DICKINSON COLLEGE

Consolidated Financial Statements and Supplemental Schedule

June 30, 2021 and 2020

(With Independent Auditors’ Report Thereon)

DICKINSON COLLEGE

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KPMG LLP
Suite 1000
30 North Third Street
Harrisburg, PA 17101

Independent Auditors' Report

The Board of Trustees
Dickinson College:

We have audited the accompanying consolidated financial statements of Dickinson College and its subsidiaries, which comprise the consolidated statements of financial position as of June 30, 2021 and 2020, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Dickinson College as of June 30, 2021 and 2020, 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 consolidated financial statements, Dickinson College and its subsidiaries changed its method of accounting for leases as of July 1, 2020, due to the adoption of Accounting Standards Update 2016-02, Leases (Topic 842) and related amendments. Our opinion is not modified with respect to this matter.

KPMG LLP

Harrisburg, Pennsylvania
November 2, 2021

DICKINSON COLLEGE

Consolidated Statements of Financial Position

June 30, 2021 and 2020

Assets		**2021**	**2020**
Cash and cash equivalents	$	19,001,392	22,788,739
Accounts and other receivables, net		4,205,867	3,120,092
Inventories, prepaid expenses, and other assets		8,284,578	2,358,752
Contributions receivable, net		22,553,944	21,851,939
Loans receivable, net		6,410,315	6,931,301
Investments		556,576,822	423,112,425
Investments under split interest agreements		6,621,011	5,448,964
Deposits with trustees under debt agreements		17	945,671
Property and equipment, net		189,262,417	195,364,756
Funds held in trust by others		53,473,392	45,500,953
Total assets	$	866,389,755	727,423,592
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued expenses	$	15,843,897	8,249,000
Student deposits and deferred revenue		3,764,684	6,816,775
Line of credit		—	10,000,000
Funds held in custody for others		3,360,099	2,563,115
Annuities payable		3,279,015	3,508,915
U.S. government advances refundable		1,480,412	1,957,036
Obligations under finance leases		727,761	158,886
Long-term debt		126,098,274	130,489,325
Total liabilities		154,554,142	163,743,052
Net assets:			
Without donor restrictions		428,254,069	357,875,635
With donor restrictions		283,581,544	205,804,905
Total net assets		711,835,613	563,680,540
Total liabilities and net assets	$	866,389,755	727,423,592

See accompanying notes to consolidated financial statements.

DICKINSON COLLEGE

Consolidated Statement of Activities

Year ended June 30, 2021
(with comparative totals for 2020)

	2021			
	Without donor restrictions	**With donor restrictions**	**Total**	**2020 Total**
Revenues:				
Student charges, net	$ 57,020,336	—	57,020,336	82,458,084
Contributions	3,700,123	10,653,530	14,353,653	10,756,637
Grants and appropriations	6,421,524	—	6,421,524	3,290,281
Investment return, net	85,897,051	87,308,723	173,205,774	7,553,020
Appropriations of investment return, net	12,719,724	(12,719,724)	—	—
Change in value of split-interest agreements	29,117	1,764,417	1,793,534	1,369,236
Other income	3,548,284	—	3,548,284	7,827,676
Net assets released from restrictions	9,230,307	(9,230,307)	—	—
Total revenues	178,566,466	77,776,639	256,343,105	113,254,934
Expenses:				
Education	67,567,831	—	67,567,831	75,023,790
Research	2,152,267	—	2,152,267	2,500,797
Auxiliary enterprises	19,711,104	—	19,711,104	26,479,091
Management and general	18,756,830	—	18,756,830	20,487,402
Total expenses	108,188,032	—	108,188,032	124,491,080
Change in net assets	70,378,434	77,776,639	148,155,073	(11,236,146)
Net assets:				
Beginning of year	357,875,635	205,804,905	563,680,540	574,916,686
End of year	$ 428,254,069	283,581,544	711,835,613	563,680,540

See accompanying notes to consolidated financial statements.

DICKINSON COLLEGE

Consolidated Statement of Activities

Year ended June 30, 2020

	2020		
	Without donor restrictions	**With donor restrictions**	**Total**
Revenues:			
Student charges, net	$ 82,458,084	—	82,458,084
Contributions	4,278,637	6,478,000	10,756,637
Grants and appropriations	3,290,281	—	3,290,281
Investment return, net	4,081,110	3,471,910	7,553,020
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
Other income	7,827,676	—	7,827,676
Net assets released from restrictions	8,466,403	(8,466,403)	—
Total revenues	122,460,220	(9,205,286)	113,254,934
Expenses:			
Education	75,023,790	—	75,023,790
Research	2,500,797	—	2,500,797
Auxiliary enterprises	26,479,091	—	26,479,091
Management and general	20,487,402	—	20,487,402
Total expenses	124,491,080	—	124,491,080
Change in net assets	(2,030,860)	(9,205,286)	(11,236,146)
Net assets:			
Beginning of year	359,906,495	215,010,191	574,916,686
End of year	$ 357,875,635	205,804,905	563,680,540

See accompanying notes to consolidated financial statements.

DICKINSON COLLEGE

Consolidated Statements of Cash Flows

Years ended June 30, 2021 and 2020

		2021	2020
Cash flows from operating activities:			
Change in net assets	$	148,155,073	(11,236,146)
Adjustments to reconcile change in net assets to net cash used in operating activities:			
Depreciation		10,137,784	11,782,966
Amortization of bond issuance costs		82,970	86,207
Amortization of bond premium		(1,203,377)	(1,247,531)
Gain on disposition of fixed assets		(125)	(488,324)
Net realized and unrealized gains on investments		(165,717,989)	(7,287,272)
Change in value of funds held in trust by others		(7,972,439)	853,107
Change in allowance for loan loss		(35,117)	(61,009)
Gifts received for permanently restricted net assets and capital projects		(2,521,359)	(5,212,581)
Change in assets and liabilities:			
Accounts and other receivables, net		(1,085,775)	585,539
Inventories, prepaid expenses, and other assets		(5,925,826)	1,104,371
Contributions receivable		(702,005)	3,503,633
Accounts payable and accrued expenses		6,901,881	(3,090,782)
Student deposits and deferred revenue		(3,052,091)	3,765,561
Funds held in custody for others		796,984	43,433
Total adjustments		(170,296,484)	4,337,318
Net cash used in operating activities		(22,141,411)	(6,898,828)
Cash flows from investing activities:			
Proceeds from sales of investments		148,911,834	88,644,787
Purchase of investments		(117,830,289)	(85,743,674)
Purchase of property and equipment		(2,435,398)	(5,943,891)
Proceeds from sale of property and equipment		125	488,534
Student loans collected		1,381,997	1,307,595
Student loans advanced		(825,894)	(1,266,429)
Net cash provided by (used in) investing activities		29,202,375	(2,513,078)
Cash flows from financing activities:			
Proceeds from issuance of line of credit		—	10,000,000
Payments on line of credit		(10,000,000)	—
Payments on long-term debt – scheduled		(3,270,644)	(3,138,850)
Change in deposits with trustees under debt agreements		945,654	272,715
Principal payments under finance lease obligation		(338,156)	(354,189)
Gifts received for permanently restricted net assets and capital projects		2,521,359	5,212,581
Changes in annuities payable		(229,900)	727,179
Change in U.S. government advances refundable		(476,624)	(635,213)
Net cash (used in) provided by financing activities		(10,848,311)	12,084,223
Net (decrease) increase in cash and cash equivalents		(3,787,347)	2,672,317
Cash and cash equivalents:			
Beginning of year		22,788,739	20,116,422
End of year	$	19,001,392	22,788,739
Supplemental disclosure of cash flow information:			
Cash paid during the year for interest	$	5,936,088	5,952,347
Supplemental disclosure of noncash activities:			
Assets acquired related to finance leases	$	907,031	—
Purchase of property and equipment included in accounts payable		693,016	690,459

See accompanying notes to consolidated 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 College owns and operates several study abroad programs, which can be considered separate entities for tax purposes. These entities are included in the accompanying consolidated financial statements of the College. All significant intercompany balances and transactions have been eliminated in consolidation.

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

(a) Basis of Presentation

The consolidated 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 consolidated 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 consolidated 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.

(Continued)

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.

(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 consolidated 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 7.0% and 3.7% of the total amounts billed for the fiscal years ended June 30, 2021 and 2020, 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:

		2021	2020
Tuition and fees	$	104,348,200	117,269,068
Room and board		7,899,817	22,662,944
Gross student charges		112,248,017	139,932,012
Student aid		(55,227,681)	(57,473,928)
Student charges, net	$	57,020,336	82,458,084

(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 consolidated statements of activities.

Revenues from auxiliary enterprises can be recognized at a point in time or over a period, 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 consolidated 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 the student deposits and deferred revenue balance related to contracts with customers of $1,378,278 on June 30, 2020 was recognized into revenue during fiscal year 2021. The balance of student deposits and deferred revenue related to contracts of $2,259,278 on June 30, 2021, less any refunds issued, will be recognized as revenue over the academic year as services are rendered.

Many students had net credit balances on their accounts due to the room and board refunds noted in part (i). Student account credit balances of $585,340 and $4,175,089 were reclassified from accounts and other receivables, net to student deposits and deferred revenue as of June 30, 2021 and 2020, respectively, and will offset student charges for future semesters.

(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. On June 30, 2021 and 2020, 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.

(Continued)

(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 consolidated 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.

On June 30, 2021 and 2020, $19,424,820 and $17,495,144, 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 1.9% and 2.0% for the years ended June 30, 2021 and 2020, respectively.

Direct fundraising expenses for the years ended June 30, 2021 and 2020 were $4,337,735 and $4,868,076, respectively, and are included in management and general expenses in the consolidated statements of activities.

(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 $244,313 and $279,430 on June 30, 2021 and 2020, 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 consolidated 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 1.2% and 0.6% as of June 30, 2021 and 2020, respectively. Contributions arising from annuities and life income funds amounted to $10,998 and $512,300 for the years ended June 30, 2021 and 2020, 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 $2,375,499 and $2,499,701 as of June 30, 2021 and 2020, 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 consolidated 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 $47,976,770 and $40,964,513 on June 30, 2021 and 2020, 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	5–50
Equipment	3–15
Library books	10

Leasehold improvements and assets under finance 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, 2021 and 2020.

(h) Operating Leases

(i) Policy Applicable Beginning July 1, 2020

The College accounts for leases in accordance with Topic 842, Leases. The College determines if an arrangement is or contains a lease at contract inception. Where an arrangement is a lease, the College determines if it is an operating lease or a finance lease. Subsequently, if the arrangement is modified, the College reevaluates the classification. The College recognizes a right-of-use asset and a lease liability for all leases with an initial term greater than 12 months at the lease commencement date. Lease liabilities represent the present value of the future lease payments over the expected lease term, which includes options to extend or terminate the lease when it is reasonably certain those options will be exercised. The present value of the lease liability is determined using a risk-free rate at lease inception. The College recognizes lease expense on a straight-line basis over the lease term.

(i) 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.

(Continued)

(j) 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 consolidated financial statements for the years ended June 30, 2021 or 2020.

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, 2021 and 2020, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the consolidated financial statements.

(k) Use of Estimates

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

(l) Risks and Uncertainties

Investments consist of a wide variety of financial instruments. The related values, as presented in the consolidated 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.

(m) Recently Adopted Accounting Standards

In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. ASU 2016-02 requires recognition of rights and obligations arising from lease contracts as assets and liabilities on the consolidated statements of financial position and requires expanded qualitative and quantitative disclosures. The College adopted ASU 2016-02 on the modified retrospective basis effective July 1,2020. The College's right-of-use assets and lease liabilities for operating leases at adoption were $7,283,872 and $7,464,263, respectively and are included with *inventories, prepaid* *expenses, and other assets* and *accounts payable and accrued expenses,* on the consolidated statements of financial position. There was no impact to opening net assets as a result of the adoption.

(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.

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 to reconcile to the amounts reported on the consolidated 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.

(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.

(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.

(Continued)

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 consolidated statements of financial position.

	June 30, 2021			
	Level 1	**Level 2**	**Level 3**	**Total**
Investments:				
Cash equivalents	$ 9,926,182	—	—	9,926,182
Futures	36,102	—	—	36,102
Fixed income	33,585,649	—	—	33,585,649
Equities	14,164,803	—	—	14,164,803
Real estate	—	6,005,054	—	6,005,054
Investments recorded at NAV	—	—	—	492,859,032
Total investments	57,712,736	6,005,054	—	556,576,822
Investments under split-interest agreements:				
Cash and cash equivalents	40,259	—	—	40,259
Fixed income	1,558,193	—	—	1,558,193
Equities	5,022,559	—	—	5,022,559
Total investments under split-interest agreements	6,621,011	—	—	6,621,011
Other assets:				
Contributions receivable	—	—	22,553,944	22,553,944
Deposits with trustees under debt agreements	17	—	—	17
Funds held in trust by others	—	—	53,473,392	53,473,392
Total	$ 64,333,764	6,005,054	76,027,336	639,225,186

	June 30, 2020			
	Level 1	**Level 2**	**Level 3**	**Total**
Investments:				
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

(Continued)

	June 30, 2020			
	Level 1	Level 2	Level 3	Total
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

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, 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
Additions	—	690,407	690,407
Net unrealized gains (losses)	9,793,832	1,929,676	11,723,508
Payments	(1,821,393)	(2,004,518)	(3,825,911)
Other changes	—	86,440	86,440
Fair value, June 30, 2021	$ 53,473,392	22,553,944	76,027,336

Transfers between levels occur when there is a change in the observability of significant inputs. A transfer between Level 1 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.

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

	June 30, 2021				
	NAV	**Unfunded commitments**	**Redemption frequency**	**Redemption notice**	**Redemption notes**
Long-term investment strategies:					
Hedge funds	$ 276,505,144	—	Monthly to quarterly	90–120 days	—
Private equity funds	216,353,888	157,629,612	N/A	N/A	Illiquid (1)
	$ 492,859,032	157,629,612			

(1) – Private Equity funds will terminate once all underlying investments are liquidated or the partnership is dissolved, as determined by the investment manager.

	June 30, 2020				
	NAV	**Unfunded commitments**	**Redemption frequency**	**Redemption notice**	**Redemption notes**
Long-term investment strategies:					
Hedge funds	$ 224,966,629	—	Monthly to quarterly	90–120 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.

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 Orrstown Bank and a $20,000,000 line of credit with M&T Bank, which are due annually in June. There was no outstanding balance on either line of credit as of June 30, 2021. $10,000,000 was outstanding on a Wells Fargo line of credit as of June 30, 2020 at LIBOR plus an applicable rate and was included in financial assets available to meet cash needs for general expenditures within one year below.

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

		2021	2020
Cash and cash equivalents	$	19,001,392	22,788,739
Accounts and contributions receivable		26,759,811	24,972,031
Investments and funds held in trust by others		616,671,225	474,062,342
Deposits with trustees under debt agreements		17	945,671
Total financial assets		662,432,445	522,768,783
Less:			
Cash and investments held in operating reserves		(5,384,416)	(10,970,271)
Receivables scheduled to be collected in more than one year		(21,176,530)	(21,141,890)
Investments held in split-interest reserves		(2,375,499)	(2,499,701)
Pooled endowment investments and funds held in trust by others, net of appropriations over the next 12 months		(577,273,769)	(424,012,582)
Other investments		(6,005,054)	(5,736,854)
Deposits with trustees under debt agreements		(17)	(945,671)
Financial assets available to meet cash needs for general expenditures within one year	$	50,217,160	57,461,814

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

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 consolidated statements of financial position. The College also had $352,258,142 and $271,105,939 in board-designated endowment net assets as of June 30, 2021 and 2020, 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.

(Continued)

Investment liquidity, including investments under split-interest agreements, as of June 30, 2021 is aggregated below based on redemption or sale period:

Daily	$	70,338,802
Monthly		84,824,217
Quarterly		191,680,925
Illiquid		216,353,889
	$	563,197,833

(4) Contributions Receivable

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

		2021	2020
Contributions receivable expected to be collected in:			
Less than one year	$	980,460	1,204,276
One year to five years		6,686,064	7,458,231
Over five years		17,981,873	16,733,045
		25,648,397	25,395,552
Less discount		(2,974,870)	(3,357,883)
Allowance for uncollectible contributions receivable		(119,583)	(185,730)
	$	22,553,944	21,851,939

(5) Endowments

The College's endowment consists of approximately 950 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 $546,565,555 and $399,888,561 on June 30, 2021 and 2020, 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. There were no deficiencies of this nature as of June 30, 2021. 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. 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.

(Continued)

(f) Net Asset Classifications of Endowment Funds

Net asset classification by type of endowment as of June 30, 2021:

	Without donor restrictions	With donor restrictions – time/purpose	With donor restrictions – perpetual	Total
Board-designated endowment funds:				
Contributions receivable, net	$ 1,383,182	—	—	1,383,182
Pooled endowment investments	346,280,785	—	—	346,280,785
Real asset investments	3,310,775	—	—	3,310,775
Property and equipment, net	4,426,523	—	—	4,426,523
Total board-designated endowment funds	355,401,265	—	—	355,401,265
Donor-restricted endowment funds:				
Contributions receivable, net	—	19,424,820	1,191,835	20,616,655
Pooled endowment investments:				
Original gift	—	—	87,624,312	87,624,312
Accumulated net gains and losses	—	112,660,458	—	112,660,458
Total pooled endowment investments	—	112,660,458	87,624,312	200,284,770
Investments under split interest agreements	—	4,112,470	2,508,541	6,621,011
Funds held in trust by others	—	—	53,473,392	53,473,392
Total donor-restricted endowment funds	—	136,197,748	144,798,080	280,995,828
Total endowment assets	355,401,265	136,197,748	144,798,080	636,397,093
Annuity and agency liabilities	(3,143,123)	(2,251,708)	(1,027,307)	(6,422,138)
Total endowment net assets	$ 352,258,142	133,946,040	143,770,773	629,974,955

(Continued)

Changes in endowment net assets for the year ended June 30, 2021:

	Without donor restrictions	With donor restrictions – time/purpose	With donor restrictions – perpetual	Total
Endowment net assets, beginning of year	$ 271,105,939	68,354,105	133,295,485	472,755,529
Investment return, net	85,682,465	78,729,705	10,343,436	174,755,606
Contributions	1,702,098	(686)	1,931,358	3,632,770
Other additions/transfers	310,200	(23,832)	—	286,368
Appropriation of endowment assets for expenditure	(10,473,703)	(13,113,836)	(1,821,392)	(25,408,931)
Reinvested appropriations	3,931,143	584	21,886	3,953,613
	$ 352,258,142	133,946,040	143,770,773	629,974,955

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

(Continued)

	Without donor restrictions	With donor restrictions – time/purpose	With donor restrictions – perpetual	Total
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 of endowment assets for expenditure	(10,120,731)	(12,408,174)	(1,778,331)	(24,307,236)
Reinvested appropriations	3,653,336	550	12,717	3,666,603
	$ 271,105,939	68,354,105	133,295,485	472,755,529

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

	2021	2020
Scholarships and financial aid	$ 8,905,250	8,456,851
Endowed chairs and faculty support	2,617,688	2,549,429
Operation/maintenance of facilities	1,993,166	1,950,576
Academic programs and student life	2,716,416	2,711,293
Other	5,222,798	4,972,484
	$ 21,455,318	20,640,633

(6) Property and Equipment

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

		2021	2020
Land	$	11,441,495	11,441,495
Buildings and improvements		314,965,465	314,016,455
Finance leases and leasehold improvements		1,327,491	1,676,091
Equipment		23,679,239	23,542,566
Library books		11,144,535	11,219,999
Rare works		3,130,503	2,830,303
Construction in progress		2,315,663	1,398,504
		368,004,391	366,125,413
Less accumulated depreciation		178,741,974	170,760,657
	$	189,262,417	195,364,756

Depreciation expense totaled $10,137,784 and $11,782,966 for the years ended June 30, 2021 and 2020, respectively.

(7) Lease Commitments

As noted in note 1, the College adopted ASU 2016-02, *Leases (Topic 842*) effective July 1, 2020 using the optional modified retrospective transition method; accordingly, the comparative information as of June 30, 2020 has not been adjusted and continues to be reported under the previous lease standard.

Under the new lease standard, assets and liabilities that arise from all leases are required to be recognized on the consolidated statements of financial position for lessees. Previously, only capital leases, which are now referred to as finance leases, were recorded on the consolidated statements of financial position.

The College is a lessee for 21 operating leases, primarily related to real estate. These leases have an average remaining lease term of 2.8 years, some of which include an option to extend or terminate, and were calculated using a weighted average discount rate of 1.12%. Operating leases right-of-use assets and liabilities as of June 30, 2021 were $5,791,006 and $5,940,015, respectively. The College generally does not include renewal or termination options in the assessment of the leases unless extension or termination for certain assets is deemed to be reasonably certain.

(Continued)

The following is a schedule of future minimum lease payments under finance leases together with the present value of the net minimum lease payments as of June 30, 2021:

2022	$	237,001
2023		227,914
2024		227,914
2025		37,986
Total minimum lease payments		730,815
Less amount representing interest		(3,054)
Present value of net minimum lease payments	$	727,761

The following table summarizes the maturity of the College's operating lease liabilities as of June 30, 2021:

2022	$	1,469,947
2023		1,443,114
2024		1,071,799
2025		978,530
2026		937,962
Thereafter		38,663
Total	$	5,940,015

Total rental expense for all operating leases was $1,756,053 and $1,689,251 for the years ended June 30, 2021 and 2020, respectively.

(8) Long-Term Debt

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

		2021	2020
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%	$	32,055,000	32,675,000
Series 2016, maturing annually to 2034 in principal amounts ranging from $950,000 to $3,455,000 with interest rates ranging from 2.0% to 5.0%		35,770,000	36,920,000
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%		29,490,000	29,830,000

		2021	2020
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%		6,590,000	7,630,000
Unamortized bond premiums, net		13,031,516	14,234,893
Unamortized issuance costs, net		(986,509)	(1,069,479)
Total bonds payable		125,185,007	129,455,414
Notes payable		913,267	1,033,911
Total long-term debt	$	126,098,274	130,489,325

(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, 2021 and 2020. All outstanding bond issues were issued based on the creditworthiness of the College.

The proceeds from 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 maturities of bonds payable outstanding on June 30, 2021 are as follows:

2022	$	3,300,000
2023		3,475,000
2024		3,630,000
2025		3,820,000
2026		4,000,000
Thereafter		94,915,000
	$	113,140,000

(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 maturities of notes payable outstanding on June 30, 2021 are as follows:

2022	$	139,070
2023		141,484
2024		149,669
2025		158,193
2026		167,070
Thereafter		157,781
	$	913,267

(9) Net Assets

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

		2021	2020
Without donor restrictions:			
Board-designated endowment funds	$	352,258,142	271,105,939
Operating reserve funds		5,384,416	10,970,271
Plant and capital project funds		53,503,774	56,641,750
Other operating funds		17,107,737	19,157,675
Total net assets without donor restrictions		428,254,069	357,875,635
With donor restrictions:			
Donor-restricted endowment funds		277,716,813	201,649,590
Purpose and time restricted		5,864,731	4,155,315
Total net assets with donor restrictions		283,581,544	205,804,905
Total net assets	$	711,835,613	563,680,540

Net assets were released from donor-imposed restrictions for the years ended June 30, 2021 and 2020 for the following purposes:

		2021	2020
Program services	$	8,513,081	7,659,597
Construction or acquisition of fixed assets		717,226	806,806
Total net assets released from restrictions	$	9,230,307	8,466,403
Appropriations of investment return, net	$	12,719,724	12,028,912

(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, 2021 and 2020 was $1,619,787 and $4,131,642, respectively.

(11) Functional Expenses

The consolidated 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 operations 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.

(Continued)

Expenses by functional and natural classification for the year ended June 30, 2021 were as follows:

	Education	Research	Auxiliary enterprises	Management and general	Operations and maintenance	Total
Salaries and wages	$ 32,440,210	396,768	4,517,714	12,008,567	3,572,923	52,936,182
Employee benefits	10,681,648	68,590	2,059,113	4,174,709	1,845,033	18,829,093
Supplies, services, other	9,994,086	250,781	4,430,229	1,420,307	3,550,503	19,645,906
Depreciation	6,129,735	160,632	2,539,255	520,863	787,299	10,137,784
Interest	2,831,382	629,887	1,173,284	146,623	—	4,781,176
Utilities	814,026	99,586	879,905	64,374	—	1,857,891
Operations and maintenance	4,676,744	546,023	4,111,604	421,387	(9,755,758)	—
	$ 67,567,831	2,152,267	19,711,104	18,756,830	—	108,188,032

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

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 $0 and $115,657 for the years ended June 30, 2021 and 2020, respectively.

(12) Contingencies and Commitments

On June 30, 2021 and 2020, open contracts for the construction of physical properties amounted to $910,630 and $383,222, 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, 2021 and through November 2, 2021, the date the consolidated financial statements were issued.

KPMG LLP
Suite 1000
30 North Third Street
Harrisburg, PA 17101

Independent Auditors' Report on Supplemental Information

The Board of Trustees
Dickinson College:

We have audited the consolidated financial statements of Dickinson College as of and for the years ended June 30, 2021 and 2020, and have issued our report thereon dated November 2, 2021 which contained an unmodified opinion on those consolidated financial statements. Our audit was performed for the purpose of forming an opinion on the consolidated financial statements as a whole. We have not performed any procedures with respect to the audited consolidated financial statements subsequent to November 2, 2021.

The supplementary information included in the Supplemental Schedule is presented for the purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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
November 2, 2021

DICKINSON COLLEGE

Supplemental Schedule

Year ended June 30, 2021

	Current operations	Other unrestricted	Without donor restrictions	With donor restrictions	Total
Revenues:					
Student charges, net	$ 57,195,446	(175,110)	57,020,336	—	57,020,336
Contributions	1,998,025	1,702,098	3,700,123	10,653,530	14,353,653
Grants and appropriations	678,812	5,742,712	6,421,524	—	6,421,524
Investment return, net	113,559	85,783,492	85,897,051	87,308,723	173,205,774
Appropriations of investment return, net	17,500,068	(4,780,344)	12,719,724	(12,719,724)	—
Change in value of split-interest agreements	—	29,117	29,117	1,764,417	1,793,534
Other income	3,362,122	186,162	3,548,284	—	3,548,284
Net assets released from restrictions	5,680,449	3,549,858	9,230,307	(9,230,307)	—
Total revenues	86,528,481	92,037,985	178,566,466	77,776,639	256,343,105
Expenses:					
Education	52,040,871	15,526,960	67,567,831	—	67,567,831
Research	1,665,345	486,922	2,152,267	—	2,152,267
Auxiliary enterprises	16,662,590	3,048,514	19,711,104	—	19,711,104
Management and general	11,630,297	7,126,533	18,756,830	—	18,756,830
Total expenses	81,999,103	26,188,929	108,188,032	—	108,188,032
Change in net assets before additions to reserves	4,529,378	65,849,056	70,378,434	77,776,639	148,155,073
Additions to reserves	(4,529,378)	4,529,378	—	—	—
Change in net assets	—	70,378,434	70,378,434	77,776,639	148,155,073
Net assets:					
Beginning of year	—	357,875,635	357,875,635	205,804,905	563,680,540
End of year	$ —	428,254,069	428,254,069	283,581,544	711,835,613

See accompanying note to supplemental schedule.

KPMG

DICKINSON COLLEGE

Note to Supplemental Schedule

June 30, 2021

(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.