Swarthmore College

Consolidated Financial Statements
June 30, 2021 and 2020

SWARTHMORE COLLEGE

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Report of Independent Auditors

To the Board of Managers of Swarthmore College

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

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; 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.

Auditors' Responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit 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 our 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, we consider internal control relevant to Swarthmore College'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 Swarthmore College'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 financial position of Swarthmore College and its subsidiaries as of June 30, 2021 and 2020, 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.

PricewaterhouseCoopers LLP

October 7, 2021

SWARTHMORE COLLEGE

STATEMENTS OF FINANCIAL POSITION

As of June 30, 2021 and 2020
(in thousands)

ASSETS	2021	2020
Cash and cash equivalents	$ 87,175	$ 53,841
Accounts receivable, net	3,516	4,538
Prepaid expenses and inventories	2,170	1,762
Contributions receivable	13,921	18,543
Student loans receivable, net	183	214
Employee mortgages receivable	6,617	8,036
Assets restricted to investment in property and equipment	3,111	25,918
Property and equipment, net	493,553	473,516
Investments, at market		
Endowment	2,899,311	2,103,670
Life income and annuity	49,127	40,154
Other	14,345	46,821
Total Assets	**$ 3,573,029**	**$ 2,777,013**
LIABILITIES		
Accrued compensation	$ 6,870	$ 7,023
Payables and other accruals	21,501	22,572
Student deposits	2,019	2,563
Deferred payments and other liabilities	44,745	41,721
Refundable government loan funds	10	35
Bonds payable, net	305,925	318,444
Total Liabilities	**381,070**	**392,358**
NET ASSETS		
Without Donor Restrictions	1,247,888	1,020,825
With Donor Restrictions	1,944,071	1,363,830
Total Net Assets	**3,191,959**	**2,384,655**
Total Liabilities and Net Assets	**$ 3,573,029**	**$ 2,777,013**

See accompanying notes to consolidated financial statements.

SWARTHMORE COLLEGE

CONSOLIDATED STATEMENT OF ACTIVITIES

for the year ended June 30, 2021
(in thousands)

	Without Donor Restrictions	With Donor Restrictions	Total 2021
Operating revenues and other additions			
Net student tuition, fees, room and board	$ 48,980	$ -	$ 48,980
Endowment spending distribution	95,727	3,162	98,889
Other investment income	423	-	423
Private gifts and grants	7,965	2,139	10,104
Government grants	6,045	-	6,045
Auxiliary activities and other income	5,667	228	5,895
Net assets released from restrictions	5,338	(5,338)	-
Total operating revenues and other additions	**170,145**	**191**	**170,336**
Operating expenses:			
Salaries and wages	84,787	-	84,787
Employee benefits	26,094	-	26,094
Operating expenses	41,776	-	41,776
Depreciation	16,662	-	16,662
Interest expense	9,197	-	9,197
Total operating expenses	**178,516**	**-**	**178,516**
(Decrease) increase in net assets from operating activities	**(8,371)**	**191**	**(8,180)**
Nonoperating activities:			
Net realized and unrealized gain on investments, net of endowment spending	222,456	586,943	809,399
Gifts and grants	342	4,960	5,302
Change in present value of life income funds	-	17	17
Maturities of annuity and life income funds	(92)	92	-
Change in other post retirement benefits	(589)	-	(589)
Other	612	743	1,355
Transfers among net asset classes	496	(496)	-
Net assets released from restrictions	12,209	(12,209)	-
Increase in net assets from nonoperating activities	**235,434**	**580,050**	**815,484**
Net increase in net assets for the year	**227,063**	**580,241**	**807,304**
Net Assets, June 30, 2020	**1,020,825**	**1,363,830**	**2,384,655**
Net Assets, June 30, 2021	**$ 1,247,888**	**$ 1,944,071**	**$ 3,191,959**

See accompanying notes to consolidated financial statements.

SWARTHMORE COLLEGE

CONSOLIDATED STATEMENT OF ACTIVITIES

for the year ended June 30, 2020
(in thousands)

	Without Donor Restrictions	With Donor Restrictions	Total 2020
Operating revenues and other additions			
Net student tuition, fees, room and board	$ 63,835	$ -	$ 63,835
Endowment spending distribution	93,774	3,373	97,147
Other investment income	1,920	-	1,920
Private gifts and grants	7,432	2,017	9,449
Government grants	2,627	-	2,627
Auxiliary activities and other income	8,007	298	8,305
Net assets released from restrictions	5,622	(5,622)	-
Total operating revenues and other additions	**183,217**	**66**	**183,283**
Operating expenses:			
Salaries and wages	83,010	-	83,010
Employee benefits	27,513	-	27,513
Operating expenses	47,759	-	47,759
Depreciation	13,352	-	13,352
Interest expense	9,127	-	9,127
Total operating expenses	**180,761**	**-**	**180,761**
Increase in net assets from operating activities	**2,456**	**66**	**2,522**
Nonoperating activities:			
Net realized and unrealized loss on investments, net of endowment spending	(6,297)	(15,057)	(21,354)
Gifts and grants	1,179	20,357	21,536
Change in present value of life income funds	-	(1,289)	(1,289)
Maturities of annuity and life income funds	407	(407)	-
Change in other post retirement benefits	(2,170)	-	(2,170)
Other	276	869	1,145
Transfers among net asset classes	(7,627)	7,627	-
Net assets released from restrictions	3,640	(3,640)	-
(Decrease) increase in net assets from nonoperating activities	**(10,592)**	**8,460**	**(2,132)**
Net (decrease) increase in net assets for the year	**(8,136)**	**8,526**	**390**
Net Assets, June 30, 2019	**1,028,961**	**1,355,304**	**2,384,265**
Net Assets, June 30, 2020	**$ 1,020,825**	**$ 1,363,830**	**$ 2,384,655**

See accompanying notes to consolidated financial statements.

SWARTHMORE COLLEGE

STATEMENTS OF CASH FLOWS

for the years ended June 30, 2021 and 2020

(in thousands)

	2021	2020
Cash flows from operating activities		
Change in net assets	$ 807,304	$ 390
Adjustments to reconcile change in net assets to net cash used by operating activities		
Depreciation	16,662	13,352
Amortization of bond premium	(2,987)	(3,112)
Donor restricted gifts	(6,861)	(14,512)
Receipt of contributed securities	(5,812)	(5,075)
Proceeds of contributed securities	3,149	756
Net unrealized and realized gains on investments	(913,681)	(72,969)
Change in student loan reserve	(20)	31
Return of federal loan funds	(25)	(70)
Changes in operating assets and liabilities		
Change in accounts receivable, contributions receivable, prepaid expenses and inventories	5,237	(5,347)
Change in deferred payments and other liabilities	3,562	3,674
Change in student deposits, payables and accruals	(1,769)	(4,700)
Net cash used by operating activities	**(95,241)**	**(87,582)**
Cash flows from investing activities		
Purchase of property and equipment	(36,699)	(37,482)
Proceeds from sale of investments	1,114,994	1,053,504
Purchase of investments	(973,451)	(946,694)
Student loans and employee mortgages advanced	(153)	(266)
Payments on students loans and employee mortgages	1,623	1,970
Net cash provided by investing activities	**106,314**	**71,032**
Cash flows from financing activities		
Donor restricted gifts	6,861	14,512
Proceeds from contributed securities designated for purchase of property and equipment and long-term investment	2,663	4,319
Change in assets restricted to investment in property and equipment	22,807	35,898
Payments on bonds and notes payable	(10,070)	(9,690)
Net cash provided by financing activities	**22,261**	**45,039**
Change in cash and cash equivalents	**33,334**	**28,489**
Cash and cash equivalents, beginning of year	53,841	25,352
Cash and cash equivalents, end of year	**$ 87,175**	**$ 53,841**
Cash paid for interest, net of amounts capitalized	$ 13,087	$ 13,504
Non-cash capital expenditures in accounts payable	3,804	5,471

See accompanying notes to consolidated financial statements.

1. Summary of Significant Accounting and Reporting Policies

Reporting Entity
Swarthmore College (the College) is a private, not-for-profit college of liberal arts and engineering located in Swarthmore, Pennsylvania. The College was incorporated in 1864 and founded by the Society of Friends. A Board of Managers governs the College. The College information presented in the consolidated financial statements comprises all the accounts of the College, including its institutes, centers and programs. Intercompany balances and transactions between the College and its subsidiaries have been eliminated in consolidation.

The consolidated financial statements of Swarthmore College include a wholly-owned, for-profit company, Marjay Productions, Inc., which was a bequest from a donor. The purposes of Marjay Productions, Inc. are to hold copyrights of the donor's works and to receive royalties. Its financial operations are immaterial to Swarthmore College as a whole.

The consolidated financial statements of Swarthmore College also include a wholly-owned, for-profit, sole member Pennsylvania Limited Liability Corporation named Parrish LLC. The purpose of Parrish LLC is to operate an inn and restaurant facility in the Borough of Swarthmore, PA. Its financial operations are immaterial to Swarthmore College as a whole.

Basis of Presentation
The College's consolidated financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America and reporting practices of not-for-profit entities. The statements have been prepared with the adopted principles of the Accounting Standards Codification (ASC) 958, Not-for-Profit Entities, which requires classification of net assets into two categories according to donor-imposed restrictions. The principles require that assets, revenues, gains, expenses and losses be classified as either net assets without donor imposed restrictions or net assets with donor imposed restrictions.

Net assets without donor restriction
This classification includes all revenues, gains, expenses and losses not restricted by donors. All operating expenses are reported as decreases in net assets without donor restriction since the use of restricted contributions require the release of the restriction. Periodically donor restrictions related to net assets may be clarified or changed; such changes are reflected as fund transfers in the period in which they are identified.

Net assets with donor restrictions
This classification of net assets are subject to donor-imposed restrictions that are either maintained in perpetuity or that will be met either by actions of the College or by the passage of time. Generally, a donor imposed restriction is a stipulation that specifies the use of a contributed assets only for specific purposes. Some donor-imposed restrictions are temporary in nature, including gifts for capital projects or buildings not yet placed in service; annuity and life income gifts and pledges. Other donor-imposed restrictions are perpetual or permanent in nature, such as donor-restricted endowment funds.

Investment gains and losses
The investment gains and losses are reported as increases or decreases without donor restrictions unless their use is restricted by explicit donor stipulation. Appropriation by the College Board of Managers is a requirement for the use of investment income and gains for operations.

Operating activities
Operating Results in the consolidated statement of activities reflect all transactions increasing or decreasing net assets without donor restrictions except those items associated with long-term investment, capital gifts, non-periodic changes in postretirement benefit obligations, losses on extinguishment of debt, and other nonrecurring transactions.

Use of estimates
The preparation of the consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting periods. Significant estimates include the valuation of alternative investments, allowance for doubtful accounts and accrued employee benefits. Actual results could differ from those estimates.

Cash Equivalents
Cash equivalents are readily convertible to cash and have an original maturity date of three months or less from the date purchased. Pooled endowment fund cash and cash equivalents that are held for investment purposes are classified as investments (see Note 3).

Short Term Investments
Short term investments are certificates of deposits with an FDIC insured banking institution that have a maturity date of greater than three months. There were no outstanding certificates of deposit as of June 30, 2021.

New Accounting Pronouncements Adopted
In February 2016, the FASB issued a standard *Topic 842 – Leases*. This standard requires lessees to recognize assets and liabilities for the rights and obligations created by leases with terms in excess of 12 months. The recognition, measurement and presentation arising from a lease will primarily depend on classification as a financing or operating lease. The effective date for this standard was December 15, 2021 for public entities. The College has adopted this standard prospectively for the Fiscal Year 2021 and the adoption has resulted in immaterial increases in lease-related assets and liabilities on the Consolidated Statement of Financial Position, Statements of Activities or Cash Flows.

Accounting Pronouncements not yet adopted
In August 2018, the FASB issued an amendment to the *Topic 715-20 Changes to the Disclosure Requirements for Defined Benefit Plans*. This accounting standard update changes the disclosure requirements for defined benefit and other postretirement plans. The College will adopt this standard for the Fiscal Year 2022 and is in process of evaluating the impact of the adoption of the standard to its consolidated financial statements.

Investments
Refer to the Investments Footnote 3 for the accounting and reporting policy for investments.

Property and Equipment
Property and equipment is stated at cost less accumulated depreciation. Expenditures for new construction, major renovations and equipment are capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of building (60 years), building improvements (25 years), land improvements (15 years) and equipment (5 years).

Right of use assets (financed) include vehicles leased by the College with a term greater than 1 year. The asset is depreciated over the remaining life of the lease. Right of use assets (operating) include property leased by the College with a term greater than 1 year. These assets are reduced when lease payments are made. Right of use assets have a related right of use liability included in long-term debt.

(dollars in thousands)

Construction in progress is depreciated over the useful life of the respective assets once the asset is put into service. Operating expenses associated with the operation and maintenance of plant assets, as well as interest and depreciation expense, are allocated on the basis of square footage utilized by the functional classification of expense.

Works of art, historical treasures and similar assets are recognized at their estimated fair value at the time of gift based upon appraisals or similar valuations. All material items, whether contributed or purchased, have been capitalized. Works of art, historical treasures and similar assets are not subject to depreciation.

Long-lived assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the related carrying amount may not be recoverable.

Assets restricted to investment in property and equipment
Assets restricted to investment in property and equipment consist primarily of proceeds of tax-exempt bonds issued for the benefit of the College and limited by terms of the indentures to use for qualified capital projects. These assets consist of cash and cash equivalents and short-term investments, recorded at cost, which approximates fair value. Contributions restricted for the acquisition of property and equipment are also reported as assets restricted to investment in property and equipment until the contribution is utilized for their intended purpose.

Tuition, fees and scholarships
Revenue from student tuition and fees are recognized into revenue in the fiscal year for which educational services are provided. Tuition discounts in the form of scholarships and financial aid grants are reported as a reduction of revenues. Room and board revenue is recognized over the period it is earned as housing services and food services are provided. The College applies institutional aid as a discount to qualified tuition and fees. Student scholarships that are in excess of tuition and fees is applied as a discount to room and board revenue.

For 2021 and 2020 the student tuition, fees, room and board net of institutional aid was as follows.

	2021	2020
Student tuition and fees	$ 77,850	$ 91,149
Room and board	10,893	19,722
Less student aid	(39,763)	(47,036)
Net student tuition, fees, room and board	$ 48,980	$ 63,835

Contributions
Contributions of cash and other assets, including unconditional promises to give, are recognized as revenues in the period received. Contributions with donor-imposed restrictions that are not met in the same year as received or earned are reported as net assets with donor restrictions and are reclassified to net assets without donor restrictions when the donor stipulated restrictions are met or purpose restrictions are satisfied. Contributions of assets other than cash are reported at their estimated fair value. Conditional promises to give are not recognized until the conditions are substantially met. Donated assets are recorded at estimated fair value at the date of the gift.

Contributions receivable are unconditional promises, recorded at present value net of any allowance for uncollectible contributions. The present value of pledges are determined using the applicable market rate in the period contributions are recognized, which ranges from 0.33% to 2.17%.

Conditional contributions including bequest intensions are not recognized as assets and if received, will be recorded as revenue in the period the condition is met. The College has federal awards which are considered conditional grants. Conditional grants from federal sponsored projects amounted to $5,495 and $4,235 as of June 30, 2021 and 2020.

Compensated Absences
Accrued compensation includes vacation time earned by hourly and staff employees, but not yet taken as of fiscal year-end. A staff employee is entitled to receive pay in lieu of vacation upon termination. Employees may accrue a maximum of 240 hours of vacation. Accrued vacation payable amounted to $3,685 and $3,389 as of June 30, 2021 and 2020, respectively.

College Housing Programs
For employees who meet certain eligibility requirements, the College has rental, mortgage and financing assistance programs. The goal of the programs is to attract and retain excellent faculty and staff. Beginning on January 1, 2018, the College's Mortgage Loan program was replaced with a forgivable subordinated loan program, the Home Purchase Assistance Program. The College will continue to service the former program's existing College-issued mortgages. These loans and mortgages are collateralized by deeds of trust on properties in the Philadelphia region. Management evaluates current economic conditions and collection history to determine if an allowance is necessary. Currently, there are no associated allowances for the receivables held under either program.

The former College Mortgage Loan program provided 20, 25, 30 or 40 year monthly amortizing first mortgages for homes within a specified distance to campus for faculty, instructional staff and other staff members who meet certain eligibility requirements. Mortgages are to be paid off within 360 days of the termination of employment for any reason (death, retirement or severance). The interest rate on such mortgage loans is reviewed and updated on a quarterly basis.

The College Home Purchase Assistance program is a 10 year forgivable, subordinate loan of up to 10% of the appraised value (subject to a cap) for homes that are considered a primary residence within a specified distance to campus for faculty, instructional staff and other staff members who meet certain eligibility requirements. Subordinate loans are to be paid off in full within 360 days of the termination of employment for any reason (death, retirement or severance). There is no interest charged on the loan.

The College owns a number of houses and apartments which are rented to faculty, instructional staff and other staff members who meet certain eligibility requirements in the Borough of Swarthmore and surrounding campus communities.

Subsequent Events
The College evaluated the period from June 30, 2021, the date of the financial statements, through October 1, 2021, the date of the issuance of the financial statements. On August 4, 2021, the College issued $93,590 aggregate principal of the 2021 Revenue Bonds (2021 Bonds) through the Swarthmore Borough Authority at a premium. The proceeds will refund Series 2011B ($11,595), Series 2011C ($21,420), and fund the cost of various tax exempt capital projects. The College had no other reportable subsequent events between June 30, 2021 and October 1, 2021.

(dollars in thousands)

2. Contributions Receivable

Contributions receivable at June 30, 2021 and 2020 were as follows:

	2021	2020
Due in:		
Less than one year	$ 6,748	$ 9,130
One to five years	3,881	6,572
More than five years	3,722	3,305
	14,351	19,007
Unamortized discount	(140)	(258)
Allowance for doubtful contributions	(290)	(206)
	$ 13,921	$ 18,543

3. Investments

The College reports all investments at fair value. The fair value of marketable equity and fixed income securities (which include both domestic and foreign issues) is generally based upon a combination of published market prices at the close of business on the last day of the fiscal year and exchange rates. The fair value of investments for which published market prices are not available is based upon estimated values using discounted cash flow analysis or other industry standard methodologies.

The fair value of limited partnerships in private equity and real estate and other similar nonmarketable investment vehicles is carried at the net asset value ("NAV") or capital account balance at the measurement date as determined by the investment managers or the most current NAV or capital account balance adjusted for subsequent cash flows. The NAV of such investments is generally estimated by external investment managers, including general partners. Although certain investments may be sold in secondary market transactions, the secondary market is not active and therefore it is reasonably possible that if the College were to sell its interest in a fund in the secondary market, the transaction could be materially different than the reported fair value. The College performs additional due diligence and reviews these for reasonableness. The College has assessed factors including, but not limited to, managers' audited financial statements, price transparency, valuation policies, redemption conditions and restrictions.

Endowment investments include the College's permanent, term, and quasi-endowment funds. Although quasi-endowment funds have been established by the Board of Managers for the similar purposes as endowment funds, any portion of quasi-endowment funds may be expended upon approval by the Board of Managers.

Annuity, unitrust and life income funds periodically pay either the income earned or a fixed percentage of the assets to designated beneficiaries and terminate at a designated time, usually upon the death of the last designated income beneficiary. The College's remainder interest is then available for use by the College as designated by either the donor or the Board of Managers. The actuarial liability for the charitable gift annuities as of June 30, 2021 and 2020 is based on the present value of future payments discounted at rates that vary by participant from 1.2% to 11.6% based upon the 2012 IAR Mortality Table. The actuarial liability for the unitrusts as of June 30, 2021 and 2020 is based on the present value of future payments discounted at rates that vary by trust from 5% to 9% of the Annuity 2000

(dollars in thousands)

Mortality Table. The fair value of life income assets, invested in Level 1 equity or debt securities, are measured at fair value on a recurring basis at quoted market prices.

The endowment objective established by the Board of Managers is to provide a sustainable level of distribution in support of the College's annual operating budget while preserving the real purchasing power of the endowment before gifts. The endowment provides significant support of the College's operations; therefore, endowment policies seek to achieve stability and sustained growth in this support. The Board of Managers sets the level of distribution of endowment return annually.

The College has a unitization system for the management of endowments. All endowments are invested in a single pool of investment assets. Each separate endowment owns units in the investment pool, and the College determines the fair value of a unit on a quarterly basis. Gifts to an endowment fund create new units at the unit value in effect at the time of the gift. Changes in the unit value reflect changes in the fair value of endowment assets. Such changes arise from investment income, gains and losses and from the annual distribution to support each endowment's intended purpose. The Board of Managers sets the approved distribution annually, with a spending rate policy minimum of 3.5% and a maximum of 5.0%. The College follows endowment spending guidelines for its unitized investments, including quasi-endowment that provides for regular increases in spending while preserving the long-term purchasing power of the endowment. Earnings available for spending are shown in operating revenue, and the balance of realized and unrealized gains or loss is shown as non-operating revenue.

The following table shows the endowment distribution for the year and unit value for the investment pool at June 30, 2021 and 2020 respectively:

	Number of Units	**Fair Value**	**Income Distribution**
June 30, 2021	2,592,972	$ 1,121.37	$ 39.12
June 30, 2020	2,540,191	$ 830.42	$ 39.10

The fair value of assets associated with individual donor-restricted endowment funds may fall below the value of the gifts (i.e. underwater deficits). The College has a policy that permits spending from underwater endowment funds depending on the degree to which the fund is underwater, unless otherwise precluded by donor intent or relevant laws and regulation. When a donor endowment deficit exists, it is classified as a deficit with donor restrictions. For June 30, 2021 and 2020 there were underwater endowment funds of $11 and $139, respectively.

Net realized and unrealized gains on assets with restrictions that are permanent in nature are reported as a nonoperating activities. The Commonwealth of Pennsylvania has not adopted the Uniform Management of Institutional Funds Act (UMIFA) rather, the Pennsylvania Uniform Principal and Income Act (Pennsylvania Act) governs the investment, use and management of the College's endowment funds. Commonwealth of Pennsylvania law permits the College to appropriate for expenditure each year a portion of these net realized gains up to 10% of the average of the past three years' fair value of resources required to be maintained in perpetuity. Pursuant to this Commonwealth of Pennsylvania law, the Board of Managers has approved the reclassification of net realized gains ($28,899 and $12,112 for 2021 and 2020, respectively) as released from donor restriction.

(dollars in thousands)

A summary of investment activity for fiscal years 2021 and 2020 is as follows:

	Endowment funds	Annuity and Life Income funds	Other	2021 Total	2020 Total
Investments, beginning of the year	$ 2,103,670	$ 40,154	$ 46,821	$ 2,190,645	$ 2,208,855
Contributions	6,803	1,354	-	8,157	10,372
Maturities of annuity and life income funds	-	(1,120)	-	(1,120)	(1,605)
Other	-	501	2	503	925
Transfers in	3,952	-	-	3,952	15,797
Transfers out	(14,632)	-	(33,643)	(48,275)	(20,741)
	(3,877)	735	(33,641)	(36,783)	4,748
Investment return	906,280	9,794	1,165	917,239	82,192
Investment management fees	(7,873)			(7,873)	(6,456)
	898,407	9,794	1,165	909,366	75,736
Payments to annuity and life income beneficiaries	-	(1,556)	-	(1,556)	(1,547)
Endowment spending distribution					
Without Donor Restrictions	(95,727)	-	-	(95,727)	(93,774)
With Donor Restrictions	(3,162)	-	-	(3,162)	(3,373)
	(98,889)	(1,556)	-	(100,445)	(98,694)
Investments, end of year	$ 2,899,311	$ 49,127	$ 14,345	$ 2,962,783	$ 2,190,645

The generally accepted hierarchy for fair value measurements is based on the transparency of information used in the valuation of an asset or liability as of the measurement date. In determining fair value, valuation techniques used maximize the use of observable inputs and minimize the use of unobservable inputs. Certain investments that are measured at fair value using the net asset value per share or its equivalent (NAV) as a practical expedient have been categorized separately in the fair value hierarchy.

- Level I- Quoted prices are available in active markets for identical investments as of the measurement date.
- Level II- Pricing inputs, other than exchange-quoted prices in active markets, are either directly or indirectly observable as of the measurement date. Certain investments with structures similar to registered mutual funds may have readily determinable fair value if the NAV is determined, published and used as the basis for transactions.
- Level III- Pricing inputs are unobservable and there is minimal (if any) market data.

The College's investment objectives guide its asset allocation policy and are achieved by investing with external investment management firms who utilize different investment strategies and operate through a variety of investment vehicles, including separate accounts, commingled funds managed by investment companies and limited partnerships. The College has investments in seven asset categories. Cash and Cash Equivalents are investments in short-term cash and money market instruments. These are able to be liquidated immediately or within 30 days. Fixed Income includes investment in fixed income securities, such as U.S. Treasury bonds and Treasury Inflation-Protected securities. Public Equity includes investment in publicly-traded stocks of domestic and international companies. Real Assets include investments in real estate and natural resources. Private Equity includes investments in buyouts, venture capital and distressed companies. Alternative Strategies includes investment in corporate direct lending, financial assets and distressed debt and investments in multi-strategy hedge funds.

(dollars in thousands)

A summary of investments, measured by the fair value hierarchy at June 30, 2021 were as follows:

	Investments Measured at NAV	Level I	Level II	Level III	Total
Endowment					
Cash and Cash Equivalents	$ -	$ 165,553	$ -	$ -	$ 165,553
Fixed Income	-	141,900	-	-	141,900
Public Equity	386,747	331,613	282,846	-	1,001,206
Real Assets	263,031	-	-	-	263,031
Private Equity	957,169	-	-	-	957,169
Alternative Strategies	370,452	-	-	-	370,452
Total Endowment	1,977,399	639,066	282,846	-	2,899,311
Life income	-	49,127	-	-	49,127
Other	-	9,363	2,771	2,211	14,345
Total Investments	$ 1,977,399	$ 697,556	$ 285,617	$ 2,211	$ 2,962,783

Changes to the reported amounts of investments measured at fair value on a recurring basis using significant unobservable (Level III) inputs as of June 30, 2021 is as follows:

	Fair Value June 30, 2020	Investment return	Purchases	Sales	Fair Value June 30, 2021
Other Investments	$ 2,422	$ -	$ 491	$ (702)	$ 2,211

(dollars in thousands)

A summary of investments, measured by the fair value hierarchy at June 30, 2020 were as follows:

	Investments Measured at NAV	Level I	Level II	Level III	Total
Endowment					
Cash and Cash Equivalents	$ -	$ 118,965	$ -	$ -	$ 118,965
Fixed Income	-	86,096			86,096
Public Equity	290,352	260,589	262,532		813,473
Real Assets	219,581	6,860	-		226,441
Private Equity	544,531				544,531
Alternative Strategies	314,164				314,164
Total Endowment	1,368,628	472,510	262,532	-	2,103,670
Life income		40,154			40,154
Other		42,385	2,014	2,422	46,821
Total Investments	$ 1,368,628	$ 555,049	$ 264,546	$ 2,422	$ 2,190,645

Changes to the reported amounts of investments measured at fair value on a recurring basis using significant unobservable (Level III) inputs as of June 30, 2020 is as follows:

	Fair Value June 30, 2019	Investment return	Purchases	Sales	Fair Value June 30, 2020
Other Investments	$ 2,584	$ 2	$ 248	$ (412)	$ 2,422

For the fiscal years ended June 30, 2021 and 2020 there were no transfers between levels within the fair value hierarchy.

The College has commitments to various limited partnerships. The College expects the majority of these funds to be called over the next four years with liquidity to be received over the next fifteen years. The following tables disclose the significant terms of the agreements with investment managers or funds by major category and value of outstanding commitments at June 30, 2021 and 2020:

	2021 Unfunded Commitments	2020 Unfunded Commitments
Private equity	$ 316,889	$ 350,090
Real Assets	169,619	166,508
Alternative Strategies	99,991	82,784
Total unfunded commitments	$ 586,499	$ 599,382

(dollars in thousands)

4. Liquidity and Availability

The following reflects the College's available financial assets as of the balance sheet date, reduced by amounts not available for use within one year because of contractual or donor-imposed restrictions or internal designations.

	2021	2020
Cash and cash equivalents	$ 87,175	$ 53,841
Accounts receivable to be collected within 12 months, net	3,516	4,538
Student loans receivable to be collected within 12 months, net	41	71
Employee mortgage loans to be collected within 12 months	307	393
Contributions receivable without donor restriction to be collected within 12 months	242	477
Board-approved endowment distribution for current operations	95,980	107,479
Financial assets available at year end for current use	$ 187,261	$ 166,799

The College has various sources of internal liquidity at its disposal including, cash, cash equivalents, marketable debt and equity securities. As part of the College's liquidity management, the College maintains no working capital lines of credit, but maintains capital allocations which provides liquidity of assets available to meet general expenditures as liabilities and other obligation come due. General expenditures consist of funding for the College's operating budget including debt obligation payments and funding for the annual capital renewal and replacement expenditures. The College's endowment funds consist of donor-restricted and quasi endowment funds. Income from donor-restricted endowments is restricted for specific purposes and therefore is not available for general expenditure. Although the College does not intend to spend from its quasi endowment funds other than amounts distributed as part of the annual budget approval process, amounts from quasi endowment funds could be made available by the Board of Managers, if necessary. The College's quasi endowment funds value was $1,011 million at June 30, 2021 and $805 million at June 30, 2020. Management estimates as of June 30, 2021 and 2020 the College's investments of $839 million and $808 million have liquidity of under 30 days, while still subject to donor and endowment distribution restrictions.

(dollars in thousands)

5. Property and Equipment

Property and equipment at June 30, 2021 and 2020 consisted of the following:

	2021	2020
Land	$ 5,783	$ 5,783
Buildings and improvements	644,959	493,687
Construction in progress	19,010	137,236
Equipment	19,342	16,466
Right of use assets:		
Financing	298	-
Operating	225	-
Works of art, historical treasures and similar asset	4,726	4,726
	694,343	657,898
Accumulated depreciation	(200,790)	(184,382)
	$ 493,553	$ 473,516

Interest payments totaling $793 and $1,164 were capitalized in 2021 and 2020, respectively.

6. Deferred Payments and Other Liabilities

Deferred payments and other liabilities at June 30, 2021 and 2020 consisted of the present value of future payments due to or on behalf of employees and former employees under retirement and postretirement programs, donors under annuity and life income programs, conditional asset retirement obligations and conditional gifts.

	2021	2020
Conditional gift liability	$ 1,700	$ 885
Charitable gift annuity liabilities	8,562	8,665
Life income and unitrusts	7,575	7,291
Postretirement health benefit	18,440	17,852
Employees and former employees	7,296	5,904
Conditional asset retirement obligation	1,172	1,124
	$ 44,745	$ 41,721

The College currently provides a postretirement health benefit in the form of a monthly stipend for the payment of medical premiums to all employees who meet certain eligibility requirements.

(dollars in thousands)

The components of the postretirement health benefit as of June 30, 2021 and 2020 are as follows:

	2021	2020
Change in accumulated postretirement benefit obligation		
Postretirement benefit obligation at beginning of year		
Actives not fully eligible to retire	$ 10,210	$ 7,792
Actives fully eligible to retire	5,029	4,592
Retirees	2,613	2,652
Total	17,852	15,036
Service cost	790	646
Interest cost	453	499
Actuarial (gain) / loss	(152)	1,967
Benefits paid	(502)	(296)
Postretirement benefit obligation at end of year		
Actives not fully eligible to retire	8,913	10,210
Actives fully eligible to retire	4,889	5,029
Retirees	4,638	2,613
Total	$ 18,440	$ 17,852

	2021	2020
Change in plan assets		
Employer contribution	$ 502	$ 296
Benefits paid	(502)	(296)
Fair value of plan assets at end of year	$ -	$ -
Funded status		
Postretirement benefit obligation at end of year	$ 18,440	$ 17,851
Fair value of plan assets at end of year	-	-
Funded status end of year	18,440	17,851
Current liability	626	495
Non-current liability	17,814	17,357
Total	$ 18,440	$ 17,852

(dollars in thousands)

	2021	2020
Components of the net periodic postretirement benefit cost		
Service cost	$ 790	$ 646
Interest cost	453	499
Amortization of actuarial (gain) / loss	-	(25)
Total	$ 1,243	$ 1,120
OPEB changes other than net periodic postretirement benefit cost		
New actuarial (gain) / loss	$ (152)	$ 1,967
Amortization of unrecognized amounts	-	25
Total	$ (152)	$ 1,992
Unrecognized amounts at year-end:		
Net actuarial (gain) / loss	$ 84	$ 237
Total	$ 84	$ 237
Amortization amounts in following year (estimate)		
Net actuarial (gain) / loss	$ -	$ -
Total	$ -	$ -

	2021	2020
Assumptions and effects		
Medical trend rate next year	6.50 %	5.50 %
Ultimate trend rate	5.00 %	5.00 %
Year ultimate trend rate is achieved	2026	2022
Discount rate used to value end of year accumulated postretirement benefit obligation	2.66 %	2.50 %
Discount rate used to value net periodic postretirement benefit cost	2.50 %	3.37 %
Effect of a 1% increase in health care cost trend rate on:		
Interest cost plus service cost	$ 288	$ 237
Accumulated postretirement benefit obligation	$ 3,213	$ 3,441
Effect of a 1% decrease in health care cost trend rate on:		
Interest cost plus service cost	$ (222)	$ (185)
Accumulated postretirement benefit obligation	$ (2,588)	$ (2,774)
Measurement date	6/30/2021	6/30/2020

(dollars in thousands)

Year Beginning July 1st	Estimated Future Benefit Payment
2021	626
2022	663
2023	707
2024	726
2025	763
2026 - 2030	4,512

7. Long-Term Debt

Balances of bonds and notes payable outstanding at June 30, 2021 and 2020 were:

	Effective Interest Rate	Maturity Dates	2021 Principal	2020 Principal
Swarthmore Borough Authority				
2011B Revenue Bonds	2.40%	2020-2021	$ 11,595	$ 11,955
2011C Revenue Bonds	2.85%	2020-2021	21,420	23,840
2013 Revenue Bonds	3.86%	2020-2043	32,795	35,160
2015 Revenue Bonds	3.65%	2020-2045	50,225	51,245
2016A Revenue Bonds	1.81%	2020-2030	46,620	50,135
2016B Revenue Bonds	2.95%	2020-2046	19,930	20,320
2018 Revenue Bonds	3.64%	2023-2049	93,000	93,000
			275,585	285,655
Unamortized bond premium			31,106	34,236
Less: deferred financing costs			(1,304)	(1,447)
Total bonds payable			305,387	318,444
Right of use liabilities				
Financing			312	-
Operating			226	-
Total right of use liabilities			538	-
Total long-term debt			$ 305,925	$ 318,444

The College bond ratings by Moody's and Standard & Poor's were Aaa/AAA for the years ended June 30, 2021 and 2020. Deferred financing costs represent bond issuance costs that are amortized over the period to bond maturity. Amortization of bond premiums is based on an effective-interest method.

On July 10, 2018 the College issued $93,000 aggregate principal of the 2018 Revenue Bonds (2018 Bonds) through the Swarthmore Borough Authority at a premium. The proceeds were used to fund various tax exempt capital projects and to fund the costs for issuing the 2018 Bonds.

(dollars in thousands)

On August 4, 2016, the College issued $21,375 aggregate principal amount of 2016 Revenue Bonds, Series B (2016B Bonds) through the Swarthmore Borough Authority at a premium. The proceeds were used fund various tax-exempt capital projects, and to fund the costs of issuing the 2016B Bonds.

On July 19, 2016, the College issued $59,975 aggregate principal amount of 2016 Revenue Refunding Bonds, Series A (2016A Bonds) through the Swarthmore Borough Authority at a premium. The proceeds were used to advance refund the 2006A Revenue Bonds, par value of $74,305, which were scheduled to mature on September 15, 2030, and to fund the costs of issuing the 2016A Bonds.

On July 14, 2015, the College issued $54,940 aggregate principal amount of 2015 Revenue Bonds (2015 Bonds) through the Swarthmore Borough Authority at a premium. The proceeds were used to fund various tax-exempt capital projects and to fund the costs of issuing the 2015 Bonds.

On July 31, 2013, the College issued $47,340 aggregate principal amount of 2013 Revenue Bonds (2013 Bonds) through the Swarthmore Borough Authority at a premium. The proceeds were used to refund the 2008 Revenue Bonds, par value of $25,360, which were scheduled to mature on September 15, 2013, to refund the 2009 Revenue Bonds, par value of $8,525, which were scheduled to mature on September 15, 2013 and to fund various tax-exempt capital projects and to fund the costs of issuing the 2013 Bonds.

On December 21, 2011, the College issued $14,380 aggregate principal amount of 2011B Revenue Bonds (2011B Revenue Bonds) through the Swarthmore Borough Authority at a premium. The proceeds were used for various tax-exempt capital projects and to fund the costs of issuing the 2011B Bonds.

On December 21, 2011, the College issued $46,280 aggregate principal amount of taxable 2011C Revenue Bonds (2011C Revenue Bonds) through the Swarthmore Borough Authority. The proceeds were used for general operations, to advance refund a portion of the 2002 Revenue Bonds, par value of $19,665 and to fund the costs of issuing the 2011C Bonds.

On August 21, 2014, the College took out a letter of credit in the amount of $2.4 million as required by the Pennsylvania Department of Public Transportation related to a road construction project. On March 15, 2018, the letter of credit was amended to $0.5 million. The letter of credit expired on December 27, 2019.

On October 12, 2016, the College took out a letter of credit in the amount of $0.2 million as required by the Pennsylvania Department of Public Transportation related to a parking lot construction project. On April 27, 2018, the letter of credit was amended to $42 thousand. The letter of credit expired on December 16, 2019.

Debt service payments for the next five fiscal years on all borrowings are as follows:

	Principal	Interest	Total
2021-2022	$ 39,305	$ 12,095	$ 51,400
2022-2023	8,355	11,114	19,469
2023-2024	8,725	10,687	19,412
2024-2025	9,110	10,241	19,351
2025-2026	9,780	9,792	19,572

(dollars in thousands)

Included in long-term debt is the corresponding liability for right of use assets, right of use liabilities (financed and operating). These liabilities are recorded present value of the remaining lease payments using the rate of the lease terms, if known, or the College's incremental borrowing rate when the lease term rate is unknown. The rates range from 1.14% to 5.11%.

8. Retirement Benefits

Retirement benefits for all eligible employees of the College are individually funded and vested under a defined contribution Sec. 403(b) retirement plan with Teachers Insurance and Annuity Association of America (TIAA), or Vanguard Group of Investment Companies. Under this arrangement, the College makes monthly contributions as defined in the Plan to the accounts of all employees. The College's contributions under this Plan are included in operating expenses and were $6,796 in 2021 and $6,843 in 2020.

The College has a Sec. 457 non-qualified deferred compensation plan for senior management employees. Participants elect to defer compensation, which is invested with the Teachers Insurance and Annuity Association of America (TIAA) or the Vanguard Group of Investment Companies and is considered College property until the employee withdraws the funds due to emergency, termination or retirement. The participants' contributions are subject to the general creditors of the College, so the invested asset is offset by a corresponding liability in the amounts of $1,481 and $1,166 at June 30, 2021 and 2020 respectively. The College does not record transaction activity as revenue or expense. The investments are reported at fair value.

9. Net assets

Net assets at June 30, 2021 were designated or allocated to:

			Year Ended June 30, 2021
Nature of Net Assets	**Without Donor Restrictions**	**With Donor Restrictions**	**Total Net Assets**
Undesignated	$ 7,507	$ -	$ 7,507
Donor-Restricted	-	29,832	29,832
Annuity and life income funds	19,669	13,632	33,301
Student loans	1,277	-	1,277
Donor-restricted endowment funds:			
General College support	-	602,730	602,730
Scholarships	-	483,753	483,753
Professorships	-	446,523	446,523
Academic support	-	265,982	265,982
Other	-	89,696	89,696
Quasi endowment funds	1,010,627	-	1,010,627
Net Investment in property and equipment	208,808	11,923	220,731
Total	$ 1,247,888	$ 1,944,071	$ 3,191,959

(dollars in thousands)

Net assets at June 30, 2020 were designated or allocated to:

Nature of Net Assets	Without Donor Restrictions	With Donor Restrictions	Year Ended June 30, 2020 Total Net Assets
Undesignated	$ 6,920	$ -	$ 6,920
Donor-Restricted	-	33,153	33,153
Annuity and life income funds	15,146	10,670	25,816
Student loans	1,336	-	1,336
Donor-restricted endowment funds:			
General College support	-	351,749	351,749
Scholarships	-	356,523	356,523
Professorships	-	329,234	329,234
Academic support	-	195,059	195,059
Other	-	65,638	65,638
Quasi endowment funds	805,467	-	805,467
Net Investment in property and equipment	191,956	21,804	213,760
Total	$ 1,020,825	$ 1,363,830	$ 2,384,655

Certain amounts have been transferred out of net assets without donor restrictions and into net assets with donor restrictions as a result of donor restrictions on matching gifts, unspent investment return added to principal, and clarifications of donors' restrictions.

As of June 30, 2021 and 2020 there were no donor-related endowment funds for which the fair value of assets is less than the level required by donor stipulations. The corpus of true endowment funds that are part of the donor-restricted endowment funds as of June 30, 2021 and 2020 were $229,921 and $223,173.

(dollars in thousands)

Changes to the reported amount of the College's true endowment funds and associated appreciation as of June 30 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment total, June 20, 2019	$ 822,946	$ 1,308,607	$ 2,131,553
Contributions	229	8,239	8,468
Transfers	(15,861)	1,822	(14,039)
Investment returns	98,383	(17,092)	81,291
Investment management fees	(6,456)	-	(6,456)
Endowment spending distribution	(93,774)	(3,373)	(97,147)
Endowment total, June 30, 2020	805,467	1,298,203	2,103,670
Contributions	178	6,625	6,803
Transfers	(2,337)	(8,343)	(10,680)
Investment returns	314,513	591,767	906,280
Investment management fees	(7,873)	-	(7,873)
Endowment spending distribution	(95,727)	(3,162)	(98,889)
Endowment total, June 30, 2021	$ 1,014,221	$ 1,885,090	$ 2,899,311

10. Functional Expenses

The College's functional expenses are presented in accordance with the functions attributable to one or more program or administration of the College. Each functional classification is categorized related to the underlying operations by natural classification. Allocation of depreciation, plant operations and management, utilities, debt interest expense are allocated to programs based on the square footage assigned to College programs.

Functional expenses for the years ended June 30, 2021 are as follows:

	Instruction	Academic Support	Student Services	Institutional Support	Auxiliary Activities	Research and Public Service	Operations and Maintenance	Total
Salaries and wages	$ 32,646	$ 12,977	$ 7,715	$ 16,920	$ 2,993	$ 3,056	$ 8,480	$ 84,787
Employee benefits	10,023	3,172	2,155	5,673	1,368	665	3,038	26,094
Operating Expenses	1,372	5,688	3,883	13,044	6,002	997	10,790	41,776
Allocations:								
Depreciation	5,021	2,031	974	512	7,856	268	-	16,662
Operations and Maintenance	6,704	2,737	1,313	628	10,565	361	(22,308)	-
Interest expense	2,764	1,128	541	259	4,356	149	-	9,197
Total Operating Expenses	$ 58,530	$ 27,733	$ 16,581	$ 37,036	$ 33,140	$ 5,496	$ -	$ 178,516

(dollars in thousands)

Functional expenses for the years ended June 30, 2020 are as follows:

	Instruction	Academic Support	Student Services	Institutional Support	Auxiliary Activities	Research and Public Service	Operations and Maintenance	Total
Salaries and wages	$ 33,173	$ 11,555	$ 8,290	$ 15,345	$ 3,407	$ 2,930	$ 8,310	$ 83,010
Employee benefits	10,718	3,366	2,329	5,749	1,559	617	3,175	27,513
Operating Expenses	6,076	7,743	4,781	9,766	7,567	2,129	9,697	47,759
Allocations:								
Depreciation	4,012	1,643	830	347	6,304	216	-	13,352
Operations and Maintenance	6,365	2,607	1,317	550	10,000	343	(21,182)	-
Interest expense	2,738	1,122	566	251	4,302	148	-	9,127
Total Operating Expenses	$ 63,082	$ 28,036	$ 18,113	$ 32,008	$ 33,139	$ 6,383	$ -	$ 180,761

11. Income Tax

The College has been granted tax-exempt status as a non-profit organization under Section 501(c) (3) of the Internal Revenue Code, and accordingly, files federal tax Form 990 (Return of Organization Exempt from Income Tax) annually. The College also files federal tax Form 990-T (Exempt Organizations Business Income Tax Return).

The College is subject to federal excise taxes imposed on private colleges and universities if certain conditions are met. The excise tax is imposed on net investment income, as defined under federal law which includes interest, dividends, and net realized gains on the sale of investments. The College is subject to the excise tax for 2021 and 2020 at a 1.4% excise tax rate for the tax year ended December 31, 2021 and 2020. The current liability of the excise tax for June 30, 2021 and 2020 is $2,008 and $1,446, respectively. As of June 30, 2021 and 2020 there were no deferred excise tax expenses resulting from net unrealized gains (and losses) on investments.

Marjay Productions, Inc. is a for-profit corporation subject to federal income taxes under the Internal Revenue Code. Through June 30, 2021, this corporation has no significant outstanding tax obligations.

Parrish LLC is a for-profit corporation subject to federal income taxes under the Internal Revenue Code. Through June 30, 2021, this wholly-owned, sole member Pennsylvania Limited Liability Corporation has not generated any taxable income.

In accordance with the guidance on accounting for uncertainty in income taxes, management regularly evaluates its tax positions and does not believe the College has any uncertain tax positions that require disclosure or adjustment in the financial statements. The College continually monitors and evaluates its activities for unrelated business income activity.

12. Commitments and Contingencies

In the ordinary course of business, the College occasionally becomes involved in legal proceedings. While any legal proceeding or litigation has an element of uncertainty, management believes that the outcome of all current pending or threatened actions will not have a material adverse effect on the business or financial condition of the College. As of June 30, 2021 and 2020, the College had outstanding commitments for construction contracts and purchase orders of $56,391 and $24.059, respectively.