



**POMONA COLLEGE**

Financial Statements

June 30, 2021 and 2020

(With Independent Auditors' Report Thereon)

# POMONA COLLEGE

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## Independent Auditors' Report

The Board of Trustees  
Pomona College:

### Report on the Financial Statements

We have audited the accompanying financial statements of Pomona College (the College), which comprise the statements of financial position as of June 30, 2021 and 2020, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 the 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.



*Other Matter*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Supplementary Schedule of Financial Responsibility Data as of and for the year ended June 30, 2021 is presented for purposes of additional analysis, as required by the U.S. Department of Education, 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 Supplementary Schedule of Financial Responsibility Data is fairly stated, in all material respects, in relation to the financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2021 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

**KPMG LLP**

Irvine, California  
December 20, 2021

**POMONA COLLEGE**

Statements of Financial Position

June 30, 2021 and 2020

(In thousands of dollars)

<b>Assets</b>	<b>2021</b>	<b>2020</b>
Cash and cash equivalents	\$ 2,444	3,341
Accounts and other receivables, net	4,080	5,810
Prepaid expenses and deposits	2,307	2,123
Short-term investments	121,604	157,690
Contributions receivable, net	23,134	30,179
Notes receivable, net	9,291	9,933
Long-term investments:		
Pooled	3,208,585	2,389,895
Separately invested	147,529	138,266
Property, plant, and equipment, net	413,286	417,109
Total assets	\$ <u>3,932,260</u>	<u>3,154,346</u>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable	\$ 8,733	4,389
Accrued payroll and other liabilities	22,854	23,138
Life income and annuities obligation	127,339	119,299
Line of credit loan	—	65,000
Long-term debt	245,746	221,687
Government advances for student loans	961	1,169
Funds held in trust for others	16,523	14,846
Total liabilities	<u>422,156</u>	<u>449,528</u>
Net assets:		
Without donor restrictions	1,626,421	1,278,943
With donor restrictions	1,883,683	1,425,875
Total net assets	<u>3,510,104</u>	<u>2,704,818</u>
Total liabilities and net assets	\$ <u>3,932,260</u>	<u>3,154,346</u>

See accompanying notes to financial statements.

**POMONA COLLEGE**

Statement of Activities

Year ended June 30, 2021

(In thousands of dollars)

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Revenues, gains, and other support:			
Student revenues net (includes student financial aid of \$43,303)	\$ 32,989	—	32,989
Federal grants and contracts	4,540	—	4,540
Private gifts and grants	7,055	12,707	19,762
Private contracts	136	—	136
Pooled income appropriated for operations	102,704	—	102,704
Sales and services of education departments	2,760	—	2,760
Other revenues	386	—	386
	<u>150,570</u>	<u>12,707</u>	<u>163,277</u>
Net assets released or transferred from donor restrictions	<u>66,961</u>	<u>(66,961)</u>	<u>—</u>
Total revenues, gains, and other support	<u>217,531</u>	<u>(54,254)</u>	<u>163,277</u>
Expenses:			
Instruction	61,621	—	61,621
Research	1,885	—	1,885
Public service	885	—	885
Academic support	18,382	—	18,382
Student services	20,629	—	20,629
Institutional support	31,668	—	31,668
Auxiliary enterprises	21,743	—	21,743
Total expenses	<u>156,813</u>	<u>—</u>	<u>156,813</u>
Increase (decrease) in net assets from operating activities	<u>60,718</u>	<u>(54,254)</u>	<u>6,464</u>
Nonoperating activities:			
Net realized and unrealized gains on investments	398,500	504,413	902,913
Net investment income	4,974	11,834	16,808
Pooled income appropriated for operations	(102,704)	—	(102,704)
Pooled income appropriated for annuities	(3,574)	(1,911)	(5,485)
Changes in actuarially determined gift liabilities	12,246	(309)	11,937
Other actuarial adjustments	177	—	177
Annuity and life income funds released and liquidated	(1,235)	(1,965)	(3,200)
Loss on retirement of debt	(22,034)	—	(22,034)
Other	410	—	410
Change in net assets from nonoperating activities	<u>286,760</u>	<u>512,062</u>	<u>798,822</u>
Change in net assets	<u>347,478</u>	<u>457,808</u>	<u>805,286</u>
Net assets, beginning of year	<u>1,278,943</u>	<u>1,425,875</u>	<u>2,704,818</u>
Net assets, end of year	<u>\$ 1,626,421</u>	<u>1,883,683</u>	<u>3,510,104</u>

See accompanying notes to financial statements.

**POMONA COLLEGE**

Statement of Activities

Year ended June 30, 2020

(In thousands of dollars)

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Revenues, gains, and other support:			
Student revenues net (includes student financial aid of \$49,734)	\$ 62,108	—	62,108
Federal grants and contracts	1,916	—	1,916
Private gifts and grants	7,100	11,334	18,434
Private contracts	763	—	763
Pooled income appropriated for operations	99,987	—	99,987
Sales and services of education departments	3,188	28	3,216
Other revenues	553	8	561
	<u>175,615</u>	<u>11,370</u>	<u>186,985</u>
Net assets released or transferred from donor restrictions	<u>73,028</u>	<u>(73,028)</u>	<u>—</u>
Total revenues, gains, and other support	<u>248,643</u>	<u>(61,658)</u>	<u>186,985</u>
Expenses:			
Instruction	67,791	—	67,791
Research	3,028	—	3,028
Public service	1,181	—	1,181
Academic support	19,345	—	19,345
Student services	23,277	—	23,277
Institutional support	32,940	—	32,940
Auxiliary enterprises	31,239	—	31,239
Total expenses	<u>178,801</u>	<u>—</u>	<u>178,801</u>
Increase (decrease) in net assets from operating activities	<u>69,842</u>	<u>(61,658)</u>	<u>8,184</u>
Nonoperating activities:			
Net realized and unrealized gains on investments	3,763	4,393	8,156
Net investment income	6,696	11,135	17,831
Pooled income appropriated for operations	(99,987)	—	(99,987)
Pooled income appropriated for annuities	(3,475)	(1,899)	(5,374)
Changes in actuarially determined gift liabilities	2,321	4,290	6,611
Other actuarial adjustments	(25)	—	(25)
Annuity and life income funds released and liquidate	(1,236)	(1,640)	(2,876)
Other	239	—	239
Change in net assets from nonoperating activities	<u>(91,704)</u>	<u>16,279</u>	<u>(75,425)</u>
Change in net assets	<u>(21,862)</u>	<u>(45,379)</u>	<u>(67,241)</u>
Net assets, beginning of year	<u>1,300,805</u>	<u>1,471,254</u>	<u>2,772,059</u>
Net assets, end of year	<u>\$ 1,278,943</u>	<u>1,425,875</u>	<u>2,704,818</u>

See accompanying notes to financial statements.

**POMONA COLLEGE**

Statements of Cash Flows

Years ended June 30, 2021 and 2020

(In thousands of dollars)

	<u>2021</u>	<u>2020</u>
Cash flows from operating and nonoperating activities:		
Change in net assets	\$ 805,286	(67,241)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	18,925	19,454
Accretion of interest on CEFA bonds	1,976	1,992
Amortization of bond (premium) cost of issuance	164	(749)
Loss on retirement of debt	22,034	—
Contributions restricted for long-term investment	(17,756)	(15,371)
Net realized and unrealized gains on investments	(902,913)	(8,156)
Noncash gifts	(657)	(5,329)
Adjustments of actuarial liabilities	(11,937)	(6,611)
Change in assets and liabilities:		
Decrease (increase) in accounts receivable	1,730	(2,384)
Decrease in contributions receivable	7,045	10,034
Decrease (increase) in prepaid expenses, deposits and inventory	(184)	641
Increase (decrease) in accounts payable	4,344	(1,673)
Increase (decrease) in accrued payroll and other liabilities	(283)	3,262
Net cash used in operating activities	<u>(72,226)</u>	<u>(72,131)</u>
Cash flows from investing activities:		
Additions to property, plant, and equipment	(15,103)	(9,212)
Purchase of investments	(917,827)	(1,047,980)
Proceeds from sale of investments	1,028,460	1,033,374
Disbursements of student loans	(355)	(980)
Collections of student loans	997	1,096
Disbursements of trust deed loans	(2,325)	(2,479)
Collections of trust deed loans	3,395	3,114
Net cash provided by (used in) investing activities	<u>97,242</u>	<u>(23,067)</u>
Cash flows from financing activities:		
Proceeds from contributions restricted for:		
Investment in endowment	6,145	4,037
Investment in life income	2,350	943
Investment in plant	9,261	10,391
Proceeds from (repayment of) notes payable	(65,000)	65,000
Government student loans return of fund	(208)	(327)
Payments on long-term debt	(116)	(3,496)
Investment income on life income and annuities	1,396	2,089
Proceeds from life income and annuities	23,243	19,138
Payments on life income and annuities	(2,984)	(2,951)
Net cash (used in) provided by financing activities	<u>(25,913)</u>	<u>94,824</u>
Net change in cash and cash equivalents	(897)	(374)
Cash and cash equivalents, beginning of year	<u>3,341</u>	<u>3,715</u>
Cash and cash equivalents, end of year	\$ <u><u>2,444</u></u>	\$ <u><u>3,341</u></u>
Supplementary cash flow information:		
Cash paid during the year for interest	\$ 4,606	7,083
Noncash financing activities:		
Defeasance of bonds	\$ 206,055	—

See accompanying notes to financial statements.



## POMONA COLLEGE

### Notes to Financial Statements

June 30, 2021 and 2020

#### **(1) Summary of Significant Accounting Policies**

##### **(a) Reporting Organization**

Founded in 1887, Pomona College (the College) is an independent, coeducational liberal arts college offering instruction in all major fields of the fine arts, humanities, social sciences, and natural sciences. The College has an enrollment of approximately 1,750 students and a student-faculty ratio of eight to one.

Pomona College is a member of an affiliated group of colleges known as The Claremont Colleges. Each affiliated college is a separate corporate entity governed by a separate board of trustees. The Claremont University Consortium, a member of this group, acts as the coordinating institution, which provides common student and administrative services including certain central facilities utilized by all the colleges. The costs of these services and facilities are shared by the members of the group.

##### **(b) Basis of Presentation**

The accompanying financial statements of the College are prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (GAAP).

##### **(c) Classification of Net Assets**

The accompanying financial statements present information regarding the College's financial position and activities within the following two net asset categories:

###### *(i) Net Assets without Donor Restrictions*

Net assets without donor restrictions represent expendable funds available for operations, which are not otherwise limited by donor restrictions.

###### *(ii) Net Assets with Donor Restrictions*

Net assets with donor restrictions consist of contributed funds subject to specific donor-imposed restrictions, (1) that will be met either by actions of the College or the passage of time or (2) that are to be permanently maintained by the College. Generally, the donors of these assets permit the College to use all or part of the income earned on related investments for general or specific purposes.

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

Cash includes all short term, highly liquid investments with original maturities of three months or less when purchased. Cash and cash equivalents representing assets held in the investment pool are included in long-term investments (see Note 6).

The College maintains cash in various financial institutions, which periodically exceeds federally insured limits.

##### **(e) Investments**

Investments are reflected at fair value. The College uses net asset value (NAV) as a practical expedient for determining fair value of its financial instruments, in cases where appropriate criteria are met.

## POMONA COLLEGE

### Notes to Financial Statements

June 30, 2021 and 2020

#### **(f) Management of Pooled Investments**

The College follows an investment policy that anticipates a greater long-term return through investing for capital appreciation and accepts lower current yields from dividends and interest. In order to offset the effect of lower current yields, the board of trustees has adopted a spending policy for pooled investments whereby annually, if the ordinary income from the pooled investments is insufficient to provide the full amount of investment return specified by the adopted spending policy, the balance may be appropriated from cumulative realized gains of the pooled investments.

#### **(g) Fair Value of Financial Instruments**

The College did not elect fair value accounting for any asset or liability that is not currently required to be measured at fair value.

Fair value of the College's financial instruments is determined using the estimates, methods, and assumptions as set forth below. See note 6 for further information regarding investments and their fair value.

##### *(i) Cash Equivalents, Accounts and Other Receivables, Accounts Payable, Accrued Payroll and Other Liabilities*

Fair value approximates book value due to the short maturity of these instruments.

A reasonable estimate of the fair value of student loans extended under government loan programs has not been made as the loans can only be assigned to the U.S. government.

##### *(ii) Life Income and Annuities Obligation*

The carrying amount of annuity and trust obligations approximates fair value as the instruments are recorded at the estimated net present value of future cash flows. The estimated fair value, however, involves unobservable inputs considered to be Level 3 in the fair value hierarchy.

#### **(h) Property, Plant, and Equipment**

Property, plant, and equipment are stated at cost, representing the purchase price or fair market value at the date of gift, less accumulated depreciation. Depreciation expense is computed using the straight-line method over the estimated useful lives of the assets (generally, 7 years for equipment and land improvements, 40 years for buildings and 30 years for residence halls). Construction in progress will be depreciated over the useful lives of the respective assets when they are ready for their intended use. The costs and accumulated depreciation of assets sold or retired are removed from the accounts and the related gains and losses are included in the statements of activities.

#### **(i) Art Collection**

The collection, which was acquired through purchase and contributions since the College's inception, is not recognized as an asset on the statement of financial position. Purchases of collection items are recorded as decreases in net assets without donor restrictions in the year in which the items are acquired, or as net assets with donor restrictions if the assets used to purchase the items are restricted by donors. Contributed collection items are not reflected on the financial statements. Proceeds from deaccessions or insurance recoveries are reflected as increases in the appropriate net asset classes.

## POMONA COLLEGE

### Notes to Financial Statements

June 30, 2021 and 2020

#### **(j) Life Income and Annuities Obligation**

The actuarial liability for life income and annuity contracts and agreements are based on the present value of future payments, discounted at a rate that is commensurate with the risks involved ranging from 0.97% to 7.50% and over-estimated lives according to the 2012 IAR Mortality Tables.

#### **(k) Revenue and Expense Recognition**

Student tuition and fees are recorded as revenues in the year during which the related academic services are rendered. Student tuition and fees received in advance of services to be rendered are recorded as deferred revenues and are included in accrued payroll and other liabilities on the statements of financial position. Revenues from federal grants and contracts are recorded as allowable expenditures under such agreements as incurred. Contributions, including unconditional promises to give, are recognized as revenue in the period received and are reported as increases in the appropriate class of net assets. Contributions that contain a donor-imposed condition are not recorded until the condition is substantially met or when the possibility that the condition will not be met is remote. A donor-imposed condition must include both a barrier and a right of asset return or pledge cancellation. 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. An allowance for uncollectible contributions is estimated based upon such factors as prior collection history, type of contribution, and nature of fund-raising activity. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments, investment income, and other revenues are reported as increases or decreases in net assets without donor restrictions, unless their use is restricted by explicit donor stipulation.

#### **(l) Allocation of Certain Expenses**

The statements of activities present expenses by functional classification. Depreciation expense, operation and maintenance of plant, and interest expense are allocated based on square footage occupancy of College facilities. Expenses related to fund-raising, included in institutional support, are \$9,076,000 and \$9,800,000, respectively, for the years ended June 30, 2021 and 2020.

#### **(m) Expiration of Donor-Imposed Restrictions**

The expiration of a donor-imposed restriction on a contribution is recognized in the period in which the restriction expires. At that time, the related resources are reclassified to net assets without donor restrictions. A restriction expires when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

The College follows the policy of reporting as unrestricted support donor-imposed restricted contributions whose restrictions are met in the same period as received. It is the College's policy to lift the restrictions on contributions of cash or other assets received for the acquisition of long-lived assets when the funds are expended.

#### **(n) Estates and Trusts**

The College is named beneficiary of various estates in probate. Unless the ultimate amount available for distribution can be determined before the close of the probate proceedings, the College does not record these amounts until the time of asset distribution. Trusts in which the College is named as

**POMONA COLLEGE**

Notes to Financial Statements

June 30, 2021 and 2020

irrevocable beneficiary, but is not a trustee, are recorded when the College is notified by the trustee and the ownership percentage and valuation are determined.

**(o) Estimates**

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amount of revenues, expenses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

**(p) Income Taxes**

The College is exempt from taxation under Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the California Revenue and Taxation Code and is generally not subject to federal and state income taxes. However, the College is subject to income taxes on any income that is derived from a trade or business regularly carried on, and not in furtherance of the purposes for which it was granted exemption. No income tax provision has been recorded as the net income, if any, from any unrelated trade or business, in the opinion of management, is not material to the financial statements taken as a whole.

**(q) Liquidity and Availability**

At June 30, 2021 and 2020, financial assets available within one year for general expenditure were as follows (in thousands):

	<b>2021</b>	<b>2020</b>
Cash and cash equivalents	\$ 1,502	2,297
Accounts and other receivables, net	4,080	5,810
Short-term investments	14,194	6,905
Contributions receivable	2,461	334
Separately invested investments	—	7,662
Subsequent year's endowment payout	65,197	62,222
Total financial assets available within one year without board action	87,434	85,230
Short-term investments designated for operations and plant	54,392	103,196
Separately invested investments designated for operations and plant	34,645	39,607
Funds functioning as endowment available for operations	1,291,693	965,014
Total financial assets available within one year	\$ 1,468,164	1,193,047

The College's cash flows have seasonal variations during the year attributable to tuition billing and a concentration of contributions received at calendar and fiscal year-end. Supplementing student and gift revenues is the pooled income appropriated for operations, otherwise known as endowment payout.

**POMONA COLLEGE**

Notes to Financial Statements

June 30, 2021 and 2020

The unitized pool of investments is managed closely to meet the liquidity requirements of the monthly payout draw as well as funding for capital calls and new investments. Sources of liquidity within the pool include cash, dividends and investment income, capital distributions and the sale of holdings.

Investments designated for operations and plant could be redesignated for general expenditures by the board on either a temporary or permanent basis. The College has a long-standing practice of not withdrawing quasi-endowed funds to retire debt or provide funding for capital projects. Should adverse circumstances warrant a withdrawal, these funds, or a portion thereof could be made available through board action.

As detailed in Note 15, the College has three lines of credit from two institutions which in total provide \$100,000,000 in additional liquidity for the pooled investments and also for general operations. The College drew down on two of the lines of credit during fiscal year 2020 as detailed in Note 8.

**(r) Reclassifications**

Certain prior year amounts have been reclassified for consistency with the current period presentation. These reclassifications had no effect on the reported change in net assets.

**(2) Net Student Revenues**

Student revenues for the years ended June 30, 2021 and 2020, in thousands of dollars, consist of the following:

	<u>2021</u>	<u>2020</u>
Tuition and fees	\$ 76,292	91,905
Room and board	—	19,937
	<u>76,292</u>	<u>111,842</u>
Gross student revenues		
Less:		
Sponsored financial aid	(20,204)	(20,289)
Un-sponsored financial aid	<u>(23,099)</u>	<u>(29,445)</u>
Student financial aid	<u>(43,303)</u>	<u>(49,734)</u>
Net student revenues	<u>\$ 32,989</u>	<u>62,108</u>

“Sponsored” financial aid consists of funds provided by external entities (including donors of restricted funds), whereas “un-sponsored” aid consists of funds provided by the College.

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Notes to Financial Statements  
June 30, 2021 and 2020

**(3) Accounts and Other Receivables**

Accounts and other receivables, net of allowance at June 30, 2021 and 2020, in thousands of dollars, are as follows:

	<u>2021</u>	<u>2020</u>
Private gifts and grants	\$ 3	12
Federal grants and contracts	1,279	2,181
Sales and other	<u>3,027</u>	<u>3,757</u>
	4,309	5,950
Less allowance for doubtful accounts	<u>(229)</u>	<u>(140)</u>
Accounts and other receivables, net of allowance	<u>\$ 4,080</u>	<u>5,810</u>

**(4) Notes Receivable**

Notes receivable at June 30, 2021 and 2020, in thousands of dollars, are as follows:

	<u>2021</u>	<u>2020</u>
Loans receivable from students	\$ 10,597	11,239
Less allowance for doubtful accounts	<u>(1,306)</u>	<u>(1,306)</u>
Notes receivable, net of allowance	<u>\$ 9,291</u>	<u>9,933</u>

Determination of the fair value of student loans receivable, which are primarily federally sponsored student loans with U.S. government mandated interest rates and repayment terms subject to significant restrictions as to their transfer and disposition, could not be made without incurring excessive costs.

**(5) Contributions Receivable**

Unconditional promises to give are included in the financial statements as contributions receivable and revenue of the appropriate net asset category. Promises to give are recorded after discounting, at rates ranging from 0.97% to 3.05% to the present value of the future cash flows. Unconditional promises to give received during the years ended June 30, 2021 and 2020 have been discounted at credit-adjusted rates commensurate with the risks associated with the contribution in accordance with Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurements and Disclosures*. These inputs to the fair value estimate are considered Level 3 in the fair value hierarchy. Book value approximates fair value.

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Notes to Financial Statements

June 30, 2021 and 2020

The College has been named remainderman in certain split-interest agreements. These trust agreements require that the trustee make annual or more frequent payments to the beneficiaries. Upon the death of the beneficiaries or other termination of the trusts, the remaining trust assets will be distributed to the College and other remaindermen as stipulated in the trust agreements. The College has recorded its beneficial interest in these split-interest agreements based on the present value of future cash flows using a discount rate of 6.50%. The actuarial assumption used in this calculation is based on the expected return on assets in effect at the date of the valuation. The underlying trust assets are valued at fair value and consist primarily of securities that are traded on the active market.

At June 30, 2021 and 2020, unconditional promises to give, in thousands of dollars, are expected to be received in the following periods:

	<u>2021</u>	<u>2020</u>
In one year or less	\$ 5,073	10,050
Between one year and five years	3,557	6,221
More than five years	<u>14,105</u>	<u>14,066</u>
	22,735	30,337
Less discount	<u>(815)</u>	<u>(1,177)</u>
Pledged contributions	21,920	29,160
Split-interest agreements	<u>1,214</u>	<u>1,019</u>
Contributions receivable, net	<u>\$ 23,134</u>	<u>30,179</u>

Unconditional promises to give and split-interest agreements at June 30, 2021 and 2020, in thousands of dollars, have the following restrictions:

	<u>2021</u>	<u>2020</u>
Endowment for programs, activities, and scholarships	\$ 3,970	3,763
Building construction	15,635	25,467
Education and general	<u>4,344</u>	<u>2,126</u>
	23,949	31,356
Less discount	<u>(815)</u>	<u>(1,177)</u>
Contributions receivable, net	<u>\$ 23,134</u>	<u>30,179</u>

**POMONA COLLEGE**  
Notes to Financial Statements  
June 30, 2021 and 2020

**(6) Investments**

**(a) Fair Value Measurement**

The fair value of investments at June 30, 2021 and 2020, in thousands of dollars, is as follows:

	<b>2021</b>	<b>2020</b>
Pooled investments:		
Cash and cash equivalents	\$ 95,667	82,187
Domestic equities	470,209	377,275
International equities	304,997	242,618
Emerging markets	206,331	181,217
Fixed income	260,553	264,281
Fixed income – trust deeds	27,465	29,082
Venture capital	798,932	411,340
Private equity	171,672	116,716
Absolute return	525,560	457,031
Real assets <sup>1</sup>	347,199	228,148
Total long-term investments – pooled	3,208,585	2,389,895
Separately invested:		
Cash and cash equivalents	23,629	29,579
Domestic equities	28,564	22,294
International equities	12,145	2,695
Fixed income	66,881	63,563
Real assets <sup>1</sup>	15,160	3,607
Other	1,150	16,528
Total long-term investments – separately invested	147,529	138,266
Short-term investments (cash and cash equivalents)	121,604	157,690
	\$ 3,477,718	2,685,851

<sup>1</sup> Real assets include marketable hard assets, private real estate/timber and private energy/mining.



**POMONA COLLEGE**

Notes to Financial Statements

June 30, 2021 and 2020

The College's investment income net of related expenses for the years ended June 30, 2021 and 2020 was as follows, in thousands of dollars:

	<u>2021</u>	<u>2020</u>
Interest and dividends	\$ 25,053	27,756
Less investment expenses	<u>(8,245)</u>	<u>(9,925)</u>
Net investment income	16,808	17,831
Net realized and unrealized gains on investments	<u>902,913</u>	<u>8,156</u>
Total investment income, net	<u>\$ 919,721</u>	<u>25,987</u>

**(b) Absolute Return Strategies**

These investments typically include certain types of financial instruments, including, among others, futures and forward contracts, options, and securities sold not yet purchased, intended to hedge against changes in the market value of investments. These financial instruments may result in loss due to changes in the market (market risk). The following tables summarize these investments by investment strategy type at June 30, 2021 and 2020, in thousands of dollars.

<u>Absolute return strategy</u>	<u>2021</u>		
	<u>Number of funds</u>	<u>Cost</u>	<u>Fair value</u>
Diversified arbitrage	5	\$ 16,675	110,978
Private diversifiers	13	49,127	58,018
Long-short equity	5	68,406	165,676
Global Macro/Systematic	3	85,634	102,058
Event arbitrage	2	35,045	66,949
Distressed securities	1	<u>18,750</u>	<u>21,881</u>
	<u>29</u>	<u>\$ 273,637</u>	<u>525,560</u>

**POMONA COLLEGE**

Notes to Financial Statements

June 30, 2021 and 2020

<u>Absolute return strategy</u>	<b>2020</b>		
	<u>Number of funds</u>	<u>Cost</u>	<u>Fair value</u>
Diversified arbitrage	5	\$ 24,175	101,306
Private diversifiers	10	40,598	42,893
Long-short equity	4	37,085	113,203
Global Macro/Systematic	4	111,648	122,055
Event arbitrage	2	35,033	54,341
Distressed securities	1	25,000	23,233
	<u>26</u>	<u>\$ 273,539</u>	<u>457,031</u>

**(c) Pending Purchases and Sales**

At June 30, 2021 and 2020, the College had pending security purchases of \$8,627,000 and \$5,683,000, respectively; and pending security sales of \$25,441,000 and \$5,654,000, respectively.

**(d) Pooled Fund**

Where permitted by gift agreements and/or applicable government regulations, investments are pooled. Pooled investments and allocations of pooled investment income are accounted for on a unit fair value method. The following table summarizes data pertaining to this method for the years ended June 30, 2021 and 2020, in thousands of dollars:

	<u>2021</u>	<u>2020</u>
Unit fair value at end of year	\$ 1,441	1,078
Units owned:		
Net assets without donor restrictions:		
Funds functioning as endowment	\$ 898,520	898,214
Designated for annuity and life income funds	81,456	87,189
Total net assets without donor restrictions	<u>979,976</u>	<u>985,403</u>
Net assets with donor restrictions:		
Restricted for specific purposes	7,124	4,809
Endowment funds	1,198,887	1,187,404
Annuities and life income funds	40,664	40,304
Total with donor restrictions	<u>1,246,675</u>	<u>1,232,517</u>
Total units	<u>\$ 2,226,651</u>	<u>2,217,920</u>
Weighted average units	\$ 2,225,959	2,212,177
Net pooled investment income per weighted average unit	49	48

## POMONA COLLEGE

### Notes to Financial Statements

June 30, 2021 and 2020

#### **(e) Fair Value Hierarchy**

The College's fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

**Level 1** – Unadjusted quoted prices in active markets that are accessible at the measurement date of identical, unrestricted assets. Assets and liabilities classified as Level 1 generally include listed equities, futures, options, and certain fixed-income securities.

**Level 2** – Quoted prices for markets that are not active or financial instruments for which all significant inputs are observable, either directly or indirectly. Assets and liabilities classified as Level 2 generally include equity swaps, forward contracts, certain fixed-income securities, over-the-counter option contracts, and certain other derivatives.

**Level 3** – Pricing inputs are unobservable for the asset and reflect management's own assumptions to determine fair value. 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.

Inputs are used in applying the valuation techniques and broadly refer to the assumptions that the College uses to make valuation decisions, including assumptions about risk. Inputs may include quoted market prices, recent transactions, manager statements, periodicals, newspapers, provisions within agreements with investment managers, and other factors. An investment's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The categorization of an investment within the hierarchy is based upon the pricing transparency of the investment and does not necessarily correspond to the College's perceived risk of that investment.

The investments in cash and cash equivalents, short-term investments, certain domestic and international equities, certain emerging markets, certain real assets, and certain domestic fixed income are valued based on quoted market prices, and are, therefore, classified within Level 1.

The investments in certain international equities, certain emerging markets, domestic fixed income, and international fixed income are valued based on quoted market prices of comparable assets, and are, therefore, classified within Level 2.

## POMONA COLLEGE

### Notes to Financial Statements

June 30, 2021 and 2020

Certain nonpooled investments, primarily in real assets, are classified as Level 3. Management's assumptions are used to determine fair value.

In accordance with ASU 2015-07, Fair Value Measurement (Topic 820): *Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share or Its Equivalent*, investments measured at net asset value (NAV), as a practical expedient for fair value, are excluded from the fair value hierarchy.

The investments in private equity, venture capital, absolute return hedge funds, certain real assets, certain investment funds focused on domestic and international equities, and international fixed incomes are held primarily through limited partnerships and commingled funds for which fair value is estimated using net asset value (NAV) reported by fund managers as a practical expedient. Such assets are not classified in the fair value hierarchy.

#### *Basis of Reporting*

Pooled investments are presented in the accompanying financial statements at fair value. The College's determination of fair value is based upon the best available information provided by the investment manager and may incorporate management assumptions and best estimates after considering a variety of internal and external factors. Such value generally represents the College's proportionate share of the partner's capital of the investment partnerships as reported by their general partners. For these investments, the College has determined, through its monitoring activities, to rely on the fair market value as determined by the investment managers.

The general partners of the underlying investment partnerships generally value their investments at fair value. Investments with no readily available market are generally valued according to the mark-to-market method, which attempts to apply a fair value standard by referring to meaningful third-party transactions, comparable public market valuations, and/or the income approach. Consideration is also given to financial condition and operating results of the investment, the amount that the investment partnerships can reasonably expect to realize upon the sale of the securities, and any other factors deemed relevant. An investment can be carried at acquisition price (cost) if little has changed since the initial investment of the company and is most representative of fair value. Investments with a readily available market (listed on a securities exchange or traded in the over-the-counter market) are valued at quoted market prices or at an appropriate discount from such price if marketability of the securities is restricted.

**POMONA COLLEGE**

Notes to Financial Statements

June 30, 2021 and 2020

The following tables summarize the valuation of the College's investments, in thousands of dollars, by the fair value hierarchy levels as of June 30, 2021 and 2020. Consistent with ASU 2015-007, Fair Value Measurement (Topic 820), investments measured at net asset value (NAV) are not classified in the fair value hierarchy:

	Investments measured at NAV	2021			
		Investments classified in the fair value hierarchy			
		Level 1	Level 2	Level 3	Total
Pooled investments:					
Cash and cash equivalents	\$ —	95,667	—	—	95,667
Domestic equities	431,851	38,358	—	—	470,209
International equities	273,665	—	31,332	—	304,997
Emerging markets	169,053	—	37,278	—	206,331
Fixed income	40,405	—	220,148	—	260,553
Fixed income – trust deeds	—	—	—	27,465	27,465
Venture capital	798,932	—	—	—	798,932
Private equity	171,672	—	—	—	171,672
Absolute return	525,560	—	—	—	525,560
Real assets	211,052	136,147	—	—	347,199
Total pooled investments	<u>2,622,190</u>	<u>270,172</u>	<u>288,758</u>	<u>27,465</u>	<u>3,208,585</u>
Separately invested and short-term investments:					
Cash and cash equivalents	—	145,232	—	—	145,232
Domestic equities	—	28,564	—	—	28,564
International equities	—	12,145	—	—	12,145
Fixed income	—	46,884	19,997	—	66,881
Real assets	—	11,708	—	3,453	15,161
Other	—	—	1,150	—	1,150
Total other invested assets	<u>—</u>	<u>244,533</u>	<u>21,147</u>	<u>3,453</u>	<u>269,133</u>
Total	<u>\$ 2,622,190</u>	<u>514,705</u>	<u>309,905</u>	<u>30,918</u>	<u>3,477,718</u>

**POMONA COLLEGE**

Notes to Financial Statements

June 30, 2021 and 2020

	Investments measured at NAV	2020			
		Investments classified in the fair value hierarchy			
		Level 1	Level 2	Level 3	Total
Pooled investments:					
Cash and cash equivalents	\$ —	82,187	—	—	82,187
Domestic equities	353,849	23,426	—	—	377,275
International equities	207,595	—	35,023	—	242,618
Emerging markets	144,877	—	36,340	—	181,217
Fixed income	79,008	—	185,273	—	264,281
Fixed income – trust deeds	—	—	—	29,082	29,082
Venture capital	411,340	—	—	—	411,340
Private equity	116,716	—	—	—	116,716
Absolute return	457,031	—	—	—	457,031
Real assets	145,179	82,969	—	—	228,148
Total pooled investments	<u>1,915,595</u>	<u>188,582</u>	<u>256,636</u>	<u>29,082</u>	<u>2,389,895</u>
Separately invested and short-term investments:					
Cash and cash equivalents	—	187,269	—	—	187,269
Domestic equities	—	22,294	—	—	22,294
International equities	—	2,695	—	—	2,695
Fixed income	—	15,644	47,919	—	63,563
Real assets	—	—	—	3,607	3,607
Other	—	—	16,524	4	16,528
Total other invested assets	<u>—</u>	<u>227,902</u>	<u>64,443</u>	<u>3,611</u>	<u>295,956</u>
Total	<u>\$ 1,915,595</u>	<u>416,484</u>	<u>321,079</u>	<u>32,693</u>	<u>2,685,851</u>

**POMONA COLLEGE**  
Notes to Financial Statements  
June 30, 2021 and 2020

		June 30, 2021										
Strategy	NAV in funds	Number of funds	Remaining life	Amount of unfunded commitments <sup>2</sup>	Timing to draw down commitments	Redemption terms	Redemption restrictions	Redemption restrictions in place at year-end				
Venture/growth equity	Venture capital and growth equity fund primarily in the U.S.		\$	908.7	108	1–15 years	\$	88.2	up to 6 years	N/A <sup>1</sup>	N/A <sup>1</sup>	N/A <sup>1</sup>
Private equity/distressed	Buyout and distressed funds in U.S. and international			223.4	71	1–15 years		160.9	up to 6 years	N/A <sup>1</sup>	N/A <sup>1</sup>	N/A <sup>1</sup>
Private real assets	Real estate, timberland, and energy funds primarily in the U.S. and developed Europe			107.6	61	1–15 years		102.5	up to 6 years	N/A <sup>1</sup>	N/A <sup>1</sup>	N/A <sup>1</sup>
Total private investments				1,239.7	240			351.6				
Absolute return and long/short equity	Long/short and diversified arbitrage funds investing globally			467.5	16	NA		—	N/A	Ranges between monthly with 10 days' notice, to annually with 180 days' notice.	1 fund has a rolling 3 year lock-up period. 1 fund has a 1 year lock-up period.	4 funds have 25% annual gates in place; 1 fund has 15% gate in place; 1 fund has a 10% annual gate in place
Commingled funds	Debt and Equity funds with various regional mandates			961.0	12	NA		—	N/A	Ranges between monthly with 6 days' notice, to tri-annually with 90 days' notice.	1 fund has a rolling 1 year lock-up period.	1 fund has a 20% annual gate.
Total			\$	2,668.2	268		\$	351.6				

<sup>1</sup> These funds are in private equity structure with no ability to be redeemed.

<sup>2</sup> The timing and amount of unfunded commitments to be exercised in any particular future year is uncertain.

**POMONA COLLEGE**  
Notes to Financial Statements  
June 30, 2021 and 2020

		June 30, 2020							
Strategy	NAV in funds	Number of funds	Remaining life	Amount of unfunded commitments <sup>2</sup>	Timing to draw down commitments	Redemption terms	Redemption restrictions	Redemption restrictions in place at year-end	
Venture/growth equity	Venture capital and growth equity fund primarily in the U.S.	\$ 482.5	95	1–15 years	\$ 92.4	up to 6 years	NA <sup>1</sup>	NA <sup>1</sup>	NA <sup>1</sup>
Private equity/distressed	Buyout and distressed funds in U.S. and international	156.1	69	1–15 years	150.2	up to 6 years	NA <sup>1</sup>	NA <sup>1</sup>	NA <sup>1</sup>
Private real assets	Real estate, timberland, and energy funds primarily in the U.S. and developed Europe	77.6	62	1–15 years	121.9	up to 6 years	NA <sup>1</sup>	NA <sup>1</sup>	NA <sup>1</sup>
Total private investments		716.2	226		364.5				
Absolute return and long/short equity	Long/short and diversified arbitrage funds investing globally	414.1	16	NA	3.0	NA	Ranges between monthly with 10 days' notice, to annually with 180 days' notice.	No redemption restrictions.	3 funds have 25% annual gates in place; 1 fund has 15% gate in place; 1 fund has a 10% annual gate in place
Commingled funds	Debt and Equity funds with various regional mandates	785.3	12	NA	—	NA	Ranges between monthly with 6 days' notice, to tri-annually with 90 days' notice.	1 fund has a rolling three-year lock-up period. 1 fund has a rolling 2 year lock-up period.	1 fund has a 25% annual gate; 1 fund has a 20% annual gate
Total		<u>\$ 1,915.6</u>	<u>254</u>		<u>\$ 367.5</u>				

<sup>1</sup> These funds are in private equity structure with no ability to be redeemed.

<sup>2</sup> The timing and amount of unfunded commitments to be exercised in any particular future year is uncertain.



**POMONA COLLEGE**  
Notes to Financial Statements  
June 30, 2021 and 2020

**(7) Property, Plant, and Equipment**

Property, plant, and equipment at June 30, 2021 and 2020, in thousands of dollars, are as follows:

	<u>2021</u>	<u>2020</u>
Land	\$ 11,843	11,843
Land improvements	12,652	12,485
Buildings	594,172	593,289
Equipment	33,302	31,528
Construction in progress	<u>20,626</u>	<u>8,348</u>
	672,595	657,493
Less accumulated depreciation	<u>(259,309)</u>	<u>(240,384)</u>
Property, plant, and equipment, net of accumulated depreciation	<u>\$ 413,286</u>	<u>417,109</u>

Outstanding commitments for design and construction contracts amounted to approximately \$38,500,000 and \$2,988,000 as of June 30, 2021 and 2020, respectively.

**(8) Line of Credit Loan**

On March 18, 2020, the College drew down \$65,000,000 on its two lines of credit with The Northern Trust Company. The \$25,000,000 committed line of credit and the \$45,000,000 uncommitted line of credit bear interest at a variable rate set by the bank (0.63% at June 30, 2020). Both revolving loans were paid off during the fiscal year 2021.

**(9) Long-Term Debt**

Long-term debt consists of bonds payable and loans payable.

**POMONA COLLEGE**

Notes to Financial Statements

June 30, 2021 and 2020

Bonds payable, in thousands of dollars, issued directly and through the California Educational Facilities Authority (CEFA) and the California Municipal Finance Authority (CMFA), and associated interest rates and maturities at June 30, 2021 and 2020 are as follows, in thousands of dollars:

	<u>Interest rates</u>	<u>Maturity dates</u>	<u>2021</u>	<u>2020</u>
			<u>Principal amount</u>	
Series 2020A	2.9%	2051	\$ 206,055	—
Series 2017A (CMFA)	3%–5%	2029–2048	—	138,470
Series 2005A (CEFA)	4.4%–5.2%	2021–2045	41,020	39,044
			<u>247,075</u>	<u>177,514</u>
Less unamortized cost of issuance			(1,329)	—
Plus unamortized premium			—	14,250
Bonds payable			245,746	191,764
Private placement loans payable			—	29,923
			<u>\$ 245,746</u>	<u>221,687</u>

**Principal  
amount**

Schedule of maturities:

Years ending:

2022	\$ 3,012
2023	2,872
2024	2,735
2025	2,602
2026	2,471
2027–2053	<u>233,383</u>
	<u>\$ 247,075</u>

The CEFA agreement contains covenants relating to maintenance of the College, insurance, and other general items.

On February 3, 2005, the College executed the issuance of \$41,880,000 of tax-exempt bonds through the CEFA. The issuance included \$16,735,000 of current interest bonds and \$25,145,000 of capital appreciation bonds. Proceeds of \$16,204,000 were used to refund the Series 1999B CEFA bonds. The remaining proceeds were used to finance the cost of the acquisition, construction, renovation of certain educational facilities.

**POMONA COLLEGE**

Notes to Financial Statements

June 30, 2021 and 2020

On June 26, 2014, the College executed a \$25 million private placement tax-exempt loan agreement with First Republic Bank. The interest rate is fixed at 3.25% and the funds can be drawn down over three years. The term is 30 years. As of June 30, 2021 and 2020, outstanding balance is \$0 and \$12,698,000, respectively.

On October 18, 2016, the College executed a \$17,225,000 private placement tax-exempt loan agreement with Boston Private. This transaction refunded the 2005A CEFA CIBs with a matching maturity schedule. The term is 30 years. The interest rate is fixed at 2.96%. As of June 30, 2021 and 2020, outstanding balance is \$0 and \$17,225,000, respectively.

On December 14, 2017, the College executed the issuance of \$154,654,000 of tax-exempt bonds through the CMFA. Proceeds of \$128,724,000 were used to refund the Series 2008A and Series 2009A CEFA bonds. The remaining proceeds of \$25,930,000 were used to provide partial funding for the Pomona College Museum of Art, which was completed in the fall of 2019.

On October 28, 2020, the College executed the issuance of \$206,055,000 of taxable bonds. Proceeds were used to refund the Series 2017A bonds, the private placement loan with First Republic Bank and the private placement loan with Boston Private. The loss on retirement of debt was approximately \$22,034,000.

**(10) Net Assets**

At June 30, 2021 and 2020, net assets consist of the following, in thousands of dollars:

	<b>2021</b>	<b>2020</b>
Without donor restrictions:		
For plant and other designated purposes	\$ 112,246	98,954
Loan funds	1,311	1,319
Designated for annuity and life income funds	54,670	24,968
Funds functioning as endowment	1,291,693	965,014
Invested in property, plant, and equipment, net of related debt	166,501	188,688
Total without donor restrictions	1,626,421	1,278,943
With donor restrictions:		
Endowment funds	406,639	390,220
Restricted for specific purposes and time	62,583	64,804
Annuity and life income funds	65,958	56,095
Loan funds	15,389	15,443
Accumulated unappropriated gains on endowment	1,333,114	899,313
Total with donor restrictions	1,883,683	1,425,875
Total net assets	\$ 3,510,104	2,704,818

## POMONA COLLEGE

### Notes to Financial Statements

June 30, 2021 and 2020

#### **(11) Retirement Plans**

The College participates with other members of The Claremont Colleges in a defined contribution retirement plan administered by the Claremont University Consortium. This plan provides retirement benefits for all employees through the Teachers Insurance and Annuity Association and the College Retirement Equities Fund (TIAA). Under this plan, College contributions are used to purchase fixed and/or variable annuities offered by TIAA. Vesting provisions are full and immediate. Benefits commence upon retirement and pre-retirement survivor death benefits are provided. In conjunction with this plan, employees are able to contribute a portion of their salary into a tax-deferred annuity account and invest such assets in mutual funds offered by TIAA, Fidelity Investments Institutional Services Company, Inc., or The Vanguard Group. For the years ended June 30, 2021 and 2020, the College's contributions to this plan amounted to approximately \$6,469,000 and \$6,840,000, respectively.

For the years ended June 30, 2021 and 2020, contributions made by employees to the College's 457(b) Plan of approximately \$8,362,000 and \$6,556,000, respectively, were included in separately invested assets and accrued payroll and other liabilities on the statements of financial position.

#### **(12) Workers' Compensation**

The College participates with other members of The Claremont Colleges in collective insurance agreements including self-insurance for workers' compensation. At June 30, 2021 and 2020, the College had approximately (\$365,000) and (\$188,000), respectively, in accrued payroll and other liabilities to provide for payment of claims pending. Management believes that the ultimate disposition of these or other claims would not result in any material adjustments to the financial statements.

#### **(13) Endowment**

The net assets of the College include permanent endowment funds and funds functioning as endowment. Permanent endowments are subject to the restrictions of gift instruments requiring in perpetuity that the principal be invested and the income only be utilized as provided for under the California Uniform Prudent Management of Institutional Funds Act (CUPMIFA). While funds functioning as endowment have been established by the board of trustees to function as endowment, any portion of such funds may be expended.

The College's endowment consists of approximately 1,800 individual funds established for a variety of purposes including 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.

##### **(a) Interpretation of Relevant Law**

The board of trustees of the College has interpreted the CUPMIFA (the Act) as permitting the preservation of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the College classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowments; (b) the original value of subsequent gifts to the permanent endowment; and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

## POMONA COLLEGE

### Notes to Financial Statements

June 30, 2021 and 2020

The portion of the donor-restricted endowment fund related to accumulated earnings on endowments is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the College in a manner consistent with the standard of prudence prescribed by the Act. In accordance with the Act, the College considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the College and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the College
7. The investment policies of the College

#### ***(b) Return Objective 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 donor-restricted funds that the College must hold in perpetuity 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 price and yield results of a custom benchmark that reflects the College's current asset allocation targets and a simple benchmark composed of 85% of the S&P 500 Index and 15% of the Barclays Capital Government/Credit Bond Index, while assuming a moderate level of investment risk.

The College expects its endowment funds to attain, over time and within acceptable risk levels, an average annual real rate of return of approximately 5.00%, net of all investment management and related fees and without regard to whether the return is in the form of income or capital gains. Actual returns in any given year may vary from this amount.

#### ***(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.

**POMONA COLLEGE**

Notes to Financial Statements

June 30, 2021 and 2020

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

The College has a policy of appropriating for distribution each year 4.50% to 5.50% of its endowment funds' average fair value over the prior 20 quarters through June 30 one year prior to the beginning of the fiscal year in which the distribution is planned. In establishing this policy, the College considered the long-term expected return on its endowment. Accordingly, over the long term, the College expects the current spending policy to allow its endowment to maintain its purchasing power by growing at a rate at least equal to planned payouts. Additional real growth will be provided through new gifts and any excess investment return. For years ended June 30, 2021 and 2020, the board of trustees authorized distributions of \$102,449,000 and \$99,780,000, respectively, for current operations.

Endowment net assets consist of the following at June 30, 2021 and 2020, in thousands of dollars:

	<b>2021</b>		
	<b>Without donor restrictions</b>	<b>With donor restrictions</b>	<b>Total</b>
Donor-restricted endowment	\$ —	406,639	406,639
Board-designated endowment	189,817	—	189,817
Accumulated unappropriated gains	1,101,876	1,333,114	2,434,990
Total	<u>\$ 1,291,693</u>	<u>1,739,753</u>	<u>3,031,446</u>
	<b>2020</b>		
	<b>Without donor restrictions</b>	<b>With donor restrictions</b>	<b>Total</b>
Donor-restricted endowment	\$ (95)	390,220	390,125
Board-designated endowment	189,761	—	189,761
Accumulated unappropriated gains	775,348	899,313	1,674,661
Total	<u>\$ 965,014</u>	<u>1,289,533</u>	<u>2,254,547</u>

**POMONA COLLEGE**  
Notes to Financial Statements  
June 30, 2021 and 2020

Changes in endowment net assets for the year ended June 30, 2021 are as follows, in thousands of dollars:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Endowment net assets, June 30, 2020	\$ 965,014	1,289,533	2,254,547
Pooled investment returns:			
Investment income	6,386	8,482	14,868
Net realized and unrealized gains on investments	<u>363,790</u>	<u>486,532</u>	<u>850,322</u>
Total pooled investment returns	370,176	495,014	865,190
Distributions per spending policy	<u>(102,449)</u>	<u>                    </u>	<u>(102,449)</u>
Net pooled investment returns appropriated to pool	<u>267,727</u>	<u>495,014</u>	<u>762,741</u>
Other changes in endowment:			
Gifts	—	5,964	5,964
Releases, changes, and transfers per donor restrictions	150	4,658	4,808
Endowment income reinvested	365	3,021	3,386
Appropriation of endowment assets for expenditure	<u>58,437</u>	<u>(58,437)</u>	<u>                    </u>
Total other changes in endowment	<u>58,952</u>	<u>(44,794)</u>	<u>14,158</u>
Total changes in endowment	<u>326,679</u>	<u>450,220</u>	<u>776,899</u>
Endowment net assets, June 30, 2021	<u>\$ 1,291,693</u>	<u>1,739,753</u>	<u>3,031,446</u>

**POMONA COLLEGE**  
Notes to Financial Statements  
June 30, 2021 and 2020

Changes in endowment net assets for the year ended June 30, 2020 are as follows, in thousands of dollars:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Endowment net assets, June 30, 2019	\$ 998,432	1,322,665	2,321,097
Pooled investment returns:			
Investment income	6,247	8,228	14,475
Net realized and unrealized gains on investments	<u>3,109</u>	<u>4,261</u>	<u>7,370</u>
Total pooled investment returns	9,356	12,489	21,845
Distributions per spending policy	<u>(99,780)</u>	<u>—</u>	<u>(99,780)</u>
Net pooled investment returns appropriated to pool	<u>(90,424)</u>	<u>12,489</u>	<u>(77,935)</u>
Other changes in endowment:			
Gifts	7	3,921	3,928
Releases, changes, and transfers per donor restrictions	(68)	4,738	4,670
Endowment income reinvested	343	2,444	2,787
Appropriation of endowment assets for expenditure	<u>56,724</u>	<u>(56,724)</u>	<u>—</u>
Total other changes in endowment	<u>57,006</u>	<u>(45,621)</u>	<u>11,385</u>
Total changes in endowment	<u>(33,418)</u>	<u>(33,132)</u>	<u>(66,550)</u>
Endowment net assets, June 30, 2020	<u>\$ 965,014</u>	<u>1,289,533</u>	<u>2,254,547</u>

**(14) Affiliated Institutions**

The amounts paid by the College to Claremont University Consortium for the common student and administrative services and the use of facilities for the years ended June 30, 2021 and 2020 totaled \$7,327,000 and \$8,838,000, respectively.

**(15) Commitments and Contingencies**

**(a) Line of Credit**

At June 30, 2021, the College had three lines of credit from two institutions which in total provide \$100,000,000 in additional liquidity. There were no borrowings outstanding on these lines of credit at June 30, 2021.



**POMONA COLLEGE**

Notes to Financial Statements

June 30, 2021 and 2020

**(b) Federal Funding**

Certain federal grants that the College administers and for which it receives reimbursements are subject to audit and final acceptance by federal granting agencies. The amount of expenditures that may be disallowed by the grantor, if any, cannot be determined at this time. The College expects that such amounts, if any, would not have a significant impact on the financial position of the College.

**(16) Functional Expenses by Natural Classification**

Certain categories of expenses that are attributable to more than one program or supporting function are allocated based on various methods. Specifically, facilities, interest and depreciation are allocated among functional classifications based on usage of space and square footage. Information technology costs are allocated based on software usage and the overall employees in the various functional categories. All other costs are charged directly to the appropriate functional category.

Expenses by natural and functional classification for the years ended June 30, 2021 and 2020, were as follows:

	2021						
	Salaries and benefits	Services	Depreciation and amortization	Interest expense	Plant operations and utilities	Other operating expenses	Total
Instruction	\$ 47,747	1,919	5,974	2,087	2,817	1,077	61,621
Research	768	272	—	—	80	765	1,885
Public service	751	12	4	1	5	112	885
Academic support	7,915	4,186	2,067	722	1,036	2,456	18,382
Student services	13,064	1,558	2,355	823	1,082	1,747	20,629
Institutional support	18,415	9,622	908	317	275	2,131	31,668
Auxiliary enterprises	6,852	1,541	7,079	2,473	3,130	668	21,743
Total	\$ 95,512	19,110	18,387	6,423	8,425	8,956	156,813

  

	2020						
	Salaries and benefits	Services	Depreciation and amortization	Interest expense	Plant operations and utilities	Other operating expenses	Total
Instruction	\$ 47,175	2,020	6,157	2,652	3,395	6,392	67,791
Research	1,016	223	—	—	70	1,719	3,028
Public service	938	72	4	2	22	143	1,181
Academic support	7,457	4,949	2,130	917	1,256	2,636	19,345
Student services	13,166	1,589	2,428	1,046	1,223	3,825	23,277
Institutional support	18,108	9,557	937	403	1,170	2,765	32,940
Auxiliary enterprises	11,203	1,881	7,296	3,142	3,648	4,069	31,239
Total	\$ 99,063	20,291	18,952	8,162	10,784	21,549	178,801

**POMONA COLLEGE**

Notes to Financial Statements

June 30, 2021 and 2020

**(17) Financial Responsibility Standards**

The College participates in federal Title IV student financial assistance programs, which require it to meet standards of financial responsibility based on criteria determined by the U.S. Department of Education (ED), as set forth in 34 CFR 668.171. The criteria for private institutions include the annual calculation by ED of a financial responsibility composite score, as further outlined in 34 CFR 668.172, using audited financial statements submitted through the ED's eZ-Audit system. The composite score has been and will continue to be based on three ratios: Primary Reserve, Equity, and Net Income. These ratios utilize the following financial data of the College, which are not otherwise presented in the financial statements or other notes to the financial statements, as of and for the year ended June 30, 2021:

Inputs directly from the statement of activities:

Total revenues, gains, and other support	Net income ratio	\$	217,531
Plus: Net realized and unrealized gains on investments	Net income ratio		398,500
Plus: Net investment income	Net income ratio		4,974
Plus: Changes in actuarially determined gift liabilities	Net income ratio		12,246
Plus: Other actuarial adjustments	Net income ratio		177
Plus: Other	Net income ratio		<u>410</u>
Total revenue and gains without donor restrictions		\$	<u><u>633,838</u></u>

**(18) Subsequent Events**

Subsequent events have been evaluated through December 20, 2021, which corresponds to the date when the financial statements were available to be issued.

## **SUPPLEMENTARY SCHEDULE**

**POMONA COLLEGE**

Supplementary Schedule of Financial Responsibility Data

Year ended June 30, 2021

(In thousands of dollars)

Location in financial statements or related notes	Financial element	Amount
Primary reserve ratio: expendable net assets:		
Statement of financial position	Net assets without donor restrictions	\$ 1,626,421
Statement of financial position	Net assets with donor restrictions	1,883,683
Statement of financial position	Property, plant, and equipment, net	413,286
Note 7, Property, Plant and Equipment	Construction in progress	20,626
Statement of financial position	Long-term debt	245,746
Note 10, Net Assets	Annuity and life income funds with donor restrictions	65,958
Note 10, Net Assets	Term endowments with donor restrictions	390
Note 10, Net Assets	Net assets with donor restrictions: restricted in perpetuity	462,816
Primary reserve ratio: expenses and losses:		
Statement of activities	Total expenses and losses without donor restrictions	286,760
Equity ratio: modified net assets:		
Statement of financial position	Net assets without donor restrictions	1,626,421
Statement of financial position	Net assets with donor restrictions	1,883,683
Equity ratio: modified assets:		
Statement of financial position	Total assets	3,932,260
Net income ratio:		
Statement of activities	Change in net assets without donor restrictions	347,478
Note 17, Financial Responsibility Standards	Total revenues and gains without donor restrictions	633,838

See accompanying independent auditors report.