



CONNECTICUT COLLEGE

Financial Statements

June 30, 2021

(With Independent Auditors' Report Thereon)

CONNECTICUT COLLEGE

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KPMG LLP
One Financial Plaza
755 Main Street
Hartford, CT 06103

Independent Auditors' Report

The Board of Trustees
Connecticut College:

We have audited the accompanying financial statements of Connecticut College, which comprise the balance sheet as of June 30, 2021, and the related statements of activities, and cash flows for the year 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 U.S. generally accepted accounting principles; 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 audit. We conducted our audit 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 Connecticut College as of June 30, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.



Report on Summarized Comparative Information

We have previously audited Connecticut College's 2020 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated October 26, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

KPMG LLP

November 8, 2021

CONNECTICUT COLLEGE

Balance Sheet

June 30, 2021

(with comparative information for June 30, 2020)

(Dollars in thousands)

| | <u>2021</u> | <u>2020</u> |
|---|-------------------|----------------|
| Assets | | |
| Cash and cash equivalents | \$ 31,014 | 40,862 |
| Accounts and student loans receivable, net | 1,266 | 2,096 |
| Contributions receivable, net | 34,688 | 22,062 |
| Inventories and other assets | 2,389 | 1,587 |
| Investments | 455,078 | 325,459 |
| Funds held in trust | 18,673 | 14,801 |
| Deposits with bond trustee | 2,239 | 3,864 |
| Land, buildings, and equipment, net | 112,254 | 106,089 |
| Total assets | <u>\$ 657,601</u> | <u>516,820</u> |
| Liabilities | | |
| Accounts payable and accrued liabilities | \$ 9,146 | 7,498 |
| Deposits and advances | 1,547 | 2,961 |
| Liabilities under split-interest agreements | 4,510 | 4,091 |
| Accrued postretirement benefit obligation | 9,316 | 10,043 |
| Bonds and notes payable | 87,959 | 89,004 |
| Other obligations | 2,652 | 2,642 |
| Total liabilities | <u>115,130</u> | <u>116,239</u> |
| Net Assets | | |
| Without donor restrictions | 79,548 | 63,593 |
| With donor restrictions | 462,923 | 336,988 |
| Total net assets | <u>542,471</u> | <u>400,581</u> |
| Total liabilities and net assets | <u>\$ 657,601</u> | <u>516,820</u> |

See accompanying notes to financial statements.

CONNECTICUT COLLEGE

Statement of Activities

Year ended June 30, 2021

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

(Dollars in thousands)

| | 2021 | | | 2020 Total |
|---|-------------------------------|----------------------------|-----------------------|-----------------------|
| | Without donor restrictions | With donor restrictions | Total | |
| Operating: | | | | |
| Revenues: | | | | |
| Student charges, net of financial aid of \$50,125 in 2021 and \$51,527 in 2020 | \$ 68,510 | — | 68,510 | 76,844 |
| Grant and contract income | 2,297 | — | 2,297 | 1,818 |
| Contributions | 6,209 | 3,127 | 9,336 | 10,799 |
| Endowment spending used in operations | 5,333 | 10,480 | 15,813 | 15,353 |
| Other revenues | 994 | 37 | 1,031 | 2,560 |
| Net assets released from restrictions | 13,146 | (13,146) | — | — |
| Total revenues and other support from operations | <u>96,489</u> | <u>498</u> | <u>96,987</u> | <u>107,374</u> |
| Expenses: | | | | |
| Salaries and wages | 48,352 | — | 48,352 | 51,138 |
| Employee benefits | 15,436 | — | 15,436 | 17,359 |
| Supplies, services, other | 21,006 | — | 21,006 | 23,751 |
| Depreciation and amortization | 8,379 | — | 8,379 | 8,291 |
| Interest | 2,927 | — | 2,927 | 3,527 |
| Utilities | 3,150 | — | 3,150 | 3,409 |
| Total expenses | <u>99,250</u> | <u>—</u> | <u>99,250</u> | <u>107,475</u> |
| (Decrease) increase in net assets from operating activities | <u>(2,761)</u> | <u>498</u> | <u>(2,263)</u> | <u>(101)</u> |
| Nonoperating activities: | | | | |
| Contributions restricted for long-term investment | 20 | 36,486 | 36,506 | 4,761 |
| Investment return, less endowment spending used in operations | 18,126 | 84,804 | 102,930 | (9,334) |
| Change in value of split-interest agreements | (66) | 4,375 | 4,309 | (468) |
| Loss on defeasance of bonds | (940) | — | (940) | — |
| Other increases (decreases) | 839 | (174) | 665 | 362 |
| Postretirement related changes other than service cost | 683 | — | 683 | (1,061) |
| Net assets released from restrictions | 54 | (54) | — | — |
| Increase (decrease) in net assets from nonoperating activities | <u>18,716</u> | <u>125,437</u> | <u>144,153</u> | <u>(5,740)</u> |
| Change in net assets | 15,955 | 125,935 | 141,890 | (5,841) |
| Net assets, beginning of year | <u>63,593</u> | <u>336,988</u> | <u>400,581</u> | <u>406,422</u> |
| Net assets, end of year | \$ <u><u>79,548</u></u> | <u><u>462,923</u></u> | <u><u>542,471</u></u> | <u><u>400,581</u></u> |

See accompanying notes to financial statements.

CONNECTICUT COLLEGE

Statement of Cash Flows

Year ended June 30, 2021

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

(Dollars in thousands)

| | <u>2021</u> | <u>2020</u> |
|---|-------------------------|-------------------------|
| Cash flows from operating activities: | | |
| Change in net assets | \$ 141,890 | (5,841) |
| Adjustments to reconcile change in net assets to net cash used in operating activities: | | |
| Depreciation and amortization | 8,405 | 8,284 |
| Net realized and unrealized gains on investments | (123,286) | (8,916) |
| Net unrealized (gains) losses on split-interest agreements | (892) | 57 |
| Contributions restricted for long-term investment | (21,641) | (8,866) |
| Accounts receivable, net | 692 | (563) |
| Contributions receivable, net | (12,626) | 4,119 |
| Accounts payable and accrued liabilities | 1,629 | (2,699) |
| Accrued postretirement benefit obligation | (727) | 798 |
| Other changes in working capital, net | <u>(15,895)</u> | <u>2,041</u> |
| Net cash used in operating activities | <u>(22,451)</u> | <u>(11,586)</u> |
| Cash flows from investing activities: | | |
| Student loans repaid | 138 | 194 |
| Purchases of investments | (45,231) | (37,688) |
| Proceeds from sale of investments | 49,874 | 45,537 |
| Purchases of land, buildings, and equipment | <u>(14,259)</u> | <u>(7,587)</u> |
| Net cash (used in) provided by investing activities | <u>(9,478)</u> | <u>456</u> |
| Cash flows from financing activities: | | |
| Borrowings from line of credit | — | 10,000 |
| Payments on line of credit | — | (10,000) |
| Contributions restricted for long-term investment | 21,641 | 8,866 |
| Proceeds from bond issue | 22,528 | — |
| Bond issuance costs | 6 | — |
| Change in deposits with bond trustee | 1,625 | 4,643 |
| Repayments of finance lease obligations | (178) | (306) |
| Repayments of long-term debt | <u>(23,541)</u> | <u>(1,760)</u> |
| Net cash provided by financing activities | <u>22,081</u> | <u>11,443</u> |
| Net (decrease) increase in cash and cash equivalents | (9,848) | 313 |
| Cash and cash equivalents at beginning of year | <u>40,862</u> | <u>40,549</u> |
| Cash and cash equivalents at end of year | \$ <u><u>31,014</u></u> | \$ <u><u>40,862</u></u> |
| Supplemental disclosures of cash flow information: | | |
| Cash paid during the year for interest excluding leases | \$ 2,785 | 3,354 |
| Cash paid for amounts included in the measurement of finance lease liabilities | 93 | 20 |
| Fixed asset purchases financed with capital leases | 395 | 275 |
| Change in accounts payable related to property and equipment | 20 | 1,010 |

See accompanying notes to financial statements.

CONNECTICUT COLLEGE

Notes to Financial Statements

June 30, 2021

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

(Dollars in thousands)

(1) Summary of Significant Accounting Policies

(a) *History*

Connecticut College (the College), an independent, coeducational institution, was chartered in 1911 and opened in New London, Connecticut in 1915 as the first independent college for women in the State of Connecticut. In 1959, the College was authorized to grant degrees to men in its graduate program, and in 1969, the undergraduate College was made coeducational.

(b) *General*

The financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (GAAP). The financial statements report on the College as a whole and report transactions and net assets based on the existence or absence of donor-imposed restrictions. Two categories of net assets serve as the foundation for the accompanying financial statements. Brief definitions of the two net asset classes are presented below.

Without donor restrictions net assets are not subject to donor stipulations restricting their use, but may be designated for specific purposes by the College or may be limited by contractual agreements with outside parties.

With donor restrictions net assets are subject to donor stipulations that expire by the passage of time, can be fulfilled by actions pursuant to the stipulations, or which may be perpetual.

The College's measure of operations presented in the statement of activities includes income from tuition and fees, grants and contracts, contributions for operating programs, endowment spending used in operations and other revenues. Operating expenses are reported on the statement of activities by natural categories, after allocating costs for operation and maintenance of plant.

Nonoperating activity includes contributions and other activities related to land, buildings, and equipment that are not included in the College's measure of operations. In addition, nonoperating activities also includes contributions, investment returns and other activities related to endowment, and split-interest agreements.

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the College's financial statements for the year ended June 30, 2020, from which the summarized information was derived.

For fiscal years 2021 and 2020, student tuition and fee revenue was \$100,185 and \$104,914, room and board revenues were \$18,450 and \$23,457, and financial aid was \$50,125 and 51,527, respectively.

(c) *Contribution Revenue*

The College reports contributions (including unconditional promises from donors) as restricted support if they are received with donor stipulations that limit the use of the donated assets or if they are time

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Notes to Financial Statements

June 30, 2021

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

(Dollars in thousands)

restricted pledges. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restriction are reclassified to net assets without donor restriction and reported in the statement of activities as net assets released from restrictions. Contributions subject to donor-imposed restrictions that are met in the same reporting period are reported as revenue without donor restriction. The College reports gifts of land, buildings or equipment as nonoperating support without donor restriction unless the donor places restrictions on their use. Contributions of cash or other assets that must be used to acquire long-lived assets are reported as nonoperating support without donor restriction provided the long-lived assets are placed in service during the same reporting period; otherwise, the contributions are reported as with donor restriction until the assets are acquired and placed in service.

Contributions are recorded at fair value. The College estimates the fair value for noncash contributions. Unconditional promises to give are recognized initially at fair value as contributions revenue in the period such promises are made by donors. Fair value is estimated giving consideration to anticipated cash receipts (after allowance is made for uncollectible pledges) and discounting such amounts at appropriate discount rates. These inputs to the fair value estimate are considered Level 3 in the fair value hierarchy. In subsequent periods, the discount rate is unchanged and the allowance for uncollectible pledges is reassessed and adjusted if necessary. Amortization of the discounts is recorded as additional contribution revenue.

Conditional promises to give are not recognized until they become unconditional; that is, when the conditions on which they depend are substantially met.

Fundraising expenses were \$3,954 and \$4,239 for the years ended June 30, 2021 and 2020, respectively.

(d) ***Cash and Cash Equivalents***

Cash and cash equivalents consist of cash management accounts, money market and overnight investments with maturities at date of purchase of less than 90 days. These amounts do not include cash equivalents components of the College's investment funds, deposits with bond trustee, or cash that is held in investment managers' accounts until suitable investment opportunities are identified.

(e) ***Investments***

The College's portfolio is managed by outside investment managers who are selected according to the investment guidelines established by the Board of Trustees and its Investment Subcommittee. Investments are recorded at fair value. Unrealized gains and losses that result from market fluctuations are recognized in the statement of activities in the period in which the fluctuations occur. Realized gains and losses are computed based on the trade-date basis.

The fair value of publicly traded securities is based upon quotes from the principal exchanges on which the security is traded. Nonmarketable securities include alternative investments such as private equity, venture capital, hedge funds, natural resources partnerships, and distressed securities, which are valued using net asset value (NAV), obtained from the general partner or investment manager. The College has utilized the NAV reported by the general partner or investment manager as a practical

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Notes to Financial Statements

June 30, 2021

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

(Dollars in thousands)

expedient to estimate the fair value of certain investments. The NAV generally reflects discounts for liquidity and considers variables such as financial performance of investments, including comparison of earnings multiples of comparable companies, cash flow analysis, recent sales prices of investments and other pertinent information. The agreements under which the College participates in nonmarketable investment funds may limit the College's ability to liquidate its interest in such investments for a period of time; in the absence of such limits, these investments are generally redeemable or may be liquidated at NAV under the original terms of the subscription agreements and operations of the underlying funds. Due to the nature of the investments held in nonmarketable investment funds, changes in market conditions and the economic environment may significantly impact the NAV of the funds. Furthermore, changes in the liquidity provisions of the funds may significantly impact the College's interest in the fund. Although certain investments may be sold in secondary market transactions, subject to meeting certain requirements by governing documents of the funds, the secondary market is not always active, is generally thinly traded with respect to nonmarketable funds, and individual transactions are not necessarily observable. It is, therefore, reasonably possible that if the College were to sell its interest in a fund in the secondary market, the sale could occur at an amount materially different than the reported value.

As of June 30, 2021, the College had no specific plans or intentions to sell investments at amounts different than NAV.

The three levels of the fair value hierarchy are:

- **Level 1** – Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the College has the ability to access at the measurement date.
- **Level 2** – Inputs are other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- **Level 3** – Inputs are unobservable for the asset or liability.

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

Investments measured at NAV as a practical expedient are not categorized within the fair value hierarchy.

(f) ***Spending from Endowment***

The College invests a significant portion of its endowment assets in an investment pool and distributes cash for expenditure in accordance with its endowment spending policy, which is intended to stabilize annual spending levels and to preserve the real value of the endowment portfolio over time. To meet these objectives, spending from endowment is set by the Board of Trustees at an amount equal to a percentage of average endowment market value for the twelve previous quarters for both with donor restriction and without donor restriction endowment funds. The spending rate was 5% for the years ended June 30, 2021 and 2020.

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Notes to Financial Statements

June 30, 2021

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

(Dollars in thousands)

Certain endowment assets are pooled on a market value basis with each individual fund subscribing to or disposing of units on the basis of the market value per unit at the beginning of a quarterly period in which transactions take place. Endowment spending is distributed based on the number of subscribed units at the end of each quarter.

(g) ***Split-Interest Agreements***

The College's split-interest agreements consist primarily of charitable gift annuities, pooled income funds, perpetual trusts, charitable lead trusts and irrevocable charitable remainder trusts. Assets are invested by the College or by third-party trustees. Payments are made to donors and/or other beneficiaries in accordance with the individual agreements. Funds held in trust are reported as level 1 investments at June 30, 2021.

Contribution revenues for split-interest agreements are recognized at the dates the agreements are established, and the College becomes aware of them. Revenues are recorded at fair value, net of the estimated liability for future amounts payable, where applicable.

The present value of payments to beneficiaries under split-interest agreements is calculated using discount rates that represent the risk-free rates in existence at the date of the gift for all trusts in which the College is the trustee. For those trusts with third-party trustees, the discount rates used represent the risk-free rates in existence at the end of the fiscal year.

(h) ***Land, Buildings, and Equipment***

Plant assets are recorded in the balance sheet at historical cost or at estimated fair value at the date of donation. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets. Leasehold improvements are depreciated over the lesser of the lease term or asset's useful life.

(i) ***Tax Status***

The College generally does not provide for income taxes since it is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. Accounting Standards Codification (ASC) 740, *Income Taxes*, permits an entity to recognize the benefit and requires accrual of an uncertain tax position only when the position is "more likely than not" to be sustained in the event of examination by tax authorities. In evaluating whether a tax position has met the recognition threshold, the College must presume that the position will be examined by the appropriate taxing authority that has full knowledge of all relevant information. ASC 740 also provides guidance on the recognition, measurement, and classification of income tax uncertainties, along with any related interest or penalties. Tax positions deemed to meet the "more-likely-than-not" threshold are recorded as a tax expense in the current year. The College has analyzed all open tax years, as defined by the statutes of limitations, for all major jurisdictions. Open tax years are those that are open for exam by taxing authorities. Major jurisdictions for the College include federal and the state of Connecticut. As of June 30, 2021, open federal and Connecticut tax years for the College include the tax years ended June 30, 2018 through June 30, 2021. The College has no examinations in progress. The College believes it has no significant uncertain tax positions.

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Notes to Financial Statements

June 30, 2021

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

(Dollars in thousands)

(j) **Collections**

Library and art collections are not recognized as assets on the balance sheet. Purchases of such collections are recorded as expenses in the period in which the items are acquired. Contributed collection items are not reflected in the financial statements. Proceeds from the sale of collection items or insurance recoveries are reflected as increases in the appropriate net asset class.

(k) **Use of Estimates**

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reporting period. Significant estimates include collectability of gifts, pledges, student loans, accounts and other receivables, valuation of certain investments, leases, and the liability for postretirement benefits. Actual results could differ from such estimates.

(l) **COVID-19 Pandemic**

As a result of the COVID-19 Pandemic (the pandemic), in fiscal year 2021 and 2020 the College was awarded \$4,886 and \$1,202 respectively, from the Higher Education Emergency Relief Fund (HEERF). The funds were awarded for emergency financial aid grants to students and institutional expenditures under the 18004(a)(1) Coronavirus Aid, Relief, and Economic Security Act (CARES Act), and the American Rescue Plan Act of 2021. As of June 30, 2021, the College has disbursed \$1,377 of the total received to the students to assist the students in their transition to remote learning and \$1,578 to support institutional expenditures relating to the pandemic. The remaining \$3,133 will be utilized in fiscal year 2022 to support student assistance and institutional expenditures relating to the pandemic.

In fiscal year 2021 the College resumed residential education providing both in-person and remote learning opportunities.

(m) **Recently Issued Accounting Standards**

In February 2016, The FASB issued ASU 2016-02, *Leases (Topic 842)*, as amended, that requires, among other things, a lessee to recognize a right-of-use asset representing an entity's right to use the underlying asset for the lease term and a liability for lease payments on the balance sheet, regardless of classification of a lease as an operating or finance lease. As permitted by the ASU, for leases with a term of twelve months or less as a lessee, the College has elected not to recognize lease assets and liabilities and account for the lease similar to existing guidance for operating leases. The College adopted ASU 2016-02 in fiscal year 2021 using the modified retrospective approach. Right-of use assets and related lease obligations of \$465 and \$645 were recognized as of July 1, 2020 and are included in the balance sheet in inventories and other assets and other obligations. The guidance did not materially impact the College's results of operations.

(n) **Reclassifications**

Certain reclassifications have been made to 2020 information to conform to the 2021 presentation.

CONNECTICUT COLLEGE

Notes to Financial Statements

June 30, 2021

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

(Dollars in thousands)

(2) Liquidity

As of June 30, 2021, financial assets and liquidity resources available within one year for general expenditure, such as operating expenses, scheduled principal payments on debt, and capital costs not financed with debt, were as follows:

| | <u>2021</u> | <u>2020</u> |
|--|------------------|---------------|
| Cash and cash equivalents | \$ 31,014 | 40,862 |
| Contributions, notes, and accounts receivable due within one year, net | 1,774 | 3,148 |
| Subsequent fiscal year budgeted endowment appropriation | <u>14,170</u> | <u>14,504</u> |
| Total financial assets available within one year | <u>\$ 46,958</u> | <u>58,514</u> |

The College's Board of Trustees establishes the annual spending policy. For fiscal year 2022 the Board approved a spending rate of 5% of the 12-quarter trailing average of the pool's market value for a total spending allocation of \$14,170. Additionally, the College has board-designated endowment funds of \$76,638 as of June 30, 2021. Although the College does not intend to spend from its board-designated endowment funds other than amounts appropriated for operation, amounts could be made available if necessary.

The College's cash flows have seasonal variations attributable to the timing of tuition billing and contributions received. To manage liquidity, the college maintains a working capital portfolio which corresponds with the projected liquidity need. As part of the College's liquidity management, the College maintains working capital lines of credit, and maintains capital allocations which provides liquidity of assets available to meet general expenditures as liabilities and other obligation come due. General expenditures consist of funding for the College's operating budget including debt obligation payments and funding for the annual capital renewal and replacement expenditures.

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Notes to Financial Statements

June 30, 2021

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

(Dollars in thousands)

(3) Accounts and Student Loans Receivable

Accounts and student loans receivable consisted of the following as of June 30:

| | <u>2021</u> | <u>2020</u> |
|--|-----------------|--------------|
| Student accounts receivable | \$ 667 | 1,407 |
| Grants and contracts receivable | 236 | 177 |
| Miscellaneous receivables | 75 | 84 |
| Less allowance for doubtful accounts | <u>(150)</u> | <u>(150)</u> |
| Accounts receivable, net | <u>828</u> | <u>1,518</u> |
| Student loans receivable | 588 | 728 |
| Less allowance for doubtful accounts | <u>(150)</u> | <u>(150)</u> |
| Student loans receivable, net | <u>438</u> | <u>578</u> |
| Total accounts and student loans receivable, net | <u>\$ 1,266</u> | <u>2,096</u> |

(4) Contributions Receivable

Contributions receivable consisted of the following unconditional promises to give as of June 30:

| | <u>2021</u> | <u>2020</u> |
|-------------------------------------|------------------|----------------|
| Amounts due in: | | |
| Less than one year | \$ 1,037 | 1,698 |
| One to five years | 34,345 | 21,949 |
| More than five years | <u>1,042</u> | <u>987</u> |
| Gross contributions receivable | 36,424 | 24,634 |
| Less: | | |
| Present value discount | (281) | (474) |
| Allowance for uncollectible pledges | <u>(1,455)</u> | <u>(2,098)</u> |
| Contributions receivable, net | <u>\$ 34,688</u> | <u>22,062</u> |

CONNECTICUT COLLEGE
Notes to Financial Statements
June 30, 2021
(with comparative information for the year ended June 30, 2020)
(Dollars in thousands)

| | 2021 | 2020 |
|--------------------------------|-------------|-------------|
| Purpose: | | |
| Endowment giving | \$ 18,053 | 11,026 |
| Capital purposes | 12,457 | 4,565 |
| Operating purposes | 5,914 | 9,043 |
| Gross contributions receivable | \$ 36,424 | 24,634 |

The discount rates used to present the value of the pledges range from 0.39% to 6% at June 30, 2021 and June 30, 2020.

As of June 30, 2021 and 2020, the College had a pledge receivable from one donor that comprised 71% and 32%, respectively, of the contributions receivable, net on the balance sheet.

(5) Investments and Fair Value

The College's investments at June 30, 2021 and 2020 that are reported at fair value are summarized in the tables below and, as applicable, by their fair value hierarchy classification:

| | 2021 | | | | |
|--------------------------------|--|----------------|----------------|----------------|-----------------------------|
| | Investments measured at NAV | Level 1 | Level 2 | Level 3 | Total fair value |
| Investments: | | | | | |
| Short-term ¹ | \$ — | 18,953 | 6,348 | — | 25,301 |
| U.S. equities | 119,802 | 10,953 | — | — | 130,755 |
| International equities | 62,939 | 10,805 | — | — | 73,744 |
| Fixed income | — | 19,175 | 11,695 | — | 30,870 |
| Private equity | 29,388 | — | — | — | 29,388 |
| Venture capital | 56,422 | — | — | — | 56,422 |
| Inflation hedging ² | 8,045 | — | — | 6,094 | 14,139 |
| Hedge funds | 83,906 | — | — | — | 83,906 |
| Distressed debt | 6,300 | — | — | — | 6,300 |
| Split-interest agreements | — | — | 4,253 | — | 4,253 |
| Total | \$ 366,802 | 59,886 | 22,296 | 6,094 | 455,078 |

CONNECTICUT COLLEGE

Notes to Financial Statements

June 30, 2021

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

(Dollars in thousands)

| | 2020 | | | | |
|--------------------------------|--|----------------|----------------|----------------|-----------------------------|
| | Investments measured at NAV | Level 1 | Level 2 | Level 3 | Total fair value |
| Investments: | | | | | |
| Short-term ¹ | \$ — | 12,779 | 6,136 | — | 18,915 |
| U.S. equities | 85,782 | 557 | — | — | 86,339 |
| International equities | 47,501 | 7,451 | — | — | 54,952 |
| Fixed income | — | 20,011 | 7,563 | — | 27,574 |
| Private equity | 16,718 | — | — | — | 16,718 |
| Venture capital | 29,081 | — | — | — | 29,081 |
| Inflation hedging ² | 7,078 | — | — | 3,063 | 10,141 |
| Hedge funds | 72,627 | — | — | — | 72,627 |
| Distressed debt | 5,277 | — | — | — | 5,277 |
| Split-interest agreements | — | — | 3,835 | — | 3,835 |
| Total | \$ 264,064 | 40,798 | 17,534 | 3,063 | 325,459 |

¹ Short-term includes money market funds and the cash surrender value of a life insurance policy.

² Inflation hedging includes such investments as natural resources partnerships, agricultural and other commodities, real estate and treasury inflation-protected securities.

Certain investments are redeemable with the funds or limited partnerships at NAV under the terms of the subscription agreements and/or partnership agreements. Investments with daily liquidity generally do not require any notice prior to withdrawal. Investments with monthly, quarterly or annual redemption frequency typically require notice periods ranging from 30 to 60 days. The long-term investments' fair values are broken out below by their redemption frequency as of June 30, 2021:

| | Daily | Monthly | Quarterly | Semi-annual | Illiquid | Total |
|---------------------------|------------------|----------------|------------------|--------------------|-----------------|----------------|
| Investments: | | | | | | |
| Short-term investments | \$ 25,301 | — | — | — | — | 25,301 |
| U.S. equities | 10,966 | 41,636 | 78,153 | — | — | 130,755 |
| International equities | — | 66,704 | 7,040 | — | — | 73,744 |
| Fixed income | 30,870 | — | — | — | — | 30,870 |
| Private equity | — | — | — | — | 29,388 | 29,388 |
| Venture capital | — | — | — | — | 56,422 | 56,422 |
| Inflation hedging | — | — | — | 8,434 | 14,139 | 22,573 |
| Hedge funds | 4,697 | 14,895 | 50,497 | — | 5,383 | 75,472 |
| Distressed debt | — | — | — | — | 6,300 | 6,300 |
| Split-interest agreements | — | — | — | — | 4,253 | 4,253 |
| Total | \$ 71,834 | 123,235 | 135,690 | 8,434 | 115,885 | 455,078 |

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The College enters into derivative instruments such as futures for trading purposes. The College may enter into equity or index option contracts to speculate on the price movements of the financial instrument or index underlying the option.

Index future contracts are included in investments on the balance sheet. The College held certain index future contracts in a net liability position of \$5,475 and \$2,855 for June 30, 2021 and 2020, respectively and is recorded in investments on the balance sheet. The College posted collateral on the index futures contracts of \$0 for June 30, 2021 and 2020, respectively.

The fair market value of investment derivatives held by the fund at June 30, 2021 and 2020, are summarized in the following table:

| | <u>2021</u> | |
|------------------------------------|----------------------|-----------------------------------|
| | <u>Long notional</u> | <u>Unrealized (loss) gain</u> |
| Instrument type: | | |
| Equity index futures | \$ 8,148 | 114 |
| Currency futures | 161 | (4) |
| International equity index futures | <u>5,582</u> | <u>(90)</u> |
| Total | <u>\$ 13,891</u> | <u>20</u> |
| | <u>2020</u> | |
| | <u>Long notional</u> | <u>Unrealized (loss) gain</u> |
| Instrument type: | | |
| Equity index futures | \$ 2,318 | (2) |
| Currency futures | — | — |
| International equity index futures | <u>1,698</u> | <u>2</u> |
| Total | <u>\$ 4,016</u> | <u>—</u> |

At June 30, 2021, the College's remaining outstanding commitments on investments totaled \$30,784. These commitments are expected to be funded from existing investments included within the endowment. Generally, these commitments have 10-year terms, with the option to extend. As of June 30, 2021, the

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average remaining life of the commitments is 4 years. The remaining outstanding commitments are summarized in the table below:

| | | |
|-----------------------|----|---------------|
| Private equity | \$ | 18,192 |
| Venture capital | | 8,961 |
| Inflation hedging | | 828 |
| Distressed securities | | <u>2,803</u> |
| | \$ | <u>30,784</u> |

At June 30, 2021, funds with redemption lockup periods in the amount of \$4,190 will expire in fiscal year 2022.

(6) Endowment

The College's pooled endowment consists of approximately 650 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions or state statute.

(a) *Relevant Law*

The State of Connecticut has enacted the Connecticut Uniform Prudent Management of Institutional Funds Act (CT UPMIFA), which governs the management of donor-restricted endowment funds by institutions.

Although CT UPMIFA offers short-term spending flexibility, the explicit consideration of the preservation of funds among factors for prudent spending suggests that a donor-restricted endowment fund is still perpetual in nature. Under CT UPMIFA, the College's Board of Trustees (the Board) is permitted to determine and continue a prudent payout amount, even if the market value of the fund is below historic dollar value. There is an expectation that, over time, the with donor restriction amount will remain intact. This perspective is aligned with the accounting standards definition that with donor restriction funds are those that must be held in perpetuity even though some portions of the historic dollar value may be reduced by drawings on a temporary basis.

The College classifies as with donor restriction net assets (a) the original value of gifts donated to the with donor restriction endowment, (b) the original value of subsequent gifts to the with donor restriction endowment, and (c) accumulations to the with donor restriction endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in with donor restriction net assets is classified as with donor restriction net assets until those amounts are appropriated for expenditure by the College in a manner consistent with the standard of prudence prescribed by CT UPMIFA.

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In accordance with CT UPMIFA, the College considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the College and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effects of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the College
- (7) The investment policies of the College
- (8) The need to support activities of the College for both current and future generations of students.

(b) Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level classified as with donor restriction consistent with donor restrictions and college policies under CT UPMIFA. In accordance with U.S. GAAP, deficiencies of this nature are reported in net assets with donor restrictions with an original gift value of \$40 and \$809 and were underwater by \$6 and \$32 as of June 30, 2021 and 2020, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred after the investment of with donor restriction contributions and/or appropriation for certain programs that was deemed prudent by the College.

Endowment net asset composition by type of fund consist of the following at June 30, 2021:

| | Without donor restrictions | With donor restrictions | | Total | Total 2021 |
|-----------------------------------|----------------------------------|-------------------------|----------------------------------|----------------|----------------|
| | | Original gift | Accumulated gains (losses) | | |
| Board-designated endowment funds | \$ 76,638 | — | — | — | 76,638 |
| Donor restricted endowment funds: | | | | | |
| Underwater | — | 40 | (6) | 34 | 34 |
| Other | — | 185,076 | 172,805 | 357,881 | 357,881 |
| | <u>\$ 76,638</u> | <u>185,116</u> | <u>172,799</u> | <u>357,915</u> | <u>434,553</u> |

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Endowment net asset composition by type of fund consist of the following at June 30, 2020:

| | Without donor restrictions | With donor restrictions | | Total | Total 2020 |
|-----------------------------------|----------------------------|-------------------------|----------------------------|----------------|----------------|
| | | Original gift | Accumulated gains (losses) | | |
| Board-designated endowment funds | \$ 57,844 | — | — | — | 57,844 |
| Donor restricted endowment funds: | | | | | |
| Underwater | — | 809 | (32) | 777 | 777 |
| Other | — | 169,616 | 88,033 | 257,649 | 257,649 |
| | <u>\$ 57,844</u> | <u>170,425</u> | <u>88,001</u> | <u>258,426</u> | <u>316,270</u> |

Changes in pooled endowment funds for the year ended June 30, 2021 are as follows:

| | Without donor restrictions | With donor restrictions | Total |
|---|----------------------------|-------------------------|----------------|
| Endowment funds, June 30, 2020 | \$ 57,844 | 258,426 | 316,270 |
| Return on long-term investments: | | | |
| Dividends and interest | 65 | 288 | 353 |
| Net gains on investments | 22,115 | 101,171 | 123,286 |
| Investment management fees | (983) | (4,497) | (5,480) |
| | 21,197 | 96,962 | 118,159 |
| Appropriation of endowment assets for expenditure | (3,071) | (12,158) | (15,229) |
| Investment return, less endowment spending used in operations | 18,126 | 84,804 | 102,930 |
| Contributions and transfers | 668 | 14,685 | 15,353 |
| Endowment funds, June 30, 2021 | <u>\$ 76,638</u> | <u>357,915</u> | <u>434,553</u> |

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Changes in pooled endowment funds for the year ended June 30, 2020 are as follows:

| | <u>Without donor restrictions</u> | <u>With donor restrictions</u> | <u>Total</u> |
|---|---|--|-----------------|
| Endowment funds, June 30, 2019 | \$ 57,415 | 256,095 | 313,510 |
| Return on long-term investments: | | | |
| Dividends and interest | 109 | 475 | 584 |
| Net gains on investments | 1,644 | 7,272 | 8,916 |
| Investment management fees | <u>(747)</u> | <u>(3,328)</u> | <u>(4,075)</u> |
| | 1,006 | 4,419 | 5,425 |
| Appropriation of endowment assets for expenditure | <u>(2,839)</u> | <u>(11,920)</u> | <u>(14,759)</u> |
| Investment return, less endowment spending used in operations | (1,833) | (7,501) | (9,334) |
| Contributions and transfers | <u>2,262</u> | <u>9,832</u> | <u>12,094</u> |
| Endowment funds, June 30, 2020 | <u>\$ 57,844</u> | <u>258,426</u> | <u>316,270</u> |

(c) **Return Objectives and Risk Parameters**

The College pursues 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 endowment funds in perpetuity. Endowment assets include those assets of donor-restricted funds that the College must hold in perpetuity or for a donor-specified period as well as board-designated funds. Under the College's investment policy, the endowment assets are currently invested in a manner that is intended to produce results consistent with the return and risk results of a combination of various indexes representative of portfolio target allocations. The College expects its endowment funds, over the long-term, to provide an average annual rate of return in excess of spending plus inflation while carrying a moderate level of risk. Actual returns in any given year may vary from such amount.

(d) **Strategies Employed for Achieving Objectives**

To satisfy its long-term rate-of-return objectives, the College relies on a total return strategy in which investment returns are achieved through capital appreciation (realized and unrealized) and current yield (interest and dividends). The College targets a diversified asset allocation of domestic and international equities, fixed income, marketable and nonmarketable alternative investments (hedge funds and private investments), and real assets to achieve its long-term return objectives within prudent risk constraints.

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(e) Spending Policy and How the Investment Objectives Relate to Spending Policy

The College has a policy of appropriating for distribution each year 5% of its endowment fund's average fair value using the prior twelve quarters through June 30 preceding the fiscal year in which the distribution is planned. In establishing its spending policy, the College considered the expected return on its endowment. Accordingly, the College expects its spending policy will allow its endowment funds to be maintained in perpetuity by growing at a rate at least equal to planned payouts. Additional real endowment growth will be provided through new gifts and any excess investment return.

(7) Land, Buildings, and Equipment

Included in land, buildings, and equipment as of June 30 are the following amounts:

| | <u>Estimated useful lives</u> | <u>2021</u> | <u>2020</u> |
|-------------------------------------|-----------------------------------|-------------------|------------------|
| Campus land | — | \$ 1,080 | 1,080 |
| Land improvements | 20 years | 20,990 | 20,748 |
| Buildings and building improvements | 20–40 years | 210,584 | 209,656 |
| Equipment and furniture | 5–10 years | 45,425 | 48,898 |
| Software | 3–10 years | 6,050 | 6,050 |
| Construction in progress | | <u>20,354</u> | <u>7,653</u> |
| | | 304,483 | 294,085 |
| Less accumulated depreciation | | <u>(192,229)</u> | <u>(187,996)</u> |
| | | <u>\$ 112,254</u> | <u>106,089</u> |

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(8) Bonds and Notes Payable

The following is a summary of bonds and notes payable at June 30:

| | 2021 | 2020 |
|--|-------------|-------------|
| Connecticut Health and Education Facilities Authority: | | |
| Series H-1 bonds, face amount \$12,110 issued 2011, interest is fixed at 5.0%, maturities to 2041 | \$ — | 12,110 |
| Series H-2 bonds, face amount \$3,985 issued 2011, interest is fixed at rates ranging from 3.1% to 6.0%, maturities to 2031 | — | 2,840 |
| Series I bonds, face amount \$12,240 issued 2012, interest is fixed at rates ranging from 2.0% to 5.0%, maturities to 2032 | — | 6,975 |
| Series J bonds, face amount \$9,200 issued 2015, interest is fixed at 3.17% until maturity in 2029 | 8,789 | 9,038 |
| Series K bonds, face amount \$3,300 issued 2015, interest is fixed at 2.64% until maturity in 2029 | 3,141 | 3,237 |
| Series L-1 bonds, face amount \$40,725 issued 2017, interest is fixed at rates ranging from 3.0% to 5.0%, maturities to 2046 | 40,725 | 40,725 |
| Series L-2 bonds, face amount \$12,910 issued 2017, interest is fixed at rates ranging from 1.316% to 2.902%, maturities to 2027 | 8,915 | 10,185 |
| Boston Private Bank and Trust Company: | | |
| Boston Private Series A Term Note, issued 2021, interest is fixed at 3.09%, maturities to 2043 | 23,217 | — |
| | 84,787 | 85,110 |
| Net bond premiums | 3,974 | 4,735 |
| Net bond issuance costs | (802) | (841) |
| Total bonds and notes payable | \$ 87,959 | 89,004 |

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Future maturities of the bonds and notes payable are as follows:

| | | <u>Bonds</u> |
|------------|----|---------------|
| 2022 | \$ | 1,661 |
| 2023 | | 1,712 |
| 2024 | | 1,780 |
| 2025 | | 1,921 |
| 2026 | | 2,418 |
| Thereafter | | <u>75,295</u> |
| | \$ | <u>84,787</u> |

The College has an unsecured \$10,000 line of credit established with Citizens Bank for short-term working capital purposes that matures on January 31, 2023. As of June 30, 2021 and 2020, there were no outstanding advances under the line of credit. As of June 30, 2021 and 2020, the interest rate is set at LIBOR plus an applicable margin.

The preceding debt agreements impose certain restrictions upon the College with respect to incurring additional indebtedness, selling real property, and establishing liens or encumbrances on the mortgaged assets of the College, as well as minimum debt to expendable net assets ratio requirements.

The College maintains debt service reserve funds as required by the associated bond agreements, which are reported in deposits with trustees on the balance sheet. These are reported as level 1 investments as of June 30, 2021.

On August 18, 2020 the College issued a \$23,217 promissory note entitled Series A Term Note with Boston Private Bank and Trust Company which carries a fixed interest rate of 3.09% per annum. The proceeds from Series A were used for the redemption of the prior issue CHEFA Series H-1, H-2, and I bonds. Additionally, on August 18, 2020, the College issued a promissory note in the amount of \$5,000, entitled Series B Term Advance, which carries an interest equal to 3.00% per annum. As of June 30, 2021, there was no outstanding balance under the promissory note.

Bond interest expense for the years ended June 30, 2021 and 2020 was \$2,785 and \$3,355, respectively.

(9) Retirement Plan

Retirement benefits are provided for eligible employees of the College through Teachers' Insurance and Annuity Association and College Retirement Equities Fund under a defined-contribution plan. Under the plan, the College contributed 5% of the gross salaries of eligible employees within limits established by the Internal Revenue Code in fiscal year June 30, 2021 and 10% in fiscal year ended June 30, 2020. Total retirement expense for the fiscal years ended June 30, 2021 and 2020 was \$1,951 and \$3,840, respectively.

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(10) Postretirement Medical Benefit Plan

Prior to July 1, 2007, the College provided certain healthcare benefits, including insurance for medical care and prescription drug components, for certain of its retired employees under a defined benefit plan. Effective June 30, 2007, the College closed the defined benefit plan. Information with respect to the closed defined benefit plan is as follows:

| | June 30 | |
|--|------------|----------|
| | 2021 | 2020 |
| Change in benefit obligation: | | |
| Benefit obligation at beginning of year | \$ 10,043 | 9,245 |
| Service cost | 316 | 274 |
| Interest cost | 203 | 286 |
| Plan participants' contributions | 266 | 189 |
| Medicare Part D subsidy received | 7 | 7 |
| Actuarial (loss) gain | (875) | 775 |
| Benefits paid | (644) | (733) |
| Benefit obligation at end of year | 9,316 | 10,043 |
| Change in plan assets: | | |
| Fair value of plan assets at beginning of year | — | — |
| Employer contribution | 371 | 537 |
| Plan participants' contributions | 266 | 189 |
| Medicare Part D subsidy received | 7 | 7 |
| Benefits paid | (644) | (733) |
| Fair value of plan assets at end of year | — | — |
| Funded status | \$ (9,316) | (10,043) |

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(Dollars in thousands)

| | June 30 | | | |
|---|----------------|-------------|----------------|-------------|
| | 2021 | | 2020 | |
| | Medical | Drug | Medical | Drug |
| Discount rate used to value obligations | 2.32 % | 2.32 % | 2.17 % | 2.17 % |
| Discount rate used to value expenses | 2.17 | 2.17 | 3.25 | 3.25 |
| Weighted average healthcare cost trend: | | | | |
| Initial trend rate | 7.00 | 7.00 | 6.50 | 6.50 |
| Ultimate trend rate | 5.00 | 5.00 | 5.00 | 5.00 |
| Year ultimate trend rate attained | 2025 | 2025 | 2023 | 2021 |

| | June 30 | |
|---|----------------|----------------|
| | 2021 | 2020 |
| Components of net periodic postretirement benefit cost: | | |
| Service costs | \$ 316 | 274 |
| Interest cost | 203 | 286 |
| Net amortization of unrecognized prior service cost | — | — |
| Total net periodic postretirement benefit cost | \$ <u>519</u> | <u>560</u> |
| Recognized in employee benefits expense: | | |
| Service cost | \$ <u>316</u> | <u>274</u> |
| Total recognized in employee benefits expense | \$ <u>316</u> | <u>274</u> |
| Recognized in nonoperating activities: | | |
| Actuarial gain (loss), net | \$ 875 | (775) |
| Interest cost | (203) | (286) |
| Net amortization of unrecognized prior service cost | <u>11</u> | <u>—</u> |
| Total recognized in nonoperating activities | \$ <u>683</u> | <u>(1,061)</u> |

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The assumed healthcare cost trend rate has a significant effect on the amounts reported. A one-percentage-point change in the assumed healthcare cost trend rate would have the following effects:

| | <u>2021</u> | <u>2020</u> |
|---|-------------|-------------|
| Impact of 1% increase in healthcare cost trend: | | |
| On interest cost plus service cost during past year | \$ 101 | 72 |
| On accumulated postretirement benefit obligation | 713 | 882 |
| Impact of 1% decrease in healthcare cost trend: | | |
| On interest cost plus service cost during past year | \$ (44) | (64) |
| On accumulated postretirement benefit obligation | (644) | (794) |

Estimated future benefit payments, net of employee contributions and expected Medicare Part D Subsidy, are as follows:

| | <u>Estimated benefit payments</u> |
|------------------------|---|
| Year beginning July 1: | |
| 2021 | \$ 713 |
| 2022 | 626 |
| 2023 | 599 |
| 2024 | 812 |
| 2025 | 603 |
| 2026–2030 | 2,873 |

Effective July 1, 2007, the College adopted the Emeriti Retiree Health Plan and began funding separate health accounts for eligible employees for retirement medical expenses under a defined contribution plan. For employees who were nearing retirement at the time the defined benefit plan was closed, the College provides a transition benefit in the defined contribution plan. Total postretirement medical expenses for the Emeriti Retiree Health Plan for fiscal years ended June 30, 2021 and 2020 was \$226 and \$216, respectively.

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(11) Net Assets

Net assets as of June 30, 2021 are as follows:

| | <u>Without donor restrictions</u> | <u>With donor restrictions</u> | <u>Total</u> |
|---|---------------------------------------|------------------------------------|----------------|
| Endowment: | | | |
| Scholarship | \$ 17,353 | 111,966 | 129,319 |
| Professorship/directorship | 3,872 | 70,531 | 74,403 |
| General purpose | 55,413 | 175,418 | 230,831 |
| Plant funds | — | 32,675 | 32,675 |
| Assets held in trust and split-interest agreements | (1,666) | 20,082 | 18,416 |
| Accrued postretirement benefits and other funds | 4,576 | 52,251 | 56,827 |
| | <u>\$ 79,548</u> | <u>462,923</u> | <u>542,471</u> |

Net assets as of June 30, 2020 are as follows:

| | <u>Without donor restrictions</u> | <u>With donor restrictions</u> | <u>Total</u> |
|---|---------------------------------------|------------------------------------|----------------|
| Endowment: | | | |
| Scholarship | \$ 13,207 | 82,273 | 95,480 |
| Professorship/directorship | 2,951 | 53,441 | 56,392 |
| General purpose | 41,686 | 122,712 | 164,398 |
| Plant funds | 8,004 | 26,169 | 34,173 |
| Assets held in trust and split-interest agreements | (1,597) | 16,151 | 14,554 |
| Accrued postretirement benefits and other funds | (658) | 36,242 | 35,584 |
| | <u>\$ 63,593</u> | <u>336,988</u> | <u>400,581</u> |

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Net assets with donor restrictions for the years ended June 30, 2021 and 2020 were released from donor restrictions as a result of incurring expenses satisfying the restricted purposes or by the occurrence of other events specified by donors. Such assets were utilized to fund expenditures in the following categories:

| | <u>2021</u> | <u>2020</u> |
|--|------------------|---------------|
| Instruction and research | \$ 4,456 | 4,829 |
| Financial aid | 3,625 | 3,489 |
| Academic support | 2,285 | 1,888 |
| Student services | 300 | 411 |
| General institutional | <u>2,480</u> | <u>2,434</u> |
| Total operating net assets released from restrictions | <u>13,146</u> | <u>13,051</u> |
| Plant and other nonoperating | <u>54</u> | <u>1,187</u> |
| Total nonoperating net assets released from restrictions | <u>54</u> | <u>1,187</u> |
| Total net assets released from restrictions | \$ <u>13,200</u> | <u>14,238</u> |

(12) Functional Expenses

The statement of activities present expenses by natural classification. The College also summarizes its expenses by functional classification. Operation and maintenance of plant are allocated based on square footage. Depreciation expense for capital assets is allocated to functional classifications based on the functional classifications of the departments for which the capital asset serves. Interest expense is allocated based on the functional purpose for which the debt proceeds were used.

Functional expenses for the year ended June 30, 2021 are as follows (in thousands):

| | <u>Instruction</u> | <u>Research and public service</u> | <u>Academic support</u> | <u>Student services</u> | <u>Auxiliary services</u> | <u>Institutional support</u> | <u>Operations and maintenance</u> | <u>Total</u> |
|-------------------------------|--------------------|--|-----------------------------|-----------------------------|-------------------------------|----------------------------------|---|---------------|
| Salaries and wages | \$ 19,460 | 397 | 4,809 | 5,919 | 2,774 | 11,237 | 3,756 | 48,352 |
| Employee benefits | 6,545 | 95 | 1,470 | 1,843 | 984 | 3,496 | 1,003 | 15,436 |
| Supplies, services, other | 1,080 | 250 | 3,275 | 3,287 | 4,883 | 7,006 | 1,225 | 21,006 |
| Depreciation and amortization | 867 | 179 | 1,355 | 1,539 | 3,175 | 1,264 | — | 8,379 |
| Interest | 60 | 135 | 650 | 89 | 135 | 1,856 | 2 | 2,927 |
| Utilities | 102 | 14 | 188 | 276 | 379 | 80 | 2,111 | 3,150 |
| Operations and maintenance | <u>1,303</u> | <u>174</u> | <u>1,002</u> | <u>1,442</u> | <u>3,627</u> | <u>549</u> | <u>(8,097)</u> | <u>—</u> |
| | \$ <u>29,417</u> | <u>1,244</u> | <u>12,749</u> | <u>14,395</u> | <u>15,957</u> | <u>25,488</u> | <u>—</u> | <u>99,250</u> |

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Functional Expenses for the year ended June 30, 2020, are as follows (in thousands):

| | Instruction | Research and public service | Academic support | Student services | Auxiliary services | Institutional support | Operations and maintenance | Total |
|-------------------------------|------------------|--------------------------------------|---------------------|---------------------|-----------------------|--------------------------|----------------------------------|----------------|
| Salaries and wages | \$ 20,736 | 445 | 5,190 | 6,537 | 3,326 | 10,683 | 4,221 | 51,138 |
| Employee benefits | 7,585 | 125 | 1,656 | 2,117 | 1,221 | 3,325 | 1,330 | 17,359 |
| Supplies, services, other | 5,501 | 432 | 3,625 | 3,949 | 4,190 | 4,883 | 1,171 | 23,751 |
| Depreciation and amortization | 1,112 | 308 | 1,463 | 1,573 | 2,390 | 1,445 | — | 8,291 |
| Interest | 105 | 93 | 705 | 158 | 137 | 2,327 | 2 | 3,527 |
| Utilities | 100 | 22 | 220 | 304 | 476 | 126 | 2,161 | 3,409 |
| Operations and maintenance | 1,428 | 192 | 1,099 | 1,582 | 3,977 | 607 | (8,885) | — |
| | <u>\$ 36,567</u> | <u>1,617</u> | <u>13,958</u> | <u>16,220</u> | <u>15,717</u> | <u>23,396</u> | <u>—</u> | <u>107,475</u> |

(13) Commitments and Contingencies

The College is subject to certain legal proceedings and claims that arose in the ordinary course of its business. In the opinion of management, the amount of the ultimate liability with respect to those actions will not materially affect the financial position of the College.

(14) Subsequent Events

The College evaluated subsequent events for potential recognition or disclosure through November 8, 2021, the date on which the financial statements were available to be issued. No subsequent events were identified.