POMONA COLLEGE

Financial Statements

June 30, 2023 and 2022

(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 statements of financial position as of June 30, 2023 and 2022, 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, 2023 and 2022, 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 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 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, 2023, 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 11, 2023

POMONA COLLEGE

Statements of Financial Position

June 30, 2023 and 2022

(In thousands of dollars)

Assets		2023	2022
Cash and cash equivalents	$	2,373	5,335
Accounts and other receivables, net		5,397	5,594
Prepaid expenses, deposits and other assets		14,151	12,570
Short-term investments		122,629	119,097
Contributions receivable, net		27,776	27,890
Notes receivable, net		7,983	8,601
Long-term investments:			
Pooled		2,952,377	2,924,561
Separately invested		112,189	109,802
Property, plant, and equipment, net		423,800	430,245
Total assets	$	3,668,675	3,643,695
Liabilities and Net Assets			
Liabilities:			
Accounts payable	$	3,918	12,302
Accrued payroll and other liabilities		22,026	18,716
Life income and annuities obligation		136,848	132,589
Long-term debt		240,176	241,410
Government advances for student loans		540	730
Funds held in trust for others		4,896	6,962
Total liabilities		408,404	412,709
Net assets:			
Without donor restrictions		1,523,203	1,512,565
With donor restrictions		1,737,068	1,718,421
Total net assets		3,260,271	3,230,986
Total liabilities and net assets	$	3,668,675	3,643,695

See accompanying notes to financial statements.

POMONA COLLEGE

Statement of Activities

Year ended June 30, 2023

(In thousands of dollars)

		Without donor restrictions	With donor restrictions	Total
Revenues, gains, and other support:				
Student revenues net (includes student financial aid of $55,234)	$	80,346	—	80,346
Federal grants and contracts		3,491	—	3,491
Private gifts and grants		6,280	11,517	17,797
Private contracts		951	—	951
Pooled income appropriated for operations		107,828	—	107,828
Sales and services of education departments		3,353	12	3,365
Other revenues		733	6	739
		202,982	11,535	214,517
Net assets released or transferred from donor restrictions		68,957	(68,957)	—
Total revenues, gains, and other support		271,939	(57,422)	214,517
Expenses:				
Instruction		77,025	—	77,025
Research		3,236	—	3,236
Public service		2,001	—	2,001
Academic support		23,354	—	23,354
Student services		29,690	—	29,690
Institutional support		41,877	—	41,877
Auxiliary enterprises		41,018	—	41,018
Total expenses		218,201	—	218,201
Increase (decrease) in net assets from operating activities		53,738	(57,422)	(3,684)
Nonoperating activities:				
Net realized and unrealized gains on investments		46,841	59,203	106,044
Net investment income		17,057	17,400	34,457
Pooled income appropriated for operations		(107,828)	—	(107,828)
Pooled income appropriated for annuities		(4,114)	(1,896)	(6,010)
Changes in actuarially determined gift liabilities		5,204	4,627	9,831
Other actuarial adjustments		(113)	—	(113)
Annuity and life income funds released and liquidated		(1,572)	(3,265)	(4,837)
Other		1,425	—	1,425
Change in net assets from nonoperating activities		(43,100)	76,069	32,969
Change in net assets		10,638	18,647	29,285
Net assets, beginning of year		1,512,565	1,718,421	3,230,986
Net assets, end of year	$	1,523,203	1,737,068	3,260,271

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

Statements of Cash Flows

Years ended June 30, 2023 and 2022

(In thousands of dollars)

		2023	2022
Cash flows from operating and nonoperating activities:			
Change in net assets	$	29,285	(279,118)
Adjustments to reconcile change in net assets to net cash used in operating activities:			
Depreciation		19,918	18,963
Accretion of interest on CEFA bonds		1,876	1,928
Amortization of bond cost of issuance		45	45
Contributions restricted for long-term investment		(18,705)	(17,422)
Net realized and unrealized (gains) losses on investments		(106,044)	217,569
Noncash gifts		(4,883)	—
Donated securities		(6,321)	(4,541)
Adjustments of actuarial liabilities		(9,831)	(4,080)
Change in assets and liabilities:			
Decrease (increase) in accounts receivable		197	(1,513)
Decrease in contributions receivable		114	6,960
Decrease (increase) in prepaid expenses, deposits and other assets		579	(10,263)
Increase (decrease) in accounts payable		(8,385)	3,569
Increase (decrease) in accrued payroll and other liabilities		3,311	(4,138)
Increase (decrease) in lease obligation		(1,280)	433
Net cash used in operating activities		(100,124)	(71,608)
Cash flows from investing activities:			
Additions to property, plant, and equipment		(14,354)	(36,356)
Purchase of investments		(909,575)	(1,086,125)
Proceeds from sale of investments		989,431	1,172,229
Proceeds from sale of donated securities		6,341	4,862
Disbursements of student loans		(652)	(600)
Collections of student loans		1,271	1,290
Disbursements of trust deed loans		(5,693)	(3,623)
Collections of trust deed loans		3,009	2,972
Net cash provided by investing activities		69,778	54,649
Cash flows from financing activities:			
Proceeds from contributions restricted for:			
Investment in endowment		8,288	4,308
Investment in life income		9,181	4,971
Investment in plant		1,236	8,142
Government student loans return of fund		(190)	(231)
Payments on long-term debt		(3,155)	(6,310)
Investment income on life income and annuities		1,747	470
Proceeds from life income and annuities		15,285	19,930
Payments on life income and annuities		(2,631)	(2,752)
Payments on funds held in trust for others		(2,377)	(8,678)
Net cash provided by financing activities		27,384	19,850
Net change in cash and cash equivalents		(2,962)	2,891
Cash and cash equivalents, beginning of year		5,335	2,444
Cash and cash equivalents, end of year	$	2,373	5,335
Supplementary cash flow information:			
Cash paid during the year for interest	$	6,085	6,039
Noncash investing activities:			
Transfer of perpetual trusts	$	—	11,716

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 used 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 over estimated 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 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 $13,951,000 and $10,414,000, respectively, for the years ended June 30, 2023 and 2022.

(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 $800,000 for the year ending June 30, 2023.

(p) Liquidity and Availability

At June 30, 2023 and 2022, financial assets available within one year for general expenditure were as follows (in thousands):

		2023	**2022**
Cash and cash equivalents	$	1,199	3,659
Accounts and other receivables, net		5,397	5,594
Short-term investments		13,116	9,332
Contributions receivable		2,801	4,023
Subsequent year's endowment payout		67,567	66,603
Total financial assets available within one year without board action		90,080	89,211
Short-term investments designated for operations and plant		46,153	50,447
Separately invested investments designated for operations and plant		34,163	29,305
Funds functioning as endowment available for operations		1,178,385	1,170,280
Total financial assets available within one year	$	1,348,781	1,339,243

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.

(2) Net Student Revenues

Student revenues for the years ended June 30, 2023 and 2022, in thousands of dollars, consist of the following:

		2023	2022
Tuition and fees	$	102,396	97,147
Room and board		33,184	31,141
Gross student revenues		135,580	128,288
Less:			
Sponsored financial aid		(25,068)	(22,738)
Unsponsored financial aid		(30,166)	(29,646)
Student financial aid		(55,234)	(52,384)
Net student revenues	$	80,346	75,904

"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, 2023 and 2022, in thousands of dollars, are as follows:

		2023	2022
Private gifts and grants	$	—	2
Federal grants and contracts		15	12
Sales and other		5,536	5,826
		5,551	5,840
Less allowance for doubtful accounts		(154)	(246)
Accounts and other receivables, net of allowance	$	5,397	5,594

(4) Notes Receivable

Notes receivable at June 30, 2023 and 2022, in thousands of dollars, are as follows:

		2023	2022
Loans receivable from students	$	8,308	9,137
Less allowance for doubtful accounts		(325)	(536)
Notes receivable, net of allowance	$	7,983	8,601

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 3.21% to the present value of the future cash flows. Unconditional promises to give received during the years ended June 30, 2023 and 2022 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, 2023 and 2022, unconditional promises to give, in thousands of dollars, are expected to be received in the following periods:

		2023	2022
In one year or less	$	6,042	7,155
Between one year and five years		4,667	3,410
More than five years		7,497	7,609
		18,206	18,174
Less discount		(1,240)	(592)
Pledged contributions		16,966	17,582
Life income and annuities		10,810	10,308
Contributions receivable, net	$	27,776	27,890

Unconditional promises to give and life income and annuities at June 30, 2023 and 2022, in thousands of dollars, have the following restrictions:

		2023	2022
Endowment for programs, activities, and scholarships	$	5,549	3,566
Building construction		7,712	8,766
Education		15,755	16,150
		29,016	28,482
Less discount		(1,240)	(592)
Contributions receivable, net	$	27,776	27,890

(6) Investments

(a) Fair Value Measurement

The fair value of investments at June 30, 2023 and 2022, in thousands of dollars, is as follows:

	2023	2022
Pooled investments:		
Cash and cash equivalents	$ 112,253	101,211
Domestic equities	509,330	429,848
International equities	251,680	226,361
Emerging markets	157,741	166,129
Fixed income	213,027	253,852
Fixed income – trust deeds	22,361	21,608
Venture capital	595,469	645,369
Private equity	228,559	197,200
Absolute return	512,231	510,779
Real assets[1]	349,726	372,204
Total long-term investments – pooled	2,952,377	2,924,561
Separately invested:		
Cash and cash equivalents	23,022	15,478
Domestic equities	18,771	16,040
International equities	10,873	9,249
Fixed income	56,314	66,032
Real assets[1]	3,141	2,935
Other	68	68
Total long-term investments – separately invested	112,189	109,802
Short-term investments	122,629	119,097
	$ 3,187,195	3,153,460

[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, 2023 and 2022 was as follows, in thousands of dollars:

		2023	2022
Interest and dividends	$	46,228	31,498
Less investment expenses		(11,771)	(1,789)
Net investment income		34,457	29,709
Net realized and unrealized gains (losses) on investments		106,044	(217,569)
Total investment income, net	$	140,501	(187,860)

(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, 2023 and 2022, in thousands of dollars.

	2023			
Absolute return strategy	**Number of funds**		**Cost**	**Fair value**
Diversified arbitrage	5	$	61,203	161,852
Private diversifiers	14		83,854	88,252
Long-short equity	4		79,315	123,655
Global Macro/Systematic	3		74,754	99,089
Event arbitrage	1		35,025	39,383
Distressed securities	—		—	—
	27	$	334,151	512,231

	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

(c) Pending Purchases and Sales

At June 30, 2023 and 2022, the College had pending security purchases of $1,007,000 and $1,559,000, respectively; and pending security sales of $18,077,000 and $2,432,000, 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, 2023 and 2022, in thousands of dollars:

		2023	2022
Unit fair value at end of year	$	1,312	1,305
Units owned:			
Net assets without donor restrictions:			
Funds functioning as endowment		899,126	898,798
Designated for annuity and life income funds		86,431	87,477
Total net assets without donor restrictions		985,557	986,275
Net assets with donor restrictions:			
Restricted for specific purposes		8,800	7,974
Endowment funds		1,217,983	1,208,660
Annuities and life income funds		38,012	38,433
Total with donor restrictions		1,264,795	1,255,067
Total units	$	2,250,352	2,241,342
Weighted average units		2,245,806	2,236,821
Net pooled investment income per weighted average unit	$	51	50

(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, 2023 and 2022. 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	2023			
		Investments classified in the fair value hierarchy			
		Level 1	Level 2	Level 3	Total
Pooled investments:					
Cash and cash equivalents	$ —	112,253	—	—	112,253
Domestic equities	474,923	34,407	—	—	509,330
International equities	251,680	—	—	—	251,680
Emerging markets	153,148	4,593	—	—	157,741
Fixed income	41,487	5,200	166,340	—	213,027
Fixed income – trust deeds	—	—	—	22,361	22,361
Venture capital	595,408	61	—	—	595,469
Private equity	228,559	—	—	—	228,559
Absolute return	512,231	—	—	—	512,231
Real assets	258,622	91,104	—	—	349,726
Total pooled investments	2,516,058	247,618	166,340	22,361	2,952,377
Separately invested and short-term investments:					
Cash and cash equivalents	—	145,651	—	—	145,651
Domestic equities	—	18,771	—	—	18,771
International equities	—	10,873	—	—	10,873
Fixed income	—	45,553	10,761	—	56,314
Real assets	—	—	—	3,141	3,141
Other	—	—	68	—	68
Total separately invested and short-term investments	—	220,848	10,829	3,141	234,818
Total	$ 2,516,058	468,466	177,169	25,502	3,187,195

	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

The following table presents NAV valued investments with applicable funding commitments, redemption, and restrictions as of June 30, 2023 (in millions):

		June 30, 2023							
	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.	$ 595.4	128	1–15 years	$ 112.0	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	316.8	80	1–15 years	248.0	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	258.6	60	1–15 years	91.2	up to 6 years	N/A [1]	N/A [1]	N/A [1]
Total private investments		1,170.8	268		451.2				
Absolute return and long/short equity	Long/short and diversified arbitrage funds investing globally	424.0	13	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	921.3	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		$ 2,516.1	293.0		$ 458.7				

[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, 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	296.0		$ 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.

(7) Property, Plant, and Equipment, Net

Property, plant, and equipment at June 30, 2023 and 2022, in thousands of dollars, are as follows:

		2023	2022
Land	$	11,843	11,843
Land improvements		13,497	12,652
Buildings		653,408	597,164
Equipment		37,853	35,654
Construction in progress		5,390	51,205
		721,991	708,518
Less accumulated depreciation		(298,191)	(278,273)
Property, plant, and equipment, net of accumulated depreciation	$	423,800	430,245

Outstanding commitments for design and construction contracts amounted to approximately $1,550,000 and $10,000,000 as of June 30, 2023 and 2022, 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, 2023 and 2022 are as follows, in thousands of dollars:

	Interest rates	Maturity dates		2023	2022
				Principal amount	
Series 2020A	2.9 %	2051	$	206,055	206,055
Series 2005A (CEFA)	4.4%–5.2%	2024-2041		35,359	36,638
				241,414	242,693
Less unamortized cost of issuance				(1,238)	(1,283)
			$	240,176	241,410

		Principal amount
Schedule of maturities of bonds payable are (in thousands):		
Years ending:		
2024	$	3,008
2025		2,865
2026		2,725
2027		2,588
2028		2,457
2029–2051		227,771
	$	241,414

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.

(9) Net Assets

At June 30, 2023 and 2022, net assets consist of the following, in thousands of dollars:

		2023	2022
Without donor restrictions:			
For plant and other designated purposes	$	118,767	112,228
Loan funds		1,335	1,282
Designated for annuity and life income funds		41,494	41,634
Funds functioning as endowment		1,178,385	1,170,280
Invested in property, plant, and equipment, net of related debt		183,222	187,141
Total without donor restrictions		1,523,203	1,512,565
With donor restrictions:			
Endowment funds		434,175	420,149
Restricted for specific purposes and time		59,586	62,849
Annuity and life income funds		43,474	45,716
Loan funds		15,370	15,165
Accumulated unappropriated gains on endowment		1,184,463	1,174,542
Total with donor restrictions		1,737,068	1,718,421
Total net assets	$	3,260,271	3,230,986

(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, 2023 and 2022, the College's contributions to this plan amounted to approximately $7,449,000 and $6,725,000, respectively.

For the years ended June 30, 2023 and 2022, contributions made by employees to the College's 457(b) Plan of approximately $7,708,000 and $6,885,000, 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, 2023 and 2022, the College had receivables of approximately $494,000 and $252,000, 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, 2023 and 2022, the board of trustees authorized distributions of $107,415,000 and $104,958,000, respectively, for current operations.

Endowment net assets consist of the following at June 30, 2023 and 2022, in thousands of dollars:

		2023		
		Without donor restrictions	**With donor restrictions**	**Total**
Donor-restricted endowment	$	(1,945)	434,175	432,230
Board-designated endowment		189,866	—	189,866
Accumulated unappropriated gains		990,464	1,184,462	2,174,926
Total	$	1,178,385	1,618,637	2,797,022

	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

Changes in endowment net assets for the year ended June 30, 2023 are as follows, in thousands of dollars:

	Without donor restrictions	With donor restrictions	Total
Endowment net assets, June 30, 2022	$ 1,170,280	1,594,692	2,764,972
Pooled investment returns:			
Investment income	11,287	15,223	26,510
Net realized and unrealized gains on investments	41,865	56,741	98,606
Total pooled investment gains	53,152	71,964	125,116
Distributions per spending policy	(107,415)	—	(107,415)
Net pooled investment (losses) gains appropriated to pool	(54,263)	71,964	17,701
Other changes in endowment:			
Gifts	—	8,089	8,089
Releases, changes, and transfers per donor restrictions	283	4,228	4,511
Endowment income reinvested	405	1,344	1,749
Appropriation of endowment assets for expenditure	61,680	(61,680)	—
Total other changes in endowment	62,368	(48,019)	14,349
Total changes in endowment	8,105	23,945	32,050
Endowment net assets, June 30, 2023	$ 1,178,385	1,618,637	2,797,022

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

(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, 2023 and 2022 totaled $10,049,000 and $8,448,000, respectively.

(14) Related Parties

As of June 30, 2023 and 2022, $10,930,000 and $10,830,000 of gross contribution receivables are due from Board of Trustee members.

(15) Commitments and Contingencies

(a) Line of Credit

At June 30, 2023, 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. The uncommitted line ($40,000,000) is renegotiated annually and currently provides 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. The committed lines ($60,000,000 in total) are renegotiated every two years and currently provide the following interest rate options: Daily Simple Secured Overnight Financing Rate plus 55 or 77 basis points (depending on the line), Term Secured Overnight Financing Rate plus 55 or 77 basis points (depending on the line) or the Prime rate. At June 30, 2023 the one-month Term Secured Overnight Financing Rate plus 77 basis points equaled 5.91%.

(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, 2023 and 2022, were as follows:

	2023						
	Salaries and benefits	Services	Depreciation and amortization	Interest expense	Plant operations and utilities	Other operating expenses	Total
Instruction	$ 52,789	3,990	6,794	2,568	3,322	7,562	77,025
Research	1,000	405	—	—	119	1,712	3,236
Public service	1,153	247	4	2	8	587	2,001
Academic support	9,302	6,311	2,350	888	1,155	3,348	23,354
Student services	15,878	2,496	2,828	1,069	1,339	6,080	29,690
Institutional support	21,109	14,735	1,032	391	507	4,103	41,877
Auxiliary enterprises	14,298	4,642	8,050	3,043	3,801	7,184	41,018
Total	$ 115,529	32,826	21,058	7,961	10,251	30,576	218,201

	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

(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, 2023:

Financial Element	**Amount as reported as a component or used as a ratio input**
Term endowments with donor restrictions	$ 537,000
Net assets with donor restrictions: restricted in perpetuity	472,335,000

(18) Income Taxes

(a) Deferred Taxes

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 $17,625,500 and $17,157,337 of federal losses for the tax years 2023 and 2022, respectively, 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:

	2023			
	Federal	**State**	**Excise tax**	**Total**
Carryforwards	$ 64,089,085	23,082,575	—	87,171,660
Credits	11,080,087	—	—	11,080,087
Unrealized losses	—	—	397,656,748	397,656,748
Total	$ 75,169,172	23,082,575	397,656,748	495,908,495

	2022			
	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.

	2023			
	Federal	State	Excise tax	Total
Deferred tax assets	$ 24,538,795	1,539,774	5,567,194	31,645,763
Valuation allowance	(20,235,954)	(1,534,201)	(476,730)	(22,246,885)
Net federal deferred tax asset	$ 4,302,841	5,573	5,090,464	9,398,878

	2022			
	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

(b) Income Taxes

Income tax expense is reported as a component of net investment income in the accompanying statement of activities. The significant components of income tax expense consist of the following:

	2023	2022
Federal and state, deferred	$ 697,839	(5,006,254)
Federal excise tax, deferred	415,590	(5,506,055)
Federal and state, current	51,553	15,813
Federal excise tax, current	1,604,612	5,186,970
Total income tax expense (benefit)	$ 2,769,594	(5,309,526)

(19) Subsequent Events

Subsequent events have been evaluated through December 11, 2023, which corresponds to the date when the financial statements were available to be issued.

SUPPLEMENTARY SCHEDULE

POMONA COLLEGE

Supplementary Schedule of Financial Responsibility Data

As of and for the year ended June 30, 2023

(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	$ 1,523,203
Statement of financial position	Net assets with donor restrictions	1,737,068
Statement of financial position	Property, plant, and equipment, net	423,800
Note 7, Property, Plant and Equipment	Construction in progress	5,390
Statement of financial position	Long-term debt	240,176
Note 9, Net Assets	Annuity and life income funds with donor restrictions	43,474
Note 17, Financial Responsibility Standards	Term endowments with donor restrictions	537
Note 17, Financial Responsibility Standards	Net assets with donor restrictions: restricted in perpetuity	472,335
Primary reserve ratio: Expenses and losses:		
Statement of activities	Total expenses and losses without donor restrictions	223,887
Equity Ratio: Modified net assets:		
Statement of financial position	Net assets without donor restrictions	1,523,203
Statement of financial position	Net assets with donor restrictions	1,737,068
Equity Ratio: Modified assets:		
Statement of financial position	Total assets	3,668,675
Net income ratio:		
Statement of activities	Change in net assets without donor restrictions	10,638
Statement of activities	Total revenues and gains without donor restrictions	234,525

See accompanying independent auditors report.