CONNECTICUT COLLEGE

Financial Statements

June 30, 2022

(With Independent Auditors' Report Thereon)

CONNECTICUT COLLEGE

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KPMG LLP
One Financial Plaza
755 Main Street
Hartford, CT 06103

Independent Auditors' Report

The Board of Trustees
Connecticut College:

Opinion

We have audited the financial statements of Connecticut College (the College), which comprise the balance sheet as of June 30, 2022, and the related statements of activities and cash flows for the year 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 the changes in its net assets and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

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

Responsibilities of Management for the 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.

Report on Summarized Comparative Information

We have previously audited the College's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 8, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

KPMG LLP

Hartford, Connecticut
October 27, 2022

CONNECTICUT COLLEGE

Balance Sheet

June 30, 2022
(with comparative information for June 30, 2021)

(Dollars in thousands)

Assets		**2022**	**2021**
Cash and cash equivalents	$	49,966	31,014
Accounts and student loans receivable, net		1,230	1,266
Contributions receivable, net		24,941	34,688
Inventories and other assets		2,741	2,389
Investments		423,078	455,078
Funds held in trust		15,873	18,673
Deposits with bond trustee		57,344	2,239
Land, buildings, and equipment, net		115,374	112,254
Total assets	$	690,547	657,601
Liabilities			
Accounts payable and accrued liabilities	$	11,861	9,146
Deposits and advances		2,118	1,547
Liabilities under split-interest agreements		4,153	4,510
Accrued postretirement benefit obligation		7,725	9,316
Bonds and notes payable		141,032	87,959
Other obligations		2,305	2,652
Total liabilities		169,194	115,130
Net Assets			
Without donor restrictions		94,085	79,548
With donor restrictions		427,268	462,923
Total net assets		521,353	542,471
Total liabilities and net assets	$	690,547	657,601

See accompanying notes to financial statements.

CONNECTICUT COLLEGE

Statement of Activities

Year ended June 30, 2022
(with summarized comparative information for the year ended June 30, 2021)

(Dollars in thousands)

	2022			2021
	Without donor restrictions	**With donor restrictions**	**Total**	**Total**
Operating:				
Revenues:				
Student charges, net of financial aid of $61,389 in 2022 and $50,125 in 2021	$ 76,451	—	76,451	68,510
Grant and contract income	6,941	—	6,941	2,297
Contributions	5,845	2,547	8,392	9,336
Endowment spending used in operations	5,925	11,117	17,042	15,813
Other revenues	1,726	16	1,742	1,031
Net assets released from restrictions	12,580	(12,580)	—	—
Total revenues and other support from operations	109,468	1,100	110,568	96,987
Expenses:				
Salaries and wages	48,694	—	48,694	48,352
Employee benefits	16,997	—	16,997	15,436
Supplies, services, other	31,936	—	31,936	21,006
Depreciation and amortization	8,763	—	8,763	8,379
Interest	3,836	—	3,836	2,927
Utilities	3,376	—	3,376	3,150
Total expenses	113,602	—	113,602	99,250
(Decrease) increase in net assets from operating activities	(4,134)	1,100	(3,034)	(2,263)
Nonoperating activities:				
Contributions restricted for long-term investment	1,636	17,891	19,527	36,506
Investment return, less endowment spending used in operations	(7,324)	(29,683)	(37,007)	102,930
Change in value of split-interest agreements	(203)	(2,808)	(3,011)	4,309
Other increases (decreases)	855	52	907	(275)
Postretirement related changes other than service cost	1,500	—	1,500	683
Net assets released from restrictions	22,207	(22,207)	—	—
Increase (decrease) in net assets from nonoperating activities	18,671	(36,755)	(18,084)	144,153
Change in net assets	14,537	(35,655)	(21,118)	141,890
Net assets, beginning of year	79,548	462,923	542,471	400,581
Net assets, end of year	$ 94,085	427,268	521,353	542,471

See accompanying notes to financial statements.

CONNECTICUT COLLEGE

Statement of Cash Flows

Year ended June 30, 2022
(with comparative information for the year ended June 30, 2021)

(Dollars in thousands)

		2022	2021
Cash flows from operating activities:			
Change in net assets	$	(21,118)	141,890
Adjustments to reconcile change in net assets to net cash used in operating activities:			
Depreciation and amortization		8,624	8,405
Net realized and unrealized gains (losses) on investments		15,793	(123,286)
Net unrealized losses (gains) on split-interest agreements		740	(892)
Contributions restricted for long-term investment		(25,371)	(21,641)
Accounts receivable, net		(178)	692
Contributions receivable, net		9,747	(12,626)
Accounts payable and accrued liabilities		4,476	1,629
Accrued postretirement benefit obligation		(1,591)	(727)
Other changes in working capital, net		2,822	(15,895)
Net cash used in operating activities		(6,056)	(22,451)
Cash flows from investing activities:			
Student loans repaid		89	138
Purchases of investments		(72,877)	(45,231)
Proceeds from sale of investments		88,342	49,874
Purchases of land, buildings, and equipment		(13,910)	(14,259)
Net cash provided by (used in) investing activities		1,644	(9,478)
Cash flows from financing activities:			
Contributions restricted for long-term investment		25,371	21,641
Proceeds from bond issue		66,736	22,528
Bond issuance costs		(227)	6
Change in deposits with bond trustee		(55,105)	1,625
Repayments of finance lease obligations		(176)	(178)
Repayments of long-term debt		(13,235)	(23,541)
Net cash provided by financing activities		23,364	22,081
Net increase (decrease) in cash and cash equivalents		18,952	(9,848)
Cash and cash equivalents at beginning of year		31,014	40,862
Cash and cash equivalents at end of year	$	49,966	31,014
Supplemental disclosures of cash flow information:			
Cash paid during the year for interest excluding leases	$	3,720	2,785
Cash paid for amounts included in the measurement of finance lease liabilities		25	93
Fixed asset purchases financed with capital leases		98	395
Change in accounts payable related to property and equipment		(1,761)	20

See accompanying notes to financial statements.

(1) Summary of Significant Accounting Policies

(a) *History*

Connecticut College (the College), an independent, coeducational institution, was chartered in 1911 and opened in New London, Connecticut in 1915 as the first independent college for women in the State of Connecticut. In 1959, the College was authorized to grant degrees to men in its graduate program, and in 1969, the undergraduate College was made coeducational.

(b) *General*

The financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (GAAP). The financial statements report on the College as a whole and report transactions and net assets based on the existence or absence of donor-imposed restrictions. Two categories of net assets serve as the foundation for the accompanying financial statements. Brief definitions of the two net asset classes are presented below.

> *Without donor restrictions* net assets are not subject to donor stipulations restricting their use, but may be designated for specific purposes by the College or may be limited by contractual agreements with outside parties.

> *With donor restrictions* net assets are subject to donor stipulations that expire by the passage of time, can be fulfilled by actions pursuant to the stipulations, or which may be perpetual.

The College's measure of operations presented in the statement of activities includes income from tuition and fees, grants and contracts, contributions for operating programs, endowment spending used in operations and other revenues. Operating expenses are reported on the statement of activities by natural categories, after allocating costs for operation and maintenance of plant.

Nonoperating activity includes contributions and other activities related to land, buildings, and equipment that are not included in the College's measure of operations. In addition, nonoperating activities also includes contributions, investment returns and other activities related to endowment, and split-interest agreements.

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the College's financial statements for the year ended June 30, 2021, from which the summarized information was derived.

For fiscal years 2022 and 2021, student tuition and fee revenue was $110,300 and $100,185, room and board revenues were $27,540 and $18,450, and financial aid was $61,389 and $50,125, respectively.

(c) ***Contribution Revenue***

The College reports contributions (including unconditional promises from donors) as restricted support if they are received with donor stipulations that limit the use of the donated assets or if they are time restricted pledges. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restriction are reclassified to net assets without donor restriction and reported in the statement of activities as net assets released from restrictions. Contributions subject to donor-imposed restrictions that are met in the same reporting period are reported as revenue without donor restriction. The College reports gifts of land, buildings or equipment as nonoperating support without donor restriction unless the donor places restrictions on their use. Contributions of cash or other assets that must be used to acquire long-lived assets are reported as nonoperating support without donor restriction provided the long-lived assets are placed in service during the same reporting period; otherwise, the contributions are reported as with donor restriction until the assets are acquired and placed in service.

Contributions are recorded at fair value. The College estimates the fair value for noncash contributions. Unconditional promises to give are recognized initially at fair value as contributions revenue in the period such promises are made by donors. Fair value is estimated giving consideration to anticipated cash receipts (after allowance is made for uncollectible pledges) and discounting such amounts at appropriate discount rates. These inputs to the fair value estimate are considered Level 3 in the fair value hierarchy. In subsequent periods, the discount rate is unchanged and the allowance for uncollectible pledges is reassessed and adjusted if necessary. Amortization of the discounts is recorded as additional contribution revenue.

Conditional promises to give are not recognized until they become unconditional; that is, when the conditions are satisfied.

Fundraising expenses were $4,175 and $3,954 for the years ended June 30, 2022 and 2021, respectively.

(d) ***Cash and Cash Equivalents***

Cash and cash equivalents consist of cash management accounts, money market and overnight investments with maturities at date of purchase of less than 90 days. These amounts do not include cash equivalents components of the College’s investment funds, deposits with bond trustee, or cash that is held in investment managers’ accounts until suitable investment opportunities are identified.

(e) ***Investments***

The College’s portfolio is managed by outside investment managers who are selected according to the investment guidelines established by the Board of Trustees and its Investment Subcommittee. Investments are recorded at fair value. Unrealized gains and losses that result from market fluctuations are recognized in the statement of activities in the period in which the fluctuations occur. Realized gains and losses are computed based on the trade-date basis.

The fair value of publicly traded securities is based upon quotes from the principal exchanges on which the security is traded. Nonmarketable securities include alternative investments such as private equity, venture capital, hedge funds, natural resources partnerships, and distressed securities, which are valued using net asset value (NAV), obtained from the general partner or investment manager. The College has utilized the NAV reported by the general partner or investment manager as a practical expedient to estimate the fair value of certain investments. The NAV generally reflects discounts for liquidity and considers variables such as financial performance of investments, including comparison of earnings multiples of comparable companies, cash flow analysis, recent sales prices of investments and other pertinent information. The agreements under which the College participates in nonmarketable investment funds may limit the College's ability to liquidate its interest in such investments for a period of time; in the absence of such limits, these investments are generally redeemable or may be liquidated at NAV under the original terms of the subscription agreements and operations of the underlying funds. Due to the nature of the investments held in nonmarketable investment funds, changes in market conditions and the economic environment may significantly impact the NAV of the funds. Furthermore, changes in the liquidity provisions of the funds may significantly impact the College's interest in the fund. Although certain investments may be sold in secondary market transactions, subject to meeting certain requirements by governing documents of the funds, the secondary market is not always active, is generally thinly traded with respect to nonmarketable funds, and individual transactions are not necessarily observable. It is, therefore, reasonably possible that if the College were to sell its interest in a fund in the secondary market, the sale could occur at an amount materially different than the reported value.

As of June 30, 2022, the College had no specific plans or intentions to sell investments at amounts different than NAV.

The three levels of the fair value hierarchy are:

- **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 other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- **Level 3** – Inputs are unobservable for the asset or liability.

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.

Investments measured at NAV as a practical expedient are not categorized within the fair value hierarchy.

(f) ***Spending from Endowment***

The College invests a significant portion of its endowment assets in an investment pool and distributes cash for expenditure in accordance with its endowment spending policy, which is intended to stabilize annual spending levels and to preserve the real value of the endowment portfolio over time. To meet these objectives, spending from endowment is set by the Board of Trustees at an amount equal to a percentage of average endowment market value for the twelve previous quarters for both with donor restriction and without donor restriction endowment funds. The spending rate was 5% for the years ended June 30, 2022 and 2021.

Certain endowment assets are pooled on a market value basis with each individual fund subscribing to or disposing of units on the basis of the market value per unit at the beginning of a quarterly period in which transactions take place. Endowment spending is distributed based on the number of subscribed units at the end of each quarter.

(g) ***Split-Interest Agreements***

The College's split-interest agreements consist primarily of charitable gift annuities, pooled income funds, perpetual trusts, charitable lead trusts and irrevocable charitable remainder trusts. Assets are invested by the College or by third-party trustees. Payments are made to donors and/or other beneficiaries in accordance with the individual agreements. Funds held in trust are reported as level 1 investments at June 30, 2022.

Contribution revenues for split-interest agreements are recognized at the dates the agreements are established, and the College becomes aware of them. Revenues are recorded at fair value, net of the estimated liability for future amounts payable, where applicable.

The present value of payments to beneficiaries under split-interest agreements is calculated using discount rates that represent the risk-free rates in existence at the date of the gift for all trusts in which the College is the trustee. For those trusts with third-party trustees, the discount rates used represent the risk-free rates in existence at the end of the fiscal year.

(h) ***Land, Buildings, and Equipment***

Plant assets are recorded in the balance sheet at historical cost or at estimated fair value at the date of donation. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets. Leasehold improvements are depreciated over the lesser of the lease term or asset's useful life.

(i) ***Tax Status***

The College generally does not provide for income taxes since it is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. Accounting Standards Codification (ASC) 740, *Income Taxes*, permits an entity to recognize the benefit and requires accrual of an uncertain tax position only when the position is "more likely than not" to be sustained in the event of examination by tax authorities. In evaluating whether a tax position has met the recognition threshold, the College must presume that the position will be examined by the appropriate taxing authority that has full knowledge of all relevant information. ASC 740 also provides guidance on the recognition, measurement, and classification of income tax uncertainties, along with any related interest or penalties. Tax positions deemed to meet the “more-likely than-not” threshold are recorded as a tax expense in the current year. The College has analyzed all open tax years, as defined by the statutes of limitations, for all major jurisdictions. Open tax years are those that are open for exam by taxing authorities. Major jurisdictions for the College include federal and the state of Connecticut. As of June 30, 2022, open federal and Connecticut tax years for the College include the tax years ended June 30, 2019 through June 30, 2022. The College has no examinations in progress. The College believes it has no significant uncertain tax positions.

(j) ***Collections***

Library and art collections are not recognized as assets on the balance sheet. Purchases of such collections are recorded as expenses in the period in which the items are acquired. Contributed collection items are not reflected in the financial statements. Proceeds from the sale of collection items or insurance recoveries are reflected as increases in the appropriate net asset class.

(k) ***Use of Estimates***

The preparation of financial statements in conformity with U.S. GAAP 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 revenues and expenses during the reporting period. Significant estimates include collectability of gifts, pledges, student loans, accounts and other receivables, valuation of certain investments, leases, and the liability for postretirement benefits. Actual results could differ from such estimates.

(l) ***COVID-19 Pandemic***

As a result of the COVID-19 Pandemic (the pandemic), in fiscal year 2022 and 2021 the College was awarded $3,132 and $4,886, respectively, from the Higher Education Emergency Relief Fund (HEERF). The funds were awarded for emergency financial aid grants to students and institutional expenditures under the 18004(a)(1) Coronavirus Aid, Relief, and Economic Security Act (CARES Act), and the American Rescue Plan Act of 2021. As of June 30, 2022, the College has disbursed $1,566 of the total received to the students to assist the students in their transition to remote learning and $1,566 to support institutional expenditures relating to the pandemic. The College was also awarded $1,856 from the Federal Emergency Management Agency. The College has disbursed the funds to support institutional expenditures relating to the pandemic.

(m) ***Recently Issued Accounting Standards***

Accounting Standards Update (ASU) No. 2020-07, *Presentation and Disclosures for Contributed Nonfinancial Assets*, issued by the Financial Accounting Standards Board (FASB), requires contributed non-financial assets (gifts in kind) to be presented separately under other cash contributions on the statement of activities. Effective in fiscal year 2022, the College adopted this ASU. The College’s adoption did not have a material effect on the College’s financial statements.

(Continued)

(Dollars in thousands)

(n) ***Reclassifications***

Certain reclassifications have been made to 2021 information to conform to the 2022 presentation.

(2) Liquidity

As of June 30, 2022, financial assets and liquidity resources available within one year for general expenditure, such as operating expenses, scheduled principal payments on debt, and capital costs not financed with debt, were as follows:

		2022	2021
Cash and cash equivalents	$	49,966	31,014
Contributions, notes, and accounts receivable due within one year, net		2,576	1,774
Subsequent fiscal year budgeted endowment appropriation		18,710	14,170
Total financial assets available within one year	$	71,252	46,958

The College's Board of Trustees establishes the annual spending policy. For fiscal year 2023 the Board approved a spending rate of 5% of the 12-quarter trailing average of the pool's market value for a total spending allocation of $18,710. Additionally, the College has board-designated endowment funds of $71,715 as of June 30, 2022. Although the College does not intend to spend from its board-designated endowment funds other than amounts appropriated for operation, amounts could be made available if necessary.

The College's cash flows have seasonal variations attributable to the timing of tuition billing and contributions received. To manage liquidity, the college maintains a working capital portfolio which corresponds with the projected liquidity need. As part of the College's liquidity management, the College maintains working capital lines of credit, and maintains capital allocations which provides liquidity of assets available to meet general expenditures as liabilities and other obligation come due. General expenditures consist of funding for the College's operating budget including debt obligation payments and funding for the annual capital renewal and replacement expenditures.

(Dollars in thousands)

(3) Contributions Receivable

Contributions receivable consisted of the following unconditional promises to give as of June 30:

		2022	2021
Amounts due in:			
Less than one year	$	1,693	1,037
One to five years		24,149	34,345
More than five years		1,555	1,042
Gross contributions receivable		27,397	36,424
Less:			
Present value discount		(569)	(281)
Allowance for uncollectible pledges		(1,887)	(1,455)
Contributions receivable, net	$	24,941	34,688

		2022	2021
Purpose:			
Endowment giving	$	15,809	18,053
Capital purposes		6,760	12,457
Operating purposes		4,828	5,914
Gross contributions receivable	$	27,397	36,424

The discount rates used to present the value of the pledges range from 3.15% to 0.39% at June 30, 2022 and June 30, 2021.

As of June 30, 2022 and 2021, the College had a pledge receivable from one donor that comprised 51% of the contributions receivable, net on the balance sheet.

(Dollars in thousands)

(4) Investments and Fair Value

The College's investments at June 30, 2022 and 2021 that are reported at fair value are summarized in the tables below and, as applicable, by their fair value hierarchy classification:

	2022				
	Investments measured at NAV	**Level 1**	**Level 2**	**Level 3**	**Total fair value**
Investments:					
Short-term[1]	$ —	12,105	6,559	—	18,664
U.S. equities	102,971	180	—	—	103,151
International equities	68,038	—	—	—	68,038
Fixed income	—	21,548	19,427	—	40,975
Private equity	32,725	—	—	—	32,725
Venture capital	61,318	—	—	—	61,318
Inflation hedging[2]	7,944	—	—	6,913	14,857
Hedge funds	73,904	—	—	—	73,904
Distressed debt	6,218	—	—	—	6,218
Split-interest agreements	—	—	3,228	—	3,228
Total	$ 353,118	33,833	29,214	6,913	423,078

	2021				
	Investments measured at NAV	**Level 1**	**Level 2**	**Level 3**	**Total fair value**
Investments:					
Short-term[1]	$ —	18,953	6,348	—	25,301
U.S. equities	119,802	10,953	—	—	130,755
International equities	62,939	10,805	—	—	73,744
Fixed income	—	19,175	11,695	—	30,870
Private equity	29,388	—	—	—	29,388
Venture capital	56,422	—	—	—	56,422
Inflation hedging[2]	8,045	—	—	6,094	14,139
Hedge funds	83,906	—	—	—	83,906
Distressed debt	6,300	—	—	—	6,300
Split-interest agreements	—	—	4,253	—	4,253
Total	$ 366,802	59,886	22,296	6,094	455,078

1 Short-term includes money market funds and the cash surrender value of a life insurance policy.

2 Inflation hedging includes such investments as natural resources partnerships, agricultural and other commodities, real estate and treasury inflation-protected securities.

(Dollars in thousands)

Certain investments are redeemable with the funds or limited partnerships at NAV under the terms of the subscription agreements and/or partnership agreements. Investments with daily liquidity generally do not require any notice prior to withdrawal. Investments with monthly, quarterly or annual redemption frequency typically require notice periods ranging from 30 to 60 days. The long-term investments' fair values are broken out below by their redemption frequency as of June 30, 2022:

	Daily	Monthly	Quarterly	Semi-annual	Subject to Rolling Lockups	Illiquid	Total
Investments:							
Short-term investments	$ 18,664	—	—	—	—	—	18,664
U.S. equities	193	22,844	72,574	—	7,540	—	103,151
International equities	—	61,965	6,073	—	—	—	68,038
Fixed income	40,975	—	—	—	—	—	40,975
Private equity	—	—	—	—	—	32,725	32,725
Venture capital	—	—	—	—	—	61,318	61,318
Inflation hedging	—	—	—	—	—	14,857	14,857
Hedge funds	—	16,499	42,707	7,442	—	7,256	73,904
Distressed debt	—	—	—	—	—	6,218	6,218
Split-interest agreements	—	—	—	—	—	3,228	3,228
Total	$ 59,832	101,308	121,354	7,442	7,540	125,602	423,078

The College enters into derivative instruments such as futures for trading purposes. The College may enter into equity or index option contracts to speculate on the price movements of the financial instrument or index underlying the option.

Index future contracts are included in investments on the balance sheet. The College held certain index future contracts in a net liability position of $4,877 and $5,475 for June 30, 2022 and 2021, respectively and is recorded in investments on the balance sheet. The College posted collateral on the index futures contracts of $0 for June 30, 2022 and 2021, respectively.

The fair market value of investment derivatives held by the fund at June 30, 2022 and 2021, are summarized in the following table:

	2022	
	Long notional	Unrealized (loss) gain
Instrument type:		
Equity index futures	$ 5,874	56
Currency futures	155	(4)
International equity index futures	3,937	(66)
Total	$ 9,966	(14)

(Dollars in thousands)

		2021	
		Long notional	**Unrealized (loss) gain**
Instrument type:			
Equity index futures	$	8,148	114
Currency futures		161	(4)
International equity index futures		5,582	(90)
Total	$	13,891	20

At June 30, 2022, the College’s remaining outstanding commitments on investments totaled $34,406. These commitments are expected to be funded from existing investments included within the endowment. Generally, these commitments have 10-year terms, with the option to extend. As of June 30, 2022, the average remaining life of the commitments is 4 years. The remaining outstanding commitments are summarized in the table below:

Private equity	$	24,882
Venture capital		6,322
Inflation hedging		952
Distressed securities		2,250
	$	34,406

At June 30, 2022, funds with redemption lockup periods in the amount of $7,540 will expire in fiscal year 2025.

(5) Endowment

The College’s pooled endowment consists of approximately 650 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions or state statute.

(a) ***Relevant Law***

The State of Connecticut has enacted the Connecticut Uniform Prudent Management of Institutional Funds Act (CT UPMIFA), which governs the management of donor-restricted endowment funds by institutions.

Although CT UPMIFA offers short-term spending flexibility, the explicit consideration of the preservation of funds among factors for prudent spending suggests that a donor-restricted endowment fund is still perpetual in nature. Under CT UPMIFA, the College’s Board of Trustees (the Board) is permitted to determine and continue a prudent payout amount, even if the market value of the fund is below historic dollar value. There is an expectation that, over time, the with donor restriction amount will remain intact. This perspective is aligned with the accounting standards definition that with donor restriction funds are those that must be held in perpetuity even though some portions of the historic dollar value may be reduced by drawings on a temporary basis.

The College classifies as with donor restriction net assets (a) the original value of gifts donated to the with donor restriction endowment, (b) the original value of subsequent gifts to the with donor restriction endowment, and (c) accumulations to the with donor restriction endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in with donor restriction net assets is classified as with donor restriction net assets until those amounts are appropriated for expenditure by the College in a manner consistent with the standard of prudence prescribed by CT UPMIFA.

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

(1) The duration and preservation of the fund

(2) The purposes of the College and the donor-restricted endowment fund

(3) General economic conditions

(4) The possible effects of inflation and deflation

(5) The expected total return from income and the appreciation of investments

(6) Other resources of the College

(7) The investment policies of the College

(8) The need to support activities of the College for both current and future generations of students.

(b) ***Funds with Deficiencies***

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level classified as with donor restriction consistent with donor restrictions and college policies under CT UPMIFA. In accordance with U.S. GAAP, deficiencies of this nature are reported in net assets with donor restrictions with an original gift value of $8 and $40 and were underwater by $528 and $6 as of June 30, 2022 and 2021, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred after the investment of with donor restriction contributions and/or appropriation for certain programs that was deemed prudent by the College.

(Dollars in thousands)

Endowment net asset composition by type of fund consist of the following at June 30, 2022:

	Without donor restrictions	With donor restrictions: Original gift	With donor restrictions: Accumulated gains (losses)	With donor restrictions: Total	Total 2022
Board-designated endowment funds	$ 71,715	—	—	—	71,715
Donor restricted endowment funds:					
Underwater	—	8,095	(528)	7,567	7,567
Other	—	193,715	143,638	337,353	337,353
	$ 71,715	201,810	143,110	344,920	416,635

Endowment net asset composition by type of fund consist of the following at June 30, 2021:

	Without donor restrictions	With donor restrictions: Original gift	With donor restrictions: Accumulated gains (losses)	With donor restrictions: Total	Total 2021
Board-designated endowment funds	$ 76,638	—	—	—	76,638
Donor restricted endowment funds:					
Underwater	—	40	(6)	34	34
Other	—	185,076	172,805	357,881	357,881
	$ 76,638	185,116	172,799	357,915	434,553

(Dollars in thousands)

Changes in pooled endowment funds for the year ended June 30, 2022 are as follows:

		Without donor restrictions	With donor restrictions	Total
Endowment funds, June 30, 2021	$	76,638	357,915	434,553
Return on long-term investments:				
Dividends and interest		34	148	182
Net losses on investments		(2,746)	(13,046)	(15,792)
Investment management fees		(870)	(4,049)	(4,919)
		(3,582)	(16,947)	(20,529)
Appropriation of endowment assets for expenditure		(3,742)	(12,736)	(16,478)
Investment return, less endowment spending used in operations		(7,324)	(29,683)	(37,007)
Contributions and transfers		2,401	16,688	19,089
Endowment funds, June 30, 2022	$	71,715	344,920	416,635

(Dollars in thousands)

Changes in pooled endowment funds for the year ended June 30, 2021 are as follows:

		Without donor restrictions	With donor restrictions	Total
Endowment funds, June 30, 2020	$	57,844	258,426	316,270
Return on long-term investments:				
Dividends and interest		65	288	353
Net gains on investments		22,115	101,171	123,286
Investment management fees		(983)	(4,497)	(5,480)
		21,197	96,962	118,159
Appropriation of endowment assets for expenditure		(3,071)	(12,158)	(15,229)
Investment return, less endowment spending used in operations		18,126	84,804	102,930
Contributions and transfers		668	14,685	15,353
Endowment funds, June 30, 2021	$	76,638	357,915	434,553

(c) ***Return Objectives and Risk Parameters***

The College pursues investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the endowment funds in perpetuity. Endowment assets include those assets of donor-restricted funds that the College must hold in perpetuity or for a donor-specified period as well as board-designated funds. Under the College's investment policy, the endowment assets are currently invested in a manner that is intended to produce results consistent with the return and risk results of a combination of various indexes representative of portfolio target allocations. The College expects its endowment funds, over the long-term, to provide an average annual rate of return in excess of spending plus inflation while carrying a moderate level of risk. Actual returns in any given year may vary from such amount.

(d) ***Strategies Employed for Achieving Objectives***

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

(Dollars in thousands)

(e) ***Spending Policy and How the Investment Objectives Relate to Spending Policy***

The College has a policy of appropriating for distribution each year 5% of its endowment fund's average fair value using the prior twelve quarters through June 30 preceding the fiscal year in which the distribution is planned. In establishing its spending policy, the College considered the expected return on its endowment. Accordingly, the College expects its spending policy will allow its endowment funds to be maintained in perpetuity by growing at a rate at least equal to planned payouts. Additional real endowment growth will be provided through new gifts and any excess investment return.

(6) Land, Buildings, and Equipment

Included in land, buildings, and equipment as of June 30 are the following amounts:

	Estimated useful lives		2022	2021
Campus land	—	$	1,080	1,080
Land improvements	20 years		21,823	20,990
Buildings and building improvements	20–40 years		231,839	210,584
Equipment and furniture	5–10 years		44,446	45,425
Software	3–10 years		6,050	6,050
Construction in progress			8,573	20,354
			313,811	304,483
Less accumulated depreciation			(198,437)	(192,229)
		$	115,374	112,254

(Dollars in thousands)

(7) Bonds and Notes Payable

The following is a summary of bonds and notes payable at June 30:

		2022	2021
Connecticut Health and Education Facilities Authority:			
Series J bonds, face amount $9,200 issued 2015, interest is fixed at 3.17% until maturity in 2029	$	—	8,789
Series K bonds, face amount $3,300 issued 2015, interest is fixed at 2.64% until maturity in 2029		—	3,141
Series L-1 bonds, face amount $40,725 issued 2017, interest is fixed at rates ranging from 3.0% to 5.0%, maturities to 2046		40,725	40,725
Series L-2 bonds, face amount $12,910 issued 2017, interest is fixed at rates ranging from 1.316% to 2.902%, maturities to 2027		7,610	8,915
Series M bonds, face amount $60,825 issued 2022, interest is fixed at rates ranging from 3% to 5%, maturities to 2052		60,825	—
Boston Private Bank and Trust Company:			
Boston Private Series A Term Note, issued 2021, interest is fixed at 3.09%, maturities to 2043		23,217	23,217
		132,377	84,787
Net bond premiums		9,642	3,974
Net bond issuance costs		(987)	(802)
Total bonds and notes payable	$	141,032	87,959

Future maturities of the bonds and notes payable are as follows:

		Bonds
2023	$	1,475
2024		1,682
2025		1,821
2026		2,605
2027		2,726
Thereafter		122,068
	$	132,377

The College has an unsecured $10,000 line of credit established with Citizens Bank for short-term working capital purposes that matures on January 31, 2023. As of June 30, 2022 and 2021, there were no outstanding advances under the line of credit. As of June 30, 2022 and 2021, the interest rate is set at LIBOR plus an applicable margin.

The preceding debt agreements impose certain restrictions upon the College with respect to incurring additional indebtedness, selling real property, and establishing liens or encumbrances on the mortgaged assets of the College, as well as minimum debt to expendable net assets ratio requirements.

The College maintains debt service reserve funds and unspent proceeds from the issuance of CHEFA Series M as required by the associated bond agreements. The deposits with trustees of debt obligations are reported in deposits with bond trustee on the balance sheet.

On February 1, 2022 the College issued a $60,825 of CHEFA Series M tax exempt bonds which carry fixed interest rates ranging from 3% to 5%. The proceeds from Series M were used for the redemption of the prior CHEFA Series J and K bonds, pay capitalized interest on a portion of the Series M bonds, to pay certain Costs of Issuance incurred in connection with the issuance of the Series M bonds, and to finance planned campus renovations and improvements.

Bond interest expense for the years ended June 30, 2022 and 2021 was $3,720 and $2,785, respectively.

(8) Retirement Plan

Retirement benefits are provided for eligible employees of the College through Teachers' Insurance and Annuity Association and College Retirement Equities Fund under a defined-contribution plan. Under the plan, the College contributed 5% of the gross salaries of eligible employees within limits established by the Internal Revenue Code in fiscal year June 30, 2022 and 5% in fiscal year ended June 30, 2021. Total retirement expense for the fiscal years ended June 30, 2022 and 2021 was $2,051 and $1,951, respectively.

(Dollars in thousands)

(9) Postretirement Medical Benefit Plan

Prior to July 1, 2007, the College provided certain healthcare benefits, including insurance for medical care and prescription drug components, for certain of its retired employees under a defined benefit plan. Effective June 30, 2007, the College closed the defined benefit plan. Information with respect to the closed defined benefit plan is as follows:

		June 30	
		2022	2021
Change in benefit obligation:			
Benefit obligation at beginning of year	$	9,316	10,043
Service cost		315	316
Interest cost		208	203
Plan participants’ contributions		169	266
Medicare Part D subsidy received		8	7
Actuarial gain		(1,708)	(875)
Benefits paid		(583)	(644)
Benefit obligation at end of year		7,725	9,316
Change in plan assets:			
Fair value of plan assets at beginning of year		—	—
Employer contribution		406	371
Plan participants’ contributions		169	266
Medicare Part D subsidy received		8	7
Benefits paid		(583)	(644)
Fair value of plan assets at end of year		—	—
Funded status	$	(7,725)	(9,316)

(Dollars in thousands)

	June 30			
	2022		2021	
	Medical	Drug	Medical	Drug
Discount rate used to value obligations	4.27 %	4.27 %	2.32 %	2.32 %
Discount rate used to value expenses	2.32	2.32	2.17	2.17
Weighted average healthcare cost trend:				
Initial trend rate	7.00	7.00	7.00	7.00
Ultimate trend rate	5.00	5.00	5.00	5.00
Year ultimate trend rate attained	2025	2025	2025	2025

	June 30	
	2022	2021
Components of net periodic postretirement benefit cost:		
Service costs	$ 315	316
Interest cost	208	203
Net amortization of unrecognized prior service cost	—	—
Total net periodic postretirement benefit cost	$ 523	519
Recognized in employee benefits expense:		
Service cost	$ 315	316
Total recognized in employee benefits expense	$ 315	316
Recognized in nonoperating activities:		
Actuarial gain (loss), net	$ 1,708	875
Interest cost	(208)	(203)
Net amortization of unrecognized prior service cost	—	11
Total recognized in nonoperating activities	$ 1,500	683

(Continued)

(Dollars in thousands)

Estimated future benefit payments, net of employee contributions and expected Medicare Part D Subsidy, are as follows:

		Estimated benefit payments
Year beginning July 1:		
2022	$	626
2023		599
2024		812
2025		603
2026		597
2027–2031		2,759

Effective July 1, 2007, the College adopted the Emeriti Retiree Health Plan and began funding separate health accounts for eligible employees for retirement medical expenses under a defined contribution plan. For employees who were nearing retirement at the time the defined benefit plan was closed, the College provides a transition benefit in the defined contribution plan. Total postretirement medical expenses for the Emeriti Retiree Health Plan for fiscal years ended June 30, 2022 and 2021 was $221 and $226, respectively.

(10) Net Assets

Net assets as of June 30, 2022 are as follows:

		Without donor restrictions	With donor restrictions	Total
Endowment:				
Scholarship	$	15,703	107,399	123,102
Professorship/directorship		3,509	65,302	68,811
General purpose		52,503	172,219	224,722
Plant funds		—	26,400	26,400
Assets held in trust and split-interest agreements		(1,892)	16,842	14,950
Accrued postretirement benefits and other funds		24,262	39,106	63,368
	$	94,085	427,268	521,353

(Dollars in thousands)

Net assets as of June 30, 2021 are as follows:

		Without donor restrictions	With donor restrictions	Total
Endowment:				
Scholarship	$	17,353	111,966	129,319
Professorship/directorship		3,872	70,531	74,403
General purpose		55,413	175,418	230,831
Plant funds		—	32,675	32,675
Assets held in trust and split-interest agreements		(1,666)	20,082	18,416
Accrued postretirement benefits and other funds		4,576	52,251	56,827
	$	79,548	462,923	542,471

Net assets with donor restrictions for the years ended June 30, 2022 and 2021 were released from donor restrictions as a result of incurring expenses satisfying the restricted purposes or by the occurrence of other events specified by donors. Such assets were utilized to fund expenditures in the following categories:

		2022	2021
Instruction and research	$	4,384	4,456
Financial aid		3,884	3,625
Academic support		1,781	2,285
Student services		585	300
General institutional		1,946	2,480
Total operating net assets released from restrictions		12,580	13,146
Plant and other nonoperating		22,207	54
Total nonoperating net assets released from restrictions		22,207	54
Total net assets released from restrictions	$	34,787	13,200

(11) Functional Expenses

The statement of activities present expenses by natural classification. The College also summarizes its expenses by functional classification. Operation and maintenance of plant are allocated based on square footage. Depreciation expense for capital assets is allocated to functional classifications based on the functional classifications of the departments for which the capital asset serves. Interest expense is allocated based on the functional purpose for which the debt proceeds were used.

Functional expenses for the year ended June 30, 2022 are as follows (in thousands):

	Instruction	Research and public service	Academic support	Student services	Auxiliary services	Institutional support	Operations and maintenance	Total
Salaries and wages	$ 19,551	571	5,316	6,197	3,311	9,752	3,996	48,694
Employee benefits	7,009	148	1,689	1,992	1,272	3,846	1,041	16,997
Supplies, services, other	4,368	704	4,100	5,147	4,762	10,095	2,760	31,936
Depreciation and amortization	803	157	2,071	1,537	2,934	1,261	—	8,763
Interest	80	55	1,066	112	182	2,336	5	3,836
Utilities	—	—	—	—	—	—	3,376	3,376
Operations and maintenance	1,724	240	1,911	2,036	4,489	778	(11,178)	—
	$ 33,535	1,875	16,153	17,021	16,950	28,068	—	113,602

Functional Expenses for the year ended June 30, 2021, are as follows (in thousands):

	Instruction	Research and public service	Academic support	Student services	Auxiliary services	Institutional support	Operations and maintenance	Total
Salaries and wages	$ 19,460	397	4,809	5,919	2,774	11,237	3,756	48,352
Employee benefits	6,545	95	1,470	1,843	984	3,496	1,003	15,436
Supplies, services, other	1,080	250	3,275	3,287	4,883	7,006	1,225	21,006
Depreciation and amortization	834	179	1,708	1,443	2,783	1,432	—	8,379
Interest	60	135	650	89	135	1,856	2	2,927
Utilities	—	—	—	—	—	—	3,150	3,150
Operations and maintenance	1,367	188	1,609	1,764	3,595	613	(9,136)	—
	$ 29,346	1,244	13,521	14,345	15,154	25,640	—	99,250

(12) Commitments and Contingencies

The College is subject to certain legal proceedings and claims that arose in the ordinary course of its business. In the opinion of management, the amount of the ultimate liability with respect to those actions will not materially affect the financial position of the College.

(13) Related-Party Transactions

Members of the Board of Trustees and senior management may, from time to time, be associated, either directly or indirectly with companies doing business with the College. The College has a written conflict of interest policy that requires annual reporting by each Board member as well as the College senior management. When such relationships exist, measures are taken to mitigate any actual or perceived conflict, including requiring that such transactions be conducted at arms' length, based on terms in the best interest of the College.

(14) Subsequent Events

The College evaluated subsequent events for potential recognition or disclosure through October 27, 2022, the date on which the financial statements were available to be issued. No subsequent events were identified.