SWARTHMORE COLLEGE

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

SWARTHMORE COLLEGE
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INDEPENDENT AUDITORS' REPORT

Board of Managers
Swarthmore College
Swarthmore, Pennsylvania

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Swarthmore College (the College), which comprise the consolidated statement of financial position as of June 30, 2023, and the related statements of activities, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Swarthmore College as of June 30, 2023, and changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the College and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the 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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern for one year after the date the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Prior Year Consolidated Financial Statements

The consolidated financial statements for the year ended June 30, 2022, were audited by other auditors whose report, dated October 14, 2022, expressed an unmodified opinion on those financial statements.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

King of Prussia, Pennsylvania
October 9, 2023

SWARTHMORE COLLEGE
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2023 AND 2022
(IN THOUSANDS)

	2023	2022
ASSETS		
Cash and Cash Equivalents	$ 95,354	$ 95,429
Accounts Receivable, Net	1,825	1,616
Prepaid Expenses and Inventories	2,804	2,021
Contribution Receivable	7,979	8,986
Student Loans Receivable, Net	200	207
Employee Mortgages and Housing Loans Receivable	5,643	5,809
Assets Restricted to Investment in Property and Equipment	14,570	48,002
Right-of-Use Assets:		
Operating Lease	108	168
Financing Lease	1,267	502
Property and Equipment, Net	562,654	524,015
Investments, at Market:		
Endowment	2,720,329	2,725,238
Life Income and Annuity	33,518	34,754
Other	17,521	16,155
Total Assets	$ 3,463,772	$ 3,462,902
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accrued Compensation	$ 7,135	$ 6,681
Payables and Other Accruals	31,768	24,941
Student Deposits	1,873	1,959
Deferred Payments and Other Liabilities	39,055	39,195
Right-of-Use Lease Liabilities:		
Operating Leases	108	168
Financing Leases	1,475	559
Bonds Payable, Net	360,096	372,907
Total Liabilities	441,510	446,410
NET ASSETS		
Without Donor Restrictions	1,250,767	1,248,216
With Donor Restrictions	1,771,495	1,768,276
Total Net Assets	3,022,262	3,016,492
Total Liabilities and Net Assets	$ 3,463,772	$ 3,462,902

See accompanying Notes to Consolidated Financial Statements.

SWARTHMORE COLLEGE
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023
(IN THOUSANDS)

	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING REVENUES AND OTHER ADDITIONS			
Net Student Tuition, Fees, Room and Board	$ 75,962	$ -	$ 75,962
Endowment Spending Distribution	111,366	5,963	117,329
Other Investment Income	2,631	-	2,631
Private Gifts and Grants	2,499	2,797	5,296
Government Grants	4,714	-	4,714
Auxiliary Activities and Other Income	9,854	428	10,282
Net Assets Released from Restrictions	9,076	(9,076)	-
Total Operating Revenues and Other Additions	216,102	112	216,214
OPERATING EXPENSES			
Salaries and Wages	93,454	-	93,454
Employee Benefits	29,796	-	29,796
Operating Expenses	62,262	-	62,262
Depreciation	18,960	-	18,960
Interest Expense	8,382	-	8,382
Total Operating Expenses	212,854	-	212,854
Change in Net Assets from Operating Activities	3,248	112	3,360
NONOPERATING ACTIVITIES			
Net Realized and Unrealized (Loss) and Gain on Investments, Net of Endowment Spending	(7,611)	5,625	(1,986)
Gifts and Grants	7,526	4,328	11,854
Change in Present Value of Life Income Funds	-	(1,684)	(1,684)
Maturities of Annuity and Life Income Funds	174	(174)	-
Change in Other Postretirement Benefits	783	-	783
Asset Impairment	(7,917)	-	(7,917)
Other	411	949	1,360
Transfers Among Net Asset Classes	1,095	(1,095)	-
Net Assets Released from Restrictions	4,842	(4,842)	-
Change in Net Assets from Nonoperating Activities	(697)	3,107	2,410
NET CHANGE IN NET ASSETS	2,551	3,219	5,770
Net Assets - Beginning of Year	1,248,216	1,768,276	3,016,492
NET ASSETS - END OF YEAR	$ 1,250,767	$ 1,771,495	$ 3,022,262

See accompanying Notes to Consolidated Financial Statements.

SWARTHMORE COLLEGE
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022
(IN THOUSANDS)

	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING REVENUES AND OTHER ADDITIONS			
Net Student Tuition, Fees, Room and Board	$ 73,127	$ -	$ 73,127
Endowment Spending Distribution	100,478	5,575	106,053
Other Investment Income	457	-	457
Private Gifts and Grants	6,629	1,968	8,597
Government Grants	2,596	-	2,596
Auxiliary Activities and Other Income	9,030	100	9,130
Net Assets Released from Restrictions	7,904	(7,904)	-
Total Operating Revenues and Other Additions	200,221	(261)	199,960
OPERATING EXPENSES			
Salaries and Wages	86,060	-	86,060
Employee Benefits	27,103	-	27,103
Operating Expenses	59,657	-	59,657
Depreciation	17,173	-	17,173
Interest Expense	10,547	-	10,547
Total Operating Expenses	200,540	-	200,540
Change in Net Assets from Operating Activities	(319)	(261)	(580)
NONOPERATING ACTIVITIES			
Net Realized and Unrealized Loss on Investments, Net of Endowment Spending	(25,039)	(168,781)	(193,820)
Gifts and Grants	3,206	10,330	13,536
Change in Present Value of Life Income Funds	-	419	419
Maturities of Annuity and Life Income Funds	4,828	(4,828)	-
Change in Other Postretirement Benefits	3,439	-	3,439
Other	843	696	1,539
Transfers Among Net Asset Classes	229	(229)	-
Net Assets Released from Restrictions	13,141	(13,141)	-
Change in Net Assets from Nonoperating Activities	647	(175,534)	(174,887)
NET CHANGE IN NET ASSETS	328	(175,795)	(175,467)
Net Assets - Beginning of Year	1,247,888	1,944,071	3,191,959
NET ASSETS - END OF YEAR	$ 1,248,216	$ 1,768,276	$ 3,016,492

See accompanying Notes to Consolidated Financial Statements.

SWARTHMORE COLLEGE
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2023 AND 2022
(IN THOUSANDS)

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ 5,770	$ (175,467)
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:		
Depreciation	18,517	16,987
Amortization of Bond Premium and Deferred Financing Costs	(3,291)	(3,365)
Amortization of Right-of-Use Asset	443	186
Asset Impairment	7,917	-
Donor-Restricted Gifts	(6,108)	(10,537)
Receipt of Contributed Securities	(346)	(3,429)
Proceeds of Contributed Securities	205	727
Net Unrealized and Realized (Gains) Loss on Investments	(108,815)	100,790
Change in Student Loan Reserve	(69)	(33)
Return of Federal Loan Funds	-	(10)
Changes in Operating Assets and Liabilities:		
Change in Accounts Receivable, Contributions Receivable, Prepaid Expenses, and Inventories	15	6,984
Change in Right-of-Use Asset and Right-of-Use Lease Liability	-	
Change in Deferred Payments and Other Liabilities	(140)	(5,550)
Change in Student Deposits, Payable, and Accruals	7,195	3,191
Net Cash Used by Operating Activities	(78,707)	(69,526)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(65,073)	(48,451)
Proceeds from Sale of Property and Equipment	-	479
Proceeds from Sale of Investments	673,257	819,587
Purchase of Investments	(559,663)	(733,741)
Student Loans and Employee Mortgages Advanced	(398)	(69)
Payments on Students' Loans and Employee Mortgages	640	886
Net Cash Provided by Investing Activities	48,763	38,691
CASH FLOWS FROM FINANCING ACTIVITIES		
Donor-Restricted Gifts	6,108	10,537
Proceeds from Contributed Securities Designated for Purchase of Property and Equipment and Long-Term Investment	141	2,702
Change in Assets Restricted to Investment in Property and Equipment	33,432	(44,891)
Payments on Finance Leases	(292)	(144)
Proceeds from Issuance of Bonds Payable	-	110,308
Advance Refunding of Bonds Payable	-	(33,133)
Payments on Bonds Payable	(9,520)	(6,290)
Net Cash Provided by Financing Activities	29,869	39,089
CHANGE IN CASH AND CASH EQUIVALENTS	(75)	8,254
Cash and Cash Equivalents - Beginning of Year	95,429	87,175
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 95,354	$ 95,429
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash Paid for Interest, Net of Amounts Capitalized	$ 14,311	$ 14,059
Noncash Capital Expenditures in Accounts Payable	$ 19,859	$ 5,587

See accompanying Notes to Consolidated Financial Statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Swarthmore College (the College) is a private, nonprofit 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.

Related Parties

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.

The board of managers includes representatives from both private and public sector industries. The College received gifts from members of the board of managers in 2023 and 2022.

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 Restrictions – 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

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 statements 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, and other nonrecurring transactions.

Use of Estimates

The preparation of 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).

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases

Right-of-use assets (financed) include equipment leased by the College with a term greater than one 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 one year. These assets are reduced when lease payments are made. Right-of use-assets have a related right-of-use liability.

Right-of-use liabilities (financed and operating) are recorded at their 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 1.24% to 7.75%.

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).

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.

Investments

Refer to Note 3 for the accounting and reporting policy for investments.

Tuition, Fees, and Scholarships

Revenue from student tuition and fees are recognized as revenue over 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.

(IN THOUSANDS)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Tuition, Fees, and Scholarships (Continued)

At June 30, the student tuition, fees, room and board net of institutional aid was as follows:

	2023	2022
Student Tuition and Fees	$ 100,249	$ 93,698
Room and Board	27,505	26,711
Less: Student Aid	(51,792)	(47,282)
Student Tuition, Fees, Room and Board, Net	$ 75,962	$ 73,127

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 3.56%.

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 $3,403 and $4,652 as of June 30, 2023 and 2022, respectively.

Compensated Absences

Accrued compensation includes vacation time earned by hourly and staff employee, 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 $3,831 and $3,413 as of June 30, 2023 and 2022, respectively.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Accounting Pronouncements Not Yet Adopted

In June 2016, Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-13, *Financial Instruments – Credit Losses (Topic 325)*. This ASU represents a significant change in the allowance for credit losses accounting model by requiring immediate recognition of manager's estimates of current expected credit losses. Under the current model, losses are recognized only as they are incurred, which FASB has noted delayed recognition of expected losses that might not yet have met the threshold of being probable. ASU No. 2016-13 is effective for fiscal years beginning after December 15, 2022, with early adoption permitted. The College is currently evaluating the standard to determine the impact it will have on its consolidated financial statements.

(IN THOUSANDS)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

The College has evaluated events and transactions for potential recognition or disclosure through October 9, 2023, the date the consolidated financial statements were available for issue. On July 12, 2023, the College issued $125,000 aggregate principal of the 2023 Revenue Bonds (2023 Bonds) through the Swarthmore Borough Authority at a premium. The proceeds will refund Series 2013 and fund the cost of various tax-exempt capital projects.

NOTE 2 CONTRIBUTIONS RECEIVABLE

Contributions receivable at June 30 were as follows:

	2023	2022
Due in:		
Less than One Year	$ 5,082	$ 5,140
One to Five Years	1,773	2,691
More than Five Years	1,178	1,137
Total	8,033	8,968
Unamortized Discount	259	197
Allowance for Doubtful Contributions	(313)	(179)
Contributions Receivable, Net	$ 7,979	$ 8,986

NOTE 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.

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.

(IN THOUSANDS)

NOTE 3 INVESTMENTS (CONTINUED)

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, 2023 and 2022, is based on the present value of future payments discounted at rates that vary by participant from 0.6% to 7.6% based upon the 2012 IAR Mortality Table. The actuarial liability for the unitrusts as of June 30, 2023 and 2022, is based on the present value of future payments discounted at rates that vary by trust from 5% to 9% of the Annuity 2000 Mortality Table. The fair value of life income assets, invested in Level 1 equity or debt securities, is 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 years and unit value for the investment pool at June 30:

	Number of Units	Fair Value	Income Distributions
June 30, 2023	2,703,551	$ 1,008.86	$ 44.68
June 30, 2022	2,646,110	$ 1,032.21	$ 41.00

(IN THOUSANDS)

NOTE 3 INVESTMENTS (CONTINUED)

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, 2023 and 2022, there were underwater endowment funds of $662 and $524, respectively.

	2023	2022
Fair Value of Underwater Endowment Funds	$ 6,709	$ 5,630
Historic Dollar Value	7,371	6,154
Total	$ (662)	$ (524)

Net realized and unrealized gains on assets with restrictions that are permanent in nature are reported as 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 of $38,891 and $32,955 for 2023 and 2022, respectively, as released from donor restriction.

A summary of investment activity at June 30 is as follows:

	Endowment Funds	Annuity and Life Income Funds	Other	2023 Total	2022 Total
Investments - Beginning of Year	$ 2,725,238	$ 34,754	$ 16,155	$ 2,776,147	$ 2,962,783
Contributions	2,501	1,863	751	5,115	8,963
Maturities of Annuity and Life Income Funds	-	(4,978)	-	(4,978)	(9,932)
Other	-	1,761	-	1,761	938
Transfers In	10,164	5,901	12,907	28,972	18,380
Transfers Out	(4,804)	(6,197)	(14,136)	(25,137)	(7,539)
	7,861	(1,650)	(478)	5,733	10,810
Investment Return	111,475	1,792	1,844	115,111	(82,131)
Investment Management Fees	(6,916)	-	-	(6,916)	(7,803)
	104,559	1,792	1,844	108,195	(89,934)
Payments to Annuity and Life income Beneficiaries	-	(1,378)	-	(1,378)	(1,459)
Endowment Spending Distribution:					
Without Donor Restrictions	(111,366)	-	-	(111,366)	(100,478)
With Donor Restrictions	(5,963)	-	-	(5,963)	(5,575)
	(117,329)	(1,378)	-	(117,329)	(107,512)
Investments - End of Year	$ 2,720,329	$ 33,518	$ 17,521	$ 2,771,368	$ 2,776,147

NOTE 3 INVESTMENTS (CONTINUED)

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 1 – Quoted prices are available in active markets for identical investments as of the measurement date.

Level 2 – 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 3 – 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 include investment in corporate direct lending, financial assets, and distressed debt and investments in multi-strategy hedge funds.

(IN THOUSANDS)

NOTE 3 INVESTMENTS (CONTINUED)

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

	2023				
	Investments Measured at NAV	Level 1	Level 2	Level 3	Total
Endowment:					
Fixed Income	$ -	$ 132,974	$ -	$ -	$ 132,974
Public Equity	306,113	206,820	300,525	-	813,458
Real Assets	365,365	-	-	-	365,365
Private Equity	902,689	-	-	-	902,689
Alternative Strategies	439,945	-	-	-	439,945
Subtotal Endowment	2,014,112	339,794	300,525	-	2,654,431
Cash and Cash Equivalents					65,898
Total Endowment					2,720,329
Life Income	-	33,518	-	-	33,518
Other	-	12,907	2,666	1,948	17,521
Total Investments	$ 2,014,112	$ 386,219	$ 303,191	$ 1,948	$ 2,771,368

	2022				
	Investments Measured at NAV	Level 1	Level 2	Level 3	Total
Endowment:					
Fixed Income	$ -	$ 135,014	$ -	$ -	$ 135,014
Public Equity	271,142	102,319	390,324	-	763,785
Real Assets	329,867	-	-	-	329,867
Private Equity	958,965	-	-	-	958,965
Alternative Strategies	426,800	-	-	-	426,800
Subtotal Endowment	1,986,774	237,333	390,324	-	2,614,431
Cash and Cash Equivalents					110,807
Total Endowment					2,725,238
Life Income	-	34,754	-	-	34,754
Other	-	11,952	2,312	1,891	16,155
Total Investments	$ 1,986,774	$ 284,039	$ 392,636	$ 1,891	$ 2,776,147

Changes to the reported amounts of investments measured at fair value on a recurring basis using significant unobservable (Level 3) inputs as of June 30 are as follows:

	Fair Value June 30, 2022	Investment Return	Purchases	Sales	Fair Value June 30, 2023
Other Investments	$ 1,891	$ 1,450	$ 718	$ (2,111)	$ 1,948

	Fair Value June 30, 2021	Investment Return	Purchases	Sales	Fair Value June 30, 2022
Other Investments	$ 2,211	$ -	$ 401	$ (721)	$ 1,891

For the fiscal years ended June 30, 2023 and 2022, there were no transfers between levels within the fair value hierarchy.

(IN THOUSANDS)

NOTE 3 INVESTMENTS (CONTINUED)

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:

	2023			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Alternative Strategies:				
Hedge Funds	$ 202,800	$ -	Quarterly/Semi-Annually	65/90 Days
Hedge Funds	39,506	-	Illiquid	65/90 Days
Private Funds	197,639	126,442	Illiquid	N/A
Private Equity	902,689	354,763	Illiquid	N/A
Real Assets	365,365	244,657	Illiquid	N/A
Public Equity	306,113	-	Monthly/Annually	30-90 Days
Total	$ 2,014,112	$ 725,862		

	2022			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Alternative Strategies:				
Hedge Funds	$ 215,564	$ -	Quarterly/Semi-Annually	65/90 Days
Hedge Funds	40,056	-	Illiquid	65/90 Days
Private Funds	171,180	115,625	Illiquid	N/A
Private Equity	958,965	353,725	Illiquid	N/A
Real Assets	329,867	233,268	Illiquid	N/A
Public Equity	271,142	-	Monthly/Annually	30-90 Days
Total	$ 1,986,774	$ 702,618		

(IN THOUSANDS)

NOTE 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.

	2023	2022
Cash and Cash Equivalents	$ 95,354	$ 95,429
Accounts Receivable to be Collected within 12 Months, Net	1,825	1,616
Student Loans Receivable to be Collected within 12 Months, Net	23	23
Employee Mortgage Loans to be Collected within 12 Months, Net	240	270
Contributions Receivable Without Donor Restrictions to be Collected within 12 Months	120	115
Board-Approved Endowment Distribution for Current Operations	118,279	113,456
Financial Assets Available at Year-End for Current Use	$ 215,841	$ 210,909

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 $965 million and $983 million at June 30, 2023 and 2022, respectively. Management estimates as of June 30, 2023 and 2022, the College's investments of $618 million and $664 million, respectively, have liquidity of under 30 days, while still subject to donor and endowment distribution restrictions.

(IN THOUSANDS)

NOTE 5 PROPERTY AND EQUIPMENT

Property and equipment at June 30 consisted of the following:

	2023	2022
Land	$ 5,783	$ 5,783
Buildings and Improvements	712,379	663,277
Construction in Progress	48,767	48,067
Equipment	20,481	19,434
Works of Art, Historical Treasures, and Similar Asset	4,776	4,726
Total	792,186	741,287
Accumulated Depreciation	(229,532)	(217,272)
Property and Equipment, Net	$ 562,654	$ 524,015

Interest payments totaling $1,154 and $816 were capitalized in 2023 and 2022, respectively.

NOTE 6 DEFERRED PAYMENTS AND OTHER LIABILITIES

Deferred payments and other liabilities at June 30, 2023 and 2022, 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.

	2023	2022
Charitable Gift Annuity Liabilities	$ 7,662	$ 7,918
Life Income and Unitrusts	9,579	7,600
Postretirement Health Benefit	14,217	15,001
Employees and Former Employees	6,315	7,434
Conditional Asset Retirement Obligations	1,282	1,242
Total	$ 39,055	$ 39,195

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.

(IN THOUSANDS)

NOTE 6 DEFERRED PAYMENTS AND OTHER LIABILITIES (CONTINUED)

The components of the postretirement health benefit as of June 30 are as follows:

	2023	2022
Change in Accumulated Postretirement Benefit Obligation:		
Postretirement Benefit Obligation at Beginning of Year:		
Actives not Fully Eligible to Retire	$ 7,261	$ 8,913
Actives Fully Eligible to Retire	4,001	4,889
Retirees	3,739	4,638
Total	15,001	18,440
Service Cost	582	776
Interest Cost	629	482
Actuarial (Gain) Loss	(1,586)	(4,381)
Benefits Paid	(407)	(316)
Postretirement Benefit Obligation at End of Year:		
Actives not Fully Eligible to Retire	5,020	7,261
Actives Fully Eligible to Retire	4,632	4,001
Retirees	4,565	3,739
Total	$ 14,217	$ 15,001
Change in Plan Assets:		
Employer Contribution	$ 407	$ 316
Benefits Paid	(407)	(316)
Fair Value of Plan Assets - End of Year	$ -	$ -
Funded Status:		
Postretirement Benefit Obligation at End of Year	$ 14,217	$ 15,001
Fair Value of Plan Assets at End of Year	-	-
Funded Status at End of Year	$ 14,217	$ 15,001
Current Liability	$ 706	$ 664
Noncurrent Liability	13,511	14,337
Total	$ 14,217	$ 15,001

(IN THOUSANDS)

NOTE 6 DEFERRED PAYMENTS AND OTHER LIABILITIES (CONTINUED)

	2023	2022
Components of the Net Periodic Postretirement Benefit Cost:		
Service Cost	$ 582	$ 776
Interest Cost	629	482
Amortization of Actuarial (Gain) Loss	(278)	-
Total	$ 933	$ 1,258
OPEB Changes Other than Net Periodic Postretirement Benefit Cost:		
New Actuarial (Gain) Loss	$ (1,586)	$ (4,381)
Amortization of Unrecognized Amounts	278	-
Total	$ (1,308)	$ (4,381)
Unrecognized Amounts at Year-End:		
Net Actuarial (Gain) Loss	$ (5,606)	$ (4,297)
Total	$ (5,606)	$ (4,297)
Amortization Amounts in Following Year (Estimate):		
Net Actuarial (Gain) Loss	$ (351)	$ (259)
Total	$ (351)	$ (259)
Assumptions and Effects:		
Medical Trend Rate Next Year	6.00%	6.00%
Ultimate Trend Rate	5.00%	5.75%
Year Ultimate Trend Rate is Achieved	2026	2026
Discount Rate Used to Value End-of-Year Accumulated Postretirement Benefit Obligation	4.90%	4.42%
Discount Rate Used to Value Net Periodic Postretirement Benefit Cost	4.42%	2.66%
Effect of a 1% Increase in Healthcare Cost Trend Rate on:		
Interest Cost Plus Service Cost	$ 242	$ 274
Accumulated Postretirement Benefit Obligation	1,955	2,413
Effect of a 1% Decrease in Healthcare Cost Trend Rate on:		
Interest Cost Plus Service Cost	$ (193)	$ (213)
Accumulated Postretirement Benefit Obligation	(1,618)	(2,019)
Measurement Date	6/30/2023	6/30/2022

(IN THOUSANDS)

NOTE 6 DEFERRED PAYMENTS AND OTHER LIABILITIES (CONTINUED)

Year Beginning July 1,	Estimated Future Benefit Payment
2023	$ 706
2024	754
2025	806
2026	799
2027	825
2028 - 2032	4,906

NOTE 7 LONG-TERM DEBT

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

	Effective Interest Rate	Maturity Dates	2023 Principal	2022 Principal
Swarthmore Borough Authority:				
2013 Revenue Bonds	3.86%	2020-2043	$ 30,380	$ 31,620
2015 Revenue Bonds	3.65%	2020-2045	48,040	49,160
2016A Revenue Bonds	1.81%	2020-2030	39,080	42,980
2016B Revenue Bonds	2.95%	2020-2046	19,090	19,520
2018 Revenue Bonds	3.64%	2023-2049	91,335	93,000
2021A Revenue Bonds	1.94%	2022-2038	20,555	21,720
2021B Revenue Bonds	2.52%	2031-2051	71,870	71,870
			320,350	329,870
Unamortized Bond Premium			41,823	45,281
Less: Deferred Financing Costs			(2,077)	(2,244)
Total Long-Term Debt			$ 360,096	$ 372,907

The College bond ratings by Moody's and Standard & Poor's were Aaa/AAA for the years ended June 30, 2023 and 2022. 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 August 4, 2021, the College issued $71,870 aggregate principal amount of 2021B Revenue Bonds (2021B Bonds) through the Swarthmore Borough Authority at a premium. The proceeds were used to advance refund a portion of the 2011C Revenue Bonds, par value of $11,595, to fund the costs of issuing the 2021B Bonds, and various tax-exempt capital projects.

NOTE 7 LONG-TERM DEBT (CONTINUED)

On August 4, 2021, the College issued $21,720 aggregate principal amount of taxable 2021A Revenue Bonds (2021A Bonds) through the Swarthmore Borough Authority. The proceeds were used to advance refund a portion of the 2011C Revenue Bonds, par value of $21,420, and to fund the costs of issuing the 2021A Bonds.

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.

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.

The College has a revolving line of credit with PNC Bank, NA totaling $50,000 and $25,000 as of June 30, 2023 and 2022, respectively. The line of credit is secured by the College's unrestricted revenues and has an expiration date of June 30, 2024. The line of credit bears interest at the Bloomberg Short-Term Bank Yield rate plus 35 basis points. There were no amounts outstanding as of June 30, 2023 and 2022.

(IN THOUSANDS)

NOTE 7 LONG-TERM DEBT (CONTINUED)

Debt principal payments on all borrowings as of June 30, 2023, are as follows:

Year Ending June 30,	Amount
2023-2024	$ 9,895
2024-2025	10,285
2025-2026	10,960
2026-2027	11,390
2027-2028	11,885
Thereafter	265,935
	$ 320,350

NOTE 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 (the 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 $7,644 and $6,860 in 2023 and 2022, respectively.

The College has a Sec. 457 non-qualified deferred compensation plan for senior management employees. Participants elect to defer compensation, which is invested with 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 $1,117 and $1,131 at June 30, 2023 and 2022, respectively. The College does not record transaction activity as revenue or expense. The investments are reported at fair value.

(IN THOUSANDS)

NOTE 9 NET ASSETS

Net assets at June 30 were designated or allocated to the following:

June 30, 2023	Without Donor Restrictions	With Donor Restrictions	Total
Undesignated	$ 40,487	$ -	$ 40,487
Donor-Restricted	-	8,673	8,673
Annuity and Life Income Funds	11,299	6,757	18,056
Student Loans	1,257	-	1,257
Donor-Restricted Endowment Funds:			-
General College Support	-	638,011	638,011
Scholarships	-	438,846	438,846
Professorships	-	404,553	404,553
Academic Support	-	243,236	243,236
Other	-	30,861	30,861
Quasi-Endowment Funds	964,822	-	964,822
Net Investment in Property and Equipment	232,902	558	233,460
Total	$ 1,250,767	$ 1,771,495	$ 3,022,262

June 30, 2022	Without Donor Restrictions	With Donor Restrictions	Total
Undesignated	$ 26,439	$ -	$ 26,439
Donor-Restricted	-	16,195	16,195
Annuity and Life Income Funds	13,199	7,504	20,703
Student Loans	1,296	-	1,296
Donor-Restricted Endowment Funds:			
General College Support	-	549,964	549,964
Scholarships	-	448,662	448,662
Professorships	-	413,573	413,573
Academic Support	-	246,895	246,895
Other	-	82,915	82,915
Quasi-Endowment Funds	983,229	-	983,229
Net Investment in Property and Equipment	224,053	2,568	226,621
Total	$ 1,248,216	$ 1,768,276	$ 3,016,492

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, 2023 and 2022, 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, 2023 and 2022, were $242,933 and $240,207, respectively.

(IN THOUSANDS)

NOTE 9 NET ASSETS (CONTINUED)

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 - June 30, 2021	$ 1,010,627	$ 1,888,684	$ 2,899,311
Contributions	111	6,933	7,044
Transfers	8,289	(1,986)	6,303
Investment Returns	72,483	(146,047)	(73,564)
Investment Management Fees	(7,803)	-	(7,803)
Endowment Spending Distributions	(100,478)	(5,575)	(106,053)
Endowment - June 30, 2022	983,229	1,742,009	2,725,238
Contributions	259	2,242	2,501
Transfers	(7,278)	12,638	5,360
Investment Returns	106,894	4,581	111,475
Investment Management Fees	(6,916)	-	(6,916)
Endowment Spending Distributions	(111,366)	(5,963)	(117,329)
Endowment - June 30, 2023	$ 964,822	$ 1,755,507	$ 2,720,329

NOTE 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 are as follows:

	Instruction	Academic Support	Student Services	Institutional Support	Auxiliary Activities	Research and Public Service	Operations and Maintenance	2023 Total
Salaries and Wages	$ 36,038	$ 13,409	$ 9,038	$ 18,615	$ 4,089	$ 3,145	$ 9,120	$ 93,454
Employee Benefits	11,109	3,448	2,366	7,581	1,484	608	3,200	29,796
Operating Expenses	7,153	9,769	5,426	14,081	12,622	2,189	11,022	62,262
Allocations:								
Depreciation and Amortization	5,542	2,340	1,079	924	8,729	346	-	18,960
Operations and Maintenance	6,987	2,949	1,360	605	11,004	437	(23,342)	-
Interest Expense	2,509	1,059	488	217	3,952	157		8,382
Total	$ 69,338	$ 32,974	$ 19,757	$ 42,023	$ 41,880	$ 6,882	$ -	$ 212,854

(IN THOUSANDS)

NOTE 10 FUNCTIONAL EXPENSES (CONTINUED)

	Instruction	Academic Support	Student Services	Institutional Support	Auxiliary Activities	Research and Public Service	Operations and Maintenance	2022 Total
Salaries and Wages	$ 33,340	$ 12,951	$ 8,398	$ 16,844	$ 3,487	$ 2,494	$ 8,546	$ 86,060
Employee Benefits	10,200	3,122	2,136	6,693	1,444	498	3,010	27,103
Operating Expenses	5,136	9,071	5,463	15,423	10,389	1,602	12,573	59,657
Allocations:								
Depreciation and Amortization	5,153	2,104	1,009	643	7,943	321	-	17,173
Operations and Maintenance	7,335	2,995	1,437	651	11,306	458	(24,182)	-
Interest Expense	3,199	1,306	627	231	4,931	200	53	10,547
Total	$ 64,363	$ 31,549	$ 19,070	$ 40,485	$ 39,500	$ 5,573	$ -	$ 200,540

Direct fundraising expenses were $10,762 and $10,404 for the years ended June 30, 2023 and 2022, respectively, and are included in institutional support in the tables above.

NOTE 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 (IRC) 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 2023 and 2022 at a 1.4% excise tax rate for the tax years ended December 31, 2022 and 2021. The current liability of the excise tax for June 30, 2023 and 2022, is $2,025 and $2,020, respectively. As of June 30, 2023 and 2022, 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 IRC. Through June 30, 2023, this corporation has no significant outstanding tax obligations.

Parrish LLC is a for-profit corporation subject to federal income taxes under the IRC. Through June 30, 2023, 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.

NOTE 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, 2023 and 2022, the College had outstanding commitments for construction contracts and purchase orders of $110,342 and $33,756, respectively.