KPMG

DICKINSON COLLEGE

Financial Statements and Supplemental Schedule

June 30, 2020 and 2019

(With Independent Auditors' Report Thereon)

DICKINSON COLLEGE

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KPMG LLP
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Independent Auditors' Report

The Board of Trustees
Dickinson College:

We have audited the accompanying financial statements of Dickinson College, which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Dickinson College as of June 30, 2020 and 2019, 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.

Emphasis of Matter

As discussed in Note 1(m) to the financial statements, in 2019 the College adopted Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, as amended, and ASU 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to this matter.

KPMG LLP

Harrisburg, Pennsylvania
October 23, 2020

DICKINSON COLLEGE

Statements of Financial Position

June 30, 2020 and 2019

Assets		2020	2019
Cash and cash equivalents	$	22,788,739	20,116,422
Accounts and other receivables, net		3,120,092	3,705,631
Inventories, prepaid expenses, and other assets		2,358,752	3,463,123
Contributions receivable, net		21,851,939	25,355,572
Loans receivable, net		6,931,301	6,911,458
Investments		423,112,425	418,513,286
Investments under split interest agreements		5,448,964	5,661,944
Deposits with trustees under debt agreements		945,671	1,218,386
Property and equipment, net		195,364,756	200,513,582
Funds held in trust by others		45,500,953	46,354,060
Total assets	$	727,423,592	731,813,464
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued expenses	$	8,249,000	10,649,323
Student deposits and deferred revenue		6,816,775	3,051,214
Line of credit		10,000,000	—
Funds held in custody for others		2,563,115	2,519,682
Annuities payable		3,508,915	2,781,736
U.S. government advances refundable		1,957,036	2,592,249
Obligations under capital leases		158,886	513,075
Long-term debt		130,489,325	134,789,499
Total liabilities		163,743,052	156,896,778
Net assets:			
Without donor restrictions		357,875,635	359,906,495
With donor restrictions		205,804,905	215,010,191
Total net assets		563,680,540	574,916,686
Total liabilities and net assets	$	727,423,592	731,813,464

See accompanying notes to financial statements.

DICKINSON COLLEGE

Statement of Activities

Year ended June 30, 2020
(with comparative totals for 2019)

	2020			
	Without donor restrictions	With donor restrictions	Total	2019 Total
Revenues:				
Student charges, net	$ 82,458,084	—	82,458,084	97,505,540
Contributions	4,278,637	6,478,000	10,756,637	7,966,272
Grants and appropriations	3,290,281	—	3,290,281	1,341,844
Investment return, net	4,081,110	3,471,910	7,553,020	32,942,956
Appropriations of investment return, net	12,028,912	(12,028,912)	—	—
Change in value of split-interest agreements	29,117	1,340,119	1,369,236	(1,169,002)
Other income	7,827,676	—	7,827,676	9,281,331
Net assets released from restrictions	8,466,403	(8,466,403)	—	—
Total revenues	122,460,220	(9,205,286)	113,254,934	147,868,941
Expenses:				
Education	75,023,790	—	75,023,790	76,254,821
Research	2,500,797	—	2,500,797	2,985,431
Auxiliary enterprises	26,479,091	—	26,479,091	29,536,514
Management and general	20,487,402	—	20,487,402	21,176,048
Total expenses	124,491,080	—	124,491,080	129,952,814
Change in net assets	(2,030,860)	(9,205,286)	(11,236,146)	17,916,127
Net assets:				
Beginning of year	359,906,495	215,010,191	574,916,686	557,000,559
End of year	$ 357,875,635	205,804,905	563,680,540	574,916,686

See accompanying notes to financial statements.

DICKINSON COLLEGE

Statement of Activities

Year ended June 30, 2019

		2019		
		Without donor restrictions	With donor restrictions	Total
Revenues:				
Student charges, net	$	97,505,540	—	97,505,540
Contributions		4,226,026	3,740,246	7,966,272
Grants and appropriations		1,341,844	—	1,341,844
Investment return, net		16,139,666	16,803,290	32,942,956
Appropriations of investment return, net		11,586,103	(11,586,103)	—
Change in value of split-interest agreements		29,117	(1,198,119)	(1,169,002)
Other income		9,281,331	—	9,281,331
Net assets released from restrictions		4,172,050	(4,172,050)	—
Total revenues		144,281,677	3,587,264	147,868,941
Expenses:				
Education		76,254,821	—	76,254,821
Research		2,985,431	—	2,985,431
Auxiliary enterprises		29,536,514	—	29,536,514
Management and general		21,176,048	—	21,176,048
Total expenses		129,952,814	—	129,952,814
Change in net assets		14,328,863	3,587,264	17,916,127
Net assets:				
Beginning of year		345,577,632	211,422,927	557,000,559
End of year	$	359,906,495	215,010,191	574,916,686

See accompanying notes to financial statements.

DICKINSON COLLEGE

Statements of Cash Flows

Years ended June 30, 2020 and 2019

		2020	2019
Cash flows from operating activities:			
Change in net assets	$	(11,236,146)	17,916,127
Adjustments to reconcile change in net assets to net cash used in operating activities:			
Depreciation		11,782,966	11,699,855
Amortization of bond issuance costs		86,207	89,331
Amortization of bond premium		(1,247,531)	(1,290,175)
Gain on disposition of fixed assets		(488,324)	(55,808)
Net realized and unrealized gains on investments		(7,287,272)	(30,596,003)
Change in value of funds held in trust by others		853,107	642,950
Change in allowance for loan loss		(61,009)	(118,154)
Gifts received for permanently restricted net assets and capital projects		(5,212,581)	(4,186,788)
Change in assets and liabilities:			
Accounts and other receivables, net		585,539	(468,989)
Inventories, prepaid expenses, and other assets		1,104,371	(841,763)
Contributions receivable		3,503,633	(826,643)
Accounts payable and accrued expenses		(3,090,782)	(2,985,348)
Student deposits and deferred revenue		3,765,561	501,171
Funds held in custody for others		43,433	129,926
Total adjustments		4,337,318	(28,306,438)
Net cash used in operating activities		(6,898,828)	(10,390,311)
Cash flows from investing activities:			
Proceeds from sales of investments		88,644,787	66,453,325
Purchase of investments		(85,743,674)	(47,061,627)
Purchase of property and equipment		(5,943,891)	(8,251,893)
Proceeds from sale of property and equipment		488,534	55,858
Student loans collected		1,307,595	1,459,048
Student loans advanced		(1,266,429)	(1,234,983)
Net cash (used in) provided by investing activities		(2,513,078)	11,419,728
Cash flows from financing activities:			
Proceeds from issuance of line of credit		10,000,000	—
Payments on long-term debt – scheduled		(3,138,850)	(3,011,909)
Change in deposits with trustees under debt agreements		272,715	2,970,784
Principal payments under capital lease obligation		(354,189)	(434,489)
Gifts received for permanently restricted net assets and capital projects		5,212,581	4,186,788
Changes in annuities payable		727,179	192,024
Change in U.S. government advances refundable		(635,213)	109,226
Net cash provided by financing activities		12,084,223	4,012,424
Net increase in cash and cash equivalents		2,672,317	5,041,841
Cash and cash equivalents:			
Beginning of year		20,116,422	15,074,581
End of year	$	22,788,739	20,116,422
Supplemental disclosure of cash flow information:			
Cash paid during the year for interest	$	5,952,347	6,068,558
Supplemental disclosure of noncash activities:			
Purchase of property and equipment included in accounts payable	$	690,459	2,442,166

See accompanying notes to financial statements.

(1) Summary of Significant Accounting Policies

Dickinson College (the College) is a private, not-for-profit institution of higher education in Carlisle, Pennsylvania. The College provides education services at the undergraduate level.

The significant accounting policies followed by the College are described below to enhance the usefulness of the financial statements to the reader.

(a) Basis of Presentation

The financial statements of the College have been prepared on the accrual basis of accounting.

Assets and liabilities are presented in order of liquidity in the statements of financial position.

Net assets and revenues, gains, and losses are classified as with or without donor restrictions based on the existence or absence of donor-imposed restrictions as follows:

(i) Without Donor Restrictions

Net assets that are not subject to donor-imposed stipulations. Net assets without donor restrictions may be designated for specific purposes by action of the Board of Trustees or may otherwise be limited to contractual agreements with outside parties. Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions.

(ii) With Donor Restrictions

Net assets whose use by the College is subject to donor-imposed stipulations that (a) can be fulfilled by actions of the College pursuant to those stipulations or that expire by the passage of time; or (b) they be maintained permanently by the College.

Since endowment net realized and unrealized gains may eventually be spent by the College, endowment net realized and unrealized gains are recorded in the financial statements as net assets with donor restrictions until appropriated by the Board for expenditures, at which point they are transferred to net assets without donor restrictions. Contributions and endowment income with donor-imposed restrictions are reported as net assets with donor restrictions and are reclassified to net assets without donor restrictions when an expense is incurred that satisfies the donor-imposed restriction, or when the time restriction has elapsed. Contributions restricted for the acquisition of plant and equipment are reported as net assets with donor restrictions and are reclassified to net assets without donor restrictions when restrictions have been met and the plant and equipment have been placed in service.

Expirations of donor-imposed stipulations are reported as net assets released from restriction, increasing net assets without donor restrictions and decreasing net assets with donor restrictions.

Generally, donors of assets with stipulations that they be maintained permanently permit the College to use all or part of the income earned on those assets. Such assets primarily include the College’s donor endowment funds and funds held in trust by others.

(Continued)

(b) Revenue from Contracts with Customers

Revenue is measured based on consideration specified in a contract with a customer. The College recognizes revenue when it satisfies a performance obligation by transferring control over a product or service to a customer.

(i) Student Charges

The College's revenues primarily consist of student charges for educational services in the form of tuition, fees, room and board. Although the College has separate educational and residential agreements with its students, on-campus residency is generally required by the College and therefore educational services are considered a single performance obligation. The College has measured revenue for student charges using the portfolio of contracts practical expedient, having determined that measuring revenue for the individual contracts within the portfolio would not differ materially.

For both campus-based and global programs, revenues are recognized in the reporting period in which the academic programs are delivered. Courses are primarily offered in two semesters, each totaling 15 weeks. The fall semester begins in late August and concludes in December. The spring semester begins near the end of January and runs through mid-May.

Student charges are billed as a comprehensive fee in advance of each semester at published rates established by the Board of Trustees on an annual basis. Payments are due 14 days before the beginning of each semester. Payments received in advance of services to be rendered are categorized as student deposits and deferred revenue in the statements of financial position. Because the College's fiscal year coincides with the academic year, accounts receivable related to student charges are de minimis at year-end.

Refunds of student charges are determined on a pro-rata basis until 60% of the semester has been completed, in accordance with the College's refund policy. The Center for Global Study and Engagement maintains a separate refund policy specific to students attending global programs. Refunds issued reduce the amount of revenue recognized.

Refunds were approximately 3.7% and 2.6% of the total amounts billed for the fiscal years ended June 30, 2020 and 2019, respectively. In March 2020, the Governor of the Commonwealth of Pennsylvania issued formal stay at home orders in response to the COVID-19 outbreak, which required the College to close campus and complete course instruction virtually for the remainder of the spring semester. The College issued credits of $7,299,256 in fiscal year 2020 for the unearned portion of housing and dining services previously billed to students.

Institutional aid provided by the College as a discount to student charges is reflected as a reduction of revenue from student charges.

The following table summarizes the components of net student charges for the years ended June 30:

		2020	2019
Tuition and fees	$	117,269,068	126,445,288
Room and board		22,662,944	31,034,870
Gross student charges		139,932,012	157,480,158
Student aid		(57,473,928)	(59,974,618)
Student charges, net	$	82,458,084	97,505,540

(ii) *Auxiliary Enterprises*

Auxiliary enterprises include the operations of dining services, residence halls, bookstore and central stores, children's center, conferences and special events and other campus-based operations. Revenues from auxiliary enterprises, except for room and board, are included in other income in the statements of activities.

Revenues from auxiliary enterprises can be recognized at a point in time or over a period of time, depending on the satisfaction of the performance obligation under the contract. Payments received in advance of goods and services to be provided are categorized as deferred revenue and reported within student deposits and deferred revenue in the statements of financial position. A significant portion of the business activities of auxiliary enterprises occurs within the academic year. Therefore, accounts receivable related to auxiliary enterprises are de minimis at year-end.

(iii) *Deferred Revenue*

Substantially all of the student deposits and deferred revenue balance related to contracts with customers of $1,540,020 at June 30, 2019 was recognized into revenue during fiscal year 2020. A large number of returning students had net credit balances on their accounts at year-end due to the room and board refunds noted in part (i). These credit balances, totaling $4,175,089, were reclassified from accounts and other receivables to student deposits and deferred revenue as of June 30, 2020 and will offset student charges for future semesters. The balance of student deposits and deferred revenue related to contracts of $1,378,278 at June 30, 2020 less any refunds issued will be recognized as revenue over the academic year as services are rendered.

(c) Cash and Cash Equivalents

The College considers institutional money market funds and other short-term savings instruments with original maturities of 90 days or less to be cash equivalents. Cash equivalents exclude certain qualifying instruments recognized in investments that are held as part of the College's investment strategy. At June 30, 2020 and 2019, the College had cash balances at financial institutions that exceeded federal depository insurance limits. Management believes that credit risk related to these deposits is minimal.

(d) Contributions

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Contributions may be in the form of gifts or grants.

A contribution is conditional if an agreement includes a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets exists. The presence of both a barrier and a right of return or right of release indicates that a recipient is not entitled to the contribution until it has overcome the barrier(s) in the agreement. Conditional promises to give are not recognized until they become unconditional, that is, when the barrier(s) in the agreement are overcome.

Unconditional contributions with no purpose or time restrictions are reported as revenues without donor restrictions. Unconditional contributions, gifts and grants with donor-imposed restrictions that limit the use of the asset are reported as revenues with donor restrictions and are reclassified to net assets without donor restrictions when an expense is incurred that satisfies the donor-imposed restriction. However, for unconditional donor-restricted contributions that were initially conditional, if donor-imposed restrictions are met in the same year that they become unconditional, the revenues are reported as revenues without donor restrictions on the statements of activities.

Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible contributions receivable is provided based upon management's judgment, including such factors as prior collection history, type of contribution, and nature of the fund-raising activity. Contributions receivable are recorded at estimated fair value on the date the donor's unconditional promise to contribute is made using the present value of future cash flows.

At June 30, 2020 and 2019, $17,495,144 and $19,641,114, respectively, has been recorded as a contribution receivable related to a settlement agreement between the College; the Baltimore Symphony Orchestra; GBMC Healthcare, Inc.; Whiteford, Taylor & Preston LLP; and the trustees of the Robert A. Waidner Foundation, a charitable remainder trust established under the will of alumnus Robert A. Waidner, Dickinson Class of 1932. The receivable represents the present value of future cash flows using an average discount rate of 2.0% and 2.3% for the years ended June 30, 2020 and 2019, respectively.

Direct fund-raising expenses for the years ended June 30, 2020 and 2019 were $4,868,076 and $5,145,891, respectively, and are included in management and general expenses in the statements of activities.

(Continued)

(e) Loans Receivable and U.S. Government Advances Refundable

Loans receivable consist of loans to students, which are made from the College's restricted loan funds and the Federal Perkins Loan Program. The loans are reported at their estimated net realizable value. The allowance for uncollectible loans was $279,430 and $340,439 at June 30, 2020 and 2019, respectively.

Funds provided by the U.S. government under the Federal Perkins Loan Program are loaned to qualified students and may be reloaned after collections. Under federal law, the authority for schools to make new Perkins loans ended on September 30, 2017 and final disbursements were permitted through June 30, 2018. These funds are ultimately refundable to the government and are included as liabilities in the statements of financial position.

(f) Split-Interest Agreements and Funds Held in Trust by Others

The College's annuity agreements with donors consist primarily of charitable gift annuities, pooled life income and unitrusts. Assets held in these annuity agreements are included in investments under split-interest agreements. Contribution revenues are recognized at the date the agreements are established after recording liabilities for the present value of the estimated future payments to be made to the donors and/or other beneficiaries using a discount rate which approximates the charitable federal midterm rate of 0.6% and 2.8% as of June 30, 2020 and 2019, respectively. Contributions arising from annuities and life income funds amounted to $512,300 and $267,800 for the years ended June 30, 2020 and 2019, respectively.

The College is subject to specific state requirements relating to the issuance of charitable gift annuities. These requirements include limitations on asset allocation and required minimum reserve balances. The College maintained compliance with all asset allocation requirements and adequately covered the minimum reserve requirements of $2,499,701 and $2,052,377 as of June 30, 2020 and 2019, respectively.

Funds held in trust by others represents the College's beneficial interest in various irrevocable trusts. The terms of these perpetual trusts provide that the College is to receive annually a certain percentage or amount of the income earned by the funds. Distributions from the trusts are recorded as investment income, and the carrying value of assets is adjusted for changes in fair value of the trusts. These funds are neither in the possession nor under the control of the College. Because of the permanent right of the College to its share of the trusts' earnings, the College reports its share of these trusts on its financial statements as funds held in trust by others. The trusts are recorded at fair value based upon market prices for the underlying assets of the trusts, which are provided by the financial institutions that administer the trust funds.

Funds held in trust by others includes a 45% interest in the Sandia Foundation, created in 1975 under the terms of the will of Hugh W. Woodward, of which the College is a beneficiary. Those terms provide that the College is to receive annually and in perpetuity 45% of the net earnings of the Sandia Foundation, the assets of which consist principally of marketable securities and real estate in and around Albuquerque, New Mexico. The value of the College's interest in the Sandia Foundation was $40,964,513 and $41,778,106 at June 30, 2020 and 2019, respectively.

(Continued)

(g) Property and Equipment

Property and equipment are stated at cost or at estimated fair value if acquired by gift, less accumulated depreciation. Depreciation of property and equipment is calculated using the straight-line method over the estimated useful lives of the assets as follows:

	Years
Buildings and improvements	5–40
Equipment	3–15
Library books	10

Leasehold improvements and assets under capital leases are amortized over the shorter of the estimated useful life or the term of the lease using the straight-line method.

Capitalized interest is charged to construction in progress or buildings and improvements during the period of construction of the capital assets and is amortized over the useful lives of the associated assets.

Included in property and equipment is the College's rare works collection. The College carries its rare works collection at the fair value of the collection items at the date of gift or purchase and the collection is not depreciated.

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If such assets are impaired, the impairment to be recognized is the difference between the carrying amount and the fair value of the assets. There were no impairment adjustments to the College's long-lived assets as of June 30, 2020 and 2019.

(h) Deferred Financing Costs

Deferred financing costs are amortized over the remaining terms of the associated debt. Such unamortized amounts are presented as a direct reduction of the related long-term debt.

(i) Tax Status

The College has been recognized by the Internal Revenue Service as exempt from federal income tax under Section 501(c)(3) of the U.S. Internal Revenue Code, except for taxes on income from activities unrelated to its exempt purpose. Accordingly, the College is not subject to income taxes except to the extent it has taxable income from activities that are not related to its exempt purpose. No provisions for income taxes have been made in the accompanying financial statements for the years ended June 30, 2020 or 2019.

Accounting principles generally accepted in the United States of America (GAAP) require management to evaluate tax positions taken by the College and recognize a tax liability (or asset) if the College has taken an uncertain tax position that more likely than not would not be sustained upon examination by the IRS. Management has analyzed the tax positions taken by the College, and has concluded that as of June 30, 2020 and 2019, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements.

(j) Use of Estimates

The preparation of financial statements in conformity with 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. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(k) Risks and Uncertainties

Investments consist of a wide variety of financial instruments. The related values, as presented in the financial statements, are subject to various market fluctuations, which include changes in equity markets, the interest rate environment, and general economic conditions. These changes cause the net asset position of the College to increase or decrease.

The COVID-19 pandemic has negatively affected national, state and local economies and global financial markets, and the higher education landscape in general. While the financial impact on the College cannot be quantified at this time, the pandemic may adversely affect operations and financial condition, including, among other things (i) the ability of the College to conduct its operations and/or the cost of operations, (ii) governmental and non-governmental funding, and (iii) financial markets impacting investment valuation and interest rates. The College continues to monitor the pandemic and is prepared to take additional measures to protect the health and safety of the College community while promoting the continuity of its academic mission.

(l) Financial Statement Reclassifications

Certain reclassifications have been made to fiscal year 2019 audited financial statements to conform with classifications in fiscal year 2020.

(m) Recently Adopted Accounting Standards

Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* revises the not-for-profit financial reporting model. ASU 2016-14 reduces the number of net asset classes from three to two: net assets without donor restrictions, previously reported as unrestricted net assets, and net assets with donor restrictions, previously reported as temporarily and permanently restricted net assets. Additionally, the ASU increases the quantitative and qualitative disclosures regarding liquidity and availability of resources, and requires expenses to be reported by both natural and functional classification in one location. The College adopted ASU 2016-14 effective July 1, 2018 and applied the changes retrospectively.

(Continued)

The College also adopted the following accounting pronouncements in fiscal year 2019. Adoption of these standards did not result in a change to previously reported net assets and did not have a material impact on the College's revenue recognition:

- ASU 2014-09, *Revenue from Contracts with Customers*, and related amendments requires an entity to recognize revenue to measure the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services, and to disclose sufficient information to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The College adopted ASU 2014-09 and related amendments on July 1, 2018 using the modified retrospective method and elected to apply the standard only to contracts that were not completed as of that date.
- ASU 2018-08, *Not-for-Profit Entities – Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made* provides additional guidance to be used to determine whether a contribution is conditional and when a transaction should be accounted for as a contribution versus an exchange. The College adopted ASU 2018-08 as of July 1, 2018 and has applied the amendments of this standard on a modified prospective basis only to agreements that were not completed as of that date.

(2) Fair Value Measurements

Fair value refers to the price the College would receive upon selling an asset or the price paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the reporting date.

A three-tier hierarchical framework has been established that classifies valuation inputs based on the extent to which the inputs are observable in the marketplace. Inputs may be observable or unobservable and refer broadly to the assumptions that market participants, in the context of an orderly market, would use in pricing the asset or liability. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs.

Fair value measurements are based on three levels of inputs as follows:

Level 1: Quoted or published prices in active markets for identical assets or liabilities.

Level 2: Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

(Continued)

The College's valuation methodologies are described below:

(a) Investments

(i) Equity Securities

Securities traded on a national securities exchange are stated at the last reported sales price on the day of valuation. To the extent these securities are actively traded, they are categorized in Level 1 of the fair value hierarchy.

(ii) Fixed Income Securities

Fixed Income securities are valued at the closing price reported in the active market in which the bond is traded, if available. U.S. Treasuries are classified in Level 1 of the fair value hierarchy as defined in this note because their fair values are based on quoted prices for identical securities and they are actively traded. If such information is not available, debt is valued based on Level 2 inputs including yields currently available on comparable securities for issuers with similar credit ratings.

(iii) Alternative Investments

Valuations for alternative investments including debt and equity funds, real estate funds, private partnership, and other alternative investments are based on net asset values (NAVs) provided by external investment managers or on audited financial statements when available. NAVs provided by external investment managers are based on fair value estimates, appraisals, assumptions, and methods that are reviewed by management. These investments are not categorized in the fair value hierarchy table but are separately disclosed in order to reconcile to the amounts reported on the statements of financial position.

(b) Contributions Receivable

The College values contributions receivable at fair value using the present value of future cash flows as described in note 1. As a result of unobservable inputs, these are classified as Level 3 in the fair value hierarchy.

(c) Deposits with Trustees under Debt Agreements

Deposits with trustees under debt agreements consist of funds held for capital projects and earnings from debt service payment funds. The funds are invested in short-term investments in accordance with requirements established by the associated bond agreements. Deposits with trustees under debt agreements are valued with Level 1 inputs in the fair value hierarchy. Deposits with trustees under debt agreements included unexpended project funds of $945,661 and $1,216,175 as of June 20, 2020 and 2019, respectively.

(d) Funds Held in Trust by Others

The College is the beneficiary of various perpetual trusts created by donors, the assets of which are not in the possession of the College. The College has legally enforceable rights or claims to such assets, including the right to income therefrom. The College's beneficial interest in trusts held by others is recorded at fair value based on the fair value of the trust's holdings as reported by the trustee. These trusts are categorized as Level 3 in the fair value hierarchy.

 (Continued)

(e) Split-Interest and Other Agreements

Depending on the type of agreement, fair value measurements for split-interest and other agreements are performed either at inception or on a recurring basis. Fair value of the residual gift is generally based on the present value of expected future cash flows including payments to beneficiaries and investment return, and Level 3 inputs include the life expectancy of the donor and other beneficiaries as well as financial assumptions.

The following tables summarize the College's investments and other assets that are measured at fair value on a recurring basis by major category in the fair value hierarchy as of June 30. Certain investments that are measured at fair value using its net asset value per share (or its equivalent) as a practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented below as investments recorded at NAV are intended to permit a reconciliation of the fair value hierarchy to the amounts presented in the statements of financial position.

	June 30, 2020			
	Level 1	**Level 2**	**Level 3**	**Total**
Investments:				
Cash and cash equivalents	$ 8,217,852	—	—	8,217,852
Futures	70,533	—	—	70,533
Fixed income	41,916,897	—	—	41,916,897
Equities	11,786,224	—	—	11,786,224
Real estate	—	5,736,854	—	5,736,854
Investments recorded at NAV	—	—	—	355,384,065
Total investments	61,991,506	5,736,854	—	423,112,425
Investments under split-interest agreements:				
Cash and cash equivalents	451,483	—	—	451,483
Fixed income	1,556,642	—	—	1,556,642
Equities	3,440,839	—	—	3,440,839
Total investments under split-interest agreements	5,448,964	—	—	5,448,964
Other assets:				
Contributions receivable	—	—	21,851,939	21,851,939
Deposits with trustees under debt agreements	945,671	—	—	945,671
Funds held in trust by others	—	—	45,500,953	45,500,953
Total	$ 68,386,141	5,736,854	67,352,892	496,859,952

	June 30, 2019			
	Level 1	Level 2	Level 3	Total
Investments:				
Cash and cash equivalents	$ 11,167,749	—	—	11,167,749
Futures	57,027			57,027
Fixed income	19,738,717	—	—	19,738,717
Equities	12,948,446	—	—	12,948,446
Real estate	—	5,692,337	—	5,692,337
Investments recorded at NAV	—	—	—	368,909,010
Total investments	43,911,939	5,692,337	—	418,513,286
Investments under split-interest agreements:				
Cash and cash equivalents	107,232	—	—	107,232
Fixed income	1,570,983	—	—	1,570,983
Equities	3,983,729	—	—	3,983,729
Total investments under split-interest agreements	5,661,944	—	—	5,661,944
Other assets:				
Contributions receivable	—	—	25,355,572	25,355,572
Deposits with trustees under debt agreements	1,218,386	—	—	1,218,386
Funds held in trust by others	—	—	46,354,060	46,354,060
Total	$ 50,792,269	5,692,337	71,709,632	497,103,248

The following table presents the College's activities for the years ended June 30 for assets classified in Level 3:

Level 3 rollforward	Funds held in trust by others	Contributions receivable	Total
Fair value, June 30, 2018	$ 46,997,010	24,528,929	71,525,939
Additions	—	1,053,272	1,053,272
Net unrealized gains (losses)	3,139,988	(892,180)	2,247,808
Payments	(1,720,134)	(1,340,705)	(3,060,839)
Other changes	(2,062,804)	2,006,256	(56,548)
Fair value, June 30, 2019	46,354,060	25,355,572	71,709,632
Additions	—	2,197,079	2,197,079
Net unrealized gains (losses)	845,223	1,852,320	2,697,543
Payments	(1,698,330)	(7,850,258)	(9,548,588)
Other changes	—	297,226	297,226
Fair value, June 30, 2020	$ 45,500,953	21,851,939	67,352,892

Transfers between levels occur when there is a change in the observability of significant inputs. A transfer between Level l and Level 2 generally occurs when the availability of quoted prices changes or when market activity of an investment significantly changes to active or inactive. A transfer between Level 2 and Level 3 generally occurs when the underlying inputs become, or can no longer be, corroborated with market observable data. Transfers between levels are recognized on the date they occur.

In June 2019, the College received a pledge agreement to liquidate one of its funds held in trust by others, with the assets to be distributed to the College for investment in the endowment. The assets were not received by June 30, 2019 and were therefore reported as a transfer under other changes within the Level 3 category from funds held in trust by others to contributions receivable.

Investments measured at NAV include the following redemption restrictions and redemption terms as of June 30:

	June 30, 2020				
	NAV	Unfunded commitments	Redemption frequency	Redemption notice	Redemption notes
Long-term investment strategies:					
Hedge funds:					
Equity long/short	$ 104,826,349	—	Monthly to quarterly	100–120 days	—
Multistrategy	120,140,280	—	Quarterly	90 days	—
Private equity funds	130,391,627	116,329,121	N/A	N/A	Illiquid (1)
Real assets	25,809	270,000	N/A	N/A	Illiquid (1)
	$ 355,384,065	116,599,121			

(1) – Private Equity funds will terminate once all underlying investments are liquidated or the partnership is dissolved, as determined by the investment manager. A portion of the real assets funds are currently in the liquidation process.

	June 30, 2019				
	NAV	Unfunded commitments	Redemption frequency	Redemption notice	Redemption notes
Long-term investment strategies:					
Hedge funds:					
Fixed income	$ 6,395,895	—	Quarterly	60 days	Liquidation in process (1)
Equity long/short	115,982,540	—	Monthly to quarterly	100–120 days	—
Multistrategy	116,523,126	—	Quarterly	90 days	—
Private equity funds	129,890,285	82,443,991	N/A	N/A	Illiquid (2)
Real assets	117,164	2,151,968	N/A	N/A	Illiquid (2)
	$ 368,909,010	84,595,959			

(1) – The manager has suspended all redemptions and is in the process of winding down the fund. Expectations are that the remaining capital account will be distributed by the end of calendar year 2019.

(2) – Private Equity funds will terminate once all underlying investments are liquidated or the partnership is dissolved, as determined by the investment manager. A portion of the real assets funds are currently in the liquidation process.

Private equity fund investments are generally made through limited partnerships. Under the terms of such agreements, the College may be required to provide additional funding when capital or liquidity calls are made by fund managers. These partnerships have a limited existence, and they may provide for annual extensions for the purpose of disposing portfolio positions and returning capital to investors. However, depending on market conditions, the inability to execute the fund's strategy, or other factors, a manager may extend the terms of a fund beyond its originally anticipated existence or may wind the fund down prematurely. The College cannot anticipate such changes because they generally arise from unforeseeable events, but should they occur they could reduce liquidity or originally anticipated investment returns. Accordingly, the timing and amount of future capital or liquidity calls in any future year are uncertain.

(3) Liquidity and Availability

The College manages its financial assets to be available as its operating expenditures, liabilities and other obligations come due. Due to the cyclical nature of cash receipts for student charges and contributions, the College invests cash in excess of daily requirements in low-risk cash and fixed income securities in accordance with projected liquidity needs. To further manage liquidity, the College maintains a $10,000,000 line of credit with Wells Fargo, which is due annually in February, and a $20,000,000 line of credit with M&T Bank, which is due annually in June. $10,000,000 was outstanding on the Wells Fargo line of credit as of June 30, 2020 at LIBOR plus an applicable rate. There were no borrowings on the M&T Bank line of credit for the fiscal years ending June 30, 2020 and 2019.

Financial assets available for general expenditure within one year of June 30 are as follows:

	2020	2019
Cash and cash equivalents	$ 22,788,739	20,116,422
Accounts and contributions receivable	24,972,031	29,061,203
Investments and funds held in trust by others	474,062,342	470,529,290
Deposits with trustees under debt agreements	945,671	1,218,386
Total financial assets	522,768,783	520,925,301
Less:		
Cash and investments held in operating reserves	(10,970,271)	(9,740,276)
Receivables scheduled to be collected in more than one year	(21,141,890)	(22,867,578)
Investments held in split-interest reserves	(2,499,701)	(2,052,377)
Pooled endowment investments and funds held in trust by others, net of appropriations over the next 12 months	(424,012,582)	(430,538,250)
Other investments	(5,736,854)	(5,692,337)
Deposits with trustees under debt agreements	(945,671)	(1,218,386)
Financial assets available to meet cash needs for general expenditures within one year	$ 57,461,814	48,816,097

The College operates with a balanced operating budget and anticipates collecting enough revenue to cover general expenditures not covered by donor-restricted resources.

(Continued)

The College has established operating reserves with the objective of ensuring sufficient reserves exist to act in the event of unforeseen occurrences or opportunities. Operating reserve funds are held in low-risk cash and fixed income securities and are included in the cash and cash equivalents and investments lines on the statements of financial position. The College also had $271,105,939 and $272,179,655 in board-designated endowment net assets as of June 30, 2020 and 2019, respectively. Although the College does not intend to spend from its board-designated endowment funds, other than amounts appropriated for expenditure each year, amounts could be made available if necessary, subject to investment liquidity restrictions.

Investment liquidity, including investments under split-interest agreements, as of June 30, 2020 is aggregated below based on redemption or sale period:

Daily	$	73,177,324
Monthly		70,402,597
Quarterly		154,564,032
Illiquid		130,417,436
	$	428,561,389

(4) Contributions Receivable

Contributions receivable, net are summarized as follows as of June 30:

		2020	2019
Contributions receivable expected to be collected in:			
Less than one year	$	1,204,276	3,140,546
One year to five years		7,458,231	3,075,683
Over five years		16,733,045	25,040,283
		25,395,552	31,256,512
Less discount		(3,357,883)	(5,642,221)
Allowance for uncollectible contributions receivable		(185,730)	(258,719)
	$	21,851,939	25,355,572

(5) Endowments

The College's endowment consists of approximately 900 individual funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. Net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Investments having fair values of $399,888,561 and $404,820,950 at June 30, 2020 and 2019, respectively, are pooled on a fair value basis, with each unitized fund subscribing to or disposing of units on the basis of the fair value per unit at the beginning of the month within which the transaction takes place.

(a) Interpretation of Relevant Law

The College has interpreted relevant law as requiring the endowment fund, absent explicit donor stipulations to the contrary, to be managed with the long-term objective of at least maintaining the real value (after inflation) of the funds. Unless stated otherwise in the gift instrument, the assets in an endowment fund are assets with donor restriction until appropriated for expenditure by the College in a manner consistent with the standard of prudence prescribed by relevant law. Pennsylvania law permits the Board of Trustees to make an election to annually appropriate for expenditure a selected percentage between 2% and 7% of the fair value of the assets related to endowment funds with donor restriction averaged over a period of three or more preceding years, provided the board has determined that such percentage is consistent with the long-term preservation of the real value of such assets.

(b) Return Objectives and Risk Parameters

The College has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of funds with donor restriction that the College must hold in perpetuity or for a donor-specified period, as well as board-designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that exceed the endowment spending rate plus inflation, defined as the Consumer Price Index plus 1%, while assuming a moderate level of investment risk.

(c) Strategies Employed for Achieving Objectives

To satisfy its long-term rate of return objectives, the College relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The College targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

(d) Spending Policy

The spending policy of the College is set to provide, as closely as possible, equitable benefit from the endowment for current and future generations of students. A formal spending policy has been adopted to meet the legal and programmatic requirements of the endowment. The College appropriates 7% of the endowment and targets a maximum of 5% of the 12-quarter moving average fair market value of the pooled endowment to be utilized, with the remaining distribution moved to board-designated. The approved spending rate formula is designed to provide a relatively predictable and growing stream of revenues to the operating budget. An additional goal of this policy is to minimize the temptation to relieve all budgetary pressures by simply taking additional monies from the endowment.

(e) Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the College to retain as a fund of perpetual duration. These deficiencies result from unfavorable market fluctuations that occur after the investment of contributions with donor restrictions. Deficiencies of this nature amounted to $100,486 on endowed funds with original gift amounts of $6,516,495 and fair values of $6,416,009 as of June 30, 2020. There were no deficiencies as of June 30, 2019. The College interprets Pennsylvania law to allow for the aggregation of similar endowments; therefore, endowments with deficiencies are netted with gains and accounted for within net assets with donor restrictions.

(f) Net Asset Classifications of Endowment Funds

Net asset classification by type of endowment as of June 30, 2020:

	Without donor restrictions	With donor restrictions - time/purpose	With donor restrictions - perpetual	Total
Board-designated endowment funds:				
Contributions receivable, net	$ 1,508,833	—	—	1,508,833
Pooled endowment investments	264,775,075	—	—	264,775,075
Real asset investments	3,042,575	—	—	3,042,575
Property and equipment, net	4,126,323	—	—	4,126,323
Total board-designated endowment funds	273,452,806	—	—	273,452,806
Donor-restricted endowment funds:				
Contributions receivable, net	—	17,495,143	1,599,959	19,095,102
Pooled endowment investments:				
Original gift	—	11,101	85,262,944	85,274,045
Accumulated net gains and losses	—	49,839,441	—	49,839,441
Total pooled endowment investments	—	49,850,542	85,262,944	135,113,486
Investments under split interest agreements	—	3,380,002	2,068,962	5,448,964
Funds held in trust by others	—	—	45,500,953	45,500,953
Total donor-restricted endowment funds	—	70,725,687	134,432,818	205,158,505
Total endowment assets	273,452,806	70,725,687	134,432,818	478,611,311
Annuity and agency liabilities	(2,346,867)	(2,371,582)	(1,137,333)	(5,855,782)
Total endowment net assets	$ 271,105,939	68,354,105	133,295,485	472,755,529

Changes in endowment net assets for the year ended June 30, 2020:

	Without donor restrictions	With donor restrictions - time/purpose	With donor restrictions - perpetual	Total
Endowment net assets, beginning of year	$ 272,179,655	80,642,267	129,293,454	482,115,376
Investment return, net	3,429,929	4,086,866	725,164	8,241,959
Contributions	1,895,550	30,888	5,042,481	6,968,919
Other additions/transfers	68,200	(3,998,292)	—	(3,930,092)
Appropriation and distribution of endowment assets for expenditure	(6,467,395)	(12,407,624)	(1,765,614)	(20,640,633)
	$ 271,105,939	68,354,105	133,295,485	472,755,529

Net asset classification by type of endowment as of June 30, 2019:

	Without donor restrictions	With donor restrictions - time/purpose	With donor restrictions - perpetual	Total
Board-designated endowment funds:				
Contributions receivable, net	$ 1,638,792	—	—	1,638,792
Pooled endowment investments	265,804,207	—	—	265,804,207
Real asset investments	2,998,058	—	—	2,998,058
Property and equipment, net	4,083,123	—	—	4,083,123
Total board-designated endowment funds	274,524,180	—	—	274,524,180
Donor-restricted endowment funds:				
Contributions receivable, net	—	19,641,114	2,043,596	21,684,710
Pooled endowment investments:				
Original gift	—	10,551	79,486,716	79,497,267
Accumulated net gains and losses	—	59,519,476	—	59,519,476
Total pooled endowment investments	—	59,530,027	79,486,716	139,016,743
Investments under split interest agreements	—	3,634,892	2,027,052	5,661,944
Funds held in trust by others	—	—	46,354,060	46,354,060
Total donor-restricted endowment funds	—	82,806,033	129,911,424	212,717,457
Total endowment assets	274,524,180	82,806,033	129,911,424	487,241,637
Annuity and agency liabilities	(2,344,525)	(2,163,766)	(617,970)	(5,126,261)
Total endowment net assets	$ 272,179,655	80,642,267	129,293,454	482,115,376

(Continued)

Changes in endowment net assets for the year ended June 30, 2019:

		Without donor restrictions	With donor restrictions - time/purpose	With donor restrictions - perpetual	Total
Endowment net assets, beginning of year	$	261,144,836	82,376,886	124,023,194	467,544,916
Investment return, net		15,317,935	12,358,866	3,246,304	30,923,105
Contributions		1,868,027	(2,146,266)	3,732,509	3,454,270
Other additions/transfers		62,250	—	—	62,250
Appropriation and distribution of endowment assets for expenditure		(6,213,393)	(11,947,219)	(1,708,553)	(19,869,165)
	$	272,179,655	80,642,267	129,293,454	482,115,376

Appropriations and distributions of endowment assets for expenditure are summarized as follows for the years ended June 30:

		2020	2019
Scholarships and financial aid	$	8,456,851	8,111,844
Endowed chairs and faculty support		2,549,429	2,481,194
Operation/maintenance of facilities		1,950,576	1,900,590
Academic programs and student life		2,711,293	2,611,379
Other		4,972,484	4,764,158
	$	20,640,633	19,869,165

(6) Property and Equipment

As of June 30, property and equipment at cost and accumulated depreciation are summarized as follows:

		2020	2019
Land	$	11,441,495	11,441,495
Buildings and improvements		314,016,455	305,030,395
Capital leases and leasehold improvements		1,676,091	2,157,193
Equipment		23,542,566	23,911,910
Library books		11,219,999	11,322,017
Rare works		2,830,303	2,787,103
Construction in progress		1,398,504	5,437,646
		366,125,413	362,087,759
Less accumulated depreciation		170,760,657	161,574,177
	$	195,364,756	200,513,582

Depreciation expense totaled $11,782,966 and $11,699,855 for the years ended June 30, 2020 and 2019, respectively.

(7) Lease Commitments

The following is a schedule of future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of June 30, 2020:

2021	$	151,466
2022		9,087
Total minimum lease payments		160,553
Less amount representing interest		(1,667)
Present value of net minimum lease payments	$	158,886

The following is a schedule of future minimum lease payments under operating leases as of June 30, 2020:

2021	$	1,354,321
2022		983,687
2023		910,377
2024		631,571
2025		614,239
Thereafter		597,434
Total	$	5,091,629

Total rental expense for all operating leases was $1,689,251 and $2,097,015 for the years ended June 30, 2020 and 2019, respectively.

(8) Long-Term Debt

Long-term debt as of June 30 consists of the following:

		2020	2019
Cumberland County Municipal Authority Fixed Rate Revenue Bonds:			
Series 2012, maturing annually to 2042 in principal amounts ranging from $415,000 to $2,835,000 with interest rates ranging from 3.0% to 5.0%	$	32,675,000	33,255,000
Series 2016, maturing annually to 2034 in principal amounts ranging from $950,000 to $3,4550,000 with interest rates ranging from 2.0% to 5.0%		36,920,000	38,025,000
Series 2017, maturing annually to 2047 in principal amounts ranging from $310,000 to $4,700,000 with interest rates ranging from 3.0% to 5.0%		29,830,000	30,160,000
Second Series 2017A, maturing annually from 2037 to 2039 in principal amounts ranging from $2,930,000 to $3,230,000 with interest rates of 5.0%		9,235,000	9,235,000
Series 2018A, maturing annually to 2026 in principal amounts ranging from $970,000 to $1,240,000 with interest rates ranging from 3.0% to 5.0%		7,630,000	8,635,000
Unamortized bond premiums, net		14,234,893	15,482,424
Unamortized issuance costs, net		(1,069,479)	(1,155,686)
Total bonds payable		129,455,414	133,636,738
Notes payable		1,033,911	1,152,761
Total long-term debt	$	130,489,325	134,789,499

(a) Bonds Payable

The bond agreements contain restrictive covenants, which require the pledge of certain revenues as collateral for repayment and the maintenance of a minimum level of debt service coverage for new indebtedness. The College was compliant with all requirements for the years ended June 30, 2020 and 2019. All outstanding bond issues were issued based on the creditworthiness of the College.

The proceeds from all outstanding bond issues were used for capital projects or refinanced bond issues which were originally used for capital projects included in property, plant and equipment.

On September 6, 2012, the College issued $36,110,000 in tax-exempt bonds at a premium, resulting in effective yields to maturity between 0.58% and 4.39%. The proceeds of the sale of the Series 2012 bonds were used for payment of issuance costs and to finance the advance refunding of the Series 2003AA1 bonds and the current refunding of the Series 2009Q1 bonds, along with certain capital projects.

On March 31, 2016, the College issued $40,045,000 in tax-exempt bonds at a premium, resulting in effective yields to maturity between 0.54% and 3.64%. The proceeds of the sale of the Series 2016 bonds were used for payment of issuance costs and to finance the current refunding of the Series 2006FF1 bonds and the advance refunding of the Series 2007GG1 bonds.

On February 15, 2017, the College issued $30,785,000 in tax-exempt bonds at a premium, resulting in effective yields to maturity between 1.00% and 3.51%. The proceeds from the sale of the Series 2017 bonds were used for payment of issuance costs and to finance the current refunding of the Series 2007GG1 bonds, along with certain capital projects.

On December 27, 2017, the College issued $9,235,000 in tax-exempt bonds at a premium, resulting in an effective yield to maturity of 2.91%. The proceeds from the sale of the Second Series 2017A bonds were used for payment of issuance costs and to finance the advance refunding of the Series 2009HH1 bonds.

On February 27, 2018, the College issued $9,605,000 in tax-exempt bonds at a premium, resulting in effective yields to maturity between 1.47% and 2.41%. The proceeds from the sale of the Series 2018A bonds were used for payment of issuance costs and to finance the current refunding of the Series 2008 bonds.

The aggregate amount of maturities of bonds payable outstanding at June 30, 2020 is as follows:

2021	$	3,150,000
2022		3,300,000
2023		3,475,000
2024		3,630,000
2025		3,820,000
Thereafter		98,915,000
	$	116,290,000

(b) Notes Payable

In May 2017, the College entered into an improvement and maintenance agreement for certain College property included in property, plant and equipment, with quarterly payments scheduled through May 2027.

The aggregate amount of maturities of notes payable outstanding at June 30, 2020 is as follows:

2021	$	126,087
2022		133,627
2023		141,484
2024		149,669
2025		158,193
Thereafter		324,851
	$	1,033,911

(Continued)

(9) Net Assets

The following is a summary of net assets at June 30:

		2020	2019
Without donor restrictions:			
Board-designated endowment funds	$	271,105,939	272,179,655
Operating reserve funds		10,970,271	9,740,276
Plant and capital project funds		56,641,750	53,422,790
Other operating funds		19,157,675	24,563,774
Total net assets without donor restrictions		357,875,635	359,906,495
With donor restrictions:			
Donor-restricted endowment funds		201,649,590	209,935,721
Purpose and time restricted		4,155,315	5,074,470
Total net assets with donor restrictions		205,804,905	215,010,191
Total net assets	$	563,680,540	574,916,686

Net assets were released from donor-imposed restrictions for the years ended June 30, 2020 and 2019 for the following purposes:

		2020	2019
Program services	$	7,659,597	3,828,338
Construction or acquisition of fixed assets		806,806	343,712
Total net assets released from restrictions	$	8,466,403	4,172,050
Appropriations of investment return, net	$	12,028,912	11,586,103

(10) Retirement Benefits

Retirement benefits are provided for substantially all employees through the Teacher’s Insurance and Annuity Association and College Retirement Equities Fund (TIAA – CREF) and Fidelity. The College’s contribution to the fund during the years ended June 30, 2020 and 2019 was $4,131,642 and $4,186,584, respectively.

(11) Functional Expenses

The financial statements report certain categories of expenses that are attributable to one or more program or support functions of the College. Expenses reported by functional categories include allocations of costs for operation and maintenance of plant, institutional support for auxiliary operations, interest, depreciation and amortization and information technology. The College applies various methods to allocate costs among the program and support functions, including direct allocation, square footage and time and effort.

Expenses by functional and natural classification for the year ended June 30, 2020 were as follows:

	Education	Research	Auxiliary enterprises	Management and general	Operations and maintenance	Total
Salaries and wages	$ 35,192,646	352,591	5,820,300	13,010,951	3,966,259	58,342,747
Employee benefits	11,476,064	60,534	2,257,358	4,514,783	1,960,130	20,268,869
Supplies, services, other	13,703,912	482,648	8,465,636	1,697,827	2,368,117	26,718,140
Depreciation	6,754,722	223,154	3,389,396	624,946	790,748	11,782,966
Interest	2,838,995	639,022	1,140,914	44,632	—	4,663,563
Utilities	1,090,825	145,092	1,384,379	94,499	—	2,714,795
Operations and maintenance	3,966,626	597,756	4,021,108	499,764	(9,085,254)	—
	$ 75,023,790	2,500,797	26,479,091	20,487,402	—	124,491,080

Expenses by functional and natural classification for the year ended June 30, 2019 were as follows:

	Education	Research	Auxiliary enterprises	Management and general	Operations and maintenance	Total
Salaries and wages	$ 36,282,790	421,580	5,290,651	12,721,194	3,989,960	58,706,175
Employee benefits	11,521,193	75,453	2,171,893	4,348,455	1,938,649	20,055,643
Supplies, services, other	13,748,496	648,166	11,970,713	2,710,673	2,729,987	31,808,035
Depreciation	6,665,596	255,348	3,340,660	680,652	757,599	11,699,855
Interest	2,910,435	646,130	1,156,741	33,784	—	4,747,090
Utilities	1,098,064	149,460	1,571,277	117,215	—	2,936,016
Operations and maintenance	4,028,247	789,294	4,034,579	564,075	(9,416,195)	—
	$ 76,254,821	2,985,431	29,536,514	21,176,048	—	129,952,814

Education includes the College's primary program service of instruction along with supporting expenses reported under academic support and student services. Auxiliary enterprises include expenses relating to the generation of room and board revenue along with other auxiliary enterprises which are reported under other income on the statements of activities.

Capitalized interest totaled $115,657 and $74,787 for the years ended June 30, 2020 and 2019, respectively.

(Continued)

(12) Contingencies and Commitments

At June 30, 2020 and 2019, open contracts for the construction of physical properties amounted to $383,222 and $1,900,450, respectively.

The College is involved in certain claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the College's financial position.

(13) Subsequent Events

The College has evaluated subsequent events from June 30, 2020 and through October 23, 2020, the date the financial statements were issued.

In July 2020, the College announced the decision to begin the 2020-2021 academic year with remote instruction for the fall 2020 semester. The College continues to monitor the progression of COVID-19 and state and local government directives to determine if in-person instruction in spring 2021 will return as intended.

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Independent Auditors' Report on Supplemental Information

The Board of Trustees
Dickinson College:

We have audited the financial statements of Dickinson College as of and for the year ended June 30, 2020, and have issued our report thereon dated October 23, 2020 which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. We have not performed any procedures with respect to the audited financial statements subsequent to October 23, 2020.

The supplementary information included in the Supplemental Schedule is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as whole.

KPMG LLP

Harrisburg, Pennsylvania
October 23, 2020

DICKINSON COLLEGE

Supplemental Schedule

Year ended June 30, 2020

	Current operations	Other unrestricted	Without donor restrictions	With donor restrictions	Total
Revenues:					
Student charges, net	$ 82,707,299	(249,215)	82,458,084	—	82,458,084
Contributions	2,383,087	1,895,550	4,278,637	6,478,000	10,756,637
Grants and appropriations	638,742	2,651,539	3,290,281	—	3,290,281
Investment return, net	479,859	3,601,251	4,081,110	3,471,910	7,553,020
Appropriations of investment return, net	16,791,029	(4,762,117)	12,028,912	(12,028,912)	—
Change in value of split-interest agreements	—	29,117	29,117	1,340,119	1,369,236
Other income	7,097,627	730,049	7,827,676	—	7,827,676
Net assets released from restrictions	606,967	7,859,436	8,466,403	(8,466,403)	—
Total revenues	110,704,610	11,755,610	122,460,220	(9,205,286)	113,254,934
Expenses:					
Education	63,990,779	11,033,011	75,023,790	—	75,023,790
Research	1,859,180	641,617	2,500,797	—	2,500,797
Auxiliary enterprises	26,082,031	397,060	26,479,091	—	26,479,091
Management and general	14,526,618	5,960,784	20,487,402	—	20,487,402
Total expenses	106,458,608	18,032,472	124,491,080	—	124,491,080
Change in net assets before additions to reserves	4,246,002	(6,276,862)	(2,030,860)	(9,205,286)	(11,236,146)
Additions to reserves	(4,246,002)	4,246,002	—	—	—
Change in net assets	—	(2,030,860)	(2,030,860)	(9,205,286)	(11,236,146)
Net assets:					
Beginning of year	—	359,906,495	359,906,495	215,010,191	574,916,686
End of year	$ —	357,875,635	357,875,635	205,804,905	563,680,540

See accompanying independent auditors' report and note to the supplemental schedule.

DICKINSON COLLEGE

Note to Supplemental Schedule

June 30, 2020

(1) Components of Activities Without Donor Restrictions

In the supplemental schedule, activities without donor restrictions are broken out by current operations and other unrestricted. The current operations column includes activity presented on the same basis as Dickinson College's operating budget. Other unrestricted includes all other activities that are classified as without donor restrictions.