

# **Goucher College**

Financial Statements

June 30, 2020 and 2019

# Goucher College

---

Table of Contents  
June 30, 2020 and 2019

|                                     | <u>Page</u> |
|-------------------------------------|-------------|
| <b>Independent Auditors' Report</b> | 1           |
| <b>Financial Statements</b>         |             |
| Statements of Financial Position    | 2           |
| Statements of Activities            | 3           |
| Statements of Functional Expenses   | 4           |
| Statements of Cash Flows            | 5           |
| Notes to Financial Statements       | 6           |

## 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, 2020 and 2019, 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 auditors' 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, 2020 and 2019, 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.



Baker Tilly US, LLP (formerly known as Baker Tilly Virchow Krause, LLP)  
Philadelphia, Pennsylvania  
October 19, 2020

# Goucher College

## Statements of Financial Position

June 30, 2020 and 2019

(In Thousands)

|   | <u>2020</u>       | <u>2019</u>       |
|---|-------------------|-------------------|
| <b>Assets</b>                                 |                   |                   |
| Cash and cash equivalents                     | \$ 4,950          | \$ 3,869          |
| Accounts and loans receivable, net            | 3,592             | 3,990             |
| Contributions receivable, net                 | 1,052             | 2,806             |
| Deposits with bond trustee                    | 2,185             | 2,192             |
| Investments                                   | 195,828           | 203,117           |
| Split interest agreements                     | 5,591             | 5,612             |
| Investment in plant assets, net               | 179,792           | 189,312           |
| Other assets                                  | 1,288             | 1,399             |
|   | <u>394,278</u>    | <u>412,297</u>    |
| Total assets                                  | <u>\$ 394,278</u> | <u>\$ 412,297</u> |
| <b>Liabilities and Net Assets</b>             |                   |                   |
| <b>Liabilities</b>                            |                   |                   |
| Accounts payable and accrued liabilities      | \$ 6,545          | \$ 8,585          |
| Deferred revenues and deposits                | 5,364             | 2,384             |
| Payables under split interest agreements      | 1,773             | 1,897             |
| Long-term debt                                | 105,383           | 107,659           |
| Obligation under interest rate swap agreement | 6,065             | 4,618             |
| Refundable advances from U.S. government      | 1,488             | 2,234             |
| Other liabilities                             | 8,059             | 8,506             |
|   | <u>134,677</u>    | <u>135,883</u>    |
| Total liabilities                             | <u>134,677</u>    | <u>135,883</u>    |
| <b>Net Assets</b>                             |                   |                   |
| Net assets without donor restrictions         | 82,463            | 93,538            |
| Net assets with donor restrictions            | 177,138           | 182,876           |
|   | <u>259,601</u>    | <u>276,414</u>    |
| Total net assets                              | <u>259,601</u>    | <u>276,414</u>    |
| Total liabilities and net assets              | <u>\$ 394,278</u> | <u>\$ 412,297</u> |

See notes to financial statements

**Goucher College**

## Statements of Activities

Years Ended June 30, 2020 and 2019

(In Thousands)

|   | 2020                       |                         |                   | 2019                       |                         |                   |
|---|----------------------------|-------------------------|-------------------|----------------------------|-------------------------|-------------------|
|   | 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 \$39,073 in 2020 and \$39,621 in 2019                   | \$ 26,697                  | \$ -                    | \$ 26,697         | \$ 28,108                  | \$ -                    | \$ 28,108         |
| Government appropriations   | 4,096                      | 231                     | 4,327             | 3,199                      | -                       | 3,199             |
| Contributions   | 2,983                      | 2,742                   | 5,725             | 3,519                      | 2,562                   | 6,081             |
| Auxiliary enterprises   | 13,586                     | -                       | 13,586            | 17,557                     | -                       | 17,557            |
| Other sources   | 873                        | 7                       | 880               | 1,391                      | 1                       | 1,392             |
| Endowment assets appropriated for expenditures  | 16,081                     | 1,118                   | 17,199            | 10,992                     | 1,149                   | 12,141            |
| Net assets released from restrictions   | 1,534                      | (1,534)                 | -                 | 1,806                      | (1,806)                 | -                 |
| Total revenues, gains and support   | 65,850                     | 2,564                   | 68,414            | 66,572                     | 1,906                   | 68,478            |
| <b>Expenses</b>   |                            |                         |                   |                            |                         |                   |
| Salaries, wages and fringe benefits   | 35,521                     | -                       | 35,521            | 41,779                     | -                       | 41,779            |
| Depreciation  | 10,504                     | -                       | 10,504            | 8,582                      | -                       | 8,582             |
| Utilities, plant and equipment expenses   | 2,938                      | -                       | 2,938             | 3,709                      | -                       | 3,709             |
| Food service expenses   | 3,643                      | -                       | 3,643             | 4,823                      | -                       | 4,823             |
| Interest expense on long-term debt  | 4,295                      | -                       | 4,295             | 3,582                      | -                       | 3,582             |
| Student wages and awards  | 2,411                      | -                       | 2,411             | 1,872                      | -                       | 1,872             |
| Outside services and independent contractors  | 3,659                      | -                       | 3,659             | 2,337                      | -                       | 2,337             |
| Student and faculty travel  | 792                        | -                       | 792               | 1,359                      | -                       | 1,359             |
| Supplies and other  | 5,526                      | -                       | 5,526             | 5,892                      | -                       | 5,892             |
| Total expenses  | 69,289                     | -                       | 69,289            | 73,935                     | -                       | 73,935            |
| Excess of revenues, gains and support (under) over expenses                                     | (3,439)                    | 2,564                   | (875)             | (7,363)                    | 1,906                   | (5,457)           |
| <b>Other</b>  |                            |                         |                   |                            |                         |                   |
| Change in fair value of interest rate swap agreement  | (1,447)                    | -                       | (1,447)           | (1,109)                    | -                       | (1,109)           |
| Net realized and unrealized losses on investments, net of amounts appropriated for expenditures | (7,112)                    | (7,379)                 | (14,491)          | (1,201)                    | (3,521)                 | (4,722)           |
| Net assets released from restrictions for investment in plant assets                            | 923                        | (923)                   | -                 | 6,777                      | (6,777)                 | -                 |
| Decrease in net assets  | (11,075)                   | (5,738)                 | (16,813)          | (2,896)                    | (8,392)                 | (11,288)          |
| <b>Net Assets, Beginning</b>  | 93,538                     | 182,876                 | 276,414           | 95,464                     | 191,268                 | 286,732           |
| Cumulative change in accounting principle   | -                          | -                       | -                 | 970                        | -                       | 970               |
| Net assets, beginning   | 93,538                     | 182,876                 | 276,414           | 96,434                     | 191,268                 | 287,702           |
| <b>Net Assets, Ending</b>   | <u>\$ 82,463</u>           | <u>\$ 177,138</u>       | <u>\$ 259,601</u> | <u>\$ 93,538</u>           | <u>\$ 182,876</u>       | <u>\$ 276,414</u> |

See notes to financial statements

## Goucher College

Statements of Functional Expenses  
 Years Ended June 30, 2020 and 2019  
 (In Thousands)

|  | Instruction and<br>Departmental<br>Research | General<br>Administration | Student<br>Services | Library         | Auxiliary<br>Enterprises | Physical<br>Plant | Total<br>2020    |
|--|---|---------------------------|---------------------|-----------------|--------------------------|-------------------|------------------|
| 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> |

|  | Instruction and<br>Departmental<br>Research | General<br>Administration | Student<br>Services | Library         | Auxiliary<br>Enterprises | Physical<br>Plant | Total<br>2019    |
|--|---|---------------------------|---------------------|-----------------|--------------------------|-------------------|------------------|
| Salaries, wages and fringe benefits          | \$ 21,502                                   | \$ 7,980                  | \$ 7,101            | \$ 771          | \$ 1,043                 | \$ 3,382          | \$ 41,779        |
| Depreciation                                 | -   | -                         | -                   | -               | -                        | 8,582             | 8,582            |
| Utilities, plant and equipment expenses      | 203   | 217                       | 82                  | 5               | 298                      | 2,904             | 3,709            |
| Food service expenses                        | -   | -                         | 67                  | -               | 4,756                    | -                 | 4,823            |
| Interest expense on long-term debt           | -   | -                         | -                   | -               | -                        | 3,582             | 3,582            |
| Student wages and awards                     | 544   | 175                       | 565                 | 117             | 436                      | 35                | 1,872            |
| Outside services and independent contractors | 256   | 1,076                     | 599                 | 83              | 166                      | 157               | 2,337            |
| Student and faculty travel                   | 764   | 121                       | 466                 | 4               | 2                        | 2                 | 1,359            |
| Supplies and other                           | 1,550                                       | 2,254                     | 1,117               | 463             | 440                      | 68                | 5,892            |
| Plant allocation                             | 5,290                                       | 808                       | 1,056               | 1,300           | 10,258                   | (18,712)          | -                |
| <b>Total expenses</b>                        | <b>\$ 30,109</b>                            | <b>\$ 12,631</b>          | <b>\$ 11,053</b>    | <b>\$ 2,743</b> | <b>\$ 17,399</b>         | <b>\$ -</b>       | <b>\$ 73,935</b> |

See notes to financial statements

## Goucher College

### Statements of Cash Flows

Years Ended June 30, 2020 and 2019

(In Thousands)

|   | <u>2020</u>     | <u>2019</u>     |
|---|-----------------|-----------------|
| <b>Cash Flows From Operating Activities</b>   |                 |                 |
| Tuition and auxiliary enterprises receipts  | \$ 43,346       | \$ 44,052       |
| Government appropriations   | 4,016           | 3,048           |
| Contributions received for operating purposes                                       | 4,523           | 4,281           |
| Investment income   | 206             | 364             |
| Other sources   | 1,112           | 1,772           |
| Payments to employees and suppliers   | (56,377)        | (60,669)        |
| Interest paid   | (4,450)         | (3,725)         |
|   | <u>(7,624)</u>  | <u>(10,877)</u> |
| Net cash used in operating activities   |                 |                 |
| <b>Cash Flows From Investing Activities</b>   |                 |                 |
| Purchases of investments  | (50,934)        | (70,736)        |
| Proceeds from sales and maturities of investments                                   | 60,868          | 94,211          |
| Purchases of property and equipment   | (1,667)         | (20,892)        |
| Student loan principal payments   | 246             | 359             |
| Proceeds from termination of split interest agreements                              | 123             | -               |
| Change in deposits with bond trustee, net   | 7               | 1,287           |
|   | <u>8,643</u>    | <u>4,229</u>    |
| Net cash provided by investing activities   |                 |                 |
| <b>Cash Flows From Financing Activities</b>   |                 |                 |
| Proceeds from contributions restricted for long-term investment                     | 2,941           | 5,758           |
| Proceeds from bond issue  | -               | 5,152           |
| Payments of bond principal  | (2,133)         | (3,338)         |
| Repayment of refundable government loans  | (749)           | -               |
| Increase in refundable advances from U.S. government                                | 3               | 103             |
|   | <u>62</u>       | <u>7,675</u>    |
| Net cash provided by financing activities   |                 |                 |
| Net increase in cash and cash equivalents   | 1,081           | 1,027           |
| <b>Cash and Cash Equivalents, Beginning</b>   | <u>3,869</u>    | <u>2,842</u>    |
| <b>Cash and Cash Equivalents, Ending</b>  | <u>\$ 4,950</u> | <u>\$ 3,869</u> |
| <b>Supplemental Noncash Disclosure</b>  |                 |                 |
| Accounts payable and other liabilities relating to property and equipment purchases | <u>\$ 505</u>   | <u>\$ 1,188</u> |

See notes to financial statements

# Goucher College

---

Notes to Financial Statements  
June 30, 2020 and 2019  
(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, 2020 and 2019  
(In Thousands)

## **(c) Use of Estimates**

The preparation of financial statements in conformity with United States generally accepted accounting principles 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 consists 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, 2020 and 2019, 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.

# Goucher College

Notes to Financial Statements  
June 30, 2020 and 2019  
(In Thousands)

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.

## (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 on investments in the statements of activities.

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. As of June 30, 2019, the College had \$1,746,000 of gift annuity liabilities recorded in payables under split interest agreements and \$2,346,000 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, 2020 and 2019.

|                                      | 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    |
|                                      | 2019          |          |       |           |
|                                      | Undergraduate | Graduate | Other | Total     |
| Tuition and fees, net of student aid | \$ 23,312     | \$ 4,796 | \$ -  | \$ 28,108 |
| Auxiliary enterprises                | 16,246        | 74       | 1,237 | 17,557    |

# Goucher College

---

Notes to Financial Statements  
June 30, 2020 and 2019  
(In Thousands)

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. 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 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, 2020. The remainder has been included in deferred revenue. Deferred revenue also includes payments received for tuition or room and board prior to the start of the fall academic term (Note 7).

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 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, 2020, the College continues to service the Perkins Loan Program. Approximately 17.4 percent of tuition and room and board revenues in 2020 and 2019 were funded by federal student financial aid programs (including loan, grant and work-study programs).

## (I) 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 2020 or 2019.

Management has analyzed the tax positions taken by the College and has concluded that as of June 30, 2020 and 2019, 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.

## **(m) 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.

## **(n) 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.

## **(o) 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 of Trustees. 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.

# Goucher College

Notes to Financial Statements  
June 30, 2020 and 2019  
(In Thousands)

## (p) New Accounting Standards Not Yet Adopted

During February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*. ASU No. 2016-02 requires lessees to recognize the assets and liabilities that arise from leases on the statement of financial position. A lessee should recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. During 2018, the FASB also issued ASU No. 2018-01, *Land Easement Practical Expedient*, which permits an entity to elect an optional transition practical expedient to not evaluate land easements that existed or expired before the entity's adoption of Topic 842 and that were not previously accounted for under Accounting Standards Codification (ASC) 840; ASU 2018-10, *Codification Improvements to Topic 842, Leases*, which addresses narrow aspects of the guidance originally issued in ASU No. 2016-02; ASU 2018-11, *Targeted Improvements*, which provides entities with an additional (and optional) transition method whereby an entity initially applies the new leases standard at the adoption date and recognizes a cumulative-effect adjustment to the opening balance of net assets in the period of adoption and also provides lessors with a practical expedient, by class of underlying asset, to not separate nonlease components from the associated lease component and, instead, to account for those components as a single component; and ASU No. 2018-20, *Narrow-Scope Improvements for Lessors*, which addresses sales and other similar taxes collected from lessees, certain lessor costs, and the recognition of variable payments for contracts with lease and nonlease components. During 2019, the FASB also issued ASU No. 2019-01, *Leases (Topic 842): Codification Improvements*, which delayed the effective date for certain entities. In addition, on June 3, 2020, the FASB issued ASU 2020-05 which amended effective dates for ASC 842 to give immediate relief to certain entities as a result of the widespread adverse economic effects and business disruptions caused by the coronavirus disease 2019 (COVID-19) pandemic. The effective date deferral applies to private companies and private and public not-for-profit entities which have not yet issued their financial statements (or made their financial statements available for issuance) as of June 3, 2020. The College elected to accept this deferral, and as a result, ASU No. 2016-02 (as amended) will be effective beginning July 1, 2020. The College is currently assessing the impact ASU No. 2016-02 (as amended) will have on its financial statements.

## 2. Accounts and Loans Receivable

Accounts and loans receivable, net are summarized as follows as of June 30, 2020 and 2019:

|  | <u>2020</u>     | <u>2019</u>     |
|--|-----------------|-----------------|
| Loans to students  | \$ 1,286        | \$ 1,620        |
| Amounts receivable from federal, state and local governments | 1,377           | 1,066           |
| Amounts receivable from students                             | 1,140           | 1,223           |
| Other  | <u>178</u>      | <u>369</u>      |
| Total accounts and loans receivable, gross                   | 3,981           | 4,278           |
| Less allowance for doubtful accounts receivable              | <u>389</u>      | <u>288</u>      |
| Total accounts and loans receivable, net                     | <u>\$ 3,592</u> | <u>\$ 3,990</u> |

## Goucher College

Notes to Financial Statements  
June 30, 2020 and 2019  
(In Thousands)

### 3. Contributions Receivable

Contributions receivable, net are summarized as follows as of June 30, 2020 and 2019:

|   | <u>2020</u>     | <u>2019</u>     |
|---|-----------------|-----------------|
| Unconditional promises expected to be collected in:                       |                 |                 |
| Less than one year  | \$ 1,222        | \$ 1,830        |
| One year to five years  | 545             | 1,187           |
| Thereafter  | 26              | 171             |
|   | <u>1,793</u>    | <u>3,188</u>    |
| Less allowance for uncollectable pledges                                  | 708             | 245             |
| Less unamortized discount<br>(interest rates ranging from 0.18% to 2.63%) | 33              | 137             |
|   | <u>33</u>       | <u>137</u>      |
| Total contributions receivable, net                                       | <u>\$ 1,052</u> | <u>\$ 2,806</u> |

As of June 30, 2020 and 2019, 50 percent and 57 percent of contributions receivable, respectively, was due from five donors. 32 percent and 26 percent, respectively, of contributions revenue for 2020 and 2019 was received from five donors.

### 4. 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 and deposits with bond trustee:* 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.

## Goucher College

Notes to Financial Statements  
June 30, 2020 and 2019  
(In Thousands)

*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 (0.6 percent at June 30, 2020). 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, 2020 and 2019, respectively. These are considered Level 3 inputs. 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 8), 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.

The following table presents assets and liabilities, which are measured on a recurring basis at fair value, as of June 30, 2020 and 2019:

|                                 | 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:                   |            |           |          |         |            |
| Deposits with bond trustee      | \$ 2,185   | \$ 2,185  | \$ -     | \$ -    | \$ -       |
| Split interest agreements       | 5,591      | -         | -        | 5,591   | -          |
| Financial liabilities:          |            |           |          |         |            |
| Interest rate swap              | (6,065)    | -         | (6,065)  | -       | -          |

# Goucher College

Notes to Financial Statements  
June 30, 2020 and 2019  
(In Thousands)

|                                 | 2019       |           |          |         | NAV (1)    |
|---------------------------------|------------|-----------|----------|---------|------------|
|                                 | Total      | Level 1   | Level 2  | Level 3 |            |
| Financial assets:               |            |           |          |         |            |
| Investments:                    |            |           |          |         |            |
| Cash and short-term investments | \$ 560     | \$ 560    | \$ -     | \$ -    | \$ -       |
| Fixed income securities:        |            |           |          |         |            |
| U.S. Treasuries                 | 8,609      | 8,609     | -        | -       | -          |
| Corporate                       | 7,812      | -         | 7,812    | -       | -          |
| Municipal                       | 1,818      | -         | 1,818    | -       | -          |
| Total fixed income              | 18,239     | 8,609     | 9,630    | -       | -          |
| Mutual funds:                   |            |           |          |         |            |
| Developed markets equities      | 29,857     | 29,857    | -        | -       | -          |
| Fixed income                    | 4,353      | 4,353     | -        | -       | -          |
| Managed futures                 | 4,397      | 4,397     | -        | -       | -          |
| Multi-asset                     | 4,993      | 4,993     | -        | -       | -          |
| Emerging markets equities       | 3,439      | 3,439     | -        | -       | -          |
| Total mutual funds              | 47,039     | 47,039    | -        | -       | -          |
| Common collective trusts        | 82,171     | 24,108    | -        | -       | 58,063     |
| Hedge funds                     | 25,972     | -         | -        | -       | 25,972     |
| Limited partnership interests   | 29,136     | -         | -        | -       | 29,136     |
| Total investments               | \$ 203,117 | \$ 80,316 | \$ 9,630 | \$ -    | \$ 113,171 |
| Other assets:                   |            |           |          |         |            |
| Deposits with bond trustee      | \$ 2,192   | \$ 2,192  | \$ -     | \$ -    | \$ -       |
| Split interest agreements       | 5,612      | -         | -        | 5,612   | -          |
| Financial liabilities:          |            |           |          |         |            |
| Interest rate swap              | (4,618)    | -         | (4,618)  | -       | -          |

(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.

The following table presents a reconciliation for all Level 3 assets measured at fair value on a recurring basis for the years ended June 30, 2020 and 2019:

|                                    | <u>Split Interest Agreements</u> |
|------------------------------------|----------------------------------|
| Balance, June 30, 2018             | \$ 5,772                         |
| Investment income, net of fees     | 123                              |
| Net realized and unrealized gains  | (53)                             |
| Distributions                      | (230)                            |
| Balance, June 30, 2019             | 5,612                            |
| Investment income, net of fees     | 121                              |
| Net realized and unrealized losses | 14                               |
| Distributions                      | (156)                            |
| Balance, June 30, 2020             | \$ 5,591                         |



# Goucher College

Notes to Financial Statements  
June 30, 2020 and 2019  
(In Thousands)

## 5. Investments and Investment Return

Investments, which are presented by investment class in Note 4, 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.

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

|  | <u>2020</u>     | <u>2019</u>     |
|--|-----------------|-----------------|
| Other sources  | \$ 74           | \$ 181          |
| Endowment assets appropriated for expenditure  | 17,199          | 12,141          |
| Net realized and unrealized (losses) on investments,<br>net of amounts appropriated for expenditures | <u>(14,491)</u> | <u>(4,722)</u>  |
| Total investment return  | <u>\$ 2,782</u> | <u>\$ 7,600</u> |

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, 2020, the majority of the College's portfolio was redeemable either on a daily or monthly basis, and investments aggregating \$46,070,000 were illiquid or redeemable on a quarterly basis.

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, 2020 and 2019:

|                                       | <u>Fair Value</u> |                   | <u>Unfunded Commitments</u> |                  | <u>Redemption<br/>Frequency<br/>(if currently<br/>eligible)</u> | <u>Redemption<br/>Notice<br/>Period</u> |
|---------------------------------------|-------------------|-------------------|-----------------------------|------------------|---|---|
|                                       | <u>2020</u>       | <u>2019</u>       | <u>2020</u>                 | <u>2019</u>      |   |   |
| Common collective trust funds (a)     | \$ 55,042         | \$ 58,063         | N/A                         | N/A              | Monthly   | 1 - 30 days                             |
| Hedge funds:                          |                   |                   |                             |                  |   |   |
| Long and short (b)                    | 11,540            | 11,916            | N/A                         | N/A              | Monthly and<br>Quarterly  | 45 days                                 |
| Absolute return (c)                   | 9,116             | 9,067             | N/A                         | N/A              | Quarterly   | 65 days                                 |
| Covered options (d)                   | 3,219             | 4,989             | N/A                         | N/A              | Monthly   | 5 days                                  |
| Limited partnership interests:        |                   |                   |                             |                  |   |   |
| Private equity (e)                    | 1,971             | 4,666             | \$ 1,646                    | \$ 1,653         | N/A   | N/A                                     |
| Venture capital (f)                   | 24,279            | 19,135            | 11,261                      | 13,245           | N/A   | N/A                                     |
| Private real estate and resources (g) | <u>5,342</u>      | <u>5,335</u>      | <u>5,747</u>                | <u>7,062</u>     | N/A   | N/A                                     |
| Total                                 | <u>\$ 110,509</u> | <u>\$ 113,171</u> | <u>\$ 18,654</u>            | <u>\$ 21,960</u> |   |   |

- (a) Investments in common trust funds that seek capital appreciation by investing in a variety of domestic or foreign equity instruments with small and large market capitalizations, fixed income securities and a variety of commodity contracts. Redemptions are made at NAV.

## Goucher College

Notes to Financial Statements  
June 30, 2020 and 2019  
(In Thousands)

- (b) Investments in two hedge funds that seeks capital appreciation by investing in long-short strategies. One investment is a fund of funds whereby the underlying funds utilize aggressive investment strategies to hedge and/or enhance return, including short sales, put and call options, futures and margin borrowing. The second hedge fund utilizes propriety quantitative models to take long and short positions in publicly traded U.S. securities, and maintains a 100 percent net long position.
- (c) An investment in an absolute return hedge fund that seeks capital appreciation by investing in event-driven distressed equity securities (both long and short), debt securities and derivative products.
- (d) An investment in a hedge fund that aims to create implicit downside protection through core positions in global equity indexes, U.S. Treasury bills, and covered short call and put equity index options.
- (e) Investments in private equity funds that invest in both U.S. and foreign growth companies in various industries, with the life of the funds, as of June 30, 2020, varying from six months through two years. Several funds have reached the end of their contractual life but are expected to continue until all assets are liquidated. Distributions are made to investors through the liquidation of the underlying assets.
- (f) Investments in venture capital funds that invest in diversified growth companies in various industries that principally operate within the U.S., with the life of the funds, as of June 30, 2020, varying from one through ten years. Several funds have reached the end of their contractual life but are expected to continue until all assets are liquidated. Distributions are made to investors through the liquidation of the underlying assets.
- (g) Investments in private real estate and resource funds that invest in private real estate and natural resource partnerships that hold principally domestic real estate and energy related investments, with the life of the funds, as of June 30, 2020, varying from one through 12 years. Distributions are made to investors through the liquidation of the underlying assets.

### 6. Investment in Plant Assets

Investment in plant assets, net is summarized as follows as of June 30, 2020 and 2019:

|   | <u>2020</u>       | <u>2019</u>       |
|---|-------------------|-------------------|
| Land and improvements                   | \$ 12,675         | \$ 12,675         |
| Buildings                               | 259,539           | 259,790           |
| Furniture, equipment and library books  | 30,063            | 31,019            |
| Construction in progress                | <u>4,087</u>      | <u>4,239</u>      |
| Total investment in plant assets, gross | 306,364           | 307,723           |
| Less accumulated depreciation           | <u>126,572</u>    | <u>118,411</u>    |
| Total investment in plant assets, net   | <u>\$ 179,792</u> | <u>\$ 189,312</u> |

## Goucher College

Notes to Financial Statements  
June 30, 2020 and 2019  
(In Thousands)

Included in furniture, equipment and library books is equipment obtained through capital leases that expire at various times through June 2024. Equipment obtained through capital leases and related accumulated amortization is summarized as follows at June 30, 2020 and 2019:

|                                     | <u>2020</u>   | <u>2019</u>   |
|-------------------------------------|---------------|---------------|
| Equipment                           | \$ 985        | \$ 1,158      |
| Less accumulated amortization       | <u>486</u>    | <u>489</u>    |
| Equipment under capital leases, net | <u>\$ 499</u> | <u>\$ 669</u> |

### 7. Deferred Revenues and Deposits

Changes in deferred revenues and deposits for the years ended June 30, 2020 and June 30, 2019 are as follows:

|  | <u>Enrollment<br/>Deposits</u> | <u>Summer Term<br/>Tuition and<br/>Housing</u> | <u>Fall Term<br/>Tuition and<br/>Housing</u> | <u>Conditional<br/>Contributions<br/>and Grants</u> | <u>Other</u>  | <u>Total</u>    |
|--|--------------------------------|--|--|---|---------------|-----------------|
| Balance, June 30, 2018                                     | \$ 324                         | \$ 1,980                                       | \$ 1,127                                     | \$ 221  | \$ 193        | \$ 3,845        |
| Revenue recognized   | (324)                          | (1,010)  | (1,127)                                      | (303)   | (193)         | (2,957)         |
| Cumulative change in<br>accounting principle               | -                              | (970)  | -  | -   | -             | (970)           |
| Payments or bills for<br>future performance<br>obligations | <u>121</u>                     | <u>1,107</u>                                   | <u>831</u>                                   | <u>218</u>  | <u>189</u>    | <u>2,466</u>    |
| Balance, June 30, 2019                                     | 121                            | 1,107  | 831  | 136   | 189           | 2,384           |
| Revenue recognized   | (121)                          | (1,107)  | (831)  | (136)   | (189)         | (2,384)         |
| Payments or bills for<br>future performance<br>obligations | <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                                     | <u>\$ 68</u>                   | <u>\$ 1,188</u>                                | <u>\$ 3,785</u>                              | <u>\$ 134</u>                                       | <u>\$ 189</u> | <u>\$ 5,364</u> |

### 8. Long-Term Debt

Long-term debt is summarized as follows as of June 30, 2020 and 2019:

|  | <u>2020</u>       | <u>2019</u>       |
|--|-------------------|-------------------|
| Maryland Health and Higher Educational Facilities Authority<br>(MHHEFA) Series 2012A Revenue Bonds | \$ 19,345         | \$ 19,945         |
| MHHEFA Series 2017A Revenue Bonds  | 55,705            | 55,705            |
| MHHEFA Series 2017B Revenue Bonds  | <u>26,989</u>     | <u>28,522</u>     |
| Total long-term debt, gross  | 102,039           | 104,172           |
| Unamortized premium  | 4,356             | 4,558             |
| Deferred bond costs  | <u>(1,012)</u>    | <u>(1,071)</u>    |
| Total long-term debt, net  | <u>\$ 105,383</u> | <u>\$ 107,659</u> |

# Goucher College

Notes to Financial Statements  
June 30, 2020 and 2019  
(In Thousands)

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, 2023.

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: |    |                |
| 2021                  | \$ | 2,197          |
| 2022                  |    | 2,636          |
| 2023                  |    | 2,739          |
| 2024                  |    | 2,857          |
| Thereafter            |    | 91,610         |
| Total                 | \$ | <u>102,039</u> |

Interest expense of \$791,000 was capitalized as part of the construction and renovation projects for 2019. No interest expense was capitalized for 2020.

## 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 (0.12 percent at June 30, 2020) based on a notional amount of \$26,989,000. The notional amount will decrease through June 2033. As of June 30, 2020 and 2019, the fair value of the interest rate swap agreement was a liability of \$6,065,000 and \$4,618,000, respectively.

## 9. 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 \$918,000 in 2020 and \$1,424,000 in 2019.

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

## Goucher College

Notes to Financial Statements  
June 30, 2020 and 2019  
(In Thousands)

### 10. Net Assets

Net assets without donor restrictions consist of the following as of June 30, 2020 and 2019:

|  | <u>2020</u>      | <u>2019</u>      |
|--|------------------|------------------|
| Without donor restrictions:              |                  |                  |
| Undesignated                             | \$ 53,991        | \$ 58,424        |
| Funds designated as endowment            | 22,472           | 30,114           |
| Funds designated as endowment available: |                  |                  |
| For short-term borrowing for operating   | 6,000            | 5,000            |
|  | <u>82,463</u>    | <u>93,538</u>    |
| Total                                    | <u>\$ 82,463</u> | <u>\$ 93,538</u> |

Net assets with donor restrictions consist of the following as of June 30, 2020 and 2019:

|   | <u>2020</u>       | <u>2019</u>       |
|---|-------------------|-------------------|
| With donor restrictions:                                  |                   |                   |
| Endowment   | \$ 162,906        | \$ 168,316        |
| Split interest agreements                                 | 3,402             | 3,431             |
| Capital projects  | 4,975             | 6,847             |
| Contributions and income designated for specific purposes | 4,484             | 2,842             |
| Student loan funds  | 1,371             | 1,440             |
|   | <u>177,138</u>    | <u>182,876</u>    |
| Total   | <u>\$ 177,138</u> | <u>\$ 182,876</u> |

### 11. 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.

## Goucher College

Notes to Financial Statements  
June 30, 2020 and 2019  
(In Thousands)

Endowment net assets consist of the following as of June 30, 2020 and 2019:

|                                       | 2020                             |                         |                                  |                   |                            |
|---------------------------------------|----------------------------------|-------------------------|----------------------------------|-------------------|----------------------------|
|                                       | Without<br>Donor<br>Restrictions | With Donor Restrictions |                                  |                   | Total<br>Endowment<br>2020 |
|                                       |                                  | Historical<br>Cost      | Accumulated<br>Gains<br>(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<br>by others | -                                | 2,429                   | -                                | 2,429             | 2,429                      |
| Other funds                           | -                                | 81,212                  | 75,172                           | 156,384           | 156,384                    |
| <b>Total endowment<br/>net assets</b> | <b>\$ 28,472</b>                 | <b>\$ 87,951</b>        | <b>\$ 74,955</b>                 | <b>\$ 162,906</b> | <b>\$ 191,378</b>          |

  

|                                       | 2019                             |                         |                                  |                   |                            |
|---------------------------------------|----------------------------------|-------------------------|----------------------------------|-------------------|----------------------------|
|                                       | Without<br>Donor<br>Restrictions | With Donor Restrictions |                                  |                   | Total<br>Endowment<br>2019 |
|                                       |                                  | Historical<br>Cost      | Accumulated<br>Gains<br>(Losses) | Total             |                            |
| Board-designated net assets           | \$ 35,114                        | \$ -                    | \$ -                             | \$ -              | \$ 35,114                  |
| Donor-restricted net assets:          |                                  |                         |                                  |                   |                            |
| Funds with deficiencies               | -                                | 1,551                   | (108)                            | 1,443             | 1,443                      |
| Perpetual trusts managed<br>by others | -                                | 2,568                   | -                                | 2,568             | 2,568                      |
| Other funds                           | -                                | 81,921                  | 82,384                           | 164,305           | 164,305                    |
| <b>Total endowment<br/>net assets</b> | <b>\$ 35,114</b>                 | <b>\$ 86,040</b>        | <b>\$ 82,276</b>                 | <b>\$ 168,316</b> | <b>\$ 203,430</b>          |

Changes in endowment net assets for the years ended June 30, 2020 and 2019 are as follows:

|  | Without<br>Donor<br>Restrictions | With<br>Donor<br>Restrictions | Total             |
|--|----------------------------------|-------------------------------|-------------------|
| Endowment net assets, June 30, 2018                  | \$ 44,513                        | \$ 170,408                    | \$ 214,921        |
| Investment return, net                               | 1,341                            | 6,129                         | 7,470             |
| Contributions collected                              | -                                | 1,223                         | 1,223             |
| Appropriation of endowment assets<br>for expenditure | (2,590)                          | (9,551)                       | (12,141)          |
| Transfers  | (8,150)                          | 107                           | (8,043)           |
| 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<br>for expenditure | (7,525)                          | (9,674)                       | (17,199)          |
| Transfers  | 500                              | 1                             | 501               |
| Endowment net assets, June 30, 2020                  | <b>\$ 28,472</b>                 | <b>\$ 162,906</b>             | <b>\$ 191,378</b> |

## Goucher College

---

### Notes to Financial Statements

June 30, 2020 and 2019

(In Thousands)

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, 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. At June 30, 2019, seven donor restricted funds with a historic cost of \$1,551,000, fair value of \$1,443,000 and deficiencies of \$108,000 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.

## 12. 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 \$2,034,000 and \$3,048,000 in 2020 and 2019, respectively.

## Goucher College

Notes to Financial Statements  
June 30, 2020 and 2019  
(In Thousands)

### 13. 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.

### 14. 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>2020</u>      | <u>2019</u>      |
|--|------------------|------------------|
| Cash and cash equivalents  | \$ 4,690         | \$ 3,107         |
| Accounts and loans receivable, net   | 2,306            | 2,370            |
| Contributions receivable, net  | 270              | 1,040            |
| Deposits with bond trustee   | 2,185            | 2,192            |
| Investments, operating   | 4,608            | 25               |
| Investments, funds designated as endowment available<br>for short-term operating use | 6,000            | 5,000            |
| Investments, endowment appropriations  | 12,092           | 13,049           |
| Split interest agreements  | 121              | 123              |
| Total  | <u>\$ 32,272</u> | <u>\$ 26,906</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, 2020, 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 \$162,906,000 and \$28,472,000, respectively. Both types of endowments are subject to an annual spending rate as described in Note 11. The Board appropriated \$12,092,000 for use in the next fiscal year in support of operating expenses. In addition, the Board authorized \$6,000,000 of Board-designated endowment as available for short-term borrowing in support of operating activities, if needed. Although we do 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.



**15. 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. Currently, no vaccine has been made available to the public. In response, various governmental agencies have mandated stricter procedures to address the health and safety of both employees and patrons including, in certain cases, requiring the closure of operations. 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. For the fiscal year ended June 30, 2020, the COVID-19 outbreak has had an adverse impact on the College's operations. While this disruption is anticipated to be temporary, with full operations and services resuming in the near future, the exact timing of a return to normal is uncertain. Furthermore, the extent of the impact of COVID-19 on the College's operational and financial performance will depend on the developments of COVID-19, including the duration and spread of the outbreak, development of a vaccine, impact on customers, employees and vendors, all of which are uncertain and cannot be reasonably predicted at the current time.

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 enterprise revenue recognized in the statement of activities for the year ended June 30, 2020.

The Coronavirus Aid, Relief and Economics Security (CARES) Act provided budgetary relief to higher education institutions. Congress set aside approximately \$14.25 billion of the \$30.75 billion allotted to the Education Stabilization Fund through the Higher Education Emergency Relief Fund (HEERF). Each institution 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 received \$1,575,324 of HEERF funding on April 24, 2020. Institutions may recognize the institutional portion of the grant to the extent the grant was expended on student relief as of June 30, 2020. As of June 30, 2020, \$787,662 of the student relief portion of the grant was expended and recognized as government appropriations and student wages and award. As the restriction was met in the same period, the grant was reported as changes in net assets without donor restrictions. The College will plan to spend the institutional portion of the grant in fiscal year 2021 and, therefore, no grant revenue was recognized as of June 30, 2020.

**16. Subsequent Events**

The College has evaluated subsequent events through October 19, 2020, the date that the financial statements were issued, and no matters required adjustment to or disclosure in the accompanying financial statements.