



REPORTS OF INDEPENDENT AUDITORS
AND CONSOLIDATED FINANCIAL STATEMENTS
WITH FEDERAL AWARDS
SUPPLEMENTARY INFORMATION

OCCIDENTAL COLLEGE

June 30, 2020 and 2019



MOSSADAMS

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Report of Independent Auditors

To 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 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 Matters

Summarized Comparative Information

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.

Other Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"), is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 2020, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Moss Adams LLP

Los Angeles, California
November 3, 2020

Occidental College
Consolidated Balance Sheets

ASSETS		June 30,	
		<u>2020</u>	<u>2019</u>
ASSETS			
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>
LIABILITIES AND NET ASSETS			
LIABILITIES			
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>
NET ASSETS			
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
OPERATING REVENUES				
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)	-	-
Total operating revenues	132,997,095	1,677,453	134,674,548	129,276,171
OPERATING EXPENDITURES				
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
Total operating expenditures	127,171,069	-	127,171,069	126,637,450
CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES	5,826,026	1,677,453	7,503,479	2,638,721
OTHER CHANGES IN NET ASSETS				
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	-	-
Total other changes in net assets	2,959,569	(17,362,583)	(14,403,014)	17,872,811
CHANGES IN NET ASSETS	8,785,595	(15,685,130)	(6,899,535)	20,511,532
NET ASSETS, beginning of year	217,052,402	415,983,397	633,035,799	612,524,267
NET ASSETS, end of year	\$ 225,837,997	\$ 400,298,267	\$ 626,136,264	\$ 633,035,799

Occidental College

Consolidated Statements of Activities (Continued)

	Without Donor Restrictions	With Donor Restrictions	For the Years Ended June 30,	
			2019 Total	2018 Total
OPERATING REVENUES				
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>
OPERATING EXPENDITURES				
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>
CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES	<u>2,545</u>	<u>2,636,176</u>	<u>2,638,721</u>	<u>2,272,569</u>
OTHER CHANGES IN NET ASSETS				
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>
CHANGES IN NET ASSETS	<u>13,991,329</u>	<u>6,520,203</u>	<u>20,511,532</u>	<u>26,683,057</u>
NET ASSETS, beginning of year	<u>203,061,073</u>	<u>409,463,194</u>	<u>612,524,267</u>	<u>585,841,210</u>
NET ASSETS, end of year	<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
CASH FLOWS FROM OPERATING ACTIVITIES		
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>
CASH FLOWS FROM INVESTING ACTIVITIES		
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>
CASH FLOWS FROM FINANCING ACTIVITIES		
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>
NET CHANGE IN CASH AND CASH EQUIVALENTS (INCLUDING RESTRICTED CASH)	<u>676,034</u>	<u>2,467,726</u>
CASH AND CASH EQUIVALENTS (INCLUDING RESTRICTED CASH), beginning of year	<u>9,610,320</u>	<u>7,142,594</u>
CASH AND CASH EQUIVALENTS (INCLUDING RESTRICTED CASH), end of year	<u>\$ 10,286,354</u>	<u>\$ 9,610,320</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest	<u>\$ 3,566,753</u>	<u>\$ 3,764,282</u>
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES		
Unpaid property and equipment purchases	<u>\$ 2,192,484</u>	<u>\$ 4,875,271</u>

Occidental College

Notes to Consolidated Financial Statements

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

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

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

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

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

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
Total	\$ 195,729,946	\$ -	\$ 5,925,209	\$ 329,731,041	\$ 531,386,196

	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
Total	\$ 184,269,508	\$ -	\$ 6,162,050	\$ 346,823,231	\$ 537,254,789

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

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

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

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

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

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	<u>2,205,000</u>	<u>19,970,000</u>	<u>65,620,000</u>	<u>87,795,000</u>
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

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>\$ 626,136,264</u>	<u>\$ 633,035,799</u>

Occidental College

Notes to Consolidated Financial Statements

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

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

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

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.

Supplementary Information

Occidental College
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2020

<u>Federal Grantor/Pass-Through Grantor/Program and Cluster Title</u>	<u>Federal Assistance Listing Number</u>	<u>Pass-through Entity ID Number</u>	<u>Passed-through to Subrecipients</u>	<u>Expenditures Recognized</u>
<u>Student Financial Assistance Cluster</u>				
U.S. Department of Education				
Direct Programs				
Federal Student Educational Opportunity Grants	84.007	N/A	\$ -	\$ 282,883
Federal Work-Study Program	84.033	N/A	-	275,830
Federal Perkins Loan Program (beginning of the year)	84.038	N/A	-	4,038,596
Federal Pell Grant Program	84.063	N/A	-	1,819,548
Federal Direct Student Loans	84.268	N/A	-	9,076,805
Total Student Financial Assistance Cluster			-	15,493,662
<u>TRIO Cluster</u>				
U.S. Department of Education				
Direct Program				
TRIO Upward Bound	84.047	N/A	-	611,286
Total TRIO Cluster			-	611,286
Total U.S. Department of Education			-	16,104,948
<u>Research and Development Cluster</u>				
National Science Foundation				
Direct Programs				
RUI: Collaborative Research: R&D Towards Higher Sensitivity				
Directional Dark Matter Detectors	47.049	N/A	-	897
Center for Undergraduate Research-Mathematics	47.049	N/A	-	226,593
REU Site: Data Science, Number Theory, and Positional Game Theory	47.049	N/A	-	28,769
Number Theory Series in Los Angeles	47.049	N/A	-	6,285
The Role of Dwarf-Dwarf Galaxy Interactions over Cosmic Time	47.049	N/A	-	44,604
RUI: Development of Dianionic Enolates for the Stereoselective Synthesis				
of Natural and Unnatural Amino Acids	47.049	N/A	-	31,342
Geometric and Semantic Structures for Two and Three-Dimensional Shape Understanding	47.049	N/A	-	8,967
			-	347,457
				(continued)

Occidental College
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2020 (Continued)

<u>Federal Grantor/Pass-Through Grantor/Program and Cluster Title</u>	<u>Federal Assistance Listing Number</u>	<u>Pass-through Entity ID Number</u>	<u>Passed-through to Subrecipients</u>	<u>Expenditures Recognized</u>
RUI: Collaborative Research: Quantifying the roles of tectonic activity and climate as drivers of glacial-interglacial landscape evolution in the Teton Range, Wyoming	47.050	N/A	-	68,330
RUI: Collaborative Research: Timing of slip along the Sierra Nevada frontal fault zone, California: A thermochronologic study	47.050	N/A	-	18,958
			<u>-</u>	<u>87,288</u>
MRI: Acquisition of a High-Performance Computing Cluster for Occidental College	47.070	N/A	-	9,025
Attendee Support for the 2020 AAAI Doctorial Consortium	47.070	N/A	-	8,527
			<u>-</u>	<u>17,552</u>
RUI: CSBR: Natural History: Securing and digitizing the world's largest Mexican bird collection	47.074	N/A	-	24,424
CAREER: Integrating undergraduate research, citizen science, and museum genomics to explore a century of change in North American birds	47.074	N/A	-	145,573
MRI: Launching an undergraduate-driven Genomics Center through acquisition of an Illumina MiSeq	47.074	N/A	-	28,947
RUI: CSBR: Natural History: Securing and digitizing an extensive spatio-temporal collection of southern California's marine biodiversity	47.074	N/A	-	147,550
RUI: Marine Vampire Microbiome Project (MVP) Blood-feeding marine invertebrates and their bacterial accomplices	47.074	N/A	-	552
			<u>-</u>	<u>347,046</u>
MRI: Acquisition of a shared mobile EEG for research and undergraduate training at Occidental College	47.075	N/A	-	3,540
RUI: STS: Race, Immigration, and the Public Understanding of Science	47.075	N/A	-	333
			<u>-</u>	<u>3,873</u>
COSMOS: Creating Opportunities in Science and Mathematics for Occidental Students	47.076	N/A	-	132,147
			<u>-</u>	<u>132,147</u>
Total National Science Foundation (Direct Programs)			<u>-</u>	<u>935,363</u>
National Institutes of Health				
Direct Program				
Quantitative AFM Investigations of Adhesion of a Planktonic Bacterial Predator to Biofilm Prey	93.859	N/A	-	84,786
Total National Institutes of Health			<u>-</u>	<u>84,786</u>
Total Research and Development Cluster (Direct Programs)			<u>-</u>	<u>1,020,149</u>

(continued)

Occidental College
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2020 (Continued)

<u>Federal Grantor/Pass-Through Grantor/Program and Cluster Title</u>	<u>Federal Assistance Listing Number</u>	<u>Pass-through Entity ID Number</u>	<u>Passed-through to Subrecipients</u>	<u>Expenditures Recognized</u>
Department of Commerce				
Passed through the National Fish and Wildlife Administration				
Subtidal Reef restoration (CA) - II	11.463	NA12NMF4630196/NA16NMF4630023	-	395,341
Total Department of Commerce			-	395,341
National Institute of Environmental Health Sciences				
Passed through the University of Southern California				
Health and Air Pollution Near Urban Oil Drilling Sites	93.113	5R21ES027695-02	-	4,483
Total National Institute of Environmental Health Sciences			-	4,483
National Aeronautics & Space Administration				
Passed through the Jet Propulsion Laboratory				
Light-driven electrochemical production of oxygen and fuel from CO(2) and sunlight for Mars ISRU	43.001	80NM0018D0004	-	24,034
Passed through the Space Telescope Science Institute				
Star Cluster Populations of Interacting Dwarf Galaxies	43.U01	NAS5-26555	-	24,225
Total National Aeronautics & Space Administration			-	48,259
Total Research and Development Cluster (Pass-Through Funding)			-	448,083
Total Research and Development Cluster			-	1,468,232
<u>Other Programs</u>				
U.S. Department of Agriculture				
Direct Program				
Market Together: a community-based solution	10.168	N/A	-	90,344
Los Angeles Urban Agriculture Internship Program	10.310	N/A	-	23,362
Total U.S. Department of Agriculture			-	113,706
National Security Agency				
Direct Programs				
Putting the Arabic Standards Front & Center	12.900	N/A	-	78,882
Number Theory Series - LA	12.900	N/A	-	8,610
Total National Security Agency			-	87,492
U.S. Department of Education				
Direct Programs				
Higher Education Emergency Relief Fund - Occidental College	84.425E&F	N/A	-	1,418,278
Total U.S. Department of Education			-	1,418,278
Total Other Programs (Direct Programs)			-	1,619,476

(continued)

Occidental College
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2020 (Continued)

<u>Federal Grantor/Pass-Through Grantor/Program and Cluster Title</u>	<u>Federal Assistance Listing Number</u>	<u>Pass-through Entity ID Number</u>	<u>Passed-through to Subrecipients</u>	<u>Expenditures Recognized</u>
Department of Agriculture				
Passed through the State of California Department of Education				
Summer Food Service Program for Children, part of Child Nutrition Cluster	10.559	04149	-	10,982
Total Department of Agriculture			-	10,982
National Endowment for the Humanities				
Passed through the California Humanities				
A People's History of Southern California Foodways	45.129	SO-253167-17	-	3,492
Total National Endowment for the Humanities			-	3,492
U.S. Department of Education				
Passed through Los Angeles Unified School District				
Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR UP 4 LA 2)	84.334	P334A110166	-	82,046
Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR UP)	84.334	P334A140118	-	100,499
Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR UP 4 LA)	84.334	P334A180080	-	1,300,988
Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR UP 4 LA)	84.334	P334A140118-19	-	406,377
Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR UP 4 LA)	84.334	P334A180081	-	961,310
			-	2,851,220
Passed through Regents of University of California				
Every Student Succeeds Act 2019 (CSMP ESSA19)	84.367	S367A190005	-	80,000
Total U.S. Department of Education			-	2,931,220
Total Other Programs (Pass-Through Funding)			-	3,393,777
Total Other Programs			-	18,744,573
Total Expenditures of Federal Awards			\$ -	\$ 22,138,350

Occidental College

Notes to Schedule of Expenditures of Federal Awards

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal award activity of Occidental College (the “College”) under programs of the federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”). Because it presents only a selected portion of the operations of the College, it is not intended to, and does not, present the financial position, changes in net assets, or cash flows of the College.

Note 2 – Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

The College has elected not to use the 10 percent de minimus indirect cost rate as allowed under Uniform Guidance.

Note 3 – Federal Student Loan Programs

The federal student loan program listed subsequently is administered directly by the College and balances and transactions relating to this program are included in the College’s consolidated financial statements. The balance of loans at the beginning of the year and loans made during the year are included in the federal expenditures presented in the Schedule. The balance of loans outstanding at June 30, 2020, consists of:

Federal Assistance Listing Number	Program Name	Loans Outstanding at June 30, 2019	Loans Awarded During Fiscal 2020	Loan Principal Repaid / Cancelled Written Off / Assigned During Fiscal 2020	Loans Outstanding at June 30, 2020
84.038	Federal Perkins Loan Program	\$ 4,038,596	\$ -	\$ (719,388)	\$ 3,319,208

Occidental College

Notes to the Schedule of Expenditures of Federal Awards

Note 4 – Financial Responsibility

Section 498(c)(1) of the Higher Education Act authorizes the secretary for the Department of Education (“Department”) to establish ratios and other criteria for determining whether an institution has sufficient financial responsibility. Section 668.172 established a methodology based on three ratios—primary reserve, equity, and net income—that measure different aspects of financial health and are combined into a composite score to measure financial responsibility. Several mathematical steps are required to combine an institution’s ratio results into a composite score:

- Determine the value of each ratio;
- Calculate a strength factor score for each ratio using the appropriate algorithm;
- Calculate a weighted score for each ratio by multiplying the strength factor score by its corresponding weighted percentage; and
- Add the weighted scores to arrive at the composite score.

Institutions receiving a composite score of 1.5 or greater are considered financially responsible. An institution that fails the financial responsibility standards may continue to participate in Title IV programs under provisional certifications for three years. To continue to participate in Title IV programs under provisional certification, an institution will be required to provide surety to the Department of 10 percent or more of its previous year’s Title IV funding, as determined by the Department.

The source for each balance below has been referenced to either the consolidated statement of financial position (SOFP), consolidated statement of activities (SOA), or a specific footnote.

Primary Reserve Ratio Calculation	Reference	June 30, 2020
Net assets with donor restrictions	BS	\$ 400,298,267
Net assets without donor restrictions	BS	<u>225,837,997</u>
Total net assets		626,136,264
Less		
Net assets held in perpetuity	Note 10	(178,686,429)
Annuities, term endowments, and life income funds with donor restrictions	Note 10	(5,483,564)
Property, plant, and equipment (PPE)	BS	(191,836,085)
Unsecured related-party receivables	Note 14	(2,628,000)
Add		
All long term debt and operating lease liabilities (not to exceed total PPE)	BS	101,031,804
Post-employment and defined pension liabilities	BS	<u>-</u>
Total expendable net assets		\$ 348,533,990
Total operating expenses	SOA	127,171,069
Total expenses without donor restrictions and losses without donor restrictions		<u>\$ 127,171,069</u>
Primary reserve ratio		2.7

Occidental College

Notes to Schedule of Expenditures of Federal Awards

Note 4 – Financial Responsibility (continued)

Equity Ratio Calculation	Reference	June 30, 2020
Net assets with and without donor restrictions	BS	\$ 626,136,264
Less		
Unsecured related-party receivables	Note 4	<u>(2,628,000)</u>
Modified net assets		\$ 623,508,264
Total assets	BS	\$ 765,509,838
Less		
Unsecured related-party receivables	Note 4	<u>(2,628,000)</u>
Modified assets		<u>\$ 762,881,838</u>
Equity ratio		0.8

Net Income Ratio Calculation	Reference	For the Year Ended June 30, 2020
Change in net assets without donor restrictions	SOA	\$ 8,785,595
Total operating revenues, gains, and other support without donor restrictions	SOA	\$ 132,997,095
Add		
Net assets released for capital expenditures	SOA	6,946,405
Private gifts, grants and contracts non-operating	SOA	2,159,175
Less		
Investment loss, net	SOA	<u>(4,632,455)</u>
Total revenue without donor restrictions and gains without donor restrictions		<u>\$ 137,470,220</u>
Net income ratio		0.1

Step 1: Calculate the strength factor score for each ratio by using the following algorithms:

Primary Reserve strength factor score = 10 x the primary reserve ratio result

Equity strength factor score = 6 x the equity ratio result

Negative net income ratio result:

Net Income strength factor = 1 + (25 x net income ratio result)

Positive net income ratio result:

Net income strength factor = 1 + (50 x net income ratio result)

Zero result for net income ratio:

Net income strength factor = 1

If the strength factor score for any ratio is greater than or equal to 3, the strength factor score for the ratio is 3.

If the strength factor score for any ratio is less than or equal to -1, the strength factor score for the ratio is -1.

Step 2: Calculate the weighted score for each ratio and calculate the composite score by adding the three weighted scores:

Primary reserve weighted score = 40% x the primary reserve strength factor score

Equity weighted score = 40% x the equity strength factor score

Net income weighted score = 20% x the net income strength factor score

Composite score = the sum of all weighted scores

Round the composite score to one digit after the decimal point to determine the final score as of and for the year ended June 30, 2020

RATIO	Ratio	Factor	Weight	Scores
Primary reserve ratio	2.7	3.0	40%	1.2
Equity ratio	0.8	3.0	40%	1.2
Net income ratio	0.1	3.0	20%	<u>0.6</u>
Composite score as of and for the year ended June 30, 2020				<u>3.0</u>

Report of Independent Auditors On Internal Control Over Financial Reporting and On Compliance and Other Matters Based On an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Trustees
Occidental College

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Occidental College (the "College"), which comprise the consolidated balance sheet as of June 30, 2020, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated November 3, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the College's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of consolidated financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Moss Adams LLP

Los Angeles, California
November 3, 2020

Report of Independent Auditors On Compliance for Each Major Federal Program and Report On Internal Control Over Compliance Required by the Uniform Guidance

To the Board of Trustees
Occidental College

Report on Compliance for Each Major Federal Program

We have audited Occidental College's (the "College's") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the College's major federal programs for the year ended June 30, 2020. The College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Occidental College's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the College's compliance.

Opinion on Each Major Federal Program

In our opinion, the College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control Over Compliance

Management of the College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the College's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal programs and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Moss Adams LLP

Los Angeles, California
March 23, 2021

Occidental College
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2020

Section I – Summary of Auditor’s Results

Consolidated Financial Statements

Type of report the auditor issued on whether the consolidated financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None reported
- Noncompliance material to consolidated financial statements noted? Yes No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None reported
- Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes No

Identification of the Major Federal Program and Type of Auditor’s Report Issued on Compliance for the Major Federal Program

Federal Assistance Listing Numbers	Name of Federal Program or Cluster	Type of Auditor’s Report Issued on Compliance
Various 84.425E&F	Student financial assistance cluster Higher Education Emergency Relief Fund (HEERF)	Unmodified Unmodified

- Dollar threshold used to distinguish between type A and type B programs: \$750,000
- Auditee qualified as low-risk auditee? Yes No

Section II – Financial Statement Findings

None reported.

Section III – Federal Award Findings and Questioned Costs

None reported.

Occidental College
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2020

None reported.