



REPORT OF INDEPENDENT AUDITORS AND  
CONSOLIDATED FINANCIAL STATEMENTS

**OCCIDENTAL COLLEGE**

June 30, 2020 and 2019



MOSSADAMS

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## Report of Independent Auditors

The Board of Trustees  
Occidental College

### **Report on the Financial Statements**

We have audited the accompanying consolidated financial statements of Occidental College (the “College”), which comprise the consolidated balance sheets as of June 30, 2020 and 2019, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### ***Management’s Responsibility for the Financial Statements***

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

### ***Auditor’s Responsibility***

Our responsibility is to express an opinion on these consolidated 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 audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated balance sheets of the College as of June 30, 2020 and 2019, and the consolidated 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.

***Other Matter***

We have previously audited the Occidental College June 30, 2018 consolidated financial statements, and our report dated October 22, 2018, expressed an unmodified opinion on those audited consolidated financial statements. In our opinion, the summarized comparative information presented herein was derived from the consolidated financial statements of Occidental College as of and for the year ended June 30, 2018, 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 3, 2020

**Occidental College**  
**Consolidated Balance Sheets**

<b>ASSETS</b>		June 30,	
		<u>2020</u>	<u>2019</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$	9,262,576	\$ 7,044,747
Restricted cash		1,023,778	2,565,573
Student accounts receivable, less allowance for doubtful accounts of \$350,841 (2020) and \$289,983 (2019)		644,661	537,752
Contracts and grants receivable		3,044,218	3,924,615
Contributions receivable, net		6,545,415	6,342,673
Other assets		2,777,050	3,796,908
Investments		524,890,973	531,655,887
Student notes receivable, net		19,559,873	20,562,111
Assets held in trust by others		5,925,209	6,162,050
Property and equipment, net		<u>191,836,085</u>	<u>183,689,686</u>
Total assets		<u>\$ 765,509,838</u>	<u>\$ 766,282,002</u>
<b>LIABILITIES AND NET ASSETS</b>			
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	\$	18,423,169	\$ 19,214,259
Student deposits and deferred revenue		2,139,569	3,135,331
Note payable		-	447,226
Government loans payable		3,066,807	3,925,245
Annuities payable		11,985,460	13,283,927
Asset retirement obligations		2,726,765	2,678,564
Bonds payable		<u>101,031,804</u>	<u>90,561,651</u>
Total liabilities		<u>139,373,574</u>	<u>133,246,203</u>
<b>NET ASSETS</b>			
Without donor restrictions		225,837,997	217,052,402
With donor restrictions		<u>400,298,267</u>	<u>415,983,397</u>
Total net assets		<u>626,136,264</u>	<u>633,035,799</u>
Total liabilities and net assets		<u>\$ 765,509,838</u>	<u>\$ 766,282,002</u>

# Occidental College

## Consolidated Statements of Activities

	Without Donor Restrictions	With Donor Restrictions	For the Years Ended June 30,	
			2020 Total	2019 Total
<b>OPERATING REVENUES</b>				
Student revenues, net	\$ 88,596,871	\$ -	\$ 88,596,871	\$ 85,901,454
Private gifts, grants and contracts	9,686,449	2,499,376	12,185,825	12,543,667
Federal and state grants and contracts	7,843,826	-	7,843,826	4,608,928
Auxiliary services, other	2,087,484	-	2,087,484	2,626,648
Investment income designated for operations	4,285,341	17,156,154	21,441,495	20,847,073
Other	2,519,047	-	2,519,047	2,748,401
Net assets released from restrictions	17,978,077	(17,978,077)	-	-
<b>Total operating revenues</b>	<b>132,997,095</b>	<b>1,677,453</b>	<b>134,674,548</b>	<b>129,276,171</b>
<b>OPERATING EXPENDITURES</b>				
Instruction	44,324,180	-	44,324,180	43,655,920
Research	3,643,891	-	3,643,891	4,009,678
Public service	6,221,712	-	6,221,712	4,768,011
Academic support	10,853,860	-	10,853,860	11,370,312
Student services	17,731,519	-	17,731,519	16,119,215
Institutional support				
General	14,649,069	-	14,649,069	13,817,436
Advancement	7,575,665	-	7,575,665	8,849,329
Auxiliary services, student and other	22,171,173	-	22,171,173	24,047,549
<b>Total operating expenditures</b>	<b>127,171,069</b>	<b>-</b>	<b>127,171,069</b>	<b>126,637,450</b>
<b>CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES</b>	<b>5,826,026</b>	<b>1,677,453</b>	<b>7,503,479</b>	<b>2,638,721</b>
<b>OTHER CHANGES IN NET ASSETS</b>				
Net assets released for capital expenditures	6,946,405	(6,946,405)	-	-
Private gifts, grants and contracts non-operating	2,159,175	10,348,425	12,507,600	10,388,534
Present value adjustment for annuities		102,478	102,478	1,292
Change in fair value of assets held in trust by others		(236,841)	(236,841)	(43,571)
Investment (loss) gain, net	(4,632,455)	(22,143,796)	(26,776,251)	7,526,556
Redesignation of net assets	(1,513,556)	1,513,556	-	-
<b>Total other changes in net assets</b>	<b>2,959,569</b>	<b>(17,362,583)</b>	<b>(14,403,014)</b>	<b>17,872,811</b>
<b>CHANGES IN NET ASSETS</b>	<b>8,785,595</b>	<b>(15,685,130)</b>	<b>(6,899,535)</b>	<b>20,511,532</b>
<b>NET ASSETS, beginning of year</b>	<b>217,052,402</b>	<b>415,983,397</b>	<b>633,035,799</b>	<b>612,524,267</b>
<b>NET ASSETS, end of year</b>	<b>\$ 225,837,997</b>	<b>\$ 400,298,267</b>	<b>\$ 626,136,264</b>	<b>\$ 633,035,799</b>

## Occidental College

### Consolidated Statements of Activities (Continued)

	Without Donor Restrictions	With Donor Restrictions	For the Years Ended June 30,	
			2019 Total	2018 Total
<b>OPERATING REVENUES</b>				
Student revenues, net	\$ 85,901,454	\$ -	\$ 85,901,454	\$ 85,196,632
Private gifts, grants and contracts	7,552,964	4,990,703	12,543,667	8,733,602
Federal and state grants and contracts	4,608,928	-	4,608,928	4,471,142
Auxiliary services, other	2,626,648	-	2,626,648	2,649,759
Investment income designated for operations	4,148,351	16,698,722	20,847,073	20,417,493
Other	2,748,401	-	2,748,401	3,288,043
Net assets released from restrictions	19,053,249	(19,053,249)	-	-
Total operating revenues	<u>126,639,995</u>	<u>2,636,176</u>	<u>129,276,171</u>	<u>124,756,671</u>
<b>OPERATING EXPENDITURES</b>				
Instruction	43,655,920	-	43,655,920	42,655,384
Research	4,009,678	-	4,009,678	3,089,150
Public service	4,768,011	-	4,768,011	5,532,271
Academic support	11,370,312	-	11,370,312	10,543,645
Student services	16,119,215	-	16,119,215	15,977,979
Institutional support				
General	13,817,436	-	13,817,436	12,967,507
Advancement	8,849,329	-	8,849,329	8,210,476
Auxiliary services, student and other	24,047,549	-	24,047,549	23,507,690
Total operating expenditures	<u>126,637,450</u>	<u>-</u>	<u>126,637,450</u>	<u>122,484,102</u>
<b>CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES</b>	<u>2,545</u>	<u>2,636,176</u>	<u>2,638,721</u>	<u>2,272,569</u>
<b>OTHER CHANGES IN NET ASSETS</b>				
Net assets released for capital expenditures	11,281,432	(11,281,432)	-	-
Private gifts, grants and contracts non-operating	-	10,388,534	10,388,534	10,568,976
Present value adjustment for annuities	-	1,292	1,292	(576,718)
Annuity funds released	328,293	(328,293)	-	-
Change in fair value of assets held in trust by others	-	(43,571)	(43,571)	32,634
Investment gain, net	2,405,405	5,121,151	7,526,556	14,385,596
Change in underwater funds	14,724	(14,724)	-	-
Redesignation of net assets	(41,070)	41,070	-	-
Total other changes in net assets	<u>13,988,784</u>	<u>3,884,027</u>	<u>17,872,811</u>	<u>24,410,488</u>
<b>CHANGES IN NET ASSETS</b>	<u>13,991,329</u>	<u>6,520,203</u>	<u>20,511,532</u>	<u>26,683,057</u>
<b>NET ASSETS, beginning of year</b>	<u>203,061,073</u>	<u>409,463,194</u>	<u>612,524,267</u>	<u>585,841,210</u>
<b>NET ASSETS, end of year</b>	<u>\$ 217,052,402</u>	<u>\$ 415,983,397</u>	<u>\$ 633,035,799</u>	<u>\$ 612,524,267</u>

# Occidental College

## Consolidated Statements of Cash Flows

	Years Ended June 30,	
	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in net assets	\$ (6,899,535)	\$ 20,511,532
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation	9,568,263	9,035,069
Amortization of bond issuance costs and premiums	(109,099)	(371,898)
Write off of property and equipment	24,112	-
Change in fair value of assets held in trust by others	236,841	43,571
Net unrealized and realized losses (gains) on investments	11,649,063	(17,153,317)
Contributions restricted for long-term investments	(9,591,088)	(6,128,851)
Contributions for capital expenditures	(2,916,512)	(4,259,683)
Change in provision for student notes receivable	(42,213)	(244,402)
Present value adjustment for annuities	56,678	(1,292)
Change in value of asset retirement obligations	48,201	47,522
Change in value of annuities payable	(102,478)	(1,292)
Change in assets and liabilities		
Student accounts receivable	(106,909)	49,470
Contracts and grants receivable	880,397	(2,339,384)
Contributions receivable	2,471,475	4,399,617
Other assets	1,019,858	(88,759)
Accounts payable and accrued expenses	(791,090)	678,946
Student deposits and deferred revenue	(995,762)	(2,716,794)
Net cash provided by operating activities	<u>4,400,202</u>	<u>1,460,055</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Disbursement of student notes receivables	(2,119,378)	(2,128,206)
Collection of student notes receivables	3,163,829	3,369,432
Purchases of investments	(140,526,142)	(155,524,516)
Proceeds from sales and maturities of investments	135,641,993	168,675,163
Purchases of property and equipment	(17,738,774)	(16,806,276)
Net cash used in investing activities	<u>(21,578,472)</u>	<u>(2,414,403)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Contributions restricted for long-term investment	8,519,573	5,281,879
Contributions for capital expenditures	1,313,810	1,906,399
Change in government loans payable	115,675	104,633
Repayment of note payable	(447,226)	(34,614)
Repayment of government loans payable	(974,113)	-
Repayment of bonds payable	(54,458,794)	(2,445,000)
Issuance of bonds payable	65,038,046	-
Distributions of annuities payable	(1,252,667)	(1,391,223)
Net cash provided by financing activities	<u>17,854,304</u>	<u>3,422,074</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS (INCLUDING RESTRICTED CASH)</b>	<u>676,034</u>	<u>2,467,726</u>
<b>CASH AND CASH EQUIVALENTS (INCLUDING RESTRICTED CASH), beginning of year</b>	<u>9,610,320</u>	<u>7,142,594</u>
<b>CASH AND CASH EQUIVALENTS (INCLUDING RESTRICTED CASH), end of year</b>	<u>\$ 10,286,354</u>	<u>\$ 9,610,320</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash paid for interest	<u>\$ 3,566,753</u>	<u>\$ 3,764,282</u>
<b>SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES</b>		
Unpaid property and equipment purchases	<u>\$ 2,192,484</u>	<u>\$ 4,875,271</u>



## Occidental College

### Notes to Consolidated Financial Statements

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#### 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 (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 GAAP. All intercompany balances have been eliminated in consolidation.

**Reclassifications** – Certain amounts from the June 30, 2019 consolidated financial statements have been reclassified to conform to the June 30, 2020 consolidated financial statements presentation.

**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.

*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.

# Occidental College

## Notes to Consolidated Financial Statements

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### Note 2 – Summary of Significant Accounting Policies (continued)

*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, 2020.

**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.

**Note 2 – Summary of Significant Accounting Policies (continued)**

**Revenue recognition** – Student tuition and fees are recorded as revenues in the period during which the related academic services are rendered. 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 like 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.

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. Private gifts, grants, and contracts included in operating revenues are contributions without donor restrictions and exchange transactions. Contributions, including unconditional 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 (FDIC) or Securities Investor Protection Corporation (SIPC) insured limits. Concentration of credit risk with respect to student accounts receivable, contracts and grants receivable, and contributions receivable, are limited due to the large number of students, grantors, and donors from which amounts are due, with no single source being significant.

# Occidental College

## Notes to Consolidated Financial Statements

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### Note 2 – Summary of Significant Accounting Policies (continued)

**Restricted cash** – Certain proceeds of the serial bonds which are held by trustees are restricted as to use in accordance with the requirements of the trust agreements. Restricted cash is comprised of cash and cash equivalents and are recorded at cost, which approximates fair value.

**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 investments 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 specified percentage, 5%, of a twenty-one-quarter average unit market value to the units held as of September 30 of the prior fiscal year.

**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 ten-year repayment period, with interest rates between 3% and 5%. 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 ten-year repayment period, with interest rates between 0% and 5%.

**Note 2 – Summary of Significant Accounting Policies (continued)**

**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 3.25% and the 2012 IAR Mortality Table.

**Asset retirement obligations** – 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 2013A and 2013B, the CEFA Series 2015 Bonds and the Occidental College Taxable Bonds, Series 2019. The CEFA Series 2013A bonds were legally defeased in the current year and the associated bond defeasance expense was written off. 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.

# Occidental College

## Notes to Consolidated Financial Statements

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### Note 2 – Summary of Significant Accounting Policies (continued)

**Use of estimates** – The preparation of consolidated 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 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, 2020 and 2019, 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 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, 2020 or 2019. There have been no related tax penalties or interest, which would be classified as a tax expense in the consolidated statements of activities.

**Fair value of financial instruments** – Except for investments and estates and trusts, which are discussed above, for the other financial instruments for which it is practical, the following methods and assumptions are used to estimate fair value:

*Receivables* – Amounts receivable under student accounts receivable, contracts and grants receivable, contributions receivable, and trust deeds receivable are carried at cost, less allowance for doubtful accounts, which approximates fair value. Determination of the fair value of student notes receivable, which are primarily federally sponsored student notes with U.S. governmental mandated interest rates and repayment terms and subject to significant restrictions as to their transfer or disposition, could not be made without incurring excessive costs.

*Long-term debt* – Fair value was estimated based upon the discounted amount of future cash outflows based on current rates available to the College for debt of the same remaining maturities.

**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 3.48% and 0.21% for the years ended June 30, 2020 and 2019. Amortization of the discount is included in gift revenue.

**Occidental College**  
**Notes to Consolidated Financial Statements**

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**Note 3 – Contributions Receivable (continued)**

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

	<u>2020</u>	<u>2019</u>
Less than one year	\$ 1,998,301	\$ 2,016,665
Between one year and five years	4,103,893	4,095,666
Later than five years	<u>1,450,000</u>	<u>1,250,000</u>
	7,552,194	7,362,331
Less: discount	(804,344)	(823,493)
allowance for uncollectible amounts	<u>(202,435)</u>	<u>(196,165)</u>
Contributions receivable, net	<u>\$ 6,545,415</u>	<u>\$ 6,342,673</u>

Contributions receivable at June 30, 2020, have the following restrictions:

Endowment for programs, activities and scholarships	\$ 2,329,152
Education and general	942,140
Building construction	<u>4,280,902</u>
Total contributions receivable, gross	<u>\$ 7,552,194</u>

**Note 4 – Investments**

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

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 91,408,906	\$ 63,113,691
U.S. equities	90,134,836	96,836,981
Global equities (developed) funds	59,562,153	64,246,163
Emerging markets equities funds	33,969,165	40,107,166
Domestic fixed income funds	52,034,380	58,926,002
Global fixed income funds	-	5,870,317
Absolute return funds	52,268,297	63,951,837
Marketable inflation hedging assets funds	27,127,858	31,693,859
Private equity and venture capital	117,931,614	103,781,150
Real estate	<u>453,764</u>	<u>3,128,721</u>
	<u>\$ 524,890,973</u>	<u>\$ 531,655,887</u>

At June 30, 2020 and 2019, investments include approximately \$26,314,000 and \$31,726,000, respectively, in securities related to life income and annuity contracts.

# Occidental College

## Notes to Consolidated Financial Statements

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### Note 4 – Investments (continued)

The following schedule summarizes the College's investment return for the years ended June 30:

	<u>2020</u>	<u>2019</u>
Dividends, interest and rents	\$ 7,684,547	\$ 12,637,523
Realized gains (losses), net	12,413,829	(1,364,195)
Unrealized (losses) gains, net	<u>(24,062,892)</u>	<u>18,517,512</u>
	(3,964,516)	29,790,840
Less: investment expense	(1,370,240)	(1,417,211)
investment income designated for operations	<u>(21,441,495)</u>	<u>(20,847,073)</u>
Investment (loss) gain, net of allocation to operations and investment expense	<u>\$ (26,776,251)</u>	<u>\$ 7,526,556</u>

Investment return, net of investment expenses, was classified as follows for the years ended June 30:

	<u>June 30, 2020</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Dividends, interest and rents	\$ 2,135,456	\$ 5,549,091	\$ 7,684,547
Realized gains, net	2,434,864	9,978,965	12,413,829
Unrealized losses, net	<u>(4,674,633)</u>	<u>(19,388,259)</u>	<u>(24,062,892)</u>
Total	<u>\$ (104,313)</u>	<u>\$ (3,860,203)</u>	<u>\$ (3,964,516)</u>
	<u>June 30, 2019</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Dividends, interest and rents	\$ 3,350,991	\$ 9,286,532	\$ 12,637,523
Realized losses, net	(455,922)	(908,273)	(1,364,195)
Unrealized gains, net	<u>3,953,350</u>	<u>14,564,162</u>	<u>18,517,512</u>
Total	<u>\$ 6,848,419</u>	<u>\$ 22,942,421</u>	<u>\$ 29,790,840</u>



**Note 5 – Fair Value Measurements**

The College accounts for its investments at fair value. Accounting Standards Codification (ASC) 820, *Fair Value Measurements*, defined fair value, established a framework used to measure fair value, and expanded disclosures about fair value measurements. The standard prioritized, within the measurement of fair value, the use of market-based information over College-specific information and established a three-level hierarchy for fair value measurement based on the transparency of information, such as the pricing source used in the valuation of an asset or liability as of the measurement date.

Assets and liabilities measured and reported at fair value are classified and disclosed in one of the following categories:

**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;
- 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's 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.

# Occidental College

## Notes to Consolidated Financial Statements

### Note 5 – Fair Value Measurements (continued)

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, 2020				Total
	Level 1	Level 2	Level 3	Assets Valued Using NAV Practical Expedient	
Cash and cash equivalents (including restricted cash)	\$ 92,432,684	\$ -	\$ -	\$ -	\$ 92,432,684
U.S. equities	22,632,080	-	-	67,502,756	90,134,836
Global equities (developed) funds	6,744,809	-	-	52,817,344	59,562,153
Emerging markets equities funds	5,393,528	-	-	28,575,637	33,969,165
Domestic fixed income funds	41,398,987	-	-	10,635,393	52,034,380
Absolute return funds	-	-	-	52,268,297	52,268,297
Marketable inflation hedging assets funds	27,127,858	-	-	-	27,127,858
Private equity and venture capital	-	-	-	117,931,614	117,931,614
Assets held in trust by others	-	-	5,925,209	-	5,925,209
<b>Total</b>	<b>\$ 195,729,946</b>	<b>\$ -</b>	<b>\$ 5,925,209</b>	<b>\$ 329,731,041</b>	<b>\$ 531,386,196</b>

  

	June 30, 2019				Total
	Level 1	Level 2	Level 3	Assets Valued Using NAV Practical Expedient	
Cash and cash equivalents (including restricted cash)	\$ 65,679,264	\$ -	\$ -	\$ -	\$ 65,679,264
U.S. equities	25,401,682	-	-	71,435,299	96,836,981
Global equities (developed) funds	6,143,975	-	-	58,102,188	64,246,163
Emerging markets equities funds	6,519,679	-	-	33,587,487	40,107,166
Domestic fixed income funds	48,831,049	-	-	10,094,953	58,926,002
Global fixed income funds	-	-	-	5,870,317	5,870,317
Absolute return funds	-	-	-	63,951,837	63,951,837
Marketable inflation hedging assets funds	31,693,859	-	-	-	31,693,859
Private equity and venture capital	-	-	-	103,781,150	103,781,150
Assets held in trust by others	-	-	6,162,050	-	6,162,050
<b>Total</b>	<b>\$ 184,269,508</b>	<b>\$ -</b>	<b>\$ 6,162,050</b>	<b>\$ 346,823,231</b>	<b>\$ 537,254,789</b>

At June 30, 2020 and 2019, investments held at cost totaled \$453,764 and \$3,128,721, respectively.

## Occidental College

### Notes to Consolidated Financial Statements

#### Note 5 – Fair Value Measurements (continued)

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

	June 30, 2020						Ending Balance June 30, 2020
	Beginning Balance July 1, 2019	Purchases	Redemptions	Realized Gain/(Loss)	Unrealized Gain/(Loss)	Interest and Dividends	
Assets held in trust by others	\$ 6,162,050	\$ -	\$ -	\$ -	\$ (236,841)	\$ -	\$ 5,925,209

  

	June 30, 2019						Ending Balance June 30, 2019
	Beginning Balance July 1, 2018	Purchases	Redemptions	Realized Gain/(Loss)	Unrealized Gain/(Loss)	Interest and Dividends	
Assets held in trust by others	\$ 6,205,621	\$ -	\$ -	\$ -	\$ (43,571)	\$ -	\$ 6,162,050

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, 2020	Strategy	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Commingled funds	\$ 159,531,130	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	52,268,297	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.	-	Range from monthly to 3 years	10–184 days notice
Private equity	69,011,706	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.	59,120,801	N/A	N/A
Venture capital	48,919,908	Investments in privately held start up and or fast growing companies expected to generate returns above traditional equity markets.	9,563,804	N/A	N/A
Total	<u>\$ 329,731,041</u>		<u>\$ 68,684,605</u>		

## Occidental College

### Notes to Consolidated Financial Statements

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#### 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, 2020 and 2019, student loans represented 2.6% and 2.7% of total assets, respectively.

At June 30, student loans consisted of the following:

	<u>2020</u>	<u>2019</u>
Federal government programs	\$ 3,319,208	\$ 4,038,596
Institutional programs	<u>18,897,982</u>	<u>19,263,180</u>
	<u>22,217,190</u>	<u>23,301,776</u>
Less: allowance for doubtful accounts		
Beginning of year	(2,739,665)	(3,041,456)
Decreases	42,213	244,402
Write-offs	<u>40,135</u>	<u>57,389</u>
End of year	<u>(2,657,317)</u>	<u>(2,739,665)</u>
Student loans receivable, net	<u>\$ 19,559,873</u>	<u>\$ 20,562,111</u>

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 \$3,066,807 and \$3,925,245 at June 30, 2020 and 2019, 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 program result in a reduction of the funds available for loan and a decrease in the liability to the government.

At June 30, 2020 and 2019, the following amounts were past due under student loan programs:

<u>June 30,</u>	<u>In default less</u>	<u>In default</u>	<u>In default more</u>	<u>Total past due</u>
	<u>than 240 days</u>	<u>between 240</u>	<u>than 2 years</u>	
		<u>days and 2 years</u>		
2020	\$ 640,966	\$ 228,766	\$ 1,671,799	\$ 2,541,531
2019	\$ 667,605	\$ 414,764	\$ 1,508,681	\$ 2,591,050

## Occidental College

### Notes to Consolidated Financial Statements

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#### Note 6 – Student Notes Receivable (continued)

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 consists of the following at June 30:

	2020	2019
Land and improvements	\$ 30,180,387	\$ 10,828,591
Buildings	259,190,302	254,434,435
Furniture and equipment	13,395,654	13,871,975
Construction-in-progress	19,473,492	27,134,577
	322,239,835	306,269,578
Less: accumulated depreciation	(130,403,750)	(122,579,892)
Property and equipment, net	\$ 191,836,085	\$ 183,689,686

Depreciation expense for the years ended June 30, 2020 and 2019, was \$9,568,263 and \$9,035,069, 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 June 30, 2018	\$ 870,027	\$ 3,555,282	\$ 1,426,816	\$ 5,852,125
Revenue recognized	(870,027)	(4,462,625)	(143,975)	(5,476,627)
Payments received for future performance obligations	934,436	1,747,732	77,665	2,759,833
BALANCES at June 30, 2019	934,436	840,389	1,360,506	3,135,331
Revenue recognized	(1,001,874)	(1,180,951)	(286,921)	(2,469,746)
Payments received for future performance obligations	73,614	1,129,047	271,323	1,473,984
BALANCES at June 30, 2020	\$ 6,176	\$ 788,485	\$ 1,344,908	\$ 2,139,569

## Occidental College

### Notes to Consolidated Financial Statements

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#### Note 9 – Debt

**Note payable** – On September 25, 2014, the College entered into a \$600,000 note with an individual to purchase real estate. The loan carried an interest rate of 4% per annum and was secured by the real property. The note was paid in full on February 11, 2020. At June 30, 2020 and 2019, the unpaid balance under the current note was \$0 and \$447,226, respectively. Interest expense for the fiscal years ended June 30, 2020 and 2019, was \$10,460 and \$18,643, respectively.

**California Educational Facility Authority (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 0.40% to 5.00%, 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.

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% to 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 agreements for the 2015 Bonds contain no restrictive covenants.

**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% to 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 agreements for the 2019 Bonds contain no restrictive covenants.

**Occidental College**  
**Notes to Consolidated Financial Statements**

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**Note 9 – Debt (continued)**

Bonds payable at June 30, 2020, are summarized as follows:

	<u>Authorized and Issued</u>	<u>Remaining Interest Rates</u>	<u>Remaining Bonds Outstanding</u>
CEFA Revenue Bonds			
Series 2013B	\$ 6,230,000	2.1% to 3.35%	\$ 5,475,000
Series 2015	34,270,000	3.0% to 5.0%	26,825,000
Bond premiums, net	4,786,583		4,062,562
Bond issuance costs	<u>(477,443)</u>		<u>(383,451)</u>
Subtotal	<u>\$ 44,809,140</u>		<u>\$ 35,979,111</u>
Occidental College Taxable Bonds			
Series 2019	\$ 65,620,000	2.4% to 3.5%	\$ 65,620,000
Bond issuance costs	<u>(581,954)</u>		<u>(567,307)</u>
Subtotal	<u>65,038,046</u>		<u>65,052,693</u>
Total	<u>\$ 109,847,186</u>		<u>\$ 101,031,804</u>

Bonds payable at June 30, 2019, are summarized as follows:

	<u>Authorized and Issued</u>	<u>Remaining Interest Rates</u>	<u>Remaining Bonds Outstanding</u>
CEFA Revenue Bonds			
Series 2013A & 2013B	\$ 54,995,000	1.75% to 5.0%	\$ 52,975,000
Series 2015	34,270,000	3.0% to 5.0%	28,330,000
Bond premiums, net	12,178,080		10,120,274
Bond issuance costs	<u>(1,039,167)</u>		<u>(863,623)</u>
Total	<u>\$ 100,403,913</u>		<u>\$ 90,561,651</u>

## Occidental College

### Notes to Consolidated Financial Statements

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#### Note 9 – Debt (continued)

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

Years Ending June 30,	Series 2013B CEFA Bonds	Series 2015 CEFA Bonds	Series 2019 Bonds	Total
2021	\$ 625,000	\$ 1,235,000	\$ -	\$ 1,860,000
2022	630,000	1,300,000	-	1,930,000
2023	655,000	1,365,000	-	2,020,000
2024	670,000	1,440,000	-	2,110,000
2025	690,000	1,515,000	-	2,205,000
2026 and thereafter	2,205,000	19,970,000	65,620,000	87,795,000
Total	<u>\$ 5,475,000</u>	<u>\$ 26,825,000</u>	<u>\$ 65,620,000</u>	<u>\$ 97,920,000</u>

**Line of credit** – On February 1, 2020, the College renewed a \$5,000,000 line of credit with a bank, expiring on February 1, 2022. Interest at the bank’s prime rate is payable monthly. The line of credit is collateralized by an all blanket UCC filing. No amounts were drawn on the line of credit as of or during the years ended June 30, 2020 and 2019.



**Occidental College**  
**Notes to Consolidated Financial Statements**

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**Note 10 – Net Assets**

Net assets consist of the following at June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Without donor restrictions		
Designated – educational and general	\$ 27,840,110	\$ 23,605,718
Designated – functioning as endowment	87,614,751	89,466,181
Designated – student loan funds	6,677,154	6,479,608
Designated – renewal and replacement	4,298,271	6,344,596
Invested in property and equipment	<u>99,407,711</u>	<u>91,156,299</u>
Total net assets without donor restrictions	<u>225,837,997</u>	<u>217,052,402</u>
With donor restrictions		
Restricted for time and purpose		
Restricted for specific purposes	8,062,717	7,767,323
Accumulated endowment investment gains	172,788,229	192,163,262
Life income and annuity contracts	8,593,662	9,634,385
Property and equipment funds	1,754,298	7,040,905
Contributions receivable, net	4,418,401	4,922,588
Assets held in trust by others	<u>4,120,077</u>	<u>4,257,606</u>
Total restricted for time and purpose net assets	<u>199,737,384</u>	<u>225,786,069</u>
Perpetually restricted		
Endowment corpus	178,686,429	166,465,193
Life income and annuity contracts	5,483,564	8,247,497
Student loan funds	12,458,744	12,160,109
Contributions receivable, net	2,127,014	1,420,085
Assets held in trust by others	<u>1,805,132</u>	<u>1,904,444</u>
Total perpetually restricted net assets	<u>200,560,883</u>	<u>190,197,328</u>
Total net assets with donor restrictions	<u>400,298,267</u>	<u>415,983,397</u>
Total net assets	<u><u>\$ 626,136,264</u></u>	<u><u>\$ 633,035,799</u></u>

# Occidental College

## Notes to Consolidated Financial Statements

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### Note 10 – Net Assets (continued)

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:

	<u>2020</u>	<u>2019</u>
Operating activities	\$ 17,978,077	\$ 19,053,249
Capital expenditures	<u>6,946,405</u>	<u>11,281,432</u>
	<u>\$ 24,924,482</u>	<u>\$ 30,334,681</u>

### Note 11 – Net Student Revenues

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

	<u>2020</u>	<u>2019</u>
Tuition and fees	\$ 116,168,001	\$ 109,809,143
Room and board	22,333,560	25,442,864
Less: financial assistance	<u>(49,904,690)</u>	<u>(49,350,553)</u>
	<u>\$ 88,596,871</u>	<u>\$ 85,901,454</u>

### 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, 2020 and 2019, were approximately \$4,688,000 and \$4,603,000, respectively, which are included as expenditures in the consolidated statements of activities.

### Note 13 – Fundraising Expenses

During the years ended June 30, 2020 and 2019, the College incurred fundraising expenses of approximately \$5,518,000 and \$6,508,000, respectively, exclusive of communication, publication, and event-related expenses for the purposes of maintaining alumni and public relations.

**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, 2020 and 2019. Contributions receivable (pledges) includes amounts from members of the College's Board of Trustees of approximately \$2,628,000 and \$3,403,000 as of June 30, 2020 and 2019, respectively. Private gifts, grants, and contracts includes amounts from members of the College's Board of Trustees of approximately \$6,459,000 and \$2,788,000 for the years ended June 30, 2020 and 2019, 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.

In March 2020, the World Health Organization declared coronavirus ("COVID-19") a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health development, has adversely affected workforces, customers, economies, and financial markets globally, potentially leading to an economic downturn. It has also disrupted the normal operations of many businesses, including the College's. In response to COVID-19, the College has implemented various cost-cutting measures including a hiring freeze and reduced discretionary spending. It is not possible for the College to predict the duration or magnitude of the adverse results of the outbreak and its effects on its business or results of operations at this time.

# Occidental College

## Notes to Consolidated Financial Statements

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### 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 of investments
- 6) Other resources of the College
- 7) Investment policy of the College

**Occidental College**  
**Notes to Consolidated Financial Statements**

**Note 16 – Endowment Funds (continued)**

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

	June 30, 2020		
	Without Restriction	With Restriction	Total
Net endowment assets, beginning of year	\$ 89,466,181	\$ 358,628,455	\$ 448,094,636
Investment return, net	(1,356,327)	(4,779,339)	(6,135,666)
New gifts	3,100,732	7,806,348	10,907,080
Matured life income and annuity contracts	-	2,243,033	2,243,033
Pledge payments	-	1,071,515	1,071,515
Other changes, including redesignations	689,506	3,660,800	4,350,306
Appropriation for expenditures	(4,285,341)	(17,156,154)	(21,441,495)
Net endowment assets, end of year	<u>\$ 87,614,751</u>	<u>\$ 351,474,658</u>	<u>\$ 439,089,409</u>
	June 30, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Net endowment assets, beginning of year	\$ 86,595,733	\$ 347,638,286	\$ 434,234,019
Investment return, net	5,106,830	20,383,664	25,490,494
New gifts	154,108	5,668,766	5,822,874
Matured life income and annuity contracts	247,587	593,952	841,539
Pledge payments	-	846,972	846,972
Other changes, including redesignations	1,495,550	210,261	1,705,811
Appropriation for expenditures	(4,148,351)	(16,698,722)	(20,847,073)
Change in underwater endowments	14,724	(14,724)	-
Net endowment assets, end of year	<u>\$ 89,466,181</u>	<u>\$ 358,628,455</u>	<u>\$ 448,094,636</u>

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 \$488,000 and \$2,000 as of June 30, 2020 and 2019, respectively.

# Occidental College

## Notes to Consolidated Financial Statements

### Note 17 – Functional Expenses

Expenses by function and nature consist of the following for the year ended June 30, 2020:

	Instruction	Research	Public Service	Academic Support	Student Services	Institutional Support	Advancement	Auxiliary Enterprises Expenditures	Total Operating Expenses
Salaries	\$ 23,729,652	\$ 993,293	\$ 3,443,065	\$ 3,959,530	\$ 8,494,812	\$ 6,226,680	\$ 4,283,460	\$ 5,812,711	\$ 56,943,203
Employee benefits and taxes	6,646,306	238,889	1,029,291	1,164,350	2,729,490	1,874,119	1,467,429	1,835,502	16,985,376
Depreciation and amortization	3,341,675	163,955	48,725	381,620	1,330,950	250,912	110,654	2,959,142	8,587,633
Interest expense	582,579	-	-	35,816	74,852	431,206	-	2,108,041	3,232,494
Services and supplies	5,566,014	2,046,564	818,236	3,675,665	4,267,345	4,748,306	1,665,183	5,392,861	28,180,174
Maintenance and operations	4,457,954	201,190	882,395	1,636,879	834,070	1,117,846	48,939	4,062,916	13,242,189
	<u>\$ 44,324,180</u>	<u>\$ 3,643,891</u>	<u>\$ 6,221,712</u>	<u>\$ 10,853,860</u>	<u>\$ 17,731,519</u>	<u>\$ 14,649,069</u>	<u>\$ 7,575,665</u>	<u>\$ 22,171,173</u>	<u>\$ 127,171,069</u>

Expenses by function and nature consist of the following for the year ended June 30, 2019:

	Instruction	Research	Public Service	Academic Support	Student Services	Institutional Support	Advancement	Auxiliary Enterprises Expenditures	Total Operating Expenses
Salaries	\$ 22,862,627	\$ 1,068,058	\$ 2,344,287	\$ 3,848,208	\$ 7,989,664	\$ 5,552,502	\$ 4,735,336	\$ 6,104,779	\$ 54,505,461
Employee benefits and taxes	6,635,920	258,138	589,311	1,157,740	2,588,953	2,209,217	1,608,664	1,881,662	16,929,605
Depreciation and amortization	3,275,850	166,210	50,353	400,363	821,731	284,064	110,655	2,934,609	8,043,835
Interest expense	723,832	-	-	45,601	83,685	92,558	-	2,441,345	3,387,021
Services and supplies	5,628,986	2,312,851	887,755	4,254,010	3,787,605	4,543,323	2,344,603	6,494,635	30,253,768
Maintenance and operations	4,528,705	204,421	896,305	1,664,390	847,577	1,135,772	50,071	4,190,519	13,517,760
	<u>\$ 43,655,920</u>	<u>\$ 4,009,678</u>	<u>\$ 4,768,011</u>	<u>\$ 11,370,312</u>	<u>\$ 16,119,215</u>	<u>\$ 13,817,436</u>	<u>\$ 8,849,329</u>	<u>\$ 24,047,549</u>	<u>\$ 126,637,450</u>

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 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. Operation and maintenance of plant expenses are allocated to functional categories based on building square footage dedicated to that specific function.

**Occidental College**  
**Notes to Consolidated Financial Statements**

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**Note 18 – Liquidity and Availability**

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

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 9,262,576	\$ 7,044,747
Student accounts receivable, net	644,661	537,752
Contracts and grants receivable	3,044,218	3,924,615
Contributions receivable, net	6,545,415	6,342,673
Investments	524,890,973	531,655,887
Student notes receivable, net	<u>19,559,873</u>	<u>20,562,111</u>
Total financial assets	<u>563,947,716</u>	<u>570,067,785</u>
Less		
Restricted investments not available for operations next year	(200,856,215)	(230,930,168)
Any long-term portions of the receivables	(26,105,288)	(26,904,784)
Permanent endowment	<u>(178,686,429)</u>	<u>(166,465,193)</u>
Total financial assets available within one year	<u>158,299,784</u>	<u>145,767,640</u>
Liquidity resources		
Bank lines of credit (available balances)	<u>5,000,000</u>	<u>5,000,000</u>
The following year's expected endowment distribution	<u>25,913,000</u>	<u>21,441,495</u>
Total financial assets and liquidity resources available within one year	<u>\$ 189,212,784</u>	<u>\$ 172,209,135</u>

The College regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investments 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 \$87,614,751 and \$89,466,184 as of June 30, 2020 and 2019, 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.

## **Occidental College**

### **Notes to Consolidated Financial Statements**

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#### **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 3, 2020, the date the consolidated financial statements were available to be issued. The College is not aware of any subsequent events which would require recording or disclosure in the consolidated financial statements.