KPMG

WHITTIER COLLEGE

Financial Statements

June 30, 2021 and 2020

(With Independent Auditors' Report Thereon)

WHITTIER COLLEGE

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KPMG LLP
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Independent Auditors' Report

The Board of Trustees
Whittier College:

Report on the Financial Statements

We have audited the accompanying financial statements of Whittier College (the College), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities 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 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 Whittier College as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Supplementary Schedule of Financial Responsibility Data as of and for the year ended June 30, 2021 is presented for purposes of additional analysis, as required by the US Department of Education, and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the financial responsibility schedule is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Additionally, the accompanying list of the board of trustees and officers of the College on page 29 is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2021 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

KPMG LLP

November 30, 2021

WHITTIER COLLEGE

Statements of Financial Position

June 30, 2021 and 2020

Assets		2021	2020
Cash and cash equivalents	$	24,811,156	10,944,921
Short-term investments (note 4)		37,393,732	37,329,847
Accounts and loans receivable, net (note 2)		8,680,729	11,845,141
Prepaid expenses and other assets		410,427	371,570
Pledges receivable, net (note 3)		3,232,587	3,550,922
Long-term investments (note 4)		145,896,052	111,506,628
Plant facilities, net (note 7)		101,622,554	106,832,176
Total assets	$	322,047,237	282,381,205
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued liabilities	$	3,719,001	5,675,941
Student deposits and deferred revenue		2,858,203	2,535,906
Interest rate swap liability (note 8)		4,116,305	5,685,117
Loans and notes payable (note 8)		53,063,942	54,043,379
Actuarial liability for life income agreements		1,830,496	1,763,229
Asset retirement obligation		720,241	696,173
Funds held in custody for others		581,692	256,918
Total liabilities		66,889,880	70,656,663
Net assets (note 10):			
Without donor restrictions		137,338,181	117,858,215
With donor restrictions		117,819,176	93,866,327
Total net assets		255,157,357	211,724,542
Total liabilities and net assets	$	322,047,237	282,381,205

See accompanying notes to financial statements.

WHITTIER COLLEGE

Statement of Activities

Year ended June 30, 2021

		Without donor restrictions	With donor restrictions	Total
Student tuition and fees, net of $40,338,616 in student aid in 2021	$	33,348,836	—	33,348,836
Private gifts, grants, and pledges		13,931,368	2,013,040	15,944,408
Government grants		3,229,968	—	3,229,968
Investment income		1,033,760	1,300,678	2,334,438
Auxiliary enterprises		619,030	—	619,030
Other		327,291	22,333	349,624
		52,490,253	3,336,051	55,826,304
Net assets released from restrictions:				
Endowment returns designated for spending		3,509,749	(3,509,749)	—
Satisfaction of donor restrictions		1,656,507	(1,656,507)	—
Total revenues and other support		57,656,509	(1,830,205)	55,826,304
Expenses:				
Compensation expenses		30,125,591	—	30,125,591
Services, supplies and other expenses		7,425,803	—	7,425,803
Plant expenditures		4,324,188	—	4,324,188
Depreciation expense		5,739,702	—	5,739,702
Debt service-interest and other costs		2,217,326	—	2,217,326
Total expenses		49,832,610	—	49,832,610
Increase (decrease) in net assets from operating activities		7,823,899	(1,830,205)	5,993,694
Nonoperating activities:				
Net realized and unrealized gain on investments		10,087,255	25,962,281	36,049,536
Net change in actuarial liability for life income agreements		—	(179,227)	(179,227)
Unrealized gain on interest rate swap liability		1,568,812	—	1,568,812
Satisfaction of building gift restrictions		—	—	—
Increase in net assets from nonoperating activities		11,656,067	25,783,054	37,439,121
Change in net assets		19,479,966	23,952,849	43,432,815
Net assets:				
Beginning of year		117,858,215	93,866,327	211,724,542
End of year	$	137,338,181	117,819,176	255,157,357

See accompanying notes to financial statements.

WHITTIER COLLEGE

Statement of Activities

Year ended June 30, 2020

		Without donor restrictions	With donor restrictions	Total
Student tuition and fees, net of $46,168,000 in student aid in 2020	$	41,562,994	—	41,562,994
Private gifts, grants, and pledges		1,880,951	3,238,879	5,119,830
Government grants		3,342,360	—	3,342,360
Investment income		1,341,416	1,716,008	3,057,424
Auxiliary enterprises		9,830,625	—	9,830,625
Other		1,069,579	—	1,069,579
		59,027,925	4,954,887	63,982,812
Net assets released from restrictions:				
Endowment returns designated for spending		3,521,662	(3,521,662)	—
Satisfaction of donor restrictions		1,441,367	(1,441,367)	—
Total revenues and other support		63,990,954	(8,142)	63,982,812
Expenses:				
Compensation expenses		37,897,998	—	37,897,998
Services, supplies and other expenses		13,136,341	—	13,136,341
Plant expenditures		7,349,195	—	7,349,195
Depreciation expense		5,789,310	—	5,789,310
Debt service-interest and other costs		2,285,697	—	2,285,697
Total expenses		66,458,541	—	66,458,541
Decrease in net assets from operating activities		(2,467,587)	(8,142)	(2,475,729)
Nonoperating activities:				
Net realized and unrealized loss on investments		(2,638,806)	(4,000,016)	(6,638,822)
Net change in actuarial liability for life income agreements		49,831	561,181	611,012
Unrealized loss on interest rate swap liability		(1,611,233)	—	(1,611,233)
Satisfaction of building gift restrictions		209,170	(209,170)	—
Decrease in net assets from nonoperating activities		(3,991,038)	(3,648,005)	(7,639,043)
Change in net assets		(6,458,625)	(3,656,147)	(10,114,772)
Net assets:				
Beginning of year		124,316,840	97,522,474	221,839,314
End of year	$	117,858,215	93,866,327	211,724,542

See accompanying notes to financial statements.

WHITTIER COLLEGE

Statements of Cash Flows

Years ended June 30, 2021 and 2020

		2021	2020
Cash flows from operating activities:			
Change in net assets	$	43,432,815	(10,114,772)
Adjustments to reconcile change in net assets to net cash used in operating activities:			
Depreciation expense		5,760,316	5,789,310
Unrealized (gain) loss on interest rate swap liability		(1,568,812)	1,611,233
Net realized and unrealized (gain) loss on investments		(36,049,536)	6,638,822
Restricted contributions		(1,205,037)	(1,214,280)
Net change in asset retirement obligation		29,989	18,935
Net change in actuarial liability for life income agreements		179,227	28,703
Changes in operating assets and liabilities:			
Decrease (increase) in accounts and loans receivable		1,942,950	(2,676,244)
Decrease in pledges receivable		318,335	57,682
(Increase) decrease in prepaid expenses and other assets		(38,857)	363,209
Decrease in accounts payable and accrued liabilities		(1,332,896)	(2,482,138)
Increase in student deposits and deferred revenue		322,297	45,942
Net cash provided by (used in) operating activities		11,790,791	(1,933,598)
Cash flows from investing activities:			
Purchase of plant facilities		(536,001)	(2,866,847)
Student loans issued, net of collections		1,221,462	579,071
Purchase of investments		(9,849,351)	(22,623,249)
Proceeds from sales of investments		11,445,578	23,780,156
Net cash provided by (used in) investing activities		2,281,688	(1,130,869)
Cash flows from financing activities:			
Proceeds from restricted contributions		1,205,037	1,214,280
Payment on loans, notes payable, and interest rate swap		(1,000,051)	(960,306)
Payments to beneficiaries on life income agreements		(111,960)	(121,067)
Proceeds from funds held in custody for others		324,774	87,429
Federal student loan funds, net		(624,044)	(802,644)
Net cash used in financing activities		(206,244)	(582,308)
Net increase (decrease) in cash and cash equivalents		13,866,235	(3,646,775)
Cash and cash equivalents:			
Beginning of year		10,944,921	14,591,696
End of year	$	24,811,156	10,944,921
Supplemental disclosure of cash flow information:			
Cash paid during the year for interest	$	2,216,847	2,285,697

See accompanying notes to financial statements.

(1) Description of Organization and Summary of Significant Accounting Policies

(a) Description of Organization

Whittier College (the College) was founded in 1887 and is an accredited four year, private coeducational, and nationally recognized liberal arts institution. The College offers undergraduate and selected advanced degrees in education. The College derives most of its revenue from tuition and student fees, earnings from its endowments, and gifts from individuals, corporations, and foundations. The following accounting policies of the College are in accordance with U.S. Generally Accepted Accounting Principles (U.S. GAAP) and those generally accepted for colleges and universities.

(b) Basis of Presentation

The financial statements of the College have been prepared on the accrual basis of accounting.

(c) Financial Statement Presentation

Revenue, gains, and losses are classified as without donor restrictions and with donor restrictions as follows:

Without donor restrictions net assets represent expendable funds available for operations, which are not otherwise limited by donor restrictions.

With donor restrictions net assets consist of contributed funds subject to specific donor imposed restrictions and earnings on those funds that have not yet been appropriated for expenditure. By law, those restrictions require that a portion of the assets be maintained in perpetuity and that a portion be maintained until appropriated for expenditure by the Board of Trustees in support of the College’s programs and operations, contingent upon specific performance of a future event or a specific passage of time.

(d) Revenue Recognition

Student tuition and fees are recorded as revenue in the period during which the academic services are rendered. Student tuition and fees received in advance of services to be rendered are recorded as deferred revenue.

Gifts from donors, including pledges receivable (unconditional promises to give), are recognized as revenue in the period received and are reported as increases in the appropriate category of net assets. Gifts where donor restrictions are met within the same fiscal year as the gifts are received are included in net assets without donor restrictions. Gifts of assets other than cash are recorded at their estimated fair value. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met.

Government grant revenue is recorded as the related expenses are incurred and administrative fees are earned.

Investment returns, including investment income and gains and losses, are recorded on a trade date basis and reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or law.

(Continued)

Auxiliary enterprises consist of room and board, bookstore commissions, and conferences fees and are recorded as revenue when the services are provided.

(e) Cash and Cash Equivalents

The College considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents, except for those that have been designated by the College as endowments, which are considered to be long term investments. Assets with characteristics of cash and cash equivalents that are held in endowment funds are reported as investments and not included in cash and cash equivalents within the statement of cash flows.

(f) Liquidity and Availability

The College regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the College considers all expenditures related to its ongoing mission related- activities as well as the conduct of services undertaken to support those activities to be general expenditures.

As of June 30, 2021 and 2020, the following financial assets could readily be made available within one year of the statement of financial position date to meet general expenditures:

		2021	2020
Cash and cash equivalents	$	24,811,156	10,944,921
Short term investments		37,393,732	37,329,847
Accounts and loans receivable		2,972,422	4,481,503
Payout on board designated endowments		1,291,372	1,279,617
Payout on donor restricted endowments		3,517,650	3,502,664
Pledges receivable within one year		968,820	990,076
	$	70,955,152	58,528,628

Student loans receivable are not considered to be available to meet general expenditures because principal and interest collected on those loans are used solely to make new loans.

The College’s governing board has designated a portion of its resources without donor restrictions for endowment. These funds are invested for long-term- appreciation and current income but remain available and may be spent at the discretion of the board. At June 30, 2021 and 2020, $36,808,726 and $27,304,541, respectively, were designated by the board as board designated endowment.

(Continued)

(g) Fair Value Determination of Financial Instruments

The fair value of the College's financial instruments as of June 30, 2021 and 2020, represents management's best estimates of the amounts that would be received to sell those assets in an orderly transaction between market participants at that date. Those fair value measurements maximize the use of observable inputs. However, in situations where there are little, if any, observable inputs, management's own judgments about the assumptions of market participants were used in pricing the asset. Those judgments are developed by management based on the best information available in the circumstances. Although the College uses its best judgment in determining the fair value of financial instruments, there are inherent limitations in any methodology.

Therefore, the values presented herein are not necessarily indicative of the amount the College could realize in a current transaction. Future confirming events could affect the estimates of fair value and could be material to the financial statements. These events could also affect the amount realized upon liquidation of the investments.

The College did not elect fair value accounting for any asset or liability that is not currently required to be measured at fair value.

The College's fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (Level I measurements) and the lowest priority measurements involving significant unobservable inputs (Level III measurements). The three levels of the fair value hierarchy are as follows:

- Level I inputs are quoted prices (unadjusted) in active markets for identical assets that the College has the ability to access at the measurement date.
- Level II inputs are inputs other than quoted prices included within Level I that are observable for the asset, either directly or indirectly, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other observable inputs that can be corroborated by observable market data. Level II includes government and corporate bonds due to variations in the pricing of such securities from various factors, including current interest rates, spreads, and various trade activity that impact the quoted prices for such holdings.
- Level III inputs are unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the asset.

The level in the fair value hierarchy within a fair value measurement in its entirety falls on the lowest level input that is significant to the fair value measurement in its entirety. The College applies the authoritative guidance contained in Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820-10, *Fair Value Measurement*, for estimating the fair value of investments in investment funds that have calculated Net Asset Value (NAV) per share. According to the guidance, in circumstances in which NAV per share of an investment is not determinative of fair value, a reporting entity is permitted to estimate the fair value of an investment in an investment fund using the NAV per share of the investment (or its equivalent) without further adjustment, if the NAV per share of the investment is determined in accordance with FASB ASC 946-10 as of the reporting entity's measurement date. Accordingly, the College uses the NAV as reported by the investment managers as a practical expedient to determine the fair value of investments in investment funds, which (a) do not have a readily determinable fair value and (b) either have the attributes of an investment fund or prepare their financial statements consistent with the measurement principles of an investment fund. At June 30, 2021 and 2020, the fair value of all such investments in investment funds has been determined by using NAV as a practical expedient. Such assets are not classified in the fair value hierarchy in accordance with Accounting Standards Update No. 2015-07 (ASU 2015-07), *Fair Value Measurement: Disclosures for Investments in Certain Entities that Calculate NAV per Share (or its Equivalent*). ASU 2015-07 removed the requirement to classify within the fair value hierarchy investments measured at NAV.

Fair value of the College's financial instruments is determined using the estimates, methods, and assumption as set forth below. See note 5 for further information regarding fair value disclosures for investments.

(i) Accounts and Loans Receivable, Accounts Payable, and Accrued Liabilities

Reported amounts approximated fair value at June 30, 2021 and 2020, because of the terms and relatively short maturities of these financial instruments.

(ii) Pledges Receivable

Pledges receivable are recognized initially at fair value as contributions revenue in the period such promises are made by donors. Fair value is estimated giving considerations to anticipated future cash receipts (after allowance is made for uncollectible pledges) and discounting such amounts at a fair value rate commensurate with the duration of the donor's payment plan. These inputs to the fair value estimate are considered Level III in the fair value hierarchy. In subsequent periods, the discount rate is unchanged and the allowance for uncollectible contributions is reassessed and adjusted if necessary.

(iii) Interest Rate Swap Liability

Fair value is estimated based on pricing models that utilize significant observable inputs, such as relevant interest rates, that reflect assumptions market participants would use in pricing the instruments. These inputs fall within Level II of the fair value hierarchy.

(iv) Loans and Notes Payable

The valuation techniques and the inputs of loans and notes payable are based on observable interest rates and maturity schedules. Fair value of loans and notes payable approximated the reported value at June 30, 2021 and 2020.

(v) Actuarial Liability for Life Income Agreements

The reported amount of the actuarial liability for life income agreements approximates fair value because these instruments are recorded at the estimated net present value of future cash flows. The estimated fair value, however, involves unobservable inputs considered to be Level III in the fair value hierarchy.

(h) Allocation of Investment Returns

The College follows an investment policy for its pooled investments, which anticipates a greater long term return through investing for capital appreciation and accepts lower current yields from dividends and interest. In order to offset the effect of lower current yields for current operations, the Board of Trustees has adopted a spending policy for pooled endowment investments whereby the amount of investment return available for current operations is determined by applying a specified percentage of 4.6% to the average market value of pooled investments for the three preceding calendar years. If the investment income of pooled investments, which includes interest and dividends, and accumulated realized and unrealized gains and losses, is insufficient to provide the full amount of investment return authorized for spending, no amounts are allocated to current operations.

(i) Plant Facilities

Property, plant, and equipment are stated at cost or estimated fair value at the date of the gift. Depreciation is computed on a straight line basis over the estimated useful lives of the assets (25 to 40 years for buildings and improvements and 5 to 7 years for equipment and library books). Expenditures for repairs and maintenance not extending the life of the assets are charged to operations when incurred. Upon sale or disposal of equipment, the cost and accumulated depreciation are removed from the respective accounts, and any gain or loss is included in the Statement of Activities.

(j) Asset Retirement Obligation

The College accrues for costs related to legal obligations to perform certain activities in connection with the retirement, disposal, or abandonment of assets. The obligation to perform the asset retirement activity is not conditional even though the timing or method may be conditional. The College identified future asbestos abatement activities as a conditional asset retirement obligation. Asbestos abatement activities were estimated based upon historical removal costs per square foot applied to assets identified requiring asbestos abatement. The College recorded the estimate as a liability and as an increase to the recorded historical cost of the asset. The capitalized portion is depreciated over the remaining useful life of the asset. The present value of the asset retirement obligation totaled $720,241 and $696,173 utilizing a rate of 3.5% as of June 30, 2021 and 2020, respectively. The costs will continue to be accreted to expense until such point that the remediation activities are required.

(k) Interest Rate Swap Liability

The College uses an interest rate risk management strategy that incorporates the use of derivative instruments intended to minimize significant fluctuations in interest expense that are caused by interest rate volatility. Interest rate swaps involve the exchange of fixed and variable rate interest payments between two parties, based on a common notional principal amount and maturity date. All derivative instruments are recognized in the statement of financial position at their fair values and changes in fair value are recognized in the statements of activities.

(l) Federal Student Loan Funds

Funds provided by the U.S. government under the Federal Perkins Student Loan program are loaned to qualified students and may be reloaned after collection. These funds are ultimately refundable to the U.S. government.

(Continued)

(m) Fund Raising Expense

The accompanying statements of activities include fund raising expenses of $1,834,258 and $2,620,823, for the years ended June 30, 2021 and 2020, respectively, as a component of total expenses.

(n) Actuarial Liability for Life Income Agreements

The actuarial liability for life income agreements includes gift annuities, unitrusts, pooled income funds, and life estates that are reported based on the present value of future payments, discounted at a rate that is commensurate with the risks involved ranging from 4.5% to 6.0% for the years ended June 30, 2021 and June 30, 2020 using the 2012 Group Annuity Tables.

(o) Funds Held in Custody for Others

Funds held in custody for others total $581,692 and $256,918 at June 30, 2021 and 2020, respectively. These amounts represent money's held for organizations and social clubs on campus.

(p) Functional Allocation of Expenses

The cost of providing programs and other activities has been summarized on a functional basis in note 13. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

(q) Concentration of Credit Risk

Financial instruments that potentially subject the College to concentrations of credit risk consist principally of cash deposits at financial institutions, student receivables, and investments in marketable securities. At times, balances in the College's cash and investment accounts exceed the insurance limits of the Federal Deposit Insurance Corporation (FDIC) or Securities Investors Protection Corporation (SPIC). Concentration of credit risk with respect to receivables is limited due to the number of students from which amounts are due and the low dollar amount of individual balances.

(r) Impairment of Long Lived Assets and Long Lived Assets to Be Disposed of

Long lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. During 2021 and 2020, there were no events or changes in circumstances indicating that the carrying amount of long lived assets may not be recoverable.

(s) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amount of the revenue and expenses during the reporting period. Actual results could differ from those estimates.

(Continued)

(t) Income Taxes

The College is exempt from taxation under Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the California Revenue and Taxation Code and is generally not subject to federal and state income taxes. However, the College is subject to income taxes on any income that is derived from a trade or business regularly carried on, and not in furtherance of the purposes for which it was granted exemption. No income tax provision has been recorded as the net income, if any, from any unrelated trade or business, in the opinion of management, is not material to the basic financial statements taken as a whole.

(u) Reclassifications

Certain 2020 amounts have been reclassified for consistency with the 2021 presentation. These reclassifications had no effect on the reported change in net assets.

(v) New Accounting Pronouncements

In fiscal year 2022, the College intends to adopt ASU 2016-02, *Leases* (ASC Topic 842). The standard is intended to improve requirements and the information presented in the financial statements and notes for both lessors and lessees of assets. The College is currently evaluating the potential impact the adoption of the standard will have on its financial statements.

(w) Current Environment

In March 2020, the World Health Organization declared the novel coronavirus (COVID--19) a pandemic. The related adverse public health developments including restrictions on gatherings, social distancing, and travel restrictions have adversely affected College operations.

In response to the COVID-19 pandemic, the United States Congress passed legislative acts creating Higher Education Relief Funds (HEERF) I, II & III which have provided institutions of higher education with funding. As of June 30, 2021, the College has received a total of $5,068,458 in grant funding under the HEERF I and HEERF II programs and distributed $1,879,550 to students as emergency aid grants and applied $3,188,908 towards offsetting lost revenues and COVID-related additional costs associated with the delivery of the academic program. The College distributed $939,730 and $939,820 of the student in emergency aid grants to students in the years ended June 30, 2020 and 2021, respectively. Additionally, the College applied $1,078,277 and $2,110,631 of the institutional grant portion towards eligible COVID-related impacts for the years ended June 30, 2020 and 2021, respectively.

Administration has been closely monitoring the impact of COVID-19 on the College’s operations, including the impact on students and employees. The duration and intensity of the pandemic remains uncertain but may influence student enrollment, housing decisions, donor decisions, investment performance, and may also negatively impact collections of College receivables.

(x) Gift Activity

The College received a generous unrestricted gift totaling $12 million in December 2020 from MacKenzie Scott. This was the largest gift received in the College’s history. The gift is recorded in the Statement of Activities for the year ended June 30, 2021 under Private gifts, grants, and pledges. The College expensed $1,382,490 of this gift during the year ended June 30, 2021 of which, $1,064,200 was awarded in scholarships to students and the remaining $318,290 was expensed on student and institutional support initiatives. The College intends to expense the remainder of this gift over the following six years.

(2) Accounts and Loans Receivable

As of June 30, accounts and loans receivable are as follows:

		2021	2020
Student accounts receivable	$	1,304,935	691,055
Federal Perkins loans		2,781,660	3,770,256
Other student loans		4,485,134	5,071,382
Other receivables		2,184,125	4,002,969
		10,755,854	13,535,662
Allowance for doubtful loans receivable		(1,558,487)	(1,478,000)
Allowance for doubtful student receivables		(516,638)	(212,521)
	$	8,680,729	11,845,141

The College makes uncollateralized loans to students based on financial need. Student loans are funded through federal government loan programs or institutional resources. At June 30, 2021 and 2020, student loans represented 1.80% and 3.13% of total assets, respectively. The College is obligated to collect loans made under the Federal Perkins Student Loan program and these loans are payable, including interest at 5%, over approximately 11 years following College attendance. Other student loans are interest free and repayments commence 6 months after leaving the College. An interest rate of 10% is applied to institutional loans if that balance becomes delinquent. Both federal and institutional loans carry deferment of repayment based on certain criteria such as full-time student, military, and disability. The event of death cancels both loan types.

As of June 30, student loans receivable are as follows:

		2021	2020
Federal Perkins loans	$	2,781,660	3,770,256
Other student loans		4,485,134	5,071,382
		7,266,794	8,841,638
Less allowance for doubtful accounts:			
Beginning of year		(1,478,000)	(1,558,487)
Change		(80,487)	80,487
End of year		(1,558,487)	(1,478,000)
Student loans receivable, net	$	5,708,307	7,363,638

(Continued)

At June 30, 2021 and 2020, the following amounts were past due under student loan programs:

			2021	2020
<240 days	past due	$	82,854	143,760
>240 days to 2 years	past due		137,700	160,551
>2 to 5 years	past due		427,441	544,076
>5 years	past due		1,907,973	1,765,041
Total past due		$	2,555,968	2,613,428

Allowances for doubtful accounts are established based on prior collection experience and current economic factors, which in management's judgment could influence the ability of loan recipients to repay the amounts per the loan terms. Institutional loans are written off only when they are deemed to be permanently uncollectible. The College may participate in the income tax return offset program allowed by the government as part of the collection efforts. One of the loan programs offers deferment to qualified students for numerous reasons, such as economic hardship. The total amount of deferred loans were $116,456 for FY 2021.

(3) Pledges Receivable

Unconditional promises to give are included in the financial statements as pledges receivable and revenue of the appropriate net asset category. Pledges are recorded net of allowance for uncollectible pledges and discounted to the present value of the future cash flows utilizing rates between 0.9% and 2.9% as of June 30, 2021 and 2020, respectively. As of June 30, pledges receivables are as follows:

		2021	2020
In one year or less	$	968,820	990,076
Between one year and five years		1,422,568	1,634,817
More than five years		1,211,429	1,279,128
		3,602,817	3,904,021
Less discount and allowance for uncollectible pledges		(370,230)	(353,099)
	$	3,232,587	3,550,922

		2021	2020
Pledges receivable by purpose:			
Endowment for scholarships and department programs	$	2,438,634	2,764,939
Facilities construction		250,758	267,668
General operations		543,195	518,315
	$	3,232,587	3,550,922

(Continued)

(4) Investments

The following summarizes the College's investments by investment categories at June 30:

		2021	2020
Cash and cash equivalents	$	2,852,476	1,750,977
Money market funds		1,228,268	901,850
Intermediate bond funds		37,393,732	37,050,982
Mutual funds:			
International-developed stocks		27,930,905	21,696,490
Emerging markets		7,017,489	4,791,530
U.S. Large cap		13,746,550	10,175,109
U.S. Mid cap		10,234,867	8,371,265
U.S. Small cap		5,949,702	3,821,894
Fixed income		15,403,676	14,762,488
Real assets		3,928,916	2,950,556
Total mutual funds		84,212,105	66,569,332
Equities:			
U.S. Large cap		7,484,586	4,729,731
U.S. Mid cap		4,657,409	4,306,064
U.S. Small cap		4,022,417	2,629,012
International-developed stocks		2,864,010	2,742,332
Emerging markets		627,223	382,858
Total equities		19,655,645	14,789,997
Alternative investments:			
Limited partnerships		—	61,334
Venture capital		83,331	59,909
Hedge funds		28,662,331	20,353,741
Total alternative investments		28,745,662	20,474,984
Real estate		2,286,687	1,866,599
Other		59,176	38,771
Beneficial interests in charitable remainder trusts		2,645,000	1,995,000
Unitrust investments:			
Cash and cash equivalents		459,242	723,613
Equities		513,004	975,766
Fixed income		879,466	103,826
Mutual funds and other		2,359,321	1,594,778
Total unitrust investments		4,211,033	3,397,983
Total investments	$	183,289,784	148,836,475

(Continued)

(5) Fair Value of Financial Instruments

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

(a) Money Market Funds

Money market funds are short term investments of the College and consist of actively traded, observable inputs and are classified as Level I.

(b) Mutual Funds

Mutual funds consist of several distinct funds with varying portfolio compositions and objectives. These investments are traded on an active exchange, are priced using unadjusted market quotes for identical assets, and are classified as Level I.

(c) Domestic Equities

Investments in domestic equities are measured at fair value using quoted market prices. They are classified as Level I as they are traded in an active market for which closing stock prices are readily available. This category includes large, mid, and small cap funds and emerging markets located in the domestic United States.

(d) International Equities

Investments in international equities are measured at fair value using quoted market prices. They are classified as Level I as they are traded in an active market, for which closing stock prices are readily available. This category includes large and small cap funds located outside the domestic United States.

(e) Bond Funds

Bond funds comprise intermediate bond funds. These securities are classified as Level II based on multiple sources of information, which may include market data and/or quoted market prices from either markets that are not active or are for similar assets in active markets. Bond funds are included within short-term- investments on the statement of financial position.

(f) Beneficial Interests in Charitable Remainder Trusts

The College’s beneficial interests in charitable remainder trusts administered by a third party. These involve unobservable inputs considered to be Level III in the fair value hierarchy.

(g) Real Estate

Investments in real estate include residential property holdings. Real estate investments are classified as Level III in the fair value hierarchy as they involve unobservable inputs.

(h) Alternative Investments

Investments in limited partnerships, hedge funds, and venture capital, for which there is no readily determinable fair value are not classified in the fair value hierarchy and are valued at NAV as a practical expedient.

While the College believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

The following table summarizes the College's investments and liabilities that are measured at fair value on a recurring basis at June 30, 2021:

	Investments measured at NAV	Investments classified in the fair value hierarchy Level I	Level II	Level III	2021
Investments:					
Cash and cash equivalents	$ —	2,852,476	—	—	2,852,476
Money market funds	—	1,228,268	—	—	1,228,268
Intermediate bond funds	—	—	37,393,732	—	37,393,732
Mutual funds:					
International-developed stocks	—	27,930,905	—	—	27,930,905
Emerging markets	—	7,017,489	—	—	7,017,489
U.S. Large cap	—	13,746,550	—	—	13,746,550
U.S. Mid cap	—	10,234,867	—	—	10,234,867
U.S. Small cap	—	5,949,702	—	—	5,949,702
Fixed income	—	15,403,676	—	—	15,403,676
Real assets	—	3,928,916	—		3,928,916
Equities:					
U.S. Large cap	—	7,484,586	—	—	7,484,586
U.S. Mid cap	—	4,657,409	—	—	4,657,409
U.S. Small cap	—	4,022,417	—	—	4,022,417
International-developed stocks	—	2,864,010	—	—	2,864,010
Emerging markets	—	627,223	—	—	627,223
Alternative investments:					
Venture capital	83,331	—	—	—	83,331
Hedge funds	28,662,331	—		—	28,662,331
Real estate	—	—	—	2,286,687	2,286,687
Beneficial interests in charitable remainder trusts	—	—	—	2,645,000	2,645,000
Other	—	—	59,176	—	59,176
Unitrust investments:					
Cash and cash equivalents	—	459,242	—	—	459,242
Equities	—	513,004	—	—	513,004
Fixed income	—	879,466	—	—	879,466
Mutual funds	—	2,359,321	—	—	2,359,321
Total investments	$ 28,745,662	112,159,527	37,452,908	4,931,687	183,289,784
Liabilities:					
Interest rate swap liability	$ —	—	(4,116,305)	—	(4,116,305)
Total liabilities	$ —	—	(4,116,305)	—	(4,116,305)

(Continued)

The following table summarizes the College's investments and liabilities that are measured at fair value on a recurring basis at June 30, 2020:

		Investments measured at NAV	Investments classified in the fair value hierarchy Level I	Level II	Level III	2020
Investments:						
Cash and cash equivalents	$	—	1,750,977	—	—	1,750,977
Money market funds		—	901,850	—	—	901,850
Intermediate bond funds		—	—	37,050,982	—	37,050,982
Mutual funds:						
International-developed stocks		—	21,696,490	—	—	21,696,490
Emerging markets		—	4,791,530	—	—	4,791,530
U.S. Large cap		—	10,175,109	—	—	10,175,109
U.S. Mid cap		—	8,371,265	—	—	8,371,265
U.S. Small cap		—	3,821,894	—	—	3,821,894
Fixed income		—	14,762,488	—	—	14,762,488
Other		—	2,950,556	—	—	2,950,556
Equities:						
U.S. Large cap		—	4,729,731	—	—	4,729,731
U.S. Mid cap		—	4,306,064	—	—	4,306,064
U.S. Small cap		—	2,629,012	—	—	2,629,012
International-developed stocks		—	2,742,332	—	—	2,742,332
Emerging markets		—	382,858	—	—	382,858
Alternative investments:						
Limited partnerships		61,334	—	—	—	61,334
Venture capital		59,909	—	—	—	59,909
Hedge funds		20,353,741	—	—	—	20,353,741
Real estate		—	—	—	1,866,599	1,866,599
Beneficial interests in charitable remainder trusts		—	—	—	1,995,000	1,995,000
Other		—	38,771	—	—	38,771
Unitrust investments:						
Cash and cash equivalents		—	723,613	—	—	723,613
Equities		—	975,766	—	—	975,766
Fixed income		—	—	103,826	—	103,826
Mutual funds		—	1,306,619	—	—	1,306,619
Other		—	288,159	—	—	288,159
Total investments	$	20,474,984	87,345,084	37,154,808	3,861,599	148,836,475
Liabilities:						
Interest rate swap liability	$	—	—	(5,685,117)	—	(5,685,117)
Total liabilities	$	—	—	(5,685,117)	—	(5,685,117)

The following table summarizes characteristics of investments valued at NAV as of June 30, 2021:

Category of investment		NAV in funds	Unfunded commitments	Time to liquidity
Alternative investments:				
Venture capital	$	83,331	56,766	illiquid
Hedge funds		26,662,331	7,036,361	90+ – illiquid
	$	26,745,662	7,093,127	

(6) Endowment

The College's endowment consists of approximately 340 individual funds established for a variety of purposes. The endowment includes both donor restricted endowment funds and funds designated by the governing board to function as endowments. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor imposed restrictions.

(a) Interpretation of Relevant Law

The College adopted guidance under U.S. GAAP on classifying net assets associated with donor restricted endowment funds that are subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA). A key component of the guidance is a requirement to determine the portion of a donor restricted endowment fund that is to be held permanently from the portion that is to be held temporarily until appropriated for expenditure.

The College has interpreted UPMIFA as requiring the permanent preservation of the fair value of the respective original gifts as of the dates of gifts to the donor restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the College uses fund accounting to track the permanently restricted portion of donor restricted endowment funds including (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowments, and (c) accumulations to the permanent endowment made in accordance with the directions of applicable donor gift instruments at the time the accumulations are added to the funds. The remaining portion of the donor restricted endowment funds that are not required to be held permanently are tracked separately and held until appropriated for expenditure by the College in a manner consistent with the standards of prudence prescribed by UPMIFA. Both the permanently held and temporarily held portions are classified together "With donor restrictions" in the accompanying financial statements. In accordance with 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 effect of inflation or deflation

5. The expected total return from income and the appreciation of investments
6. Other resources of the organization
7. The investment policies of the College

(b) Return Objectives and Risk Parameters

The College's Board of Trustees has adopted an investment and spending policy for endowment assets that attempts to provide a predictable stream of funding sources to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets to create generational equity. Endowment assets include those assets of donor restricted funds that the College must hold in perpetuity or for a donor specified period(s) as well as board designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the investment market while assuming a moderate level of investment risk. The College expects its endowment funds, over time, to provide a better than the average rate of return of approximately 4.6%, which is the current College spending rate. Actual returns in any given year may vary from this amount.

(c) Strategies Employed for Achieving Objectives

To satisfy this 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's investments include a diversified and strategic portfolio consisting of equities, fixed income, and alternative assets. Targeted asset allocation ranges are reviewed periodically for potential adjustment of asset mix while evaluating the relative risk of each component. The College's spending policy is determined by applying a specified percentage to the average market value of the endowment pooled investments for the three preceding calendar years.

This percentage was 4.6% and 4.7% for the years ended June 30, 2021 and 2020, respectively.

(d) Endowment Net Asset Composition by Type of Funds as of June 30, 2021

		Without donor restrictions	With donor restrictions	Total
Donor-restricted endowments	$	—	106,668,359	106,668,359
Board-designated endowments		36,808,726	—	36,808,726
Total	$	36,808,726	106,668,359	143,477,085

(Continued)

The changes in endowment fund net assets for the year ended June 30, 2021 are as follows:

		Without donor restrictions	With donor restrictions	Total
Endowment net assets, beginning of year	$	27,304,541	83,187,896	110,492,437
Investment return:				
Investment income		364,825	1,088,814	1,453,639
Net appreciation (realized and unrealized)		10,465,334	25,048,287	35,513,621
Total investment return		10,830,159	26,137,101	36,967,260
New gifts		—	826,410	826,410
Appropriation for endowment spending		(1,291,372)	(3,517,650)	(4,809,022)
Other		(34,602)	34,602	—
Total gifts and other changes		(1,325,974)	(2,656,638)	(3,982,612)
Endowment net assets, end of the year	$	36,808,726	106,668,359	143,477,085

(e) Endowment Net Asset Composition by Type of Funds as of June 30, 2020

		Without donor restrictions	With donor restrictions	Total
Donor-restricted endowments	$	—	83,187,986	83,187,986
Board-designated endowments		27,304,541	—	27,304,541
Total	$	27,304,541	83,187,986	110,492,527

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

		Without donor restrictions	With donor restrictions	Total
Endowment net assets, beginning of year	$	31,697,059	87,628,535	119,325,594
Investment return:				
Investment income		553,338	1,519,951	2,073,289
Net appreciation (realized and unrealized)		(2,045,855)	(5,618,313)	(7,664,168)
Total investment return		(1,492,517)	(4,098,362)	(5,590,879)

(Continued)

	Without donor restrictions	With donor restrictions	Total
New gifts	$ 4,447	1,214,280	1,218,727
Appropriation for endowment spending	(989,174)	(3,521,662)	(4,510,836)
Other	(1,915,274)	1,965,105	49,831
Total gifts and other changes	(2,900,001)	(342,277)	(3,242,278)
Endowment net assets, end of the year	$ 27,304,541	83,187,896	110,492,437

Perpetual endowment net assets with donor restrictions at June 30, 2021 and 2020 were $73,058,219 and $72,674,585, respectively.

From time to time, the fair value of assets associated with individual donor restricted endowments may fall below the level that the donor or UPMIFA requires the College to retain as a fund of perpetual duration. Deficiencies of this nature were $6,401 and $495,568 as of June 30, 2021 and 2020, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of donor restricted contributions and continued appropriation for programs that were deemed prudent by the governing board.

(7) Plant Facilities

Plant facilities consist of the following at June 30:

	2021	2020
Land	$ 6,704,442	6,704,442
Buildings and improvements	168,107,598	167,709,734
Equipment and library books	24,927,292	24,842,420
Construction in progress	47,345	—
	199,786,677	199,256,596
Less accumulated depreciation	(98,164,123)	(92,424,420)
	$ 101,622,554	106,832,176

(8) Loans and Notes Payable

As of June 30, loans and notes payable and the associated interest rates and maturities are as follows:

	Interest rate	Maturity date	2021	2020
Series 2014 tax-exempt loans:				
Variable rate	One-month LIBOR + 1.25%	Due 2036	$ 21,559,910	22,559,961
Fixed rate	3.75 %	Due 2044	31,761,434	31,761,435
Unamortized cost of issuance			(481,000)	(501,615)
Weingart note payable			223,598	223,598
			$ 53,063,942	54,043,379

Schedule of maturities:

	Principal amount
Fiscal year ending:	
2022	$ 1,037,336
2023	1,075,348
2024	1,111,013
2025	1,160,316
2026	1,211,856
Thereafter	47,468,073
	$ 53,063,942

The Series 2014 tax-exempt- loans contain covenants relating to compliance with specified financial ratios. Additionally, the College has certain restrictions on future borrowings. The loans are secured by the College's plant facilities.

Note payable consists of a noninterest bearing loan that was made by the Weingart Foundation (the Foundation). The College is required to use the funds to make noninterest bearing loans to qualified students. The funds are payable to the Foundation upon notice.

Interest Rate Swap Agreements

The College maintains two interest rate swaps with Morgan Stanley Capital Services in a notional amount of $9,989,910 and $10,299,961 as of June 30, 2021 and 2020, respectively, and with Societe Generale in a notional amount of $11,570,000 and $12,260,000 as of June 30, 2021 and 2020, respectively. The intention of both interest rate swaps is to convert the floating rate interest payments the College is obligated to pay on its variable rate bonds payable into fixed rate payments at 3.16% and 3.45%, respectively.

(Continued)

Under the swap agreements, the College pays the swap counterparty a fixed payment of 3.16% and 3.45% and receives a variable payment computed as 67% of the 30 day London Interbank Offered Rate (LIBOR). The obligation of the College to make payments under the swap agreement constitutes a general unsecured contractual obligation of the College. Under certain circumstances, the swap agreement is subject to early termination, at which time the College could be obligated to make a substantial payment to the swap counterparty. At June 30, 2021 and 2020, the fair values of the two swap agreements were $(4,116,305) and $(5,685,117), respectively, and are included in the statements of financial position as interest rate swap liability.

(9) Employee Benefit Plans

The College participates in a defined contribution retirement plan that provides retirement benefits for academic employees and certain administrative personnel through the Teachers Insurance and Annuity Association and the College Retirement Equity Fund (TIAA). Under this defined contribution plan, the College and participant contributions are used to purchase individual annuity contracts equivalent to retirement benefits earned. Contributions made by the College vest immediately. Benefits commence upon retirement and preretirement survivor death benefits are provided. College contributions to the plan for the years ended June 30, 2021 and 2020 were $239,118 and $1,515,991, respectively. The College also makes available supplemental retirement accounts (SRA) through TIAA for employees who wish to make additional contributions to their retirement program.

The College maintains a 457(b) plan, which is a voluntary deferred compensation plan under the provision of the IRS Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA). The plan provides faculty and staff who earn in the top 10% of the College's compensation level to defer compensation up to certain annual thresholds; this amount is $19,500 for 2021 and $19,500 for 2020. While the College currently does not contribute to the plan, it may elect to do so. Upon termination, the employee has the right to cash out his/her contribution or to select a later date for distribution. At June 30, 2021 and 2020, the College included $289,431 and $224,138, respectively, in prepaid expenditures and other assets as well as in accounts payable and accrued liabilities for contributions made by employees to the College's 457(b) plan.

The College maintains the Emeriti Retirement Health Plan administered through TIAA. The plan offers a group medical insurance program that complements Medicare and is supported by tax advantaged savings accounts for employees who are over 40 years old, full time, and who have at least one year of service. Employees over 21 years may participate in the program using their own resources. College contributions to the plan for the years ended June 30, 2021 and 2020 were $94,155 and $86,211, respectively.

(10) Net Assets

The classification of net assets at June 30 is as follows:

		2021	2020
Without donor restrictions:			
Capitalized plant	$	47,208,037	51,048,985
Plant renewal		9,473,812	9,721,669
Liquidity reserve		10,744,349	10,402,256
Board designated endowment		36,808,726	27,304,541
Other board designated		33,103,257	19,380,764
	$	137,338,181	117,858,215
With donor restrictions:			
Time or purpose	$	1,564,605	2,037,885
Cumulative total return on endowment, net of spending		33,544,455	10,513,311
Life income agreements, purpose restrictions		3,067,947	2,085,302
Life income agreements, perpetual remainder interests		435,861	403,506
Endowment and other, perpetual		79,206,308	78,826,323
	$	117,819,176	93,866,327

(11) Operating Leases

At June 30, 2021, the College was obligated under various office equipment operating lease agreements with remaining terms ranging from one month to three years, and a lease of property expiring June 30, 2022. The lease expense for the years ended June 30, 2021 and 2020 were $193,638 and $460,388, respectively. The following is a summary of future minimum rental payments for operating leases that have initial or remaining noncancelable terms in excess of one year as of June 30, 2021:

Fiscal year ending:		
2022	$	17,896
2023		4,528
	$	22,424

(12) Commitments and Contingencies

In the normal course of operations, the College is named as a defendant in lawsuits and is subject to periodic examinations by regulatory agencies. After consultation with legal counsel, management is of the opinion that liabilities, if any, arising from such litigation and examinations would not have a material effect on the College’s financial position.

(Continued)

Certain federal grants, including financial aid that the College administers and for which it receives reimbursement, are subject to audit and final acceptance by federal granting agencies. Current and prior year costs of such grants are subject to adjustment upon audit. The amount of expenditures that may be disallowed by the grantor, if any, cannot be determined at this time, although the College does not expect such amounts, if any, will have a significant impact on the financial position of the College.

(13) Functional Expenses by Natural Classification

The College has allocated certain plant and debt interest expenses across various functional expense categories to better reflect the full cost of those activities. The following methods have been used to allocate those costs:

The costs of plant maintenance, operation, preservation, and depreciation expenses have been allocated based on the square footage assigned to support each respective function. Square footage information is obtained through periodic review of assigned spaces.

Interest expenses have been allocated proportionally based on the amount of debt associated with space assigned to each respective function. Proportions are determined through periodic review of assigned spaces with associated outstanding debt on the related facilities.

Expenses by natural and functional classification for the year ended June 30, 2021, were as follows:

	Educational activities	Research	Auxiliaries	Student activities	Support activities	Allocable expenses	Total natural expenses
Compensation expenses	$ 16,795,981	324,268	351,692	4,876,055	7,777,595	—	30,125,591
Services, supplies and other expenses	531,598	45,386	601,957	1,343,170	4,903,692	—	7,425,803
Plant expenditures	—	—	—	—	—	4,324,188	4,324,188
Depreciation expenses	—	—	—	—	—	5,739,702	5,739,702
Debt service-interest and other costs	—	—	—	—	—	2,217,326	2,217,326
Allocation of expenses	3,496,898	11,867	3,407,918	2,765,544	2,598,989	(12,281,216)	—
Total functional expenses	$ 20,824,477	381,521	4,361,567	8,984,769	15,280,276	—	49,832,610

Expenses by natural and functional classification for the year ended June 30, 2020, were as follows:

	Educational activities	Research	Auxiliaries	Student activities	Support activities	Allocable expenses	Total natural expenses
Compensation expenses	$ 19,833,997	431,876	935,881	7,452,057	9,244,187	—	37,897,998
Services, supplies and other expenses	1,430,137	342,986	2,548,563	3,614,778	5,158,125	41,752	13,136,341
Plant expenditures	—	—	—	—	—	7,349,195	7,349,195
Depreciation expenses	—	—	—	—	—	5,789,310	5,789,310
Debt service-interest and other costs	—	—	—	—	—	2,285,697	2,285,697
Allocation of expenses	4,351,825	—	5,006,997	2,961,388	3,145,744	(15,465,954)	—
Total functional expenses	$ 25,615,959	774,862	8,491,441	14,028,223	17,548,056	—	66,458,541

Educational activities include expenses for all activities that are part of the institution’s instructional program such as expenses for academic, vocational, and technical instruction; remedial and tutorial instruction; regular, special, and extension sessions; and academic support.

Research includes all expenses for activities specifically organized to produce research, whether commissioned by an agency external to the institution or separately budgeted by an organizational unit within the College.

Auxiliary enterprises include all expenses relating to the operation of the College’s auxiliary activities such as housing, food service, parking, and so forth.

Student services are considered programmatic and include activities that, as their primary purpose, contribute to students’ emotional and physical well-being and intellectual, cultural, and social development outside the context of the formal instruction program. This category also includes expenses incurred for offices of admissions, student financial services, and the registrar.

Support activities includes centralized expenses incurred to provide support services for the College’s primary mission and program functions. This category includes the College’s fundraising activities as well as executive management, fiscal operations, general administration and central technology.

(14) Financial Responsibility Standards

The College participates in federal Title IV student financial assistance programs, which require it to meet standards of financial responsibility based on criteria determined by the U.S. Department of Education (ED), as set forth in 34 CFR 668.171. the criteria for private institutions include the annual calculation by Ed of a financial responsibility composite score, as further outlined in 34 CFR 668.172., using audited financial statements submitted through the ED’s eZ-Audit system. The Composite score is based on three ratios: Primary Reserve, Equity, and Net Income. The financial information provided in the financial statements and notes to the financial statements used in the calculation of the three ratios is included in the Supplementary Schedule of Financial Responsibility Data.

(15) Subsequent Events

Subsequent events have been evaluated through November 30, 2021, the date the financial statements were issued.

WHITTIER COLLEGE

Board of Trustees
and Officers of the College

* Officer term began March 2021
** Term began during fiscal 2020-21
*** Term ended or resigned during fiscal 2020-21
**** Resigned during fiscal 2021-22

WHITTIER COLLEGE

Supplementary Schedule of Financial Responsibility Data

As of and for the year ended June 30, 2021

Location in financial statements or related notes	Financial element		Amount
Primary Reserve Ratio: Expendable Net Assets			
Statements of Financial Position	Net assets without donor restrictions	$	137,338,181
Statements of Financial Position	Net assets with donor restrictions	$	117,819,176
Statements of Financial Position	Total property, plant, and equipment, net	$	101,622,554
Statements of Financial Position	Total long-term debt	$	53,063,942
Note 10, Net Assets	Perpetual endowment and other	$	79,206,308
Note 10, Net Assets	Life income agreements, perpetual	$	435,861
Note 10, Net Assets	Life income agreements, time and purpose restrictions	$	3,067,947
Note 10, Net Assets	Endowment cumulative total return	$	33,544,455
Note 10, Net Assets	Other net assets with time or purpose restrictions	$	1,564,604
Primary Reserve Ratio: Expense and Losses			
Statement of Activities	Total expenses and losses without donor restrictions	$	49,832,610
Equity Ratio: Modified Net Assets			
Statements of Financial Position	Net assets without donor restrictions	$	137,338,181
Statements of Financial Position	Net assets with donor restrictions	$	117,819,176
Equity Ratio: Modified Assets			
Statements of Financial Position	Total assets	$	322,047,237
Net Income Ratio:			
Statement of Activities	Change in net assets without donor restrictions	$	19,479,966
Statement of Activities	Total revenue and gains without donor restrictions	$	69,312,576