KPMG

UNION COLLEGE

Financial Statements

June 30, 2021 and 2020

(With Independent Auditors’ Report Thereon)

UNION COLLEGE

Financial Statements

June 30, 2021 and 2020

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KPMG LLP
515 Broadway
Albany, NY 12207-2974

Independent Auditors' Report

The Board of Trustees
Union College:

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Union College as of June 30, 2021 and 2020, 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.

KPMG LLP

October 26, 2021

UNION COLLEGE

Statements of Financial Position

June 30, 2021 and 2020

Assets		2021	2020
Cash and cash equivalents	$	50,382,235	43,245,806
Deposits with bond trustees		5,071,549	5,099,538
Pledges receivable, net		62,890,238	71,865,988
Notes and accounts receivable, net		9,373,109	9,771,815
Other assets		4,522,451	3,980,111
Investments		604,375,845	486,279,738
Receivable for investments sold		418,267	—
Beneficial interest in irrevocable trusts		2,788,255	4,322,554
Land, buildings, and equipment, net		271,038,875	270,360,338
Total assets	$	1,010,860,824	894,925,888
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued expenses	$	25,088,227	15,236,032
Construction costs payable		371,579	746,439
Deposits and advances		3,777,130	3,517,258
Pooled life income and charitable gift annuities payable		4,024,078	4,107,697
Refundable federal student loan funds		1,188,707	1,464,347
Accrued postretirement benefits		9,193,065	9,274,385
Other liabilities		849,233	527,540
Long-term debt, net		159,716,148	165,459,663
Total liabilities		204,208,167	200,333,361
Net assets:			
Without donor restrictions		320,040,710	251,759,482
With donor restrictions		486,611,947	442,833,045
Total net assets		806,652,657	694,592,527
Total liabilities and net assets	$	1,010,860,824	894,925,888

See accompanying notes to financial statements.

UNION COLLEGE

Statement of Activities

Year ended June 30, 2021
(with summarized information for the year ended June 30, 2020)

	2021 Without donor restrictions	2021 With donor restrictions	2021 Total	2020 Total
Operating activities:				
Revenue:				
Tuition, fees, room and board, net of financial aid	$ 86,582,919	—	86,582,919	91,375,490
Investment return	25,312,455	—	25,312,455	24,033,953
Government grants	4,080,122	1,079	4,081,201	2,939,743
Private gifts and grants	5,288,377	6,122,585	11,410,962	7,138,670
Intercollegiate athletics and other sources	1,626,464	—	1,626,464	2,448,556
Auxiliaries enterprises	1,603,444	—	1,603,444	2,282,271
Net assets released from restrictions	42,302,480	(42,302,480)	—	—
Total revenue	166,796,261	(36,178,816)	130,617,445	130,218,683
Expenses:				
Instructional and departmental research	48,442,621	—	48,442,621	47,943,152
Sponsored research programs	951,140	—	951,140	478,595
Academic support	12,259,527	—	12,259,527	13,013,584
Student services	9,495,081	—	9,495,081	9,963,191
Institutional support	30,101,924	—	30,101,924	27,275,565
Auxiliaries operations	23,308,383	—	23,308,383	21,969,945
Intercollegiate athletics and other	8,553,910	—	8,553,910	9,858,246
Total expenses	133,112,586	—	133,112,586	130,502,278
Increase (decrease) in net assets from operating activities	33,683,675	(36,178,816)	(2,495,141)	(283,595)
Endowment and other net assets:				
Investment return	39,663,622	87,178,887	126,842,509	18,009,645
Endowment gains used to meet spending policy	(5,408,686)	(16,784,088)	(22,192,774)	(19,962,628)
Private gifts and grants	703,846	10,264,444	10,968,290	45,688,759
Accrued postretirement benefits and other	(1,062,754)	—	(1,062,754)	(971,847)
Net assets released from restrictions	701,525	(701,525)	—	—
Increase in endowment and other net assets	34,597,553	79,957,718	114,555,271	42,763,929
Increase in net assets	68,281,228	43,778,902	112,060,130	42,480,334
Net assets at beginning of year	251,759,482	442,833,045	694,592,527	652,112,193
Net assets at end of year	$ 320,040,710	486,611,947	806,652,657	694,592,527

See accompanying notes to financial statements.

UNION COLLEGE

Statement of Activities

Year ended June 30, 2020

	2020 Without donor restrictions	2020 With donor restrictions	2020 Total
Operating activities:			
Revenue:			
Tuition, fees, room and board, net of financial aid	$ 91,375,490	—	91,375,490
Investment return	24,033,953	—	24,033,953
Government grants	2,863,602	76,141	2,939,743
Private gifts and grants	6,569,745	568,925	7,138,670
Intercollegiate athletics and other sources	2,448,556	—	2,448,556
Auxiliaries enterprises	2,282,271	—	2,282,271
Net assets released from restrictions	8,363,449	(8,363,449)	—
Total revenue	137,937,066	(7,718,383)	130,218,683
Expenses:			
Instructional and departmental research	47,943,152	—	47,943,152
Sponsored research programs	478,595	—	478,595
Academic support	13,013,584	—	13,013,584
Student services	9,963,191	—	9,963,191
Institutional support	27,275,565	—	27,275,565
Auxiliaries operations	21,969,945	—	21,969,945
Intercollegiate athletics and other	9,858,246	—	9,858,246
Total expenses	130,502,278	—	130,502,278
Increase (decrease) in net assets from operating activities	7,434,788	(7,718,383)	(283,595)
Endowment and other net assets:			
Investment return	5,940,659	12,068,986	18,009,645
Endowment gains used to meet spending policy	(5,625,813)	(14,336,815)	(19,962,628)
Private gifts and grants	521,620	45,167,139	45,688,759
Accrued postretirement benefits and other	(971,847)	—	(971,847)
Net assets released from restrictions	115,767	(115,767)	—
Increase (decrease) in endowment and other net assets	(19,614)	42,783,543	42,763,929
Increase in net assets	7,415,174	35,065,160	42,480,334
Net assets at beginning of year	244,344,308	407,767,885	652,112,193
Net assets at end of year	$ 251,759,482	442,833,045	694,592,527

See accompanying notes to financial statements.

UNION COLLEGE

Statements of Cash Flows

Years ended June 30, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Increase in net assets	$ 112,060,130	42,480,334
Adjustments to reconcile increase in net assets to net cash used in operating activities:		
Depreciation, amortization of right-of-use assets and change in asset retirement obligations	11,376,924	10,303,336
Realized gains and change in unrealized appreciation from investments and deposits with bond trustees, net	(126,842,509)	(17,925,200)
Change in gifts of securities	(2,673,947)	122,100
Change in present value of pooled life income annuities payable	(194,978)	(43,784)
Contributions for endowment or long-lived assets	(20,962,162)	(13,145,273)
Loss on disposal of equipment	—	6,071
Amortization of discount/premium of long-term debt, net	(313,515)	(326,245)
Changes in assets and liabilities:		
Accounts receivable	452,996	2,135,984
Pledges receivable, net	8,975,750	(32,845,442)
Irrevocable trusts	1,534,299	29,255
Other assets	(220,657)	(681,819)
Accounts payable and accrued expenses	9,852,195	(776,951)
Deposits and advances	259,872	849,266
Accrued postretirement benefits	(81,320)	(510,773)
Other liabilities	(169,935)	—
Net cash used in operating activities	(6,946,857)	(10,329,141)
Cash flows from investing activities:		
Purchases of investments	(407,627,957)	(209,770,738)
Proceeds from the sales and maturities of investments	418,630,039	235,817,467
Change in deposits with bond trustees	27,989	2,530,712
Purchases of land, buildings, and equipment	(12,260,376)	(28,179,757)
Student loans issued	(978,156)	(1,309,910)
Proceeds from collections of student loans	923,866	954,876
Net cash (used in) provided by investing activities	(1,284,595)	42,650
Cash flows from financing activities:		
Decrease in federal student loan funds	(275,640)	(500,804)
Payments of long-term debt	(5,430,000)	(2,316,314)
Contributions for:		
Investment in endowment	14,867,683	5,200,323
Investment in long-lived assets	5,860,391	7,897,197
Investment in life income and charitable gift annuity agreements	234,088	47,753
Change in charitable gift annuities payable	111,359	(103,521)
Net cash provided by financing activities	15,367,881	10,224,634
Net increase (decrease) in cash and cash equivalents	7,136,429	(61,857)
Cash and cash equivalents, beginning of year	43,245,806	43,307,663
Cash and cash equivalents, end of year	$ 50,382,235	43,245,806
Supplemental data:		
Interest paid	$ 7,665,116	7,755,254
Noncash investing and financing activities:		
Change in construction costs payable	$ (374,860)	(2,319,379)
Change in receivable for investments sold	418,267	(10,002,375)
Right-of-use assets obtained in exchange for operating lease obligations	499,628	—

See accompanying notes to financial statements.

(1) Summary of Significant Accounting Policies

(a) Organization

Union College (the College) was founded in 1795 and is a coeducational, independent, liberal arts and engineering college located in Schenectady, New York. The College is a scholarly community dedicated to shaping the future and to understanding the past. Faculty, staff and administrators welcome diverse and talented students into the community, work closely with them to provide a broad and deep education, and guide them in finding and cultivating their passions. The College does this with a wide range of disciplines and interdisciplinary programs in Liberal Arts and Engineering, as well as academic, athletic, cultural, and social activities, including opportunities to study abroad and to participate in undergraduate research and community service. The College develops in its students the analytic and reflective abilities needed to become engaged, innovative, and ethical contributors to an increasingly diverse, global and technologically complex society.

(b) Basis of Presentation

The financial statements of the College have been prepared on the accrual basis of accounting and in accordance with U.S. generally accepted accounting principles (GAAP). Accordingly, net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Net assets having similar characteristics have been classified into the following categories:

- With donor restrictions – Net assets whose use by the College is subject to donor-imposed or legal stipulations that can be fulfilled by actions of the College pursuant to those stipulations or that expire with the passage of time and those required to be maintained in perpetuity or until prudently appropriated by the Board of Trustees of the College in accordance with New York State law. Generally, the donors of these assets permit the College to use all or part of the investment return on these assets to support program activities, principally financial aid and instruction.
- Without donor restrictions – Net assets that are not subject to donor-imposed stipulations. Net assets without donor restrictions may be designated for specific purposes by action of the College's Board of Trustees or may otherwise be limited by contractual agreements with outside parties.

Unconditional contributions are recognized as contributions receivable at their estimated net present value when pledged. Contributions and investment return with donor-imposed restrictions are reported as revenues and net assets with donor restrictions. Net assets with donor restrictions are reclassified to net assets without donor restrictions when the College satisfies the donor-imposed restriction. Contributions with donor restrictions and investment return received and expended for the restricted purpose in the same fiscal year are recorded in net assets without donor restrictions.

Expenses are reported as decreases in net assets without donor restrictions. Endowment net assets include donor-restricted net assets and certain board designated net assets. Endowment net asset activities include realized and unrealized gains on investments not used to support current operations, investment return in excess or deficit of the College's spending policy for the year, and additions to or changes in the value of split-interest arrangements and life income and endowment gifts.

The statement of activities reflects a subtotal for the increase (decrease) in net assets from operations. This subtotal reflects revenues the College received for operating purposes, including investment return used for operations, and all expenses. Changes in endowment and other net assets reflects all other activity, including, but not limited to, the investment return in excess of the amount appropriated under the Board of Trustees' approved spending formula and contributions for endowment and plant purposes.

(c) Risks and Uncertainties – COVID-19 Pandemic

In March 2020, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. As a result, the College's campus closed in March 2020, and education during the spring 2020 trimester was delivered through a remote learning environment. The College refunded room and board charges for the spring 2020 trimester.

To address the potential impacts on revenues and incremental costs required as a result of COVID-19, the College took proactive budget actions in fiscal year 2021, including salary freezes, certain operating and personnel budget reductions, and the temporary pause of retirement contributions, which have since been restored for fiscal year 2021, as described in note 9.

Although students and employees returned to campus beginning in the fall of 2020, COVID-19 may continue to impact various parts of the College's operations and financial results, including, but not limited to, fluctuations in enrollment, loss of auxiliary revenues, negative impacts to international and other programs that require travel, and cost increases related to technology and health and safety services and supplies. Other adverse consequences of COVID-19 may include impacts to financial markets and philanthropic donations. Management believes the College is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events are still developing.

(d) Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Significant items subject to such estimates and assumptions include the fair value of investments, valuation allowances for receivables and the accrual for postretirement benefits. These estimates and assumptions are based on management's best estimates and judgment. Management evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors, including the current economic environment, which management believes to be reasonable under the circumstances. Management adjusts such estimates and assumptions when facts and circumstances dictate. As future events and their effects cannot be determined with precision, actual results could differ significantly from these estimates. Changes in those estimates resulting from continuing changes in the economic environment will be reflected in the financial statements in future periods.

(e) Cash and Cash Equivalents

Cash and cash equivalents, representing operating funds, include investments with an original maturity of three months or less, unless they are part of deposits with bond trustees or the endowment.

(Continued)

(f) Investments

Investments are reported in the financial statements at fair value. Investment return includes interest income and dividends and net realized and unrealized gains (losses). The fair value of fixed income and publicly traded equity securities is based upon quoted market prices obtained from active markets, or observable prices that are based on inputs not in quoted markets, but corroborated by market data, as applicable. Shares in mutual funds are based on share values reported by the funds as of the last business day of the fiscal year. Limited partnership interests, private equity and venture capital, as well as other nonmarketable investments, including hedge funds, for which a readily determinable fair value does not exist, are carried at net asset value or its equivalent (NAV) provided by the investment managers. Such alternative investment funds may hold securities or other financial instruments for which an active market exists and are priced accordingly. In addition, such funds may hold assets that require the estimation of fair values in the absence of readily determinable market values. Such valuations are determined by fund managers and consider variables such as financial performance of investments, including comparison of comparable companies' earnings multiples, cash flows analysis, recent sales prices of investments, and other pertinent information and may reflect discounts for the illiquid nature of certain investments held. Because of the inherent uncertainty of valuation for these investments, the investment manager's estimate may differ from the values that would have been used had an active market existed.

The College utilizes the NAV reported by the managers of each of the alternative investment funds as a practical expedient for estimating the fair value of each investment. These investments are redeemable at NAV under the original terms of the subscription agreements and operations of the underlying funds. However, it is possible that these redemption rights may be restricted or eliminated by the funds in the future in accordance with the underlying fund agreements. Due to the nature of the investments held by these funds, changes in market conditions and the economic environment may significantly impact the NAV of the funds and, consequently, the fair value of the College's interests in the funds. Changes to the liquidity provisions of the funds may also significantly impact the fair value of the College's interest in the funds. Additionally, although certain investments may be sold in a secondary market transaction, subject to meeting certain requirements of the governing documents of the funds, the secondary market is not active and individual transactions are not necessarily observable. It is therefore reasonably possible that if the College were to sell a fund in the secondary market, the sale could occur at an amount different from the reported value, and the difference could be material.

Investment securities are exposed to various risks, such as interest rate, market, and credit risks. The Investment Committee of the College's Board of Trustees continually monitors investment market conditions and the impact on the College's investment portfolio. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position.

(g) Irrevocable Trusts

Several donors have established irrevocable trusts whereby the College is a beneficiary, but not the trustee. The present value of the portion of the trusts estimated to be distributable to the College upon the termination of the trusts is recorded as an asset of the College.

(Continued)

(h) Land, Buildings, and Equipment, Net

Land, buildings, and equipment are recorded at cost, including interest on funds borrowed to finance construction, at the date of acquisition or estimated fair value at the date of donation. The College's policy is to capitalize assets of $2,000 and over. Depreciation is recorded using the straight-line method with estimated useful lives used in the calculation of depreciation by major category of assets are as follows:

Buildings and building improvements	40 years
Equipment:	
Furniture and other improvements	10 years
Vehicles	7 years
Computer equipment	3 years
Library books	10 years

(i) Deposits and Advances

Deposits and advances include student fees related to the College's summer session and other unearned revenue. These amounts are recognized as revenue as the services are provided to the students, generally in the following fiscal year.

At June 30, 2021, other unearned revenue includes $1,520,000 of amounts drawn as part of a government grant that will be recognized as revenue once the College meets the conditions associated with the grant.

(j) Federal Student Loan Funds

This liability represents Perkins Loan funds provided to students by the federal government through the College. The College is required to collect the loans on behalf of the federal government. The amount due from the students is reported in the College's financial statements as a component of notes receivable.

(k) Pooled Life Income and Charitable Gift Annuities Payable

The liability for the present value of the deferred gifts is based upon estimates of the life expectancy of donors and beneficiaries and discount rates. Circumstances affecting these estimates can change the estimate of the liability in future periods. The total amount representing Charitable Gift Annuity Payable at June 30, 2021 and 2020 was $3,849,074 and $3,737,715, respectively.

(l) Revenue Recognition

Tuition, fees, room and board revenue is recognized as services are provided over the academic term to which it relates. These amounts are presented net of financial aid. Revenue from other exchange transactions, generally presented as auxiliaries enterprises on the accompanying statements of activities, is recognized as revenue when goods or services are provided to customers, includes dining services that are not part of student contracts with the College, bookstore, and ice hockey rink.

Revenue from tuition, fees, student housing, and student meal plans is determined based on published rates, and is billed and reported in the statement of activities net of institutional aid. The components of tuition, fees, room and board, net of financial aid include:

		2021	2020
Tuition and fees	$	118,545,415	123,892,110
Room and board		21,590,589	19,077,392
Gross student charges		140,136,004	142,969,502
Less scholarships		(53,553,085)	(51,594,012)
Net student charges	$	86,582,919	91,375,490

Unconditional contributions, including unconditional promises to give, are recognized at fair value as revenue within the appropriate net asset category when the donors' commitments are received. Conditional contributions or promises are recorded when donor-imposed stipulations have been substantially met. Conversely, unconditional contributions made by the College, including unconditional promises to give, are recognized as expenses in the period in which the commitments are made.

Sponsored activities include various research and instructional programs funded by external parties including the federal government, state governments, and private foundations. Sponsored activities revenue related to exchange contracts is recognized as the College fulfills the terms of the agreements, which generally span less than five years, and sponsored activities revenue related to nonexchange contracts is recognized as the related costs are incurred.

During the years ended June 30, 2021 and 2020, the College received funds under the Higher Education Emergency Relief Fund (HEERF), which was established as part of the Coronavirus Aid, Relief, and Economic Security (CARES) Act in March 2020, and received additional funding from the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA) in December 2020 and the American Rescue Plan Act (ARPA) in March 2021. The HEERF grant program provides financial aid to students and higher education institutions to offset the loss of revenue and increased expenses as a result of the COVID-19 pandemic. All HEERF allocations have a student aid portion and an institutional portion and contain minimum student aid spending requirements. The grants are considered conditional contributions with a right of return and barriers to entitlement. The College provided emergency financial aid grants to students of approximately $590,000 and $570,000 for the years ended June 30, 2021 and 2020, respectively. In addition, approximately $1,120,000 and $570,000 of HEERF funds were used to offset the loss of auxiliary revenues and provide reimbursement for room and board refunds to students for the spring 2020 term for the years ended June 30, 2021 and 2020, respectively. The total of these student aid and institutional funds are recognized as revenue under Government grants on the statements of activities.

(m) Leases

The College is committed to minimum annual rent payments under several long term non cancellable operating leases for laundry, vehicles, and other equipment through fiscal year 2024, with a weighted average remaining lease term of 2.8 years as of June 30, 2021.

Right-of-use assets represent the College's right to use an underlying asset for the lease term. Lease obligations represent the College's liability to make lease payments arising from the lease. Operating lease right-of-use assets and related obligations are recognized at commencement date based on the present value of lease payments over the lease term discounted using an appropriate incremental borrowing rate (weighted average discount rate of 4.50% for the year ended June 30, 2021). The incremental borrowing rate is based on the information available at commencement date in determining the present value of lease payments. The value of an option to extend or terminate a lease is reflected to the extent it is reasonably certain management will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. As of June 30, 2021, right-of-use assets and operating lease obligations of $321,683 and $329,693 are included in Other assets and Other liabilities, respectively, in the statement of financial position.

(n) Tax Status

The College is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code and is generally exempt from income tax on related income. The College recognizes the effect of income tax positions only if those positions are more likely than not of being sustained by the relevant tax authority. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. The College believes it has taken no significant uncertain tax positions.

(o) Commitments and Contingencies

Liabilities for loss contingencies arising from claims, assessments, litigation, and other sources are recorded when it is possible that a liability has been incurred and the amount can be reasonably estimated. Legal costs associated with loss contingencies are expensed as incurred.

The College is subject to legal proceedings and claims that arise in the ordinary course of its business. In the opinion of management, the amount of any ultimate liability with respect to those actions will not materially affect the College's financial statements.

The College recognizes a liability for the fair value of conditional asset retirement obligations if their fair values can be reasonably estimated. This liability is initially recorded as an increase to the associated asset and depreciated over the remaining useful life of the asset. The College has identified asbestos abatement as a conditional asset retirement obligation. Asbestos abatement costs are estimated using a per square foot estimate for each impacted location. As of June 30, 2021 and 2020, the College has recorded a liability of $519,540 and $527,540, respectively, representing the estimated present value of these conditional asset retirement obligations, which is included in Other liabilities in the Statements of Financial Position.

Other conditional asset retirement obligations may exist that are not estimable until a triggering event occurs (e.g., building sold) due to the absence of a range of potential settlement dates. Presently, the College does not have sufficient information to estimate the fair value of these obligations but does not believe these items are material to the College's financial statements.

(Continued)

(p) Recent Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*, which requires, among other things, a lessee to recognize a right-of-use asset representing an entity's right to use the underlying asset for the lease term and a liability for lease payments on the statement of financial position, regardless of classification of a lease as an operating or finance lease. Additionally, in July 2018, the FASB issued ASU 2018-11, *Leases (Topic 842) – Targeted Improvements,* which, among other things, provides an additional transition method that would allow entities to not apply the guidance in ASU 2016-02 in the comparative periods presented in the financial statements and instead recognize a cumulative-effect adjustment to the opening balance of net assets in the period of adoption. As permitted by the ASU, for leases with a term of twelve months or less as a lessee, the College has elected not to recognize lease assets and liabilities and account for the lease similar to existing guidance for operating leases. The College also elected the package of practical expedients under the new standard, which permits entities to not reassess lease classification, lease identification or initial direct costs for existing or expired leases prior to the effective date. The College elected to adopt the transition relief provisions from ASU 2018-11 and recorded the impact of adoption as of July 1, 2020, without restating any prior-year amounts or disclosures. Right-of-use assets and related lease obligations of approximately $500,000 were recognized as of July 1, 2020. There was no cumulative effect adjustment to the opening balance of net assets required. The guidance did not materially impact the College's results of operations.

(q) Reclassifications

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

(2) Financial Assets and Liquidity Resources

As of June 30, 2021 and 2020, financial assets and liquidity resources available within one year for general expenditures, including operating expenses, scheduled principal payments on debt, and capital construction expenditures not financed with debt, include the below:

		2021	2020
Financial assets:			
Cash and cash equivalents	$	50,382,235	43,245,806
Notes and accounts receivable, net		4,001,924	4,396,000
Pledges receivable, net, undesignated and collectible within one year		1,492,019	1,468,600
Subsequent year board approved endowment appropriation		27,027,000	25,346,000
Total financial assets available within one year	$	82,903,178	74,456,406

The College's working capital and cash flows have seasonal variations due to the timing of student billing as well as a concentration of contributions received at calendar and fiscal year end. To manage liquidity, the College operates with a balanced budget on a cash flow basis in accordance with policies approved by the Board of Trustees. In addition to the liquidity resources stated in the above table, the College also has a revolving line of credit of $25 million for working capital needs.

Additionally, as of June 30, 2021, the College has $181,076,251 in quasi endowment which can be made available for general expenditure with approval from the Board of Trustees, subject to investment liquidity provisions. The College also anticipates collection of approximately $15,500,000 of amounts currently included in pledges receivable within the next year, which are restricted by the donors for construction projects and endowment.

(3) Pledges Receivable, Net

Pledges receivable are expected to be collected as follows at June 30:

		2021	2020
Within one year	$	18,076,912	18,064,125
Between one year and five years		30,521,416	31,163,273
Greater than five years		16,798,766	26,309,766
		65,397,094	75,537,164
Less:			
Present value discount (0.29%–4.92%)		1,420,336	2,491,200
Allowance for doubtful pledges		1,086,520	1,179,976
	$	62,890,238	71,865,988

(4) Notes and Accounts Receivable, Net

The College extends credit, primarily to students, in the form of notes and accounts receivable for educational expenses. Notes receivable for student loans are expected to be collected within 10 years and interest rates average approximately 6%.

Notes receivable are recorded at their current unpaid principal balance and associated interest income is accrued based on the principal amount outstanding and applicable interest rates. An allowance for doubtful accounts is recorded, which represents the amount which, in the opinion of management of the College, is necessary to account for probable losses related to current notes receivable. This allowance is determined based upon numerous considerations, including economic conditions, the specific composition of the notes receivable balance, as well as trends of delinquencies and write-offs. On a periodic basis, these factors are considered and the allowance for doubtful accounts is adjusted accordingly with a corresponding adjustment to the provision for allowance for doubtful notes and accounts receivable.

Notes and accounts receivable consist of the following at June 30:

		2021	2020
Notes receivable	$	7,979,203	7,963,451
Accounts receivable		3,297,984	3,762,098
		11,277,187	11,725,549
Less allowance for doubtful accounts		1,904,078	1,953,734
	$	9,373,109	9,771,815

(5) Investments and Fair Value

(a) Basis of Reporting

Investments include endowment, charitable gift annuities, pooled life income funds, and unrestricted operating investments. Investments are reported at estimated fair value.

Fair value represents the price that would be received upon the sale of an asset or paid upon the transfer of a liability in an orderly transaction between market participants as of the measurement date. Except for investments reported at NAV as a practical expedient to estimate fair value, the College uses a three-tiered hierarchy to categorize those assets and liabilities carried at fair value based on the valuation methodologies employed. Financial instruments measured and reported at fair value are classified and disclosed in one of the following categories:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the College has the ability to access at the measurement date.
- Level 2 inputs are observable prices that are based on inputs not quoted in active markets, but corroborated by market data.
- Level 3 inputs are unobservable inputs that are used when little or no market data is available.

The level in the fair value hierarchy within which a fair measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

Receivable for investments represents amounts receivable from unsettled sales and is classified as Level 1 in the fair value hierarchy.

The College's investments as of June 30, 2021, are summarized in the following table:

	Total	Level 1	Level 2	Redemption frequency	Days' notice
Investments measured at fair value:					
Short-term investments	$ 41,632,542	41,632,542	—	Daily	1
Common stocks and mutual funds	51,565,324	51,565,324	—	Daily	4
Fixed income – bonds	9,694,757	9,694,757	—	Daily	1
Mortgages and other	92,387	—	92,387	Daily	1
Real assets	11,027,938	11,027,938	—	Daily	1
Assets held in beneficial trust	4,946,017	4,542,138	403,879	Illiquid	N/A
Total investments at fair value	118,958,965	$ 118,462,699	496,266		
Investments measured at NAV:					
Commingled funds:					
International equities	55,043,212			Monthly – Quarterly	10–60
Global equities	100,543,175			Monthly – Rolling 3 Years	7–60
Private equity and venture capital	96,208,258			Illiquid	N/A
Multistrategy funds	23,270,943			Annual – Illiquid	45–N/A
Hedged equity funds	105,366,544			Monthly – Illiquid	60–N/A
Emerging markets funds	44,242,963			Monthly – Quarterly	60
Distressed debt	27,267,951			Semi Annual – Illiquid	60
Real assets	33,473,834			Illiquid	N/A
Total investments measured at NAV	485,416,880				
Total investments	$ 604,375,845				

The College's investments as of June 30, 2020, are summarized in the following table:

	Total	Level 1	Level 2	Redemption frequency	Days' notice
Investments measured at fair value:					
Short-term investments	$ 54,413,346	54,413,346	—	Daily	1
Common stocks and mutual funds	41,818,832	41,818,832	—	Daily	4
Fixed income – bonds	9,163,180	9,163,180	—	Daily	1
Mortgages and other	1,064,549	—	1,064,549	Daily	1
Real assets	7,347,883	7,347,883	—	Daily	1
Assets held in beneficial trust	4,388,849	3,987,240	401,609	Illiquid	N/A
Total investments at fair value	118,196,639	$ 116,730,481	1,466,158		
Investments measured at NAV:					
Commingled funds:					
U.S. equities	15,580,116			Quarterly	90
International equities	46,022,221			Monthly – Quarterly	10–60
Global equities	45,994,722			Annual rolling – 3 years	45–60
Private equity and venture capital	60,342,246			Illiquid	N/A
Multistrategy funds	23,101,137			Annual – Illiquid	45–N/A
Hedged equity funds	81,994,095			Monthly – Illiquid	60–N/A
Emerging markets funds	42,877,260			Monthly – Quarterly	60
Distressed debt	24,126,158			Semi Annual – Illiquid	60
Real assets	28,045,144			Illiquid	N/A
Total investments measured at NAV	368,083,099				
Total investments	$ 486,279,738				

(b) *Liquidity and Commitments*

The limitations and restrictions on the College's ability to redeem or sell these investments vary by investment and range from required notice periods (generally 30 to 180 days after initial lock-up periods) for certain limited partnership and hedge funds, to specified terms at inception (generally 10 years) associated with private equity and venture capital interests.

Based upon the terms and conditions in effect at June 30, 2021, the College's investment funds can be redeemed or sold as follows:

Investments redemption period:		
Daily	$	114,012,948
Monthly		99,404,723
Quarterly		138,817,501
Semi-annual		27,267,951
Annual		4,134,212
1 year		68,441,842
3 years		17,565,016
Locked-up until liquidated		134,731,652
Total	$	604,375,845

Investment funds that are in the locked-up until liquidated category are primarily related to private equity and venture capital investments. The period of time until liquidation is not necessarily determinable by management, as liquidation terms are at the discretion of the applicable fund's investment manager subject to market conditions and the underlying complexities of the individual investments. These liquidity restrictions have been in effect since the initial purchase of the applicable funds, which date back as far as 2002.

Under the terms of certain limited partnership agreements, the College is obligated periodically to advance additional funding for certain funds that the College is invested in. At June 30, 2021, the College had commitments of approximately $55,319,000, due through June 2029, for which capital calls had not been exercised. Such commitments generally have fixed expiration dates or other termination clauses. The College maintains sufficient liquidity in its investment portfolio to cover such calls.

(c) Investment Return

The College utilizes an endowment spending policy that emphasizes total return. Total return consists of current yield (primarily interest and dividends) as well as the realized and unrealized gains and losses of pooled investments. The College's Board of Trustees designates a portion of the College's total investment return for support of current operations; the remainder is retained to support operations of future years and to offset potential market declines. The pooled endowment total return for the years ended June 30, 2021 and 2020, was approximately 29.0% and 5.1%, respectively.

The following schedule summarizes the investment return and its classification in the statements of activities:

		2021	2020
Interest income and dividends, net of fees	$	3,119,681	4,071,325
Net realized and unrealized gains		126,842,509	18,009,645
Total return on investments		129,962,190	22,080,970
Investment return designated for current operations		25,312,455	24,033,953
Investment return net of amounts designated for current operations	$	104,649,735	(1,952,983)

(6) Endowment

The College's endowment and similar funds consist of gifts restricted by donors, net assets without donor restrictions designated by management and the Board of Trustees for long-term support of the College's activities, and the accumulated investment return on these gifts and designated assets. Accumulated investment return consists of total endowment net investment return that has not been appropriated by the Board of Trustees for expenditure to support the operating activities of the College. Generally, only a portion of accumulated net investment return is made available for spending each year in accordance with an endowment utilization policy approved by the Board of Trustees and in accordance with the laws of the State of New York.

College designated endowment funds are net assets without donor restrictions that may be re-designated for authorized expenditures. At June 30, 2021 and 2020, endowment and similar funds balances are approximately $598,700,000 and $478,000,000, respectively, which includes pooled endowment net assets of approximately $568,200,000 and $450,900,000, respectively.

The College follows the New York Uniform Prudent Management of Institutional Funds Act (NYPMIFA) in the management of its endowment. The College has interpreted NYPMIFA as allowing the College to spend or accumulate the amount of an endowment fund that the College determines is prudent for the uses, benefits, purposes, and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift instrument. The College classifies as net assets with donor restrictions (a) the original values of gifts donated to permanent endowments, (b) the original values of subsequent gifts to permanent endowments, (c) accumulations to permanent endowments made in accordance with the directions of the applicable donors' gift instruments at the times the accumulations are added to the funds, and (d) unspent endowment earnings until those amounts are appropriated for spending by the College's Board of Trustees in a manner consistent with the standard of prudence prescribed by NYPMIFA.

In accordance with NYPMIFA, the Investment Committee of the College's Board of Trustees considers the following factors in making a determination to appropriate or accumulate endowment funds:

- The duration and preservation of the fund
- The purposes of the College and the endowment fund

- General economic conditions
- The expected total return from income and the appreciation of investments
- Other resources of the College
- Where appropriate and where circumstances would otherwise warrant, alternatives to expenditure of and endowment fund, giving due consideration to the effect that such alternatives may have on the College
- The investment policies of the College

Total endowment net assets are classified as follows at June 30:

	2021		
	Without donor restrictions	**With donor restrictions**	**Total**
Donor restricted	$ —	417,670,041	417,670,041
Board designated	181,076,251	—	181,076,251
Total	$ 181,076,251	417,670,041	598,746,292

	2020		
	Without donor restrictions	**With donor restrictions**	**Total**
Donor restricted	$ —	333,888,176	333,888,176
Board designated	144,131,550	—	144,131,550
Total	$ 144,131,550	333,888,176	478,019,726

(Continued)

The following is a summary of the changes in endowment net assets for the year ended June 30, 2021:

		Without donor restrictions	With donor restrictions	Total
Pooled endowment net assets, June 30, 2020	$	135,018,339	315,926,774	450,945,113
Gifts and other additions:				
Contributions (excluding pledges)		703,846	14,163,837	14,867,683
Transfers from other funds		2,670,098	27,263	2,697,361
Subtotal		3,373,944	14,191,100	17,565,044
Investment income:				
Interest and dividends		2,315,057	—	2,315,057
Net realized and unrealized gains		34,698,630	87,178,887	121,877,517
Subtotal		37,013,687	87,178,887	124,192,574
Income distributed for operating purposes:				
Cash and accrued interest and dividends		2,315,057	—	2,315,057
Gains used to meet endowment spending		5,408,686	16,784,088	22,192,774
Subtotal		7,723,743	16,784,088	24,507,831
Pooled endowment net assets, June 30, 2021		167,682,227	400,512,673	568,194,900
Other endowment and similar net assets, June 30, 2020		9,113,211	17,961,402	27,074,613
Investment income:				
Interest and dividends		110,855	—	110,855
Net realized and unrealized gains		4,854,137	—	4,854,137
Subtotal		4,964,992	—	4,964,992
Contributions (excluding pledges)		—	234,088	234,088
Actuarial adjustments		(260,275)	—	(260,275)
Expired contracts		—	(1,038,122)	(1,038,122)
Other changes		(423,904)	—	(423,904)
Other endowment and similar net assets, June 30, 2021		13,394,024	17,157,368	30,551,392
Total endowment and similar net assets, June 30, 2021	$	181,076,251	417,670,041	598,746,292

The following is a summary of the changes in endowment net assets for the year ended June 30, 2020:

	Without donor restrictions	With donor restrictions	Total
Pooled endowment net assets, June 30, 2019	$ 129,659,547	313,515,900	443,175,447
Gifts and other additions:			
Contributions (excluding pledges)	521,620	4,678,703	5,200,323
Transfers from other funds	4,363,800	—	4,363,800
Subtotal	4,885,420	4,678,703	9,564,123
Investment income:			
Interest and dividends	2,623,833	—	2,623,833
Net realized and unrealized gains	6,099,185	12,068,986	18,168,171
Subtotal	8,723,018	12,068,986	20,792,004
Income distributed for operating purposes:			
Cash and accrued interest and dividends	2,623,833	—	2,623,833
Gains used to meet endowment spending	5,625,813	14,336,815	19,962,628
Subtotal	8,249,646	14,336,815	22,586,461
Pooled endowment net assets, June 30, 2020	135,018,339	315,926,774	450,945,113
Other endowment and similar net assets, June 30, 2019	8,919,870	18,213,799	27,133,669
Investment income:			
Interest and dividends	192,605	—	192,605
Net realized and unrealized losses	(596,006)	—	(596,006)
Subtotal	(403,401)	—	(403,401)
Contributions (excluding pledges)	—	47,753	47,753
Actuarial adjustments	244,875	—	244,875
Other changes	351,867	(300,150)	51,717
Other endowment and similar net assets, June 30, 2020	9,113,211	17,961,402	27,074,613
Total endowment and similar net assets, June 30, 2020	$ 144,131,550	333,888,176	478,019,726

(a) Spending Policy

The College has a policy of appropriating for distribution to the budget each year a percentage of its pooled endowment based on the three-year average market value as of June 30, with a one-year lag. For the year ended June 30, 2021, the three fiscal years used in the calculation are the fiscal years ended June 30, 2017, 2018, and 2019. For the year ended June 30, 2020, the three fiscal years used in the calculation are the fiscal years ended June 30, 2016, 2017, and 2018.

The total pooled endowment spending was 5.8% and 5.7% for the fiscal years ended June 30, 2021 and 2020, respectively.

(b) Return Objectives and Risk Parameters

Investment objectives focus on generating a return sufficient to cover the spending rate, inflation, and the preservation of the purchasing power of the endowment while minimizing investment risk in the portfolio. The College is committed to a long-term investment policy that is based on balancing principles of strong growth over time, diversity of the portfolio, liquidity for the annual draw, and benchmarking against market indices and appropriate peer schools. Growth in the endowment depends on contributions to the endowment from capital campaigns, the success of investment management, and the rate at which income is withdrawn from the endowment in support of the College's operating budget. The Investment Committee of the College's Board of Trustees meets quarterly to discuss various issues such as investment performance, market outlook, and liquidity needs.

(c) Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the value of the initial and subsequent donor gift amounts (underwater). When underwater endowment funds exist, they are classified as a reduction of net assets with donor restrictions. Deficiencies of this nature exist in nine donor-restricted endowment funds, which together have an original gift value of approximately $2,828,000, a current fair value of $2,586,000 and a deficiency of $242,000 as of June 30, 2021. As of June 30, 2020, deficiencies of this nature existed in 88 donor restricted endowment funds, which together have an original gift value of approximately $22,087,000, a current fair value of $20,041,000, and a deficiency of $2,046,000. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new contributions for donor-restricted endowment funds and continued appropriation for certain programs for which donor permission was received as required by NYPMIFA and as was deemed prudent by the Board of Trustees.

For funds that are underwater, the gap between the current income and the spending formula is covered through appropriations from other board designated endowments and accumulated realized gains on these board designated endowments or other funds without donor restrictions.

(Continued)

(7) Land, Buildings, and Equipment

The following is a summary of land, buildings, and equipment at June 30:

	2021	2020
Land	$ 101	101
Buildings	167,912,643	167,912,643
Improvements	236,188,248	138,327,781
Equipment	107,708,633	104,137,440
Library books	41,720,040	41,627,226
Construction in progress	2,715,065	92,627,785
	556,244,730	544,632,976
Less accumulated depreciation	(285,205,855)	(274,272,638)
	$ 271,038,875	270,360,338

Capitalized interest was $2,092,833 and $3,200,756 during the years ended June 30, 2021 and 2020, respectively. Depreciation expense was $11,206,979 and $10,303,336 for the years ended June 30, 2021 and 2020, respectively. For the years ended June 30, 2021 and 2020, fixed assets (original cost) disposed were $273,762 and $160,222, respectively, resulting in losses on disposal of $0 and $6,071, respectively.

A majority of construction in progress at June 30, 2020 relates to the renovation of the Science and Engineering Center which was placed in service during fiscal year 2021.

At June 30, 2021, the College has outstanding contracts totaling approximately $3,000,000 related to several projects expected to be completed within the next year.

(8) Long-Term Debt

The following is a summary of long-term debt, including associated premiums, discounts, and deferred costs of issuance:

	Maturity date	Interest rate		Outstanding at June 30 2021	2020
2012A Issue – Refunding Revenue Bond	2032	Fixed at 3.82%	$	17,669,921	19,011,734
2013 Taxable Bonds – M&T Trust Company	2043	Fixed at 5.642%		39,253,632	39,203,354
2015 Taxable Bonds – M&T Trust Company	2036	Fixed at 4.877%		10,067,248	10,057,398
2015A Taxable Bonds – M&T Trust Company	2032	Fixed at 3.95%		23,724,652	24,787,802
2017 Tax-exempt Bond – M&T Trust Company	2047	Fixed at 5.00%		69,000,695	72,399,375
Total debt			$	159,716,148	165,459,663

Interest expense on long-term debt was $5,517,467 and $4,409,450 for 2021 and 2020.

Proceeds of long-term debt have been used by the College to primarily finance building and construction programs. The College is required to maintain various reserve accounts in conjunction with the debt agreements that are reported as deposits with bond trustees on the statements of financial position. Deposits with bond trustees are classified as Level 1 in the fair value hierarchy. Certain debt is collateralized by municipal bond insurance.

In April 2012, the College borrowed $21,640,000 through the Schenectady County Capital Resource Corporation, utilizing a tax-exempt revenue bond. The debt was used to refinance amounts outstanding on prior debt issues. The final maturity of the bond will be July 1, 2032, subject to the College's optional redemption on June 1, 2022.

In November 2013, the College borrowed $40,410,000 through taxable financing, with JPMorgan acting as the underwriter. The debt was used for the project costs of various building renovation/construction projects. The final maturity of the bond will be November 15, 2043 with a balloon payment due.

In June 2015, the College borrowed $10,215,000 through taxable financing, with JPMorgan acting as the underwriter. The debt was used for the project costs of various building renovation/construction projects. The final maturity of the bond will be July 1, 2035 with a balloon payment due.

In October 2015, the College borrowed $28,325,000 through taxable financing, with JP Morgan Chase acting as the underwriter. The debt was used to refinance amounts outstanding on prior debt issue. The final maturity of the bond will be July 1, 2031.

In April 2017, the College borrowed $74,702,514 through the Schenectady County Capital Resource Corporation, utilizing a tax-exempt revenue bond. $50,000,000 of the debt will be used toward the financing of the renovation/construction of the Science and Engineering Center. $15,300,000 was used to refund the Series 2010 bonds. The remaining amount of the debt proceeds was used to fund the Capitalized Interest Fund in the amount of $7,900,000, as well as costs of issuance. The final maturity of the bond will be January 1, 2047. The bonds were issued at a premium of approximately $10,000,000.

Principal payments and maturities of long-term debt at June 30, 2021 are summarized as follows:

Year ending June 30:		
2022	$	5,525,000
2023		5,635,000
2024		8,335,000
2025		7,735,000
2026		6,345,000
Thereafter		118,855,000
Principal maturities		152,430,000
Add unamortized bond premium		10,356,488
Less unamortized bond discounts		(1,034,606)
Less deferred cost of issuance		(2,035,734)
Total long-term debt	$	159,716,148

Lines of Credit

The College renewed a revolving line of credit in June 2021 in the amount of $25,000,000 with Bank of America, which expires on June 17, 2022. Each advance under the line of credit will carry one of two interest rates: a variable rate equal to the Bank of America prime rate or a fixed rate equal to the one-month LIBOR rate plus .75% (adjusted each month).

The College had an unsecured line of credit in the amount of $5,000,000 with Bank of America, which expired March 22, 2021. The College did not renew this line of credit.

(9) Benefit Plans

(a) Retirement Plan

The College has a defined contribution retirement plan under arrangements with Teachers' Insurance and Annuity Association and College Retirement Equities Fund (TIAA-CREF) and Fidelity, which provide for purchases of annuities and investments for all of its faculty members and nonacademic employees. The College traditionally contributes a specified percentage of each employee's salary to the plan. In response to COVID-19, the College initially suspended these contributions for the fiscal year 2021. However, the College decided to restore the fiscal year 2021 retirement contributions in full for impacted employees. As of June 30, 2021, approximately $4,791,000 related to these restored fiscal year 2021 retirement contributions are included in Accounts payable and accrued expenses in the statement of financial position. Contributions have been reinstated for fiscal year 2022.

The College's contribution expense under this plan was $5,937,052 and $5,515,558 for the years ended June 30, 2021 and 2020, respectively.

(b) Postretirement Healthcare Plan

The College has also elected to pay for a portion of healthcare benefits for retired employees based upon years of service at retirement date. The College recognizes the cost of healthcare benefits on an accrual basis over the working lifetime of employees.

The College provides health insurance benefits for eligible employees upon retirement and recognizes the overfunded or underfunded status of a defined benefit postretirement plan as an asset or liability and recognizes changes in that funded status in the year they occur. The College uses a June 30 measurement date for its postretirement healthcare plan (the Plan).

The Plan's funded status, amounts recognized, significant assumptions used, contributions made, and benefits paid as of and for the years ended June 30, 2021 and 2020 are as follows:

		2021	2020
Change in benefit obligations:			
Benefit obligation at beginning of year	$	9,274,385	9,785,158
Service cost		384,077	337,027
Interest cost		151,630	241,567
Actuarial loss		264,244	113,895
Benefits paid		(881,271)	(1,203,262)
Benefit obligation at end of year	$	9,193,065	9,274,385

There are no plan assets as of June 30, 2021 and 2020. All assets contributed to the plan were used to pay for benefits.

		2021	2020
Accrued benefit cost:			
Funded status	$	(9,193,065)	(9,274,385)
Weighted average assumptions as of June 30:			
Discount rate – benefit obligation		1.92 %	1.63 %
Discount rate – periodic postretirement benefit cost		1.63	2.78

For measurement purposes, a 6.3% annual rate of increase in the per capita cost of covered healthcare benefits was assumed for 2021. The rate was assumed to decrease to 5.8% for 2022, and then decrease gradually from 5.3% to 3.8% for 2023 and thereafter.

		2021	2020
Components of net periodic benefit cost:			
Service cost	$	384,077	337,027
Interest cost		151,630	241,567
Amortization of actuarial loss		210,816	93,865
Amortization of prior service credit		(344,973)	(354,373)
Net periodic postretirement benefit cost	$	401,550	318,086

Amounts recorded in net assets without donor restrictions as of June 30, 2021 and 2020, but not yet amortized as components of net periodic benefit costs are as follows:

		2021	2020
Unamortized prior service credit	$	1,100,465	1,445,438
Unamortized actuarial loss		(2,232,869)	(2,179,441)
Amount recognized as a decrease in net assets without donor restrictions	$	(1,132,404)	(734,003)

The amortization of the above items expected to be recognized in net periodic costs for the year ending June 30, 2021 is ($180,000).

Assumed healthcare cost trend rates may have a significant effect on the amounts reported for the healthcare plan. A one-percentage-point change in the healthcare trend rates would have the following effect on the postretirement benefit obligation at June 30, 2021:

		One-percentage-point	
		Increase	Decrease
Effect on total of service and interest cost components	$	23,949	(21,471)
Effect on postretirement benefit obligation		245,046	(224,264)

(Continued)

The following benefit payments, which reflect expected future service and the impact of the Medicare Part D subsidy, as appropriate, are expected to be paid:

	Postretirement benefit payments
2022	$ 854,284
2023	923,566
2024	952,126
2025	919,503
2026	873,336
2027–2031	3,723,760
Total	$ 8,246,575

(10) Net Assets

Net assets consist of the following at June 30:

	2021	2020
With donor restrictions:		
Pledges for instruction, scholarship, facilities, and other departmental support	$ 62,890,238	71,865,988
Capital projects	—	33,845,085
Pooled endowments	400,512,673	315,926,774
Life income and annuity agreements	2,769,270	2,833,447
Funds in trust and other nonpooled endowments	14,388,098	15,127,955
Annual restricted scholarships and other funds	6,051,668	3,233,796
Total	$ 486,611,947	442,833,045
Without donor restrictions:		
Operating, plant and other	$ 138,964,459	107,627,932
Quasi endowments	181,076,251	144,131,550
Total	$ 320,040,710	251,759,482

(11) Natural Expenses

Operating expenses presented by natural and functional classification are as follows for the fiscal years ended June 30:

	2021						
	Salaries and wages	Benefits	Supplies and services	Depreciation and amortization	Interest	Utilities, maintenance and other	Total
Instructional and departmental research	$ 26,649,693	10,403,888	5,161,096	2,851,632	1,330,142	2,046,170	48,442,621
Sponsored research programs	—	—	951,140	—	—	—	951,140
Academic support	3,973,137	1,708,462	3,241,983	628,880	658,879	2,048,186	12,259,527
Student services	4,507,341	1,595,578	2,028,672	731,935	308,417	323,138	9,495,081
Institutional support	12,363,007	4,709,019	9,491,697	1,603,646	392,298	1,542,257	30,101,924
Auxiliaries operations	4,801,525	1,822,304	7,805,429	4,355,476	2,538,614	1,985,035	23,308,383
Intercollegiate athletics and other	3,461,950	1,345,432	1,356,655	1,205,355	289,117	895,401	8,553,910
Total expenses	$ 55,756,653	21,584,683	30,036,672	11,376,924	5,517,467	8,840,187	133,112,586

	2020						
	Salaries and wages	Benefits	Supplies and services	Depreciation and amortization	Interest	Utilities, maintenance and other	Total
Instructional and departmental research	$ 27,693,437	10,336,541	5,361,953	2,561,763	396,611	1,592,847	47,943,152
Sponsored research programs	—	—	478,595	—	—	—	478,595
Academic support	4,263,606	1,586,357	5,598,889	564,466	646,300	353,966	13,013,584
Student services	4,641,196	1,619,104	2,461,138	688,991	316,785	235,977	9,963,191
Institutional support	12,418,868	4,695,759	7,530,677	1,439,387	288,260	902,614	27,275,565
Auxiliaries operations	4,668,024	1,736,829	6,961,081	3,966,837	2,501,578	2,135,596	21,969,945
Intercollegiate athletics and other	3,690,114	1,372,978	2,774,911	1,081,892	259,916	678,435	9,858,246
Total expenses	$ 57,375,245	21,347,568	31,167,244	10,303,336	4,409,450	5,899,435	130,502,278

Depreciation, operations and maintenance costs, interest expense, and employee benefits are allocated to the functional expense categories reported within the operating section of the statements of activities. Depreciation and operations and maintenance costs are allocated based upon the estimated use of facilities and equipment. Interest expense is allocated based on specific identification of the use of debt proceeds. Employee benefits are allocated in relation to salary expense.

Expenses associated with fundraising activities of the College were $3,566,339 and $5,253,689 in 2021 and 2020, respectively, and are included in institutional support. Costs incurred include expenses related to solicitation activities to obtain gifts and bequests, as well as special cultivation events that may result in contributions that will be received in future periods.

(12) Collections (unaudited)

The College’s collections are made up of approximately 36,000 objects and their estimated fair value is approximately $25,000,000 (unaudited). The College’s policy is not to capitalize its collections. The College’s collections comprise paintings and portraits, furniture, works on paper, scientific instrumentation, and other objects.

The College’s collections are held for educational, research, scientific, and curatorial purposes. Each of the items is catalogued, preserved, and cared for, and activities verifying their existence and assessing their condition are performed periodically. All proceeds resulting from the deaccession of objects from the permanent collection are allocated for the benefit of the collections. During the years ended June 30, 2021 and 2020, no objects were deaccessioned.

(13) Subsequent Events

For purposes of determining the effects of subsequent events on these financial statements, management has evaluated events subsequent to June 30, 2021 and through October 26, 2021, the date on which the financial statements were issued.