POMONA COLLEGE

Financial Statements

June 30, 2022 and 2021

(With Independent Auditors' Report Thereon)

POMONA COLLEGE

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KPMG LLP
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Independent Auditors' Report

The Board of Trustees:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Pomona College (the College), which comprise the statement of financial position as of June 30, 2022 and 2021, and the related statements of activities, 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 U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 U.S. generally accepted accounting principles, 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 for one year after the date the financial statements are 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 and *Government Auditing Standards* 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 and *Government Auditing Standards*, 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.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary schedule of financial responsibility data 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 audits 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 21, 2022, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

KPMG LLP

Irvine, California
December 21, 2022

POMONA COLLEGE

Statements of Financial Position

June 30, 2022 and 2021

(In thousands of dollars)

Assets		2022	2021
Cash and cash equivalents	$	5,335	2,444
Accounts and other receivables, net		5,594	4,080
Prepaid expenses, deposits and other assets		12,570	2,307
Short-term investments		119,097	121,604
Contributions receivable, net		27,890	23,134
Notes receivable, net		8,601	9,291
Long-term investments:			
Pooled		2,924,561	3,208,585
Separately invested		109,802	147,529
Property, plant, and equipment, net		430,245	413,286
Total assets	$	3,643,695	3,932,260
Liabilities and Net Assets			
Liabilities:			
Accounts payable	$	12,302	8,733
Accrued payroll and other liabilities		18,716	22,854
Life income and annuities obligation		132,589	127,339
Long-term debt		241,410	245,746
Government advances for student loans		730	961
Funds held in trust for others		6,962	16,523
Total liabilities		412,709	422,156
Net assets:			
Without donor restrictions		1,512,565	1,626,421
With donor restrictions		1,718,421	1,883,683
Total net assets		3,230,986	3,510,104
Total liabilities and net assets	$	3,643,695	3,932,260

See accompanying notes to financial statements.

POMONA COLLEGE

Statement of Activities

Year ended June 30, 2022

(In thousands of dollars)

		Without donor restrictions	With donor restrictions	Total
Revenues, gains, and other support:				
Student revenues net (includes student financial aid of $52,384)	$	75,904	—	75,904
Federal grants and contracts		4,863	—	4,863
Private gifts and grants		14,897	4,765	19,662
Private contracts		350	—	350
Pooled income appropriated for operations		105,320	—	105,320
Sales and services of education departments		3,251	—	3,251
Other revenues		650	—	650
		205,235	4,765	210,000
Net assets released or transferred from donor restrictions		58,617	(58,617)	—
Total revenues, gains, and other support		263,852	(53,852)	210,000
Expenses:				
Instruction		66,195	—	66,195
Research		2,608	—	2,608
Public service		1,269	—	1,269
Academic support		20,785	—	20,785
Student services		24,272	—	24,272
Institutional support		38,043	—	38,043
Auxiliary enterprises		37,167	—	37,167
Total expenses		190,339	—	190,339
Increase (decrease) in net assets from operating activities		73,513	(53,852)	19,661
Nonoperating activities:				
Net realized and unrealized losses on investments		(95,498)	(122,071)	(217,569)
Net investment income		10,334	19,375	29,709
Pooled income appropriated for operations		(105,320)	—	(105,320)
Pooled income appropriated for annuities		(3,787)	(1,943)	(5,730)
Changes in actuarially determined gift liabilities		4,486	(406)	4,080
Other actuarial adjustments		(113)	—	(113)
Annuity and life income funds released and liquidated		2,474	(6,365)	(3,891)
Other		55	—	55
Change in net assets from nonoperating activities		(187,369)	(111,410)	(298,779)
Change in net assets		(113,856)	(165,262)	(279,118)
Net assets, beginning of year		1,626,421	1,883,683	3,510,104
Net assets, end of year	$	1,512,565	1,718,421	3,230,986

See accompanying notes to financial statements.

POMONA COLLEGE

Statement of Activities

Year ended June 30, 2021

(In thousands of dollars)

		Without donor restrictions	With donor restrictions	Total
Revenues, gains, and other support:				
Student revenues net (includes student financial aid of $43,303)	$	32,989	—	32,989
Federal grants and contracts		4,540	—	4,540
Private gifts and grants		7,055	12,707	19,762
Private contracts		136	—	136
Pooled income appropriated for operations		102,704	—	102,704
Sales and services of education departments		2,760	—	2,760
Other revenues		386	—	386
		150,570	12,707	163,277
Net assets released or transferred from donor restrictions		66,961	(66,961)	—
Total revenues, gains, and other support		217,531	(54,254)	163,277
Expenses:				
Instruction		61,621	—	61,621
Research		1,885	—	1,885
Public service		885	—	885
Academic support		18,382	—	18,382
Student services		20,629	—	20,629
Institutional support		31,668	—	31,668
Auxiliary enterprises		21,743	—	21,743
Total expenses		156,813	—	156,813
Increase (decrease) in net assets from operating activities		60,718	(54,254)	6,464
Nonoperating activities:				
Net realized and unrealized gains on investments		398,500	504,413	902,913
Net investment income		4,974	11,834	16,808
Pooled income appropriated for operations		(102,704)	—	(102,704)
Pooled income appropriated for annuities		(3,574)	(1,911)	(5,485)
Changes in actuarially determined gift liabilities		12,246	(309)	11,937
Other actuarial adjustments		177	—	177
Annuity and life income funds released and liquidated		(1,235)	(1,965)	(3,200)
Loss on retirement of debt		(22,034)	—	(22,034)
Other		410	—	410
Change in net assets from nonoperating activities		286,760	512,062	798,822
Change in net assets		347,478	457,808	805,286
Net assets, beginning of year		1,278,943	1,425,875	2,704,818
Net assets, end of year	$	1,626,421	1,883,683	3,510,104

See accompanying notes to financial statements.

POMONA COLLEGE

Statements of Cash Flows

Years ended June 30, 2022 and 2021

(In thousands of dollars)

		2022	2021
Cash flows from operating and nonoperating activities:			
Change in net assets	$	(279,118)	805,286
Adjustments to reconcile change in net assets to net cash used in operating activities:			
Depreciation		18,963	18,925
Accretion of interest on CEFA bonds		1,928	1,976
Amortization of bond cost of issuance		45	164
Loss on retirement of debt		—	22,034
Contributions restricted for long-term investment		(17,422)	(17,756)
Net realized and unrealized (gains) losses on investments		217,569	(902,913)
Noncash gifts		—	(657)
Donated securities		(4,541)	(2,605)
Adjustments of actuarial liabilities		(4,080)	(11,937)
Change in assets and liabilities:			
Decrease (increase) in accounts receivable		(1,513)	1,730
Decrease in contributions receivable		6,960	7,045
Increase in prepaid expenses, inventory and other assets		(10,263)	(184)
Increase in accounts payable		3,569	4,344
Decrease in accrued payroll and other liabilities		(4,138)	(283)
Increase in lease obligation		433	—
Net cash used in operating activities		(71,608)	(74,831)
Cash flows from investing activities:			
Additions to property, plant, and equipment		(36,356)	(15,103)
Purchase of investments		(1,086,125)	(902,716)
Proceeds from sale of investments		1,172,229	1,026,186
Proceeds from sale of donated securities		4,862	2,274
Disbursements of student loans		(600)	(355)
Collections of student loans		1,290	997
Disbursements of trust deed loans		(3,623)	(2,325)
Collections of trust deed loans		2,972	3,395
Net cash provided by investing activities		54,649	112,353
Cash flows from financing activities:			
Proceeds from contributions restricted for:			
Investment in endowment		4,308	6,145
Investment in life income		4,971	2,350
Investment in plant		8,142	9,261
Repayment of notes payable		—	(65,000)
Government student loans return of fund		(231)	(208)
Payments on long-term debt		(6,310)	(116)
Investment income on life income and annuities		470	1,396
Proceeds from life income and annuities		19,930	10,737
Payments on life income and annuities		(2,752)	(2,984)
Payments on funds held in trust for others		(8,678)	—
Net cash provided by (used in) financing activities		19,850	(38,419)
Net change in cash and cash equivalents		2,891	(897)
Cash and cash equivalents, beginning of year		2,444	3,341
Cash and cash equivalents, end of year	$	5,335	2,444
Supplementary cash flow information:			
Cash paid during the year for interest	$	6,039	4,606
Noncash investing activities:			
Transfer of perpetual trusts	$	11,716	—
Noncash financing activities:			
Defeasance of bonds	$	—	206,055

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 1,750 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 and short-term investments 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.

(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) 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.

(h) 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.

(i) 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 overestimated lives according to the 2012 IAR Mortality Tables.

(j) 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. Contributions that contain a donor-imposed condition are not recorded until the condition is substantially met or when the possibility that the condition will not be met is remote. A donor-imposed condition must include both a barrier and a right of asset return or pledge cancellation. 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

(Continued)

increases or decreases in net assets without donor restrictions, unless their use is restricted by explicit donor stipulation.

(k) 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 $10,414,000 and $9,076,000, respectively, for the years ended June 30, 2022 and 2021.

(l) 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.

(m) 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.

(n) 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.

(o) Income Taxes

The College is exempt from taxation under Section 501(c)(3) of the Internal Revenue Code (IRC) 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.

(Continued)

The College is an applicable educational institution under IRC Section 4968 and therefore subject to a 1.4% excise tax on its net investment income. The College has recorded an excise tax liability of $4,700,000 for the year ending June 30, 2022.

(p) Liquidity and Availability

At June 30, 2022 and 2021, financial assets available within one year for general expenditure were as follows (in thousands):

		2022	2021
Cash and cash equivalents	$	3,659	1,502
Accounts and other receivables, net		5,594	4,080
Short-term investments		9,332	14,194
Contributions receivable		4,023	2,461
Subsequent year’s endowment payout		66,603	65,197
Total financial assets available within one year without board action		89,211	87,434
Short-term investments designated for operations and plant		50,447	54,392
Separately invested investments designated for operations and plant		29,305	34,645
Funds functioning as endowment available for operations		1,170,280	1,291,693
Total financial assets available within one year	$	1,339,243	1,468,164

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.

(q) Reclassifications

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

(2) Net Student Revenues

Student revenues for the years ended June 30, 2022 and 2021, in thousands of dollars, consist of the following:

		2022	2021
Tuition and fees	$	97,147	76,292
Room and board		31,141	—
Gross student revenues		128,288	76,292
Less:			
Sponsored financial aid		(22,738)	(20,204)
Unsponsored financial aid		(29,646)	(23,099)
Student financial aid		(52,384)	(43,303)
Net student revenues	$	75,904	32,989

"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, Net

Accounts and other receivables, net of allowance at June 30, 2022 and 2021, in thousands of dollars, are as follows:

		2022	2021
Private gifts and grants	$	2	3
Federal grants and contracts		12	1,279
Sales and other		5,826	3,027
		5,840	4,309
Less allowance for doubtful accounts		(246)	(229)
Accounts and other receivables, net of allowance	$	5,594	4,080

(4) Notes Receivable

Notes receivable at June 30, 2022 and 2021, in thousands of dollars, are as follows:

		2022	2021
Loans receivable from students	$	9,137	10,597
Less allowance for doubtful accounts		(536)	(1,306)
Notes receivable, net of allowance	$	8,601	9,291

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, 2022 and 2021 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 life income and annuities. 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 life income and annuities based on the present value of future cash flows using a discount rate of 6.50%. 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.

At June 30, 2022 and 2021, unconditional promises to give, in thousands of dollars, are expected to be received in the following periods:

		2022	2021
In one year or less	$	7,155	5,073
Between one year and five years		3,410	3,557
More than five years		7,609	14,105
		18,174	22,735
Less discount		(592)	(815)
Pledged contributions		17,582	21,920
Life income and annuities		10,308	1,214
Contributions receivable, net	$	27,890	23,134

Unconditional promises to give and life income and annuities at June 30, 2022 and 2021, in thousands of dollars, have the following restrictions:

		2022	2021
Endowment for programs, activities, and scholarships	$	3,566	3,970
Building construction		8,766	15,635
Education		16,150	4,344
		28,482	23,949
Less discount		(592)	(815)
Contributions receivable, net	$	27,890	23,134

(Continued)

(6) Investments

(a) Fair Value Measurement

The fair value of investments at June 30, 2022 and 2021, in thousands of dollars, is as follows:

		2022	2021
Pooled investments:			
Cash and cash equivalents	$	101,211	95,667
Domestic equities		429,848	470,209
International equities		226,361	304,997
Emerging markets		166,129	206,331
Fixed income		253,852	260,553
Fixed income – trust deeds		21,608	27,465
Venture capital		645,369	798,932
Private equity		197,200	171,672
Absolute return		510,779	525,560
Real assets[1]		372,204	347,199
Total long-term investments – pooled		2,924,561	3,208,585
Separately invested:			
Cash and cash equivalents		15,478	23,629
Domestic equities		16,040	28,564
International equities		9,249	12,145
Fixed income		66,032	66,881
Real assets[1]		2,935	15,160
Other		68	1,150
Total long-term investments – separately invested		109,802	147,529
Short-term investments		119,097	121,604
	$	3,153,460	3,477,718

[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, 2022 and 2021 was as follows, in thousands of dollars:

		2022	2021
Interest and dividends	$	31,498	25,053
Less investment expenses		(1,789)	(8,245)
Net investment income		29,709	16,808
Net realized and unrealized gains on investments		(217,569)	902,913
Total investment income, net	$	(187,860)	919,721

(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, 2022 and 2021, in thousands of dollars.

	2022			
Absolute return strategy	**Number of funds**		**Cost**	**Fair value**
Diversified arbitrage	6	$	56,675	155,070
Private diversifiers	15		72,016	83,077
Long-short equity	6		81,665	119,366
Global Macro/Systematic	4		82,057	115,367
Event arbitrage	4		35,025	37,515
Distressed securities	1		384	384
	36	$	327,822	510,779

	2021			
Absolute return strategy	**Number of funds**		**Cost**	**Fair value**
Diversified arbitrage	5	$	16,675	110,978
Private diversifiers	13		49,127	58,018
Long-short equity	5		68,406	165,676
Global Macro/Systematic	3		85,634	102,058
Event arbitrage	2		35,045	66,949
Distressed securities	1		18,750	21,881
	29	$	273,637	525,560

(c) Pending Purchases and Sales

At June 30, 2022 and 2021, the College had pending security purchases of $1,559,000 and $8,627,000, respectively; and pending security sales of $2,432,000 and $25,441,000, 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, 2022 and 2021, in thousands of dollars:

		2022	2021
Unit fair value at end of year	$	1,305	1,441
Units owned:			
Net assets without donor restrictions:			
Funds functioning as endowment		898,798	898,520
Designated for annuity and life income funds		87,477	81,456
Total net assets without donor restrictions		986,275	979,976
Net assets with donor restrictions:			
Restricted for specific purposes		7,974	7,124
Endowment funds		1,208,660	1,198,887
Annuities and life income funds		38,433	40,664
Total with donor restrictions		1,255,067	1,246,675
Total units		2,241,342	2,226,651
Weighted average units		2,236,821	2,225,959
Net pooled investment income per weighted average unit	$	50	49

(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.

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, 2022 and 2021. 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	2022			
		Investments classified in the fair value hierarchy			
		Level 1	Level 2	Level 3	Total
Pooled investments:					
Cash and cash equivalents	$ —	101,211	—	—	101,211
Domestic equities	403,176	26,672	—	—	429,848
International equities	226,361	—	—	—	226,361
Emerging markets	161,589	4,539	—	—	166,128
Fixed income	39,622	—	214,229	—	253,851
Fixed income – trust deeds	—	—	—	21,608	21,608
Venture capital	645,369	—	—	—	645,369
Private equity	197,200	—	—	—	197,200
Absolute return	510,779	—	—	—	510,779
Real assets	247,213	124,993	—	—	372,206
Total pooled investments	2,431,309	257,415	214,229	21,608	2,924,561
Separately invested and short-term investments:					
Cash and cash equivalents	—	134,575	—	—	134,575
Domestic equities	—	16,040	—	—	16,040
International equities	—	9,249	—	—	9,249
Fixed income	—	39,563	26,469	—	66,032
Real assets	—	—	—	2,935	2,935
Other	—	—	68	—	68
Total separately invested and short-term investments	—	199,427	26,537	2,935	228,899
Total	$ 2,431,309	456,842	240,766	24,543	3,153,460

	Investments measured at NAV	2021 Investments classified in the fair value hierarchy			
		Level 1	Level 2	Level 3	Total
Pooled investments:					
Cash and cash equivalents	$ —	95,667	—	—	95,667
Domestic equities	431,851	38,358	—	—	470,209
International equities	273,665	—	31,332	—	304,997
Emerging markets	169,053	—	37,278	—	206,331
Fixed income	40,405	—	220,148	—	260,553
Fixed income – trust deeds	—	—	—	27,465	27,465
Venture capital	798,932	—	—	—	798,932
Private equity	171,672	—	—	—	171,672
Absolute return	525,560	—	—	—	525,560
Real assets	211,052	136,147	—	—	347,199
Total pooled investments	2,622,190	270,172	288,758	27,465	3,208,585
Separately invested and short-term investments:					
Cash and cash equivalents	—	145,232	—	—	145,232
Domestic equities	—	28,564	—	—	28,564
International equities	—	12,145	—	—	12,145
Fixed income	—	46,884	19,997	—	66,881
Real assets	—	11,708	—	3,453	15,161
Other	—	—	1,150	—	1,150
Total separately invested and short-term investments	—	244,533	21,147	3,453	269,133
Total	$ 2,622,190	514,705	309,905	30,918	3,477,718

The following table presents NAV valued investments with applicable funding commitments, redemption, and restrictions as of June 30, 2022 (in millions):

		June 30, 2022							
	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
Venture/growth equity	Venture capital and growth equity fund primarily in the U.S.	$ 761.3	121	1–15 years	$ 113.8	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	268.3	79	1–15 years	183.9	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	143.2	63	1–15 years	97.7	up to 6 years	N/A[1]	N/A[1]	N/A[1]
Total private investments		1,172.8	263		395.4				
Absolute return and long/short equity	Long/short and diversified arbitrage funds investing globally	427.7	21	N/A	—	N/A	Ranges between monthly with 10 days' notice, to annually with 180 days' notice.	1 fund has a rolling 3 year lock-up period. 1 fund has a 1 year lock-up period.	4 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	830.7	12	N/A	7.5	N/A	Ranges between monthly with 6 days' notice, to tri-annually with 90 days' notice.	1 fund has a rolling 1 year lock-up period.	1 fund has a 20% annual gate.
Total		$ 2,431.2	296		$ 402.9				

[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.

The following table presents NAV valued investments with applicable funding commitments, redemption, and restrictions as of June 30, 2022 (in millions):

		June 30, 2021							
	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
Venture/growth equity	Venture capital and growth equity fund primarily in the U.S.	$ 908.7	108	1–15 years	$ 88.2	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	223.4	71	1–15 years	160.9	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	107.6	61	1–15 years	102.5	up to 6 years	N/A [1]	N/A [1]	N/A [1]
Total private investments		1,239.7	240		351.6				
Absolute return and long/short equity	Long/short and diversified arbitrage funds investing globally	467.5	16	N/A	—	N/A	Ranges between monthly with 10 days' notice, to annually with 180 days' notice.	1 fund has a rolling 3 year lock-up period. 1 fund has a 1 year lock-up period.	4 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	915.0	11	N/A	—	N/A	Ranges between monthly with 6 days' notice, to tri-annually with 90 days' notice.	1 fund has a rolling 1 year lock-up period.	1 fund has a 20% annual gate.
Total		$ 2,622.2	267		$ 351.6				

[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, Net

Property, plant, and equipment at June 30, 2022 and 2021, in thousands of dollars, are as follows:

		2022	2021
Land	$	11,843	11,843
Land improvements		12,652	12,652
Buildings		597,164	594,172
Equipment		35,654	33,302
Construction in progress		51,205	20,626
		708,518	672,595
Less accumulated depreciation		(278,273)	(259,309)
Property, plant, and equipment, net of accumulated depreciation	$	430,245	413,286

Outstanding commitments for design and construction contracts amounted to approximately $10,000,000 and $38,500,000 as of June 30, 2022 and 2021, respectively.

(8) Long-Term Debt

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

Bonds payable, in thousands of dollars, issued directly and through the California Educational Facilities Authority (CEFA) and the California Municipal Finance Authority (CMFA), and associated interest rates and maturities at June 30, 2022 and 2021 are as follows, in thousands of dollars:

	Interest rates	Maturity dates		2022	2021
				Principal amount	
Series 2020A	2.9%	2051	$	206,055	206,055
Series 2005A (CEFA)	4.4%–5.2%	2022–2045		36,638	41,020
				242,693	247,075
Less unamortized cost of issuance				(1,283)	(1,329)
			$	241,410	245,746

		Principal amount
Schedule of maturities of bonds payable are (in thousands):		
Years ending:		
2023	$	3,010
2024		2,868
2025		2,730
2026		2,595
2027		2,463
2028–2051		229,027
	$	242,693

The CEFA agreement contains covenants relating to maintenance of the College, insurance, and other general items.

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 October 28, 2020, the College executed the issuance of $206,055,000 of taxable bonds. Proceeds were used to refund the Series 2017A bonds, the private placement loan with First Republic Bank and the private placement loan with Boston Private. The loss on retirement of debt was approximately $22,034,000.

(9) Net Assets

At June 30, 2022 and 2021, net assets consist of the following, in thousands of dollars:

		2022	2021
Without donor restrictions:			
For plant and other designated purposes	$	112,228	112,246
Loan funds		1,282	1,311
Designated for annuity and life income funds		41,634	54,670
Funds functioning as endowment		1,170,280	1,291,693
Invested in property, plant, and equipment, net of related debt		187,141	166,501
Total without donor restrictions		1,512,565	1,626,421
With donor restrictions:			
Endowment funds		420,149	406,639
Restricted for specific purposes and time		62,849	62,583
Annuity and life income funds		45,716	65,958
Loan funds		15,165	15,389
Accumulated unappropriated gains on endowment		1,174,542	1,333,114
Total with donor restrictions		1,718,421	1,883,683
Total net assets	$	3,230,986	3,510,104

(10) 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, 2022 and 2021, the College's contributions to this plan amounted to approximately $6,725,000 and $6,469,000, respectively.

For the years ended June 30, 2022 and 2021, contributions made by employees to the College's 457(b) Plan of approximately $6,885,000 and $8,362,000, respectively, were included in separately invested assets and accrued payroll and other liabilities on the statements of financial position.

(11) 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, 2022 and 2021, the College had approximately ($252,000) and ($365,000), 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.

(12) 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, 2022 and 2021, the board of trustees authorized distributions of $104,958,000 and $102,449,000, respectively, for current operations.

Endowment net assets consist of the following at June 30, 2022 and 2021, in thousands of dollars:

		2022		
		Without donor restrictions	**With donor restrictions**	**Total**
Donor-restricted endowment	$	(2,209)	420,149	417,940
Board-designated endowment		189,860	—	189,860
Accumulated unappropriated gains		982,629	1,174,543	2,157,172
Total	$	1,170,280	1,594,692	2,764,972

		2021		
		Without donor restrictions	**With donor restrictions**	**Total**
Donor-restricted endowment	$	—	406,639	406,639
Board-designated endowment		189,817	—	189,817
Accumulated unappropriated gains		1,101,876	1,333,114	2,434,990
Total	$	1,291,693	1,739,753	3,031,446

Changes in endowment net assets for the year ended June 30, 2022 are as follows, in thousands of dollars:

		Without donor restrictions	**With donor restrictions**	**Total**
Endowment net assets, June 30, 2021	$	1,291,693	1,739,753	3,031,446
Pooled investment returns:				
Investment income		11,449	15,355	26,804
Net realized and unrealized losses on investments		(86,216)	(116,266)	(202,482)
Total pooled investment losses		(74,767)	(100,911)	(175,678)
Distributions per spending policy		(104,958)	—	(104,958)
Net pooled investment losses appropriated to pool		(179,725)	(100,911)	(280,636)
Other changes in endowment:				
Gifts		—	4,308	4,308
Releases, changes, and transfers per donor restrictions		(2,157)	8,092	5,935
Endowment income reinvested		386	3,533	3,919
Appropriation of endowment assets for expenditure		60,083	(60,083)	—
Total other changes in endowment		58,312	(44,150)	14,162
Total changes in endowment		(121,413)	(145,061)	(266,474)
Endowment net assets, June 30, 2022	$	1,170,280	1,594,692	2,764,972

Changes in endowment net assets for the year ended June 30, 2021 are as follows, in thousands of dollars:

		Without donor restrictions	With donor restrictions	Total
Endowment net assets, June 30, 2020	$	965,014	1,289,533	2,254,547
Pooled investment returns:				
Investment income		6,386	8,482	14,868
Net realized and unrealized gains on investments		363,790	486,532	850,322
Total pooled investment returns		370,176	495,014	865,190
Distributions per spending policy		(102,449)		(102,449)
Net pooled investment returns appropriated to pool		267,727	495,014	762,741
Other changes in endowment:				
Gifts		—	5,964	5,964
Releases, changes, and transfers per donor restrictions		150	4,658	4,808
Endowment income reinvested		365	3,021	3,386
Appropriation of endowment assets for expenditure		58,437	(58,437)	—
Total other changes in endowment		58,952	(44,794)	14,158
Total changes in endowment		326,679	450,220	776,899
Endowment net assets, June 30, 2021	$	1,291,693	1,739,753	3,031,446

(13) 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, 2022 and 2021 totaled $8,448,000 and $7,327,000, respectively.

(14) Related Parties

As of June 30, 2022 and 2021, $10,830,000 and $14,600,000 of gross contribution receivables are due from Board of Trustee members.

(15) Commitments and Contingencies

(a) Line of Credit

At June 30, 2022, the College had three lines of credit from two institutions which in total provide $100,000,000 in additional liquidity; there were no borrowings outstanding on these lines of credit at that date. All three lines are re-negotiated annually and currently provide the following interest rate options: Daily Simple Secured Overnight Financing Rate plus 50 basis points, Term Secured Overnight Financing Rate plus 50 basis points, or the Prime Rate. At June 30, 2022 the one-month Term Secured Overnight Financing Rate plus 50 basis points equaled 2.186%.

(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 charged directly to the appropriate functional category.

Expenses by natural and functional classification for the years ended June 30, 2022 and 2021, were as follows:

	2022						
	Salaries and benefits	Services	Depreciation and amortization	Interest expense	Plant operations and utilities	Other operating expenses	Total
Instruction	$ 49,394	2,162	6,360	2,588	3,152	2,539	66,195
Research	1,070	235	—	—	35	1,268	2,608
Public service	950	151	4	1	3	160	1,269
Academic support	8,344	5,003	2,200	895	1,195	3,148	20,785
Student services	14,244	1,681	2,507	1,020	1,300	3,519	24,271
Institutional support	17,713	12,767	967	395	999	5,203	38,044
Auxiliary enterprises	12,541	3,368	7,535	3,068	3,800	6,855	37,167
Total	$ 104,256	25,367	19,573	7,967	10,484	22,692	190,339

	2021						
	Salaries and benefits	**Services**	**Depreciation and amortization**	**Interest expense**	**Plant operations and utilities**	**Other operating expenses**	**Total**
Instruction	$ 47,747	1,919	5,974	2,087	2,817	1,077	61,621
Research	768	272	—	—	80	765	1,885
Public service	751	12	4	1	5	112	885
Academic support	7,915	4,186	2,067	722	1,036	2,456	18,382
Student services	13,064	1,558	2,355	823	1,082	1,747	20,629
Institutional support	18,415	9,622	908	317	275	2,131	31,668
Auxiliary enterprises	6,852	1,541	7,079	2,473	3,130	668	21,743
Total	$ 95,512	19,110	18,387	6,423	8,425	8,956	156,813

(17) Financial Responsibility Standards

The College participates in federal Title IV student financial assistance programs, which require it to meet standards of financial responsibility based on criteria determined by the U.S. Department of Education (ED), as set forth in 34 CFR 668.171. The criteria for private institutions include the annual calculation by ED of a financial responsibility composite score, as further outlined in 34 CFR 668.172, using audited financial statements submitted through the ED’s eZ-Audit system. The composite score has been and will continue to be based on three ratios: Primary Reserve, Equity, and Net Income. These ratios utilize the following financial data of the College, which are not otherwise presented in the financial statements or other notes to the financial statements, as of and for the year ended June 30, 2022:

Inputs directly from the statement of activities:		
Total revenues, gains, and other support	Net income ratio	$ 263,852,000
Plus: Net realized and unrealized gains on investments	Net income ratio	(95,498,000)
Plus: Net investment income	Net income ratio	10,334,000
Plus: Changes in actuarially determined gift liabilities	Net income ratio	4,486,000
Plus: Other actuarial adjustments	Net income ratio	(113,000)
Plus: Other	Net income ratio	55,000
Total revenue and gains without donor restrictions		$ 183,116,000

(18) Deferred Tax Asset

The College has recorded a deferred tax asset reflecting the benefit of federal and state unrelated business taxable income loss carryforwards and credits, which expire in varying amounts in varying time periods. Included in net operating loss carryforward are $17,157,337 of federal losses that arose after the 2017 tax year which are available to reduce future federal taxable income, if any, over an indefinite period. In addition, the College has recorded a deferred tax asset reflecting the benefit of accumulated unrealized investment losses, not subject to expiration, that are available to offset future realized gains subject to IRC Section 4968 excise taxes. The composition of carryforward benefits that give rise to the deferred tax asset are as follows:

		Federal	State	Excise Tax	Total
Carryforwards	$	72,746,325	23,564,663	—	96,310,988
Credits		11,219,952	—	—	11,219,952
Unrealized losses		—	—	526,580,202	526,580,202
Total	$	83,966,277	23,564,663	526,580,202	634,111,142

Realization of these assets is dependent on generating sufficient taxable income prior to expiration of the loss carryforwards and credits. The valuation allowance primarily related to foreign tax credits and net operating losses arising before the 2018 tax year subject to expiration. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets depends on the generation of future taxable income during the periods in which those loss carryforwards and credits are available.

		Federal	State	Excise Tax	Total
Deferred tax assets	$	26,496,080	1,537,690	7,372,123	35,405,893
Valuation allowance		(22,372,811)	(654,705)	(1,866,068)	(24,893,584)
Net federal deferred tax asset	$	4,123,269	882,985	5,506,055	10,512,309

(19) Subsequent Events

Subsequent events have been evaluated through December 21, 2022, which corresponds to the date when the financial statements were available to be issued.

SUPPLEMENTARY SCHEDULE

POMONA COLLEGE

Supplementary Schedule of Financial Responsibility Data

Year ended June 30, 2022

(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	$ 1,512,565
Statement of financial position	Net assets with donor restrictions	1,718,421
Statement of financial position	Property, plant, and equipment, net	430,245
Note 7, Property, Plant and Equipment	Construction in progress	51,204
Statement of financial position	Long-term debt	241,410
Statement of financial position	Annuities with donor restrictions	59,076
Note 9, Net Assets	Annuity and life income funds with donor restrictions	45,716
Note 9, Net Assets	Term endowments with donor restrictions	440
Note 9, Net Assets	Net assets with donor restrictions: restricted in perpetuity	461,622
Primary reserve ratio: expenses and losses:		
Statement of activities	Total expenses and losses without donor restrictions	296,972
Equity ratio: modified net assets:		
Statement of financial position	Net assets without donor restrictions	1,512,565
Statement of financial position	Net assets with donor restrictions	1,718,421
Equity ratio: modified assets:		
Statement of financial position	Total assets	3,643,695
Net income ratio:		
Statement of activities	Change in net assets without donor restrictions	(113,856)
Note 17, Financial Responsibility Standards	Total revenues and gains without donor restrictions	183,116

See accompanying independent auditors report.