THE REED INSTITUTE

Financial Statements

June 30, 2022 and 2021

(With Independent Auditors' Report Thereon)

THE REED INSTITUTE

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KPMG LLP
Suite 3800
1300 South West Fifth Avenue
Portland, OR 97201

Independent Auditors' Report

The Board of Trustees
The Reed Institute:

Opinion

We have audited the financial statements of The Reed Institute (the College), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities and changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the College as of June 30, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audits 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 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 audits. 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 Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles, 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 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 that the financial statements are issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 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 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.

KPMG LLP

Portland, Oregon
October 7, 2022

THE REED INSTITUTE

Statements of Financial Position

June 30, 2022 and 2021

Assets	2022	2021
Current assets:		
Cash and cash equivalents	$ 23,952,653	11,343,650
Accounts receivable, net	6,266,542	1,335,903
Contributions receivable, net	2,638,571	2,777,140
Short-term investments	11,768,562	10,205,130
Prepaid expenses and other assets	1,312,788	890,177
Total current assets	45,939,116	26,552,000
Noncurrent assets:		
Cash and cash equivalents whose use is limited	18,056,525	530,151
Accounts receivable, net	2,052,332	2,428,112
Contributions receivable, net	3,190,402	4,937,391
Funds held in trust by others	1,416,310	1,358,962
Long-term investments	781,352,572	840,528,532
Property, plant, and equipment, net	159,518,908	157,626,264
Other assets	596,127	694,628
Total noncurrent assets	966,183,176	1,008,104,040
Total assets	$ 1,012,122,292	1,034,656,040
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	$ 12,106,686	7,557,312
Postretirement benefits payable	890,720	937,522
Debt, current portion	—	1,944,830
Deferred revenue	1,866,982	2,198,082
Other liabilities	106,759	115,246
Total current liabilities	14,971,147	12,752,992
Long-term liabilities:		
Liability for split-interest agreements	10,820,407	13,146,653
Postretirement benefits payable	24,357,059	30,400,655
Refundable loan programs	990,392	650,704
Asset retirement obligation	6,180,831	6,051,916
Debt, net of current portion	123,891,378	102,862,578
Other liabilities	741,393	1,685,241
Total long-term liabilities	166,981,460	154,797,747
Total liabilities	181,952,607	167,550,739
Net assets:		
Without donor restrictions	455,932,158	469,050,167
With donor restrictions:		
Time or purpose	167,288,431	199,927,217
Perpetual	206,949,096	198,127,917
Total net assets with donor restrictions	374,237,527	398,055,134
Total net assets	830,169,685	867,105,301
Total liabilities and net assets	$ 1,012,122,292	1,034,656,040

See accompanying notes to financial statements.

THE REED INSTITUTE

Statement of Activities and Changes in Net Assets

Year ended June 30, 2022

	Without donor restrictions	With donor restrictions	Total 2022
Revenues, gains, and other support:			
Tuition and fees, net of $37,004,425 in college-funded scholarships	$ 55,950,747	—	55,950,747
Auxiliary enterprises	17,315,666	—	17,315,666
Gifts and private grants	6,402,924	9,660,320	16,063,244
Government grants, contracts, and student aid	8,609,392	—	8,609,392
Endowment return, appropriated for spending	15,880,409	13,589,867	29,470,276
Other investment (losses) gains	(895,300)	77,147	(818,153)
Other revenues and additions	2,627,706	3,417	2,631,123
Net assets released from restrictions	16,650,538	(16,650,538)	—
Total revenues, gifts, and other support	122,542,082	6,680,213	129,222,295
Expenses:			
Educational and general:			
Instruction	39,277,791	—	39,277,791
Research	2,098,551	—	2,098,551
Academic support	13,765,252	—	13,765,252
General institutional support	9,910,094	—	9,910,094
Student services	13,884,376	—	13,884,376
College relations	7,805,835	—	7,805,835
Total educational and general	86,741,899	—	86,741,899
Auxiliary enterprises	20,358,740	—	20,358,740
Pandemic-related costs	1,455,437	—	1,455,437
Total operating expenses	108,556,076	—	108,556,076
Increase from operations	13,986,006	6,680,213	20,666,219
Nonoperating activity:			
Endowment return, net of amounts appropriated for spending	(33,490,709)	(28,657,586)	(62,148,295)
Change in value of split-interest agreements	—	(3,019,663)	(3,019,663)
Net periodic benefit gain, net of service cost	5,985,829	—	5,985,829
Loss on debt refinancing	(1,050,764)	—	(1,050,764)
Insurance proceeds	3,318,210	—	3,318,210
Other deductions and transfers	(1,866,581)	1,179,429	(687,152)
Total nonoperating activity	(27,104,015)	(30,497,820)	(57,601,835)
Decrease in net assets	(13,118,009)	(23,817,607)	(36,935,616)
Net assets, beginning of year	469,050,167	398,055,134	867,105,301
Net assets, end of year	$ 455,932,158	374,237,527	830,169,685

See accompanying notes to financial statements.

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Statement of Activities and Changes in Net Assets

Year ended June 30, 2021

	Without donor restrictions	With donor restrictions	Total 2021
Revenues, gains, and other support:			
Tuition and fees, net of $29,849,660 in college-funded scholarships	$ 50,052,901	—	50,052,901
Auxiliary enterprises	10,229,448	—	10,229,448
Gifts and private grants	9,998,134	2,749,477	12,747,611
Government grants, contracts, and student aid	2,994,766	—	2,994,766
Endowment return, appropriated for spending	15,590,874	13,121,490	28,712,364
Other investment gains	89,412	—	89,412
Other revenues and additions	4,202,775	3,694	4,206,469
Net assets released from restrictions	13,042,356	(13,042,356)	—
Total revenues, gifts, and other support	106,200,666	2,832,305	109,032,971
Expenses:			
Educational and general:			
Instruction	36,602,872	—	36,602,872
Research	1,753,136	—	1,753,136
Academic support	12,934,474	—	12,934,474
General institutional support	8,437,737	—	8,437,737
Student services	12,610,417	—	12,610,417
College relations	7,196,175	—	7,196,175
Total educational and general	79,534,811	—	79,534,811
Auxiliary enterprises	17,619,552	—	17,619,552
Pandemic-related costs	5,823,461	—	5,823,461
Total operating expenses	102,977,824	—	102,977,824
Increase from operations	3,222,842	2,832,305	6,055,147
Nonoperating activity:			
Endowment return, net of amounts appropriated for spending	105,073,385	88,855,621	193,929,006
Change in value of split-interest agreements	—	4,335,468	4,335,468
Net periodic benefit cost, net of service cost	2,774,152	—	2,774,152
Other deductions and transfers	(2,051,185)	2,075,731	24,546
Total nonoperating activity	105,796,352	95,266,820	201,063,172
Increase in net assets	109,019,194	98,099,125	207,118,319
Net assets, beginning of year	360,030,973	299,956,009	659,986,982
Net assets, end of year	$ 469,050,167	398,055,134	867,105,301

See accompanying notes to financial statements.

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Statements of Cash Flows

Years ended June 30, 2022 and 2021

		2022	2021
Cash flows from operating activities:			
Increase (decrease) in net assets	$	(36,935,616)	207,118,319
Adjustments to reconcile increase (decrease) in net assets to net cash used in operating activities:			
Depreciation and amortization		6,411,408	6,399,524
Amortization of bond premium and issuance cost		13,735	(274,830)
Loss on disposal of assets		—	24,000
Loss on bond refinancing		1,050,764	—
Gain on swap termination		(301,516)	—
Contributions restricted for long-term investment		(6,659,030)	(3,588,257)
Noncash contributions		(1,630,543)	(939,428)
Net realized and unrealized loss (gain) on investments and split-interest agreements		37,322,399	(229,957,537)
Actuarial adjustments of liabilities for split-interest agreements		(886,654)	2,866,527
Change in asset retirement obligation		128,915	128,915
Changes in governmental loan funds		529,603	—
Insurance proceeds		(3,318,210)	—
Changes in operating assets and liabilities that provided (used) cash:			
Accounts receivable		(4,554,859)	479,045
Contributions receivable		1,885,558	4,321,214
Prepaid and other		(314,055)	(538,878)
Accounts payable and accrued liabilities		4,549,374	(895,025)
Postretirement benefits payable		(6,090,398)	(2,760,282)
Deferred revenue		(331,100)	(707,478)
Other liabilities		(347,637)	78,529
Net cash used in operating activities		(9,477,862)	(18,245,642)
Cash flows from investing activities:			
Proceeds from maturities/sales of investments		148,113,563	204,776,056
Purchases of investments		(125,311,766)	(189,204,613)
Contracts receivable collected		43,805	33,517
Contracts receivable advanced		(53,860)	(60,000)
Purchase of property, plant, and equipment		(8,304,052)	(869,714)
Insurance proceeds		3,318,210	—
Net cash provided by investing activities		17,805,900	14,675,246
Cash flows from financing activities:			
Contributions restricted for long-term investment		6,659,030	3,588,257
Issuance of new debt		123,877,643	—
Payment of debt principal		(105,858,173)	(1,595,000)
Swap termination		(303,182)	—
Payments on split-interest agreements		(1,525,249)	(1,470,475)
Investment income subject to split-interest agreements		389,372	762,711
New liabilities related to split-interest agreements		13,044	52,194
Changes in governmental loan funds		(189,915)	(425,918)
Net cash provided by financing activities		23,062,570	911,769
Net increase (decrease) in cash and cash equivalents		31,390,608	(2,658,627)
Cash and cash equivalents and cash whose use is limited, beginning of year		16,750,145	19,408,772
Cash and cash equivalents and cash whose use is limited, end of year	$	48,140,753	16,750,145
Supplemental disclosures of cash flow information:			
Interest paid	$	3,631,509	2,984,008

See accompanying notes to financial statements.

(1) Background

The Reed Institute (Reed College or the College) was founded in 1908 by Simeon and Amanda Reed, with one central commitment: to provide a balanced, comprehensive education in liberal arts and sciences, fulfilling the highest standards of intellectual excellence. Reed College offers a Bachelor of Arts degree in one of 25 major fields and numerous interdisciplinary fields, as well as a master of arts in liberal studies degree. The College educational program pays particular attention to a balance between broad study in the various areas of human knowledge and close, in-depth study in a recognized academic discipline.

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

The financial statements of the College have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

(b) Basis of Presentation

Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. The definitions used to classify and report net assets are as follows:

- Without donor restrictions – Net assets that are not subject to donor-imposed stipulations or donor-restricted contributions whose restrictions are met in the same reporting period
- With donor restrictions: time or purpose – Net assets subject to donor-imposed stipulations that will be met by either actions of the College or the passage of time
- With donor restrictions: perpetual – Net assets subject to donor-imposed stipulations that they be permanently maintained by the College; generally, the donors of these assets permit the College to use all or part of the income earned on related investments for general or specific purposes.

Revenues are reported as increases in net assets without donor restrictions unless their use is limited by donor-imposed restrictions. All expenses are reported as decreases in net assets without donor restrictions except for activity related to life income agreements. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted either by donor stipulation or by law. Expirations of restrictions on net assets when the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed are reported as reclassifications between the applicable classes of net assets and are reported as “net assets released from restriction” in the statements of activities and changes in net assets. Restrictions related to contributions for the purchase of capital additions are released when the asset is placed in service.

Reed College follows the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Subtopic 958-205, *Not-for-Profit Entities – Presentation of Financial Statements*, which provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) and also requires disclosures about endowment funds, both donor-restricted endowment funds and board-designated endowment funds. See note 12 for further disclosures.

(c) Measure of Operations

Reed College's increase from operations includes all operating revenues and expenses that are an integral part of its programs and supporting activities, net assets released from donor restriction to support operating expenditures, and transfers from board-designated and other nonoperating funds to support current operating activities. The measure of operations excludes investment return in excess of amounts made available for current use, as well as infrequent items such as loss on debt refinancing and insurance proceeds.

(d) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(e) Revenue Recognition

Tuition and fees – Reed College's operating revenue is primarily derived from academic programs provided to undergraduate students. The College bills tuition and fees in advance of each academic term and recognizes the revenue on a straight-line basis over the academic term as the educational services are performed. Tuition and fees are not considered separate performance obligations. Students are typically entitled to a partial refund through approximately the first half of an academic term. The College provides financial assistance in the form of scholarships or grants based on the recipients' demonstrated need. The financial assistance is reflected as a reduction of tuition and fees revenues and represents the difference between the stated charge for tuition and fees and the amount that is billed to the student.

Academic terms are determined by regulatory requirements mandated by the federal government and/or applicable accrediting body. The College's academic terms consist of fall and spring. The academic terms have start and end dates that fall within the College's fiscal year.

Students pay tuition and fees (net of scholarships) through a variety of funding sources, including, among others, federal loan and grant programs, state grant programs, institutional payment plans, private and institutional scholarships and borrowings, and cash payments.

Auxiliary enterprises – Auxiliary enterprises consist primarily of fees for room and dining services (board) during the student's education. Reed College considers room fees and dining services to have separate performance obligations.

Room fees are charged at different rates for dormitories and apartments. Room fees are billed in advance of each academic term and recognized as revenue on a straight-line basis over the period housing is provided. While the College believes the residential experience is an integral part of a student's education, it is believed to be a distinct performance obligation from the academic services.

Dining service fees are charged at different rates depending on the meal plan selected for the term of the agreement. Dining services are billed in advance of each academic term and are recognized as revenue ratably over the period during which the dining services are offered.

In addition to room and board, auxiliary services include revenue earned from the bookstore and for various conference services offered by the College. Revenue from the sale of these goods and services is recognized once the performance obligations are complete.

Gifts and private grants – Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional.

Government grants and contracts – Individual governmental and private grant arrangements are nonreciprocal and are, therefore, considered contributions. The granting entity has not received a direct benefit in exchange for the resources provided. Revenue is recognized when the barrier to entitlement is overcome, which is when expenditures associated with each grant are determined to be allowable, and all other significant conditions of the grant are met. For the year ended June 30, 2022, the College received a grant from the Federal Emergency Management Agency for $5,173,604 to reimburse for diagnostic testing costs incurred between August 2020 and June 2021, in addition to other grant programs received in prior fiscal years.

Investment return – Investment income or loss (including realized and unrealized gains and losses on investments, interest, and dividends), net of investment expenses is included in operating revenues, gains, and other support and nonoperating activities without donor restrictions unless the income or loss is restricted by donor, law, or endowment spending.

(f) Investments

Investments in marketable equity securities with readily determinable fair values and all investments in debt securities are carried at fair value. Some investments do not have readily determinable fair values, including certain private investments, fixed-income investments, absolute return investments, and investments in equities, and are valued at net asset value (NAV) as a practical expedient for fair value. NAV in many instances, may not equal the price for which the asset could be exchanged or settled on the measurement date.

Realized and unrealized gains and losses arising from the sale, collection, or other disposition of investments, as well as all dividends, interest, and other investment income, are shown in the statements of activities and changes in net assets. Losses on investments related to gifts that the donor required to be invested in perpetuity (i.e., endowment funds) are classified as decreases in net assets with donor restrictions.

(Continued)

(g) Split-Interest Agreements

Reed College has been named as a beneficiary for various split-interest agreements. Each agreement provides for contractual payments to stated beneficiaries for their lifetimes, after which remaining principal and interest revert to the College. Assets contributed are recorded at fair value. In addition, the College has recognized the present value of estimated future payments to be made to beneficiaries over their expected lifetimes as a long-term liability. The present values of these estimated payments were determined on the basis of published actuarial factors for ages of the respective beneficiaries discounted using a rate adjusted for mortality uncertainties and are not changed after the date of the gift. Annual adjustments are made between the liability and the net assets to record actuarial gains or losses. Differences between the assets contributed and the expected payments to be made to beneficiaries have been recorded as contribution revenue in the year established. These donations are either restricted on the basis of time or restricted in perpetuity based on the intent of the donor.

The College maintains separate reserve funds adequate to meet future payments under its charitable gift annuity contracts, as required by governing states' laws. The total held in separate reserve funds was $5,630,980 and $7,117,480 as of June 30, 2022 and 2021, respectively. The amount included to meet future payments under gift annuity contracts in liability for split-interest agreements was $2,283,261 and $2,422,043 as of June 30, 2022 and 2021, respectively.

(h) Contributions Receivable

Unconditional promises to give (contributions) are recorded as gifts and private grant income and contributions receivable. Promises to give are not recognized until they become unconditional, that is, when the donor-imposed conditions are substantially met. Contributions other than cash are recorded at their estimated fair value. Management estimates an allowance for uncollectible contributions based on risk factors such as prior collection history, type of contribution, and the nature of the fundraising activity. Contributions are generally receivable within five years of the date the commitment was made and were discounted to present value using a discount rate commensurate with the risk involved. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

(i) Derivative Instruments

Reed College accounts for derivatives in accordance with FASB ASC Subtopic 815-10, *Derivatives and Hedging – Overall*, which requires that all derivative instruments be recorded on the statements of financial position at their estimated fair values. Changes in the fair value are recognized in the statements of activities and changes in net assets as other investment gains (losses).

(j) Property, Plant, and Equipment, Net

Property, plant, and equipment are stated at cost at the date of acquisition, if purchased, or at fair market value, at the date of receipt, if acquired by donation. Equipment under capital leases are stated at the present value of minimum lease payments. Depreciation is computed on a straight-line basis over the estimated useful lives of buildings (20 to 50 years) and equipment and furnishings (5 years). Equipment held under capital leases are amortized on a straight-line basis over the shorter of the lease term or estimated useful life of the asset. Routine repair and maintenance expenses and equipment replacement costs are expensed as incurred.

(k) Donated Materials

Donated materials are included in the statements of activities and changes in net assets as gifts and private grants at their estimated fair values at date of receipt. These materials are subsequently expensed when used.

(l) Income Tax Status

The Internal Revenue Service has recognized Reed College as exempt from tax under the provisions of Section 501(a) as an organization described under Section 501(c)(3) of the Internal Revenue Code, except to the extent of unrelated business income under Sections 511 through 515. Management believes that unrelated business income tax, if any, is immaterial, and therefore, no tax provision has been made. The College accounts for income taxes in accordance with FASB ASC Subtopic 740-10, *Income Taxes – Overall*, which clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements and prescribes a threshold of more likely than not for recognition of tax benefits of uncertain tax positions taken or expected to be taken in a tax return.

ASC Subtopic 740-10 also provides related guidance on measurement, derecognition, classification, interest and penalties, and disclosure. The College does not have any uncertain tax positions.

(m) Cash and Cash Equivalents

Cash and cash equivalents represent cash in bank and other highly liquid investments with original maturities of three months or less. Certain cash equivalents held by trustee and amounts included in the investment portfolio are intended to be invested on a long-term basis and are not included in the statements of cash flows. Cash and cash equivalents whose use is limited includes bond proceeds that are designated for capital projects and/or funds that are restricted for the Federal Perkins Loan program.

Cash and cash equivalents reported in the statements of cash flows were comprised of the following at June 30:

		2022	2021
Cash and cash equivalents	$	23,952,653	11,343,650
Cash and cash equivalents whose use is limited		18,056,525	530,151
Cash held for long-term investment		6,131,575	4,876,344
Total cash and cash equivalents reported in the statements of cash flows	$	48,140,753	16,750,145

(n) Deferred Revenue

Deferred revenue consists primarily of tuition and fees related to future academic years.

(o) Postretirement Benefits

Reed College has a noncontributory postretirement medical benefit plan covering participating employees upon their retirement. The College maintains a postretirement medical benefit plan and accounts for the plan within the framework of FASB ASC Subtopic 958-715, *Not-for-Profit Entities – Compensation – Retirement Benefits.*

The College records annual amounts relating to its postretirement medical benefit plan based on calculations that incorporate various actuarial and other assumptions, including discount rates, mortality, and healthcare cost trend rates. The College reviews its assumptions on an annual basis and makes modifications to the assumptions based on current rates and trends when it is appropriate to do so. The College believes that the assumptions utilized in recording its obligations under its plans are reasonable based on its experience and market conditions.

(p) Concentration of Risk

Reed College's standard financial instruments include commercial paper, U.S. government and agency securities, corporate obligations, mutual funds, commingled funds, limited partnerships, private equity, private real assets, and private real estate. These financial instruments may subject the College to concentrations of risk.

(q) Recent Accounting Pronouncements

In August 2018, the FASB issued ASU No. 2018-15, *Intangibles – Goodwill and Other – Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract,* which applies to all entities that are a customer in a hosting arrangement that is a service contract. The amendments in ASU No. 2018-14, which align the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software, were adopted for the year ending June 30, 2022. The adoption of this standard was not significant and did not impact the College's statements of financial position, the results of operations or cash flows.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments,* with certain amendments made to the standard in November 2018 through ASU No. 2018-09, *Codification Improvements to Topic 326, Financial Instruments – Credit Losses and ASU No. 2019-10 Financial Instruments – Credit Losses, Derivatives and Hedging, and Leases: Effective Dates,* which applies to entities holding financial assets. The amendments in ASU No. 2016-13 require a financial asset (or a group of financial assets) measured at amortized cost basis to be presented at the net amount expected to be collected. The allowance for credit losses is a valuation account that is deducted from the amortized cost basis of the financial asset(s) to present the net carrying value at the amount expected to be collected on the financial asset. The amendments in ASU 2016-13 are effective for the year ending June 30, 2023. Reed College is currently evaluating the impact this guidance will have on its statements of financial position, the results of operations, or cash flows.

(Continued)

(r) Reclassifications

Certain items previously reported in the prior-year financial statements have been reclassified to conform to current-year financial statement presentation. These reclassifications had no effect on Reed College's financial position, activities and changes in net assets, or cash flows.

(3) Financial Assets and Liquidity Resources

Reed College regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The College has various sources of liquidity at its disposal, including cash and cash equivalents and marketable debt securities. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the College considers all expenditures related to its ongoing mission-related activities as well as the conduct of services undertaken to support those activities to be general expenditures. In addition to financial assets available to meet general expenditures over the next 12 months, the College operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

As of June 30, 2022, the following financial assets could readily be made available within one year of the balance sheet date to meet general expenditures:

		2022	2021
Financial assets at year-end:			
Cash and cash equivalents	$	23,952,653	11,343,650
Current accounts receivable, net		6,266,542	1,335,903
Current contributions receivable, net		2,638,571	2,777,140
Investments		794,537,444	852,092,624
Total financial assets at year-end		827,395,210	867,549,317
Less amounts not available to meet general expenditures within one year:			
Restricted by donors for use in future periods		17,855,201	17,356,497
Board-designated endowment		357,326,884	389,503,674
Future expendable donor-restricted endowment		138,542,382	167,199,968
Donor-restricted endowment to be retained in perpetuity		200,565,937	190,541,484
Annuity and life income funds		24,708,577	30,172,852
Funds held in trust by others		1,416,310	1,358,962
Financial assets available to meet general expenditures within one year	$	86,979,919	71,415,880

(4) Investments

The fair value of investments consists of the following at June 30:

		2022	2021
Investments:			
Cash and cash equivalents	$	6,131,575	4,876,344
Fixed income		54,781,194	78,509,140
Public equities		242,011,467	299,916,615
Absolute return		131,710,315	129,063,948
Private equity		222,906,994	211,062,641
Private real assets		70,213,843	54,414,383
Private real estate		38,822,231	33,327,792
Funds held in trust		24,708,576	30,172,852
Investment funding in transit		700,000	8,018,516
Other		2,551,249	2,730,393
Total investments	$	794,537,444	852,092,624

The overall investment objective for the College's endowment is to invest its assets in a prudent manner that will achieve a long-term rate of return sufficient to fund a portion of its annual operating activities and increase investment value after inflation. The College diversifies its investments among various asset classes incorporating multiple strategies and external investment managers. Major investment decisions are authorized by the board's Investment Committee, which oversees the College's investment program in accordance with established guidelines.

Investment strategies include the following:

- Fixed-income investments, which consist of commingled funds, bond mutual funds, and a limited partnership that hold securities, the majority of which have maturities greater than one year and are valued based on quoted market prices in active markets; certain commingled funds and the limited partnership are valued at NAV reported by the fund managers.
- Public equities investments, which consist of mutual funds, commingled funds, and limited partnerships; these are valued based on quoted market prices in active markets, except for certain commingled funds and limited partnerships, which are valued at NAV reported by the fund managers.
- The absolute return portfolio, which consists of investments of limited partnership interests in hedge funds whose managers have the authority to invest in various asset classes at their discretion, including the ability to invest long and short; the substrategies within the absolute return portfolio include equity long/short, credit/event driven, market neutral, multistrategy, and global macro. The majority of the underlying holdings are marketable securities. The remainder of the underlying holdings is held in marketable securities that trade infrequently, or in private investments, which are valued by the manager on the basis of an appraised value, discounted cash flows, industry comparables, or some other method. The limited partnership interests are valued at NAV reported by the fund managers.

- Investments in private equity, private real assets, and private real estate, which are in the form of limited partnership interests and typically invest in private assets for which there is no readily determinable market value; in these cases, market value is determined by external managers based on a combination of discounted cash flow analysis, industry comparables, and outside appraisals. Where private investment managers hold publicly traded securities, these securities are generally valued based on market prices. The limited partnership interests are valued at NAV reported by the fund managers.

At June 30, 2022 and 2021, Reed College has approximately $664 million and $692 million, respectively, of investments that are not readily marketable. These investments, which include the fixed income, public equities, absolute return portfolio, private equity, private real assets, and private real estate, represent 84% and 81% of total investments and 80% and 80% of total net assets at June 30, 2022 and 2021, respectively. These investments are reported at NAV as reported by the fund managers, which is used as a practical expedient to estimate the fair value. The College believes that the reported amount of its investments is a reasonable estimate of fair value as of June 30, 2022 and 2021. Because of the inherent uncertainties of valuation, these estimated fair values may differ significantly from values that would have been used if a ready market existed. See note 5 for investment fair value and liquidity measurements.

The College has funds invested in 167 and 135 limited partnerships at June 30, 2022 and 2021, respectively. At times, there are certain positions of derivative financial instruments included in the assets of the various partnerships. The College is obligated under certain limited partnership investment fund agreements to advance funding periodically up to specified levels. At June 30, 2022, the College has unfunded commitments of approximately $131,301,544. These commitments are callable by the general partners/advisers between June 30, 2022 and 2032. The terminations of these partnerships/funds are based upon specific provisions in the agreements.

Included in funds held in trust investments are $24,708,577 and $30,172,852 of planned giving trusts held in mutual funds and other investments that are not available for spending as of June 30, 2022 and 2021, respectively.

Included in investment funding in transit are funds transferred to a manager prior to June 30, 2021 and invested in an absolute return investment on July 1, 2021.

Total investment (loss) income, excluding funds held in trust investments, was ($30,853,195) and $222,730,782 for the years ended June 30, 2022 and 2021, respectively.

(5) Fair Value Measurements

ASC Topic 820 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 measurements involving significant unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the College has the ability to access at the measurement date.

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3 inputs are unobservable inputs for the asset or liability used to measure fair value to the extent that observable inputs are not available.

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest-level input that is significant to the fair value measurement in its entirety.

The following is a description of the valuation methodologies used for assets and liabilities carried at fair values:

Cash and cash equivalents: The carrying amounts, at face value or cost plus accrued interest, approximate fair value because of the short maturity of these instruments.

Investments: Fixed income investments include bonds, treasuries, and bond mutual funds. Public equities include publicly traded stocks, mutual funds, and exchange-traded funds. Treasuries, bond mutual funds and public equities are classified as Level 1 in the fair value hierarchy table as their fair value is measured using quoted market prices multiplied by the quantity held. Corporate bonds are classified as Level 2 in the fair value hierarchy table as their fair value is measured using other inputs that are observable or can be corroborated by market data for the term of the instrument.

Funds held in trust: The College's beneficial interest in irrevocable split-interest agreements held or controlled by a third party are based on a combination of Level 1 inputs (observable market values of the trusts' investment portfolios), Level 2 indirect observable inputs (real estate investments trusts), and Level 3 significant unobservable inputs (real estate). The fair values are measured at the present value of the future distributions the College expects to receive over the term of the agreements. The shares and units held by a trustee in registered investment funds are classified in Level 2, because while the underlying securities are marketable, the College does not have the ability to redeem its interest at or near the date of the statements of financial position. Investments classified as Level 3 consist of donated real estate holdings, which are recorded at the appraised value at the date of receipt.

Other investments classified in Level 3 consist of shares or units in nonregistered investment funds as opposed to direct interests in the funds' underlying securities. Even though these shares and units in nonregistered investment funds are classified in Level 3, some of the underlying securities are marketable or not difficult to value.

Interest rate swap: The fair value of the interest rate swap is determined using pricing models developed based on the LIBOR swap rate and other observable market data. The value was determined after considering the potential impact of collateralization and netting agreements, adjusted to reflect nonperformance risk of both the counterparty and the College. The primary inputs into the valuation of interest rate swaps are interest yield curves, interest rate volatility, and credit spreads. The College's interest rate swaps are classified within Level 2 of the fair value hierarchy, since all significant inputs are corroborated by market observable data.

(Continued)

The College measures the fair value for certain investments that are not exchange traded using net asset value (NAV) as a practical expedient. The practical expedient would not be used if it is determined to be probable that the College will sell the investment for an amount different from the reported NAV. In accordance with FASB ASC Subtopic 820-10, an investment measured at fair value using the net asset value per share practical expedient has not been classified in the fair value hierarchy.

The inputs or methodology used for valuing or classifying investments for financial reporting purposes are not necessarily an indication of the risks associated with those investments or a reflection of the liquidity of or degree of difficulty in estimating the fair value of each fund's underlying assets and liabilities.

The following table presents assets and liabilities that are measured at fair value on a recurring basis at June 30, 2022:

	Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets:				
Cash and cash equivalents	$ 6,131,575	6,131,575	—	—
Fixed income	54,781,194	37,730,549	17,050,645	—
Public equities	41,936,057	41,936,057	—	—
Funds held in trust	24,708,576	24,019,576	—	689,000
Other	2,551,249	80,191	—	2,471,058
Total	130,108,651	$ 109,897,948	17,050,645	3,160,058
Investments where NAV was used as a practical expedient to measure fair value:				
Absolute return	131,710,315			
Private equity	222,906,994			
Private real assets	70,213,843			
Private real estate	38,822,231			
Public equities	200,075,410			
Total	663,728,793			
Investment funding in transit	700,000			
Total investments and other assets	$ 794,537,444			

The following table presents assets and liabilities that are measured at fair value on a recurring basis at June 30, 2021:

	Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets:				
Cash and cash equivalents	$ 4,876,344	4,876,344	—	—
Fixed income	65,074,793	43,165,813	21,908,980	—
Public equities	49,615,203	49,615,203	—	—
Funds held in trust	30,172,852	29,483,852	—	689,000
Other	2,730,393	108,371	—	2,622,022
Total	152,469,585	$ 127,249,583	21,908,980	3,311,022
Investments where NAV was used as a practical expedient to measure fair value:				
Absolute return	129,063,948			
Fixed income	13,434,347			
Private equity	211,062,641			
Private real assets	54,414,383			
Private real estate	33,327,792			
Public equities	250,301,412			
Total	691,604,523			
Investment funding in transit	8,018,516			
Total investments and other assets	$ 852,092,624			
Liabilities:				
Interest rate swap	$ 604,698	—	604,698	—

The following table presents the College’s activity for assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended June 30, 2022 and 2021, respectively:

Balance at June 30, 2020	$	3,307,975
Total realized and unrealized gains		3,047
Purchases, issuances, and settlements (net)		—
Balance at June 30, 2021		3,311,022
Total realized and unrealized gains		96,183
Purchases, issuances, and settlements (net)		(247,147)
Balance at June 30, 2022	$	3,160,058

The following table presents information for investments where the NAV was used as a practical expedient to measure fair value at June 30, 2022:

		Fair value	Lockup period	Redemption frequency	Redemption notice period
Absolute return	$	1,269,609	Liquidating	N/A	N/A
Public equities		62,200,008	15 Days	Semimonthly	9–15 Days
Public equities		57,442,912	1 Month	Monthly	5–10 Days
Absolute return		9,452,694	1 Month	Monthly	30 Days
Absolute return		111,722,999	3 Months	Quarterly	30–75 Days
Public equities		70,917,013	3 Months	Quarterly	30–75 Days
Public equities		9,515,477	3 Months	Semiannually	90 Days
Absolute return		9,265,013	9 Months	Annual	60–90 Days
Private equity		222,906,994	—	Illiquid	—
Private real assets		70,213,843	—	Illiquid	—
Private real estate		38,822,231	—	Illiquid	—
Total investments where NAV was used as a practical expedient to measure fair value	$	663,728,793			

The following table presents information for investments where the NAV was used as a practical expedient to measure fair value at June 30, 2021:

		Fair value	Lockup period	Redemption frequency	Redemption notice period
Absolute return	$	1,339,800	Liquidating	N/A	N/A
Absolute return		9,248,892	1 Month	Monthly	5–30 Days
Public equities		73,911,481	1 Month	Monthly	5–30 Days
Public equities		75,664,799	1 Month	Semimonthly	9–15 Days
Absolute return		98,796,075	3 Months	Quarterly	30–75 Days
Public equities		100,725,132	3 Months	Quarterly	30–75 Days
Absolute return		19,679,181	9 Months	Annually	60–90 Days
Private equity		211,062,641	—	Illiquid	—
Private real assets		54,414,383	—	Illiquid	—
Private real estate		33,327,792	—	Illiquid	—
Fixed income		13,434,347	—	Illiquid	—
Total investments where NAV was used as a practical expedient to measure fair value	$	691,604,523			

The College holds investments in private limited partnerships and certain fixed income commingled funds where NAV is used as a practical expedient to measure fair value at June 30, 2022 and 2021. These investments do not allow for periodic redemptions but rather distribute earnings at the discretion of the fund managers and fully liquidate upon the termination date as stated in the agreement. Therefore, these are considered illiquid.

(6) Property, Plant, and Equipment, Net

Property, plant, and equipment consist of the following at June 30:

		2022	2021
Land and land improvements	$	14,330,063	14,219,852
Buildings		245,870,625	244,371,931
Equipment, furniture, and fixtures		18,336,534	17,100,025
Construction in progress		5,458,638	—
		283,995,860	275,691,808
Less accumulated depreciation		(124,476,952)	(118,065,544)
Net property, plant, and equipment	$	159,518,908	157,626,264

Depreciation expense was $6,411,408 and $6,399,524 for the years ended June 30, 2022 and 2021, respectively, and is allocated to the functional expenses based on the relative square footage of the departments.

(7) Long-Term Debt

(a) Notes Payable

Effective February 24, 2022, the College issued $125,000,000 of taxable fixed rate bonds. The bonds have a single maturity on July 1, 2052 and bear interest at 3.872%. A portion of the bond proceeds in the amount of $74,108,173 was deposited with a trustee in an irrevocable escrow trust account to service the 2017 State of Oregon Bonds until July 1, 2027, which is the earliest date the bonds are callable. As of June 30, 2022, the College had $71,380,274 on deposit with the trustee. The defeased bonds and the related trust are not reflected in the accompanying financial statements.

The bond proceeds were also used to refund the 2008 State of Oregon Bonds in the amount of $31,750,000. The 2008 State of Oregon Bonds bore interest based on a weekly basis set through a remarketing process. Wells Fargo Bank was the liquidity facility provider should the bonds have failed to remarket. The Liquidity Facility agreement was terminated upon the issuance of the 2022 taxable fixed rate bonds.

The remaining bond proceeds in the amount of $17,716,289 will be used to finance the reconstruction of two gymnasiums on campus.

Notes payable consists of the following at June 30:

	2022	2021
2022 Taxable fixed rate bonds	$ 125,000,000	—
2017 State of Oregon notes	—	65,650,000
2008 State of Oregon notes	—	31,750,000
	125,000,000	97,400,000
Unamortized premium	—	7,802,750
Unamortized issuance costs	(1,108,622)	(395,342)
Total long-term debt	123,891,378	104,807,408
Less amounts due within one year	—	1,944,830
Total long-term debt due after one year	$ 123,891,378	102,862,578

Interest on the State of Oregon notes payable and amortization of premium and issuance costs at June 30 are as follows:

		2022	2021
Interest	$	3,631,509	2,984,008
Amortization of premium and issuance costs		13,735	(274,830)
Total interest cost recorded in the statement of activities	$	3,645,244	2,709,178

Amortization is calculated over the life of the notes. Interest and amortization are allocated to the functional expenses based on the relative square footage of the departments.

(b) Interest Rate Risk Management

In June 2006, the College issued $16,650,000 of auction rate debt through the Oregon Facilities Authority. The College entered into an interest rate swap of like term, amortization, and notional amount with an investment bank to hedge this underlying variable rate debt. The College subsequently refinanced the 2006 notes with the 2008 series debt and retained this swap arrangement for interest rate risk management. On February 24, 2022, $303,182 of proceeds from the 2022 taxable fixed rate bonds was used to terminate the swap resulting in a gain of $301,516. The change in the unrealized gain and loss on the swap agreement for the year ended June 30, 2021 was a gain of $273,258. Gains related to the swap agreement are reported in the statements of activities and changes in net assets as other investment gains (losses).

(8) Retirement and Postretirement Benefits

(a) Retirement Plan

The College has a defined-contribution pension plan administered through Teachers Insurance and Annuity Association – College Retirement Equities Fund. Employees are able to voluntarily contribute funds to this plan beginning on the first day of employment provided they are not students. Employees are eligible for fixed employer contributions the first month following the completion of one year of service and must have attained the age of 21. Participants are immediately vested in their employee and employer contributions and earnings thereon. The College's policy is to fund pension expenses as incurred. Expenditures relating to the plan were $4,065,428 and $3,941,572 for the years ended June 30, 2022 and 2021, respectively, and are included in education and general expenses and auxiliary enterprises in the accompanying statements of activities and changes in net assets.

(b) Defined-Benefit Retiree Medical Insurance Plan

The College maintains a defined-benefit retiree medical insurance plan, which is not funded. Employees hired after June 30, 2006 do not participate in this plan. In order to participate, employees hired prior to September 2, 2001 must retire from the College at or after age 55 with at least 10 years of continuous service. Employees hired between September 1, 2001 and June 30, 2006 must retire from the College at or after age 55 with 20 years of continuous service.

Participating retirees have the option of continuing to be insured by either the College's current plan or a plan offered by the Emeriti Retirement Health Solutions program. Participating retirees who retired prior to September 2, 2001 and spouses/domestic partners are covered for their lifetime. All other participating retirees are covered at the lowest premium plan for their lifetime, and spouses/domestic partners are covered at the rate of 50% of the lowest premium plan for their lifetime. Employer premium expenses were $663,187 and $586,539 for the years ended June 30, 2022 and 2021, respectively.

The accrued liability for postretirement benefits consists of the following at June 30:

		2022	2021
Change in benefit obligation:			
Benefit obligation at beginning of year	$	31,338,177	34,098,459
Service cost		508,386	593,519
Interest cost		910,748	925,090
Benefits paid		(612,955)	(579,649)
Actuarial gain		(6,896,577)	(3,699,242)
Benefit obligation at end of year and funded status	$	25,247,779	31,338,177
Amounts recognized in the balance sheet consist of:			
Postretirement benefits payable – current	$	890,720	937,522
Postretirement benefits payable – long term		24,357,059	30,400,655
	$	25,247,779	31,338,177

The College used the following actuarial assumptions to determine its employee benefit obligations and net periodic benefit cost for the years ended June 30, 2022 and 2021, as measured at June 30:

	2022	2021
Benefit obligation:		
Weighted average discount rate	4.75 %	2.95%
Rate of increase in per capita cost of covered healthcare benefits	7.5% trending to 4.5% in 2033	6.25% trending to 4.00% in 2032
Net periodic benefit cost:		
Weighted average discount rate	2.95 %	2.75%
Rate of increase in per capita cost of covered healthcare benefits	6.25% trending to 4.00% in 2031	6.50% trending to 4.00% in 2031

Actuarial changes were driven by changes in the mortality rate assumptions, the discount rate, and changes in healthcare cost trends.

Net periodic benefit cost included the following components for the years ended June 30:

		2022	2021
Service cost	$	508,386	593,519
Interest cost		910,748	925,090
Recognition of actuarial gain		(6,896,577)	(3,699,242)
Net periodic benefit gain	$	(5,477,443)	(2,180,633)

Service cost is included in education and general expenses and the other components of net periodic postretirement benefit are included in nonoperating activity in the accompanying statements of activities and changes in net assets.

The College's policy is to fund the plan as claims payments are made. In the 2022–2023 fiscal year, the College expects to contribute, from ongoing cash flows and current assets, $890,720 to the plan. Benefit payments, which reflect expected future service, as appropriate, are expected to be paid as follows for the years ending June 30:

Year(s) ending:		
2023	$	890,720
2024		941,099
2025		1,032,383
2026		1,130,776
2027		1,204,476
2028–2032		7,283,136

(c) Emeriti Retiree Defined-Contribution Health Plan

The College has a defined-contribution retiree health plan for employees hired on or after July 1, 2006. the College makes contributions on each eligible employee's behalf once the individual reaches the age of 40 years. Employees are also eligible to make discretionary after-tax contributions to their account if the individual is 21 years or older. Employees are eligible to receive benefits from the plan if the employee has attained age 55 years and achieved 20 years of continuous service to the College. Employer expenses related to this plan, net of forfeitures, were $286,294 and $555,954 for fiscal years ended June 30, 2022 and 2021, respectively, and are included in education and general expenses in the accompanying statements of activities and changes in net assets.

(9) Funds Held in Trust by Others

The College has been named beneficiary of a portion of the remainder of three trusts maturing at specified dates in the future. These trusts are administered by other entities. The College revalues the receivables using the fair value of expected future cash flows. At June 30, 2022 and 2021, the trusts receivable were $1,416,310 and $1,358,962, respectively, and were reported as noncurrent funds held in trust by others in the statements of financial position.

(10) Contributions and Accounts Receivable

Contributions receivable consist of the following at June 30:

		2022	2021
Annual fund	$	1,831,757	2,099,686
Campaign		260,976	2,718,450
Endowment		4,135,315	3,337,601
Facilities		—	15,000
Gross contributions receivable	$	6,228,048	8,170,737

Contributions receivable consist of the following at June 30:

		2022	2021
Current:			
Gross contributions receivable	$	2,777,571	2,923,140
Less allowance for doubtful accounts		(139,000)	(146,000)
Total current net contributions receivable		2,638,571	2,777,140
Long term (one to five years):			
Gross contributions receivable		3,450,477	5,247,597
Less allowance for doubtful accounts		(168,000)	(260,000)
Net long-term contributions receivable		3,282,477	4,987,597
Less discount to present value		(92,075)	(50,206)
Total long-term net contributions receivable		3,190,402	4,937,391
Total net contributions receivable	$	5,828,973	7,714,531

Contributions receivable due in excess of one year are discounted at 1.34% to 1.77% and 0.15% to 0.53% for the years ended June 30, 2022 and 2021, respectively.

Of the net unconditional promises to give included above, $2,861,394 represents an unconditional promise to give from 9 members of the College Board of Trustees. These are considered related party transactions under ASC 850.

Accounts receivable consist of the following at June 30:

	2022	2021
Current:		
Student accounts receivable	$ 81,980	471,207
Related parties	13,858	8,881
Government agencies	6,052,711	778,030
Other receivables	117,993	77,785
	6,266,542	1,335,903
Noncurrent:		
Student accounts receivable	3,771	2,596
Reed loans	1,001,097	1,075,381
Related parties	2,865	4,236
Federal Perkins loans	1,104,838	1,406,138
	2,112,571	2,488,351
Less allowance for doubtful accounts	(60,239)	(60,239)
	$ 8,318,874	3,764,015

The Federal Perkins Loans and Reed loans are generally payable at interest rates of 5% to 9% over approximately 10 years. Repayment begins after a designated grace period following the student's college attendance. Principal payments, interest, and losses due to cancellation are shared by the College and the U.S. government in proportion to their share of funds provided. The Federal Perkins Loan program provides for cancellation of loans if the student is employed in certain occupations following graduation (employment cancellations). Such employment cancellations are absorbed in full by the U.S. government.

Congress did not renew the Federal Perkins Loan Program after September 2017, and the transition period permitting disbursements ended on June 30, 2018. Institutions have the option to either continue to service the outstanding loans and remit excess cash periodically to the Department of Education or liquidate the portfolio, which would include assigning remaining loans to the federal government and forfeiting the institution's remaining net assets (institutional capital contribution). The College intends to continue servicing the outstanding Perkins loans.

(11) Net Assets

At June 30, 2022 and 2021, net assets consisted of the following:

		2022	2021
Without donor restrictions:			
Operating and designated for special programs	$	67,276,915	31,536,211
Institutional loan programs		1,882,242	1,848,040
Funds functioning as endowment		119,656,493	117,729,619
Accumulated quasi-endowment gains		237,670,391	271,774,055
Net investment in plant		29,446,117	46,162,242
Subtotal		455,932,158	469,050,167
With donor restrictions – time or purpose:			
Educational and general programs		17,855,201	17,356,497
Annuity and life income funds		8,937,602	10,796,095
Accumulated endowment gains		138,542,382	167,199,968
Other time or purpose restrictions		1,953,246	4,574,657
Subtotal		167,288,431	199,927,217
With donor restrictions – perpetual:			
True endowment funds		200,565,937	190,541,484
Annuity and life income funds		6,383,159	7,586,433
Subtotal		206,949,096	198,127,917
Total	$	830,169,685	867,105,301

(12) Endowments

At June 30, 2021, the College's endowment consisted of approximately 550 individual funds established for a variety of purposes. The endowment includes both donor-restricted endowments and funds designated by the College to function as endowments (quasi-endowments). Quasi-endowment funds do not have donor restrictions and may be expended at the discretion of the College. As required by U.S. generally accepted accounting principles, net assets associated with endowment funds, including quasi-endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of relevant law – The State of Oregon has enacted UPMIFA, the provisions of which apply to endowment funds. The College has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. The College classifies as net assets with perpetual donor restrictions the original value of gifts to donor-restricted endowments and any other amounts added to donor-restricted endowments that donors have stipulated are not expendable. The remaining portion of the donor-restricted endowment fund that is not classified as net assets with perpetual donor restrictions, including deficiencies associated with funds where the value of the fund has fallen below the original value of the gift, is classified as net assets with donor-imposed time or purpose restrictions until those amounts are appropriated for expenditure by the College in a manner consistent with the standard of prudence prescribed by UPMIFA.

Income and net gains on investments of endowment are reported as follows:

- Increases in net assets with perpetual donor restrictions if the terms of the gift or the College's interpretation of relevant state law require they be added to the principal of a true endowment fund
- Increases in net assets with donor-imposed restrictions if the terms of the gift restrict its use and endowment income has not yet been appropriated for expenditure
- Increases in net assets without donor restrictions in all other cases.

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 UPMIFA requires to be retained as a fund of perpetual duration. Deficiencies of this nature are reported in net assets with perpetual donor restrictions. As of June 30, 2022 and 2021, funds with an original gift value of $7,607,603 and $0 were "underwater" by $372,283 and $0, respectively.

Investment and spending policies – To enable broad diversification and economies of scale, the College's policy is to pool endowment assets for investment purposes to the fullest extent possible as permitted by gift agreements and applicable government regulations.

The College's pooled endowment provides ongoing financial support for operations that will remain stable (or grow) in real or inflation-adjusted terms, as adjusted for new additions to the pooled endowment. The primary investment objective of the pooled endowment is to provide a sustainable maximum level of return consistent with prudent risk levels. The overall, long-term investment goal of the pooled endowment is to achieve an annualized total return that balances short-term spending needs with the preservation of the real (inflation adjusted) value of assets. Investments are diversified across a wide range of asset classes, including those providing return premiums for illiquidity, so as to provide a balance that will enhance total return under a range of economic scenarios, while avoiding undue risk concentrations in any single asset class or investment category. Sufficient liquidity in the endowment portfolio to meet the spending policy and operational needs, preserve the College's desired credit ratings, and maintain compliance with any debt agreements is also considered when making investment decisions regarding asset allocation.

In accordance with UPMIFA, the College considers the following factors, among others, 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 or deflation; (5) the expected total return from income and the appreciation of investments; (6) other resources of the College; and (7) the investment policies of the College.

Pooled endowment spending is determined using the total return concept. The policy on spending endowment income for fiscal years 2022 and 2021 is to spend 5.00% over a rolling 13-quarter moving average of the fair value or market value of the endowment.

Endowment net assets by type of fund as of June 30, 2022:

		Without donor restrictions	With donor restrictions – time or purpose	With donor restrictions – perpetual	Total
Donor-restricted endowment funds	$	—	138,542,382	200,565,937	339,108,319
Board-designated endowment funds		357,326,884	—	—	357,326,884
Total funds	$	357,326,884	138,542,382	200,565,937	696,435,203

Endowment net assets by type of fund as of June 30, 2021:

		Without donor restrictions	With donor restrictions – time or purpose	With donor restrictions – perpetual	Total
Donor-restricted endowment funds	$	—	167,199,968	190,541,484	357,741,452
Board-designated endowment funds		389,503,674	—	—	389,503,674
Total funds	$	389,503,674	167,199,968	190,541,484	747,245,126

Changes in endowment net assets for the years ended June 30, 2022 and 2021 are as follows:

		Without donor restrictions	With donor restrictions – time or purpose	With donor restrictions – perpetual	Total
Endowment net assets, July 1, 2021	$	389,503,674	167,199,968	190,541,484	747,245,126
Investment return:					
Net investment gain		(17,045,518)	(14,588,087)	—	(31,633,605)
Net appreciation of investments		(564,782)	(479,632)	—	(1,044,414)
Contributions		200,965	—	8,764,460	8,965,425
Contributions from trust terminations		—	—	16,017	16,017
Appropriation of endowment assets for expenditure		(15,880,409)	(13,589,867)	—	(29,470,276)
Transfers and other reclassifications		1,112,954	—	1,243,976	2,356,930
Endowment net assets, June 30, 2022	$	357,326,884	138,542,382	200,565,937	696,435,203

		Without donor restrictions	With donor restrictions – time or purpose	With donor restrictions – perpetual	Total
Endowment net assets, July 1, 2020	$	280,889,636	78,344,347	185,860,014	545,093,997
Investment return:					
Net investment gain		120,273,098	101,646,598	—	221,919,696
Net appreciation of investments		391,162	330,513	—	721,675
Contributions		953,671	—	2,602,045	3,555,716
Contributions from trust terminations		—	—	27,855	27,855
Appropriation of endowment assets for expenditure		(15,590,874)	(13,121,490)	—	(28,712,364)
Transfers and other reclassifications		2,586,981	—	2,051,570	4,638,551
Endowment net assets, June 30, 2021	$	389,503,674	167,199,968	190,541,484	747,245,126

(Continued)

(13) Functional Classification of Expenses

Educational program expenses include instruction, academic support, and student services. The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. These expenses were allocated among program and supporting functions using a variety of cost allocation techniques, such as square footage and time and effort. Pandemic-related costs incurred for the years ended June 30, 2022 and 2021 are reported as general institutional support.

The table below presents expenses by both their nature and function for the year ended June 30, 2022.

	Educational programs	Research	Auxiliary enterprises	College relations	General institutional support	Total
Salaries and w ages	$ 34,462,450	1,022,838	3,311,396	4,401,014	4,275,297	47,472,995
Benefits	12,221,452	241,693	1,031,535	1,688,053	1,639,834	16,822,567
Utilities, alterations, and repairs	2,105,356	180,979	3,696,718	54,760	228,855	6,266,668
Depreciation	2,731,072	459,977	2,880,366	51,445	288,548	6,411,408
Interest and accretion	1,659,358	144,596	1,762,265	31,477	176,553	3,774,249
Supplies, services, and other	13,747,731	48,468	7,676,460	1,579,086	4,756,444	27,808,189
Total	$ 66,927,419	2,098,551	20,358,740	7,805,835	11,365,531	108,556,076

The table below presents expenses by both by their nature and function for the year ended June 30, 2021.

	Educational programs	Research	Auxiliary enterprises	College relations	General institutional support	Total
Salaries and w ages	$ 33,292,796	902,990	3,124,319	4,452,034	3,892,974	45,665,113
Benefits	11,046,030	219,718	1,003,897	1,696,289	1,483,278	15,449,212
Utilities, alterations, and repairs	1,849,779	158,907	3,322,884	52,257	197,012	5,580,839
Depreciation	2,813,332	245,154	2,988,337	53,368	299,333	6,399,524
Interest and accretion	1,247,775	108,731	1,325,157	23,670	132,761	2,838,094
Supplies, services, and other	11,898,051	117,636	5,854,958	918,557	8,255,840	27,045,042
Total	$ 62,147,763	1,753,136	17,619,552	7,196,175	14,261,198	102,977,824

(14) Fundraising Expense

The College expended $3,198,823 and $3,115,351 for the years ended June 30, 2022 and 2021, respectively, for payroll and benefits, informational materials, college relations, travel, and special events relating to fundraising activities. These costs are all classified as college relations in the statements of activities and changes in net assets.

(Continued)

(15) Commitments and Contingencies

From time to time, the College is involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, most of these claims and legal actions are covered by insurance and the ultimate disposition of these matters will not have a material effect on the College's financial position, statements of activities and changes in net assets, or cash flows.

(16) Subsequent Events

The College has evaluated subsequent events from the statement of financial position date through October 7, 2022, the date at which the financial statements were issued, and determined that there are no other items to disclose.