AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED
JUNE 30, 2020

Pomona College

COVER: *View of Carnegie Hall from Marston Quadrangle*

KPMG

POMONA COLLEGE

Financial Statements

June 30, 2020 and 2019

(With Independent Auditors' Report Thereon)

POMONA COLLEGE

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KPMG LLP
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Independent Auditors' Report

The Board of Trustees
Pomona College:

Report on the Financial Statements

We have audited the accompanying financial statements of Pomona College (the College), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the College as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Supplementary Schedule of Financial Responsibility Data as of and for the year ended June 30, 2020 is presented for purposes of additional analysis, as required by the US Department of Education, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Schedule of Financial Responsibility Data is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2020, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

KPMG LLP

Irvine, California
December 11, 2020

POMONA COLLEGE

Statements of Financial Position

June 30, 2020 and 2019

(In thousands of dollars)

Assets		2020	2019
Cash and cash equivalents	$	3,341	3,715
Accounts and other receivables, net		5,810	3,426
Prepaid expenses and deposits		2,123	2,764
Short-term investments		157,690	65,928
Contributions receivable, net		30,179	40,213
Notes receivable, net		9,933	10,049
Long-term investments:			
Pooled		2,389,895	2,458,679
Separately invested		138,266	133,788
Property, plant, and equipment, net		417,109	427,351
Total assets	$	3,154,346	3,145,913
Liabilities and Net Assets			
Liabilities:			
Accounts payable	$	4,389	6,062
Accrued payroll and other liabilities		23,138	19,876
Life income and annuities obligation		119,299	108,046
Line of credit loan		65,000	—
Long-term debt		221,687	223,940
Government advances for student loans		1,169	1,496
Funds held in trust for others		14,846	14,434
Total liabilities		449,528	373,854
Net assets:			
Without donor restrictions		1,278,943	1,300,805
With donor restrictions		1,425,875	1,471,254
Total net assets		2,704,818	2,772,059
Total liabilities and net assets	$	3,154,346	3,145,913

See accompanying notes to financial statements.

POMONA COLLEGE

Statement of Activities

Year ended June 30, 2020

(In thousands of dollars)

	Without donor restrictions	With donor restrictions	Total
Revenues, gains, and other support:			
Student revenues net (includes student financial aid of $49,734)	$ 62,108	—	62,108
Federal grants and contracts	1,916	—	1,916
Private gifts and grants	7,100	11,334	18,434
Private contracts	763	—	763
Pooled income appropriated for operations	99,987	—	99,987
Sales and services of education departments	3,188	28	3,216
Other revenues	553	8	561
	175,615	11,370	186,985
Net assets released or transferred from donor restrictions	73,028	(73,028)	—
Total revenues, gains, and other support	248,643	(61,658)	186,985
Expenses:			
Instruction	67,791	—	67,791
Research	3,028	—	3,028
Public service	1,181	—	1,181
Academic support	19,345	—	19,345
Student services	23,277	—	23,277
Institutional support	32,940	—	32,940
Auxiliary enterprises	31,239	—	31,239
Total expenses	178,801	—	178,801
Increase (decrease) in net assets from operating activities	69,842	(61,658)	8,184
Nonoperating activities:			
Net realized and unrealized gains on investments	3,763	4,393	8,156
Net investment income	6,696	11,135	17,831
Pooled income appropriated for operations	(99,987)	—	(99,987)
Pooled income appropriated for annuities	(3,475)	(1,899)	(5,374)
Changes in actuarially determined gift liabilities	2,321	4,290	6,611
Other actuarial adjustments	(25)	—	(25)
Annuity and life income funds released and liquidate	(1,236)	(1,640)	(2,876)
Other	239	—	239
Change in net assets from nonoperating activities	(91,704)	16,279	(75,425)
Change in net assets	(21,862)	(45,379)	(67,241)
Net assets, beginning of year	1,300,805	1,471,254	2,772,059
Net assets, end of year	$ 1,278,943	1,425,875	2,704,818

See accompanying notes to financial statements.

POMONA COLLEGE

Statement of Activities

Year ended June 30, 2019

(In thousands of dollars)

		Without donor restrictions	With donor restrictions	Total
Revenues, gains, and other support:				
Student revenues net (includes student financial aid of $46,910)	$	65,829	—	65,829
Federal grants and contracts		1,372	—	1,372
Private gifts and grants		5,957	29,467	35,424
Private contracts		846	19	865
Pooled income appropriated for operations		97,108	—	97,108
Sales and services of education departments		3,910	35	3,945
Other revenues		753	—	753
		175,775	29,521	205,296
Net assets released or transferred from donor restrictions		57,634	(57,634)	—
Total revenues, gains, and other support		233,409	(28,113)	205,296
Expenses:				
Instruction		67,676	—	67,676
Research		2,728	—	2,728
Public service		1,305	—	1,305
Academic support		18,546	—	18,546
Student services		23,392	—	23,392
Institutional support		32,497	—	32,497
Auxiliary enterprises		31,550	—	31,550
Total expenses		177,694	—	177,694
Increase (decrease) in net assets from operating activities		55,715	(28,113)	27,602
Nonoperating activities:				
Net realized and unrealized gains on investments		57,427	71,062	128,489
Net investment income		9,409	12,692	22,101
Pooled income appropriated for operations		(97,108)	—	(97,108)
Pooled income appropriated for annuities		(3,161)	(1,880)	(5,041)
Changes in actuarially determined gift liabilities		863	3,669	4,532
Other actuarial adjustments		56	—	56
Annuity and life income funds released and liquidate		154	(2,588)	(2,434)
Other		(860)	—	(860)
Change in net assets from nonoperating activities		(33,220)	82,955	49,735
Change in net assets		22,495	54,842	77,337
Net assets, beginning of year		1,278,310	1,416,412	2,694,722
Net assets, end of year	$	1,300,805	1,471,254	2,772,059

See accompanying notes to financial statements.

POMONA COLLEGE

Statements of Cash Flows

Years ended June 30, 2020 and 2019

(In thousands of dollars)

		2020	2019
Cash flows from operating and nonoperating activities:			
Change in net assets	$	(67,241)	77,337
Adjustments to reconcile change in net assets to net cash used in operating activities:			
Depreciation		19,454	18,332
Accretion of interest on CEFA bonds		1,992	2,089
Amortization of bond premium		(749)	(750)
Contributions restricted for long-term investment		(15,371)	(7,993)
Net realized and unrealized gains on investments		(8,156)	(128,489)
Noncash gifts		(5,329)	(1,262)
Adjustments of actuarial liabilities		(6,611)	(4,588)
Change in assets and liabilities:			
Increase in accounts receivable		(2,384)	(1,235)
Decrease (increase) in contributions receivable		10,034	(15,925)
Decrease (increase) in prepaid expenses, deposits and inventory		641	(64)
Decrease in accounts payable		(1,673)	(3,960)
Increase in accrued payroll and other liabilities		3,262	3,810
Net cash used in operating activities		(72,131)	(62,698)
Cash flows from investing activities:			
Additions to property, plant, and equipment		(9,212)	(30,082)
Purchase of investments		(1,047,980)	(557,536)
Proceeds from sale of investments		1,033,374	629,439
Disbursements of student loans		(980)	(848)
Collections of student loans		1,096	1,145
Disbursements of trust deed loans		(2,479)	(4,385)
Collections of trust deed loans		3,114	2,813
Net cash (used in) provided by investing activities		(23,067)	40,546
Cash flows from financing activities:			
Proceeds from contributions restricted for:			
Investment in endowment		4,037	1,636
Investment in life income		943	1,043
Investment in plant		10,391	5,314
Proceeds from notes payable		65,000	—
Government student loans return of fund		(327)	(122)
Payments on long-term debt		(3,496)	(3,486)
Investment income on life income and annuities		2,089	1,973
Proceeds from life income and annuities		19,138	18,065
Payments on life income and annuities		(2,951)	(2,907)
Net cash provided by financing activities		94,824	21,516
Net change in cash and cash equivalents		(374)	(636)
Cash and cash equivalents, beginning of year		3,715	4,351
Cash and cash equivalents, end of year	$	3,341	3,715
Supplementary cash flow information:			
Cash paid during the year for interest	$	7,083	6,925

See accompanying notes to financial statements.

(1) Summary of Significant Accounting Policies

(a) Reporting Organization

Founded in 1887, Pomona College (the College) is an independent, coeducational liberal arts college offering instruction in all major fields of the fine arts, humanities, social sciences, and natural sciences. The College has an enrollment of approximately 1,675 students and a student-faculty ratio of eight to one.

Pomona College is a member of an affiliated group of colleges known as The Claremont Colleges. Each affiliated college is a separate corporate entity governed by a separate board of trustees. The Claremont University Consortium, a member of this group, acts as the coordinating institution, which provides common student and administrative services including certain central facilities utilized by all the colleges. The costs of these services and facilities are shared by the members of the group.

(b) Basis of Presentation

The accompanying financial statements of the College are prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (GAAP).

(c) Classification of Net Assets

The accompanying financial statements present information regarding the College’s financial position and activities within the following two net asset categories:

(i) Net Assets without Donor Restrictions

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

(ii) Net Assets with Donor Restrictions

Net assets with donor restrictions consist of contributed funds subject to specific donor-imposed restrictions, (1) that will be met either by actions of the College or the passage of time or (2) that are to be permanently maintained by the College. Generally, the donors of these assets permit the College to use all or part of the income earned on related investments for general or specific purposes.

(d) Cash and Cash Equivalents

Cash includes all short term, highly liquid investments with original maturities of three months or less when purchased. Cash and cash equivalents representing assets held in the investment pool are included in long-term investments (see Note 6).

The College maintains cash in various financial institutions, which periodically exceeds federally insured limits.

(e) Investments

Investments are reflected at fair value. The College uses net asset value (NAV) as a practical expedient for determining fair value of its financial instruments, in cases where appropriate criteria are met.

(Continued)

(f) Management of Pooled Investments

The College follows an investment policy that 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, the board of trustees has adopted a spending policy for pooled investments whereby annually, if the ordinary income from the pooled investments is insufficient to provide the full amount of investment return specified by the adopted spending policy, the balance may be appropriated from cumulative realized gains of the pooled investments.

(g) Fair Value of Financial Instruments

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

Fair value of the College's financial instruments is determined using the estimates, methods, and assumptions as set forth below. See note 6 for further information regarding investments and their fair value.

(i) Cash Equivalents, Accounts and Other Receivables, Accounts Payable, Accrued Payroll and Other Liabilities

Fair value approximates book value due to the short maturity of these instruments.

A reasonable estimate of the fair value of student loans extended under government loan programs has not been made as the loans can only be assigned to the U.S. government.

(ii) Life Income and Annuities Obligation

The carrying amount of annuity and trust obligations approximates fair value as the instruments are recorded at the estimated net present value of future cash flows. The estimated fair value, however, involves unobservable inputs considered to be Level 3 in the fair value hierarchy.

(h) Property, Plant, and Equipment

Property, plant, and equipment are stated at cost, representing the purchase price or fair market value at the date of gift, less accumulated depreciation. Depreciation expense is computed using the straight-line method over the estimated useful lives of the assets (generally, 7 years for equipment and land improvements, 40 years for buildings and 30 years for residence halls). Construction in progress will be depreciated over the useful lives of the respective assets when they are ready for their intended use. The costs and accumulated depreciation of assets sold or retired are removed from the accounts and the related gains and losses are included in the statements of activities.

(i) Art Collection

The collection, which was acquired through purchase and contributions since the College's inception, is not recognized as an asset on the statement of financial position. Purchases of collection items are recorded as decreases in net assets without donor restrictions in the year in which the items are acquired, or as net assets with donor restrictions if the assets use to purchase the items are restricted by donors. Contributed collection items are not reflected on the financial statements. Proceeds from deaccessions or insurance recoveries are reflected as increases in the appropriate net asset classes.

(j) Life Income and Annuities Obligation

The actuarial liability for life income and annuity contracts and agreements are based on the present value of future payments, discounted at a rate that is commensurate with the risks involved ranging from 0.97% to 7.50% and over-estimated lives according to the 2012 IAR Mortality Tables.

(k) Revenue and Expense Recognition

Student tuition and fees are recorded as revenues in the year during which the related academic services are rendered. Student tuition and fees received in advance of services to be rendered are recorded as deferred revenues and are included in accrued payroll and other liabilities on the statements of financial position. Revenues from federal grants and contracts are recorded as allowable expenditures under such agreements as incurred. Contributions, including unconditional promises to give, are recognized as revenue in the period received and are reported as increases in the appropriate class 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. Contributions to be received after one year are discounted at an appropriate discount rate. An allowance for uncollectible contributions is estimated based upon such factors as prior collection history, type of contribution, and nature of fund-raising activity. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments, investment income, and other revenues are reported as increases or decreases in net assets without donor restrictions, unless their use is restricted by explicit donor stipulation.

(l) Allocation of Certain Expenses

The statements of activities present expenses by functional classification. Depreciation expense, operation and maintenance of plant, and interest expense are allocated based on square footage occupancy of College facilities. Expenses related to fund-raising, included in institutional support, are $9,800,000 and $10,200,000, respectively, for the years ended June 30, 2020 and 2019.

(m) Expiration of Donor-Imposed Restrictions

The expiration of a donor-imposed restriction on a contribution is recognized in the period in which the restriction expires. At that time, the related resources are reclassified to net assets without donor restrictions. A restriction expires when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

The College follows the policy of reporting as unrestricted support donor-imposed restricted contributions whose restrictions are met in the same period as received. It is the College's policy to lift the restrictions on contributions of cash or other assets received for the acquisition of long-lived assets when the funds are expended.

(n) Estates and Trusts

The College is named beneficiary of various estates in probate. Unless the ultimate amount available for distribution can be determined before the close of the probate proceedings, the College does not record these amounts until the time of asset distribution. Trusts in which the College is named as irrevocable beneficiary, but is not a trustee, are recorded when the College is notified by the trustee and the ownership percentage and valuation are determined.

(Continued)

(o) Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amount of revenues, expenses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

(p) Income Taxes

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

(q) Change in Accounting Principle

The College adopted Accounting Standards Update (ASU) 2018-08 – *Not-for-Profit Entities* (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made during the year ended June 30, 2020. The ASU provides a more robust framework for determining whether a transaction should be accounted for as a contribution or as an exchange transaction. The guidance also helps determine whether a contribution is conditional and better distinguishes between a donor-imposed condition from a donor-imposed restriction. The adoption of this ASU did not result in material change to how the College accounts for revenue from contributions, grants and contracts.

(Continued)

(r) Liquidity and Availability

At June 30, 2020 and 2019, financial assets available within one year for general expenditure were as follows (in thousands):

		2020	2019
Cash and cash equivalents	$	2,297	2,364
Accounts and other receivables, net		5,810	3,426
Short-term investments		6,905	9,086
Contributions receivable		334	3,577
Separately invested investments		7,662	4,444
Subsequent year's endowment payout		62,222	60,442
Total financial assets available within one year without board action		85,230	83,339
Short-term investments designated for operations and plant		103,196	15,280
Separately invested investments designated for operations and plant		39,607	38,456
Funds functioning as endowment available for operations		965,014	998,432
Total financial assets available within one year	$	1,193,047	1,135,507

The College's cash flows have seasonal variations during the year attributable to tuition billing and a concentration of contributions received at calendar and fiscal year-end. Supplementing student and gift revenues is the pooled income appropriated for operations, otherwise known as endowment payout. The unitized pool of investments is managed closely to meet the liquidity requirements of the monthly payout draw as well as funding for capital calls and new investments. Sources of liquidity within the pool include cash, dividends and investment income, capital distributions and the sale of holdings.

Investments designated for operations and plant could be redesignated for general expenditures by the board on either a temporary or permanent basis. The College has a long-standing practice of not withdrawing quasi-endowed funds to retire debt or provide funding for capital projects. Should adverse circumstances warrant a withdrawal, these funds, or a portion thereof could be made available through board action.

As detailed in Note 15, the College has three lines of credit from two institutions which in total provide $100,000,000 in additional liquidity for the pooled investments and also for general operations. The College drew down on two of the lines of credit during fiscal year 2020 as detailed in Note 8.

(s) Reclassifications

Certain prior year amounts have been reclassified for consistency with the current period presentation. These reclassifications had no effect on the reported change in net assets.

(2) Net Student Revenues

Student revenues for the years ended June 30, 2020 and 2019, in thousands of dollars, consist of the following:

		2020	2019
Tuition and fees	$	91,905	88,213
Room and board		19,937	24,526
Gross student revenues		111,842	112,739
Less:			
Sponsored financial aid		(20,289)	(20,611)
Unsponsored financial aid		(29,445)	(26,299)
Student financial aid		(49,734)	(46,910)
Net student revenues	$	62,108	65,829

“Sponsored” financial aid consists of funds provided by external entities (including donors of restricted funds), whereas “unsponsored” aid consists of funds provided by the College.

(3) Accounts and Other Receivables

Accounts and other receivables, net of allowance at June 30, 2020 and 2019, in thousands of dollars, are as follows:

		2020	2019
Private gifts and grants	$	12	—
Federal grants and contracts		2,181	—
Sales and other		3,757	3,526
		5,950	3,526
Less allowance for doubtful accounts		(140)	(100)
Accounts and other receivables, net of allowance	$	5,810	3,426

(4) Notes Receivable

Notes receivable at June 30, 2020 and 2019, in thousands of dollars, are as follows:

		2020	2019
Loans receivable from students	$	11,239	11,314
Less allowance for doubtful accounts		(1,306)	(1,265)
Notes receivable, net of allowance	$	9,933	10,049

Determination of the fair value of student loans receivable, which are primarily federally sponsored student loans with U.S. government mandated interest rates and repayment terms subject to significant restrictions as to their transfer and disposition, could not be made without incurring excessive costs.

(5) Contributions Receivable

Unconditional promises to give are included in the financial statements as contributions receivable and revenue of the appropriate net asset category. Promises to give are recorded after discounting, at rates ranging from 0.97% to 3.05% to the present value of the future cash flows. Unconditional promises to give received during the years ended June 30, 2020 and 2019 have been discounted at credit-adjusted rates commensurate with the risks associated with the contribution in accordance with Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurements and Disclosures*. These inputs to the fair value estimate are considered Level 3 in the fair value hierarchy. Book value approximates fair value.

The College has been named remainderman in certain split-interest agreements. These trust agreements require that the trustee make annual or more frequent payments to the beneficiaries. Upon the death of the beneficiaries or other termination of the trusts, the remaining trust assets will be distributed to the College and other remaindermen as stipulated in the trust agreements. The College has recorded its beneficial interest in these split-interest agreements based on the present value of future cash flows using a discount rate of 6.34%. The actuarial assumption used in this calculation is based on the expected return on assets in effect at the date of the valuation. The underlying trust assets are valued at fair value and consist primarily of securities that are traded on the active market.

(Continued)

At June 30, 2020 and 2019, unconditional promises to give, in thousands of dollars, are expected to be received in the following periods:

		2020	2019
In one year or less	$	10,050	12,727
Between one year and five years		6,221	12,164
More than five years		14,066	16,649
		30,337	41,540
Less discount		(1,177)	(1,834)
Pledged contributions		29,160	39,706
Split-interest agreements		1,019	507
Contributions receivable, net	$	30,179	40,213

Unconditional promises to give and split-interest agreements at June 30, 2020 and 2019, in thousands of dollars, have the following restrictions:

		2020	2019
Endowment for programs, activities, and scholarships	$	3,763	2,161
Building construction		25,467	34,406
Education and general		2,126	5,480
		31,356	42,047
Less discount		(1,177)	(1,834)
Contributions receivable, net	$	30,179	40,213

(Continued)

(6) Investments

(a) Fair Value Measurement

The fair value of investments at June 30, 2020 and 2019, in thousands of dollars, is as follows:

		2020	2019
Pooled investments:			
Cash and cash equivalents	$	82,187	86,361
Domestic equities		377,275	372,987
International equities		242,618	257,221
Emerging markets		181,217	216,250
Fixed income		264,281	265,966
Fixed income – trust deeds		29,082	27,658
Venture capital		411,340	413,952
Private equity		116,716	110,313
Absolute return		457,031	468,269
Real assets[1]		228,148	239,702
Total long-term investments – pooled		2,389,895	2,458,679
Separately invested:			
Cash and cash equivalents		29,579	7,206
Domestic equities		22,294	29,624
International equities		2,695	3,044
Fixed income		63,563	74,440
Real assets[1]		3,607	3,380
Other		16,528	16,094
Total long-term investments – separately invested		138,266	133,788
Short-term investments (cash and cash equivalents)		157,690	65,928
	$	2,685,851	2,658,395

[1] Real assets include marketable hard assets, private real estate/timber and private energy/mining.

The College's investment income net of related expenses for the years ended June 30, 2020 and 2019 was as follows, in thousands of dollars:

		2020	2019
Interest and dividends	$	27,756	29,996
Less investment expenses		(9,925)	(7,895)
Net investment income		17,831	22,101
Net realized and unrealized gains on investments		8,156	128,489
Total investment income, net	$	25,987	150,590

(b) Absolute Return Strategies

These investments typically include certain types of financial instruments, including, among others, futures and forward contracts, options, and securities sold not yet purchased, intended to hedge against changes in the market value of investments. These financial instruments may result in loss due to changes in the market (market risk). The following tables summarize these investments by investment strategy type at June 30, 2020 and 2019, in thousands of dollars.

	2020			
Absolute return strategy	**Number of funds**		**Cost**	**Fair value**
Diversified arbitrage	5	$	24,175	101,306
Private diversifiers	10		40,598	42,893
Long-short equity	4		37,085	113,203
Global Macro/Systematic	4		111,648	122,055
Event arbitrage	2		35,033	54,341
Distressed securities	1		25,000	23,233
	26	$	273,539	457,031

Absolute return strategy	2019 Number of funds		2019 Cost	2019 Fair value
Diversified arbitrage	6	$	30,098	91,342
Private diversifiers	10		28,920	31,883
Long-short equity	3		27,125	101,984
Global Macro/Systematic	4		140,000	146,427
Event arbitrage	2		31,587	69,170
Distressed securities	1		25,000	27,463
	26	$	282,730	468,269

(c) Pending Purchases and Sales

At June 30, 2020 and 2019, the College had pending security purchases of $5,683,000 and $791,000, respectively; and pending security sales of $5,654,000 and $19,806,000, respectively.

(d) Pooled Fund

Where permitted by gift agreements and/or applicable government regulations, investments are pooled. Pooled investments and allocations of pooled investment income are accounted for on a unit fair value method. The following table summarizes data pertaining to this method for the years ended June 30, 2020 and 2019, in thousands of dollars:

		2020	2019
Unit fair value at end of year	$	1,078	1,115
Units owned:			
Net assets without donor restrictions:			
Funds functioning as endowment		898,214	897,886
Designated for annuity and life income funds		87,189	82,198
Total net assets without donor restrictions		985,403	980,084
Net assets with donor restrictions:			
Restricted for specific purposes		4,809	4,254
Endowment funds		1,187,404	1,178,803
Annuities and life income funds		40,304	42,756
Total with donor restrictions		1,232,517	1,225,813
Total units	$	2,217,920	2,205,897
Weighted average units	$	2,212,177	2,196,099
Net pooled investment income per weighted average unit		48	47

(e) Fair Value Hierarchy

The College's fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date of identical, unrestricted assets. Assets and liabilities classified as Level 1 generally include listed equities, futures, options, and certain fixed-income securities.

Level 2 – Quoted prices for markets that are not active or financial instruments for which all significant inputs are observable, either directly or indirectly. Assets and liabilities classified as Level 2 generally include equity swaps, forward contracts, certain fixed-income securities, over-the-counter option contracts, and certain other derivatives.

Level 3 – Pricing inputs are unobservable for the asset and reflect management's own assumptions to determine fair value. Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

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.

The investments in cash and cash equivalents, short-term investments, certain domestic and international equities, certain emerging markets, certain real assets, and certain domestic fixed income are valued based on quoted market prices, and are, therefore, classified within Level 1.

The investments in certain international equities, certain emerging markets, domestic fixed income, and international fixed income are valued based on quoted market prices of comparable assets, and are, therefore, classified within Level 2.

Certain nonpooled investments, primarily in real assets, are classified as Level 3. Management's assumptions are used to determine fair value.

No transfers occurred between Level 1 and Level 2 investments or between Level 2 and Level 3, for the years ended June 30, 2020 and 2019 for assets classified in the fair value hierarchy.

(Continued)

In accordance with ASU 2015-07, Fair Value Measurement (Topic 820): *Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share or Its Equivalent*), investments measured at net asset value (NAV), as a practical expedient for fair value, are excluded from the fair value hierarchy.

The investments in private equity, venture capital, absolute return hedge funds, certain real assets, certain investment funds focused on domestic and international equities, and international fixed incomes are held primarily through limited partnerships and commingled funds for which fair value is estimated using net asset value (NAV) reported by fund managers as a practical expedient. Such assets are not classified in the fair value hierarchy.

Basis of Reporting

Pooled investments are presented in the accompanying 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 has determined, through its monitoring activities, to rely on the fair market value as determined by the investment managers.

The general partners of the underlying investment partnerships generally value their investments at fair value. Investments with no readily available market are generally valued according to the mark-to-market 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 company and 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.

The following tables summarize the valuation of the College's investments, in thousands of dollars, by the fair value hierarchy levels as of June 30, 2020 and 2019. Consistent with ASU 2015-007, Fair Value Measurement (Topic 820), investments measured at net asset value (NAV) are not classified in the fair value hierarchy:

	Investments measured at NAV	2020			
		Investments classified in the fair value hierarchy			
		Level 1	Level 2	Level 3	Total
Pooled investments:					
Cash and cash equivalents	$ —	82,187	—	—	82,187
Domestic equities	353,849	23,426	—	—	377,275
International equities	207,595	—	35,023	—	242,618
Emerging markets	144,877	—	36,340	—	181,217
Fixed income	79,008	—	185,273	—	264,281
Fixed income – trust deeds	—	—	—	29,082	29,082
Venture capital	411,340	—	—	—	411,340
Private equity	116,716	—	—	—	116,716
Absolute return	457,031	—	—	—	457,031
Real assets	145,179	82,969	—	—	228,148
Total pooled investments	1,915,595	188,582	256,636	29,082	2,389,895
Separately invested and short-term investments:					
Cash and cash equivalents	—	187,269	—	—	187,269
Domestic equities	—	22,294	—	—	22,294
International equities	—	2,695	—	—	2,695
Fixed income	—	15,644	47,919	—	63,563
Real assets	—	—	—	3,607	3,607
Other	—	—	16,524	4	16,528
Total other invested assets	—	227,902	64,443	3,611	295,956
Total	$ 1,915,595	416,484	321,079	32,693	2,685,851

	Investments measured at NAV	2019 Investments classified in the fair value hierarchy Level 1	Level 2	Level 3	Total
Pooled investments:					
Cash and cash equivalents	$ —	86,361	—	—	86,361
Domestic equities	340,758	32,229	—	—	372,987
International equities	211,989	—	45,232	—	257,221
Emerging markets	160,334	—	55,916	—	216,250
Fixed income	62,603	—	203,363	—	265,966
Fixed income – trust deeds	—	—	—	27,658	27,658
Venture capital	413,952	—	—	—	413,952
Private equity	110,313	—	—	—	110,313
Absolute return	468,269	—	—	—	468,269
Real assets	164,259	75,443	—	—	239,702
Total pooled investments	1,932,477	194,033	304,511	27,658	2,458,679
Separately invested and short-term investments:					
Cash and cash equivalents	—	73,134	—	—	73,134
Domestic equities	—	29,624	—	—	29,624
International equities	—	3,044	—	—	3,044
Fixed income	—	14,673	59,767	—	74,440
Real assets	—	—	—	3,380	3,380
Other	—	—	16,090	4	16,094
Total other invested assets	—	120,475	75,857	3,384	199,716
Total	$ 1,932,477	314,508	380,368	31,042	2,658,395

	Strategy	NAV in funds	Number of funds	Remaining life	Amount of unfunded commitments[2]	Timing to draw down commitments	Redemption terms	Redemption restrictions	Redemption restrictions in place at year-end
		June 30, 2020							
Venture/growth equity	Venture capital and growth equity fund primarily in the U.S.	$ 482.5	95	1–15 years	$ 92.4	up to 6 years	N/A [1]	N/A [1]	N/A [1]
Private equity/distressed	Buyout and distressed funds in U.S. and international	156.1	69	1–15 years	150.2	up to 6 years	N/A [1]	N/A [1]	N/A [1]
Private real assets	Real estate, timberland, and energy funds primarily in the U.S. and developed Europe	77.6	62	1–15 years	121.9	up to 6 years	N/A [1]	N/A [1]	N/A [1]
Total private investments		716.2	226		364.5				
Absolute return and long/short equity	Long/short and diversified arbitrage funds investing globally	414.1	16	N/A	3.0	N/A	Ranges between monthly with 10 days' notice, to annually with 180 days' notice.	No redemption restrictions.	3 funds have 25% annual gates in place; 1 fund has 15% gate in place; 1 fund has a 10% annual gate in place
Commingled funds	Debt and Equity funds with various regional mandates	785.3	12	N/A	—	N/A	Ranges between monthly with 6 days' notice, to tri-annually with 90 days' notice.	1 fund has a rolling three-year lock-up period. 1 fund has a rolling 2 year lock-up period.	1 fund has a 25% annual gate; 1 fund has a 20% annual gate
Total		$ 1,915.6	254		$ 367.5				

[1] These funds are in private equity structure with no ability to be redeemed.

[2] The timing and amount of unfunded commitments to be exercised in any particular future year is uncertain.

	Strategy	June 30, 2019 NAV in funds	Number of funds	Remaining life	Amount of unfunded commitments[2]	Timing to draw down commitments	Redemption terms	Redemption restrictions	Redemption restrictions in place at year-end
Venture/growth equity	Venture capital and growth equity fund primarily in the U.S.	$ 483.4	90	1–15 years	$ 82.5	up to 6 years	N/A [1]	N/A [1]	N/A [1]
Private equity/distressed	Buyout and distressed funds in U.S. and international	139.8	66	1–15 years	142.1	up to 6 years	N/A [1]	N/A [1]	N/A [1]
Private real assets	Real estate, timberland, and energy funds primarily in the U.S. and developed Europe	97.2	58	1–15 years	83.6	up to 6 years	N/A [1]	N/A [1]	N/A [1]
Total private investments		720.4	214		N 308.2				
Absolute return and long/short equity	Long/short and diversified arbitrage funds investing globally	436.4	15	N/A	— N	/A	Ranges between monthly with 10 days' notice, to annually with 180 days' notice.	No redemption restrictions.	3 funds have 25% annual gates in place; 1 fund has 15% gate in place; 1 fund has a 10% annual gate in place
Commingled funds	Debt and Equity funds with various regional mandates	775.7	12	N/A	—	/A	Ranges between monthly with 6 days' notice, to tri-annually with 90 days' notice.	1 fund has a rolling three-year lock-up period. 1 fund has a rolling 2 year lock-up period.	1 fund has a 25% annual gate; 1 fund has a 20% annual gate
Total		$ 1,932.5	241		$ 308.2				

[1] These funds are in private equity structure with no ability to be redeemed.

[2] The timing and amount of unfunded commitments to be exercised in any particular future year is uncertain.

(7) Property, Plant, and Equipment

Property, plant, and equipment at June 30, 2020 and 2019, in thousands of dollars, are as follows:

		2020	2019
Land	$	11,843	11,846
Land improvements		12,485	12,485
Buildings		593,289	549,337
Equipment		31,528	29,875
Construction in progress		8,348	44,738
		657,493	648,281
Less accumulated depreciation		(240,384)	(220,930)
Property, plant, and equipment, net of accumulated depreciation	$	417,109	427,351

Outstanding commitments for design and construction contracts amounted to approximately $2,988,000 and $9,699,000 as of June 30, 2020 and 2019, respectively.

(8) Line of Credit Loan

On March 18, 2020, the College drew down $65,000,000 on its two lines of credit with The Northern Trust Company. The $25,000,000 committed line of credit and the $45,000,000 uncommitted line of credit bear interest at a variable rate set by the bank (0.63% at June 30, 2020). Both revolving loans mature on May 26, 2021.

(9) Long-Term Debt

Long-term debt consists of bonds payable and loans payable.

Bonds payable, in thousands of dollars, issued through the California Educational Facilities Authority (CEFA) and California Municipal Finance Authority (CMFA), and associated interest rates and maturities at June 30, 2020 and 2019 are as follows, in thousands of dollars:

	Interest rates	Maturity dates	2020 Principal amount	2019 Principal amount
Series 2017A (CMFA)	3%–5%	2029–2048	$ 138,470	138,470
Series 2005A (CEFA)	4.4%–5.2%	2021–2045	39,044	40,207
			177,514	178,677
Plus unamortized premium			14,250	14,999
Bonds payable			191,764	193,676
Private placement loans payable			29,923	30,264
			$ 221,687	223,940

	Principal amount
Schedule of maturities:	
Years ending:	
2021	$ 4,116
2022	3,990
2023	3,867
2024	3,746
2025	3,632
2026–2052	202,336
	$ 221,687

The CEFA and CMFA agreements contain covenants relating to maintenance of the College, insurance, and other general items. Management believes that the College is in compliance with all the debt covenants.

On June 26, 2014, the College executed a $25 million private placement tax-exempt loan agreement with First Republic Bank and California Municipal Finance Authority (CMFA). The interest rate is fixed at 3.25% and the funds can be drawn down over three years. The term is 30 years. As of June 30, 2020 and 2019, outstanding balance is $12,698,000 and $13,039,000, respectively.

(Continued)

On October 18, 2016, the College executed a $17,225,000 private placement tax-exempt loan agreement with Boston Private and California Municipal Finance Authority. This transaction current refunded the 2005A CEFA CIBs with a matching maturity schedule. The term is 30 years. The interest rate is fixed at 2.96%. As of June 30, 2020 and 2019, outstanding balance is $17,225,000.

On February 3, 2005, the College executed the issuance of $41,880,000 of tax-exempt bonds through the CEFA. The issuance included $16,735,000 of current interest bonds and $25,145,000 of capital appreciation bonds. Proceeds of $16,204,000 were used to refund the Series 1999B CEFA bonds. The remaining proceeds were used to finance the cost of the acquisition, construction, renovation of certain educational facilities.

On December 14, 2017, the College executed the issuance of $154,654,000 of tax-exempt bonds through the CMFA. Proceeds of $128,724,000 were used to refund the Series 2008A and Series 2009A CEFA bonds. The remaining proceeds of $25,930,000 were used to provide partial funding for the Pomona College Museum of Art, which was completed in the fall of 2019.

(10) Net Assets

At June 30, 2020 and 2019, net assets consist of the following, in thousands of dollars:

		2020	2019
Without donor restrictions:			
For plant and other designated purposes	$	98,954	68,980
Loan funds		1,319	1,135
Designated for annuity and life income funds		24,968	33,094
Funds functioning as endowment		965,014	998,432
Invested in property, plant, and equipment, net of related debt		188,688	199,164
Total without donor restrictions		1,278,943	1,300,805
With donor restrictions:			
Endowment funds		390,220	379,116
Restricted for specific purposes and time		64,804	75,283
Annuity and life income funds		56,095	57,868
Loan funds		15,443	15,438
Accumulated unappropriated gains on endowment		899,313	943,549
Total with donor restrictions		1,425,875	1,471,254
Total net assets	$	2,704,818	2,772,059

(11) Retirement Plans

The College participates with other members of The Claremont Colleges in a defined contribution retirement plan administered by the Claremont University Consortium. This plan provides retirement benefits for all employees through the Teachers Insurance and Annuity Association and the College Retirement Equities Fund (TIAA). Under this plan, College contributions are used to purchase fixed and/or variable annuities offered by TIAA. Vesting provisions are full and immediate. Benefits commence upon retirement and pre-retirement survivor death benefits are provided. In conjunction with this plan, employees are able to contribute a portion of their salary into a tax-deferred annuity account and invest such assets in mutual funds offered by TIAA, Fidelity Investments Institutional Services Company, Inc., or The Vanguard Group. For the years ended June 30, 2020 and 2019, the College's contributions to this plan amounted to approximately $6,840,000 and $6,604,000, respectively.

For the years ended June 30, 2020 and 2019, contributions made by employees to the College's 457(b) Plan of approximately $6,556,000 and $6,385,000, respectively, were included in separately invested assets and accrued payroll and other liabilities on the statements of financial position.

(12) Workers' Compensation

The College participates with other members of The Claremont Colleges in collective insurance agreements including self-insurance for workers' compensation. At June 30, 2020 and 2019, the College had approximately $188,000 and $212,000, respectively, in accrued payroll and other liabilities to provide for payment of claims pending. Management believes that the ultimate disposition of these or other claims would not result in any material adjustments to the financial statements.

(13) Endowment

The net assets of the College include permanent endowment funds and funds functioning as endowment. Permanent 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 for under the California Uniform Prudent Management of Institutional Funds Act (CUPMIFA). While funds functioning as endowment have been established by the board of trustees to function as endowment, any portion of such funds may be expended.

The College's endowment consists of approximately 1,800 individual funds established for a variety of purposes including both donor-restricted endowment funds and funds designated by the board of trustees to function as endowments. Net assets associated with endowment funds, including funds designated by the board of trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

(a) Interpretation of Relevant Law

The board of trustees of the College has interpreted the CUPMIFA (the Act) as permitting the preservation of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the College classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowments; (b) the original value of subsequent gifts to the permanent endowment; and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The portion of the donor-restricted endowment fund related to accumulated earnings on endowments is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the College in a manner consistent with the standard of prudence prescribed by the Act. In accordance with the Act, the College considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the College and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation 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

(b) Return Objective and Risk Parameters

The College has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the College must hold in perpetuity as well as board-designated funds. Under this policy, as approved by the board of trustees, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of a custom benchmark that reflects the College's current asset allocation targets and a simple benchmark composed of 85% of the S&P 500 Index and 15% of the Barclays Capital Government/Credit Bond Index, while assuming a moderate level of investment risk.

The College expects its endowment funds to attain, over time and within acceptable risk levels, an average annual real rate of return of approximately 5.00%, net of all investment management and related fees and without regard to whether the return is in the form of income or capital gains. Actual returns in any given year may vary from this amount.

(c) 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 that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

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

The College has a policy of appropriating for distribution each year 4.50% to 5.50% of its endowment funds' average fair value over the prior 20 quarters through June 30 one year prior to the beginning of the fiscal year in which the distribution is planned. In establishing this policy, the College considered the long-term expected return on its endowment. Accordingly, over the long term, the College expects the current spending policy to allow its endowment to maintain its purchasing power by growing at a rate at least equal to planned payouts. Additional real growth will be provided through new gifts and any excess investment return. For years ended June 30, 2020 and 2019, the board of trustees authorized distributions of $99,780,000 and $96,930,000, respectively, based on an approved spending rate of 4.59% and 4.77%, respectively, for current operations.

Endowment net assets consist of the following at June 30, 2020 and 2019, in thousands of dollars:

	2020		
	Without donor restrictions	With donor restrictions	Total
Donor-restricted endowment	$ (95)	390,220	390,125
Board-designated endowment	189,761	—	189,761
Accumulated unappropriated gains	775,348	899,313	1,674,661
Total	$ 965,014	1,289,533	2,254,547

	2019		
	Without donor restrictions	With donor restrictions	Total
Donor-restricted endowment	$ —	379,116	379,116
Board-designated endowment	189,728	—	189,728
Accumulated unappropriated gains	808,704	943,549	1,752,253
Total	$ 998,432	1,322,665	2,321,097

Changes in endowment net assets for the year ended June 30, 2020 are as follows, in thousands of dollars:

		Without donor restrictions	With donor restrictions	Total
Endowment net assets, June 30, 2019	$	998,432	1,322,665	2,321,097
Pooled investment returns:				
Investment income		6,247	8,228	14,475
Net realized and unrealized gains on investments		3,109	4,261	7,370
Total pooled investment returns		9,356	12,489	21,845
Distributions per spending policy		(99,780)	—	(99,780)
Net pooled investment returns appropriated to pool		(90,424)	12,489	(77,935)
Other changes in endowment:				
Gifts		7	3,921	3,928
Releases, changes, and transfers per donor restrictions		(68)	4,738	4,670
Endowment income reinvested		343	2,444	2,787
Appropriation of endowment assets for expenditure		56,724	(56,724)	—
Total other changes in endowment		57,006	(45,621)	11,385
Total changes in endowed		(33,418)	(33,132)	(66,550)
Endowment net assets, June 30, 2020	$	965,014	1,289,533	2,254,547

Changes in endowment net assets for the year ended June 30, 2019 are as follows, in thousands of dollars:

		Without donor restrictions	With donor restrictions	Total
Endowment net assets, June 30, 2018	$	980,386	1,293,321	2,273,707
Pooled investment returns:				
Investment income		7,729	10,114	17,843
Net realized and unrealized gains on investments		51,979	68,392	120,371
Total pooled investment returns		59,708	78,506	138,214
Distributions per spending policy		(96,930)	—	(96,930)
Net pooled investment returns appropriated to pool		(37,222)	78,506	41,284
Other changes in endowment:				
Gifts		2	1,634	1,636
Releases, changes, and transfers per donor restrictions		23	1,505	1,528
Endowment income reinvested		320	2,622	2,942
Appropriation of endowment assets for expenditure		54,923	(54,923)	—
Total other changes in endowment		55,268	(49,162)	6,106
Total changes in endowed		18,046	29,344	47,390
Endowment net assets, June 30, 2019	$	998,432	1,322,665	2,321,097

(14) Affiliated Institutions

The amounts paid by the College to Claremont University Consortium for the common student and administrative services and the use of facilities for the years ended June 30, 2020 and 2019 totaled $8,838,000 and $8,472,000, respectively.

(15) Commitments and Contingencies

(a) Line of Credit

At June 30, 2020, the College had three lines of credit from two institutions which in total provide of $100,000,000 in additional liquidity. A $35,000,000 line of credit would bear interest at a variable rate set by the bank (1.43% at June 30, 2020). There were no borrowings outstanding on this line of credit at June 30, 2020. The other two lines of credit from the second institution bear interest at a variable rate set by the bank (0.63% at June 30, 2020). The borrowings on these lines of credit is detailed in Note 8.

(b) Federal Funding

Certain federal grants that the College administers and for which it receives reimbursements are subject to audit and final acceptance by federal granting agencies. The amount of expenditures that may be disallowed by the grantor, if any, cannot be determined at this time. The College expects that such amounts, if any, would not have a significant impact on the financial position of the College.

(16) Functional Expenses by Natural Classification

Certain categories of expenses that are attributable to more than one program or supporting function are allocated based on various methods. Specifically, facilities, interest and depreciation are allocated among functional classifications based on usage of space and square footage. Information technology costs are allocated based on software usage and the overall employees in the various functional categories. All other costs are changed directly to the appropriate functional category.

Expenses by natural and functional classification for the years ended June 30, 2020 and 2019, were as follows:

	2020						
	Salaries and benefits	Services	Depreciation and amortization	Interest expense	Plant operations and utilities	Other operating expenses	Total
Instruction	$ 47,175	2,020	6,157	2,652	3,395	6,392	67,791
Research	1,016	223	—	—	70	1,719	3,028
Public service	938	72	4	2	22	143	1,181
Academic support	7,457	4,949	2,130	917	1,256	2,636	19,345
Student services	13,166	1,589	2,428	1,046	1,223	3,825	23,277
Institutional support	18,108	9,557	937	403	1,170	2,765	32,940
Auxiliary enterprises	11,203	1,881	7,296	3,142	3,648	4,069	31,239
Total	$ 99,063	20,291	18,952	8,162	10,784	21,549	178,801

	2019						
	Salaries and benefits	Services	Depreciation and amortization	Interest expense	Plant operations and utilities	Other operating expenses	Total
Instruction	$ 45,448	2,012	6,030	2,710	3,385	8,091	67,676
Research	1,244	278	—	—	96	1,110	2,728
Public service	1,035	59	4	2	8	197	1,305
Academic support	6,880	5,124	2,086	937	1,223	2,296	18,546
Student services	12,599	1,534	2,377	1,068	1,352	4,462	23,392
Institutional support	17,811	9,066	917	337	909	3,457	32,497
Auxiliary enterprises	10,428	2,100	7,145	3,211	3,828	4,838	31,550
Total	$ 95,445	20,173	18,559	8,265	10,801	24,451	177,694

(17) Subsequent Events

Subsequent events have been evaluated through December 11, 2020, which corresponds to the date when the financial statements were available to be issued. On October 21, 2020, the College repaid the $25,000,000 revolving loan from The Northern Trust Company. On November 27, 2020, the College repaid the $40,000,000 revolving loan from the Northern Trust Company. On October 28, 2020, the College executed the issuance of $206,055,000 of taxable bonds. All proceeds were used to refund the two private placement tax-exempt loan agreements detailed in Note 9 and the Series 2017 CMFA bonds. The bonds mature on January 1, 2051.

SUPPLEMENTARY SCHEDULE

POMONA COLLEGE

Supplementary Schedule of Financial Responsibility Data

Year ended June 30, 2020

(In thousands of dollars)

Location in financial statements or related notes	Financial element		Amount
Primary reserve ratio: expendable net assets:			
Statement of financial position	Net assets without donor restrictions	$	1,278,943
Statement of financial position	Net assets with donor restrictions		1,425,875
Statement of financial position	Property, plant, and equipment, net		417,109
Note 7, Property, Plant and Equipment	Construction in progress		8,348
Statement of financial position	Long-term debt		221,687
Note 10, Net Assets	Annuity and life income funds with donor restrictions		56,095
Note 10, Net Assets	Term endowments with donor restrictions		415
Note 10, Net Assets	Net assets with donor restrictions: restricted in perpetuity		438,217
Primary reserve ratio: expenses and losses:			
Statement of activities	Total expenses and losses without donor restrictions		283,524
Equity ratio: modified net assets:			
Statement of financial position	Net assets without donor restrictions		1,278,943
Statement of financial position	Net assets with donor restrictions		1,425,875
Equity ratio: modified assets:			
Statement of financial position	Total assets		3,154,346
Net income ratio:			
Statement of activities	Change in net assets without donor restrictions		(21,862)
Statement of activities	Total revenues and gains without donor restrictions		261,662

See accompanying independent auditors report.

Pomona College
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