1	501
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	<u>\$ 38,319</u>	<u>\$ 221,022</u>	<u>\$ 259,341</u>

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, 2021, there were no funds with deficiencies. At June 30, 2020, 27 donor-restricted funds with a historic cost of \$4,310,000, fair value of \$4,093,000 and deficiencies of \$217,000 were reported in net assets with donor restrictions. The Board prohibits spending from individual endowment funds with market values below 90 percent 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 percent 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 percent of the College's endowment is appropriate. The actual spending rate in any given year may vary from the 5 percent 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 percent 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.



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(In Thousands)

## 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 \$2,020,000 and \$2,034,000 in 2021 and 2020, 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.

## 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:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 11,492	\$ 4,690
Accounts and loans receivable, net	5,120	2,306
Contributions receivable, net	612	270
Deposits with bond trustee	2,546	2,185
Investments, operating	3,985	4,608
Investments, funds designated as endowment available for short-term operating use	520	6,000
Investments, endowment appropriations	11,828	12,092
Split-interest agreements	122	121
Total	<u>\$ 36,225</u>	<u>\$ 32,272</u>

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, 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 \$221,022,000 and \$38,319,000, respectively. Both types of endowments are subject to an annual spending rate as described in Note 12.

## **Goucher College**

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Notes to Financial Statements

June 30, 2021 and 2020

(In Thousands)

The Board appropriated \$11,828,000 for use in the next fiscal year in support of operating expenses. In addition, the Board authorizes up to \$6,000,000 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 20, 2021 the date that the financial statements were issued, and no matters required adjustment to or disclosure in the accompanying financial statements.