Report of Independent Auditors and Consolidated Financial Statements

Occidental College

June 30, 2023 and 2022

MOSSADAMS

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Report of Independent Auditors

The Board of Trustees
Occidental College

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of Occidental College, which comprise the consolidated statements of financial position as of June 30, 2023 and 2022, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Occidental College as of June 30, 2023 and 2022, and the changes in their net assets and their cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Occidental 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 consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, 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 consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Occidental College's ability to continue as a going concern within one year after the date that the consolidated financial statements are issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 Occidental 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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Occidental 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.

Other Matter

We have previously audited Occidental College's June 30, 2021, consolidated financial statements, and our report dated October 25, 2021, expressed an unmodified opinion on those audited consolidated financial statements. In our opinion, the summarized comparative information presented herein which was derived from the consolidated financial statements of Occidental College as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Moss Adams LLP

Los Angeles, California
November 20, 2023

Consolidated Financial Statements

Occidental College
Consolidated Balance Sheets
June 30, 2023 and 2022

	2023	2022
ASSETS		
ASSETS		
Cash and cash equivalents	$ 5,810,731	$ 13,281,973
Student accounts receivable, less allowance for doubtful accounts of $437,583 (2023) and $364,171 (2022)	590,865	725,123
Contracts and grants receivable	3,702,684	3,852,437
Contributions receivable, net	5,674,549	6,747,947
Other assets	3,545,632	2,934,505
Investments	703,002,085	666,264,327
Student notes receivable, net	14,558,356	16,036,664
Assets held in trust by others	4,531,510	4,344,767
Property and equipment, net	182,818,240	186,765,186
Total assets	$ 924,234,652	$ 900,952,929
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	$ 11,468,915	$ 15,246,076
Student deposits and deferred revenue	3,284,633	2,998,998
Government loans payable	1,433,541	1,945,495
Annuities payable	10,415,662	10,599,684
Asset retirement obligations	2,823,951	2,823,951
Debt	94,852,171	96,995,381
Total liabilities	124,278,873	130,609,585
NET ASSETS		
Without donor restrictions	275,333,179	258,235,808
With donor restrictions	524,622,600	512,107,536
Total net assets	799,955,779	770,343,344
Total liabilities and net assets	$ 924,234,652	$ 900,952,929

See accompanying notes.

Occidental College
Consolidated Statements of Activities
Years Ended June 30, 2023 and 2022

	Without Donor Restrictions	With Donor Restrictions	2023 Total	2022 Total
OPERATING REVENUES				
Student revenues, net	$ 97,819,836	$ -	$ 97,819,836	$ 94,378,130
Private gifts, grants, and contracts	7,058,730	3,299,584	10,358,314	14,331,556
Federal and state grants and contracts	6,900,186	-	6,900,186	11,079,287
Auxiliary services, other	2,047,030	-	2,047,030	1,143,617
Investment income designated for operations	4,795,930	18,429,097	23,225,027	21,977,715
Other	2,974,784	-	2,974,784	2,084,883
Net assets released from restrictions	23,159,559	(23,159,559)	-	-
Total operating revenues	144,756,055	(1,430,878)	143,325,177	144,995,188
OPERATING EXPENDITURES				
Instruction	44,405,924	-	44,405,924	42,500,092
Research	5,131,750	-	5,131,750	4,566,267
Public service	7,550,665	-	7,550,665	7,402,798
Academic support	12,489,292	-	12,489,292	10,994,600
Student services	17,873,773	-	17,873,773	19,324,547
Institutional support				
General	15,910,991	-	15,910,991	14,844,030
Advancement	7,701,234	-	7,701,234	6,809,699
Auxiliary services, student, and other	25,361,598	-	25,361,598	23,684,001
Total operating expenditures	136,425,227	-	136,425,227	130,126,034
CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES	8,330,828	(1,430,878)	6,899,950	14,869,154
OTHER CHANGES IN NET ASSETS				
Net assets released for capital expenditures	925,371	(925,371)	-	-
Private gifts, grants, and contracts non-operating	-	7,897,984	7,897,984	15,903,343
Present value adjustment for annuities	-	(713,351)	(713,351)	1,750,024
Annuity funds released	3,288,583	(3,288,583)	-	-
Change in fair value of assets held in trust by others	-	186,743	186,743	(1,230,709)
Investment gain (loss), net	4,568,612	10,772,497	15,341,109	(23,502,721)
Redesignation of net assets	(16,023)	16,023	-	-
Total other changes in net assets	8,766,543	13,945,942	22,712,485	(7,080,063)
CHANGES IN NET ASSETS	17,097,371	12,515,064	29,612,435	7,789,091
NET ASSETS, beginning of year	258,235,808	512,107,536	770,343,344	762,554,253
NET ASSETS, end of year	$ 275,333,179	$ 524,622,600	$ 799,955,779	$ 770,343,344

See accompanying notes.

Occidental College
Consolidated Statements of Activities
Years Ended June 30, 2023 and 2022

	Without Donor Restrictions	With Donor Restrictions	2022 Total	2021 Total
OPERATING REVENUES				
Student revenues, net	$ 94,378,130	$ -	$ 94,378,130	$ 55,641,976
Private gifts, grants, and contracts	7,844,803	6,486,753	14,331,556	13,025,662
Federal and state grants and contracts	11,079,287	-	11,079,287	7,620,659
Auxiliary services, other	1,143,617	-	1,143,617	493,160
Investment income designated for operations	4,387,083	17,590,632	21,977,715	26,672,237
Other	2,084,883	-	2,084,883	1,629,088
Net assets released from restrictions	21,429,196	(21,429,196)	-	-
Total operating revenues	142,346,999	2,648,189	144,995,188	105,082,782
OPERATING EXPENDITURES				
Instruction	42,500,092	-	42,500,092	38,074,552
Research	4,566,267	-	4,566,267	4,129,882
Public service	7,402,798	-	7,402,798	5,537,604
Academic support	10,994,600	-	10,994,600	9,332,533
Student services	19,324,547	-	19,324,547	13,631,322
Institutional support				
General	14,844,030	-	14,844,030	12,833,910
Advancement	6,809,699	-	6,809,699	5,912,322
Auxiliary services, student, and other	23,684,001	-	23,684,001	15,300,389
Total operating expenditures	130,126,034	-	130,126,034	104,752,514
CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES	12,220,965	2,648,189	14,869,154	330,268
OTHER CHANGES IN NET ASSETS				
Net assets released for capital expenditures	1,933,585	(1,933,585)	-	-
Private gifts, grants, and contracts non-operating	-	15,903,343	15,903,343	3,985,205
Present value adjustment for annuities	-	1,750,024	1,750,024	(2,849,050)
Annuity funds released	86,038	(86,038)	-	-
Change in fair value of assets held in trust by others	-	(1,230,709)	(1,230,709)	1,438,104
Investment (loss) gain, net	(4,754,340)	(18,748,381)	(23,502,721)	133,513,462
Redesignation of net assets	(31,888)	31,888	-	-
Total other changes in net assets	(2,766,605)	(4,313,458)	(7,080,063)	136,087,721
CHANGES IN NET ASSETS	9,454,360	(1,665,269)	7,789,091	136,417,989
NET ASSETS, beginning of year	248,781,448	513,772,805	762,554,253	626,136,264
NET ASSETS, end of year	$ 258,235,808	$ 512,107,536	$ 770,343,344	$ 762,554,253

See accompanying notes.

Occidental College
Consolidated Statements of Cash Flows
Years Ended June 30, 2023 and 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	$ 29,612,435	$ 7,789,091
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities		
Depreciation	10,913,554	10,665,465
Amortization of bond issuance costs and premiums	(123,211)	(123,212)
Write off of property and equipment	34,898	191,613
Change in fair value of assets held in trust by others	(186,743)	1,230,709
Net unrealized and realized (gains) losses on investments	(24,613,816)	16,546,357
Contributions restricted for long-term investments	(6,421,890)	(10,861,681)
Contributions for capital expenditures	(1,476,094)	(5,041,662)
Change in provision for student notes receivable	34,330	(24,832)
Present value adjustment for annuities	312,240	27,147
Change in value of asset retirement obligations	-	48,227
Change in value of annuities payable	713,351	(1,750,024)
Change in assets and liabilities		
Student accounts receivable	134,257	(274,024)
Contracts and grants receivable	149,753	1,359,923
Contributions receivable	(753,395)	(2,833,694)
Other assets	(611,127)	(198,615)
Accounts payable and accrued expenses	(3,777,162)	(2,246,678)
Student deposits and deferred revenue	285,635	(1,911,898)
Government loans payable	66,452	119,921
Net cash provided by operating activities	4,293,467	12,712,133
CASH FLOWS FROM INVESTING ACTIVITIES		
Disbursement of student notes receivables	(1,291,702)	(1,531,358)
Collection of student notes receivables	2,735,679	2,995,539
Purchases of investments	(115,756,860)	(120,895,599)
Proceeds from sales and maturities of investments	103,677,895	106,456,183
Purchases of property and equipment	(7,001,506)	(8,375,603)
Net cash used in investing activities	(17,636,494)	(21,350,838)
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions restricted for long-term investment	7,542,275	11,806,593
Proceeds received from assets held in trust	-	1,787,836
Contributions and pledge payments for capital expenditures	2,137,528	5,735,785
Repayment of government loans payable	(578,406)	(718,562)
Repayment of bonds payable	(2,020,000)	(1,930,000)
Distributions of annuities payable	(1,209,612)	(1,296,166)
Net cash provided by financing activities	5,871,785	15,385,486
NET CHANGE IN CASH AND CASH EQUIVALENTS	(7,471,242)	6,746,781
CASH AND CASH EQUIVALENTS, beginning of year	13,281,973	6,535,192
CASH AND CASH EQUIVALENTS, end of year	$ 5,810,731	$ 13,281,973
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest	$ 3,530,151	$ 3,483,265
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES		
Unpaid property and equipment purchases	$ 796,075	$ 204,289

See accompanying notes.

Note 1 – Organization

Occidental College (the "College") is an independent, coeducational college of liberal arts and sciences, founded in 1887. Occidental College seeks to provide an education of high quality in the best tradition of the liberal arts, emphasizing thorough competence in a chosen field of study together with a broad understanding of our historical and cultural heritage and the relationships among fields of knowledge.

On June 30, 2016, Occidental College formed a single-member limited liability company, Otway Properties, LLC ("Otway"), under the California Revised Uniform Limited Liability Company Act, in order to hold title to certain real property.

Note 2 – Summary of Significant Accounting Policies

Basis of accounting and reporting – The accompanying consolidated financial statements of the College, a not-for-profit educational institution, have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

The College reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Consolidation – The activities of Otway are consolidated in the College's consolidated financial statements, as required by U.S. GAAP. All intercompany balances have been eliminated in consolidation.

Comparative amounts – The amounts shown for 2021 in the accompanying consolidated financial statements are included to provide a basis for comparison with 2022 and are not intended to present all information necessary for a fair presentation of the 2021 consolidated financial statements in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the College's consolidated financial statements for the year ended June 30, 2021, from which the summarized information was derived.

Operating measure – The College divides its statements of activities into operating and nonoperating activities. The operating activities of the College include all income and expenses related to carrying out its educational mission. Operating revenues include investment income and investment gains used to fund current operations.

Net assets without donor restrictions – Net assets without donor restrictions are comprised of assets which are for operating purposes or assets which are not subject to donor-imposed restrictions and are general in nature. Net assets without donor restrictions have been segregated into the following categories:

Educational and general – includes funds that are internally designated for operational or special use.

Functioning as endowment – includes certain gifts not otherwise restricted and Board designations of assets to function as endowment. Board designated endowments are typically maintained for general operating purposes and student scholarships.

Student loan funds – includes lending activity to students utilizing College resources designated for that purpose as well as funds intended for a general College loan program.

Renewal and replacement – includes amounts internally designated for renewal and replacement of property and equipment.

Invested in property and equipment – includes property and equipment stated at cost or fair value at the date of gift, less accumulated depreciation and any related debt. Plant purchases with a useful life of five years or more and a cost equal to or greater than $25,000 for land improvements, $50,000 for buildings, and $5,000 for furniture and equipment are capitalized. Depreciation is computed on a straight-line basis over the estimated useful lives for land improvements (up to 40 years), buildings (up to 40 years), and furniture and equipment (up to 10 years). Upon disposition of assets, the cost and related accumulated depreciation is removed with the resulting gain or loss recognized in net assets without donor restrictions. The College follows the policy of generally recording contributions of property and equipment directly to net assets without donor restrictions. However, if the donor stipulates how long the assets must be used, the contributions are recorded as with donor restrictions support. Management has evaluated operating results and considered significant events, if any, and determined that property and equipment are not impaired at June 30, 2023 and 2022.

Net assets with donor restrictions – Net assets with donor restrictions are those assets whose use by the College is subject to donor-imposed stipulations that can be fulfilled by actions of the College pursuant to those stipulations, or that expire by the passage of time. Such assets include accumulated endowment investment gains, certain charitable remainder unitrusts, pooled income funds, gift annuities, and certain contributions receivable for which the ultimate purpose of the proceeds is without donor restrictions. The College has legal title to life income and annuity contracts and agreements, subject to life interests of the beneficiaries. No significant financial benefit is or can be realized until the contractual obligations are released.

Other net assets with donor restrictions are those assets subject to donor-imposed stipulations that they be maintained in perpetuity by the College. Such assets primarily include the College’s perpetual endowment, certain charitable remainder unitrusts, and loan funds established by donors.

Expenses – Expenses are reported as decreases in net assets without donor restrictions. Expirations of net assets with donor restrictions are reported as “net assets released from restrictions” from net assets with donor restrictions to net assets without donor restrictions. Donor restrictions on gifts to acquire long-lived assets are met in the period in which the assets are placed into service.

The consolidated financial statements present expenses by functional classification in accordance with the overall educational mission of the College.

Depreciation expense is allocated to the functional categories directly based upon the nature of the underlying assets. Interest expense on external debt is allocated to the functional categories which have benefited from the proceeds. Plant operations and maintenance represents space-related costs that are allocated to the functional categories directly and/or based on the square footage occupancy. Information technology service expense is allocated to functional categories based on employee and student headcount.

Revenue recognition – Student tuition and fees are recorded as revenues in the period during which the related academic services are rendered. All student fees are due by June 30 for each academic year and if unpaid, remain in student accounts receivable, less allowance for doubtful accounts. The College records an allowance for doubtful accounts on student receivables based on historical experience. These receivables are unsecured and the College does not charge interest on late payments. Student tuition and fees received in advance of services to be rendered are recorded as deferred revenue.

Revenues from grants and contracts that are nonreciprocal are treated as contributions. If the grant or contract is conditional, a barrier to entitlement exists, revenue is recognized when the barrier is considered overcome and as allowable expenditures under such agreements are incurred, as an increase to assets without donor restrictions. If the grant or contract is unconditional, revenue is reported as an increase in net asset without donor restrictions. Contracts and grants receivable are generally due within one year. The College records an allowance for doubtful accounts on contracts and grants receivable based on historical experience. As of June 30, 2023 and 2022, an allowance for doubtful accounts on contracts and grants receivable was not deemed necessary.

The College recognized revenue for the Higher Education Emergency Relief Funds from the federal government in the amount of $0 and $4,792,630 in federal and state grants and contracts for the years ending June 30, 2023 and 2022, respectively. For the year ended June 30, 2023, the College recorded no expenditures of these funds. For the year ended June 30, 2022, the College recorded expenditures of these funds in the amount of $2,239,053 in Student Services.

Revenues from sources other than contributions are reported as increases in net assets without donor restrictions when services are rendered. Gains and losses on investments are reported as increases or decreases to the appropriate net asset category.

Contributions are reported as increases in the appropriate category of net assets, except contributions that the donor restricts where the restrictions are met within the same fiscal year, as these contributions are included in net assets without donor restrictions. Contributions other than cash are recorded at fair value at the date of gift. Non-operating private gifts, grants, and contracts are contributions with donor restrictions for perpetually restricted endowment or capital expenditures. Unconditional contributions, including promises to give, are recognized as revenue in the period received. Conditional promises to give are not recorded as contributions until the conditions on which they depend are substantially met. Unconditional promises to give are donor commitments where there is sufficient evidence they exist, verifiable documentation, no ambiguous conditions, and they are legally enforceable. If these contributions are to be received after a year and/or over a number of years, they are discounted at a rate equivalent with the credit-adjusted short-term and mid-term rate. The discount is amortized and recorded as additional contribution revenue in accordance with the donor-imposed restrictions, if any. In addition, an allowance for uncollectible promises to give, based on past collection experience, is recorded.

Cash and cash equivalents – Cash and cash equivalents include short-term, highly liquid investments with a maturity date of three months or less at the time of purchase. Cash and cash equivalents representing assets held as endowment and similar funds and assets held for annuity and life income payments are included in investments. Cash and cash equivalents are reported at cost which approximates fair value.

Concentration of credit risk – Financial instruments that potentially subject the College to concentrations of credit risk consist principally of cash deposits at financial institutions, receivables, and investments in marketable securities. At times, balances in the College's cash and investment accounts exceed the Federal Deposit Insurance Corporation, or Securities Investor Protection Corporation insured limits. Concentration of credit risk with respect to student accounts receivable, student notes receivable, and contracts and grants receivable are limited due to the large number of students and grantors from which amounts are due, with no single source being significant. Contribution receivable balances for three donors comprised 55% and 61% of contributions receivable as of June 30, 2023 and 2022, respectively.

Investments – Investments are stated at fair value. The fair value of investments is based on quoted prices from national security exchanges, except for limited partnerships and venture capital funds, which are based on information provided by external investment managers at the most recent valuation period date for the fiscal year-end. Management monitors the activity of external investment managers and performs reconciliations and other procedures to assure that the valuations used in the consolidated financial statements are fairly stated. The College believes the carrying amounts of these investments are a reasonable estimate of fair value. Because the limited partnerships and venture capital funds are not readily marketable, their estimated value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for such investments existed. Such differences could be material. Realized and unrealized gains and losses on investments are the difference between the fair value and the cost basis of the investments. The realized and unrealized gains and losses, net of investment expenses, are reported in the consolidated statements of activities. Real estate is stated at cost.

All investments of net assets with donor restrictions and without donor restrictions designated as endowment funds are carried in an investment pool unless special considerations or donor stipulations require that they be held separately.

Management of pooled investments – Where permitted by gift agreement and/or applicable government regulations, investments are pooled. Pooled investments and allocations of pooled investment income, net of investment expenses, are accounted for on a unit-market value method. The College follows an investment policy for its pooled endowment investments which anticipates a greater long-term return through investing for capital appreciation and long-term growth. According to the College's endowment spending policy, the amount of investment return available for current operations is determined by applying a 2% growth rate to the previous year's spending amount, subject to lower and upper limits. The lower limit was 4.0% of a twenty-one quarter moving average of the unit market value and the upper limit was 4.8% of a twenty-one quarter moving average of the unit market value for the fiscal year ended June 30, 2023. The lower limit was 4% of a twenty-one quarter moving average of the unit market value and the upper limit was 4.8% of a twenty-one quarter moving average of the unit market value for the fiscal year ended June 30, 2022.

Student notes receivable – The College administers a federal student loan program, the Perkins Student Loan program and two institutional loan programs. Loans made under the federal student loan program have a 10-year repayment period, with a 5% interest rate. In the event of termination of the program, the loan repayments would be distributed to the federal government and the College on the basis of their relative contributions to the program. It is anticipated that any uncollectible loan balances would be treated in a similar manner. Loans made under the institutional loan programs have a 10-year repayment period, with interest rates between 0% and 5%.

Assets held in trust by others – Trusts in which the College is named as irrevocable beneficiary, but is not trustee, are recorded as assets held in trust by others when the College is notified by the trustee. The assets are recorded at fair value based on the statements from the trustees, which are derived from the fair value of the underlying investments of the trusts, and the College's ownership interest in the trust. 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 point of asset distribution.

Collections – Collections, such as rare books and works of art, which were acquired through purchases and contributions since the College's inception, are not recognized as assets. These collections are held solely for their potential educational value or historical significance. Management has determined that the cost to establish the current fair value is deemed to exceed the benefit and therefore the collections were not assigned a value for the purpose of capitalization. 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 have been restricted by donors.

Annuities payable – The College uses the actuarial method of recording life income and annuity contract net assets. Under this method, when a gift is received, cash or investments received are recorded at fair value, while the present value of the aggregate annuity obligation is recorded as a liability, based upon life expectancy tables. The remainder is recorded as revenue in the appropriate net asset category. Investment income and some gains are credited, and annuity payments and investment losses are charged to the liability accounts, with periodic adjustments made between the liability and the net assets to record actuarial gains or losses. The actuarial liability is based on the present value of future payments discounted at 4.1% and the 2012 IAR Mortality Table.

Asset retirement obligations – U.S. GAAP defines a conditional asset retirement obligation as a legal obligation to perform an asset retirement activity in which the timing and (or) method of settlement are conditional on a future event that may or may not be within the control of the College. Uncertainty with respect to the timing and/or method of settlement of the asset retirement obligation does not defer recognition of a liability. The obligation to perform the asset retirement activity is unconditional, and accordingly, a liability has been recognized.

Bond issuance costs – Bond issuance costs represent issuance and underwriters' costs related to the California Educational Facilities Authority (CEFA) Series 2013B, the CEFA Series 2015 Bonds and the Occidental College Taxable Bonds, Series 2019. Bond issuance costs are included as a component of bonds payable on the consolidated balance sheets (Note 9). These amounts are amortized over the life of the bonds using the straight-line method, which approximates the effective interest method.

Use of estimates – The preparation of consolidated 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 disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues, expenses, and other changes in net assets during the reporting period. While management believes that these estimates are adequate as of June 30, 2023 and 2022, it is possible that actual results could differ from those estimates.

Income taxes – The College operates as a not-for-profit organization and has been recognized by the Internal Revenue Service as an organization exempt from income taxation pursuant to Internal Revenue Code Section 501(c)(3) on its income other than unrelated business income and has also been recognized by the Franchise Tax Board as exempt from state franchise or income tax pursuant to California Revenue and Taxation Code Section 23701(d) on its income other than unrelated business income. Otway is a single member LLC and therefore disregarded for federal income tax purposes.

As required by U.S. GAAP, the College and Otway have identified and evaluated their significant tax positions and have determined that there is no material unrecognized benefit or liability to be recorded. There are no uncertain tax positions for the years ended June 30, 2023 or 2022. There have been no related tax penalties or interest, which would be classified as a tax expense in the consolidated statements of activities.

Accounting pronouncements – In June 2016, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2016-03, *Credit Losses – Measurement of Credit Losses on Financial Instruments*. This ASU requires organizations to use a forward-looking approach based on current expected credit losses to estimate credit losses on certain types of financial instruments, including trade receivables. This may result in the earlier recognition of allowances for losses. This ASU is effective for the College beginning July 1, 2023, and early adoption is permitted. The College is evaluating the impact of this standard.

Redesignation of net assets – Certain amounts previously received from donors have been transferred among net asset categories due to changes in donor designations.

Note 3 – Contributions Receivable

Unconditional promises to give are included in the consolidated financial statements as contributions receivable and gift revenue in the appropriate net asset category. Contributions are recorded after discounting at the risk adjusted rate. The risk adjusted rates range from 0.14% and 4.5 % for the years ended June 30, 2023 and 2022, respectively. Amortization of the discount is included in gift revenue.

As of June 30, unconditional promises to give are expected to be collected in the following periods:

	2023	2022
Less than one year	$ 2,113,910	$ 3,233,632
Between one year and five years	2,951,235	2,917,621
Later than five years	1,450,000	1,450,000
	6,515,145	7,601,253
Less: discount	(665,095)	(644,607)
allowance for uncollectible amounts	(175,501)	(208,699)
Contributions receivable, net	$ 5,674,549	$ 6,747,947

Contributions receivable at June 30, 2023, have the following restrictions:

	2023	2022
Endowment for programs, activities and scholarships	$ 2,972,295	$ 3,785,663
Education and general	959,000	419,000
Building construction	2,583,850	3,396,590
Total contributions receivable, gross	$ 6,515,145	$ 7,601,253

Note 4 – Investments

The following schedule summarizes the assets in pooled investments and the assets held as separate investments at June 30:

	2023	2022
Cash and cash equivalents	$ 108,851,417	$ 97,597,055
U.S. equities	132,694,760	107,510,091
Global equities (developed) funds	60,061,278	54,177,424
Emerging markets equities funds	38,416,983	33,354,562
Domestic fixed income funds	56,926,437	51,209,080
Absolute return funds	53,445,038	64,022,562
Marketable inflation hedging assets funds	31,269,939	34,964,694
Private equity and venture capital	220,818,805	222,927,456
Real estate	517,428	501,403
	$ 703,002,085	$ 666,264,327

At June 30, 2023 and 2022, investments include approximately $22,562,000 and $26,097,000, respectively, in securities related to life income and annuity contracts. The following schedule summarizes the College's investment return for the years ended June 30:

	2023	2022
Dividends, interest and rents	$ 15,231,852	$ 16,470,615
Realized gains, net	14,618,738	17,285,876
Unrealized gains (losses), net	10,028,627	(33,849,583)
	39,879,217	(93,092)
Less: investment expense	(1,313,081)	(1,431,914)
investment income designated for operations	(23,225,027)	(21,977,715)
Investment gains (loss), net of allocation to operations and investment expense	$ 15,341,109	$ (23,502,721)

Investment return was classified as follows for the years ended:

	June 30, 2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Dividends, interest and rents	$ 5,269,541	$ 9,962,311	$ 15,231,852
Realized gains, net	2,982,407	11,636,332	14,618,739
Unrealized gains, net	2,124,323	7,903,754	10,028,077
Total	$ 10,376,271	$ 29,502,397	$ 39,878,668

	June 30, 2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Dividends, interest and rents	$ 3,235,270	$ 13,235,345	$ 16,470,615
Realized gains, net	3,362,515	13,923,361	17,285,876
Unrealized losses, net	(5,817,147)	(28,032,436)	(33,849,583)
Total	$ 780,638	$ (873,730)	$ (93,092)

Note 5 – Fair Value Measurements

The College accounts for its investments at fair value in accordance with Accounting Standards Codification (ASC) 820, *Fair Value Measurements*. ASC 820 defines fair value, establishes a framework for measuring fair value, and expanded disclosure requirements for fair value measurements.

ASC 820 defines the term “fair value” as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market for the asset or liability. As required by ASC 820, the College’s policy is to maximize the use of observable inputs and minimize the use of unobservable inputs when developing fair value measurements.

Fair value hierarchy – ASC 820 establishes a fair value hierarchy that prioritizes the inputs used to measure fair value into three broad levels, considering the relative reliability of the inputs. The fair value hierarchy assigns the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). A financial instrument’s categorization within the fair value hierarchy is based upon the lowest level of an input to the valuation that is significant to the fair value measurement. The three levels of inputs within the fair value hierarchy are defined as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the College has the ability to access.

Level 2 – Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable of the asset or liability; and
- Inputs that are derived principally from or corroborated by observable market data by correlation or by other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The determination of where an asset or liability falls in the hierarchy requires significant judgment. The College evaluates its hierarchy disclosures each reporting period and based on various factors, it is possible that an asset or liability may be classified differently from period to period. However, the College expects that changes in classifications between different levels will be rare.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The College's valuation methodologies used for alternative investments measured at fair value is based on net asset value (NAV) of shares held by the College at fiscal year end. The preceding method described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the College believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table presents the investments and assets held by others carried on the consolidated balance sheets by level within the valuation hierarchy at June 30:

June 30, 2023	Level 1	Level 2	Level 3	Assets Measured Using NAV Practical Expedient	Total
Cash and cash equivalents	$ 108,851,417	$ -	$ -	$ -	$ 108,851,417
U.S. equities	30,653,994	-	-	102,040,766	132,694,760
Global equities (developed) funds	5,801,491	-	-	54,259,787	60,061,278
Emerging markets equities funds	-	-	-	38,416,983	38,416,983
Domestic fixed income funds	39,504,929	-	-	17,421,508	56,926,437
Absolute return funds	-	-	-	53,445,038	53,445,038
Marketable inflation hedging assets funds	22,399,564	-	-	8,870,375	31,269,939
Private equity and venture capital	-	-	-	220,818,805	220,818,805
Assets held in trust by others	-	-	4,531,510	-	4,531,510
Total	$ 207,211,395	$ -	$ 4,531,510	$ 495,273,262	$ 707,016,167

June 30, 2022	Level 1	Level 2	Level 3	Assets Measured Using NAV Practical Expedient	Total
Cash and cash equivalents	$ 97,597,055	$ -	$ -	$ -	$ 97,597,055
U.S. equities	29,463,136	-	-	78,046,955	107,510,091
Global equities (developed) funds	6,607,952	-	-	47,569,472	54,177,424
Emerging markets equities funds	-	-	-	33,354,562	33,354,562
Domestic fixed income funds	34,570,409	-	-	16,638,671	51,209,080
Absolute return funds	-	-	-	64,022,562	64,022,562
Marketable inflation hedging assets funds	26,457,733	-	-	8,506,961	34,964,694
Private equity and venture capital	-	-	-	222,927,456	222,927,456
Assets held in trust by others	-	-	4,344,767	-	4,344,767
Total	$ 194,696,285	$ -	$ 4,344,767	$ 471,066,639	$ 670,107,691

At June 30, 2023 and 2022, investments held at cost totaled $517,428 and $501,403, respectively.

The following table summarizes the reconciliation of the College's Level 3 assets for the years ended June 30:

June 30, 2023	Beginning Balance July 1, 2022	Purchases	Redemptions	Realized Gain/(Loss)	Unrealized Gain/(Loss)	Interest and Dividends	Ending Balance June 30, 2023
Assets held in trust by others	$ 4,344,767	$ -	$ -	$ -	$ 186,743	$ -	$ 4,531,510

June 30, 2022	Beginning Balance July 1, 2021	Purchases	Redemptions	Realized Gain/(Loss)	Unrealized Gain/(Loss)	Interest and Dividends	Ending Balance June 30, 2022
Assets held in trust by others	$ 7,363,313	$ -	$ (1,787,837)	$ -	$ (1,230,709)	$ -	$ 4,344,767

The following table represents the Level 3 financial instruments as of June 30, 2023, the valuation technique used to measure the fair value of those financial instruments, and the significant unobservable inputs and the ranges of vlaues for those inputs.

Investment	Total Fair Value	Valuation Technique	Unobservable Inputs	Range
Assets held in trust by others	$ 4,531,510	Fair Value	Remaining payments	-

The College uses the NAV to determine the fair value of all the underlying investments which (a) do not have a readily determinable fair value, and (b) prepare their financial statements consistent with the measurement principles or have the attributes of an investment company. The following table lists those investments by major class:

	Fair Value June 30, 2023	Strategy	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Commingled funds	$ 221,009,419	These funds invest mostly in public domestic and international debt and equity securities. The commingled funds are held in partnership or trust format.	$ -	Range from weekly to 184 days	3–90 days notice
Absolute return funds	53,445,038	Hedge funds looking to generate steady returns in the range of 7 to 12 percent with relatively low volatility and relatively low correlations to the equity markets.	9,000,000	Range from monthly to 3 years	10–184 days notice
Private equity	139,788,792	Investments in leveraged buyout, distressed securities, real estate, and energy private limited partnership funds that are meant to generate long term returns similar to the US stock market but would also be expected to perform better in a market in which inflation is rapidly rising.	76,911,102	N/A	N/A
Venture capital	81,030,013	Investments in privately held start up and or fast growing companies expected to generate returns above traditional equity markets.	13,292,211	N/A	N/A
Total	$ 495,273,262		$ 99,203,313		

Note 6 – Student Notes Receivable

The College makes uncollateralized loans to students based on financial need. Student loans are funded through Federal government loan programs or institutional resources. At June 30, 2023 and 2022, student loans represented 1.6% and 1.8% of total assets, respectively.

At June 30, student loans consist of the following:

	2023	2022
Federal government programs	$ 1,470,889	$ 1,923,552
Institutional programs (unsecured)	15,547,891	16,539,206
	17,018,780	18,462,758
Less: allowance for doubtful accounts		
Beginning of year	(2,426,094)	(2,450,926)
(Increases) decreases	(36,686)	16,571
Write-offs	2,356	8,261
End of year	(2,460,424)	(2,426,094)
Student notes receivable, net	$ 14,558,356	$ 16,036,664

The College participated in the Federal Perkins revolving loan program. The availability of funds for loans under the program is dependent on reimbursements to the pool from repayments on outstanding loans. Funds advanced by the Federal government of $1,433,541 and $1,945,495 at June 30, 2023 and 2022, respectively, are ultimately refundable to the government and are classified as liabilities in the consolidated balance sheets.

As of October 1, 2017, under Federal law, the College may no longer award new Perkins loans to undergraduate students and may not make subsequent disbursements to undergraduate students after June 30, 2018.

Outstanding loans cancelled under the federal program result in a reduction of the funds available for loan and a decrease in the liability to the government.

At June 30, 2023 and 2022 the following amounts were past due under student loan programs:

30-Jun	In Default Less than 240 days	In Default Between 240 Days and 2 Years	In Default More than 2 Years	Total Past Due
2023	$ 592,121	$ 193,617	$ 1,647,588	$ 2,433,326
2022	$ 682,718	$ 173,559	$ 1,647,085	$ 2,503,362

Allowances for doubtful accounts are established based on prior collection experience and current economic factors, which, in management's judgment, could influence the ability of loan recipients to repay the amounts per the loan terms. Institutional loan balances are written off only when they are deemed to be permanently uncollectible.

Note 7 – Property and Equipment

Property and equipment consist of the following at June 30:

	2023	2022
Land and improvements	$ 35,257,125	$ 34,517,215
Buildings	290,230,968	281,507,341
Furniture and equipment	14,513,634	15,187,617
Construction-in-progress	1,882,068	5,463,432
	341,883,795	336,675,605
Less: accumulated depreciation	(159,065,555)	(149,910,419)
Property and equipment, net	$ 182,818,240	$ 186,765,186

Depreciation expense for the years ended June 30, 2023 and 2022, was $10,913,554 and $10,665,465, respectively.

Note 8 – Deferred Revenue

The activity and balances for student deposits and deferred revenue from contracts with customers are shown in the following table:

	Summer Conferences	Conditional Contributions and Grants	Other Deferred Revenue	Total
BALANCES at July 1, 2021	$ 43,010	$ 3,559,219	$ 1,308,667	$ 4,910,896
Revenue recognized	(213,038)	(3,027,876)	(408,502)	(3,649,416)
Payments received for future performance obligations	621,572	774,931	341,015	1,737,518
BALANCES at June 30, 2022	451,544	1,306,274	1,241,180	2,998,998
Revenue recognized	(780,768)	(1,219,949)	(769,396)	(2,770,113)
Payments received for future performance obligations	888,179	1,423,710	743,860	3,055,749
BALANCES at June 30, 2023	$ 558,955	$ 1,510,035	$ 1,215,644	$ 3,284,634

Note 9 – Debt

CEFA Bonds – In June 2013, the College issued $54,995,000 in bonds through the CEFA (Series 2013A and 2013B Bonds), with a premium of $7,391,497. The College issued serial bonds with fixed-interest rates ranging from 2.7%–3.35%, payable on April 1 and October 1 through 2043. The CEFA Series 2013A and 2013B Bonds were used to legally defease $44,435,000 of the College's previously issued and outstanding CEFA Series 2005A bonds, as well as to provide funds for certain capital projects. The loan agreements for the 2013A and 2013B Bonds contain no restrictive covenants and the loans are unsecured.

In December 2015, the College issued $34,270,000 in bonds through the CEFA (Series 2015 Bonds), with a premium of $4,786,583. The College issued serial bonds with fixed-interest rates ranging from 3.00%–5.00%, payable on April 1 and October 1 through 2046. The CEFA Series 2015 Bonds were used to refund $13,855,000 of the College's previously issued and outstanding CEFA Series bonds (Series 2005B bonds and Series 2008 bonds), as well as to provide funds for certain capital projects. The amount recorded as loss due to the defeasance was $2,472,055. The loan agreement for the 2015 Bonds contain no restrictive covenants and the loans are unsecured.

Occidental College Taxable Bonds, Series 2019 – In October 2019, the College issued $65,620,000 in bonds. The College issued serial bonds with fixed-interest rates ranging from 2.435%–3.508%, payable on April 1 and October 1 through 2049. The Occidental College Taxable Bonds, Series 2019 were used to legally defease $46,470,000 of the College's previously issued and outstanding CEFA Series 2013A bonds, as well as to provide funds for certain capital projects. The amount recorded as loss due to the defeasance was $610,326, which was allocated to various functional categories in the same manner as plant costs. The loan agreement for the 2019 Bonds contain no restrictive covenants and the loans are unsecured.

Bonds payable at June 30, 2023, are summarized as follows:

	Authorized and Issued	Remaining Interest Rates	Remaining Bonds Outstanding
CEFA Revenue Bonds			
Series 2013B	$ 6,230,000	2.7% to 3.35%	$ 3,565,000
Series 2015	34,270,000	3.0% to 5.0%	22,925,000
Bond premiums, net	4,786,583		3,579,880
Bond issuance costs	(477,443)		(328,597)
Subtotal	44,809,140		29,741,283
Occidental College Taxable Bonds			
Series 2019	65,620,000	2.4% to 3.5%	65,620,000
Bond issuance costs	(581,954)		(509,112)
Subtotal	65,038,046		65,110,888
Total	$ 109,847,186		$ 94,852,171

Bonds payable at June 30, 2022, are summarized as follows:

	Authorized and Issued	Remaining Interest Rates	Remaining Bonds Outstanding
CEFA Revenue Bonds			
Series 2013B	$ 6,230,000	2.6% to 3.35%	$ 4,220,000
Series 2015	34,270,000	3.0% to 5.0%	24,290,000
Bond premiums, net	4,786,583		3,740,774
Bond issuance costs	(477,443)		(346,883)
Subtotal	44,809,140		31,903,891
Occidental College Taxable Bonds			
Series 2019	65,620,000	2.4% to 3.5%	65,620,000
Bond issuance costs	(581,954)		(528,510)
Subtotal	65,038,046		65,091,490
Total	$ 109,847,186		$ 96,995,381

Future principal payment requirements on the bonds payable are summarized as follows:

	Series 2013B CEFA Bonds	Series 2015 CEFA Bonds	Series 2019 Bonds	Total
Years Ending June 30,				
2024	$ 670,000	$ 1,440,000	$ -	$ 2,110,000
2025	690,000	1,515,000	-	2,205,000
2026	710,000	1,585,000	-	2,295,000
2027	735,000	1,670,000	-	2,405,000
2028 and thereafter	760,000	16,715,000	65,620,000	83,095,000
Total	$ 3,565,000	$ 22,925,000	$ 65,620,000	$ 92,110,000

Line of credit – On April 20, 2022, the College renewed a $5,000,000 line of credit with a bank, expiring on February 1, 2024. Interest at the bank's prime rate is payable monthly. The line of credit is unsecured and there are no applicable covenants. The effective interest rate for outstanding balances is 3.5%. No amounts were drawn on the line of credit as of or during the years ended June 30, 2023 and 2022.

Note 10 – Net Assets

Net assets consist of the following at June 30, 2023 and 2022:

	2023	2022
Without donor restrictions		
Designated – educational and general	$ 29,676,493	$ 26,485,396
Designated – functioning as endowment	130,075,234	118,825,313
Designated – student loan funds	6,959,155	7,042,388
Designated – renewal and replacement	14,108,204	9,726,771
Invested in property and equipment	94,514,093	96,155,940
Total net assets without donor restrictions	275,333,179	258,235,808
With donor restrictions		
Restricted for time and purpose		
Restricted for specific purposes	10,076,649	11,048,857
Accumulated endowment investment gains	271,474,698	262,396,605
Life income and annuity contracts	5,560,625	8,925,590
Property and equipment funds	5,650,248	5,099,526
Contributions receivable, net	2,921,324	3,229,465
Assets held in trust by others	4,149,682	3,981,353
Total restricted for time and purpose net assets	299,833,226	294,681,396
Perpetually restricted		
Endowment corpus	202,798,731	194,711,187
Life income and annuity contracts	6,363,182	6,348,807
Student loan funds	12,492,408	12,484,250
Contributions receivable, net	2,753,225	3,518,482
Assets held in trust by others	381,828	363,414
Total perpetually restricted net assets	224,789,374	217,426,140
Total net assets with donor restrictions	524,622,600	512,107,536
Total net assets	$ 799,955,779	$ 770,343,344

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of other events specified by donors, as follows:

	2023	2022
Operating activities	$ 23,159,559	$ 21,429,196
Capital expenditures	925,371	1,933,585
Annuity funds released	3,288,583	86,038
	$ 27,373,513	$ 23,448,819

Note 11 – Net Student Revenues

Net student revenues for the years ended June 30 consist of the following:

	2023	2022
Tuition and fees	$ 117,901,791	$ 114,410,578
Room and board	27,928,966	26,790,333
Less: financial assistance	(48,010,921)	(46,822,781)
	$ 97,819,836	$ 94,378,130

Note 12 – Retirement Plan

All academic and nonacademic employees are eligible to participate in the Teachers Insurance and Annuity Association (TIAA) and/or the College Retirement Equity Fund (CREF) defined contribution programs. TIAA is a nonprofit, legal reserve life insurance and annuity company and CREF is a nonprofit corporation companion to TIAA.

Benefits are funded by contributions from both the College and participating employees. All contributions are credited to participant accounts, and all College contributions are fully vested. The College's contributions for the years ended June 30, 2023 and 2022, were approximately $4,762,273 and $4,615,937, respectively, which are included as expenditures in the consolidated statements of activities. Eligible employees who enroll in the plan receive a non-elective contribution equal to 6% of the employee's annual compensation as defined in the plan. In addition to the College's 6% contribution, the College matches employee contributions from 1% to 4% of the employee's salary based on the employee's contribution.

Note 13 – Fundraising Expenses

During the years ended June 30, 2023 and 2022, the College incurred fundraising expenses of approximately $5,420,701 and $5,025,000, respectively, exclusive of communication, publication, and event-related expenses for the purposes of maintaining alumni and public relations. These expenses are included in the Advancement functional classification on the consolidated statements of activities.

Note 14 – Related Parties

Some members of the Board of Trustees contributed to the College in the form of gifts and pledges, during the years ended June 30, 2023 and 2022. Contributions receivable (pledges) includes amounts from members of the College's Board of Trustees of approximately $649,000 and $1,009,000 as of June 30, 2023 and 2022, respectively. Private gifts, grants, and contracts includes amounts from members of the College's Board of Trustees of approximately $3,076,000 and $3,916,000 for the years ended June 30, 2023 and 2022, respectively. In addition, members of the Board of Trustees are often also affiliated with separate private foundations that provide financial support in the form of gifts and pledges to the College.

Note 15 – Commitments and Contingencies

In the normal course of operations, the College is named as a defendant in lawsuits and is subject to periodic examinations by regulatory agencies. After consultation with legal counsel, management is of the opinion that liabilities, if any, arising from such litigation and examinations would not have a material effect on the College's consolidated financial position.

Certain federal grants which 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 consolidated balance sheet of the College.

Note 16 – Endowment Funds

The Board of Trustees of the College interpreted the California Uniform Prudent Management of Institutional Funds Act (UPMIFA) to state that the College, in the absence of explicit donor stipulations to the contrary, may appropriate for expenditure or accumulate so much of an endowment fund as the College determines prudent for the uses, benefits, purposes, and duration for which the endowment fund is established. As a result of this interpretation, the College classifies as net assets with donor restrictions the original value of gifts donated to the endowment, the original value of subsequent gifts to the endowment, and accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument. The remaining portion of the donor-restricted endowment fund is also classified as net assets with donor restrictions until those amounts are appropriated for expenditures by the College in a manner consistent with the standard of prudence prescribed by UPMIFA, which includes the:

1. Duration and preservation of the fund
2. Mission of the College and the endowment fund with donor restrictions
3. General economic conditions
4. Possible effects of inflation and deflation
5. Expected total return from income and appreciation and depreciation of investments
6. Other resources of the College
7. Investment policy of the College

The following represents a description of the changes in net endowment assets for the years ended June 30:

	June 30, 2023		
	Without Restriction	With Restriction	Total
Net endowment assets, beginning of year	$ 118,825,313	$ 457,107,792	$ 575,933,105
Investment return, net	7,205,639	26,730,678	33,936,317
New gifts	328,901	7,126,623	7,455,524
Matured life income and annuity contracts	3,216,448	929,836	4,146,284
Other changes, including redesignations	5,294,863	807,597	6,102,460
Appropriation for expenditures	(4,795,930)	(18,429,097)	(23,225,027)
Net endowment assets, end of year	$ 130,075,234	$ 474,273,429	$ 604,348,663

	June 30, 2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Net endowment assets, beginning of year	$ 115,733,929	$ 460,075,888	$ 575,809,817
Investment return, net	422,040	2,063,000	2,485,040
New gifts	390,957	8,437,671	8,828,628
Matured life income and annuity contracts	-	2,342,114	2,342,114
Pledge payments	-	925,412	925,412
Other changes, including redesignations	6,665,470	854,339	7,519,809
Appropriation for expenditures	(4,387,083)	(17,590,632)	(21,977,715)
Net endowment assets, end of year	$ 118,825,313	$ 457,107,792	$ 575,933,105

From time to time, the fair value of the assets associated with individual endowment funds with donor restrictions may fall below the value of the initial and subsequent donor gift amounts. Deficits of this nature were $14,000 as of June 30, 2023, relative to a corpus value of $1,000,000. Deficits of this nature were $338,000 as of June 30, 2022, relative to a corpus value of $7,118,000.

Note 17 – Functional Expenses

Expenses by function and nature consist of the following for the year ended June 30, 2023:

	Instruction	Research	Public Service	Academic Support	Student Services	Institutional Support	Advancement	Auxiliary Enterprises Expenditures	Total Operating Expenses
Salaries	$ 24,835,534	$ 1,402,727	$ 3,375,404	$ 4,615,441	$ 8,478,292	$ 6,219,652	$ 4,320,573	$ 6,264,830	$ 59,512,453
Employee benefits and taxes	6,786,410	285,760	958,442	1,416,820	2,596,796	2,220,006	1,384,388	1,835,140	17,483,762
Depreciation and amortization	4,062,268	212,665	125,741	575,832	1,549,197	374,568	94,717	3,795,356	10,790,344
Interest expense	656,309	-	-	34,531	56,162	442,534	-	1,936,770	3,126,306
Services and supplies	3,475,814	3,025,037	2,181,887	4,162,480	4,281,713	5,147,645	1,817,446	6,043,809	30,135,831
Maintenance and operations	4,589,589	205,561	909,191	1,684,188	911,613	1,506,586	84,110	5,485,693	15,376,531
	$ 44,405,924	$ 5,131,750	$ 7,550,665	$ 12,489,292	$ 17,873,773	$ 15,910,991	$ 7,701,234	$ 25,361,598	$ 136,425,227

Expenses by function and nature consist of the following for the year ended June 30, 2022:

	Instruction	Research	Public Service	Academic Support	Student Services	Institutional Support	Advancement	Auxiliary Enterprises Expenditures	Total Operating Expenses
Salaries	$ 23,847,449	$ 1,406,555	$ 3,375,335	$ 4,038,659	$ 7,866,254	$ 5,989,711	$ 4,170,639	$ 5,608,840	$ 56,303,442
Employee benefits and taxes	6,489,627	291,458	949,047	1,152,021	2,376,256	2,174,139	1,334,288	1,706,332	16,473,168
Depreciation and amortization	4,041,183	217,972	114,803	539,227	1,455,049	365,809	112,092	3,696,118	10,542,253
Interest expense	663,957	-	-	34,531	62,718	444,384	-	1,986,108	3,191,698
Services and supplies	2,947,095	2,446,505	2,068,829	3,574,845	6,678,857	4,386,575	1,149,326	5,294,103	28,546,135
Maintenance and operations	4,510,781	203,777	894,784	1,655,317	885,413	1,483,412	43,354	5,392,500	15,069,338
	$ 42,500,092	$ 4,566,267	$ 7,402,798	$ 10,994,600	$ 19,324,547	$ 14,844,030	$ 6,809,699	$ 23,684,001	$ 130,126,034

The consolidated financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The consolidated statements of activities present expenses by functional classification. Employee benefits including employment taxes are allocated based on employee classification and salaries charged to each function. Maintenance and operations of plant expenses are allocated to functional categories based on building square footage dedicated to that specific function. Salaries, Employee benefits and taxes and Services and supplies for Maintenance and operations are included in Maintenance and operations.

Note 18 – Liquidity and Availability

The College's financial assets and liquidity resources available to meet its general expenditures within one year of the consolidated balance sheet dates are as follows:

	2023	2022
Cash and cash equivalents	$ 5,810,731	$ 13,281,973
Student accounts receivable, net	590,865	725,123
Contracts and grants receivable	3,702,684	3,852,437
Contributions receivable, net	5,674,549	6,747,947
Investments	703,002,085	666,264,327
Student notes receivable, net	14,558,356	16,036,664
Total financial assets	733,339,270	706,908,471
Less		
Restricted investments not available for operations next year	(299,686,696)	(293,592,844)
Any long-term portions of the receivables	(20,232,905)	(22,784,611)
Permanent endowment	(202,798,731)	(194,711,187)
Total financial assets available within one year	210,620,938	195,819,829
Liquidity resources		
Bank lines of credit (available balances)	5,000,000	5,000,000
The following year's expected endowment distribution	24,438,589	23,225,027
Total financial assets and liquidity resources available within one year	$ 240,059,527	$ 224,044,856

The College regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the College considers all operating expenditures.

As part of the College's liquidity management, the College maintains a short-term investment portfolio with daily liquidity. Included in the amount of financial assets available at year end for current use above is Designated Funds Functioning as Endowment in the amount of $130,075,235 and $118,825,313 as of June 30, 2023 and 2022, respectively. Although the College does not intend to spend amounts other than those appropriated for general expenditure as part of its annual budget approval and appropriation process, these funds could be made available, if necessary, through Board action.

The College expects to have sufficient resources available to cover general expenditures.

Note 19 – Subsequent Events

Subsequent events are events or transactions that occur after the consolidated balance sheet date but before the consolidated financial statements are issued. The College recognizes in the consolidated financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the consolidated balance sheet, including the estimates inherent in the process of preparing the consolidated financial statements. The College's consolidated financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the consolidated balance sheet but arose after the consolidated balance sheet date and before the consolidated financial statements are available to be issued.

The College evaluated its consolidated financial statements for subsequent events through November 20, 2023, the date the consolidated financial statements were available to be issued.