

The Reed Institute

FINANCIAL STATEMENTS | JUNE 30, 2026 AND 2025
WITH INDEPENDENT AUDITORS' REPORT THEREON



REED COLLEGE



**REED
COLLEGE**

Lynn Valenter

Vice President of Finance
and Treasurer

ADDRESS

3203 Southeast
Woodstock Boulevard
Portland, Oregon
97202-8199

Letter from the Vice President of Finance and Treasurer

October 5, 2026

Higher education continues to encounter widespread challenges, including demographic declines, lower enrollment pipelines, elevated financial aid requirements for tuition, and general economic volatility. While Reed is not immune to these headwinds, it faces them from a strong financial position. Enclosed are the financial results for FY2025 and FY2026, which highlight the college's long-term viability and strong capital footing.

For FY2026, total enrollment was 1,298 students against a budget of 1,361. Financial aid reflected a discount rate of approximately 44.2%, which was higher than the budget of 39.5%. As a result, net tuition and fee revenue was unfavorable for the year. After years of experiencing strong enrollment and stable discount rates, the college is having to react to the unanticipated market pressures that are impacting higher education and in particular small liberal arts colleges.

The college was able to offset a large portion of the unfavorability in net tuition revenue through prudent fiscal management. The college saw significant savings in salaries, wages, and benefits as well as non-salary expenditures.

Key highlights from the consolidated statement of activities for the fiscal year ending June 30, 2026 include:

- **Philanthropy:** Gift and grant revenue totaled \$26.6 million, up almost 8% compared to the prior year.
- **Endowment Support:** Operating transfers from the endowment grew by \$1.4 million, providing \$39.0 million in combined restricted and unrestricted support.
- **Operating Costs:** Total operating expenditures expanded by \$1.2 million to \$127.9 million, representing a modest 1.0% increase.
- **Net Position:** Operational activities generated a net surplus of nearly \$3.4 million toward net assets, while total net assets expanded by \$124.9 million by year-end.

As of June 30, 2026, total assets climbed to \$1.3 billion, pushing overall net assets to \$1.2 billion. Strong portfolio performance in the endowment served as the primary driver of capital expansion, yielding \$126.1 million in net investment gains. The endowment posted a 15.4% return, expanding to \$973.9 million—which accounts for 84% of the college's net asset base.

Financial leverage remains exceptionally low: total liabilities comprise only 12.8% of total assets, with long-term bonded debt accounting for just 9.4%. Unrestricted net assets represent 52% of total net assets, underscoring strong internal liquidity. Reaffirming this robust credit profile, Moody's Investors Service and S&P Global Ratings maintained the college's long-term rating at Aa2 and AA-, respectively.

As the college enters the new fiscal year, it continues to focus on strengthening enrollment and controlling expenses. The college saw measured progress in student retention and graduation rates and continues to develop programs such as study abroad and the residential college model to improve these rates and the overall student experience. Additionally, the college recently publicly announced a \$350 million comprehensive campaign with strong support from alumni and community members.

Lynn Valenter
Vice President of Finance and Treasurer

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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, 2026 and 2025, 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, 2026 and 2025, and the changes in its net assets 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 5, 2026

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Statements of Financial Position
June 30, 2026 and 2025

Assets	2026	2025
Current assets:		
Cash and cash equivalents	\$ 17,338,022	8,563,537
Accounts receivable, net	824,764	988,668
Contributions receivable, net	5,972,209	11,443,307
Short-term investments	1,750,470	11,544,172
Funds held by trustee for debt service	2,420,001	2,420,000
Prepaid expenses and other assets	958,441	973,561
Total current assets	<u>29,263,907</u>	<u>35,933,245</u>
Noncurrent assets:		
Cash and cash equivalents whose use is limited	226,714	166,654
Accounts receivable, net	1,459,392	1,582,327
Contributions receivable, net	1,846,444	2,361,475
Funds held in trust by others	2,969,596	3,065,771
Long-term investments	1,100,907,561	988,818,016
Property, plant, and equipment, net	189,548,317	187,421,700
Other assets	368,148	85,414
Total noncurrent assets	<u>1,297,326,172</u>	<u>1,183,501,357</u>
Total assets	<u><u>\$ 1,326,590,079</u></u>	<u><u>1,219,434,602</u></u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 8,967,857	12,249,500
Bond interest payable	2,420,000	2,420,000
Postretirement benefits payable	927,540	1,119,109
Deferred revenue	1,050,848	1,101,136
Other liabilities	90,645	4,753
Total current liabilities	<u>13,456,890</u>	<u>16,894,498</u>
Long-term liabilities:		
Liability for split-interest agreements	13,025,186	12,305,089
Postretirement benefits payable	11,862,420	27,078,644
Refundable loan programs	320,568	457,106
Asset retirement obligation	6,481,177	6,370,462
Debt	124,041,026	124,003,614
Other liabilities	282,992	77,218
Total long-term liabilities	<u>156,013,369</u>	<u>170,292,133</u>
Total liabilities	<u>169,470,259</u>	<u>187,186,631</u>
Net assets:		
Without donor restrictions	601,331,494	539,463,469
With donor restrictions:		
Time or purpose	304,944,943	247,751,464
Perpetual	250,843,383	245,033,038
Total net assets with donor restrictions	<u>555,788,326</u>	<u>492,784,502</u>
Total net assets	<u>1,157,119,820</u>	<u>1,032,247,971</u>
Total liabilities and net assets	<u><u>\$ 1,326,590,079</u></u>	<u><u>1,219,434,602</u></u>

See accompanying notes to financial statements.

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Statement of Activities and Changes in Net Assets

Year ended June 30, 2026

	Without donor restrictions	With donor restrictions	Total 2026
Revenues, gains, and other support:			
Tuition and fees, net of \$40,983,987 in college-funded scholarships	\$ 51,746,593	—	51,746,593
Auxiliary enterprises	18,594,757	—	18,594,757
Gifts and private grants	9,161,023	1,836,960	10,997,983
Government grants and contracts	2,380,345	—	2,380,345
Endowment return, appropriated for spending	20,040,978	19,003,703	39,044,681
Other investment gains	5,959,002	5,492	5,964,494
Other revenues and additions	2,480,843	—	2,480,843
Net assets released from restrictions	19,472,327	(19,472,327)	—
Total revenues, gifts, and other support	129,835,868	1,373,828	131,209,696
Expenses:			
Educational and general:			
Instruction	46,440,223	—	46,440,223
Research	2,895,841	—	2,895,841
Academic support	16,629,754	—	16,629,754
General institutional support	12,266,585	—	12,266,585
Student services	17,060,226	—	17,060,226
College relations	8,977,359	—	8,977,359
Total educational and general	104,269,988	—	104,269,988
Auxiliary enterprises	23,580,232	—	23,580,232
Total operating expenses	127,850,220	—	127,850,220
Increase from operations	1,985,648	1,373,828	3,359,476
Nonoperating activity:			
Contributions to endowment funds	532,339	5,146,631	5,678,970
Contributions for capital assets	—	9,964,532	9,964,532
Interest income on capital gifts	—	716,567	716,567
Endowment return, net of amounts appropriated for spending	44,478,357	42,544,465	87,022,822
Change in value of split-interest agreements	—	3,452,993	3,452,993
Net periodic benefit cost and plan amendment, excluding service cost	14,705,657	—	14,705,657
Other deductions and transfers	166,024	(195,192)	(29,168)
Total nonoperating activity	59,882,377	61,629,996	121,512,373
Increase in net assets	61,868,025	63,003,824	124,871,849
Net assets, beginning of year	539,463,469	492,784,502	1,032,247,971
Net assets, end of year	\$ 601,331,494	555,788,326	1,157,119,820

See accompanying notes to financial statements.

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Statement of Activities and Changes in Net Assets

Year ended June 30, 2025

	Without donor restrictions	With donor restrictions	Total 2025
Revenues, gains, and other support:			
Tuition and fees, net of \$39,314,302 in college-funded scholarships	\$ 56,478,829	—	56,478,829
Auxiliary enterprises	17,410,448	—	17,410,448
Gifts and private grants	8,219,089	1,240,878	9,459,967
Government grants and contracts	3,359,264	—	3,359,264
Endowment return, appropriated for spending	19,470,203	18,085,250	37,555,453
Other investment gains	5,243,656	2,558	5,246,214
Other revenues and additions	2,523,730	—	2,523,730
Net assets released from restrictions	18,095,595	(18,095,595)	—
Total revenues, gifts, and other support	130,800,814	1,233,091	132,033,905
Expenses:			
Educational and general:			
Instruction	45,340,677	—	45,340,677
Research	3,192,669	—	3,192,669
Academic support	16,981,125	—	16,981,125
General institutional support	11,734,639	—	11,734,639
Student services	16,709,120	—	16,709,120
College relations	9,069,574	—	9,069,574
Total educational and general	103,027,804	—	103,027,804
Auxiliary enterprises	23,577,129	—	23,577,129
Total operating expenses	126,604,933	—	126,604,933
Increase from operations	4,195,881	1,233,091	5,428,972
Nonoperating activity:			
Contributions to endowment funds	—	15,246,784	15,246,784
Interest income on capital gifts	—	592,089	592,089
Endowment return, net of amounts appropriated for spending	29,028,358	27,091,097	56,119,455
Change in value of split-interest agreements	—	2,151,572	2,151,572
Net periodic benefit cost, excluding service cost	(3,684,538)	—	(3,684,538)
Other deductions and transfers	(256,553)	300,327	43,774
Total nonoperating activity	25,087,267	45,381,869	70,469,136
Increase in net assets	29,283,148	46,614,960	75,898,108
Net assets, beginning of year	510,180,321	446,169,542	956,349,863
Net assets, end of year	\$ 539,463,469	492,784,502	1,032,247,971

See accompanying notes to financial statements.

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Statements of Cash Flows

Years ended June 30, 2026 and 2025

	<u>2026</u>	<u>2025</u>
Cash flows from operating activities:		
Increase in net assets	\$ 124,871,849	75,898,108
Adjustments to reconcile increase in net assets to net cash used in operating activities:		
Depreciation and amortization	9,785,885	8,897,010
Amortization of bond premium and issuance cost	37,412	37,412
Contributions restricted for long-term investment	(21,766,473)	(5,657,643)
Net realized and unrealized gain on investments	(142,984,826)	(97,472,849)
Change in value of split-interest agreements	(3,452,993)	(2,151,572)
Change in asset retirement obligation	128,915	128,915
Change in postretirement benefits payable	(15,407,793)	2,883,333
Insurance proceeds	(108,600)	—
Changes in operating assets and liabilities that provided (used) cash:		
Accounts receivable	264,665	724,161
Contributions receivable	5,986,129	(9,273,926)
Prepaid and other assets	(267,614)	(15,373)
Accounts payable and accrued liabilities	655,852	541,118
Deferred revenue	(50,288)	79,705
Other liabilities	291,666	(249,460)
Net cash used in operating activities	<u>(42,016,214)</u>	<u>(25,631,061)</u>
Cash flows from investing activities:		
Proceeds from maturities/sales of investments	300,639,622	250,992,281
Purchases of investments	(256,302,878)	(229,722,712)
Contracts receivable collected	52,196	34,325
Contracts receivable advanced	(30,022)	(31,462)
Purchase of property, plant, and equipment	(15,301,153)	(10,741,045)
Insurance proceeds	108,600	—
Net cash provided by investing activities	<u>29,166,365</u>	<u>10,531,387</u>
Cash flows from financing activities:		
Contributions restricted for long-term investment	21,766,473	5,657,643
Changes in governmental loan funds	(136,538)	(85,197)
Net cash provided by financing activities	<u>21,629,935</u>	<u>5,572,446</u>
Net increase (decrease) in cash and cash equivalents	8,780,086	(9,527,228)
Cash and cash equivalents and cash whose use is limited, beginning of year	<u>14,385,024</u>	<u>23,912,252</u>
Cash and cash equivalents and cash whose use is limited, end of year	<u>\$ 23,165,110</u>	<u>14,385,024</u>
Supplemental disclosures of cash flow information:		
Interest paid	\$ 4,840,000	4,840,000

See accompanying notes to financial statements.

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Notes to Financial Statements

June 30, 2026 and 2025

(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 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.

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Notes to Financial Statements

June 30, 2026 and 2025

(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 and contributions in excess of amounts made available for current use, as well as infrequent items.

(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.

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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.

Investment return – Investment return (including realized and unrealized gains and losses on investments, interest, and dividends) is recognized when earned and classified in the statement of activities and changes in net assets based on donor-imposed restrictions. Investment return on the endowment, net of investment expenses, is recognized as nonoperating activity in the statement of activities and changes in net assets, net of amounts appropriated for spending, which are reflected as operating activity. Investment return on non-endowment investments, net of investment expenses, is recognized as other investment gains in the operating section of the statement of activities and changes in net assets, net of amounts allocated to gifts being held for capital projects.

(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.

Investments are exposed to various risks, such as interest rate, market, and credit risks. 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 such changes could materially affect the amounts reported in the College's financial statements. The College's alternative investments are less liquid than the rest of its portfolio and, as a result, are exposed to an increased risk of loss.

(g) Split-Interest Agreements

Reed College has been named as a beneficiary for various split-interest agreements for which the College serves as the trustee. 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 credit-risk adjusted rate and are not changed after the date of the gift. Annual adjustments are made between the liability and the

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Notes to Financial Statements

June 30, 2026 and 2025

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, donor-imposed stipulations, or 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 and reported as funds held in trust by others was \$7,846,088 and \$6,929,922 as of June 30, 2026 and 2025, respectively. The amount included to meet future payments under gift annuity contracts in liability for split-interest agreements was \$2,265,212 and \$2,352,600 as of June 30, 2026 and 2025, 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 are 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) 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 is 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 is 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.

(j) Collections of Art

The College's collections include works of art, literary works, historical treasures, and artifacts that are maintained in its art gallery. These collections are protected and preserved for public exhibition, education, research, and the furtherance of public service. Each of the items is cataloged, preserved, and cared for, and activities verifying their existence and assessing their condition are performed annually. Proceeds from their sale must be used to acquire other items for the collection, direct care of existing collections, or both.

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The collections, which were acquired through purchases and contributions since the College's inception, are not recognized as assets in the Statement of Financial Position. Purchases of collection items are recorded in the Statement of Activities as decreases in net assets without donor restrictions in the year in which the items are acquired or in net assets with donor restrictions if the assets used to purchase the items are restricted by donors. Contributed collection items are not recorded in the financial statements.

(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 and certain excise tax programs on investment income. 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 trustees 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 funds that are restricted for the Federal Perkins Loan program.

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

	<u>2026</u>	<u>2025</u>
Cash and cash equivalents	\$ 17,338,022	8,563,537
Cash and cash equivalents whose use is limited	226,714	166,654
Cash and cash equivalents held for long-term investment	<u>5,600,374</u>	<u>5,654,833</u>
Total cash and cash equivalents reported in the statements of cash flows	<u>\$ 23,165,110</u>	<u>14,385,024</u>

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(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) 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.

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

	<u>2026</u>	<u>2025</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 17,338,022	8,563,537
Current accounts receivable, net	824,764	988,668
Current contributions receivable, net	5,972,209	11,443,307
Investments	<u>1,108,047,628</u>	<u>1,005,847,959</u>
Total financial assets at year-end	1,132,182,623	1,026,843,471
Less amounts not available to meet general expenditures within one year:		
Restricted by donors for use in future periods	47,371,379	34,890,278
Board-designated endowment	489,184,900	427,474,819
Future expendable donor-restricted endowment	242,772,807	199,665,054
Donor-restricted endowment to be retained in perpetuity	241,909,922	236,806,553
Annuity and life income funds	32,251,231	29,218,585
Funds held by trustee for debt service	2,420,001	2,420,000
Funds held in trust by others	<u>2,969,596</u>	<u>3,065,771</u>
Financial assets available to meet general expenditures within one year	<u>\$ 73,302,787</u>	<u>93,302,411</u>

(4) Contributions and Accounts Receivable

Contributions receivable consist of the following at June 30:

	<u>2026</u>	<u>2025</u>
Annual fund	\$ 675,871	731,870
Campaign	686,030	464,978
Endowment	<u>6,776,423</u>	<u>13,492,647</u>
Gross contributions receivable	<u>\$ 8,138,324</u>	<u>14,689,495</u>

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Contributions receivable consist of the following at June 30:

	<u>2026</u>	<u>2025</u>
Current:		
Gross contributions receivable	\$ 6,068,209	12,045,307
Less allowance for doubtful accounts	<u>(96,000)</u>	<u>(602,000)</u>
Total current net contributions receivable	<u>5,972,209</u>	<u>11,443,307</u>
Long term (one to five years):		
Gross contributions receivable	2,070,115	2,644,188
Less allowance for doubtful accounts	<u>(97,000)</u>	<u>(124,000)</u>
Net long-term contributions receivable	1,973,115	2,520,188
Less discount to present value	<u>(126,671)</u>	<u>(158,713)</u>
Total long-term net contributions receivable	<u>1,846,444</u>	<u>2,361,475</u>
Total net contributions receivable	<u><u>\$ 7,818,653</u></u>	<u><u>13,804,782</u></u>

Contributions receivable due in excess of one year are discounted at 3.70% to 3.72% and 4.00% to 4.23% for the years ended June 30, 2026 and 2025, respectively.

Of the total net contributions receivable reported in the table above, \$1,655,981 represents unconditional promises to give from five voting members of the College Board of Trustees. These are considered related party transactions under ASC 850.

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Accounts receivable consist of the following at June 30:

	<u>2026</u>	<u>2025</u>
Current:		
Student accounts receivable	\$ 182,371	115,355
Related parties	6,128	5,999
Government agencies	508,970	505,639
Other receivables	<u>127,295</u>	<u>361,675</u>
	<u>824,764</u>	<u>988,668</u>
Noncurrent:		
Student accounts receivable	2,075	1,900
Reed loans	1,092,418	1,056,552
Related parties	21,949	28,076
Federal Perkins loans	298,140	443,459
Other receivables	<u>105,049</u>	<u>112,579</u>
	1,519,631	1,642,566
Less allowance for doubtful accounts	<u>(60,239)</u>	<u>(60,239)</u>
	<u>\$ 2,284,156</u>	<u>2,570,995</u>

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 the 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.

The related party receivable reported in the table above represents balances with one member of the College's senior management as part of a loan program administered by the College. This is considered a related party transaction under ASC 850.

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(5) Investments

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

	<u>2026</u>	<u>2025</u>
Investments:		
Cash and cash equivalents	\$ 5,600,374	5,654,833
Fixed income	147,285,695	140,632,345
Public equities	386,103,830	307,542,539
Absolute return	189,873,201	162,957,231
Private equity	262,394,820	231,638,623
Private real assets	32,684,128	36,436,364
Private real estate	46,229,747	44,993,303
Funds held in trust	32,251,231	29,218,585
Funds held in outside trusts	2,969,596	3,065,771
Funds held by trustee for debt service	2,420,001	2,420,000
Distributions in transit	67,087	30,133,722
Investment funding in transit	—	10,000,000
Other	167,918	1,154,643
Total investments	<u>\$ 1,108,047,628</u>	<u>1,005,847,959</u>

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 holds 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 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

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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, 2026 and 2025, Reed College has approximately \$911 million and \$803 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 82% and 80% of total investments and 79% and 78% of total net assets at June 30, 2026 and 2025, 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, 2026 and 2025. 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 6 for investment fair value and liquidity measurements.

The College has funds invested in various limited partnerships. 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, 2026, the College has unfunded commitments of \$177,541,807. These commitments are callable by the general partners/advisers between July 1, 2026 and 2033. The terminations of these partnerships/funds are based upon specific provisions in the agreements.

Included in funds held in trust investments are \$32,251,231 and \$29,218,585 of planned giving trusts held in mutual funds and other investments that are not available for spending as of June 30, 2026 and 2025, respectively. Included in funds held by trustee at June 30, 2026 and 2025, is \$2,420,001 and \$2,420,000, respectively, that is invested in money market funds that will be used to pay interest to bond holders.

Included in distributions in transit at June 30, 2025 was a redemption of an investment in public equities for \$29,402,035 and a distribution of a private equity investment for \$731,687 that were both executed prior to, and received after, June 30, 2025. Included in investment funding in transit are funds transferred to a manager prior to June 30, 2025 and invested in absolute return on July 1, 2025.

(6) 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).

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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 value:

Cash equivalents: Valued using quoted market prices in active markets. These instruments consist primarily of money market funds and other short-term investments with original maturities of three months or less.

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 where the College serves as the trustee or are held/controlled by a third-party trustee is based on a combination of Level 1 inputs (observable market values of the trusts' investment portfolios) and Level 3 significant unobservable inputs (outside trusts and a note receivable secured by 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, which are based on Level 3 inputs. Investments classified as Level 3 consist of a secured note receivable.

Included in other investments and classified in Level 3 is the College's beneficial interest in funds held in outside trusts.

The College measures the fair value for certain investments that are not exchange traded using 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.

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The following table presents assets that are measured at fair value on a recurring basis at June 30, 2026:

	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	\$ 5,600,374	5,600,374	—	—
Fixed income	109,033,279	92,949,201	16,084,078	—
Public equities	43,624,912	43,624,912	—	—
Funds held in trust	32,251,231	31,562,231	—	689,000
Funds held in outside trusts	2,969,596	—	—	2,969,596
Funds held by trustee for debt service	2,420,001	2,420,001	—	—
Other	167,918	167,918	—	—
Total	196,067,311	176,324,637	16,084,078	3,658,596
Investments where NAV was used as a practical expedient to measure fair value:				
Absolute return	189,873,201			
Fixed income	37,698,659			
Private equity	262,394,820			
Private real assets	32,684,128			
Private real estate	46,229,747			
Public equities	342,478,918			
Total	911,359,473			
Accrued interest on fixed income	553,757			
Distributions in transit	67,087			
Total investments and other assets	\$ 1,108,047,628			

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The following table presents assets that are measured at fair value on a recurring basis at June 30, 2025:

		Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	<u>Total</u>			
Assets:				
Cash and cash equivalents	\$ 5,654,833	5,654,833	—	—
Fixed income	102,386,382	84,389,053	17,997,329	—
Public equities	17,933,195	17,933,195	—	—
Funds held in trust	29,218,585	28,529,585	—	689,000
Funds held in outside trusts	3,065,771	—	—	3,065,771
Funds held by trustee for debt service	2,420,000	2,420,000	—	—
Other	140,141	140,141	—	—
Total	<u>160,818,907</u>	<u>139,066,807</u>	<u>17,997,329</u>	<u>3,754,771</u>
Investments where NAV was used as a practical expedient to measure fair value:				
Absolute return	162,957,231			
Fixed income	37,778,730			
Private equity	231,638,623			
Private real assets	36,436,364			
Private real estate	44,993,303			
Public equities	<u>289,609,344</u>			
Total	<u>803,413,595</u>			
Accrued interest on fixed income	467,233			
Distributions in transit	30,133,722			
Investment funding in transit	<u>10,000,000</u>			
Total investments and other assets	<u>\$ 1,004,833,457</u>			

The College's total investments at June 30, 2025 was \$1,005,847,959, which included \$1,014,502 of investments in real estate recorded at cost.

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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, 2026 and 2025, respectively:

Balance at June 30, 2024	\$ 3,486,837
Total realized and unrealized gains	267,934
Purchases, issuances, and settlements (net)	<u>—</u>
Balance at June 30, 2025	3,754,771
Total realized and unrealized gains	406,589
Purchases, issuances, and settlements (net)	<u>(502,764)</u>
Balance at June 30, 2026	<u><u>\$ 3,658,596</u></u>

The following table presents information for investments where the NAV was used as a practical expedient to measure fair value at June 30, 2026:

	<u>Fair value</u>	<u>Redemption frequency</u>	<u>Redemption notice period</u>
Public equities	\$ 109,245,793	Semimonthly	6–90 Days
Absolute return	8,912,443	Monthly	30 Days
Public equities	76,154,711	Monthly	5–90 Days
Absolute return	167,112,328	Quarterly	30–90 Days
Fixed income	8,814,312	Quarterly	60 Days
Public equities	126,189,183	Quarterly	45–60 Days
Public equities	28,127,094	Semiannually	90 Days
Absolute return	13,014,398	Annual	60 Days
Public equities	2,762,137	Liquidating	—
Absolute return	834,033	Illiquid	—
Fixed Income	28,884,346	Illiquid	—
Private equity	262,394,820	Illiquid	—
Private real assets	32,684,128	Illiquid	—
Private real estate	<u>46,229,747</u>	Illiquid	—
Total investments where NAV was used as a practical expedient to measure fair value	<u><u>\$ 911,359,473</u></u>		

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The following table presents information for investments where the NAV was used as a practical expedient to measure fair value at June 30, 2025:

	<u>Fair value</u>	<u>Redemption frequency</u>	<u>Redemption notice period</u>
Public equities	\$ 97,324,726	Semimonthly	9–15 Days
Public equities	48,823,848	Monthly	5–10 Days
Absolute return	128,658,140	Quarterly	30–75 Days
Fixed income	9,087,671	Quarterly	60 Days
Public equities	127,369,544	Quarterly	30–75 Days
Public equities	16,091,226	Semiannually	90 Days
Absolute return	11,830,063	Annual	60–90 Days
Absolute return	22,469,028	Illiquid	—
Fixed Income	28,691,059	Illiquid	—
Private equity	231,638,623	Illiquid	—
Private real assets	36,436,364	Illiquid	—
Private real estate	44,993,303	Illiquid	—
Total investments where NAV was used as a practical expedient to measure fair value	\$ <u>803,413,595</u>		

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, 2026 and 2025. 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.

(7) Property, Plant, and Equipment, Net

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

	<u>2026</u>	<u>2025</u>
Land and land improvements	\$ 17,153,654	16,062,186
Buildings	307,978,507	291,287,160
Equipment, furniture, and fixtures	22,111,559	21,537,764
Construction in progress	415,476	6,063,254
	347,659,196	334,950,364
Less accumulated depreciation	<u>(158,110,879)</u>	<u>(147,528,664)</u>
Net property, plant, and equipment	\$ <u>189,548,317</u>	<u>187,421,700</u>

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Depreciation expense was \$9,785,885 and \$8,897,010 for the years ended June 30, 2026 and 2025, respectively, and is allocated to the functional expenses based on the relative square footage of the departments.

(8) Funds Held in Trust by Others

The College has been named the beneficiary of a portion of the remainder of six 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, 2026 and 2025, the fair value of the receivables was \$2,969,596 and \$3,065,771, respectively, and were reported as noncurrent funds held in trust by others in the statements of financial position.

(9) 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 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, 2026, the College used \$13,121,894 of the \$17,716,289 of unspent bond proceeds for a central boiler plant replacement. The remaining bond proceeds will be used for future strategic needs of the College. The unspent bond proceeds of \$4,594,395 were largely invested in fixed-income securities at June 30, 2026.

Notes payable consist of the following at June 30:

	<u>2026</u>	<u>2025</u>
2022 Taxable fixed rate bonds	\$ 125,000,000	125,000,000
Unamortized issuance costs	<u>(958,974)</u>	<u>(996,386)</u>
Total long-term debt due after one year	<u>\$ 124,041,026</u>	<u>124,003,614</u>

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

	<u>2026</u>	<u>2025</u>
Interest	\$ 4,840,000	4,840,000
Amortization of premium and issuance costs	<u>37,412</u>	<u>37,412</u>
Total interest cost recorded in the statement of activities	<u>\$ 4,877,412</u>	<u>4,877,412</u>

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.

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(10) 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 \$4,838,331 and \$4,586,683 for the years ended June 30, 2026 and 2025, 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 coverage under the College's active medical plan or receiving a fixed contribution to the Emeriti Retirement Health Solutions program (Emeriti program) where they can purchase coverage. Participating retirees who were hired prior to June 30, 2006, and their spouses/domestic partners are benefit eligible for their lifetime.

In May 2026, the College amended the benefit effective January 1, 2027. Under the amended plan, participating retirees that are not Medicare eligible will continue to be eligible to maintain coverage under the College's active medical plan. However, participating retirees that are Medicare eligible will receive a fixed contribution to the Emeriti plan that is designed to pay for the cost of a Medicare plan. The amount contributed is set annually. Participating retirees who were hired prior to June 30, 2006 and their spouses/domestic partners will continue to be benefit eligible for their lifetime.

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

	<u>2026</u>	<u>2025</u>
Change in benefit obligation:		
Benefit obligation at beginning of year	\$ 28,197,753	25,314,420
Service cost	181,398	216,659
Interest cost	1,547,315	1,349,820
Benefits paid	(883,534)	(1,017,864)
Actuarial (gain) loss	(805,259)	2,334,718
Plan amendment	<u>(15,447,713)</u>	<u>—</u>
Benefit obligation at end of year and funded status	\$ <u>12,789,960</u>	<u>28,197,753</u>
Amounts recognized in the balance sheet consist of:		
Postretirement benefits payable – current	\$ 927,540	1,119,109
Postretirement benefits payable – long term	<u>11,862,420</u>	<u>27,078,644</u>
	\$ <u>12,789,960</u>	<u>28,197,753</u>

The College used the following actuarial assumptions to determine its employee benefit obligations and net periodic benefit cost for the years ended June 30, 2026 and 2025, as measured at June 30:

	<u>2026</u>	<u>2025</u>
Benefit obligation:		
Weighted average discount rate	5.55 %	5.60 %
Rate of increase in per capita cost of covered healthcare benefits depending on age	3.0% – 9.8% trending to 3.0% – 4.5% in 2037	9.5% trending to 4.5% in 2037
Net periodic benefit cost:		
Weighted average discount rate	5.55 %	5.45 %
Rate of increase in per capita cost of covered healthcare benefits depending on age	3.0% – 9.8% trending to 3.0% – 4.5% in 2037	8.00% trending to 4.5% in 2036

Actuarial changes were driven by changes in the discount rate and changes in expected benefits under the plan.

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Amounts reported in the statement of activities and changes in net assets included the following components for the years ended June 30:

	<u>2026</u>	<u>2025</u>
Service cost	\$ 181,398	216,659
Interest cost	1,547,315	1,349,820
Recognition of actuarial (gain) loss	(805,259)	2,334,718
Plan amendment	<u>(15,447,713)</u>	<u>—</u>
Net periodic benefit cost and plan amendment	\$ <u>(14,524,259)</u>	<u>3,901,197</u>

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 fiscal year 2027, the College expects to contribute, from ongoing cash flows and current assets, \$956,332 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:	
2027	\$ 956,332
2028	853,014
2029	896,767
2030	928,463
2031	983,293
2032–2036	5,172,525

(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 \$500,350 and \$298,778 for fiscal years ended June 30, 2026 and 2025, respectively, and are included in education and general expenses in the accompanying statements of activities and changes in net assets.

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(11) Net Assets

At June 30, 2026 and 2025, net assets consisted of the following:

	<u>2026</u>	<u>2025</u>
Without donor restrictions:		
Operating and designated for special programs	\$ 51,137,099	52,994,884
Institutional loan programs	1,983,381	1,946,142
Funds functioning as endowment	160,172,259	126,241,150
Accumulated quasi-endowment gains	329,012,641	301,233,669
Net investment in plant	<u>59,026,114</u>	<u>57,047,624</u>
Subtotal	<u>601,331,494</u>	<u>539,463,469</u>
With donor restrictions – time or purpose:		
Educational and general programs	47,371,379	34,890,278
Annuity and life income funds	13,262,218	11,748,721
Accumulated endowment gains	242,772,807	199,665,054
Other time or purpose restrictions	<u>1,538,539</u>	<u>1,447,411</u>
Subtotal	<u>304,944,943</u>	<u>247,751,464</u>
With donor restrictions – perpetual:		
True endowment funds	241,909,922	236,806,553
Annuity and life income funds	<u>8,933,461</u>	<u>8,226,485</u>
Subtotal	<u>250,843,383</u>	<u>245,033,038</u>
Total	<u>\$ 1,157,119,820</u>	<u>1,032,247,971</u>

(12) Endowments

At June 30, 2026, the College's endowment consisted of approximately 585 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 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.

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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, 2026 and 2025, there were no funds with a market value less than the original gift value.

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 2026 and 2025 is to spend 5% of the rolling 13-quarter moving average of the fair value or market value of the endowment.

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Endowment net assets by type of fund as of June 30, 2026:

	<u>Without donor restrictions</u>	<u>With donor restrictions – time or purpose</u>	<u>With donor restrictions – perpetual</u>	<u>Total</u>
Donor-restricted endowment funds	\$ —	242,772,807	241,909,922	484,682,729
Board-designated endowment funds	<u>489,184,900</u>	<u>—</u>	<u>—</u>	<u>489,184,900</u>
Total funds	<u>\$ 489,184,900</u>	<u>242,772,807</u>	<u>241,909,922</u>	<u>973,867,629</u>

Endowment net assets by type of fund as of June 30, 2025:

	<u>Without donor restrictions</u>	<u>With donor restrictions – time or purpose</u>	<u>With donor restrictions – perpetual</u>	<u>Total</u>
Donor-restricted endowment funds	\$ —	199,665,054	236,806,553	436,471,607
Board-designated endowment funds	<u>427,474,819</u>	<u>—</u>	<u>—</u>	<u>427,474,819</u>
Total funds	<u>\$ 427,474,819</u>	<u>199,665,054</u>	<u>236,806,553</u>	<u>863,946,426</u>

Changes in endowment net assets for the years ended June 30, 2026 and 2025 are as follows:

	<u>Without donor restrictions</u>	<u>With donor restrictions – time or purpose</u>	<u>With donor restrictions – perpetual</u>	<u>Total</u>
Endowment net assets, July 1, 2025	\$ 427,474,819	199,665,054	236,806,553	863,946,426
Net investment return	64,519,335	61,548,168	—	126,067,503
Contributions	532,339	563,288	4,583,343	5,678,970
Appropriation of endowment assets for expenditure	(20,040,978)	(19,003,703)	—	(39,044,681)
Transfers and other reclassifications	<u>16,699,385</u>	<u>—</u>	<u>520,026</u>	<u>17,219,411</u>
Endowment net assets, June 30, 2026	<u>\$ 489,184,900</u>	<u>242,772,807</u>	<u>241,909,922</u>	<u>973,867,629</u>

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	Without donor restrictions	With donor restrictions – time or purpose	With donor restrictions – perpetual	Total
Endowment net assets, July 1, 2024	\$ 397,130,283	172,573,957	221,256,882	790,961,122
Net investment return	48,498,561	45,176,347	—	93,674,908
Contributions	215,389	—	15,246,784	15,462,173
Appropriation of endowment assets for expenditure	(19,470,203)	(18,085,250)	—	(37,555,453)
Transfers and other reclassifications	1,100,789	—	302,887	1,403,676
Endowment net assets, June 30, 2025	\$ <u>427,474,819</u>	<u>199,665,054</u>	<u>236,806,553</u>	<u>863,946,426</u>

(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.

The table below presents expenses by both their nature and function for the year ended June 30, 2026:

	Educational programs	Research	Auxiliary enterprises	College relations	General institutional support	Total
Salaries and wages	\$ 40,048,665	1,203,920	3,779,667	5,014,989	5,057,029	55,104,270
Benefits	13,848,640	328,499	1,262,960	1,990,905	1,987,671	19,418,675
Utilities, alterations, and repairs	1,832,800	159,617	3,709,378	34,747	194,893	5,931,435
Depreciation	4,134,225	928,497	4,224,475	75,458	423,230	9,785,885
Interest and accretion	2,201,044	191,799	2,337,544	41,753	234,187	5,006,327
Supplies, services, and other	18,064,829	83,509	8,266,208	1,819,507	4,369,575	32,603,628
Total	\$ <u>80,130,203</u>	<u>2,895,841</u>	<u>23,580,232</u>	<u>8,977,359</u>	<u>12,266,585</u>	<u>127,850,220</u>

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The table below presents expenses by both their nature and function for the year ended June 30, 2025:

	<u>Educational programs</u>	<u>Research</u>	<u>Auxiliary enterprises</u>	<u>College relations</u>	<u>General institutional support</u>	<u>Total</u>
Salaries and wages	\$ 38,574,427	1,294,955	3,788,438	5,015,097	4,956,894	53,629,811
Benefits	13,323,528	366,418	1,268,356	1,989,194	1,945,452	18,892,948
Utilities, alterations, and repairs	2,531,466	294,879	4,047,745	43,519	247,151	7,164,760
Depreciation	3,737,607	854,387	3,850,478	68,777	385,761	8,897,010
Interest and accretion	2,201,044	191,799	2,337,544	41,753	234,187	5,006,327
Supplies, services, and other	18,662,850	190,231	8,284,568	1,911,234	3,965,194	33,014,077
Total	<u>\$ 79,030,922</u>	<u>3,192,669</u>	<u>23,577,129</u>	<u>9,069,574</u>	<u>11,734,639</u>	<u>126,604,933</u>

(14) Fundraising Expense

The College expended \$3,769,277 and \$3,787,163 for the years ended June 30, 2026 and 2025, 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.

(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 5, 2026, the date at which the financial statements were issued, and determined that there are no other items to disclose.

