Claremont McKenna College

2020–2021 Financial Report

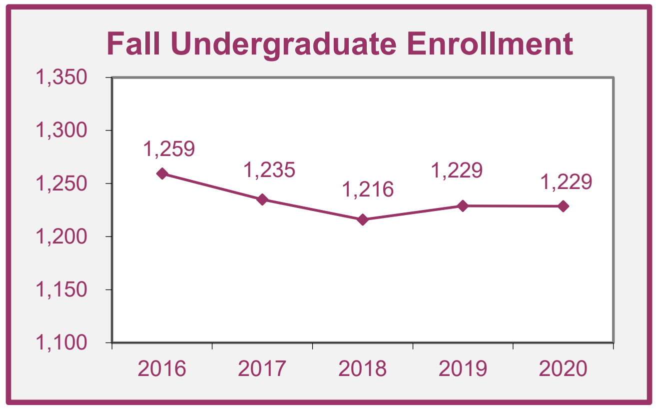
CLAREMONT MCKENNA COLLEGE
ANNUAL FINANCIAL REPORT

2021 and 2020

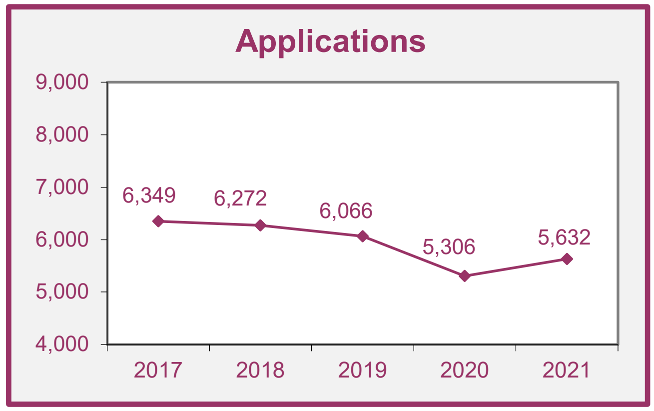
CONTENTS

Financial Highlights

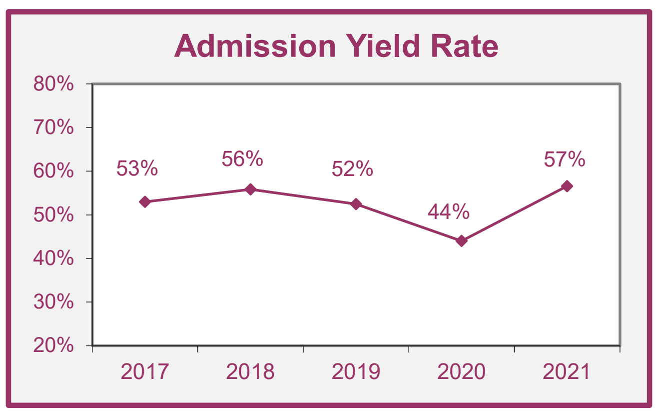
- Fall 2020 enrollment for those not participating in off-campus or study abroad programs was in line with CMC's target of 1,220. Total average annual FTE enrollment, including off-campus and study-abroad programs, was 1,241. Total enrollment was lower than the prior year due to the impact of the pandemic on study-abroad participation.



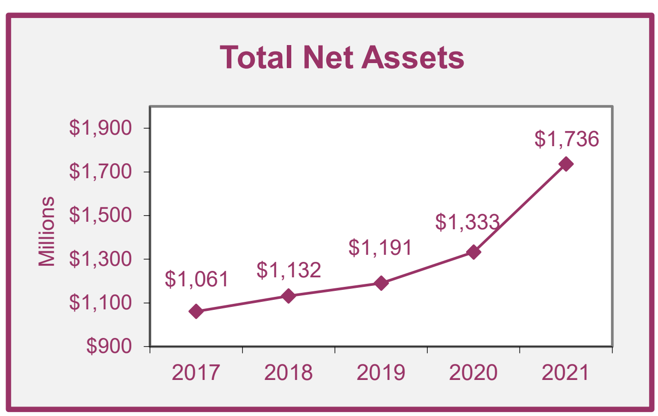
- Applications for admission in the Fall of 2021 increased by 6% to 5,632. The College's selectively rate for freshman admission (acceptances divided by total applications) remained low at approximately 11%.



- The overall yield rate jumped to 57% for the Fall of 2021 primarily due to a decline in the number of offers of admission. This was in response to an increase in the number of students that deferred their admission in the prior year. The total number of first years entering the College in the Fall of 2021 was 358 students.

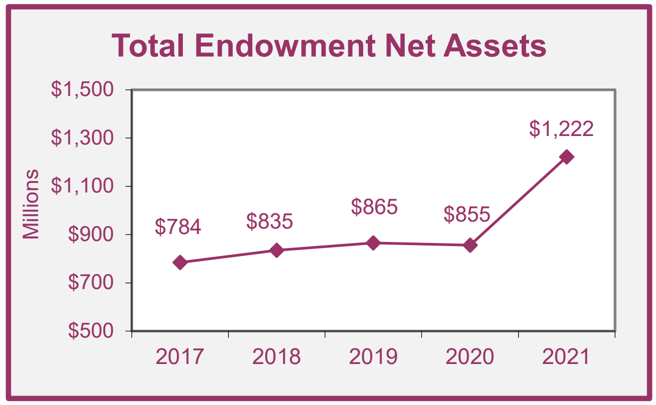


- Total net assets increased by 30.3%, primarily driven by investment unrealized and realized gains and growth in contributions receivable.

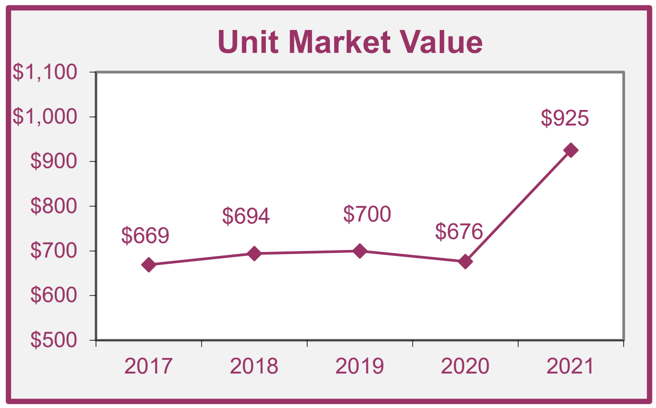


Financial Highlights

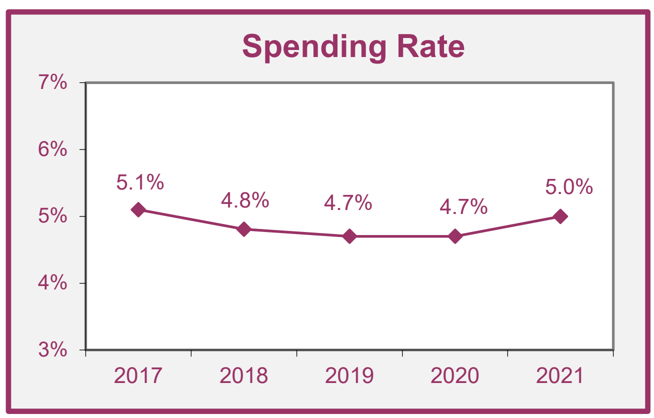
- Total endowment net assets experienced exceptional growth in 2021, increasing 43% over the prior year, after fees and spending for operations. The net increase was primarily attributable to realized and unrealized gains.



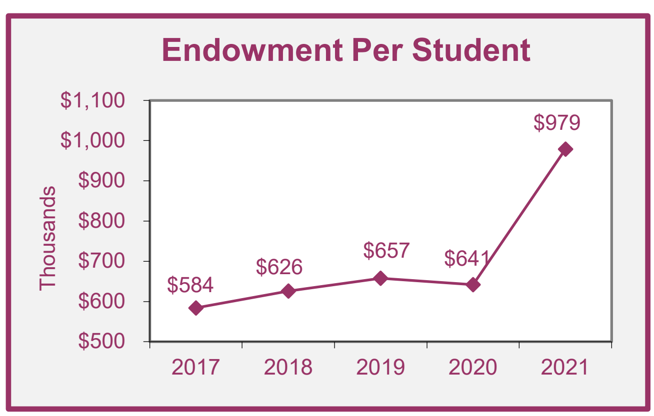
- The market value per unit in the College's investment pool increased by 37%. Unit market value reflects general market performance after spending for operations.



- The spending rate (spending amount per unit divided by unit market value at the beginning of the year) increased in fiscal year 2021. This was a result of a slight decrease in the beginning unit market value, offset by growth in the spending amount per unit.

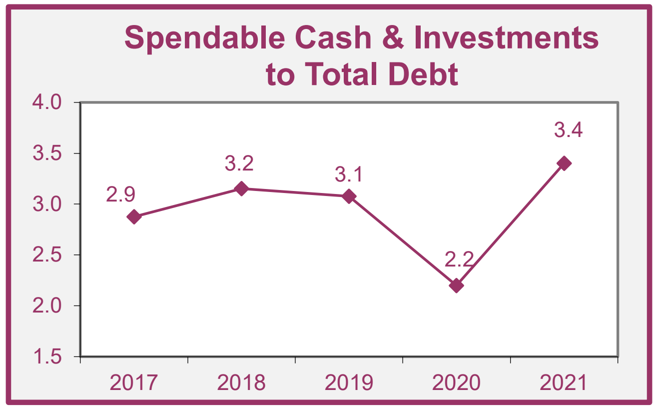


- Endowment per student increased primarily as a result of the increase in the market value of the endowment as of June 30, 2021. Total endowment at June 30, 2021 was $1.2 billion.

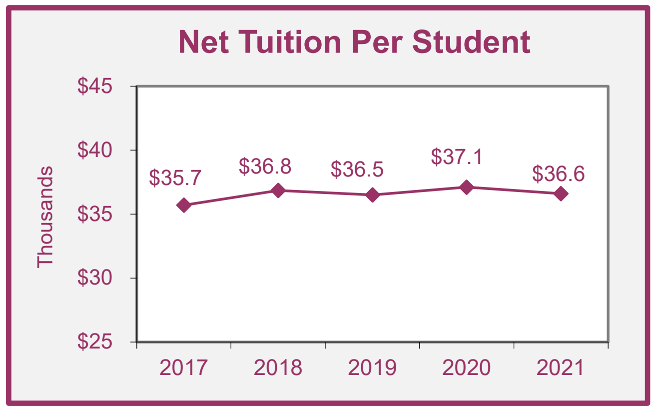


Financial Highlights

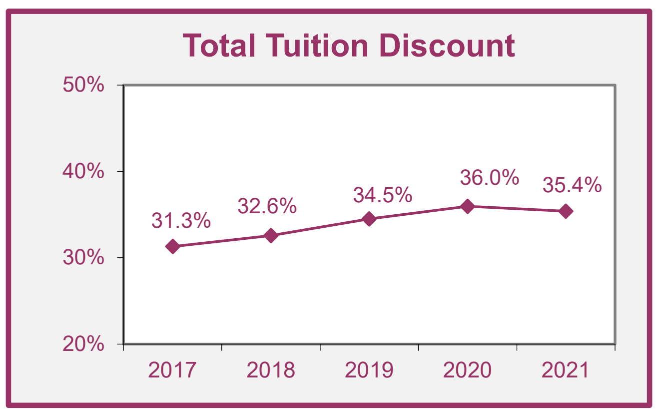
- Total spendable cash and investments to debt increased as a result of paying down principal in combination with growth in investment assets. The College’s ratio of 3.4 is consistent with the 2020 median value of 3.42 for Moody’s Aa private institutions. Moody's assigned a rating of Aa3 to CMC's Series 2019 Taxable Bonds.



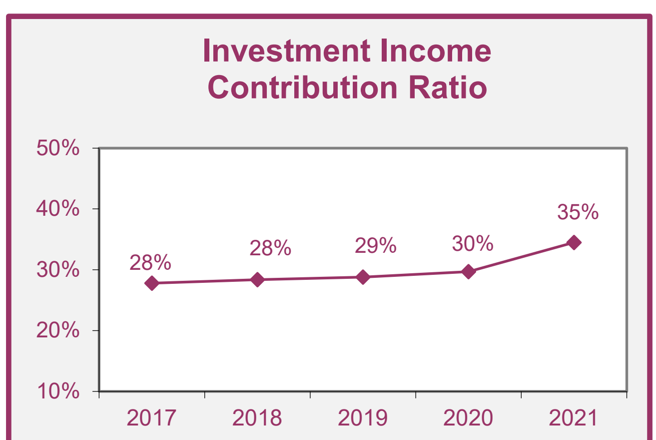
- The College's net tuition per student decreased slightly due to CMC holding tuition rates flat during 2021. CMC remains higher than the 2020 median net tuition per student of $32,841 for Moody's Aa private institutions.



- The total tuition discount (financial aid divided by tuition and fees revenues) decreased slightly due to lower tuition revenues during 2021. CMC's discount is lower than the 2020 median discount of 39.2% for Moody’s Aa private institutions.

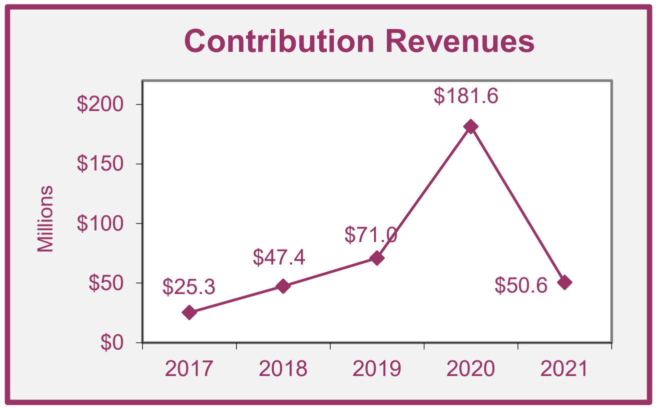


- CMC’s endowment and a prudent spending policy produce sufficient investment income to make a significant contribution toward covering the operational costs of a CMC education. The investment income contribution ratio has experienced a steady increase over the past four years due primarily to new gifts to endowment.

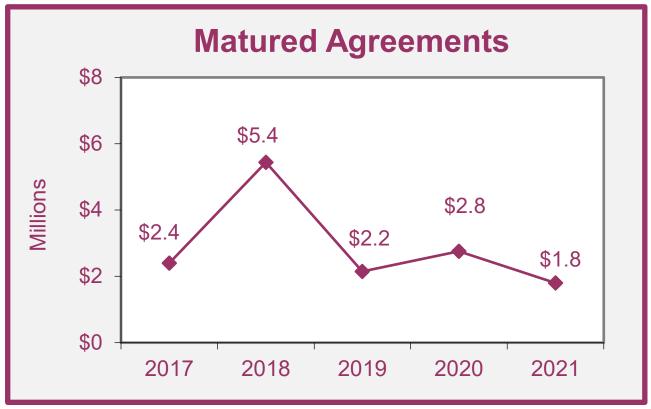


Financial Highlights

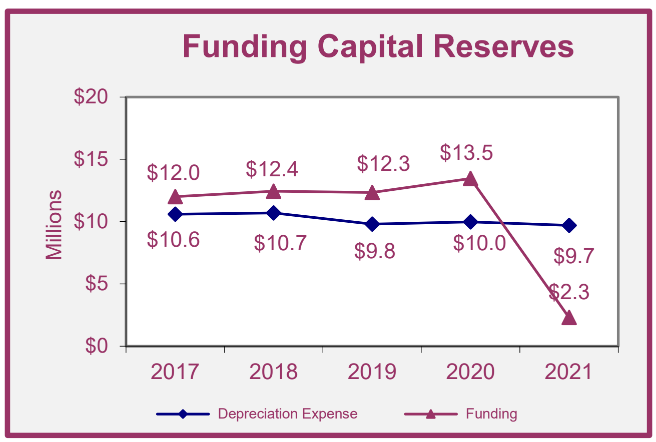
- Total contribution revenues in 2020 were exceptional at $181.6 million, primarily due to a large contribution receivable received towards the College's top institutional priorities and campaign goals. Fundraising continued to be successful during 2021 with total contribution revenues of $50.6 million.



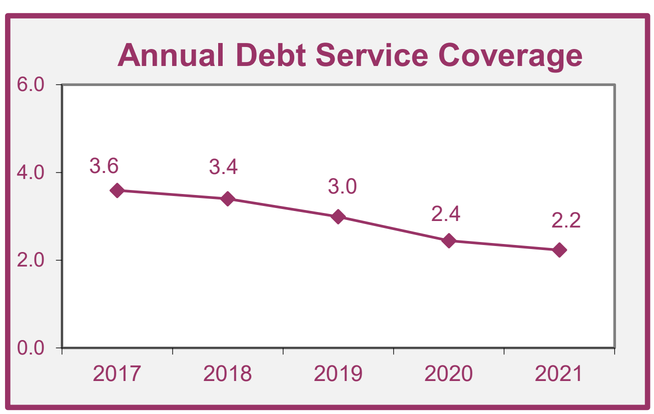
- Although unpredictable from year to year, matured annuity and life income agreements continue to provide significant resources to the College's endowment and operating funds.



- CMC has a long standing policy of funding capital reserves for repairs, life cycle replacements, and modernization of facilities. CMC intentionally deferred a transfer of approximately $12.3 million of operating funds to the capital reserves originally scheduled for 2021 to upcoming budget years.



- Annual debt service coverage (the ability to make debt service payments from annual operations) was lower in 2021 due to a decrease in net operating revenue and an increase in annual debt service. CMC's ratio is lower than the median value of 3.5 for Moody's Aa private institutions.



CLAREMONT McKENNA COLLEGE

Office of the Treasurer

October 22, 2021

Members of the Board of Trustees
Claremont McKenna College
Claremont, California

Dear Members of the Board:

Fiscal year 2020-21 was a period of exceptional challenges due to the COVID-19 global pandemic, but also a year during which the perseverance, resilience, and creativity of CMC's community produced major strategic advances.

The College successfully deployed comprehensive health and safety measures, and reimagined student engagement, innovative curricular designs, and financial mitigation. Pro-active budget reduction measures enacted during 2020-21 proved critical in buffering pandemic-related revenue losses and increases in health and safety expenses. Despite the loss of room and board revenue and an overall 8% decline in enrollment, CMC's attentive stewardship of financial resources enabled the College to end the fiscal year with a positive bottom line excess of revenues over expenditures.

An important highlight for 2020-21 was the strength of CMC's fundraising efforts. Private gifts and grants (with and without donor restriction) totaled $50.6 million, driven by large multi-year pledges received in furtherance of CMC's integrated sciences initiative. It was also a phenomenal year for the growth in the endowment, advanced by investment performance. After factoring in realized and unrealized investment gains, total net assets without donor restrictions grew by 31%, ending the year at $439.7 million. Total net assets grew by 30%, ending the year at $1.7 billion. As of June 30, 2021, the market value of CMC's endowment was measured at $1.2 billion.

Recruiting and admission of new students continues to be strong. The incoming class in Fall of 2021 was composed of 358 first-year and 21 transfer students. The student body at large currently has representatives from 47 states and territories, 48 foreign countries, and comprises 258 first generation college students. The College remains one of the most selective liberal arts institutions in the country, with an admit rate of 11% for Fall of 2021. The College's yield rate of 57% of admitted students was high due to an increase in students who deferred their admission from the prior year.

Total student enrollment on campus in Fall of 2021 was 1,381, which exceeded the College's normal budgeted target enrollment of 1,220. To accommodate the increased number of students, CMC expanded its housing capacity by leasing nearby, newly built apartment units. An aroundthe-clock shuttle service was launched for the safe transport of students to and from campus. CMC also made significant investments in its food service program, including rotating specialty food trucks to supplement regular meal service options, to-go and order ahead options through GrubHub, and extended mealtime hours.

CMC realized a full, in-person return to campus in Fall of 2021, with both housing and enrollment levels exceeding normal budget targets. Robust health and safety measures were enacted to facilitate a safe return, including enhanced cleaning protocols, vaccination mandates for students, masking requirements, surveillance testing, and the establishment of isolation housing, outdoor classroom and dining spaces. The College engaged Hamilton Health Box Inc. (HHB) to manage all COVID-19 related testing, health monitoring, quarantine, and isolation protocols. The College established an on-campus health clinic with dedicated medical staff to support the CMC community. The latest COVID tracking dashboard for campus shows 0% positivity, 12,765 tests performed and less than 20 total positive cases since July 1, 2021, demonstrating an extraordinarily low case rate and a testament to the ongoing health and safety measures maintained on campus.

Consolidated Statements of Financial Position

The most notable change in the Consolidated Statements of Financial Position at fiscal year-end was the increase in the value of investments to $2.1 billion. Investment assets grew by $567 million primarily due to realized and unrealized investment gains, net of spending distributions. Total investment assets include assets pooled from other members of The Claremont Colleges. A corresponding "funds held in trust for others" liability of $443 million represents the non-CMC Claremont Colleges' interest in the investment portfolio as of year-end. Total investment assets also include unspent bond proceeds from the Series 2019 bond issuance that are being invested until they are spent down over the next several years. CMC's long-term investment pool returned a positive 43.3%, net of investment management fees, for the 1-year period ending June 30, 2021. This was above the portfolio's 36.5% policy custom benchmark return over the same period. The endowment portfolio has generated a 10.2% annualized investment return over a 10-year period.

Distributions from the endowment are governed by a Board approved "spending policy formula." The formula is designed to preserve the endowment's real (inflation-adjusted) purchasing power while providing a predictable, stable, and constant (in real terms) stream of operating budget support. CMC's spending policy formula allows spending per unit in the investment pool to increase by 2% per year provided that the resulting increase falls within a collar of 4.5% to 5.5% of a twenty-quarter average unit market value. The spending rate for fiscal year 2020-21 was 5%, calculated by dividing the formula-based spending per unit by the beginning market value of a unit in the investment pool. The rate is consistent with the portfolio's 5-year average spending rate of 4.9%. Investment income, in the form of spending distributions from the endowment, contributed approximately 35% toward funding the College's operating expenses. Total operating expenses were lower in fiscal year 2020-21 due to the impact of the pandemic on travel and residential operations.

Total plant facilities assets remained relatively flat during 2020-21 with approximately $8 million of assets placed into service, offset by a $10 million increase in accumulated depreciation. The campus footprint was enlarged through the purchase of approximately 16 acres of land in the northwest corner of the East Campus from Pitzer College. The purchase is consistent with the College's campus master plan and intended to house CMS athletic fields in the future. The College has a long-standing practice of annual set-asides to capital reserves to fund future renovations, repairs, and maintenance of facilities. During 2020-21, the College intentionally deferred funding of capital reserves of $12.3 million to future budget years.

Total bonds and notes payable decreased 1% from the prior year as the College made scheduled debt principal payments and there were no new borrowings during the fiscal year. The combination of increased investment assets and decreased outstanding debt had a positive impact on CMC's total spendable cash and investments to total debt ratio which jumped from 2.2 to 3.4 times. CMC's annual debt service coverage ratio (a measure of the ability to make debt service payments from annual operations) decreased slightly from 2.4 to 2.2 times primarily due to the decrease in net operating revenue during 2020-21 because of the pandemic.

Consolidated Statements of Activities

The Consolidated Statement of Activities provides detail of the changes in net assets during the fiscal year. Total revenues were lower in 2020-21, primarily due to a large contribution receivable that was recognized in the prior year. Total revenues without donor restrictions declined by 9% due to the transition to remote learning during the academic year and the resulting loss of room and board revenue. Total expenses declined by 7% with varying degrees of changes in individual functional expense line items. The most significant changes in operating expenses related to decreased spending in auxiliary operations, travel, supplies, and events due to the pandemic. The College also implemented targeted cost savings measures during the year, including reductions in employer retirement contributions, partial and full furloughs for staff whose workloads were reduced due to not having students on campus, and executive pay reductions.

Total net student revenues (gross student revenues less financial aid) declined by 28% due to room and board revenue losses and an approximately 8% drop in enrollment. Net tuition per student decreased by 1.3% from the prior year. Tuition and fee rates were held flat during 2020-21, and the College's discount rate (financial aid as a percentage of tuition and fees) held steady at 35.4%. CMC continues to maintain a need-blind admission policy and meet-all-need financial aid policy, and College affordability remains a top institutional priority. To help mitigate COVID-19 impacts on students and families, the College increased access to 0% interest loans and replaced the standard student contribution typically earned through summer work with institutional aid grants. To date, CMC has distributed just over $1.9 million from the U.S. Department of Education for Emergency Financial Aid Grants to students, on top of packaged financial aid.

The College received approximately $50.6 million in contributions during the year, which exceeded the fundraising goals set by the Advancement Office. Many gifts received were in furtherance of CMC's strategic initiatives including plans for a new integrated sciences center.

Private gifts and grants reported on the Consolidated Statement of Activities incorporate actuarial adjustments for planned gifts as well as approximately $7.2 million in revenue related to net additional contributions receivable, recognized at present value. Spending policy income increased 12% due to the planned spending policy formula increase as well as incremental gifts to the endowment, including subsequent payments on prior year pledges.

Within the net assets without donor restrictions category, prior to other changes in net assets, CMC ended the year with a positive excess of revenues over expenses of $3.2 million. After incorporating realized and unrealized investment gains and other changes in net assets, CMC had a positive excess of revenues over expenses of $104 million.

Consolidated Statements of Cash Flows

Net cash flows increased by $535,000 in fiscal year 2020-21. The net cash used in operating activities of $45 million was offset by net cash provided by investing activities of $34 million and net cash provided by financing activities of $12 million. Net cash provided by financing activities was influenced by contributions restricted for the endowment. Operating cash reserves are invested using a blended strategy that seeks to maintain an appropriate level of liquidity matching the timeline of expected use of the cash. Cash flow forecasts are reviewed regularly by the Finance Committee of the Board of Trustees.

Summary

The return of students to campus in Fall of 2021 was a joyous and welcome occasion after a year of challenges and adaptation brought on by the COVID-19 pandemic. Despite major disruptions to on-campus operations during 2020-21, the CMC community responded with creativity, fortitude, and sacrifice. Overall, the 2021 fiscal year ended with results that exceeded initial expectations, keeping the College on a solid financial footing. As CMC celebrates its 75th anniversary and looks to the future, we continue to hold high expectations for fulfilling the fundraising goals set by the Campaign for CMC and furthering our founding mission of cultivating responsible leaders.

Respectfully submitted,

Erin Watkins

Erin Watkins
Associate Vice President for Finance and Treasurer

MOSSADAMS

Report of Independent Auditors

To the Board of Trustees
Claremont McKenna College and Subsidiaries

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Claremont McKenna College and Subsidiaries, which comprise the consolidated statements of financial position as of June 30, 2021 and 2020, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Claremont McKenna College and Subsidiaries as of June 30, 2021 and 2020, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, Claremont McKenna College and Subsidiaries adopted Accounting Standards Update (ASU) 2018-13, *Changes to the Disclosure Requirements for Fair Value Measurement*. The College adopted this ASU on July 1, 2020, using the retrospective method. Our opinion is not modified with respect to this matter.

Also as discussed in Note 1 to the financial statements, Claremont McKenna College and Subsidiaries adopted ASU 2016-02, *Leases (Topic 842).* The College adopted this ASU on July 1, 2020, using the retrospective method. Our opinion is not modified with respect to this matter.

Moss Adams LLP

Los Angeles, California
October 22, 2021

CLAREMONT MCKENNA COLLEGE
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30, 2021 and 2020
(in thousands)

	2021	2020
ASSETS		
Cash	$ 1,424	$ 889
Accounts and notes receivable, net (Note 2)	14,051	13,986
Prepaid expenses and deposits	2,081	1,327
Contributions receivable, net (Note 3)	255,422	281,524
Beneficial interest in trusts (Note 3)	1,127	1,042
Investments (Note 4)	2,114,214	1,547,145
Plant facilities, net (Note 6)	280,337	281,801
Total assets	$ 2,668,656	$ 2,127,714
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued liabilities	$ 21,783	$ 16,913
Funds held in trust for others (Note 7)	445,935	322,041
Deposits and deferred revenues	1,669	3,926
Life income and annuities payable	58,914	57,268
Liabilities associated with investments	70,295	57,315
Financing lease obligation (Note 8)	810	930
Bonds payable (Note 9)	331,366	334,792
Government advances for student loans	490	649
Asset retirement obligation (Note 11)	958	921
Total liabilities	932,220	794,755
Net Assets (Note 12):		
Without donor restrictions	439,752	335,801
With donor restrictions	1,296,684	997,158
Total net assets	1,736,436	1,332,959
Total liabilities and net assets	$ 2,668,656	$ 2,127,714

CLAREMONT MCKENNA COLLEGE
CONSOLIDATED STATEMENT OF ACTIVITIES

For the year ended June 30, 2021
(in thousands)

	Without Donor Restrictions	With Donor Restrictions	Total 2021
Revenues:			
Net student revenues (Note 15)	$ 46,019	$ -	$ 46,019
Private gifts and grants	4,606	46,013	50,619
Federal grants	1,643	-	1,643
Private contracts	93	-	93
Spending policy income	15,628	31,808	47,436
Other investment income, net	3,212	79	3,291
Other revenues	2,175	6	2,181
Release of net assets			
Restricted gifts	27,335	(27,335)	-
Restricted spending policy income	22,965	(22,965)	-
Annuity and life income	719	(719)	-
Total revenues and release of net assets	124,395	26,887	151,282
Expenses:			
Instruction	41,027	-	41,027
Research	9,244	-	9,244
Academic support	7,721	-	7,721
Student services	20,027	-	20,027
Institutional support	25,197	-	25,197
Auxiliary enterprises	17,936	-	17,936
Total expenses	121,152	-	121,152
Excess of revenues over expenses	3,243	26,887	30,130
Other changes in net assets			
Realized and unrealized gains, net of spending allocation	100,922	259,781	360,703
Realized losses on contributions receivable	-	(1,653)	(1,653)
Release of net assets for plant facilities	812	(812)	-
Transfers to other Claremont Colleges	109	-	109
Actuarial adjustment	173	14,015	14,188
Donor redesignations between net asset classes	(1,308)	1,308	-
Change in net assets	103,951	299,526	403,477
Net assets at beginning of year	335,801	997,158	1,332,959
Net assets at end of year	$ 439,752	$ 1,296,684	$ 1,736,436

CLAREMONT MCKENNA COLLEGE
CONSOLIDATED STATEMENT OF ACTIVITIES

For the year ended June 30, 2020
(in thousands)

	Without Donor Restrictions	With Donor Restrictions	Total 2020
Revenues:			
Net student revenues (Note 15)	$ 64,249	$ -	$ 64,249
Private gifts and grants	4,789	176,780	181,569
Federal grants	2,596	-	2,596
Private contracts	456	-	456
Spending policy income	11,942	30,395	42,337
Other investment income, net	3,229	486	3,715
Other revenues	2,871	-	2,871
Release of net assets			-
Restricted gifts	21,891	(21,891)	-
Restricted spending policy income	23,607	(23,607)	-
Annuity and life income	1,591	(1,591)	-
Total revenues and release of net assets	137,221	160,572	297,793
Expenses:			
Instruction	43,795	-	43,795
Research	10,934	-	10,934
Academic support	8,303	-	8,303
Student services	22,249	-	22,249
Institutional support	23,262	-	23,262
Auxiliary enterprises	21,979	-	21,979
Total expenses	130,522	-	130,522
Excess of revenues over expenses	6,699	160,572	167,271
Other changes in net assets			
Realized and unrealized losses, net of spending allocation	(1,585)	(23,875)	(25,460)
Gain on disposition of property	1,716	-	1,716
Gain on bond defeasance	535	-	535
Realized losses on contributions receivable	-	(258)	(258)
Release of net assets for plant facilities	2,006	(2,006)	-
Transfers to other Claremont Colleges	(19)	-	(19)
Actuarial adjustment	4	(1,908)	(1,904)
Donor redesignations between net asset classes	(1,446)	1,446	-
Change in net assets	7,910	133,971	141,881
Net assets at beginning of year	327,891	863,187	1,191,078
Net assets at end of year	$ 335,801	$ 997,158	$ 1,332,959

CLAREMONT MCKENNA COLLEGE
CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended June 30, 2021 and 2020
(in thousands)

	2021	2020
Cash flows from operating activities:		
Change in net assets	$ 403,477	$ 141,881
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation expense	9,653	9,993
Amortization and accretion expense	173	(396)
Gain on disposal of plant facilities	-	(1,716)
Gain on debt defeasance	-	(535)
Increase (decrease) in beneficial interest in trusts	(85)	(619)
Allowance for doubtful accounts	24	(11)
Discount on life income contract gifts	1,645	11,802
Realized and unrealized gains on investments	(566,568)	(16,841)
Non-cash gifts	(28,996)	(10,089)
Contributions restricted for long-term investments	(18,617)	(16,253)
Adjustment of actuarial liability for annuities payable	2,400	506
(Increase)/decrease in accounts and contributions receivable	25,779	(147,179)
(Increase)/decrease in prepaid expenses and deposits	(754)	730
Increase in accounts payable and accrued liabilities	4,870	1,760
Increase/(decrease) in funds held in trust for others	123,894	(9,233)
Increase/(decrease) in deposits and deferred revenues	(2,257)	1,613
Net cash used in operating activities	(45,362)	(34,587)
Cash flows from investing activities:		
Purchase of plant facilities	(7,850)	(9,944)
Proceeds from sales of plant facilities	-	4,566
Purchases of investments	(998,050)	(1,656,891)
Proceeds from sales of investments	1,026,545	1,471,025
Increase in liabilities associated with investments	12,980	60,000
Loans made to students and employees	(1,483)	(935)
Collection of student and employee loans	1,717	1,479
Net cash provided by/(used in) investing activities	33,859	(130,700)
Cash flows from financing activities:		
Payments to annuity and life income beneficiaries	(5,018)	(6,174)
Investment income for annuity and life income investments	2,619	2,029
Proceeds from bonds and notes payable	-	158,817
Debt issuance costs	-	(1,211)
Principal payments for bonds and notes payable	(4,021)	(4,478)
Contributions restricted for life income contracts	2,512	6,576
Contributions restricted for endowment	11,494	6,360
Contributions restricted for plant expenditures and student loans	4,611	3,317
Decrease in government advances for student loans	(159)	(198)
Net cash provided by financing activities	12,038	165,038
Change in cash	535	(249)
Cash, beginning of year	889	1,138
Cash, end of year	$ 1,424	$ 889

June 30, 2021 and 2020
(in thousands)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Established in 1946, Claremont McKenna College (the "College") is a highly selective, independent, coeducational, residential, liberal arts college. The College's mission, within the mutually supportive framework of The Claremont Colleges (Note 19), is to educate students for thoughtful and productive lives and responsible leadership in business, government, and the professions, and to support faculty and student scholarship that contributes to intellectual vitality and the understanding of public policy issues. The College pursues this mission by providing a liberal arts education that emphasizes economics and political science, a professoriate that is dedicated to effective teaching, a close student-teacher relationship that fosters critical inquiry, an active residential and intellectual environment that promotes responsible citizenship, and a program of research institutes and scholarly support that makes possible a faculty of teacher-scholars.

The College is a nonprofit corporation exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (IRC) and corresponding California provisions. The objective of the College is to maintain and conduct a nonprofit educational institution. The primary purpose of the accounting and reporting is the recording of resources received and applied rather than the determination of net income.

The consolidated financial statements include the College and all other entities in which the College has significant financial interest and control (Note 19). All material intercompany transactions and balances between the College and its affiliates have been eliminated in consolidation.

The following accounting policies of the College are in accordance with those generally accepted for colleges and universities:

Basis of Presentation:
The accompanying financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Net Asset Categories:
The accompanying consolidated financial statements present information regarding the College's financial position and activities according to two categories of net assets: without donor restrictions and with donor restrictions. Net assets with donor restrictions are subject to donor-imposed restrictions that are either to be maintained in perpetuity by the College or subject to restrictions that will be met either by actions of the College or the passage of time.

Revenue Recognition:
Student tuition and fees revenues are recognized pro-rata over the applicable period of instruction. A contract is entered into with a student and covers a course or semester. Revenue recognition occurs once a student starts attending a course. Student tuition and fees received in advance of services to be rendered are recorded as deferred revenue. The College determined there are no costs that are capitalized to obtain or to fulfill a contract with a student.

Contributions, including unconditional promises to give, are recognized as revenue in the period pledged or received and are reported as increases in the appropriate category of net assets. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at the date of gift. Contributions to be received in more than one year are discounted at an appropriate discount rate.

Revenue from grants and contracts that are nonreciprocal are treated like contributions. If the grant or contract is conditional, a barrier to entitlement exists; revenue is recognized when the barrier is considered overcome and as allowable expenditures under such agreements are incurred, as an increase to net assets without donor restrictions. If the grant or contract is unconditional, revenue is reported as an increase in net assets without donor restrictions.

Collectability of student accounts, notes receivable, and contributions receivable are reviewed both individually and in the aggregate. Allowances have been established based on experience, and balances deemed uncollectible are written off through a charge to bad debt expense or the provision for doubtful accounts and a decrease to accounts, notes, or contributions receivable. The College follows federal guidelines for determining when student loans are delinquent or past due for both federal and institutional loans.

June 30, 2021 and 2020
(in thousands)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *Continued:*

Release of Donor-Imposed Restrictions:
The expiration of a donor-imposed restriction on a contribution or on endowment income is recognized in the period in which the restriction substantially expires. At that time, the related resources are reclassified to net assets without donor restriction. A restriction expires when the stipulated time period has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or when unexpended endowment earnings are appropriated by the Board of Trustees. Contributions of cash or other assets received for the acquisition of long-lived assets are released from restriction when the long-lived assets are placed into service.

Allocation of Certain Expenses:
Expenses are generally reported as decreases in net assets without donor restrictions. The Consolidated Statements of Activities present expenses by functional classification. Depreciation and the cost of operation and maintenance of plant facilities are allocated to functional categories based on building square footage dedicated to that specific function. Interest expense is allocated based on the use of the related borrowings.

Cash:
For the purposes of reporting cash flows, cash includes demand deposit bank accounts. Resources invested in money market funds are classified as cash equivalents, except that any such investments managed as part of the investment pool are classified as investments.

Supplemental disclosures of cash flow information include the following at June 30, 2021 and 2020:

	2021	2020
Cash paid for interest	$ 5,629	$ 7,025
Capital assets acquired by capital lease	339	400

Cash Held in Separate Accounts:
The California Student Aid Commission requires institutions participating in the Cal Grant program to maintain funds advanced in a separate interest bearing account to properly handle and manage the funds. The funds are the property of the State, and unspent funds are to be returned according to the State's required timelines along with interest earned.

Concentration of Credit Risk:
Financial instruments that potentially subject the College to concentrations of credit risk consist principally of cash deposits at financial institutions, investments and receivables. At times, balances in the College's cash and investment accounts exceed the Federal Deposit Insurance Corporation (FDIC) or Securities Investor Protection Corporation (SIPC) insured limits. Concentration of credit risk with respect to receivables are limited due to the large number of students from which amounts are due, with no one account being significant.

Risks and Uncertainties:
In March 2020, the World Health Organization declared COVID-19, the novel coronavirus, a global pandemic. COVID-19 has caused significant volatility and disruption to the global economy. Management has been closely monitoring the effect of COVID-19 on the College's operations, students and employees. The College has transitioned instruction and the majority of its workforce to a remote environment, until local health officials permit in-person instruction. The duration and impact of COVID-19 on the College is unknown.

Contributions Receivable:
Unconditional promises to give are included in the consolidated financial statements as contributions receivable and revenue of the appropriate net asset category. Contributions receivable are recorded after discounting to the present value of future cash flows at rates ranging from 1.2% to 4.9%. An allowance for uncollectible contributions receivable is estimated based upon management's assessments of historical and expected net collections. The College evaluates collectability of contributions receivable on an annual basis and writes off those deemed uncollectible.

June 30, 2021 and 2020
(in thousands)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *Continued:*

Investments:
Where permitted by law, the College pools investments for management purposes. The remainder of investments are managed as separate investments. Marketable securities are reported at fair value. Non-marketable investments are carried at estimated fair value provided by the management of the non-marketable investment partnerships or funds at June 30, 2021 and 2020. The College reviews and evaluates the values provided by the investment managers and agrees with the valuation methods and assumptions used in determining the fair value of the investments. Because non-marketable investments are not readily marketable, the estimated value is subject to uncertainty and such differences could be material.

The cost of securities sold is determined by the average cost method and is used to compute realized gains and losses. Unrealized gains and losses reflect the changes in the fair values of investments from the prior year. Investment income and gains and losses on investments are reported as increases or decreases in net assets without donor restriction unless their use is restricted by explicit donor stipulation or by law. Investment income is reported net of management and custody fees. The date of record for investments is the trade date.

Derivatives:
Certain investments held by the College may include derivative instruments as part of their investment strategy, but the College does not invest directly in derivatives.

Management of Pooled Investments:
The College follows an investment policy 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 investments. If the ordinary income portion of pooled investments return is insufficient to provide the full amount of investment return specified, the balance may be appropriated from realized gains of the pooled investments. Cumulative net realized gains and transfers of ordinary income in excess of the spending policy ("cumulative gains") are held in their respective net asset categories and are available for appropriation under the College's spending policy. The Board of Trustees may, at its discretion, approve additional spending for special projects. The amount of investment return available for current operations will be determined by applying an increase of 2.0% to the prior year unit spending rate, provided that the resulting calculation falls within a collar of 4.5% to 5.5% of a twenty quarter average unit fair value.

Endowment Funds:
The Board of Trustees of the College interpreted the California Uniform Prudent Management of Institutional Funds Act (UPMIFA) to state that the College, in the absence of explicit donor stipulations to the contrary, may appropriate for expenditure or accumulate so much of an endowment fund as the College determines prudent for the uses, benefits, purposes, and duration for which the endowment fund is established. As a result of this interpretation, the College classifies as net assets with donor restrictions the original value of gifts donated to the endowment, original value of subsequent gifts to the endowment, and accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument. The remaining portion of the donor-restricted endowment fund is classified in net assets with donor restriction until those amounts are appropriated for expenditure by the College in a manner consistent with the standard of prudence prescribed by UPMIFA, which includes consideration of the:

1) Duration and preservation of the fund
2) Mission of the College and the donor-restricted endowment fund
3) General economic conditions
4) Possible effects of inflation and deflation
5) Expected total return from income and appreciation of investments
6) Other resources of the College
7) Investment policy of the College

Assets Held in Trust for Others:
Funds held in trust for others consists of investments held by the College as a custodian for another member of the Claremont Colleges and the value of third-party remainder interest held in trust by the College. Investments held for others are included in the College's investment portfolio. Upon written notification, investments held for others may be withdrawn, subject to certain limitations as established in a participation agreement with the other member of the Claremont Colleges.

June 30, 2021 and 2020
(in thousands)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *Continued:*

Plant Facilities:
Plant facilities consist of property, plant, equipment and works of art which are stated at cost, representing the original purchase price or the fair value at the date of the gift, less accumulated depreciation computed on a straight-line basis over the estimated useful lives of buildings, permanent improvements, and equipment. Plant purchases with a useful life of 5 years or more and a cost equal to or greater than $100 for land improvements and buildings and $25 for equipment are capitalized. Estimated useful lives are generally 7 years for equipment, 50 years for buildings and 25 years for permanent improvements. Building improvements that extend the remaining useful life of the building are depreciated over a period not to exceed 20 years. Land, works of art and construction in progress are not depreciated. Assets are retired at their cost less accumulated depreciation at the time they are sold, impaired, or no longer in use. Each year the College transfers to its capital project reserves an amount to allow for the preservation of its existing facilities into the future. Asset retirement obligations are recorded based on estimated settlement dates and methods.

No significant property or equipment has been pledged as collateral or otherwise subject to lien for the years ended June 30, 2021 and 2020. Proceeds from the disposal of equipment acquired with federal funds are transferred to the federal awarding agency. No property or equipment has been acquired with restricted assets where title may revert to another party.

Annuity and Life Income Contracts and Agreements:
The College has legal title to annuity and life income contracts and agreements subject to life interests of beneficiaries. No significant financial benefit is now being or can be realized until the contractual obligations are released. However, the costs of managing these contracts and agreements are included in expenses.

The College uses the actuarial method of recording annuity and life income contracts and agreements. Under this method, the asset is recorded at fair value when a gift is received. The present value of the aggregate annuity payable is recorded as a liability, based upon life expectancy tables, and the remainder is recorded as a contribution in the appropriate net asset category. The liability account is credited with investment income and gains and is charged with investment losses and payments to beneficiaries. Periodic adjustments are made between the liability account and the net asset account for actuarial gains and losses. The actuarial liability is based on the present value of future payments discounted at rates ranging from .4% to 9.0% and over estimated lives according to the IRS Annuity 2000 Mortality Tables.

The College is subject to additional legally mandated annuity reserve requirements by the State of California on its California gift annuity contracts. On December 2, 1998, the Insurance Commission Chief Counsel granted the College permission to invest its reserves for California annuities pursuant to Insurance Code Section 11521.2(b). This approval is subject to the following conditions: (1) maintain a nationally recognized statistical organization bond rating of "A" or better and (2) maintain an endowment to gift annuity ratio of at least 10:1.

Liabilities Associated with Investments:
The College may sell securities that it does not own in anticipation of a decline in the fair value of that security. The value of the open short position is recorded as a liability, and the College records an unrealized gain or loss to the extent of the difference between the proceeds received and value of the open short position. The College will recognize a realized gain or loss upon the termination of the short sale. The College is also liable to pay any dividends declared during the period the short sale is open.

Cash equivalents and domestic treasuries, recorded in investments, of $96,326 were provided at June 30, 2021 to collateralize securities sold short.

Income Taxes:
The College had no unrecognized tax benefits and/or obligations at June 30, 2021 and 2020.

Redesignation of Net Assets:
Certain amounts previously received from donors have been transferred among net asset categories due to changes in donor designations and are reflected in the donor redesignations between net asset categories on the Consolidated Statements of Activities.

June 30, 2021 and 2020
(in thousands)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *Continued:*

Use of Estimates:
The preparation of consolidated 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 the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fair Value of Financial Instruments:
A financial instrument is defined as a contractual obligation that ultimately ends with the delivery of cash or an ownership interest in an entity. Disclosures included in these notes regarding the fair value of financial instruments have been derived using external market sources, estimates using present value or other valuation techniques.

The College carries most investments at fair value in accordance with generally accepted accounting principles. Fair value is defined as the price that would be received to sell an asset (i.e. the "exit price") in a transaction between market participants at the measurement date. Accounting standards have established a fair value hierarchy that 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 or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

Level 1 – Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the College has the ability to access at the measurement date;
Level 2 – Inputs other than quoted prices that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active;
Level 3 – Inputs that are unobservable.

Inputs are used in applying the valuation techniques and broadly refer to the assumptions that the College uses to make valuation decisions, including assumptions about risk. Inputs may include quoted market prices, recent transactions, manager statements, periodicals, newspapers, provisions within agreements with investment managers and other factors. An investment's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The categorization of an investment within the hierarchy is based upon the pricing transparency of the investment and does not necessarily correspond to the College's perceived risk of that investment.

Investments in cash equivalents and certain global fixed income and global equity funds are valued based on quoted market prices and are therefore typically classified within Level 1.

Investments in domestic treasuries are valued based on quoted market prices of comparable assets and typically classified within Level 2.

Investments in hedge funds, private equity funds, other private investments, and certain investment funds focused on domestic and international equities and fixed income are held primarily through limited partnerships and comingled funds for which fair value is estimated using net asset value (NAV) reported by fund managers as a practical expedient.

Certain private investments and the College's beneficial interest in trusts valued utilizing unobservable inputs, and which have had no trading activity or cannot be redeemed at NAV or its equivalent on or near the reporting date, are classified within Level 3. These assets are presented in the accompanying consolidated financial statements at fair value. The College's determination of fair value is based upon the best available information provided by the investment manager and may incorporate management assumptions and best estimates after considering a variety of internal and external factors. Such value generally represents the College's proportionate share of the partner's capital of the investment partnerships as reported by their general partners. For these investments, the College, through its monitoring activities, agrees with the fair value as determined by the investment managers.

June 30, 2021 and 2020
(in thousands)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *Continued:*

Fair Value of Financial Instruments: *Continued*

The general partners and fund managers of the underlying investment partnerships generally value their investments at fair value and in accordance with U.S. GAAP. Investments with no readily available market are generally valued according to the estimated fair value method, which attempts to apply a fair value standard by referring to meaningful third-party transactions, comparable public market valuations and/or the income approach. Consideration is also given to financial condition and operating results of the investment, the amount that the investment partnerships can reasonably expect to realize upon the sale of the securities, and any other factors deemed relevant. An investment can be carried at acquisition price (cost) if little has changed since the initial investment of the partnership and if it is most representative of fair value. Investments with a readily available market (listed on a securities exchange or traded in the over-the-counter market) are valued at quoted market prices or at an appropriate discount from such price if marketability of the securities is restricted.

Although the College uses its best judgment in determining fair value, the values presented herein are not necessarily indicative of the amount that the College could realize in a current transaction. Future 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 redemption of the investments.

Reclassifications:
Certain 2020 amounts have been reclassified to conform to 2021 presentation.

New Accounting Pronouncements:
In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, Leases (Topic 842). The core principle of this ASU is that a lessee should recognize an asset and a liability for almost all leases. Lessees should recognize a liability to make lease payments (the lease liability) and a right-of-use asset representing their right to use the underlying asset for the lease term. The College adopted this ASU on July 1, 2020 using the retrospective method. The adoption of the ASU did not have a material impact on the College's financial statements.

In August 2018, the FASB issued ASU 2018-13, Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement. The new standard removes and or modifies certain disclosures surrounding investments, including removal of certain Level 3 disclosures. The effective date of this ASU for not-for-profits is for fiscal years beginning after December 15, 2019. The College adopted this ASU on July 1, 2020 using the retrospective method. The adoption of the ASU did not have a material impact on the College's financial statements.

NOTE 2 - ACCOUNTS AND NOTES RECEIVABLE:

Accounts and notes receivable at June 30, 2021 and 2020 are as follows:

	2021	2020
Student notes receivable	$ 6,601	$ 6,740
Federal loan funds	435	527
Other Claremont Colleges	1,344	1,381
Student accounts receivable	512	643
Grants and contracts receivable	1,841	432
Housing assistance notes receivable	3,524	3,533
Other	774	1,686
	15,031	14,942
Less allowance for doubtful accounts receivable	(980)	(956)
Net accounts and notes receivable	$ 14,051	$ 13,986

June 30, 2021 and 2020
(in thousands)

NOTE 3 - CONTRIBUTIONS RECEIVABLE AND BENEFICIAL INTEREST IN TRUSTS:

Contributions receivable at June 30, 2021 and 2020 are expected to be realized as follows:

	2021	2020
Within one year	$ 26,828	$ 32,007
Between one year and five years	95,682	98,949
Thereafter	212,751	234,766
	335,261	365,722
Less discount	(78,214)	(84,062)
Less allowance for doubtful contributions receivable	(1,625)	(136)
Net contributions receivable	$ 255,422	$ 281,524

Contributions receivable at June 30, 2021 and 2020 are intended for the following uses:

	2021	2020
Endowment	$ 91,075	$ 96,704
Plant	35,611	35,424
Other	128,736	149,396
Net contributions receivable	$ 255,422	$ 281,524

At June 30, 2021 and 2020, 92.9% and 93.0% of contributions receivable were due from four donors, respectively.

At June 30, 2021 and 2020, the College had knowledge of conditional promises to give in the amount of $1,751 and $21,827, respectively. The promises will be recognized as revenue when the conditions are met.

Conditional promises to give at June 30, 2021 and 2020, are intended for the following uses:

	2021	2020
Endowed chairs for new and existing faculty positions	$ 1,062	$ 1,088
Scholarship endowments	589	589
Academic programing and support	-	20,000
General purposes of the College	100	150
Total conditional promises to give	$ 1,751	$ 21,827

At June 30, 2021 and 2020, the College held beneficial interest in outside trusts of $1,127 and $1,042, respectively. These trusts are administered by outside trustees, with the College deriving income and/or a residual interest from the assets. When an irrevocable trust is established or the College is notified of its existence, the College recognizes its beneficial interest in the trust as a contribution at fair value, which is measured as the fair value of the estimated expected future benefits to be received when the trust assets are distributed. The contribution revenue recognized is classified as an increase in net assets with donor restrictions based on the time or use restrictions placed by the donor upon the College's beneficial interest in the assets. Periodic adjustments to the beneficial interest to reflect changes in the fair value, life expectancy, and discount rate are recognized as actuarial gains or losses. The discount rates used are commensurate with the risks associated with the contribution.

June 30, 2021 and 2020
(in thousands)

NOTE 4 - INVESTMENTS:

It is the College's policy to establish and maintain a diversified investment portfolio. The carrying value of investments are based on the quoted market prices, analytical pricing methods for investments for which there is no market, and the carrying value of limited partnership net assets in proportion to the College's interest. The carrying values are considered fair values. The following schedule summarizes the assets in pooled investments and the assets held as separate investments at June 30, 2021 and 2020:

	2021	2020
Cash equivalents	$ 126,179	$ 134,225
Cash equivalents - limited use (Note 10)	6,513	6,287
Global equity	785,785	547,924
Domestic treasuries	196,929	168,089
Global fixed income	77,062	89,280
Private investments:		
Long/short equity	97,641	104,400
Absolute return funds	111,782	108,602
Private equity and venture capital	633,955	331,549
Real assets	78,368	56,789
Total by asset type	$ 2,114,214	$ 1,547,145

NOTE 5 - FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS:

The following tables present financial assets and liabilities carried on the Statements of Financial Position at fair value as of June 30, 2021 and 2020:

	Level 1	Level 2	Level 3	Assets Held at NAV or Equivalent	2021
Financial Assets:					
Cash equivalents	$ 126,179	$ -	$ -	$ -	$ 126,179
Cash equivalents - limited use	6,513	-	-	-	6,513
Global equity	81,664	-	-	704,121	785,785
Domestic treasuries	-	196,929	-	-	196,929
Global fixed income	5,033	-	-	72,029	77,062
Private investments:					
Long/short equity	-	-	-	97,641	97,641
Absolute return	-	-	-	111,782	111,782
Private equity and venture capital	-	-	-	633,955	633,955
Real assets	-	-	720	77,648	78,368
Beneficial interest in trusts	-	-	1,127	-	1,127
Total financial assets at fair value	$ 219,389	$ 196,929	$ 1,847	$ 1,697,176	$ 2,115,341
Financial Liabilities:					
Funds held in trust for others	$ -	$ 442,652	$ -	$ -	$ 442,652
Liabilities associated with investments:					
Securities sold short	-	70,295	-	-	70,295
Total financial assets at fair value	$ -	$ 512,947	$ -	$ -	$ 512,947

June 30, 2021 and 2020
(in thousands)

NOTE 5 - FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS, *Continued:*

	Level 1	Level 2	Level 3	Assets Held at NAV or Equivalent	2020
Financial Assets:					
Cash equivalents	$ 134,225	$ -	$ -	$ -	$ 134,225
Cash equivalents - limited use	6,287	-	-	-	6,287
Global equity	62,889	-	-	485,035	547,924
Domestic treasuries	-	168,089	-	-	168,089
Global fixed income	4,310	-	-	84,970	89,280
Private investments:					
Long/short equity	-	-	-	104,400	104,400
Absolute return	-	-	-	108,602	108,602
Private equity and venture capital	-	-	-	331,549	331,549
Real assets	-	-	1,803	54,986	56,789
Beneficial interest in trusts	-	-	1,042	-	1,042
Total financial assets at fair value	$ 207,711	$ 168,089	$ 2,845	$ 1,169,542	$ 1,548,187
Financial Liabilities:					
Funds held in trust for others	$ -	$ 319,343	$ -	$ -	$ 319,343
Liabilities associated with investments:					
Securities sold short	-	57,315	-	-	57,315
Total financial assets at fair value	$ -	$ 376,658	$ -	$ -	$ 376,658

The following table includes a roll forward of the amounts for assets classified within Level 3 at June 30, 2021 and 2020:

		Beneficial Interest in Trusts	Total
Balance at July 1, 2019	$ 1,510	$ 423	$ 2,665,254
Purchases/additions	1,352	634	1,986
Sales	(790)	-	(790)
Realized loss, net	(269)	-	(269)
Actuarial adjustment	-	(15)	(15)
Balance at June 30, 2020	1,803	1,042	2,845
Sales	(1,083)	-	(1,083)
Actuarial adjustment	-	85	85
Balance at June 30, 2021	$ 720	$ 1,127	$ 1,847

Net appreciation/(depreciation) on investments and beneficial interest in trusts are reflected in the line "Realized and unrealized gains/(losses), net of spending allocation" and "Other investment income," respectively, on the Consolidated Statements of Activities. The College's policy is to recognize transfers in and transfers out of Level 1, Level 2, and Level 3 at the beginning of the reporting period.

June 30, 2021 and 2020
(in thousands)

NOTE 5 - FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS, *Continued:*

The following table shows the fair value, unfunded commitments and redemption restrictions for investments reported at NAV at June 30, 2021:

	Fair Value at June 30, 2021	Unfunded Commitments	Redemption Frequency	Redemption Notice Period	Strategies and Other Restrictions
Global equity	$ 704,121	none	1 day to 4 years	1 to 150 days	(1)
Global fixed income	72,029	none	1 to 90 days	5 to 60 days	(1)
Long/short equity	97,641	$ 25,000	1 to 36 months	60 to 90 days	(2)
Absolute return	111,782	none	3 to 12 months	60 to 90 days	(2)
Private equity and venture capital	633,955	211,315	N/A	N/A	(3)
Real assets	77,648	97,250	N/A	N/A	(3)
Total	$ 1,697,176	$ 333,565			

(1) These categories include investments in commingled fund vehicles that invest in debt and equity securities. The debt funds serve as a deflation hedge for the portfolio, while the equity allocation seeks total return and growth. The fair values of the investments in these categories have been estimated using the NAV per statement as reported by each underlying fund. Most funds have no significant redemption restrictions in place.

(2) This category includes investments in global long/short, event driven, diversified arbitrage, distressed securities, and other multi-strategy hedge fund vehicles. The hedge fund allocation is intended to reduce risk by mitigating volatility of the equity markets and targets positive and stable absolute returns. The fair values of the investments in this category have been estimated using the NAV per share as reported by each underlying fund.

(3) These categories include investments in leveraged buyout, distressed securities, venture capital, and real assset private limited partnership funds. The real asset funds serve as an inflation hedge for the portfolio and the other private categories are included for total return enhancement. The fair values of the investments in these categories have been estimated using the College's ownership percentage of the total NAV for each underlying fund. The contractual life of these funds ranges from ten to fifteen years and distributions will be received as the underlying investments are realized.

NOTE 6 - PLANT FACILITIES:

Plant facilities are recorded at cost or estimated fair value at the date of donation and at June 30, 2021 and 2020 consists of the following:

	2021	2020
Land and land improvements	$ 48,613	$ 42,018
Buildings and permanent improvements	311,489	310,539
Equipment	27,377	27,151
Works of art	10,412	10,412
Equipment under capital lease	2,952	2,613
Property held for future use	15,520	15,520
Construction in progress	3,072	2,993
	419,435	411,246
Less accumulated depreciation	(139,098)	(129,445)
Net plant facilities	$ 280,337	$ 281,801

June 30, 2021 and 2020
(in thousands)

NOTE 7 - FUNDS HELD IN TRUST FOR OTHERS:

At June 30, 2021 and 2020 funds held in trust for others consists of the following:

	2021	2020
College held third-party remainder interests held in trust	$ 3,283	$ 2,698
Other Claremont Colleges' interest in investment portfolio	442,652	319,343
Total funds held in trust for others	$ 445,935	$ 322,041

NOTE 8 - FINANCING LEASE OBLIGATION:

The College entered into financing lease obligations to finance the acquisition of certain equipment. The corresponding obligations are due in monthly and annual installments with maturities through November 2024 and are secured by associated equipment.

The annual financing lease obligation is as follows:

Fiscal Years Ending June 30,	Amount
2022	$ 334
2023	258
2024	150
2025	59
2026	9
	$ 810

NOTE 9 - BONDS PAYABLE:

At June 30, 2021 and 2020, bonds payable was comprised of the following:

	2021	2020
Taxable Bonds		
Series 2019	$ 225,000	$ 225,000
Bonds issued through California Educational Facilities Authority (CEFA):		
Series 2015	99,490	102,505
	324,490	327,505
Plus unamortized premium	8,870	9,370
Less unamortized issuance costs	(1,994)	(2,083)
Total bonds payable	$ 331,366	$ 334,792

The California Educational Facilities Authority (CEFA) Series 2015 bonds are due in 2039 and are general unsecured obligations of the College. Annual installments range from $3,190 in 2022 to $8,210 in 2038. Interest is payable semi-annually at rates ranging from 4.0% to 5.0%, at June 30, 2021.

In December 2019, the College issued $225 million of taxable bonds at a rate of 3.38%, with all principal due in 2050. The bonds are general unsecured obligations of the College. The College is required to make semi-annual payments of interest.

Interest expense was $11,602 and $9,502 for the years ended June 30, 2021 and 2020, respectively.

June 30, 2021 and 2020
(in thousands)

NOTE 9 - BONDS PAYABLE: ***Continued***

The maturity of note and bonds payable at June 30, 2021, is as follows:

Fiscal Years Ending June 30,	Principal Amount
2022	$ 3,190
2023	3,375
2024	3,575
2025	3,785
2026	4,030
Thereafter	306,535
	$ 324,490

The Taxable Series 2019 and CEFA Series bond agreements contain various restrictive covenants which include maintenance of certain financial ratios, as defined in the agreements.

NOTE 10 - ASSETS WHOSE USE IS LIMITED:

Indenture requirements of bond financing (see Note 9, 'Bonds and Note Payable') provide for the establishment and maintenance of various accounts with trustees. The indenture terms limit the use of these funds to capital expenditures and debt service payments as outlined in the agreements. Assets whose use is limited are comprised of cash equivalents recorded at fair value, which approximates fair value. Assets whose use is limited, which is included in investments, totaled $6,513 and $6,287, respectively, at June 30, 2021 and 2020.

NOTE 11 - ASSET RETIREMENT OBLIGATION:

The College has recorded asset retirement obligations related to certain fixed assets, primarily for disposal of regulated materials upon eventual retirement of the assets.

The following schedule summarizes asset retirement obligation activity for the years ended June 30, 2021 and 2020:

	2021	2020
Accretion expense	$ 37	$ 36
Beginning balance	921	885
Ending balance	$ 958	$ 921

NOTE 12 - NET ASSETS:

At June 30, 2021 and 2020, net assets consists of the following:

	2021	2020
Net assets without donor restrictions:		
For operations and designated purposes	$ 2,740	$ 3,412
Housing assistance and student loans	6,012	5,057
Board designated endowment funds	270,816	194,693
Plant facilities	160,184	132,639
Total net assets without donor restrictions	$ 439,752	$ 335,801

June 30, 2021 and 2020
(in thousands)

NOTE 12 - NET ASSETS, *Continued*:

	2021	2020
Net assets with donor restrictions:		
Restricted for specific purposes	$ 214,337	$ 218,352
Annuity and life income contracts and agreements	28,191	9,619
Term endowments	48,009	52,587
Portion of perpetual endowment fund subject to a time restriction under California UPMIFA:		
Without purpose restriction	30,610	18,541
With purpose restriction	439,006	205,466
Student loans	11,746	11,611
Perpetual endowment funds	524,785	480,982
Total net assets with donor restrictions	$ 1,296,684	$ 997,158

NOTE 13 - ENDOWMENT:

The net assets of the College include perpetual endowments and funds functioning as endowments. Perpetual endowments are subject to the restrictions of gift instruments requiring in perpetuity that the principal be invested and the income only be utilized as provided under UPMIFA. While funds have been established by the Board of Trustees to function as endowment, any portion of such funds may be expended.

Changes in the College's endowment for the year ended June 30, 2021 were as follows:

	Without Donor Restrictions	With Donor Restrictions	2021
Investment returns:			
Investment income	$ 120,951	$ 255,058	$ 376,009
Endowment returns reinvested (or distributed for operations)	(46,943)	5,347	(41,596)
Net investment returns	74,008	260,405	334,413
Other changes in endowed equity:			
Gifts	-	26,611	26,611
Other changes	2,115	(2,182)	(67)
Total other changes in endowed equity	2,115	24,429	26,544
Net change in endowed equity	76,123	284,834	360,957
Endowed equity, beginning of year	194,693	757,576	952,269
Endowed equity, end of year	$ 270,816	$ 1,042,410	$ 1,313,226

At June 30, 2021, endowed equity consists of the following assets:

Contributions receivable, net of discount	$ -	$ 91,075	$ 91,075
Investments	270,816	951,335	1,222,151
Total endowed equity	$ 270,816	$ 1,042,410	$ 1,313,226

June 30, 2021 and 2020
(in thousands)

NOTE 13 - ENDOWMENT, *Continued*:

Changes in the College's endowment for the year ended June 30, 2020 were as follows:

	Without Donor Restrictions	With Donor Restrictions	2020
Investment returns:			
Investment income (loss)	$ 37,992	$ (22,035)	$ 15,957
Endowment returns reinvested (or distributed for operations)	(41,783)	4,985	(36,798)
Net investment returns	(3,791)	(17,050)	2,620,099
Other changes in endowed equity:			
Gifts	-	63,973	63,973
Other changes	2,092	(5,000)	(2,908)
Total other changes in endowed equity	2,092	58,973	61,065
Net change in endowed equity	(1,699)	41,923	40,224
Endowed equity, beginning of year	196,392	715,653	912,045
Endowed equity, end of year	$ 194,693	$ 757,576	$ 952,269

At June 30, 2020, endowed equity consists of the following assets:

	Without Donor Restrictions	With Donor Restrictions	2020
Contributions receivable, net of discount	$ -	$ 96,704	$ 96,704
Other assets	-	114	114
Investments	194,693	660,758	855,451
Total endowed equity	$ 194,693	$ 757,576	$ 952,269

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the College to retain as a fund of perpetual duration. Deficiencies for donor-restricted endowment funds were $0 and $579 at June 30, 2021 and 2020, respectively. Deficiencies for donor-restricted endowment funds were recorded as a reduction in endowments with donor restrictions.

NOTE 14 - FINANCIAL ASSETS AND LIQUIDITY RESOURCES:

As of June 30, 2021 and 2020, the College's financial assets and liquidity resources available within one year for general expenditure are as follows:

	2021	2020
Financial Assets:		
Cash	$ 1,424	$ 889
Accounts and notes receivable, net	4,471	4,142
Contributions receivable, net	12,318	13,699
Short term investments	191,467	164,555
Board designations:		
Funds functioning as endowment	270,816	193,711
Subsequent year's endowment payout	33,837	32,979
Total financial assets available within one year	514,333	409,975
Liquidity resources:		
Bank line of credit	-	10,000
Total financial assets and liquidity resources available within one year	$ 514,333	$ 419,975

June 30, 2021 and 2020
(in thousands)

NOTE 14 - FINANCIAL ASSETS AND LIQUIDITY RESOURCES, *Continued*:

The College's cash flows have seasonal variability due to tuition billing and a concentration of contributions received at calendar and fiscal year-ends. The College has accounted for this variability through a disciplined budget approach. The College does not normally spend from its board designated funds functioning as endowment, other than amounts appropriated for general expenditures as part of its annual budget approval and appropriation process. However, board designated funds functioning as endowment could be made available for general expenditure with board approval.

NOTE 15 - NET STUDENT REVENUES:

Student revenues for the years ended June 30, 2021 and 2020 consist of the following:

	2021	2020
Tuition and fees	$ 70,329	$ 76,550
Room and board	608	15,230
Gross student revenues	70,937	91,780
Less Financial Aid	(24,918)	(27,531)
Net student revenues	$ 46,019	$ 64,249

NOTE 16 - FUNCTIONAL CLASSIFICATION OF EXPENSES:

Expenses by natural classification for the years ended June 30, 2021 and 2020, consist of the following:

	Academic and Research	Student and Auxiliary Services	Institutional Support	2021 Total
Direct employee costs	$ 39,601	$ 11,360	$ 10,842	$ 61,803
General services, travel and transportation	2,434	3,428	3,875	9,737
Shared services and joint programs	5,980	1,597	3,340	10,917
General supplies and other expenses	1,376	2,561	3,838	7,775
Plant maintenance and equipment	2,162	5,299	2,126	9,587
Interest expense	3,933	7,142	605	11,680
Depreciation expense	2,506	6,576	571	9,653
Total expenses	$ 57,992	$ 37,963	$ 25,197	$ 121,152

	Academic and Research	Student and Auxiliary Services	Institutional Support	2020 Total
Direct employee costs	$ 39,830	$ 13,708	$ 10,884	$ 64,422
General services, travel and transportation	3,508	4,750	4,576	12,834
Shared services and joint programs	9,438	1,835	4,266	15,539
General supplies and other expenses	1,482	5,009	911	7,402
Plant maintenance and equipment	2,657	6,550	1,567	10,774
Interest expense	3,315	5,759	484	9,558
Depreciation expense	2,802	6,617	574	9,993
	$ 63,032	$ 44,228	$ 23,262	$ 130,522

June 30, 2021 and 2020
(in thousands)

NOTE 17 - EMPLOYEE BENEFIT PLANS:

The College participates, with other members of The Claremont Colleges (Note 19), in a defined contribution retirement plan which provides retirement benefits to eligible personnel through Teachers Insurance and Annuity Association. Under this defined contribution plan, College and participant contributions are used to purchase individual annuity contracts and investments equivalent to retirement benefits earned. Vesting provisions are full and immediate. Benefits commence upon retirement, and pre-retirement survivor death benefits are provided. College contributions to the plan for the years ended June 30, 2021 and 2020 totaled $2,348 and $5,150, respectively.

NOTE 18 - INSTITUTIONAL SUPPORT FUNDRAISING EXPENSE:

Included in Institutional Support expenses are approximately $4,102 and $4,162 of expenditures related to fundraising for the years ended June 30, 2021 and 2020, respectively.

NOTE 19 - AFFILIATED INSTITUTIONS:

The College is a member of an affiliated group of colleges known as The Claremont Colleges. Each college is a separate corporate entity governed by its own board of trustees. The Claremont Colleges, Inc. (formerly Claremont University Consortium), a member of this group, is the central coordinating institution which provides common student and administrative services, including certain central facilities utilized by all The Claremont Colleges. The costs of these services and facilities are shared by the members of the group. Amounts paid by the College for such services and use of facilities for the years ended June 30, 2021 and 2020 totaled approximately $6,139 and $4,731, respectively.

During the fiscal year ended June 30, 2018, the College formed Claremont Investment Fund (the “Fund”), a California nonprofit public benefit corporation organized exclusively for charitable and education purposes within the meaning of IRC Section 501(C)(3). The Fund is a Type I supporting organization under IRC Section 509(a)(3) that shall be operated exclusively for the benefit of the College and those members of The Claremont Colleges (collectively, the “Supported Organizations”) that may be approved by the College’s Board of Trustees from time to time. On July 1, 2018, the Supported Organizations began pooling their endowment and other investment assets in the Fund in a diversified investment strategy approved by the College’s Board of Trustees.

NOTE 20 - RELATED PARTY TRANSACTIONS:

The College holds investments in certain limited partnerships in which certain members of the Board of Trustees are limited partners or are affiliated with management of the related partnerships. Investments at June 30, 2020 and 2019 totaled $23,900 and $24,154, respectively.

The College receives contributions and promises to give from members of the Board of Trustees. For the years ended June 30, 2021 and 2020, the College received $33,125 and $157,836, respectively, of total private gifts and grants from members of the Board of Trustees. For the years ended June 30, 2021 and 2020, private gifts and grants from the Board of Trustees were comprised approximately of 61% and 96% from one member, respectively. At June 30, 2021 and 2020, contributions receivable from members of the Board of Trustees totaled $215,178 and $239,097, respectively.

NOTE 21 - COMMITMENTS AND CONTINGENCIES:

Certain federal grants, including financial aid which the College administers and for which it receives reimbursements, 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 expects such amounts, if any, would not have a significant impact on the financial position of the College.

Occasionally, the College is involved in lawsuits arising in the ordinary course of its operations. The College's management does not expect the ultimate resolution of pending legal actions to have a material effect on the financial position or change in net assets of the College.

June 30, 2021 and 2020
(in thousands)

NOTE 22 - SUBSEQUENT EVENTS:

Subsequent events have been evaluated through October 22, 2021, which corresponds to the date when the financial statements are available for issuance.