SPELMAN COLLEGE

Consolidated Financial Statements

June 30, 2020 and 2019

(With Independent Auditors' Report Thereon)

Building a better working world

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Report of Independent Auditors

Management and The Board of Trustees
Spelman College

We have audited the accompanying consolidated financial statements of Spelman College, which comprise the consolidated statement of financial position as of June 30, 2020, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Spelman College at June 30, 2020, and the consolidated changes in its net assets and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

Report of Other Auditors on June 30, 2019 Consolidated Financial Statements
The consolidated financial statements of Spelman College for the year ended June 30, 2019, were audited by other auditors who expressed an unmodified opinion on those statements on October 25, 2019.

Ernst & Young LLP

November 11, 2020

A member firm of Ernst & Young Global Limited

SPELMAN COLLEGE

Consolidated Statements of Financial Position

June 30, 2020 and 2019

Assets		**2020**	**2019**
Cash and cash equivalents	$	103,071,235	41,833,300
Student accounts receivable (net of allowance for doubtful accounts of $2,309,000 in 2020 and $2,896,000 in 2019)		1,552,596	1,933,615
Grants and other receivables		2,306,417	1,439,497
Contributions receivable, net (note 2)		19,147,029	25,167,022
Student notes receivable (net of allowance for doubtful accounts of $1,200,000 in 2020 and 2019)		627,114	932,683
Investments (notes 3 and 9)		377,941,509	390,461,996
Other assets		1,232,373	1,381,908
Property and equipment, net (note 5)		163,021,166	162,470,806
Total assets	$	668,899,439	625,620,827
Liabilities and Net Assets			
Accounts payable and accrued expenses	$	5,087,860	5,631,715
Accrued compensation and related expenses		6,857,975	6,412,867
Deferred revenue		716,589	745,346
Bonds payable (note 6)		65,846,964	70,786,797
Advances from federal government		1,001,922	1,315,273
Total liabilities		79,511,310	84,891,998
Net assets:			
Without donor restrictions:			
Undesignated		3,342,788	2,359,407
Designated by the board of trustees as follows:			
Quasi-endowment, net (note 4)		63,642,971	65,907,963
Student loans		113,059	136,784
Facilities expansion		14,701,086	8,246,753
Investment in property and equipment		84,190,720	83,910,123
Total without donor restrictions		165,990,624	160,561,030
With donor restrictions (notes 4 and 8)		423,397,505	380,167,799
Total net assets		589,388,129	540,728,829
Commitments and contingencies (notes 3, 6, 13, and 14)			
Total liabilities and net assets	$	668,899,439	625,620,827

See accompanying notes to consolidated financial statements.

SPELMAN COLLEGE

Consolidated Statement of Activities

Year ended June 30, 2020
(With summarized financial information for the year ended June 30, 2019)

	2020			2019
	Without donor restrictions	**With donor restrictions**	**Total**	**Total**
Operating revenue:				
Tuition and fees, excluding student aid	$ 42,114,983	—	42,114,983	42,557,661
Government grants and contracts	526,680	7,908,037	8,434,717	7,645,826
Private gifts and grants	2,698,245	57,407,266	60,105,511	17,263,273
Investment income, net	703,198	10,068	713,266	781,965
Realized and unrealized gains (losses) on investments, net	213,524		213,524	(64,399)
Endowment spending in accordance with the College's spending rule (note 4)	5,806,462	14,168,504	19,974,966	18,989,036
Sales and services of auxiliary enterprises	19,356,185	—	19,356,185	23,372,365
Other	1,037,084	—	1,037,084	1,120,205
Net assets released from restrictions (note 7)	33,247,765	(33,247,765)	—	—
Total operating revenue	105,704,126	46,246,110	151,950,236	111,665,932
Operating expenses (note 10):				
Instruction	34,063,097	—	34,063,097	33,233,814
Research	3,791,125	—	3,791,125	4,256,126
Public service	359,429	—	359,429	234,332
Academic support	9,566,732	—	9,566,732	9,588,712
Student services	13,774,966	—	13,774,966	12,861,164
Institutional support	21,216,728	—	21,216,728	22,440,700
Auxiliary enterprises	16,074,022	—	16,074,022	16,753,231
Total operating expenses	98,846,099	—	98,846,099	99,368,079
Change in net assets from operating activities	6,858,027	46,246,110	53,104,137	12,297,853
Nonoperating activities:				
Contributions	(22,236)	12,001,279	11,979,043	4,365,188
Investment income	(2,462,574)	(572,868)	(3,035,442)	998,720
Change in present value of split-interest agreements	—	—	—	8,221
Realized and unrealized gains on investments, net	5,266,151	2,903,576	8,169,727	17,058,153
Endowment spending in accordance with the College's spending rule (note 4)	(5,797,454)	(14,168,504)	— (19,965,958)	(18,989,036)
Net assets released from restriction for construction (note 7)	3,163,880	(3,163,880)	—	—
Net assets released from restriction for expired term annuities	22,328	(22,328)	—	—
Capital campaign expenditures	(1,592,186)	—	(1,592,186)	(1,550,079)
Other nonoperating income	(6,342)	6,321	(21)	(5,731)
Change in net assets from nonoperating activities	(1,428,433)	(3,016,404)	(4,444,837)	1,885,436
Change in net assets	5,429,594	43,229,706	48,659,300	14,183,289
Net assets at beginning of year	160,561,030	380,167,799	540,728,829	526,545,540
Net assets at end of year	$ 165,990,624	423,397,505	589,388,129	540,728,829

See accompanying notes to consolidated financial statements.

SPELMAN COLLEGE

Consolidated Statement of Activities

Year ended June 30, 2019

	2019		
	Without donor restrictions	With donor restrictions	Total
Operating revenue:			
Tuition and fees, excluding student aid	$ 42,557,661	—	42,557,661
Government grants and contracts	407,508	7,238,318	7,645,826
Private gifts and grants	2,628,705	14,634,568	17,263,273
Investment income, net	768,798	13,167	781,965
Realized and unrealized gains on investments, net	(64,399)	—	(64,399)
Endowment spending in accordance with the College's spending rule (notes 3 and 4)	5,038,465	13,950,571	18,989,036
Sales and services of auxiliary enterprises	23,372,365	—	23,372,365
Other	1,116,841	3,364	1,120,205
Net assets released from restrictions (note 7)	28,854,856	(28,854,856)	—
Total operating revenue	104,680,800	6,985,132	111,665,932
Operating expenses (note 10):			
Instruction	33,233,814	—	33,233,814
Research	4,256,126	—	4,256,126
Public service	234,332	—	234,332
Academic support	9,588,712	—	9,588,712
Student services	12,861,164	—	12,861,164
Institutional support	22,440,700	—	22,440,700
Auxiliary enterprises	16,753,231	—	16,753,231
Total operating expenses	99,368,079	—	99,368,079
Change in net assets from operating activities	5,312,721	6,985,132	12,297,853
Nonoperating activities:	(37,484)	4,402,672	4,365,188
Contributions	(1,461,168)	2,459,888	998,720
Investment income, net	—	8,221	8,221
Change in present value of split-interest agreements	6,045,887	11,012,266	17,058,153
Realized and unrealized gains on investments, net			
Endowment spending in accordance with the College's spending rule (note 4)	(5,038,465)	(13,950,571)	(18,989,036)
Net assets released from restriction for construction (note 7)	2,590,751	(2,590,751)	—
Net assets released from restriction for expired term annuities	37,484	(37,484)	—
Capital campaign expenditures	(1,550,079)	—	(1,550,079)
Other nonoperating income	—	(5,731)	(5,731)
Change in net assets from nonoperating activities	586,926	1,298,510	1,885,436
Change in net assets	5,899,647	8,283,642	14,183,289
Net assets at beginning of year	$ 154,661,383	371,884,157	526,545,540
Net assets at end of year	160,561,030	380,167,799	540,728,829

See accompanying notes to consolidated financial statements.

SPELMAN COLLEGE

Consolidated Statements of Cash Flows

Years ended June 30, 2020 and 2019

		2020	2019
Cash flows from operating activities:			
Change in net assets	$	48,659,300	14,183,289
Adjustments to reconcile change in net assets to net cash used in operating activities:			
Depreciation		5,119,343	4,999,549
Amortization of bond issuance costs		75,606	83,197
Amortization of bond premium		(845,439)	(868,518)
In-kind contribution of property and other		(3,170)	(17,193)
Net realized and unrealized gains on investments		(8,169,727)	(16,993,754)
Private gifts and grants restricted for long-term investment		(18,021,272)	(6,265,078)
(Increase) decrease in student accounts receivable		381,019	(334,967)
Decrease (increase) in grants and other receivables		(866,920)	423,877
Decrease (increase) in contributions receivable, net		6,019,993	1,862,406
(Increase) decrease in other assets		152,706	(321,904)
Increase (decrease) in accounts payable and accrued expenses, and accrued compensation and related expenses		(241,362)	108,424
Increase (decrease) in deferred revenue		(28,757)	118,735
Net cash provided by (used in) operating activities		32,231,320	(3,021,937)
Cash flows from investing activities:			
Purchases and acquisitions of property and equipment		(5,527,087)	(4,202,805)
Payments received on student loans		305,568	167,348
Proceeds from sales of investments		178,864,909	175,873,001
Purchases of investments		(158,174,696)	(159,934,441)
Net cash provided by investing activities		15,468,694	11,903,103
Cash flows from financing activities:			
Principal repayments on bonds and notes payable		(4,170,000)	(4,045,000)
Increase (decrease) in advances from federal government		(313,351)	163,681
Proceeds from private gifts and grants restricted for long-term investment		18,021,272	6,265,078
Net cash provided by financing activities		13,537,921	2,383,759
Net increase in cash, cash equivalents, and restricted cash		61,237,935	11,264,925
Cash, cash equivalents, and restricted cash at beginning of year		41,833,300	30,568,375
Cash, cash equivalents, and restricted cash at end of year	$	103,071,235	41,833,300
Supplemental disclosures:			
Cash paid for interest	$	3,101,302	3,300,474
In-kind gift – property and other		3,171	17,193
Property and equipment included in accounts payable		142,616	267,794

See accompanying notes to consolidated financial statements.

(1) Summary of Significant Accounting Policies

(a) General

Spelman College (the College) is a private, nonprofit institution of higher education located in Atlanta, Georgia. The College provides education and training services for students at the undergraduate level and performs research, training, and other services under grants, contracts, and similar agreements with sponsoring organizations and governmental agencies.

(b) Basis of Presentation

The consolidated financial statements of the College have been prepared on the accrual basis in conformity with U.S. generally accepted accounting principles.

The consolidated financial statements of the College include the all related entities over which the College exercises control and has an economic interest. All intercompany accounts and transactions have been eliminated from the consolidated financial statements.

The College's net assets and revenue, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions.

Accordingly, the net assets of the College and changes therein are classified and reported as follows:

Without donor restrictions – Net assets that are not subject to donor-imposed stipulations.

With donor restrictions – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the College pursuant to those restrictions and/or the passage of time.

Revenue from sources other than contributions is reported as increases in net assets without donor restrictions. Contributions are reported as increases in the appropriate net asset category. Contributions of assets other than cash and cash equivalents are initially recorded at their estimated fair value at the date of the gift, as determined by independent appraisal or other valuation methods as deemed appropriate by management. In the statement of activities, contributions with restrictions in the same year in which the restrictions are satisfied are recorded as revenue with donor restrictions and as net assets released rom restrictions. Contributions to be received after one year are discounted at a rate commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue and classified in accordance with donor-imposed restrictions, if any, on the contributions.

Expenses are reported as decreases in net assets without restrictions. Net realized and unrealized gains and losses on investments are reported as increases or decreases in net assets without donor restrictions, unless their use is restricted by explicit donor stipulations or by law. Expirations of restrictions (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications from net assets with donor restrictions to net assets without donor restrictions. Restrictions on gifts to acquire long-lived assets are considered met in the period in which the assets are acquired and placed in service and are reported as reclassifications from net assets with donor restriction to net assets without donor restrictions.

(c) Investments

Investments consist of marketable securities, privately held limited partnerships, and real estate.

Marketable securities are stated at fair value based on quoted market prices. The net realized and unrealized gains on investments are reflected in the statements of activities. Net realized and unrealized gains are allocated to net asset classes dependent upon donor restrictions.

Investments in private limited partnership interests are valued using the most current information provided by the general partner. The change in net assets related to limited partnership interests is presented as net realized and unrealized gains based upon the estimated fair value of each partnership as determined by the general partner. General partners typically value privately held companies at cost as adjusted based on recent arm's length transactions. Real estate partnerships and funds are valued based on appraisals of properties held and are conducted by third-party appraisers retained by the general partner or investment manager. General partners of funds invested in marketable securities provide values based on quoted market prices and exchange rates for publicly held securities and valuation estimates of derivative instruments. Investment managers are authorized to employ derivative instruments, including swaps, futures, forwards, and options. These derivatives are generally used for managing interest rate or foreign currency risk, or to attain or hedge a specific financial market position. The College does not have direct investments in such instruments. Management reviews and evaluates valuation information provided by general partners and investment managers, and management believes such values are reasonable estimates of fair value.

The College's investments include various types of investment securities and investment vehicles, which are exposed to various risks, such as liquidity, interest rate, currency, market, and credit risks.

Liquidity risk represents the possibility that the College may be unable to rapidly adjust the size of its portfolio holdings in times of high volatility and financial stress at a reasonable price. If the College was compelled to dispose of a liquid investment at an inopportune time, it may be required to do so at a substantial discount to fair value.

The College invests in alternative investments, which can be highly illiquid. Under adverse market or economic conditions, the secondary market for certain of these alternative investments could contract. As a result, the College could find it more difficult to sell these securities or may only be able to sell the securities at prices lower than if such securities were more widely traded. The College's interests in alternative investments are generally reported at the net asset value (NAV) reported by the fund managers, which is used as a practical expedient to estimate the fair value of the College's interest therein, unless it is probable that all or a portion of the investment will be sold for an amount different from NAV. As of June 30, 2020 and 2019, the College had no plans or intentions to sell investments at amounts different from NAV.

The College holds investments denominated in currencies other than the U.S. dollar. Thus, there is exposure to currency risk because the value of the investments denominated in other currencies may fluctuate due to changes in currency exchange rates, and this can have an adverse effect on the reported value of assets and liabilities denominated in currencies other than the U.S. dollar.

The College's investment portfolio is subject to interest rate and credit risks for certain securities whose valuation would be impacted by changes in interest rates. The portfolio is also subject to the risk where the issuer of a security is not able to pay interest or repay principal when it is due.

The value of securities held by the College may decline in response to certain economic events, including those events impacting entities whose securities are owned and included in the investment portfolio. Those events impacting valuation may include (but are not limited to) economic changes, global pandemics, market fluctuations, regulatory changes, global and political instability, currency, interest rate, and commodity price fluctuations. The College attempts to manage these risks through diversification, ongoing due diligence of fund managers, and monitoring of economic conditions.

Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the College's consolidated financial statements.

(d) Property and Equipment

Property and equipment are stated at cost at date of acquisition or at estimated fair value at date of donation, less accumulated depreciation.

Depreciation of property and equipment is provided over the estimated useful lives of the respective assets on a straight-line basis. A summary of depreciable lives is as follows:

Land improvements	25 years
Buildings	50 years
Furniture and equipment	5 years
Investment in the Robert W. Woodruff library at the Atlanta University Center Consortium, Inc.	7 years

(e) Advances from Federal Government for Student Loans

The College owns a one-tenth interest in its Federal Perkins Loan fund used to advance loans to students. The remaining nine-tenths is distributable to the federal government upon liquidation of the federal loan program and is recorded as a liability in the accompanying consolidated statements of financial position.

(f) Income Tax Status

The College is recognized as an organization exempt from federal income tax under Section 501(a) of the Internal Revenue Code (the Code) as an organization described in Section 501(c)(3), whereby only unrelated business income, as defined by Section 512(a) of the Code, is subject to federal income tax. The College reviews its tax positions annually and has determined that there are no material uncertain tax positions that require recognition in the consolidated financial statements at June 30, 2020 or 2019.

(g) Atlanta University Center Consortium, Inc.

The College records as expense an allocated share of expenditures made through Atlanta University Center Consortium, Inc., an affiliated organization, for the benefit of the four affiliated institutions.

(h) Cash Equivalents

Cash equivalents consist primarily of money market accounts, commercial paper, and any other short-term investments with original maturities of three months or less. Cash and cash equivalents that are part of the pooled investments are shown within investments as these funds are generally not used for daily operating needs.

(i) Tuition and Fees

Under Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 606, *Revenue From Contracts with Customers*, revenue is recognized when control of the promised goods or services is transferred in an amount that reflects the consideration to which the College expects to be entitled in exchange for those goods or services (i.e., the transaction price). The College's operating revenue is primarily derived from undergraduate academic programs provided to students.

Student tuition and fee revenue is recognized in the reporting period in which the academic programs are delivered. Tuition is charged at different rates depending on the enrollment status of the student. As part of a student's course of instruction, certain fees, such as technology fees, are billed to students. Tuition and fees are earned over the applicable academic term and are not considered separate performance obligations. Tuition and fees received in advance of services to be rendered are categorized as deferred revenue in the accompanying consolidated statements of financial position. Educational aid is awarded to students to defray the costs of the academic programs, which reduce the amount of revenue recognized. Scholarships awarded to students were $19,853,022 in 2020 and $18,061,847 in 2019. For the year ended June 30, 2019, the approximate $43 million in revenue from tuition and fees reflects the aggregate reduction from student aid of $18 million against charges for which the amount at published rates were approximately $61 million. For the year ended June 30, 2020, the approximate $42 million in revenue from tuition and fees reflects aggregate reductions from student aid of $20 million against charges for which the amounts at published rates were approximately $62 million.

(j) Auxiliary Enterprise Revenue

Auxiliary Enterprise services exist to furnish goods or services to students, faculty, staff, or incidentally to the general public. Fees charged for auxiliary services are priced to offset the cost of the goods or services provided. The distinguishing characteristic of auxiliary services is that they are managed as an essentially self-supporting activity. Revenues and expenses from auxiliary enterprises are reported as changes in net assets without donor restrictions.

Auxiliary enterprise revenue primarily includes activities for student housing and dining facilities, the campus bookstore, and parking services. Performance obligations for housing and dining services are delivered over the academic terms. Consequently, associated revenues are earned and recognized over the course of each term as the services are delivered.

(k) Use of Estimates

Management of the College has made certain estimates and assumptions relating to the reporting of the allowance for uncollectible student receivables and contributions receivable, useful lives of property and equipment, investments without readily determinable fair values, and accrued expenses to prepare the consolidated financial statements in conformity with U.S. generally accepted accounting principles. Actual results could differ from those estimates.

(l) Bond Issuance Costs

Bond issuance costs related to the registration and issuance of bonds are carried at cost, less accumulated amortization, and are being amortized over the life of the related bonds. Unamortized bond issuance costs are recorded as a direct deduction from bonds and notes payable on the accompanying consolidated statements of financial position.

(m) Recently Issued Accounting Standards

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers* (ASU 2014-09), which requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects that consideration to which the entity expects to be entitled in exchange for those goods or services. An entity also should disclose sufficient quantitative and qualitative information to enable users of consolidated financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The ASU became effective for the College for the year ended June 30, 2019. The College's adoption of the ASU did not materially change the timing or amount of revenue recognized by the College. However, the ASU requires that tuition, fees, and auxiliary student revenue be presented in the statements of activities at the transaction price that is net of any institutional student aid. Previously, such revenue was presented gross, at published rates, followed by a reduction for institutional student aid.

In January 2016, the FASB issued ASU No. 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities* (ASU 2016-01). ASU 2016-01 addresses certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. The ASU is effective for not-for-profit entities for fiscal years beginning after December 15, 2018, with early adoption restricted to certain provisions and within certain time periods. Under the ASU, not-for-profit and private entities are no longer required to disclose fair value information concerning financial instruments measured at amortized cost such as long-term debt. The College adopted ASU 2016-01 as of June 30, 2020 noting no material change on the consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)* (ASU 2016-02). The amendments in ASU 2016-02 create FASB Accounting Standards Codification (ASC) Topic 842, *Leases*, and supersede the requirements in ASC Topic 840, *Leases*. ASU 2016-02 requires the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases under ASC Topic 840. Under the guidance of ASU 2016-02, a lessee should recognize in the balance sheet a liability to make lease payments (lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. The accounting applied by a lessor under ASU 2016-02 is largely unchanged from that applied under ASC Topic 840. The ASU is effective for all business entities for fiscal years beginning after December 15, 2019. The College will implement the provisions of ASU 2016-02 during fiscal year 2021.

In June 2018, the FASB issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this ASU clarify and improvement current guidance about whether a transfer of assets is a contribution or an exchange transaction. The amendments clarify how an entity determines whether a resource provider is participating in an exchange transaction by evaluating whether the resource provider is receiving commensurate value in return for the resources transferred. The College has adopted this guidance noting no material impact on the consolidated financial statements as of June 30, 2019.

In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework: Changes to the Disclosure Requirements for Fair Value Measurement*. For non-public entities, ASU 2018-13 removes the requirement to disclose a roll-forward of investments classified within level 3 of the fair value hierarchy, and instead requires non-public entities to disclose purchases and issues of level 3 assets and liabilities, as well as transfers into and out of level 3 of the fair value hierarchy. ASU 2018-13 is effective for annual periods beginning after December 15, 2019. Early adoption is permitted. The College has adopted this guidance noting no material impact on the consolidated financial statements as of June 30, 2020.

2) Contributions Receivable, Net

Contributions receivable as of June 30, 2020 and 2019 are summarized as follows:

		2020	2019
Unconditional promises expected to be collected in:			
Less than one year	$	12,826,537	10,450,087
One year to five years		9,894,625	19,632,578
Greater than five years		—	—
		22,721,162	30,082,665
Less allowance for uncollectible contributions		1,136,060	1,504,136
Less unamortized discount		2,438,073	3,411,507
	$	19,147,029	25,167,022

Contributions are discounted at rates ranging from 2.19% to 7.71% for the years ended June 30, 2020 and 2019, commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue and classified in accordance with donor-imposed restrictions. The College's allowance for uncollectible contributions is estimated by using past collection history as an indication of future collections. At June 30, 2020 and 2019, the College's two largest outstanding donor pledge balances represented 48% and 75%, respectively, of the College's gross contributions receivable. The College has conditional contributions, not recorded, for the promotion of higher education and research of approximately $11.9 million. As of June 30, 2020, conditional contributions are broken out as follows: foundation grants of $4.1 million, Department of Defense of $3.3 million, Title III of $2.5 million, and other of $2.0 million.

(3) Investments

The fair value of investments is summarized as follows at June 30, 2020 and 2019:

		2020	2019	2020 Unfunded capital commitments	2019 Unfunded capital commitments
Short-term investments	$	7,305,063	10,084,451	—	—
U.S. equity		53,706,274	44,806,772	—	—
Non-U.S. equity:					
Developed markets		4,668,017	9,983,779	—	—
Emerging markets		18,297,334	30,572,989	—	—
		22,965,351	40,556,768	—	—
Marketable alternatives		109,045,263	100,288,717	—	—
Real assets:					
Natural resources		5,125,000	7,187,956	2,753,778	3,230,865
Real estate		2,038,297	11,015,258	—	126,725
		7,163,297	18,203,214	2,753,778	3,357,590
Private equity:					
Private and venture capital		129,475,435	124,779,011	38,683,721	44,680,767
Distressed		12,521,418	15,242,770	4,424,463	6,793,721
		141,996,853	140,021,781	43,108,184	51,474,488
Fixed income		35,759,408	36,500,293	2,048,301	4,559,528
Total investments, at fair value	$	377,941,509	390,461,996	47,910,263	59,391,606

The College has investments in certain partnerships, and is obligated under the related partnership agreements to invest additional capital amounts. The College estimates that the additional capital amounts will be paid over the next five years depending on timing of potential investment opportunities identified by investment fund managers.

The following is a summary of the liquidation terms of investments as of June 30, 2020 and 2019:

	2020 Redemption period							
	Daily	Monthly	Quarterly	Semiannually	Annually	Illiquid	Total	Day(s) notice
Short-term investments (a)	$ 7,305,065	—	—	—	—	—	7,305,065	1
U.S. equity (b)	17,250,395	423,312	20,907,251	—	15,125,316	—	53,706,274	1–90
Non-U.S. equity (b)	8,319,015	5,241,254	—	3,058,328	6,346,754	—	22,965,351	60–120
Marketable alternatives (c)	—	—	109,045,263	—	—	—	109,045,263	30–90
Real assets (d)	—	—	—	—	—	7,163,297	7,163,297	—
Private equity (e)	—	—	—	—	—	141,996,853	141,996,853	—
Fixed income (f)	—	5,338,556	13,515,312	—	—	16,905,538	35,759,406	3–90
Total	$ 32,874,475	11,003,122	143,467,826	3,058,328	21,472,070	166,065,688	377,941,509	

	2019 Redemption period							
	Daily	Monthly	Quarterly	Semiannually	Annually	Illiquid	Total	Day(s) notice
Short-term investments (a)	$ 10,084,451	—	—	—	—	—	10,084,451	1
U.S. equity (b)	10,290,096	437,564	17,093,091	—	16,986,021	—	44,806,772	1–90
Non-U.S. equity (b)	6,865,637	11,638,871	5,128,519	3,696,195	11,853,567	1,373,979	40,556,768	60–120
Marketable alternatives (c)	—	3,000,000	97,288,717	—	—	—	100,288,717	30–90
Real assets (d)	—	—	—	—	—	18,203,214	18,203,214	—
Private equity (e)	—	—	—	—	—	140,021,781	140,021,781	—
Fixed income (f)	—	7,842,105	—	—	—	28,658,188	36,500,293	3–90
Total	$ 27,240,184	22,918,540	119,510,327	3,696,195	28,839,588	188,257,162	390,461,996	

(a) This category includes assets that are cash or readily convertible to cash, such as money market funds.

(b) This category includes investments in funds that take long positions in publicly traded equity securities. Approximately 50% of these investments are in U.S. companies and 50% are in non-U.S. companies. A range of styles, market caps, and geographic focuses is included. The public nature of the securities makes this category very liquid.

(c) This category includes investments in hedge funds that take long and short positions largely in equity securities, credit securities, and event-driven situations. Managers vary in style, market cap focus, geographic focus, sectors of focus, and types of securities, with some having considerable flexibility in each of these areas. The funds also vary in net long/short positioning with most equity funds generally maintaining a low net and little or no leverage. Most credit funds generally maintain a moderate net long position and little or no leverage.

(d) This category includes investments in real estate equity funds and commodity funds that take ownership of properties ranging from office, retail, multifamily, land, hotel, and various other commodities. These are investments that cannot be redeemed since the investment is distributed as the underlying investments are liquidated, which generally takes 4–10 years. There are currently no plans to sell any of these investments prior to their liquidation so the assets are carried at NAV as estimated by the investment fund manager.

(e) This category includes investments in private equity funds that provide growth equity or take full ownership of the companies in which they invest. Private equity funds take significant ownership positions in start-up or early-stage companies largely in the technology or healthcare spaces. These are private investments that cannot be redeemed since the investment is distributed as the underlying investments are liquidated, which generally takes 4–8 years. There are currently no plans to sell any of these investments prior to their liquidation, so the assets are carried at NAV as estimated by the investment fund manager.

(f) This category includes investments in funds that take long positions in publicly traded fixed income securities. Derivatives may be used to replicate securities or change the positioning of the portfolio without the need to buy or sell securities. The public nature of the securities makes this category very liquid.

As of June 30, 2020 and 2019, the College has approximately $337,000,000 and $348,000,000, respectively, of investments that are reported at estimated fair value based on NAV of the funds. Unless it is probable that all or a portion of the investment will be sold for an amount different from NAV, the College has applied a practical expedient and concluded that the NAV reported by the underlying fund approximates the fair value of these investments. Management estimates of fair value are based upon information provided by general partners and investment managers. At June 30, 2020 and 2019, the College did not have any investments with redemption lock-up provisions.

(4) Endowment Net Assets

The College's endowment consists of approximately 300 individual funds established for a variety of purposes, including both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. Net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

(a) Interpretation of Relevant Law

The Board of Trustees of the College has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA or the Act), as adopted in Georgia, as providing among other things, expanded spending flexibility by allowing, subject to a standard of prudence, an institution to spend from an endowment fund without regard to the book value of the corpus of the fund. This flexibility under UPMIFA allows an expenditure that lowers the value of the corpus of a donor restricted endowment fund below its book value, which was previously not allowed.

In accordance with the Act, the College considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the College and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the College
7. The investment policies of the College

Endowment net assets consisted of the following at June 30, 2020 and 2019:

		2020		
		Without donor restrictions	**With donor restrictions**	**Total**
Donor-restricted endowment funds:				
Other funds	$	—	319,248,087	319,248,087
Board-designated endowment funds		63,642,971	—	63,642,971
Total endowed net assets	$	63,642,971	319,248,087	382,891,058

		2019		
		Without donor restrictions	**With donor restrictions**	**Total**
Donor-restricted endowment funds:				
Other funds	$	—	327,894,613	327,894,613
Board-designated endowment funds		63,919,082	—	63,919,082
Total endowed net assets	$	63,919,082	327,894,613	391,813,695

Endowments are to be utilized for the following purposes as of June 30, 2020:

		Without donor restrictions	With donor restrictions	Total
Faculty support	$	—	44,210,236	44,210,236
Program support		—	36,572,630	36,572,630
Scholarship support		—	171,369,404	171,369,404
Research		—	14,687	14,687
Operating		63,642,971	65,690,301	129,333,272
Other		—	1,390,829	1,390,829
Total	$	63,642,971	319,248,087	382,891,058

Endowments are to be utilized for the following purposes as of June 30, 2019:

		Without donor restrictions	With donor restrictions	Total
Faculty support	$	—	45,705,795	45,705,795
Program support		—	37,820,081	37,820,081
Scholarship support		—	175,137,021	175,137,021
Research		—	15,180	15,180
Operating		63,919,082	67,757,215	131,676,297
Other		—	1,459,321	1,459,321
Total	$	63,919,082	327,894,613	391,813,695

Changes in endowment net assets for the years ended June 30, 2020 and 2019 were as follows:

		2020		
		Net assets without donor restrictions	**Net assets with donor restrictions**	**Total**
Endowment net assets, June 30, 2019	$	63,919,082	327,894,613	391,813,695
Investment return:				
Investment income, net		(2,462,574)	(572,868)	(3,035,442)
Net appreciation		5,276,151	2,903,576	8,179,727
Other		1,988,881	—	1,988,881
Total investment return		4,802,458	2,330,708	7,133,166
Contributions		93	3,196,569	3,196,662
Appropriation of endowment assets for:				
Operations		(3,229,964)	(14,178,389)	(17,408,353)
Support of the College's investments office		(256,512)	—	(256,512)
Appropriation of endowment assets for campaign support		(1,592,186)	—	(1,592,186)
Transfers – other		—	—	—
Transfer of annuity funds, net		—	4,586	4,586
Endowment net asset, June 30, 2020	$	63,642,971	319,248,087	382,891,058

		2019		
		Net assets without donor restrictions	Net assets with donor restrictions	Total
Endowment net assets, June 30, 2018	$	65,922,907	327,778,672	393,701,579
Investment return:				
Investment income, net		(1,461,168)	2,459,888	998,720
Net appreciation		6,045,887	11,012,266	17,058,153
Total investment return		4,584,719	13,472,154	18,056,873
Contributions		—	678,610	678,610
Appropriation of endowment assets for:				
Operations		(3,058,813)	(13,950,571)	(17,009,384)
Support of the College’s investments office		(1,979,652)	—	(1,979,652)
Appropriation of endowment assets for campaign support		(1,550,079)	—	(1,550,079)
Transfers – other		—	(84,188)	(84,188)
Transfer of annuity funds, net		—	(64)	(64)
Endowment net asset, June 30, 2019	$	63,919,082	327,894,613	391,813,695

(b) Underwater Funds

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or the Act requires the College to retain as a fund of perpetual duration. There were no deficiencies of this nature reported in net assets with donor restrictions as of June 30, 2020 and 2019. These deficiencies typically result from unfavorable market fluctuations that occur shortly after the investment of new contributions with donor restrictions and continued appropriation for certain programs that are deemed prudent by the Board of Trustees.

(c) Return Objectives and Risk Parameters

The College has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the College must hold in perpetuity or for a donor-specified period, as well as board-designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of a benchmark composed of 60% of the Russell 3000, 10% of the European and Far East (MSCI) Index, and 30% of the Barclays Aggregate Bond Index, while assuming a moderate level of investment risk. The College expects its endowment funds, over three to five years, to provide an average annual real rate of return of approximately 5% to 6% annually. Actual returns in any given year may vary from this amount.

(d) Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the College relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The College targets a diversified asset allocation that places emphasis on investments in equities, fixed income, hedge funds, and alternative assets (distressed, real estate, venture capital, and private equities) to achieve its long-term objectives within prudent risk parameters.

(e) Spending Policy

The College utilizes the total return concept (income yield and appreciation) in the management of its endowment. The College has implemented a spending policy designed to stabilize annual spending levels and preserve the real value of the endowment over time. In accordance with the College's policy, a predetermined endowment spending rate, consistent with the College's total return objective, has been established. Should the actual return be insufficient to support this policy, the balance is provided from net accumulated appreciation. Should the return exceed the amounts withdrawn in accordance with the spending policy, the balance is reinvested in the endowment.

The College has a policy of appropriating for distribution each year 4.70% of a weighted average of its endowment funds values as of September 30 for each of the four fiscal years preceding the fiscal year in which the distribution is planned. In establishing these policies, the College considered the expected return on its endowment. Accordingly, the College expects the current spending policy to allow its endowment to maintain its purchasing power by growing at a rate at least equal to planned payouts. Additional real growth will be provided through new gifts and any excess investment return. The College withdrew an additional 0.41% and 0.39% of the fair value of the endowment as of the beginning of the year for each of the years ended June 30, 2020 and 2019, respectively, in order to support its capital campaign. The actual spending rate used to support the College's operating budget for the years ended June 30, 2020 and 2019, calculated as a percentage of the fair value of the endowment as of the beginning of the year, was 5.52% and 5.28%, respectively.

(5) Property and Equipment

Property and equipment as of June 30, 2020 and 2019 consist of the following:

	2020	2019
Land	$ 14,687,722	14,687,722
Land improvements	22,280,251	22,280,251
Buildings	208,091,583	208,091,583
Furniture and equipment	32,472,707	32,122,417
Robert W. Woodruff Library at the Atlanta University Center Consortium, Inc.	547,000	547,000
Construction in progress	11,477,192	6,158,976
	289,556,455	283,887,949
Less accumulated depreciation	126,535,289	121,417,143
	$ 163,021,166	162,470,806

Depreciation expense totaled $5,119,343 and $4,999,549 in 2020 and 2019, respectively.

(6) Bonds Payable

Bonds payable as of June 30, 2020 and 2019 consist of the following:

	Interest rates	Maturity (serially)	Original issue	Outstanding as of June 30 2020	Outstanding as of June 30 2019
Private colleges and universities:					
Authority Revenue Bonds – 2003 Series	2.00%–5.25%	2022	$ 29,780,000	$ 1,235,000	1,820,000
Development Authority of Fulton County:					
Adjustable rate demand:					
Revenue Bonds of 1999	3.31 %	2019	8,000,000	—	900,000
Fixed rate:					
Revenue Bonds of 2012	2.00%–5.00%	2029	25,145,000	7,945,000	10,630,000
Revenue Bonds of 2012	4.00 %	2029	725,000	345,000	345,000
Revenue Bonds of 2015	3.25%–5.00%	2032	52,080,000	52,080,000	52,080,000
				61,605,000	65,775,000
Unamortized premium				4,946,333	5,791,772
Bond issuance costs				(704,369)	(779,975)
Total bonds payable				$ 65,846,964	70,786,797

Under the terms of the agreements related thereto, the Authority Revenue Bonds of 2003 (the 2003 bonds) are unsecured general obligations of the College. The proceeds of the 2003 bonds were for the purpose of financing or refinancing all or a portion of various projects and advance refunding of the 1994 bonds. In

April 2012, $17,010,000 of the proceeds from the issuance of the Revenue Bonds of 2012 was held in escrow for advance refunding of a portion of the 2003 bonds.

Under the terms of the bond financing documents related thereto, the Revenue Bonds of 1999 are general obligations of the College. The bonds were secured by irrevocable, direct-pay letters of credit issued by a commercial bank from the date of the original issuance of the bonds until September 21, 2009. On that date, the bond financing documents were amended to include a tax-exempt bank qualified option. This allowed the bonds to be purchased by the bank, which previously issued the letter of credit. The interest rate on the bonds changed to 0.67% of the sum of LIBOR plus 2.50%. The College continues to pledge revenue without donor restrictions as security for its repayment obligations under the bonds. The maturity dates of the bonds did not change.

Under the terms of the agreements related thereto, the Revenue Bonds of 2012 (the 2012 bonds) are unsecured general obligations of the College. The proceeds of the 2012 bonds were for the purpose of advance refunding a portion of the 2003 bonds and refunding the outstanding principal balances of the 2005 and 2008 notes payable to a commercial bank. Approximately $18,559,000 of the proceeds from the issuance of the 2012 bonds was placed in escrow in order to refund $17,010,000 of the 2003 bonds on June 1, 2012.

Under the terms of the agreements related thereto, the Revenue Bonds of 2015 (the 2015 bonds) are unsecured general obligations of the College. The proceeds of the 2015 bonds were for the purpose of advance refunding a portion of the 2007 bonds. Approximately $59,683,000 of the proceeds from the issuance of the 2015 bonds was placed in escrow in order to refund $53,820,000 of the 2007 bonds based on an amended maturity date of June 1, 2017.

The maturity schedule for bonds payable as of June 30, 2020 is as follows:

	Year ending June 30						
	2021	2022	2023	2024	2025	Thereafter	Total
Revenue Bonds of 2003	600,000	635,000		—	—	—	1,235,000
Revenue Bonds of 2012	2,725,000	2,840,000	610,000	600,000	465,000	1,050,000	8,290,000
Revenue Bonds of 2015	800,000	825,000	4,020,000	4,220,000	4,430,000	37,785,000	52,080,000
	$ 4,125,000	4,300,000	4,630,000	4,820,000	4,895,000	38,835,000	61,605,000

The terms of the bonds provide for certain nonfinancial covenants. The College's management believes it is in compliance with these requirements at June 30, 2020.

Interest expense related to bonds payable approximated $2,256,000 and $2,432,000 for the years ended June 30, 2020 and 2019, respectively.

(7) Net Assets Released from Restrictions

Net assets were released from donor-imposed restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors for the years ended June 30, 2020 and 2019, as follows:

		2020	2019
Operating:			
Scholarships and fellowships	$	14,689,127	12,516,109
Instruction		7,071,765	7,126,124
Research		2,124,103	2,577,020
Public service		47,046	49,612
Academic support		1,204,624	1,304,713
Student services		2,716,697	1,534,539
Institutional support		2,279,964	788,785
Auxiliary enterprises		28,077	56,979
Other		3,086,362	2,900,975
		33,247,765	28,854,856
Nonoperating:			
Construction		3,163,880	2,590,751
Expired term annuities		22,328	37,484
	$	36,433,973	31,483,091

(8) Net Assets

Net assets with donor restrictions as of June 30, 2020 and 2019 were available for the following purposes:

		2020	2019
Scholarships and fellowships	$	146,049,110	109,331,432
Programs and other operating purposes		111,081,582	113,408,137
Contributions and purchase of property and equipment		34,632,351	28,990,338
Endowment investment and other		131,634,462	128,437,892
	$	423,397,505	380,167,799

(9) Fair Value

The College’s estimates of fair value for financial assets and liabilities are based on the framework established in ASC Topic 820, *Fair Value Measurement*. This guidance establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 inputs – Unadjusted quoted prices for identical assets or liabilities in active markets that are accessible at the measurement date.
- Level 2 inputs – Quoted prices for instruments that are identical or similar in markets that are not active and model-derived valuations for which all significant inputs are observable, either directly or indirectly, in active markets.
- Level 3 inputs – Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

Underlying fund investments made directly by the College whose values are based on quoted market prices in active markets, and are therefore classified within Level 1, include actively traded common and preferred stock, U.S. government fixed income instruments, and non-U.S. government fixed income instruments. Level 1 investments may also include listed mutual funds, exchange-traded funds, and money market funds.

In accordance with ASC Subtopic 820-10, *Fair Value Measurement–Overall*, certain investments that are measured at fair value using NAV as a practical expedient to fair value have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the accompanying consolidated statements of financial position.

The following tables present, for each level within the fair value hierarchy, the College's recurring and nonrecurring fair value measurements for assets as of June 30, 2020 and 2019:

	June 30, 2020				
	Level 1	**Level 2**	**Level 3**	**Investments measured at NAV**	**Total**
Recurring:					
Assets:					
Cash and cash equivalents	$ 103,071,235		—	—	103,071,235
Investments:					
Short-term investments	7,305,063		—	—	7,305,063
U.S. equity	17,673,707		—	36,032,567	53,706,274
Non-U.S. equity	8,319,015			14,646,336	22,965,351
Marketable alternatives				109,045,263	109,045,263
Real assets			1,886,096	5,277,201	7,163,297
Private equity				141,996,853	141,996,853
Fixed income	5,338,557			30,420,851	35,759,408
Total investments	38,636,342	—	1,886,096	337,419,071	377,941,509
	$ 141,707,577	—	1,886,096	337,419,071	481,012,744

	June 30, 2019				
	Level 1	**Level 2**	**Level 3**	**Investments measured at NAV**	**Total**
Recurring:					
Assets:					
Cash and cash equivalents	$ 41,833,300	—	—	—	41,833,300
Investments:					
Short-term investments	10,084,451	—	—	—	10,084,451
U.S. equity	10,727,660	—	—	34,079,112	44,806,772
Non-U.S. equity	6,865,636	—	—	33,691,132	40,556,768
Marketable alternatives	—	—	—	100,288,717	100,288,717
Real assets	—	—	—	18,203,214	18,203,214
Private equity	—	—	—	140,021,781	140,021,781
Fixed income	5,093,162	—	—	31,407,131	36,500,293
Total investments	32,770,909	—	—	357,691,087	390,461,996
	$ 74,604,209	—	—	357,691,087	432,295,296

The carrying amounts of cash and cash equivalents, student accounts receivable, grants, and other receivables approximate fair value because of the terms and relatively short maturity of these financial instruments. Split-interest obligations carrying amounts approximate fair value because these instruments are recorded at estimated net present value of future cash flows determined as of the date of the gift. Investments are reported at fair value as of the date of the consolidated financial statements.

Contributions receivable for current year gifts are initially measured at fair value in the year the receivable is recorded based on the present value of future cash flows discounted at a rate commensurate with risks involved, which is an application of the income approach.

A reasonable estimate of the fair value of advances from the federal government and student loans could not be made because the notes receivable are not salable and can only be assigned to the federal government or its designees. The carrying value of institutional student notes receivable approximates fair value.

The carrying amounts of accounts payable, accrued compensation and related expenses, and other related accruals approximate fair value because of the relatively short maturity of these financial instruments.

(10) Expenses

Expenses are reported in the accompanying statements of activities in categories recommended by the National Association of College and University Business Officers. The College's primary program service is instruction. Expenses reported as academic support, student services, institutional support, and auxiliary enterprises are incurred in support of this primary program service. Institutional support includes fund-raising expenses approximating $4,800,000 and $3,100,000 for the years ended June 30, 2020 and 2019, respectively.

The College allocates operation and maintenance of plant, interest and depreciation to the program and support expenses reported in the accompanying statements of activities based on square footage. Other expenses attributable to more than one category are based primarily on time and effort allocation techniques.

The following tables report the amount of these expenses included in the accompanying statements of activities for the year ended June 30, 2020 and 2019:

	2020				
Functional category	Compensation and benefits	Interest and Depreciation	Services and other	Operation and Maintenance of plant	Total expenses
Instruction	$ 25,355,919	1,337,860	3,588,817	3,780,501	34,063,097
Research	2,650,839	173,817	966,469	—	3,791,125
Public service	205,498		153,931	—	359,429
Academic support	5,349,870	123,088	3,775,082	318,692	9,566,732
Student services	8,454,301	537,519	3,344,176	1,438,970	13,774,966
Auxiliary enterprises	2,831,045	3,756,196	9,287,740	199,041	16,074,022
Institutional support	11,363,602	1,490,029	6,695,210	1,667,887	21,216,728
	$ 56,211,074	7,418,509	27,811,425	7,405,091	98,846,099

	2019				
Functional category	Compensation and benefits	Interest and Depreciation	Services and other	Operation and Maintenance of plant	Total expenses
Instruction	$ 23,266,166	1,282,161	4,785,699	3,899,788	33,233,814
Research	2,685,657	209,671	1,360,798	—	4,256,126
Public service	201,367	—	32,965	—	234,332
Academic support	4,731,186	90,674	4,410,320	356,532	9,588,712
Student services	8,342,303	519,207	2,389,827	1,609,827	12,861,164
Auxiliary enterprises	2,818,314	3,630,808	9,858,290	445,819	16,753,231
Institutional support	12,081,638	1,802,670	6,942,279	1,614,113	22,440,700
	$ 54,126,631	7,535,191	29,780,178	7,926,079	99,368,079

(11) Liquidity and Availability of Financial Assets

The College's financial assets available for general expenditure within one year of June 30, 2020 are as follows:

		2020	2019
Total assets	$	668,899,439	625,620,827
Less non-financial assets and assets not available for general expenditures:			
Contributions receivable		18,182,625	26,835,578
Endowment funds		382,891,058	391,813,695
Property and equipment		163,021,166	162,470,806
Other assets		1,232,725	1,381,908
Total financial assets available to meet general expenditures within one year	$	103,571,865	43,118,840

The College's working capital and cash flow to fund general expenditures have seasonal variations related to the timing of tuition billings, receipt of gifts, pledge payments, and transfers from the endowment. To manage its resources, the College utilizes a combination of investment strategies to align its cash flows with anticipated outflows in accordance with policies approved by the Board of Trustees. The College's endowment funds consist of donor-restricted endowments and board-designated endowment funds. Board-designated endowments were $63.6 million and $63.9 million as of June 30, 2020 and 2019, respectively. Although the College does not intend to spend from its board-designated endowment funds, other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation processes, amounts from its board-designated endowment funds could be made available if necessary.

(12) Expendable Net Assets

Expendable net assets can be used to fund capitalized assets. The calculation of expendable net assets as of June 30, 2020 consists of the following:

	2020
Net Assets without Donor Restrictions	$165,990,624
Net Assets with Donor Restrictions	423,397,505
Long Term Debt	65,846,964
Less:	
Net Assets Restricted in Perpetuity	131,634,462
Annuities	22,238
Net Property and Equipment	163,021,166
	$360,557,227

(13) Pension Plan

The College has a defined-contribution retirement plan with Teacher's Insurance and Annuity Association and College Retirement Equities Fund, which covers substantially all full-time employees at the time of employment. Employees are fully vested in the College's contributions after completing three full years of service.

Total pension expense under this plan approximated $2,283,000 and $2,205,000 for the years ended June 30, 2020 and 2019, respectively.

(14) Commitments and Contingencies

(a) Federal Compliance Audits

Certain federally funded financial aid programs are routinely subject to compliance audit. The reports on the examinations, which are conducted pursuant to specific regulatory requirements by the independent auditors for the College, are required to be submitted to both the College and the U.S. Department of Education. Such agency has the authority to determine liabilities, as well as to limit, suspend, or terminate federal student aid programs.

These audits could result in claims against the resources of the College. No provision has been recorded for any liabilities that may arise from such audits, since the amounts, if any, cannot be determined at this date. Management believes that any such amounts would not have a material adverse effect on its financial position at June 30, 2020.

(b) Litigation

The College is a defendant in various litigation considered to be in the normal course of business. Although the final results of any litigation cannot be predicted with certainty, the College believes the outcome of pending litigation will not have a material adverse effect on its financial position, changes in net assets, or cash flows.

(c) Operating Leases

The College has several noncancelable operating leases for equipment and real estate with expiration dates through 2027.

Future minimum lease payments for years ending June 30 are as follows:

2021	$	643,104
2022		558,370
2023		409,865
2024		258,737
2025		217,770
	$	2,087,846

Rent expense related to noncancelable operating leases with terms in excess of one year approximated $781,000 and $750,000 for the years ended June 30, 2020 and 2019, respectively.

(15) Subsequent Events

The College evaluated subsequent events from the financial reporting date of June 30, 2020 through November 11, 2020, which is the date the College's consolidated financial statements were available to be issued. On July 28, 2020, the College received a $20M unrestricted gift which will be allocated toward its strategic plan.

The global outbreak of COVID-19 virus has had a significant impact on how businesses are conducted. Federal, state and local governments and private organizations have mandated various restrictions, including travel restrictions, restrictions on public gatherings, providing work from home options and quarantining people who may have been exposed to the virus. After close monitoring, we have taken appropriate measures within the college to ensure safety of our students, employees and all personnel who are directly or indirectly associated with the College. The College will continue to monitor developments, including government requirements and recommendations. As of November 11, 2020, we cannot predict the duration on how long the pandemic will continue nor the severity of its impact on our business, results of operations and cash flows. However, we are closely monitoring our liquidity position, cash flows and operating needs in this unprecedented time.

The College notes there were no other significant subsequent events requiring disclosure.