SAINT MARY'S COLLEGE OF CALIFORNIA

FINANCIAL STATEMENTS

Including Independent Auditor's Report

As of and for the Years Ended June 30, 2022 and 2021

Independent Auditors' Report

To the Board of Trustees of
Saint Mary's College of California

Opinion

We have audited the financial statements of Saint Mary's College of California (the College), which comprise the balance sheets as of June 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the College as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the College and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with GAAP, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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 College's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

Baker Tilly US, LLP

Minneapolis, Minnesota
November 14, 2022

Saint Mary's College of California

Balance Sheets
June 30, 2022 and 2021
(Dollars in Thousands)

Assets	2022	2021
Current Assets		
Cash and cash equivalents	$ 10,364	$ 5,423
Investments (Note 3)	3,568	11,028
Student receivables, net	1,731	2,223
Contributions receivable, net (Note 4)	11,854	2,705
Accounts receivable, other	2,179	1,797
Prepaid expenses and other	2,062	1,906
Total current assets	31,758	25,082
Noncurrent Assets		
Investments (Note 3)	197,976	229,695
Contributions receivable, net (Note 4)	2,861	4,726
Notes receivable, net (Note 5)	495	792
Other assets	410	410
Operating lease - right of use assets (Note 9)	185	246
Property, plant and equipment, net of accumulated depreciation (Note 6)	131,901	127,815
Total noncurrent assets	333,828	363,684
Total assets	$ 365,586	$ 388,766
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued liabilities	$ 12,627	$ 14,326
Interest rate swap liability (Note 8)	8,480	16,125
Current portion of long-term debt (Note 8)	1,600	1,525
Current portion of leases (Note 9)	592	566
Deferred revenue (Note 2)	4,992	5,297
Total current liabilities	28,291	37,839
Noncurrent Liabilities		
Liabilities under trust agreements (Note 2)	1,855	1,999
Long-term debt, excluding current portion, net (Note 8)	50,104	51,705
Long-term leases, excluding current portion, net (Note 9)	1,231	1,796
Post retirement benefits payable (Note 10)	779	883
Asset retirement obligations (Note 2)	2,586	2,586
Federal government grants refundable (Note 5)	622	871
Total noncurrent liabilities	57,177	59,840
Total liabilities	85,468	97,679
Net Assets		
Without donor restrictions	98,959	103,576
With donor restrictions		
Time or purpose	31,306	20,317
Endowment returns subject to future appropriation	34,245	54,524
Perpetual	115,608	112,670
Total net assets	280,118	291,087
Total liabilities and net assets	$ 365,586	$ 388,766

See notes to financial statements

Saint Mary's College of California

Statement of Activities
Year Ended June 30, 2022
With Comparative Totals for 2021
(Dollars in Thousands)

	2022			2021
	Without Donor Restrictions	With Donor Restrictions	Totals	Totals
Operating				
Revenues and gains:				
Tuition and fees	$ 69,970		$ 69,970	$ 81,519
Sales and services of auxiliary enterprises	19,779		19,779	8,723
Grant and contract revenue	7,726	$ 1,595	9,321	6,209
Contributions	2,310	13,768	16,078	6,279
Endowment income and realized gains distributed	10,055		10,055	9,445
Accumulated endowment earnings appropriated for operations				4,000
Other	3,768	105	3,873	2,095
Total operating revenues and gains	113,608	15,468	129,076	118,270
Net Assets Released From Restrictions	4,713	(4,713)		
Total operating revenue, gains and other support	118,321	10,755	129,076	118,270
Expenses				
Instruction	39,822		39,822	41,291
Academic support	11,036		11,036	9,440
Student services	26,275		26,275	20,571
Institutional support	22,508		22,508	23,842
Operations and maintenance of plant	7,776		7,776	6,100
Interest expense	2,241		2,241	2,488
Auxiliary enterprises	9,805		9,805	7,597
Total operating expenses excluding depreciation	119,463		119,463	111,329
Change in net assets from operations before depreciation expense	(1,142)	10,755	9,613	6,941
Depreciation Expense	6,715		6,715	6,897
Change in net assets from operations	(7,857)	10,755	2,898	44
Nonoperating				
Contributions	101	5,753	5,854	5,754
Net (loss) gain and income on endowments, net of distributions	(9,719)	(13,068)	(22,787)	34,317
Net gain and income on other investments	2	(1)	1	41
Other non operating expense - VSIP	(4,123)		(4,123)	
Unrealized gain on interest rate swap	7,645		7,645	4,418
Actuarial adjustments		(457)	(457)	464
Net assets released from restrictions	9,334	(9,334)		
Increase from nonoperating activities	3,240	(17,107)	(13,867)	44,994
Change in net assets	(4,617)	(6,352)	(10,969)	45,038
Net Assets, Beginning	103,576	187,511	291,087	246,049
Net Assets, Ending	$ 98,959	$ 181,159	$ 280,118	$ 291,087

See notes to financial statements

Saint Mary's College of California

Statement of Activities
Year Ended June 30, 2021
(Dollars in Thousands)

	Without Donor Restrictions	With Donor Restrictions	Totals
Operating			
Revenues and gains:			
Tuition and fees	$ 81,519		$ 81,519
Sales and services of auxiliary enterprises	8,723		8,723
Grant and contract revenue	6,209		6,209
Contributions	2,052	$ 4,227	6,279
Endowment income and realized gains distributed	9,445		9,445
Accumulated endowment earnings appropriated for operations	4,000		4,000
Other	1,932	163	2,095
Total operating revenues and gains	113,880	4,390	118,270
Net Assets Released From Restrictions	3,288	(3,288)	
Total operating revenue, gains and other support	117,168	1,102	118,270
Expenses			
Instruction	41,291		41,291
Academic support	9,440		9,440
Student services	20,571		20,571
Institutional support	23,842		23,842
Operations and maintenance of plant	6,100		6,100
Interest expense	2,488		2,488
Auxiliary enterprises	7,597		7,597
Total operating expenses excluding depreciation	111,329		111,329
Increase in net assets from operations before depreciation expense	5,839	1,102	6,941
Depreciation Expense	6,897		6,897
Increase (decrease) in net assets from operations	(1,058)	1,102	44
Nonoperating			
Contributions	10	5,744	5,754
Net (loss) gain and income on endowments, net of distributions	(98)	34,415	34,317
Net gain and income on other investments	(2)	43	41
Unrealized loss on interest rate swap	4,418		4,418
Actuarial adjustments		464	464
Net assets released from restrictions	8,213	(8,213)	
Increase from nonoperating activities	12,541	32,453	44,994
Change in net assets	11,483	33,555	45,038
Net Assets, Beginning	92,093	153,956	246,049
Net Assets, Ending	$ 103,576	$ 187,511	$ 291,087

See notes to financial statements

Saint Mary's College of California

Statements of Cash Flows
Years Ended June 30, 2022 and 2021
(Dollars in Thousands)

	2022	2021
Cash flows From Operating Activities		
Change in net assets	$ (10,969)	$ 45,038
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	6,715	6,897
Amortization of issuance costs		68
Actuarial adjustment of annuities payable	683	(464)
Net gain on investments and other assets	12,229	(47,837)
Gain from interest rate swap	(7,645)	(4,418)
Loss on sale of property, plant, and equipment, net		176
Amortization of right to use assets	184	168
Operating lease payments	(61)	(86)
Changes in operating assets and liabilities:		
Student receivables, net	492	(952)
Contributions receivable, net	(9,149)	(1,069)
Accounts receivable, other	(382)	(704)
Prepaid expenses, and other assets	(156)	(217)
Accounts payable and accrued liabilities	(290)	3,626
Post retirement liability	(112)	(1,019)
Deferred revenue	(305)	(2,830)
Liabilities under trust agreements	44	44
Contributions restricted for plant and long-term investment	(5,854)	(5,754)
Net cash flows from operating activities	(14,576)	(9,333)
Cash Flows From Investing Activities		
Capital expenditures	(12,325)	(2,897)
Purchases of investments	(189,685)	(299,386)
Proceeds from sales of investments	215,894	307,881
Repayments of loans from students	297	276
Net cash flows from investing activities	14,181	5,874
Cash Flows From Financing Activities		
Change in refundable government grants, net	(249)	(382)
Payments on long-term debt	(1,526)	(1,475)
Financing lease payments	(478)	(352)
Payments to annuitants	(130)	(145)
Contributions received for plant and long-term investment	7,719	6,400
Net cash flows from financing activities	5,336	4,046
Change in cash and cash equivalents	4,941	587
Cash and Cash Equivalents, Beginning	5,423	4,836
Cash and Cash Equivalents, Ending	$ 10,364	$ 5,423
Supplementary Cash Flow Information		
Cash paid for interest	$ 2,241	$ 2,425
Noncash Investing and Financing Activities		
Construction in progress included in accounts payable	$ 106	$ 1,507

Saint Mary's College of California

Statement of Functional Expenses
Year Ended June 30, 2022
(Dollars in Thousands)

	Program Services				Supporting Services		
	Instruction	Academic Support	Student Services	Auxiliary Enterprises	Institutional Support	Operations and Maintenance of Plant	Total
Compensation	$ 39,031	$ 5,909	$ 14,192	$ 1,210	$ 13,187	$ 2,474	$ 76,003
Academic and student program costs	740	2,027	2,032	75	491	15	5,380
Emergency grants to students			3,529				3,529
Information technology	16	988	205	46	2,871	169	4,295
Facility and equipment expense	104	162	687	3,594	793	1,868	7,208
Travel	172	29	4,726		207		5,134
Contracted services	369	155	573	4,260	1,953	3,168	10,478
Other expenses	803	217	1,748	652	1,635	140	5,195
Depreciation expense	2,029	452	902	2,117	930	285	6,715
Interest expense	627			1,076	448	90	2,241
Total expenses	$ 43,891	$ 9,939	$ 28,594	$ 13,030	$ 22,515	$ 8,209	$ 126,178

See notes to financial statements

Saint Mary's College of California

Statement of Functional Expenses
Year Ended June 30, 2021
(Dollars in Thousands)

	Program Services				Supporting Services		
	Instruction	Academic Support	Student Services	Auxiliary Enterprises	Institutional Support	Operations and Maintenance of Plant	Total
Compensation	$ 41,348	$ 6,039	$ 14,126	$ 1,125	$ 12,735	$ 2,449	$ 77,822
Academic and student program costs	422	1,768	837	36	213	14	3,290
Emergency grants to students			1,295				1,295
Information technology	13	1,408	190	27	1,813	138	3,589
Facility and equipment expense	123	151	736	4,186	1,490	3,069	9,755
Travel	30	24	3,187		67		3,308
Contracted services	332	110	1,194	2,246	767	2,079	6,728
Other expenses	857	204	536	28	1,306	123	3,054
Depreciation expense	2,084	464	926	2,174	955	294	6,897
Interest expense	678			1,162	505	143	2,488
Total expenses	$ 45,887	$ 10,168	$ 23,027	$ 10,984	$ 19,851	$ 8,309	$ 118,226

See notes to financial statements

1. Nature of Organization

Saint Mary's College of California (the College) is an independent Liberal Arts, Catholic and Lasallian institution of higher education that is operated by the Brothers of the Christian Schools (Christian Brothers), the oldest religious order in the Catholic Church devoted exclusively to teaching. Chartered by the State of California in 1872 and operated continuously since that date, the College is among the oldest colleges in the West. The College grants associate, baccalaureate, and master’s degrees in liberal arts, science, business administration and education, including a doctorate in education. The College is classified as a Masters I (comprehensive) institution by the Carnegie Commission on Higher Education. Student headcount enrollment in fall 2021 and fall 2020 totaled 2,077 and 2,843 full-time and 684 and 596 part-time students, respectively.

2. Basis of Presentation and Summary of Significant Accounting Policies

These financial statements, which are presented on the accrual basis of accounting, have been prepared to focus on the College as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions.

Net assets and changes therein are classified as follows:

With Donor Restrictions - Net assets subject to donor-imposed restrictions that will be met either by actions of the College or the passage of time or that are to be permanently maintained by the College. The College's net assets held in perpetuity are endowment funds invested to support scholarships and various academic programs.

Without Donor Restrictions - Net assets not subject to donor-imposed restrictions that are available for use in general operations, board designated endowments or invested in property, plant and equipment.

The Board of Trustees has established policies to designate a portion of bequests absent of donor restrictions, received by the College as endowment so that the funds can be invested and provide sustainable income streams for operating needs.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is limited by explicit donor restriction or by law. Expiration of donor restrictions (i.e., the donor restricted purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Unconditional contributions, including promises to give, are recognized as revenues in the period received and are reported as increases in the appropriate categories of net assets in accordance with donor restrictions. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until they become unconditional, that is, when the conditions on which they depend are met. Contributions to be received in more than one year are discounted at a discount rate commensurate with the risks involved. An allowance for uncollectible contributions receivable is provided based upon management's judgment including such factors as prior collection history, type of contribution and nature of fund-raising activity.

Contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenues without donor restrictions.

Contributions of property, plant and equipment without donor restrictions concerning the use of such long-lived assets are reported as revenues without donor restrictions. Contributions of cash or other assets to be used to acquire property, plant and equipment are reported as revenues with donor restrictions. The restrictions are considered to be released when the asset is placed in service, unless stipulated otherwise by the donor, as the asset is constructed.

Asset Classification

Current assets are used to designate cash and other assets that are reasonably expected to be realized in cash or sold or consumed during the normal operating cycle of the College.

Noncurrent assets are used to designate such resources as (a) cash and claims to cash, which are restricted as to withdrawal or use for other than current operations, are designated for expenditure in the acquisition or construction of noncurrent assets, or are segregated for the liquidation of long-term debts; (b) receivables which are not expected to be collected within twelve months; (c) land and other natural resources; (d) depreciable assets (including right to use assets); and (e) long-term prepayments which are fairly chargeable to the operations of several years. Contributions receivable including amounts due within the next year, related to property, plant and equipment and endowments are included as noncurrent.

Cash Equivalents

Cash equivalents consist of short-term, highly liquid investments with original maturities of three months or less. For purposes of the statements of cash flows, the College considers all highly liquid debt instruments with original maturities of three months or less to be cash equivalents.

Prepaid Expenses and Other

Prepaid expenses consist of dues, travel fees paid for semester abroad programs and other expenses whose benefit will be realized in the next fiscal year.

Investments

Investments designated for use in acquiring property, plant and equipment, true endowment gifts (including expendable realized gains), board designated endowment, and annuity and life income trusts have been classified as noncurrent in the accompanying balance sheets.

Expendable investments, including designated investments without donor restrictions have been classified as current in the accompanying balance sheets.

Student Receivables, Net

Student receivables are recorded net of an allowance for doubtful accounts. The allowance for doubtful accounts was $171 as of June 30, 2022 and 2021, and is based on historical experience and management's evaluation of receivables at the end of each year. Bad debts are expensed when deemed uncollectible. Receivables are generally unsecured. A student account receivable is considered delinquent if not paid by the due date. A monthly service fee is charged on delinquent amounts.

Property, Plant and Equipment, Net

Property, plant and equipment are stated at cost at date of acquisition or fair value at date of donation in the case of gifts-in-kind. The College capitalizes property, plant and equipment additions of $10 to $50, depending on the type of addition. Cost includes the related net interest expense incurred on funds borrowed for construction of facilities. Depreciation is provided on equipment using the straight-line method over the estimated useful lives ranging from 3 to 5 years. Depreciation is provided for longer-lived equipment using the straight-line method over the estimated useful lives ranging from 5 to 10 years. Depreciation was provided on buildings and improvements using the straight-line method over useful lives ranging from 10 to 30 years, and up to 50 years for buildings placed in service after 2000.

Liabilities Under Trust Agreements

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 and is included in noncurrent investments. 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 between 4.0 percent and 7.1 percent and on estimated lives according to the applicable mortality tables.

The College is subject to additional legally mandated annuity reserve requirements by the State of California on its California gift annuity contracts. As of June 30, 2022 and 2021, the College's investment of the annuity reserve accounts is in compliance with these regulations. In addition, total assets recorded on the balance sheets related to these agreements totaled approximately $1 million for the years ended June 30, 2022 and 2021.

In January 2017, the College implemented a Grantor Trust, funded solely by the College, to provide for certain insured health benefits for those employees covered under the Post-Retirement Healthcare Plan. The College has delegated much of the plan administration to Emeriti Retirement Health Solutions. As of June 30, 2022 and 2021, the liability under this plan was $808 and $624, respectively, and is included in the liabilities under trust agreements on the balance sheets.

Works of Art, Historical Treasures and Similar Assets

Contributions of works of art, historical treasures and similar assets held as part of a collection, for education, research, or public exhibition rather than for sale, are not recognized or capitalized. Significant contributions of works of art, historical treasures and similar assets not held as part of a collection are recorded as revenue and assets at their estimated fair value at the date of receipt based upon appraisals or similar valuations.

Unemployment Self-Insurance

The College reimburses applicable States for actual unemployment benefits paid resulting from previous employment with the College in lieu of making regular contributions to the State based on wages and salaries.

Federal and State Income Tax

The College qualifies under the provisions of Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the California Revenue and Taxation Code and is exempt from federal and state income taxation on related sources of income. The College is, however, subject to federal and state income tax on unrelated business income and an appropriate provision for any such taxes is included in the accompanying financial statements.

The College follows the accounting standards for contingencies in evaluating uncertain tax positions. This guidance prescribes recognition threshold principles for the financial statement recognition of tax positions taken or expected to be taken on a tax return that are not certain to be realized. No liability has been recognized by the College for uncertain tax positions as of June 30, 2022 and 2021. The College's tax returns are subject to review and examination by federal and state authorities.

Use of Estimates

Management of the College has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results could differ from those estimates.

Concentrations

Financial instruments that potentially subject the College to concentrations of credit risk consist principally of cash and cash equivalents, investments, accounts receivable and notes receivable. Cash and cash equivalents in excess of FDIC and similar coverages is subject to the usual risks of balances in excess of those limits. The majority of the College's cash and cash equivalents are on deposit with a single bank. Investments are diversified in order to limit credit risk. Student notes and receivables and other receivables are due from a variety of sources concentrated primarily in the Northwestern United States. In addition, the College's students receive a substantial amount of support from state and federal student financial assistance programs which are subject to audit by government agencies. A significant reduction in the level of this support, if this were to occur, could have an adverse effect on the College's program and activities.

At June 30, 2021, the College had investments of $65,600, which were concentrated two funds.

During the year ended June 30, 2022, 46% of contribution revenue was from one donor.

Revenue from Contracts with Students

Revenue from contracts with students for tuition and fees, residential services and meal plan services is reported at the amount that reflects the consideration the College expects to be entitled in exchange for providing instruction and housing, food and other services. These amounts are due from students, third-party payers and others and are net of scholarships and institutional aid of $58,687 and $59,437 for the years ended June 30, 2022 and 2021, respectively.

(Dollars in Thousands)

Tuition and Fees revenue is recognized in the period during which the related academic services are rendered. Revenue from auxiliary enterprises is recognized when goods or services are provided. In addition, students who adjust their course load or withdraw completely within the first eight weeks of the semester may receive a partial refund in accordance with the College's refund policy. Refunds issued reduce the amount of revenue recognized. Generally, the College bills students prior to the beginning of the semester and student accounts receivable are due in full before classes begin. Student tuition and fees received in advance of services being rendered are recorded as deferred revenue on the balance sheets. Performance obligations for certain ancillary services are satisfied when the services are performed. The College applies the practical expedient as allowed for within the accounting standards and, therefore, does not disclose information about remaining performance obligations that have original expected durations of one year or less. All remaining performance obligations will be satisfied in connection with the completion of the 2022/2023 academic year. The College determines the transaction price based on standard charges for goods and services provided, reduced by discounts relating to institutional scholarships, both funded and unfunded, in accordance with the College's policies.

Deferred Revenue

These amounts represent payments received for College tuition and fees prior to the start of the academic terms. As of June 30, 2022, certain summer terms have not yet begun; thus, all revenue received relating to the 2022 summer and fall 2022 terms are included in deferred revenue. The following table notes the activity within the deferred revenue accounts relating to tuition and fees.

	2022	2021
Balance at beginning of the year	$ 5,297	$ 8,127
Revenue recognized during the year	(5,297)	(8,127)
Cash received in advance of performance	4,992	5,297
Balance at end of the year	$ 4,992	$ 5,297

Asset Retirement Obligations

Asset retirement obligations are estimated costs and obligations associated with the retirement of long-lived assets. These liabilities were initially recorded at fair value and the related asset retirement costs were recorded as decreases in net assets without donor restrictions. The asset retirement obligation is recorded as a noncurrent liability on the balance sheets. The estimated asset retirement obligation is determined annually at June 30 to reflect remediation efforts as well as to reflect updated costs for abatement.

Expenses by Function

The financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of the College. These expenses include depreciation and amortization and interest. Depreciation is allocated based on square footage and interest is allocated based on usage of space. Fundraising costs of $3,300 and $2,900 for the years ended June 30, 2022 and 2021, respectively, are included in institutional support.

Coronavirus COVID-19 Pandemic

In March 2020, the World Health Organization declared the novel coronavirus (COVID-19) a global pandemic. The related adverse public health developments, including orders to shelter-in-place, travel restrictions, and mandated business closures, have adversely affected workforces, organizations, their customers, economies, and financial markets globally, leading to increased market volatility and disruptions in normal business operations, including the College's operations.

The Coronavirus Aid, Relief, and Economic Securities (CARES) Act was signed into law. Among other things, the CARES Act allocated $14 billion to higher education through the creation of the Education Stabilization Fund. This fund was further supplemented by additional allocations contained in the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA) and the American Rescue Plan Act of 2021 (ARP).

To date, the College has been awarded a total of $13,942 in emergency funding under this program with $5,876 earmarked to go directly to students in the form of emergency financial aid grants to cover expenses related to the disruption of campus operations due to COVID-19, and $8,066 provided to the College to offset costs associated with significant changes to the delivery of instruction due to COVID-19. The College distributed $3,281 and $1,332 of the direct student award funds for the years ended June 30, 2022 and 2021, respectively. Additionally, the College applied $4,163 and $2,434 of the institutional and minority serving institution award allocations towards eligible COVID-related impacts for the years ended June 30, 2022 and 2021, respectively.

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

Accounting Pronouncement Adopted in the Current Year

In September 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2020-07, *Not-for-Profit Entities (Topic 958) Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* (ASU No. 2020-07). ASU No. 2020-07 improves financial reporting by providing new presentation and disclosure requirements about contributed nonfinancial assets, including additional disclosure requirements for recognized contributed services. The College adopted ASU No. 2020-07 in fiscal year ending June 30, 2022, and retrospectively for fiscal year ended June 30, 2021, and determined that there was no impact on the financial statements.

New Accounting Pronouncements Not Yet Effective

During June 2016, the FASB issued ASU No. 2016-13, *Measurement of Credit Losses on Financial Instruments*. ASU No. 2016-13 requires financial assets measured at amortized cost to be presented at the net amount expected to be collected, through an allowance for credit losses that is deducted from the amortized cost basis. The measurement of expected credit losses is based on relevant information about past events, including historical experience, current conditions and reasonable and supportable forecasts that affect the collectability of the reported amount. ASU No. 2016-13 (as amended) is effective for annual periods beginning after December 15, 2022 (fiscal 2024). College is currently assessing the effect that ASU No. 2016-13 (as amended) will have on its financial statements.

Reclassifications

Certain amounts appearing in the 2020 financial statements have been reclassified to conform with the 2021 presentation.

Subsequent Events Review

The College has evaluated subsequent events through November 14, 2022, which is the date that the financial statements were approved and available to be issued.

3. Fair Value of Financial Instruments

Fair value is defined in the accounting guidance as the exchange price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Under this guidance, a three level hierarchy is used for fair value measurements which is based upon the transparency of information, such as the pricing source, used in the valuation of an asset or liability as of the measurement date.

Financial instruments measured and reported at fair value are classified and disclosed in one of the following three categories.

Level 1 - Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities, that the reporting entity can access at the measurement date.

Level 2 - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. This includes quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, or market corroborated inputs.

Level 3 - Inputs are unobservable for the assets or liability. Unobservable inputs reflect the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk) using the best information available in the circumstances, which may include using the reporting entity's own data.

Assets

Level 1 assets include investments in short term investments, comprised primarily of money market funds, fixed income securities, U.S. and non-U.S. equity securities that are actively traded, mutual funds and real estate funds.

Level 2 assets include investments in fixed income securities, comprised of US Treasury notes and municipal and corporate bonds.

Liabilities

Level 2 liabilities include an interest rate swap agreement as the fair value is based on observable inputs to a valuation model (interest rates, credit spreads, etc.) which take into account the present value of the estimated future cash flows and credit valuation adjustments.

There have been no changes in the techniques and inputs used as of June 30, 2022 and 2021.

(Dollars in Thousands)

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls has been determined based on the lowest level input that is significant to the fair value measurement in its entirety. The assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

Certain mutual funds and alternative investments are measured at fair value using the net asset value (NAV) per share (or its equivalent) of such investment funds as a practical expedient for fair value. The College has estimated the fair value of these funds by using the net asset value provided by the investee.

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.

Investments, in general, are subject to various risks, including credit, interest and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the financial statements.

The table below presents the balances of assets and liabilities measured at fair value on a recurring basis as of June 30, 2022:

	Total	Level 1	Level 2	Level 3
Assets:				
Short-term investments	$ 4,187	$ 4,187	$	$
Fixed income securities	32,431	18,814	13,617	
U.S. equity securities	47,948	47,948		
Non-U.S. equity securities	18,065	18,065		
Mutual funds				
Domestic fixed income	5,926	5,926		
Real estate funds	14,303	14,303		
Subtotal assets by valuation hierarchy	$ 122,860	$ 109,243	$ 13,617	$ -
Investments measured using NAV:				
Non-U.S. equity securities	17,017			
Private equity funds	23,725			
Risk parity composite fund	17,399			
Real estate fund	8,631			
Subtotal assets by NAV	66,772			
Total investments at fair value	189,632			
Total investments at cost	11,912			
Total investments	$ 201,544			
Liabilities:				
Interest rate swap	$ 8,480	$ -	$ 8,480	$ -

(Dollars in Thousands)

The table below presents the balances of assets and liabilities measured at fair value on a recurring basis as of June 30, 2021:

	Total	Level 1	Level 2	Level 3
Assets:				
Short-term investments	$ 13,738	$ 13,738	$	$
Fixed income securities	38,591	17,838	20,753	
U.S. equity securities	43,047	43,047		
Non-U.S. equity securities	41,764	41,764		
Mutual funds				
Domestic fixed income	7,706	7,706		
Real estate fund	20,493	20,493		
Subtotal assets by valuation hierarchy	$ 165,339	$ 144,586	$ 20,753	$ -
Investments measured using NAV:				
Non-U.S. equity securities	21,980			
Private equity	16,415			
Risk parity composite fund	21,159			
Real estate funds	4,895			
Subtotal assets by NAV	64,449			
Total investments at fair value	229,787			
Total investments at cost	10,936			
Total investments	$ 240,723			
Liabilities:				
Interest rate swap	$ 16,125	$ -	$ 16,125	$ -

Investment income and (losses) gains on the investments measured using NAV totaled ($2,024) and $15,143 for the years ended June 30, 2022 and 2021, respectively.

The fair value of certain funds has been estimated using the Net Asset Value (NAV) as reported by the management of the fund. Accounting guidance allows for the use of the NAV as a "practical expedient" estimating the fair value of alternative investments. NAV reported by each alternative investment fund is used as a practical expedient to estimate the fair value of the College's interest in the fund.

(Dollars in Thousands)

Investments in non-U.S. equity securities measured at NAV have no unfunded commitments or subscriptions and are able to be redeemed in the near term. The following table lists the investments measured at NAV for which there are redemption limitations:

	Private Equity	Real Estate Fund	Risk Parity Composite Fund
Fair Value, June 30, 2022	$23,725	$8,631	$17,399
Fair Value, June 30, 2021	$16,415	$4,895	$21,159
Significant investment strategy	Primarily buyout, Venture and growth equity in US	US real estate	Globally diversified, balances equity, fixed income, and commodity markets
Remaining life	3 to 8 years	1 to 3 years	N/A
Dollar amount of unfunded commitments	$15,550	$8,140	N/A
Timing to draw down commitments	1 to 5 years	N/A	N/A
Redemption terms	N/A	N/A	Can liquidate within 30 days

4. Contributions Receivable, Net

The carrying value of contributions receivable is based on a discounted cash flow methodology using discount rates consistent with the expected maturities of the pledges, adjusted for consideration of the donor's credit. Contributions receivable, net of discount to present value and allowance for uncollectible accounts are due to be collected as follows:

	2022	2021
Current, net of discount	$ 11,854	$ 2,705
Noncurrent:		
Receivables designated/restricted for acquiring property, plant and equipment, net of discount	2,109	2,598
Endowment receivables, net of discount	752	2,128
Total noncurrent	2,861	4,726
Total contributions receivable	$ 14,715	$ 7,431
Gross amounts due in:		
Less than one year	$ 4,707	
One to five years	10,520	
More than five years	650	
Total contributions receivable	15,877	
Less allowance for uncollectible accounts	(250)	
Less discount to present value	(912)	
	$ 14,715	

Gross contributions receivable of $11.3 million as of June 30, 2022 are due from one donor. Gross contributions receivable of $4.6 million as of June 30, 2021 were due from two donors.

(Dollars in Thousands)

5. Notes Receivable, Net

Notes receivable, net as of June 30, 2022 and 2021 consisted of the following:

	2022	2021
Federal Perkins loan program	$ 1,080	$ 1,377
Less allowance for doubtful accounts	(585)	(585)
Student loans receivable, net	$ 495	$ 792

The objective of the Federal Perkins Loan Program is to provide long-term, uncollateralized, low-interest loans to students who demonstrate the need for financial aid to pursue their courses of study. A revolving loan fund is established by federal government grants and institutional matching contributions. A liability is established on the balance sheets for the net assets of this program refundable to the federal government. The Federal Perkins Loan Program notes which bear interest at 3 percent to 5 percent are payable over approximately 11 years.

The Extension Act amended section 461 of the Higher Education Act to end the College's authority to make new Perkins Loans after June 30, 2018. The College is not required to assign the outstanding Perkins Loans to the Department of Education or liquidate their Perkins Loan Revolving Funds due to the wind-down of the Perkins Loan Program. However, the College may choose to liquidate at any time in the future. During the year ended June 30, 2022, the College returned to the government $262 in excess cash and recognized $1 in reimbursement for cancellations, which equally reduced the receivable for Perkins cancellations and the government grants refundable. As of June 30, 2022, the College continues to service the Perkins Loan Program.

After a student is no longer enrolled in an institution of higher education and after a grace period, the student is responsible for monthly debt service payments. Student loans receivable through the loan programs are considered to be past due if a payment is not made within 30 days of the payment due date, at which time, late fees are charged and recognized. The Federal Perkins Loan Program receivables may be assigned to the U.S. Department of Education. Students may be granted a deferment, forbearance, or cancellation of their student loan receivable based on eligibility requirements defined by the U.S. Department of Education.

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. At June 30, 2022 and 2021, student loans represented less than 1% percent of total assets.

Funds advanced by the Federal government of approximately $622 and $871 at June 30, 2022 and 2021, respectively are ultimately refundable to the government and are classified as liabilities on the balance sheets.

At June 30, 2022 and 2021, the following amounts were past due under student loan programs:

	Amounts Past Due			
	1 - 60 days	60 - 90 days	90+ days	Total
June 30, 2022	$ 80	$ -	$ 225	$ 305
June 30, 2021	15	80	371	466

(Dollars in Thousands)

6. Property, Plant and Equipment, Net of Accumulated Depreciation

Property, plant and equipment, net as of June 30, 2022 and 2021 consisted of the following:

	2022	2021
Land	$ 1,336	$ 1,336
Land improvements	19,098	18,219
Buildings and building improvements	221,541	216,970
Furniture, fixtures and equipment	23,272	22,218
Vehicles	834	868
Construction in progress	10,018	5,715
	276,099	265,326
Less accumulated depreciation	(144,198)	(137,511)
	$ 131,901	$ 127,815

For the period ended June 30, 2022 and 2021, right of use assets from finance leases of $2,263 and $2,386, respectively, are included in property, plant and equipment, net. For more information on the related lease liability, see Note 9.

7. Note Payable to Bank

The College has an unsecured, revolving line of credit with Bank of America in the amount of $10,000 for operating cash flow purposes and advances bear interest at the BBA LIBOR daily rate plus 1.25 percent. This line of credit is available through December 31, 2022. As of June 30, 2022 and June 30, 2021, the College had not drawn on the line. During the years ended 30, 2022 and 2021, the College had reserved $124 and $289, respectively, as a standby letter of credit in support of the high deductible insurance program for the College's workers' compensation plan.

8. Long-Term Debt, Net

Long-term debt as of June 30, 2022 and 2021 consisted of the following:

	2022	2021
California Educational Facilities Authority 2007 Revenue Bonds, interest reset monthly (1.65% at June 30, 2022), under terms of a five year Direct Purchase agreement with Bank of America Public Capital Corporation. The bonds are outstanding through 2043.	$ 53,275	$ 54,800
Principal outstanding on long-term debt	53,275	54,800
Bond issuance costs	(1,571)	(1,570)
Total long-term debt, net	51,705	53,230
Less current portion	(1,600)	(1,525)
	$ 50,104	$ 51,705

(Dollars in Thousands)

The College has a direct purchase agreement with Bank of America Public Capital Corporation for the CEFA 2007 bonds that has a maturity date of October 2, 2024. As a result of the agreement, the interest on the bonds is adjusted monthly based upon the monthly LIBOR rate plus the applicable spread based on the College's Moody's rating. The applicable spread as of June 30, 2022 was 80 basis points The Bonds are secured by an unrestricted gross revenue pledge of the College.

Costs of bond issuance are deferred and amortized on a basis that approximates the level-yield method over the repayment period of the bonds.

Aggregate future long-term debt principal payments as of June 30, 2022 are as follows:

Years ending June 30:		
2023	$	1,600
2024		1,650
2025		1,700
2026		1,775
2027		1,850
Subsequent		44,700
Total	$	53,275

The CEFA Series 2007 bond agreements contain various covenants, which include maintenance of certain financial ratios, as defined in the agreements. The College was in compliance, as determined by the bank, with all covenants as of June 30, 2022.

Interest Rate Swap

The College has issued variable-rate demand bond (VRDB) debt to finance the construction and renovation of buildings and to defease the CEFA 2003 bonds. These debt obligations expose the College to fluctuations in interest payments due to the changes in interest rates. In an effort to manage the fluctuations in cash flows resulting from interest rate risk, the College entered into an interest rate swap.

Under the interest rate swap agreement, the College receives variable interest rate payments that partially hedge the variable interest rate debt, and makes fixed interest rate payments, thereby creating the equivalent of fixed-rate debt. The net swap payments (receipts) are recorded in interest expense. In July 2008, the College amended a 36-year swap from Bank of New York Mellon originated in August 2007 at a fixed rate of 3.546 percent on the then $70,275 of outstanding variable rate debt. There was no cash exchanged at the time the College entered into the swap due to the relationship between the variable rates and swap rate at that time. The notional amount of this swap equals the current outstanding debt of the respective issuance.

Changes in the fair market value of the interest rate swap are reported as unrealized gains or losses on the interest rate swap related to bonds on the statements of activities. The valuations of the swap resulted in unrealized gains of $7,645 and $4,418 for the years ended June 30, 2022 and 2021, respectively. The liability related to the interest rate swap agreement was $8,480 and $16,125 as of June 30, 2022 and 2021, respectively, is reported on the balance sheets in current liabilities. Providing that the College holds the swap to maturity, the value of the derivative will be zero. This swapping transaction can be terminated at market rates at any time during the term of the swap. Pursuant to the agreement, the College is required to post collateral if the swap agreement valuation exceeds a liability of $2,500. At June 30, 2022 and 2021, the value of the collateral posted was $6,219 and $13,810, respectively and is included in noncurrent investments on the balance sheets.

(Dollars in Thousands)

9. Lease Commitments

The College is the lessee of copier equipment, vehicles, and modular building space under operating leases, and the lessee of a standby power generator under a finance lease. The College determines whether a contract is a lease at inception. Identified leases are subsequently measured, classified, and recognized at lease commencement. The College categorizes leases with contractual terms longer than twelve months as either operating or finance. The College's leases generally have terms that range from two to five years for copier equipment and vehicles, and two years for modular building space, with certain leases inclusive of renewal options if they are considered to be reasonably assured at lease commencement. The standby power generator finance lease is a five-year lease with a one-dollar purchase option.

Right of use assets and lease liabilities for operating leases are included in operating leases—right of use assets and current portion and long-term lease liabilities", respectively, in the balance sheets. Finance lease right of use assets and finance lease liabilities are included in property, plant and equipment, net and current portion and long-term lease liabilities", respectively, in the balance sheets. Lease assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease.

Operating lease right of use assets and associated lease liabilities are recognized based on the net present value of future minimum lease payments to be made over the expected lease term. To determine the net present value of future payments for operating leases, the College used the Risk Free US Treasury Rate at the commencement date of the adoption of ASU No. 2016-02, *Leases*. Finance lease right of use assets and associated lease liabilities are recognized based on the net present value of future minimum lease payments to be made over the expected lease term. To determine the present value of future payments for the finance lease, the College used the borrowing rate set forth in the agreement with the lessor at the commencement date of the finance lease.

The College records short-term leases (those 12 months or less in duration) as operating expenditures in the periods in which the lease obligations are incurred.

Maturity analysis of the annual undiscounted cash flows reconciled to the carrying value of the operating and finance lease liabilities at June 30, 2022:

Years ending June 30:	Operating	Finance
2023	$ 107	$ 531
2024	62	531
2025	23	531
2026	-	133
Total lease payments	192	1,726
Less present value discount	(7)	(88)
Present value of lease liabilities	185	1,638
Less current portion of leases	(102)	(490)
Total long term lease liabilities	$ 83	$ 1,148

(Dollars in Thousands)

Weighted-average remaining lease term and discount rate for operating and finance leases as of June 30, 2022 were as follows:

Weighted Average Remaining Lease Term	
Operating Leases	2.58 years
Finance Leases	4.34 years
Weighted Average Discount Rate	
Operating Leases	1.64%
Finance Leases	3.93%

10. Retirement Plan and Post-Retirement Benefits

Retirement Plan

The College participates in the Teachers Insurance Annuity Association (TIAA) defined contribution retirement plans that cover substantially all full-time employees of the College. TIAA is a legal reserve life insurance and annuity company. Annual contributions were 2.5 percent of all eligible employees' wages and salaries for the years ended June 30, 2022 and 2021. Total College contributions were $2,127 and $1,275 for the years ended June 30, 2022 and 2021, respectively.

Voluntary Employees Benefit Association Plan

Effective July 2007, the College joined Emeriti Retirement Health Solutions (EMERITI), a consortium of colleges and universities organized to provide retiree health care benefits through a Voluntary Employees Benefit Association (VEBA) recognized under the IRC 501(c)(9). The Emeriti program is a defined contribution plan whose assets are restricted for use toward qualified medical expenses. All benefit eligible faculty and staff, hired after June 30, 2007 over the age of 40 participate in the plan. Benefit eligible employees hired before July 1, 2007, had the opportunity to enroll in the Emeriti plan in lieu of the College's existing retirement health programs. The College did not make any contributions in the years ended June 30, 2022 and June 30, 2021. Employees age 21 and above can also make post-tax contributions of any amount to an employee VEBA account. Employee contributions are immediately vested and contributions by the College are vested after five (5) years of continuous service. As of December 31, 2021, the plan assets totaled $15,044, consisting of $13,924 of mutual funds and $1,120 of money market funds. As of December 31, 2020, the plan assets totaled $14,413, consisting of $13,371 of mutual funds and $1,042 of money market funds.

Post-Retirement Healthcare Plan

The College provides funds for healthcare benefits of eligible retirees (hired prior to July 1, 2007) for a period of 5 years after their date of retirement. In order to participate, benefits eligible employees must retire from the College at age fifty-five or older with at least 15 years of service. The College accrues the cost of the post-retirement benefits during the service lives of employees. The plan is a recorded liability of the College, but does not have offsetting dedicated assets. The College therefore funds the benefits on a pay as you go basis.

(Dollars in Thousands)

The following sets forth the status of the Post-Retirement Healthcare Plan and the accumulated post-retirement benefit obligation (APBO) as of June 30, 2022 and 2021:

	2022	2021
Change in projected APBO		
Benefit obligation at July 1	$ 1,277	$ 2,296
Service cost	20	27
Interest cost	54	48
Actuarial (gain) loss	269	(946)
Benefits paid	(455)	(148)
Total projected APBO at June 30	$ 1,165	$ 1,277
Amounts recognized in the balance sheets		
Current liabilities, accounts payable and accrued liabilities	$ 386	$ 394
Noncurrent liabilities	779	883
Total projected APBO	$ 1,165	$ 1,277

The following sets forth the status of the plan as of June 30, 2022 and 2021:

	2022	2021
Accumulated post-retirement benefit of obligation (APBO)		
Retirees	$ -	$ 5
Active employees	1,165	1,272
Total APBO	$ 1,165	$ 1,277

The components of net periodic post-retirement benefit cost (NPPBC) for the years ended June 30, 2022 and 2021 are as follows:

	2022	2021
Interest cost	$ 54	$ 47
Service cost	20	27
Amortization of unrecognized loss (ALG)		(5)
Amortization of unrecognized prior service cost	(91)	(92)
Net periodic post-retirement benefit expense	$ (17)	$ (23)

The actuarial losses yet to be recognized in the net periodic post-retirement benefit cost as of June 30, 2022 and 2021 are $(1,094) and $(1,454), respectively.

The assumed healthcare cost trend rates range from a high of 7.3 percent in fiscal year end 2022 to a low of 4.7 percent by fiscal year end 2026. A one-percentage point increase in the assumed healthcare cost trend rate for each year would increase the accumulated post-retirement benefit obligation as of June 30, 2022 by approximately 12 percent, or $135. A one-percentage point decrease in the assumed healthcare cost trend rate for each year would decrease the accumulated post-retirement benefit obligation as of June 30, 2022 by approximately 9 percent, or $(109). The assumed discount rate used in determining the net periodic post-retirement benefit cost is 3.1 percent and the accumulated post-retirement benefit obligation is 4.2 percent for 2022. The net periodic post-retirement benefit cost, as well as accumulated post-retirement benefit obligation was 3.1 percent for 2021.

(Dollars in Thousands)

Benefits expected to be paid in the next fiscal years are:

Years ending June 30:		
2023	$	386
2024		
2025		
2026		
2027		
Thereafter		495
Total	$	881

It is reasonably possible that changes in these estimates could occur in the near term and that actual results could differ from these estimates and could have a material impact on the financial statements.

11. Related-Party Transactions

As of June 30, 2022 and 2021, $109 and $320, respectively, of contributions receivable are due from members of the Board of Trustees and officers of the College. As of June 30, 2022, there is a forgivable loan to an employee with an outstanding balance of $350.

12. Commitments and Contingencies

Financial awards from federal and state agencies, including the U.S. Department of Education, in the form of grants are subject to audit by the agencies. Such audits could result in claims against the College for disallowed costs or noncompliance with grantor restrictions. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined at this time.

The College is contingently liable in connection with claims and contracts, including those currently in litigation arising in the normal course of its activities. In the opinion of management, the results of these matters will not have a significant impact on the financial statements.

Outstanding commitments on construction contracts amounted to approximately $6 million at June 30, 2022.

13. Endowments

General

The College's endowment consists of 354 individual funds established for a variety of purposes. Its endowment includes true endowment funds, funds functioning as endowments and board reserves. True endowment funds are subject to the donor restrictions on gift instruments. These restrictions require that the principal be invested in perpetuity and that only the income and gains may be utilized. Funds functioning as endowment have been established by the Board of Trustees to address the same requirements of endowment funds. Board reserves have been established by the Board of Trustees as long-term reserves for operations. Funds functioning as endowment and board reserves differ from true endowment funds because any portion of these funds may be expended. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments or board reserves, are classified and reported based on the existence or absence of donor-imposed restrictions.

Endowment investments are recorded at market value of $185,112 and $215,012 for the years ended June 30, 2022 and 2021, respectively. The total return on all investments held by the endowment funds, on a market basis, was -6.27 percent and 27.8 percent for the years ended June 30, 2022 and 2021, respectively.

Return Objectives and Risk Parameters

The College has adopted investment and spending policies for endowment assets that strive to provide a source of income for spending that is reasonably stable and predictable from year-to-year, while seeking to preserve capital, maintain the purchasing power of the endowment assets, and prudently earn the highest possible rate of return consistent with the College's ability to accommodate risk. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner to provide an average real total return of 5 percent, net of fees. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the College relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The College targets a diversified asset allocation including asset classes such as public equities, fixed income and alternative assets in order to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Board of Trustees designates only a portion of the College's cumulative investment return for support of current operations; the remainder is retained to support operations of future years and to offset potential market declines.

In developing its spending policy, the College considers certain of the following factors which it determines relevant:

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

The Board has adopted a policy to appropriate for distribution during each fiscal year an amount per endowment unit calculated at a rate no greater than 5.0 percent of the average endowment market value per endowment unit from the preceding 12 quarters established as of the end of the calendar year prior to the beginning of the fiscal year. In the fiscal year ended June 30, 2022, the Board appropriated an additional $11,158 from board designated endowment funds for capital improvements, the ERM project, the Voluntary Separation Incentive Program (VSIP) and Presidential initiatives.

In the fiscal year ended June 30, 2021, the Board appropriated an additional $4,000 of accumulated earnings on various endowment funds for scholarships and academic support. The Board also appropriated $500 from board designated endowment funds for capital improvements.

(Dollars in Thousands)

Interpretation of Relevant Law

The College's governing board has interpreted the California enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as allowing the College to appropriate for expenditure or accumulate so much of an endowment fund as the College determines is prudent for the uses, benefits, purposes and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift instrument. Unless stated otherwise in the gift instrument, the assets in an endowment fund shall be donor-restricted assets until appropriated for expenditure by the Board of Trustees. See Note 2 for further information on net asset classifications.

Funds With Deficiencies

Because UPMIFA does not establish a fixed level below which an endowment fund is not permitted to fall, there are no deficiencies in the endowment funds held by the College. Notwithstanding the foregoing, the College does maintain records of the sum of: (a) the original value of gifts donated to each endowment fund, (b) the original value of subsequent gifts to each endowment fund, and (c) accumulations to each such endowment fund made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Deficiencies may result from unfavorable market fluctuations that occur after the investment of new contributions to endowment funds and continued appropriation for certain programs that is deemed prudent by the Board of Trustees.

The Board adopted a modification to its spending policy for donor restricted endowment funds with deficiencies. Spending from these funds will be limited to actual income earned when their current market values fall below 75 percent of original gift values.

Endowment Net Asset Composition by Type of Fund as of June 30, 2022

		With Donor Restrictions			
	Without Donor Restrictions	Original Gift	Accumulated Gain (Losses)	Total	Total June 30, 2022
Board-designated endowment fund	$ 35,108	$	$	$	$ 35,108
Donor-restricted endowment funds		30,822	118,935	149,757	149,757
Total endowment net assets	$ 35,108	$ 30,822	$ 118,935	$ 149,757	$ 184,865

Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 48,706	$ 167,098	$ 215,804
Investment returns	340	(13,068)	(12,729)
Appropriation of endowment assets for expenditure:			
Operating	(2,879)	(7,176)	(10,055)
Nonoperating - plant	(11,158)		(11,158)
Gifts	100	3,360	3,460
Actuarial adjustments on deferred gifts		(457)	(457)
Endowment net assets, end of year	$ 35,108	$ 149,757	$ 184,865

(Dollars in Thousands)

Changes in Endowment Net Asset Composition by Type of Fund as of June 30, 2021

	Without Donor Restrictions	With Donor Restrictions			Total June 30, 2021
		Original Gift	Accumulated Gain (Losses)	Total	
Board-designated endowment fund	$ 48,706	$	$	$	$ 48,706
Donor-restricted endowment funds		115,998	51,100	167,098	167,098
Total endowment net assets	$ 48,706	$ 115,998	$ 51,100	$ 167,098	$ 215,804

Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 41,015	$ 137,377	$ 178,392
Investment returns	13,346	34,432	47,778
Appropriation of endowment assets for expenditure:			
Operating	(5,163)	(4,282)	(9,445)
Nonoperating	(500)	(124)	(624)
Other transfers		(4,000)	(4,000)
Gifts	8	3,237	3,245
Actuarial adjustments on deferred gifts		458	458
Endowment net assets, end of year	$ 48,706	$ 167,098	$ 215,804

(Dollars in Thousands)

14. Liquidity and Availability

The following reflects the College's financial assets as of the balance sheets date, which are available for expenditure within the next fiscal year, reduced by amounts not available because of contractual or donor-imposed restrictions. Amounts not available include amounts set aside by the Board of Trustees for long-term investment as board-designated endowments. However, board action could allow the College to draw upon those funds.

	2022	2021
Financial assets, at year end	$ 233,500	$ 260,705
Less those unavailable for general expenditures within one year, due to:		
Contractual or donor-imposed restrictions:		
Restricted by donor with time or purpose restrictions	(149,757)	(178,440)
Subject to appropriation and satisfaction of donor restrictions, contributions, notes and accounts receivable collectible beyond one year	(14,584)	(6,221)
Investments held in required reserve for SWAP, included in quasi-endowment fund	(6,219)	(13,810)
Investments held in annuity trust	(3,852)	(3,852)
Board designations:		
Quasi-endowment fund, primarily for long-term investing	(29,389)	(34,897)
Subsequent year appropriation of endowment earnings	9,500	9,100
Financial assets available to meet cash needs for general expenditures within one year	$ 39,199	$ 32,585

The College seeks to maintain financial assets on hand to meet 60 - 90 days of normal operating expenses, which is approximately $19,000 - $29,000. Due to the majority of tuition dollars coming in the fall and spring, the liquidity reported above at June 30 is lower than at most other times during the year.

SAINT MARY'S COLLEGE of CALIFORNIA