



REED COLLEGE

Reed Research Reactor
3203 SE Woodstock Boulevard, Portland, Oregon 97202-8199
phone: 503/777-7222. email: reactor@reed.edu

November 2, 2021

2021-074

Document Control Desk
Attn: Geoffrey Wertz
U.S. Nuclear Regulatory Commission
Washington, DC 20555-001

Re: Reed Research Reactor (Docket No. 50-288/License No. R-112) 2021 Financial Assurance

Please find attached to this letter Reed Institute dba Reed College's 2021 Financial Assurance for Cost of Decommissioning Activities Self-Guarantee Agreement, and Financial Statements for 2021 and 2020.

Sincerely,

Jerry Newhouse Digitally signed by Jerry Newhouse
Date: 2021.11.02 10:17:02 -07'00'

Jerry Newhouse
Director, Reed Research Reactor

CC Joshua Borromeo, Chief, Non-Power and Utilization Facility Licensing Branch
Travis Tate, Chief, Non-Power and Utilization Facility Oversight Branch

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NRR



REED COLLEGE

October 14, 2021

Financial Assurance for Cost of Decommissioning Activities Self-Guarantee Agreement

OFFICE OF
THE TREASURER

3203 Southeast
Woodstock Boulevard
Portland, Oregon
97202-8199

telephone
503/777-7506
fax
503/777-7775
email
arvinl@reed.edu

The guarantee is made by Reed College, a non-profit college, organized under the laws of the State of Oregon, herein referred to as the "guarantor" to the U.S. Nuclear Regulatory Commission (NRC), on behalf of the college as licensee.

Recitals

1. The guarantor has full authority and capacity to enter into this self-guarantee under the by-laws of the trustees of Reed College.
2. This self-guarantee is being issued to comply with regulations issued by the NRC, an agency of the U.S. Government, pursuant to the Atomic Energy Act of 1954, as amended, and the Energy Reorganization Act of 1974. NRC has promulgated regulations in Title 10, Chapter I of the Code of Federal Regulations, Part 50, which require that a holder of, or an applicant for, a materials license issued pursuant to 10 CFR Part 50 provide assurance that funds will be available when needed for required decommissioning activities.
3. The self-guarantee is issued to provide financial assurance for decommissioning activities for the licenses and facilities shown.

License# and Docket #	License description	Certified amounts of 2018 Cost estimates
R-112 50-288	Research and test reactor and related facilities located at Reed College Portland Oregon 97202	\$2,420,100
	Subtotal	\$2,420,100
	25% Contingency fund	\$605,025
	Total Estimated Cost	\$3,025,125

4. The Guarantor meets or exceeds the following financial test for a nonprofit College that issues bonds. Specifically, the most recent rating as of September 2020 for the college is AA-/Stable by S&P Global and guarantor agrees to comply with all notification requirements as specified in 10 CFR Part 50, and Appendix A to 10 CFR Part 30.
5. The guarantor does not have a parent company holding majority control of its voting stock.
6. Decommissioning activities as used below refer to activities required by 10 CFR Part 50 for decommissioning of the facilities identified.
7. Pursuant to the guarantor's authority to enter into this guarantee, the guarantor guarantees to the NRC that the guarantor shall:

- a. Carry out the required decommissioning activities, as required by the license listed above.
8. The guarantor agrees to submit audited financial statements annually within 90 days of the completion of the guarantor's fiscal year audit.
9. The guarantor agrees that if, at the end of any fiscal year before termination of this self-guarantee, it fails to meet the self-guarantee financial test criteria, it shall send in 90 days of the end of the fiscal year, by certified mail to the NRC, that it intends to provide alternative financial assurance as specified in 10 CFR Part 30. Within 120 days after the end of the fiscal year, the guarantor shall establish such financial assurance.
10. The guarantor agrees that if it determines, at any time, other than as described in Recital 9, that it no longer meets the self-guarantee financial test criteria or it is disallowed from continuing as a self-guarantor, it shall establish alternative financial assurance as specified in 10 CFR Part 50 within 30 days.
11. The guarantor as well as its successors and assigns, agrees to remain bound jointly and severally under this guarantee notwithstanding any or all of the following: amendment or modification of the license or NRC approved decommission funding plan for that facility, the extension or reduction of the time of performance of required activities, or any other modification or alteration of an obligation of the licenses pursuant to 10 CFR Parts 50 and 70.
12. The guarantor agrees that it shall be liable for all litigation costs incurred by the NRC in any successful effort to enforce the agreement against the guarantor.
13. The guarantor agrees to remain bound under the self-guarantee for as long as it, as licensee, must comply with the applicable financial assurance requirements of 10 CFR Part 50, for the previously listed facilities, except that the guarantor may cancel this self-guarantee by sending notice by certified mail to the NRC, such cancellation to become effective not before an alternative financial assurance mechanism has been put in place by the guarantor.
14. The guarantor agrees that if it, as licensee, fails to provide alternative financial assurance as specified in 10 CFR Parts 50 and 70 and obtain written approval of such assurance from the NRC within 90 days after a notice of cancellation by the guarantor is received by the NRC from the guarantor, the guarantor shall make full payment under self-guarantee.
15. The guarantor expressly waives notice of acceptance of this self-guarantee by the NRC. The guarantor expressly waives notice of amendments or modifications of decommissioning requirements.
16. If the guarantor files financial reports with the U.S. Securities and Exchange Commission, then it shall promptly submit them to its independent auditor and to the NRC during each year in which this self-guarantee is in effect
17. The guarantor agrees that if, at any time before termination of this self-guarantee, its most recent bond issuance ceased to be rated in the category of "A" or above by either Standard & Poor's or Moody's, it shall provide notice in writing of such fact to NRC within 20 days of publication of the change by the rating service.

I hereby certify that this self-guarantee is true and correct to the best of my knowledge.

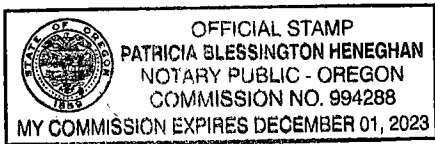
Effective date October 14, 2021

Reed College by: *Lynn Valenter*

Lynn Valenter
Vice President of Finance and Treasurer

State of Oregon
County of Multnomah
Signed before me this 14th day of October, 2021

Patricia Blessington Heneghan
Patricia Blessington Heneghan, Notary Public – State of Oregon





THE REED INSTITUTE

Financial Statements

June 30, 2021 and 2020

(With Independent Auditors' Report Thereon)

THE REED INSTITUTE

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KPMG LLP
Suite 3800
1300 South West Fifth Avenue
Portland, OR 97201

Independent Auditors' Report

The Board of Trustees
The Reed Institute:

We have audited the accompanying financial statements of The Reed Institute which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities and changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Reed Institute as of June 30, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

KPMG LLP

Portland, Oregon
October 6, 2021

THE REED INSTITUTE
Statements of Financial Position
June 30, 2021 and 2020

Assets	2021	2020
Current assets:		
Cash and cash equivalents	\$ 11,343,650	16,718,753
Accounts receivable, net	1,335,903	1,374,144
Contributions receivable, net	2,777,140	3,873,267
Short-term investments	10,205,130	14,982,355
Prepaid expenses and other assets	890,177	850,100
Total current assets	26,552,000	37,798,619
Noncurrent assets:		
Cash and cash equivalents whose use is limited	530,151	539,546
Accounts receivable, net	2,428,112	2,868,916
Contributions receivable, net	4,937,391	8,162,478
Funds held in trust by others	1,358,962	1,315,648
Long-term investments	840,528,532	617,872,507
Property, plant, and equipment, net	157,626,264	163,180,074
Other assets	694,628	169,344
Total noncurrent assets	1,008,104,040	794,108,513
Total assets	\$ 1,034,656,040	831,907,132
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 7,557,312	8,452,337
Postretirement benefits payable	937,522	923,878
Debt, current portion	1,944,830	1,869,830
Deferred revenue	2,198,082	2,905,560
Other liabilities	115,246	—
Total current liabilities	12,752,992	14,151,605
Long-term liabilities:		
Liability for split-interest agreements	13,146,653	11,064,975
Postretirement benefits payable	30,400,655	33,174,581
Refundable loan programs	650,704	1,076,622
Asset retirement obligation	6,051,916	5,923,001
Debt, net of current portion	102,862,578	104,807,408
Other liabilities	1,685,241	1,721,958
Total long-term liabilities	154,797,747	157,768,545
Total liabilities	167,550,739	171,920,150
Net assets:		
Without donor restrictions	469,050,167	360,030,973
With donor restrictions:		
Time or purpose	199,927,217	108,303,229
Perpetual	198,127,917	191,652,780
Total net assets with donor restrictions	398,055,134	299,956,009
Total net assets	867,105,301	659,986,982
Total liabilities and net assets	\$ 1,034,656,040	831,907,132

See accompanying notes to financial statements.

THE REED INSTITUTE

Statement of Activities and Changes in Net Assets

Year ended June 30, 2021

	Without donor restrictions	With donor restrictions	Total 2021
Revenues, gains, and other support:			
Tuition and fees, net of \$29,849,660 in college-funded scholarships	\$ 50,052,901	—	50,052,901
Auxiliary enterprises	10,229,448	—	10,229,448
Gifts and private grants	9,998,134	2,749,477	12,747,611
Government grants, contracts, and student aid	2,994,766	—	2,994,766
Endowment return, appropriated for spending	15,590,874	13,121,490	28,712,364
Other investment gains	89,412	—	89,412
Other revenues and additions	4,202,775	3,694	4,206,469
Net assets released from restrictions	13,042,356	(13,042,356)	—
Total revenues, gifts, and other support	106,200,666	2,832,305	109,032,971
Expenses:			
Educational and general:			
Instruction	36,602,872	—	36,602,872
Research	1,753,136	—	1,753,136
Academic support	12,934,474	—	12,934,474
General institutional support	8,437,737	—	8,437,737
Student services	12,610,417	—	12,610,417
College relations	7,196,175	—	7,196,175
Total educational and general	79,534,811	—	79,534,811
Auxiliary enterprises	17,619,552	—	17,619,552
Pandemic-related costs	5,823,461	—	5,823,461
Total operating expenses	102,977,824	—	102,977,824
Increase from operations	3,222,842	2,832,305	6,055,147
Nonoperating activity:			
Endowment return, net of amounts appropriated for spending	105,073,385	88,855,621	193,929,006
Change in value of split-interest agreements	—	4,335,468	4,335,468
Net periodic benefit cost, net of service cost	2,774,152	—	2,774,152
Other deductions and transfers	(2,051,185)	2,075,731	24,546
Total nonoperating activity	105,796,352	95,266,820	201,063,172
Increase in net assets	109,019,194	98,099,125	207,118,319
Net assets, beginning of year	360,030,973	299,956,009	659,986,982
Net assets, end of year	\$ 469,050,167	398,055,134	867,105,301

See accompanying notes to financial statements.

THE REED INSTITUTE

Statement of Activities and Changes in Net Assets

Year ended June 30, 2020

	Without donor restrictions	With donor restrictions	Total 2020
Revenues, gains, and other support:			
Tuition and fees, net of \$29,393,734 in college-funded scholarships	\$ 52,914,873	—	52,914,873
Auxiliary enterprises	13,105,738	—	13,105,738
Gifts and private grants	12,168,872	13,996,448	26,165,320
Government grants, contracts, and student aid	2,160,288	—	2,160,288
Endowment return, appropriated for spending	15,370,000	12,654,580	28,024,580
Other investment gains	823,892	—	823,892
Other revenues and additions	1,946,196	62,717	2,008,913
Net assets released from restrictions	12,325,042	(12,325,042)	—
Total revenues, gifts, and other support	110,814,901	14,388,703	125,203,604
Expenses:			
Educational and general:			
Instruction	37,757,300	—	37,757,300
Research	1,752,061	—	1,752,061
Academic support	14,295,261	—	14,295,261
General institutional support	9,228,648	—	9,228,648
Student services	13,308,290	—	13,308,290
College relations	7,782,074	—	7,782,074
Total educational and general	84,123,634	—	84,123,634
Auxiliary enterprises	18,482,876	—	18,482,876
Total operating expenses	102,606,510	—	102,606,510
Increase from operations	8,208,391	14,388,703	22,597,094
Nonoperating activity:			
Endowment return, net of amounts appropriated for spending	(10,341,499)	(8,618,495)	(18,959,994)
Change in value of split-interest agreements	—	(732,444)	(732,444)
Net periodic benefit cost, net of service cost	(3,975,351)	—	(3,975,351)
Other deductions and transfers	(336,005)	451,014	115,009
Total nonoperating activity	(14,652,855)	(8,899,925)	(23,552,780)
(Decrease) increase in net assets	(6,444,464)	5,488,778	(955,686)
Net assets, beginning of year	366,475,437	294,467,231	660,942,668
Net assets, end of year	\$ 360,030,973	299,956,009	659,986,982

See accompanying notes to financial statements.

THE REED INSTITUTE

Statements of Cash Flows

Years ended June 30, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ 207,118,319	(955,686)
Adjustments to reconcile increase (decrease) in net assets to net cash used in operating activities:		
Depreciation and amortization	6,399,524	6,282,223
Amortization of bond premium and issuance cost	(274,830)	(274,830)
Loss on disposal of assets	24,000	269,486
Contributions restricted for long-term investment	(3,588,257)	(4,189,009)
Noncash contributions	(939,428)	(5,224,315)
Net realized and unrealized gain on investments and split-interest agreements	(229,957,537)	(9,311,881)
Actuarial adjustments of liabilities for split-interest agreements	2,866,527	130,952
Change in asset retirement obligation	128,915	27,475
Changes in operating assets and liabilities that provided (used) cash:		
Accounts receivable	479,045	115,404
Contributions receivable	4,321,214	(6,612,932)
Prepaid and other	(538,878)	39,415
Accounts payable and accrued liabilities	(895,025)	(129,234)
Postretirement benefits payable	(2,760,282)	3,917,517
Deferred revenue	(707,478)	1,388,407
Other liabilities	78,529	(147,145)
Net cash used in operating activities	(18,245,642)	(14,674,153)
Cash flows from investing activities:		
Proceeds from maturities/sales of investments	204,776,056	144,777,579
Purchases of investments	(189,204,613)	(125,463,922)
Contracts receivable collected	33,517	30,970
Contracts receivable advanced	(60,000)	(12,333)
Purchase of property, plant, and equipment	(869,714)	(4,335,735)
Net cash provided by investing activities	14,675,246	14,996,559
Cash flows from financing activities:		
Contributions restricted for long-term investment	3,588,257	4,189,009
Payment of debt principal	(1,595,000)	(1,535,000)
Payments on split-interest agreements	(1,470,475)	(1,385,489)
Investment income subject to split-interest agreements	762,711	404,632
New liabilities related to split-interest agreements	52,194	55,200
Changes in governmental loan funds	(425,918)	(787,101)
Draw on deposit with bond trustee	—	2,240,623
Net cash provided by financing activities	911,769	3,181,874
Net (decrease) increase in cash and cash equivalents	(2,658,627)	3,504,280
Cash and cash equivalents and cash whose use is limited, beginning of year	19,408,772	15,904,492
Cash and cash equivalents and cash whose use is limited, end of year	\$ 16,750,145	19,408,772
Supplemental disclosures of cash flow information:		
Interest paid	\$ 2,984,008	3,403,539
Asset retirement obligations	—	2,794,479

See accompanying notes to financial statements.

THE REED INSTITUTE

Notes to Financial Statements

June 30, 2021 and 2020

(1) Background

The Reed Institute (Reed College or the College) was founded in 1908 by Simeon and Amanda Reed, with one central commitment: to provide a balanced, comprehensive education in liberal arts and sciences, fulfilling the highest standards of intellectual excellence. Reed College offers a Bachelor of Arts degree in one of 25 major fields and numerous interdisciplinary fields, as well as a master of arts in liberal studies degree. The College educational program pays particular attention to a balance between broad study in the various areas of human knowledge and close, in-depth study in a recognized academic discipline.

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

The financial statements of the College have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

(b) Basis of Presentation

Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. The definitions used to classify and report net assets are as follows:

- Without donor restrictions – Net assets that are not subject to donor-imposed stipulations or donor-restricted contributions whose restrictions are met in the same reporting period
- With donor restrictions: time or purpose – Net assets subject to donor-imposed stipulations that will be met by either actions of the College or the passage of time
- With donor restrictions: perpetual – Net assets subject to donor-imposed stipulations that they be permanently maintained by the College; generally, the donors of these assets permit the College to use all or part of the income earned on related investments for general or specific purposes.

Revenues are reported as increases in net assets without donor restrictions unless their use is limited by donor-imposed restrictions. All expenses are reported as decreases in net assets without donor restrictions except for activity related to life income agreements. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted either by donor stipulation or by law. Expirations of restrictions on net assets when the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed are reported as reclassifications between the applicable classes of net assets and are reported as "net assets released from restriction" in the statements of activities and changes in net assets. Restrictions related to contributions for the purchase of capital additions are released when the asset is placed in service.

Reed College follows the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Subtopic 958-205, *Not-for-Profit Entities – Presentation of Financial Statements*, which provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) and also requires disclosures about endowment funds, both donor-restricted endowment funds and board-designated endowment funds. See note 12 for further disclosures.

THE REED INSTITUTE
Notes to Financial Statements
June 30, 2021 and 2020

(c) Measure of Operations

Reed College's increase from operations includes all operating revenues and expenses that are an integral part of its programs and supporting activities, net assets released from donor restriction to support operating expenditures, and transfers from board-designated and other nonoperating funds to support current operating activities. The measure of operations excludes investment return in excess of amounts made available for current use.

(d) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(e) Revenue Recognition

Tuition and fees – Reed College's operating revenue is primarily derived from academic programs provided to undergraduate students. Tuition and fees revenue is earned for these educational services delivered during an academic term. Tuition and fees are earned over the applicable term and are not considered separate performance obligations. The College provides financial assistance in the form of scholarships or grants based on the recipients' demonstrated need. The financial assistance is reflected as a reduction of tuition and fees revenues and represents the difference between the stated charge for tuition and fees and the amount that is billed to the student.

The amount of tuition and fees and college-funded scholarships for the years ended June 30 are as follows:

	2021	2020
Tuition and fees	\$ 79,902,561	82,308,607
College-funded scholarships	(29,849,660)	(29,393,734)
Net tuition and fees	\$ 50,052,901	52,914,873

Academic terms are determined by regulatory requirements mandated by the federal government and/or applicable accrediting body. The College's academic terms consist of fall and spring. The academic terms have start and end dates that fall within the College's fiscal year.

The College bills tuition and fees in advance of each academic term and recognizes the tuition and fee revenue on a straight-line basis, as the educational services are performed, over the academic term. Students are typically entitled to a partial refund through approximately the first half of an academic term.

Students pay tuition and fees (net of scholarships) through a variety of funding sources, including, among others, federal loan and grant programs, state grant programs, institutional payment plans, private and institutional scholarships and borrowings, and cash payments.

THE REED INSTITUTE

Notes to Financial Statements

June 30, 2021 and 2020

Auxiliary enterprises – Auxiliary enterprises consist primarily of fees for room and dining services (board) during the student's education. Reed College considers room fees and dining services to have separate performance obligations.

Room fees are charged at different rates for dormitories and apartments. Room fees are billed in advance of each academic term and recognized as revenue on a straight-line basis over the period housing is provided. While the College believes the residential experience is an integral part of a student's education, it is believed to be a distinct performance obligation from the academic services.

Dining service fees are charged at different rates depending on the meal plan selected for the term of the agreement. Dining services are billed in advance of each academic term and are recognized as revenue ratably over the period during which the dining services are offered.

In addition to room and board, auxiliary services include revenue earned from the bookstore and for various conference services offered by the College. Revenue from the sale of these goods and services is recognized once the performance obligations are complete.

Gifts and private grants – Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional.

Government grants and contracts – Individual governmental and private grant arrangements are nonreciprocal and are, therefore, considered contributions. The granting entity has not received a direct benefit in exchange for the resources provided. Revenue is recognized when the barrier to entitlement is overcome, which is when expenditures associated with each grant are determined to be allowable, and all other significant conditions of the grant are met.

Investment return – Investment income or loss (including realized and unrealized gains and losses on investments, interest, and dividends), net of investment expenses is included in operating revenues, gains, and other support and nonoperating activities without donor restrictions unless the income or loss is restricted by donor, law, or endowment spending.

(f) Investments

Investments in marketable equity securities with readily determinable fair values and all investments in debt securities are carried at fair value. Certain investments do not have readily determinable fair values including private investments, fixed-income investments, absolute return investments, and investments in equities. Net asset value (NAV), in many instances, may not equal the price for which the asset could be exchanged or settled on the measurement date.

Realized and unrealized gains and losses arising from the sale, collection, or other disposition of investments, as well as all dividends, interest, and other investment income, are shown in the statements of activities and changes in net assets. Gains and investment income that are limited to specific uses by donor-imposed restrictions are reported as increases in net assets without donor restrictions if the restrictions are met in the same reporting period that the gains and income are recognized. Losses on investments related to gifts that the donor required to be invested in perpetuity (i.e., endowment funds) are classified as decreases in net assets with donor restrictions.

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Notes to Financial Statements
June 30, 2021 and 2020

(g) Split-Interest Agreements

Reed College has been named as a beneficiary for various split-interest agreements. Each agreement provides for contractual payments to stated beneficiaries for their lifetimes, after which remaining principal and interest revert to the College. Assets contributed are recorded at fair value. In addition, the College has recognized the present value of estimated future payments to be made to beneficiaries over their expected lifetimes as a long-term liability. The present values of these estimated payments were determined on the basis of published actuarial factors for ages of the respective beneficiaries discounted using a rate adjusted for mortality uncertainties and are not changed after the date of the gift. Annual adjustments are made between the liability and the net assets to record actuarial gains or losses. Differences between the assets contributed and the expected payments to be made to beneficiaries have been recorded as contribution revenue in the year established. These donations are either restricted on the basis of time or restricted in perpetuity based on the intent of the donor.

The College maintains separate reserve funds adequate to meet future payments under its charitable gift annuity contracts, as required by governing states' laws. The total held in separate reserve funds was \$7,117,480 and \$5,585,860 as of June 30, 2021 and 2020, respectively. The amount included to meet future payments under gift annuity contracts in liability for split-interest agreements was \$2,422,043 and \$2,533,491 as of June 30, 2021 and 2020, respectively.

(h) Contributions Receivable

Unconditional promises to give (contributions) are recorded as gifts and private grant income and contributions receivable. Promises to give are not recognized until they become unconditional, that is, when the donor-imposed restrictions are substantially met. Contributions other than cash are recorded at their estimated fair value. Management estimates an allowance for uncollectible contributions based on risk factors such as prior collection history, type of contribution, and the nature of the fundraising activity. Contributions are generally receivable within five years of the date the commitment was made and were discounted to present value using a discount rate commensurate with the risk involved. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

(i) Derivative Instruments

Reed College accounts for derivatives in accordance with FASB ASC Subtopic 815-10, *Derivatives and Hedging – Overall*, which requires that all derivative instruments be recorded on the statements of financial position at their estimated fair values. Changes in the fair value are recognized in the statements of activities and changes in net assets as other investment gains (losses).

(j) Property, Plant, and Equipment, Net

Property, plant, and equipment are stated at cost at the date of acquisition, if purchased, or at fair market value, at the date of receipt, if acquired by donation. Equipment under capital leases are stated at the present value of minimum lease payments. Depreciation is computed on a straight-line basis over the estimated useful lives of buildings (20 to 50 years) and equipment and furnishings (5 years). Equipment held under capital leases are amortized on a straight-line basis over the shorter of the lease term or estimated useful life of the asset. Routine repair and maintenance expenses and equipment replacement costs are expensed as incurred.

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(k) Donated Materials

Donated materials are included in the statements of activities and changes in net assets as gifts and private grants at their estimated fair values at date of receipt. These materials are subsequently expensed when used.

(l) Income Tax Status

The Internal Revenue Service has recognized Reed College as exempt from tax under the provisions of Section 501(a) as an organization described under Section 501(c)(3) of the Internal Revenue Code, except to the extent of unrelated business income under Sections 511 through 515. Management believes that unrelated business income tax, if any, is immaterial, and therefore, no tax provision has been made. The College accounts for income taxes in accordance with FASB ASC Subtopic 740-10, *Income Taxes – Overall*, which clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements and prescribes a threshold of more likely than not for recognition of tax benefits of uncertain tax positions taken or expected to be taken in a tax return. ASC Subtopic 740-10 also provides related guidance on measurement, derecognition, classification, interest and penalties, and disclosure. The College does not have any uncertain tax positions.

(m) Cash and Cash Equivalents

Cash and cash equivalents represent cash in bank and other highly liquid investments with original maturities of three months or less. Certain cash equivalents held by trustee and amounts included in the investment portfolio are intended to be invested on a long-term basis and are not included in the statements of cash flows. Cash and cash equivalents whose use is limited are restricted for the Federal Perkins Loan program.

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

	2021	2020
Cash and cash equivalents	\$ 11,343,650	16,718,753
Cash and cash equivalents whose use is limited	530,151	539,546
Cash held for long-term investment	4,876,344	2,150,473
Total cash and cash equivalents reported in the statements of cash flows	\$ 16,750,145	19,408,772

(n) Deferred Revenue

Deferred revenue consists primarily of tuition and fees related to future academic years.

(o) Postretirement Benefits

Reed College has a noncontributory postretirement medical benefit plan covering participating employees upon their retirement. The College maintains a postretirement medical benefit plan and accounts for the plan within the framework of FASB ASC Subtopic 958-715, *Not-for-Profit Entities – Compensation – Retirement Benefits*.

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The College records annual amounts relating to its postretirement medical benefit plan based on calculations that incorporate various actuarial and other assumptions, including discount rates, mortality, and healthcare cost trend rates. The College reviews its assumptions on an annual basis and makes modifications to the assumptions based on current rates and trends when it is appropriate to do so. The College believes that the assumptions utilized in recording its obligations under its plans are reasonable based on its experience and market conditions.

(p) Concentration of Risk

Reed College's standard financial instruments include commercial paper, U.S. government and agency securities, corporate obligations, mutual funds, commingled funds, limited partnerships, private equity, private real assets, and private real estate. These financial instruments may subject the College to concentrations of risk.

(q) Recent Accounting Pronouncements

In February 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*, which requires lessees to recognize a lease liability and a right-of-use asset for all lease obligations, with the exception of short-term leases. The lease liability will represent the lessee's obligation to make lease payments arising from the lease measured on a discounted basis, and the right-of-use asset will represent the lessee's right to use or control the use of a specified asset for a lease term. In July 2018, the FASB issued ASU No. 2018-11, *Leases – Targeted Improvements*, which allows entities to adopt the provisions of the standard prospectively without adjusting comparative periods. The College adopted the standard, as amended, for the year ended June 30, 2021 using this option. The lease type is assessed on a contract-by-contract basis. As permitted by ASU No. 2016-02, the College has elected not to recognize lease assets and liabilities for short-term leases with a term of 12 months or less without a purchase option. As a result of adopting the standard, the College recognized right-of-use assets and lease liabilities, which are reported in the statement of financial position as other assets and other liabilities, respectively.

In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*. The amendments in ASU No. 2018-13, in which certain disclosure requirements are removed, modified, or added, were adopted for the year ended June 30, 2021. The adoption of this guidance was not significant and did not impact Reed College's statements of financial position, the results of operations, or cash flows.

In August 2018, the FASB issued ASU No. 2018-14, *Compensation – Retirement Benefits – Defined Benefit Plans – General (Subtopic 715-20): Disclosure Framework – Changes to the Disclosure Requirements for Defined Benefit Plans*, which applies to all employers that sponsor defined-benefit pension or other postretirement plans. The amendments in ASU No. 2018-14, which remove, modify, or add certain disclosure requirements as part of the FASB's disclosure framework project to improve the effectiveness of the notes to the financial statements, were adopted for the year ended June 30, 2021. The adoption of this guidance was not significant and did not impact Reed College's statements of financial position, the results of operations, or cash flows.

In August 2018, the FASB issued ASU No. 2018-15, *Intangibles – Goodwill and Other – Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract*, which applies to all entities that are a customer in

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a hosting arrangement that is a service contract. The amendments in ASU No. 2018-14, which align the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software, are effective for the year ending June 30, 2022. Reed College does not expect adoption of this guidance to have a material effect on its statements of financial position, the results of operations, or cash flows.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, with certain amendments made to the standard in November 2018 through ASU No. 2018-09, *Codification Improvements to Topic 326, Financial Instruments – Credit Losses and ASU No. 2019-10 Financial Instruments – Credit Losses, Derivatives and Hedging, and Leases: Effective Dates*, which applies to entities holding financial assets and net investment in leases that are not accounted for at fair value through net income. The amendments in ASU No. 2016-13 require a financial asset (or a group of financial assets) measured at amortized cost basis to be presented at the net amount expected to be collected. The allowance for credit losses is a valuation account that is deducted from the amortized cost basis of the financial asset(s) to present the net carrying value at the amount expected to be collected on the financial asset. The amendments in ASU 2016-13 are effective for the year ending June 30, 2023. Reed College is currently evaluating the impact this guidance will have on its statements of financial position, the results of operations, or cash flows.

(r) Reclassifications

Certain items previously reported in the prior-year financial statements have been reclassified to conform to current-year financial statement presentation. These reclassifications had no effect on Reed College's financial position, activities and changes in net assets, or cash flows.

(3) Financial Assets and Liquidity Resources

Reed College regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The College has various sources of liquidity at its disposal, including cash and cash equivalents and marketable debt securities. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the College considers all expenditures related to its ongoing mission-related activities as well as the conduct of services undertaken to support those activities to be general expenditures. In addition to financial assets available to meet general expenditures over the next 12 months, the College operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

In March 2020, the World Health Organization declared the novel coronavirus (COVID-19) a pandemic. The outbreak of the disease has affected travel, commerce, and financial markets globally, including in the United States. For the 2020–21 academic year, the College structured courses as a mix of in-person and online instruction in order to best maintain the strong student-faculty and student-student academic interactions valued in a Reed education. Within these broad categories, many of the in-person courses included a remote-access option to accommodate students who could not return to campus. Similarly, many of the online courses included a local-access option to provide opportunities for smaller group discussion, studio time, and research projects.

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For the 2020–21 academic year, the College reduced campus housing density while setting aside one residence hall for students who needed isolation. The College reduced the maximum population in residence from the full capacity of 1,130 beds to approximately 820 available beds, with all rooms being single rooms.

For the year ended June 30, 2021, the College incurred \$5,823,461 of direct, incremental costs necessary to ensure a safe environment for faculty, students, and staff accessing the campus. The majority of these costs related to the COVID-19 testing program administered by the College and have been reported as pandemic-related costs in the statement of activities and changes in net assets.

The College has resumed its normal in-person instruction beginning fall 2021, and available campus housing has been restored to full capacity of 1,130 students. All students returning in the fall will be required to demonstrate proof of vaccination or request a qualified exemption.

Given the continued uncertainty over the progression of the virus and governmental emergency directives, the future financial impact on the College from the pandemic cannot be quantified at this time as there is still uncertainty as the pandemic continues to evolve. The College continues to assess the potential impact of legislation, the impact of stimulus measures, and the impact of other laws, regulations, and guidance related to COVID-19 on the business, results of operations, financial condition, and cash flows.

As of June 30, 2021, the following financial assets could readily be made available within one year of the balance sheet date to meet general expenditures:

	2021	2020
Financial assets at year-end:		
Cash and cash equivalents	\$ 11,343,650	16,718,753
Current accounts receivable, net	1,335,903	1,374,144
Current contributions receivable, net	2,777,140	3,873,267
Investments	852,092,624	634,170,510
Total financial assets at year-end	867,549,317	656,136,674
Less amounts not available to meet general expenditures within one year:		
Restricted by donors for use in future periods	17,356,497	15,352,908
Board-designated endowment	389,503,674	280,889,636
Future expendable donor-restricted endowment	167,199,968	78,344,347
Donor-restricted endowment to be retained in perpetuity	190,541,484	185,860,014
Annuity and life income funds	30,172,852	23,579,080
Funds held in trust by others	1,358,962	1,315,648
Financial assets available to meet general expenditures within one year	\$ 71,415,880	70,795,041

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In addition, at June 30, 2021, the College had \$389,503,674 of board-designated endowments that, with the board's approval, could be made available for operations.

(4) Investments

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

	<u>2021</u>	<u>2020</u>
Investments:		
Cash and cash equivalents	\$ 4,876,344	2,150,473
Fixed income	78,509,140	60,398,164
Public equities	299,916,615	223,371,304
Absolute return	129,063,948	124,167,318
Private equity	211,062,641	133,601,248
Private real assets	54,414,383	39,825,908
Private real estate	33,327,792	24,377,878
Funds held in trust	30,172,852	23,579,080
Investment funding in transit	8,018,516	—
Other	2,730,393	2,699,137
	<u>2,730,393</u>	<u>2,699,137</u>
Total investments	<u>\$ 852,092,624</u>	<u>634,170,510</u>

The overall investment objective for the College's endowment is to invest its assets in a prudent manner that will achieve a long-term rate of return sufficient to fund a portion of its annual operating activities and increase investment value after inflation. The College diversifies its investments among various asset classes incorporating multiple strategies and external investment managers. Major investment decisions are authorized by the board's Investment Committee, which oversees the College's investment program in accordance with established guidelines.

Investment strategies include the following:

- Fixed-income investments, which consist of commingled funds, bond mutual funds, and a limited partnership that hold securities, the majority of which have maturities greater than one year and are valued based on quoted market prices in active markets; certain commingled funds and the limited partnership are valued at NAV reported by the fund managers.
- Public equities investments, which consist of mutual funds, commingled funds, and limited partnerships; these are valued based on quoted market prices in active markets, except for certain commingled funds and limited partnerships, which are valued at NAV reported by the fund managers.
- The absolute return portfolio, which consists of investments of limited partnership interests in hedge funds whose managers have the authority to invest in various asset classes at their discretion, including the ability to invest long and short; the substrategies within the absolute return portfolio include equity long/short, credit/event driven, market neutral, multistrategy, and global macro. The majority of the underlying holdings are marketable securities. The remainder of the underlying holdings is held in marketable securities that trade infrequently, or in private investments, which are valued by

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the manager on the basis of an appraised value, discounted cash flows, industry comparables, or some other method. The limited partnership interests are valued at NAV reported by the fund managers.

- Investments in private equity, private real assets, and private real estate, which are in the form of limited partnership interests and typically invest in private assets for which there is no readily determinable market value; in these cases, market value is determined by external managers based on a combination of discounted cash flow analysis, industry comparables, and outside appraisals. Where private investment managers hold publicly traded securities, these securities are generally valued based on market prices. The limited partnership interests are valued at NAV reported by the fund managers.

At June 30, 2021 and 2020, Reed College has approximately \$692 million and \$490 million, respectively, of investments that are not readily marketable. These investments, which include the fixed income, public equities, absolute return portfolio, private equity, private real assets, and private real estate, represent 81% and 77% of total investments and 80% and 74% of total net assets at June 30, 2021 and 2020, respectively. These investments are reported at NAV as reported by the fund managers, which is used as a practical expedient to estimate the fair value. The College believes that the reported amount of its investments is a reasonable estimate of fair value as of June 30, 2021 and 2020. Because of the inherent uncertainties of valuation, these estimated fair values may differ significantly from values that would have been used if a ready market existed. See note 5 for investment fair value and liquidity measurements.

The College has funds invested in 135 and 128 limited partnerships at June 30, 2021 and 2020, respectively. At times, there are certain positions of derivative financial instruments included in the assets of the various partnerships. The College is obligated under certain limited partnership investment fund agreements to advance funding periodically up to specified levels. At June 30, 2021, the College has unfunded commitments of approximately \$117,705,971. These commitments are callable by the general partners/advisers between June 30, 2021 and 2029. The terminations of these partnerships/funds are based upon specific provisions in the agreements.

Included in cash and cash equivalents and fixed income are \$40,373,257 and \$32,274,680 of operating funds at June 30, 2021 and 2020, respectively, used to manage the College's operating liquidity.

Included in funds held in trust investments are \$30,172,852 and \$23,579,080 of planned giving trusts held in mutual funds and other investments that are not available for spending as of June 30, 2021 and 2020, respectively.

Included in investment funding in transit are funds transferred to a manager prior to June 30, 2021 and invested in an absolute return investment on July 1, 2021.

Total investment income, excluding funds held in trust investments, was \$222,730,782 and \$9,888,478 for the years ended June 30, 2021 and 2020, respectively.

(5) Fair Value Measurements

ASC Topic 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements).

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The three levels of the fair value hierarchy are as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the College has the ability to access at the measurement date.

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3 inputs are unobservable inputs for the asset or liability used to measure fair value to the extent that observable inputs are not available.

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest-level input that is significant to the fair value measurement in its entirety.

The following is a description of the valuation methodologies used for assets and liabilities carried at fair values:

Cash and cash equivalents: The carrying amounts, at face value or cost plus accrued interest, approximate fair value because of the short maturity of these instruments.

Investments: Fixed income investments include bonds, treasuries, and bond mutual funds. Public equities include publicly traded stocks, mutual funds, and exchange-traded funds. Treasuries, bond mutual funds and public equities are classified as Level 1 in the fair value hierarchy table as their fair value is measured using quoted market prices multiplied by the quantity held. Corporate bonds are classified as level 2 in the fair value hierarchy table as their fair value is measured using other inputs that are observable or can be corroborated by market data for the term of the instrument.

Funds held in trust: The College's beneficial interest in irrevocable split-interest agreements held or controlled by a third party are based on a combination of Level 1 inputs (observable market values of the trusts' investment portfolios), Level 2 indirect observable inputs (real estate investments trusts), and Level 3 significant unobservable inputs (real estate). The fair values are measured at the present value of the future distributions the College expects to receive over the term of the agreements. The shares and units held by a trustee in registered investment funds are classified in Level 2, because while the underlying securities are marketable, the College does not have the ability to redeem its interest at or near the date of the statements of financial position. Investments classified as Level 3 consist of donated real estate holdings, which are recorded at the appraised value at the date of receipt.

Other investments classified in Level 3 consist of shares or units in nonregistered investment funds as opposed to direct interests in the funds' underlying securities. Even though these shares and units in nonregistered investment funds are classified in Level 3, some of the underlying securities are marketable or not difficult to value.

Interest rate swap: The fair value of the interest rate swap is determined using pricing models developed based on the LIBOR swap rate and other observable market data. The value was determined after considering the potential impact of collateralization and netting agreements, adjusted to reflect nonperformance risk of both the counterparty and the College. The primary inputs into the valuation of interest rate swaps are interest yield curves, interest rate volatility, and credit spreads. The College's

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interest rate swaps are classified within Level 2 of the fair value hierarchy, since all significant inputs are corroborated by market observable data.

The College measures the fair value for certain investments that are not exchange traded using net asset value (NAV) as a practical expedient. The practical expedient would not be used if it is determined to be probable that the College will sell the investment for an amount different from the reported NAV. In accordance with FASB ASC Subtopic 820-10, an investment measured at fair value using the net asset value per share practical expedient has not been classified in the fair value hierarchy.

The inputs or methodology used for valuing or classifying investments for financial reporting purposes are not necessarily an indication of the risks associated with those investments or a reflection of the liquidity of or degree of difficulty in estimating the fair value of each fund's underlying assets and liabilities.

The following table presents assets and liabilities that are measured at fair value on a recurring basis at June 30, 2021:

	<u>Total</u>	<u>Quoted prices in active markets for identical assets (Level 1)</u>	<u>Significant other observable inputs (Level 2)</u>	<u>Significant unobservable inputs (Level 3)</u>
Assets:				
Cash and cash equivalents	\$ 4,876,344	4,876,344	—	—
Fixed income	65,074,793	43,402,394	21,672,399	—
Public equities	49,615,203	49,615,203	—	—
Funds held in trust	30,172,852	—	29,483,852	689,000
Other	2,730,393	108,371	—	2,622,022
Total	<u>152,469,585</u>	<u>\$ 98,002,312</u>	<u>51,156,251</u>	<u>3,311,022</u>

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	<u>Total</u>	<u>Quoted prices in active markets for identical assets (Level 1)</u>	<u>Significant other observable inputs (Level 2)</u>	<u>Significant unobservable inputs (Level 3)</u>
Investments where NAV was used as a practical expedient to measure fair value:				
Absolute return	129,063,948			
Fixed income	13,434,347			
Private equity	211,062,641			
Private real assets	54,414,383			
Private real estate	33,327,792			
Public equities	<u>250,301,412</u>			
Total	691,604,523			
Investment funding in transit	<u>8,018,516</u>			
Total investments and other assets	<u>\$ 852,092,624</u>			
Liabilities:				
Interest rate swap	\$ 604,698	—	604,698	—

The following table presents assets and liabilities that are measured at fair value on a recurring basis at June 30, 2020:

	<u>Total</u>	<u>Quoted prices in active markets for identical assets (Level 1)</u>	<u>Significant other observable inputs (Level 2)</u>	<u>Significant unobservable inputs (Level 3)</u>
Assets:				
Cash and cash equivalents	\$ 2,150,473	2,150,473	—	—
Fixed income	51,122,625	22,310,683	28,811,942	—
Public equities	65,011,168	65,011,168	—	—
Funds held in trust	23,579,080	—	22,890,080	689,000
Other	<u>2,699,137</u>	<u>80,162</u>	<u>—</u>	<u>2,618,975</u>
Total	<u>144,562,483</u>	<u>\$ 89,552,486</u>	<u>51,702,022</u>	<u>3,307,975</u>

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	<u>Total</u>	<u>Quoted prices in active markets for identical assets (Level 1)</u>	<u>Significant other observable inputs (Level 2)</u>	<u>Significant unobservable inputs (Level 3)</u>
Investments where NAV was used as a practical expedient to measure fair value:				
Absolute return	129,063,948			
Fixed income	13,434,347			
Private equity	211,062,641			
Private real assets	54,414,383			
Private real estate	33,327,792			
Public equities	<u>250,301,412</u>			
Total	691,604,523			
Investment funding in transit	<u>8,018,516</u>			
Total investments and other assets	<u>\$ 852,092,624</u>			
Liabilities:				
Interest rate swap	\$ 604,698	—	604,698	—

The following table presents the College's activity for assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended June 30, 2021 and 2020, respectively:

Balance at June 30, 2019	\$ 2,717,027
Total realized and unrealized gains	50,712
Purchases, issuances, and settlements (net)	<u>540,236</u>
Balance at June 30, 2020	3,307,975
Total realized and unrealized gains	3,047
Purchases, issuances, and settlements (net)	<u>—</u>
Balance at June 30, 2021	<u>\$ 3,311,022</u>

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The following table presents information for investments where the NAV was used as a practical expedient to measure fair value at June 30, 2021:

	<u>Fair value</u>	<u>Lockup period</u>	<u>Redemption frequency</u>	<u>Redemption notice period</u>
Absolute return	\$ 1,339,800	Liquidating	N/A	N/A
Absolute return	9,248,892	1 Month	Monthly	5–30 Days
Public equities	73,911,481	1 Month	Monthly	5–30 Days
Public equities	75,664,799	1 Month	Semimonthly	9–15 Days
Absolute return	98,796,075	3 Months	Quarterly	30–75 Days
Public equities	100,725,132	3 Months	Quarterly	30–75 Days
Absolute return	19,679,181	9 Months	Annually	60–90 Days
Private equity	211,062,641	—	Illiquid	—
Private real assets	54,414,383	—	Illiquid	—
Private real estate	33,327,792	—	Illiquid	—
Fixed income	<u>13,434,347</u>	—	Illiquid	—
Total investments where NAV was used as a practical expedient to measure fair value \$ <u>691,604,523</u>				

The following table presents information for investments where the NAV was used as a practical expedient to measure fair value at June 30, 2020:

	<u>Fair value</u>	<u>Lockup period</u>	<u>Redemption frequency</u>	<u>Redemption notice period</u>
Absolute return	\$ 2,430,870	Liquidating	N/A	N/A
Public equities	59,995,856	1 Month	Semimonthly	9–15 Days
Public equities	21,026,503	1 Month	Monthly	5 Days
Absolute return	8,765,397	1 Month	Monthly	30 Days
Public equities	77,337,777	3 Months	Monthly	60 Days
Absolute return	91,918,150	3 Months	Quarterly	30–75 Days
Absolute return	21,052,901	9 Months	Annually	60–90 Days
Fixed income	9,275,539	—	Illiquid	—
Private equity	133,601,248	—	Illiquid	—
Private real assets	24,377,878	—	Illiquid	—
Private real estate	<u>39,825,908</u>	—	Illiquid	—
Total investments where NAV was used as a practical expedient to measure fair value \$ <u>489,608,027</u>				

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The College holds investments in private limited partnerships and certain fixed income commingled funds where NAV is used as a practical expedient to measure fair value at June 30, 2021. These investments do not allow for periodic redemptions but rather distribute earnings at the discretion of the fund managers and fully liquidate upon the termination date as stated in the agreement. Therefore, these are considered illiquid.

(6) Property, Plant, and Equipment, Net

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

	2021	2020
Land and land improvements	\$ 14,219,852	14,219,852
Buildings	244,371,931	244,071,219
Equipment, furniture, and fixtures	17,100,025	16,761,342
	275,691,808	275,052,413
Less accumulated depreciation	(118,065,544)	(111,872,339)
Net property, plant, and equipment	\$ 157,626,264	163,180,074

Depreciation expense was \$6,399,524 and \$6,282,223 for the years ended June 30, 2021 and 2020, respectively, and is allocated to the functional expenses based on the relative square footage of the departments.

(7) Long-Term Debt

(a) Notes Payable

During 2008, the College refinanced the 2006 and the 2007 State of Oregon Bonds in the amount of \$47,060,000. The 2008 State of Oregon notes mature on July 1, 2038 and bear interest based on a weekly basis set through the remarketing process. Interest rates were 0.05% to 0.23% and 0.13% to 5.22% for the years ended June 30, 2021 and 2020, respectively.

Wells Fargo Bank is the liquidity facility provider for the 2008 bond issue should the bonds fail to remarket. The Liquidity Facility agreement was renewed in January 2018 for an additional five years and remains in effect until January 31, 2023, unless renewed or terminated pursuant to the terms and conditions set forth in the agreement.

Effective December 5, 2017, the College refinanced the 2011 State of Oregon bonds in the amount of \$40,030,000 and borrowed an additional \$25,620,000 to be used to finance the construction of a new residence hall. A portion of the bond proceeds was used to redeem deposited with a trustee in an irrevocable escrow trust account to service the 2011 State of Oregon bonds. On July 1, 2020, the College redeemed the outstanding bonds in full using the proceeds of the escrow trust account. The 2017 State of Oregon note bear interest at rates of 3.0% to 5.0%.

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Notes payable consists of the following at June 30:

	<u>2021</u>	<u>2020</u>
2008 State of Oregon notes	\$ 31,750,000	33,345,000
2017 State of Oregon notes	<u>65,650,000</u>	<u>65,650,000</u>
	97,400,000	98,995,000
Unamortized premium	7,802,750	8,095,633
Unamortized issuance costs	<u>(395,342)</u>	<u>(413,395)</u>
Total long-term debt	104,807,408	106,677,238
Less amounts due within one year	<u>1,944,830</u>	<u>1,869,830</u>
Total long-term debt due after one year	<u>\$ 102,862,578</u>	<u>104,807,408</u>

Principal payments on the notes payable become due as follows:

	<u>2017 State of Oregon notes</u>	<u>2008 State of Oregon notes</u>	<u>Total</u>
2022	\$ —	1,670,000	1,670,000
2023	—	1,720,000	1,720,000
2024	—	1,795,000	1,795,000
2025	—	1,865,000	1,865,000
2026	1,705,000	360,000	2,065,000
Thereafter	<u>63,945,000</u>	<u>24,340,000</u>	<u>88,285,000</u>
	<u>\$ 65,650,000</u>	<u>31,750,000</u>	<u>97,400,000</u>

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

	<u>2021</u>	<u>2020</u>
Interest	\$ 2,984,008	3,403,539
Amortization of premium and issuance costs	<u>(274,830)</u>	<u>(274,830)</u>
Total interest cost recorded in the statement of activities	<u>\$ 2,709,178</u>	<u>3,128,709</u>

Amortization is calculated over the life of the notes.

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(b) Interest Rate Risk Management

In June 2006, the College issued \$16,650,000 of auction rate debt through the Oregon Facilities Authority. The College entered into an interest rate swap of like term, amortization, and notional amount with an investment bank to hedge this underlying variable rate debt. The College subsequently refinanced the 2006 notes with the 2008 series debt and retained this swap arrangement for interest rate risk management. The notional amount of the swap was \$6,575,000 and \$7,750,000 at June 30, 2021 and 2020, respectively. Pursuant to this swap, the College works with a consulting firm to aid in monitoring changes in interest rates and the impact they may have on long-term debt.

During the years ended June 30, 2021 and 2020, \$247,704 and \$216,302 was paid, respectively. The change in unrealized gain and loss on the swap agreements for the years ended June 30, 2021 and 2020 was a gain of \$273,258 and a loss of \$44,124, respectively, and is recorded in the statements of activities and changes in net assets as other investment gains. The fair value of the swap agreement as of June 30, 2021 and 2020 was a liability of \$604,698 and \$877,956, respectively, and is recorded in the statements of financial position as other long-term liabilities.

(8) Retirement and Postretirement Benefits

(a) Retirement Plan

The College has a defined-contribution pension plan administered through Teachers Insurance and Annuity Association – College Retirement Equities Fund. Employees are able to voluntarily contribute funds to this plan beginning on the first day of employment provided they are not students. Employees are eligible for fixed employer contributions the first month following the completion of one year of service and must have attained the age of 21. Participants are immediately vested in their employee and employer contributions and earnings thereon. The College's policy is to fund pension expenses as incurred. Expenditures relating to the plan were \$3,941,572 and \$3,934,499 for the years ended June 30, 2021 and 2020, respectively, and are included in education and general expenses and auxiliary enterprises in the accompanying statements of activities and changes in net assets.

(b) Defined-Benefit Retiree Medical Insurance Plan

The College maintains a defined-benefit retiree medical insurance plan, which is not funded. Employees hired after June 30, 2006 do not participate in this plan. In order to participate, employees hired prior to September 2, 2001 must retire from the College at or after age 55 with at least 10 years of continuous service. Employees hired between September 1, 2001 and June 30, 2006 must retire from the College at or after age 55 with 20 years of continuous service.

Participating retirees have the option of continuing to be insured by either a Kaiser plan or other plan offered by Emeriti. Participating retirees who retired prior to September 2, 2001 and spouses/domestic partners are covered for their lifetime. All other participating retirees are covered at the lowest premium plan for their lifetime, and spouses/domestic partners are covered at the rate of 50% of the lowest premium plan for their lifetime. Employer premium expenses were \$586,539 and \$567,116 for the years ended June 30, 2021 and 2020, respectively.

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

	<u>2021</u>	<u>2020</u>
Change in benefit obligation:		
Benefit obligation at beginning of year	\$ 34,098,459	30,180,942
Service cost	593,519	509,282
Interest cost	925,090	1,071,307
Benefits paid	(579,649)	(567,116)
Actuarial (gain) loss	<u>(3,699,242)</u>	<u>2,904,044</u>
Benefit obligation at end of year and funded status	<u>\$ 31,338,177</u>	<u>34,098,459</u>
Amounts recognized in the balance sheet consist of:		
Postretirement benefits payable – current	\$ 937,522	923,878
Postretirement benefits payable – long term	<u>30,400,655</u>	<u>33,174,581</u>
	<u>\$ 31,338,177</u>	<u>34,098,459</u>

The College used the following actuarial assumptions to determine its employee benefit obligations and net periodic benefit cost for the years ended June 30, 2021 and 2020, as measured at June 30:

	<u>2021</u>	<u>2020</u>
Benefit obligation:		
Weighted average discount rate	2.95%	2.75%
Rate of increase in per capita cost of covered healthcare benefits	6.25% trending to 4.00% in 2032	6.50% trending to 4.00% in 2031
Net periodic benefit cost:		
Weighted average discount rate	2.75%	3.60%
Rate of increase in per capita cost of covered healthcare benefits	6.50% trending to 4.00% in 2031	6.50% trending to 4.00% in 2030

Actuarial changes were driven by changes in the mortality rate assumptions, the discount rate, and changes in healthcare cost trends.

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Net periodic benefit cost included the following components for the years ended June 30:

	2021	2020
Service cost	\$ 593,519	509,282
Interest cost	925,090	1,071,307
Recognition of actuarial (gain) loss	(3,699,242)	2,904,044
Net periodic benefit cost	\$ (2,180,633)	4,484,633

Service cost is included in education and general expenses and the other components of net periodic postretirement benefit are included in nonoperating activity in the accompanying statements of activities and changes in net assets.

The College's policy is to fund the plan as claims payments are made. In the 2021–2022 fiscal year, the College expects to contribute, from ongoing cash flows and current assets, \$937,522 to the plan. Benefit payments, which reflect expected future service, as appropriate, are expected to be paid as follows for the years ending June 30:

Year(s) ending:		
2022	\$	937,522
2023		965,111
2024		1,023,970
2025		1,115,081
2026		1,202,686
2027–2031		6,970,611

(c) Emeriti Retiree Defined-Contribution Health Plan

The College has a defined-contribution retiree health plan for employees hired on or after July 1, 2006. The College makes contributions on each eligible employee's behalf once the individual reaches the age of 40 years. Employees are also eligible to make discretionary after-tax contributions to their account if the individual is 21 years or older. Employees are eligible to receive benefits from the plan if the employee has attained age 55 years and achieved 20 years of continuous service to the College. Employer expenses related to this plan were \$555,954 and \$509,599 for fiscal years ended June 30, 2021 and 2020, respectively, and are included in education and general expenses in the accompanying statements of activities and changes in net assets.

(9) Funds Held in Trust by Others

The College has been named beneficiary of a portion of the remainder of three trusts maturing at specified dates in the future. These trusts are administered by other entities. The College revalues the receivables using the fair value of expected future cash flows. At June 30, 2021 and 2020, the trusts receivable were \$1,358,962 and \$1,315,648, respectively, and were reported as noncurrent funds held in trust by others in the statements of financial position.

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(10) Contributions and Accounts Receivable

Contributions receivable consist of the following at June 30:

	<u>2021</u>	<u>2020</u>
Annual fund	\$ 2,099,686	2,767,604
Campaign	2,718,450	4,225,474
Endowment	3,337,601	5,832,183
Facilities	<u>15,000</u>	<u>30,000</u>
Gross contributions receivable	<u>\$ 8,170,737</u>	<u>12,855,261</u>

Contributions receivable consist of the following at June 30:

	<u>2021</u>	<u>2020</u>
Current:		
Gross contributions receivable	\$ 2,923,140	4,077,267
Less allowance for doubtful accounts	<u>(146,000)</u>	<u>(204,000)</u>
Total current net contributions receivable	<u>2,777,140</u>	<u>3,873,267</u>
Long term (one to five years):		
Gross contributions receivable	5,247,597	8,777,994
Less allowance for doubtful accounts	<u>(260,000)</u>	<u>(429,000)</u>
Net long-term contributions receivable	4,987,597	8,348,994
Less discount to present value	<u>(50,206)</u>	<u>(186,516)</u>
Total long-term net contributions receivable	<u>4,937,391</u>	<u>8,162,478</u>
Total net contributions receivable	<u>\$ 7,714,531</u>	<u>12,035,745</u>

Contributions receivable due in excess of one year are discounted at 0.15% to 0.53% and 1.14% to 1.19% for the years ended June 30, 2021 and 2020, respectively.

Of the net unconditional promises to give included above, \$5,699,827 represents an unconditional promise to give from 19 members of the College Board of Trustees.

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Accounts receivable consist of the following at June 30:

	2021	2020
Current:		
Student accounts receivable	\$ 472,308	459,515
Related parties	8,881	10,813
Other receivables	854,714	903,816
	1,335,903	1,374,144
Noncurrent:		
Student accounts receivable	2,596	3,700
Reed loans	1,075,381	1,098,218
Related parties	4,236	5,494
Federal Perkins loans	1,406,138	1,821,741
	2,488,351	2,929,153
Less allowance for doubtful accounts	(60,239)	(60,237)
	\$ 3,764,015	4,243,060

The Federal Perkins Loans and Reed loans are generally payable at interest rates of 5% to 9% over approximately 10 years. Repayment begins after a designated grace period following the student's college attendance. Principal payments, interest, and losses due to cancellation are shared by the College and the U.S. government in proportion to their share of funds provided. The Federal Perkins Loan program provides for cancellation of loans if the student is employed in certain occupations following graduation (employment cancellations). Such employment cancellations are absorbed in full by the U.S. government.

Congress did not renew the Federal Perkins Loan Program after September 2017, and the transition period permitting disbursements ended on June 30, 2018. Institutions have the option to either continue to service the outstanding loans and remit excess cash periodically to the Department of Education or liquidate the portfolio, which would include assigning remaining loans to the federal government and forfeiting the institution's remaining net assets (institutional capital contribution). The College intends to continue servicing the outstanding Perkins loans.

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(11) Net Assets

At June 30, 2021 and 2020, net assets consisted of the following:

	2021	2020
Without donor restrictions:		
Operating and designated for special programs	\$ 31,536,211	27,620,963
Institutional loan programs	1,848,040	1,818,495
Funds functioning as endowment	117,729,619	113,609,318
Accumulated quasi-endowment gains	271,774,055	167,280,318
Net investment in plant	46,162,242	49,701,879
Subtotal	469,050,167	360,030,973
With donor restrictions – time or purpose:		
Educational and general programs	17,356,497	15,352,908
Annuity and life income funds	10,796,095	8,032,753
Accumulated endowment gains	167,199,968	78,344,347
Other temporarily restricted net assets	4,574,657	6,573,221
Subtotal	199,927,217	108,303,229
With donor restrictions – perpetual:		
True endowment funds	190,541,484	185,860,014
Annuity and life income funds	7,586,433	5,792,766
Subtotal	198,127,917	191,652,780
Total	\$ 867,105,301	659,986,982

(12) Endowments

At June 30, 2021, the College's endowment consisted of approximately 535 individual funds established for a variety of purposes. The endowment includes both donor-restricted endowments and funds designated by the College to function as endowments (quasi-endowments). Quasi-endowment funds do not have donor restrictions and may be expended at the discretion of the College. As required by U.S. generally accepted accounting principles, net assets associated with endowment funds, including quasi-endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of relevant law – The State of Oregon has enacted UPMIFA, the provisions of which apply to endowment funds. The College has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. The College classifies as net assets with perpetual donor restrictions (a) the original value of gifts to donor-restricted endowments and (b) any other amounts added to donor-restricted endowments that donors have stipulated are not expendable. The remaining portion of the donor-restricted endowment fund that is not classified as net assets with perpetual donor restrictions, including deficiencies associated with funds where the value of the fund has fallen below the original value of the gift, is classified

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as net assets with donor-imposed time or purpose restrictions until those amounts are appropriated for expenditure by the College in a manner consistent with the standard of prudence prescribed by UPMIFA.

Income and net gains on investments of endowment are reported as follows:

- Increases in net assets with perpetual donor restrictions if the terms of the gift or the College's interpretation of relevant state law require they be added to the principal of a permanently restricted net asset
- Increases in net assets with donor-imposed restrictions if the terms of the gift restrict its use and endowment income has not yet been appropriated for expenditure
- Increases in net assets without donor restrictions in all other cases.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires to be retained as a fund of perpetual duration. Deficiencies of this nature are reported in net assets with perpetual donor restrictions. As of June 30, 2021 and 2020, funds with an original gift value of \$0 and \$29,666,713 were "underwater" by \$0 and \$1,328,215, respectively.

Investment and spending policies – To enable broad diversification and economies of scale, the College's policy is to pool endowment assets for investment purposes to the fullest extent possible as permitted by gift agreements and applicable government regulations.

The College's pooled endowment provides ongoing financial support for operations that will remain stable (or grow) in real or inflation-adjusted terms, as adjusted for new additions to the pooled endowment. The primary investment objective of the pooled endowment is to provide a sustainable maximum level of return consistent with prudent risk levels. The overall, long-term investment goal of the pooled endowment is to achieve an annualized total return that balances short-term spending needs with the preservation of the real (inflation adjusted) value of assets. Investments are diversified across a wide range of asset classes, including those providing return premiums for illiquidity, so as to provide a balance that will enhance total return under a range of economic scenarios, while avoiding undue risk concentrations in any single asset class or investment category. Sufficient liquidity in the endowment portfolio to meet the spending policy and operational needs, preserve the College's desired credit ratings, and maintain compliance with any debt agreements is also considered when making investment decisions regarding asset allocation.

In accordance with UPMIFA, the College considers the following factors, among others, in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund; (2) the purposes of the College and the donor-restricted endowment fund; (3) general economic conditions; (4) the possible effect of inflation or deflation; (5) the expected total return from income and the appreciation of investments; (6) other resources of the College; and (7) the investment policies of the College.

Pooled endowment spending is determined using the total return concept. The policy on spending endowment income is to spend 5.00% and 5.05% over a rolling 13-quarter moving average of the fair value or market value of the endowment assets for fiscal years 2021 and 2020, respectively.

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Endowment net assets by type of fund as of June 30, 2021:

	<u>Without donor restrictions</u>	<u>With donor restrictions – time or purpose</u>	<u>With donor restrictions – perpetual</u>	<u>Total</u>
Donor-restricted endowment funds	\$ —	167,199,968	190,541,484	357,741,452
Board-designated endowment funds	<u>389,503,674</u>	<u>—</u>	<u>—</u>	<u>389,503,674</u>
Total funds	<u>\$ 389,503,674</u>	<u>167,199,968</u>	<u>190,541,484</u>	<u>747,245,126</u>

Endowment net assets by type of fund as of June 30, 2020:

	<u>Without donor restrictions</u>	<u>With donor restrictions – time or purpose</u>	<u>With donor restrictions – perpetual</u>	<u>Total</u>
Donor-restricted endowment funds	\$ —	78,344,347	185,860,014	264,204,361
Board-designated endowment funds	<u>280,889,636</u>	<u>—</u>	<u>—</u>	<u>280,889,636</u>
Total funds	<u>\$ 280,889,636</u>	<u>78,344,347</u>	<u>185,860,014</u>	<u>545,093,997</u>

Changes in endowment net assets for the years ended June 30, 2021 and 2020 are as follows:

	<u>Without donor restrictions</u>	<u>With donor restrictions – time or purpose</u>	<u>With donor restrictions – perpetual</u>	<u>Total</u>
Endowment net assets, July 1, 2020	\$ 280,889,636	78,344,347	185,860,014	545,093,997
Investment return:				
Net investment gain	120,273,098	101,646,598	—	221,919,696
Net appreciation of investments	391,162	330,513	—	721,675
Contributions	953,671	—	2,602,045	3,555,716
Contributions from trust terminations	—	—	27,855	27,855
Appropriation of endowment assets for expenditure	(15,590,874)	(13,121,490)	—	(28,712,364)
Transfers and other reclassifications	<u>2,586,981</u>	<u>—</u>	<u>2,051,570</u>	<u>4,638,551</u>
Endowment net assets, June 30, 2021	<u>\$ 389,503,674</u>	<u>167,199,968</u>	<u>190,541,484</u>	<u>747,245,126</u>

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	<u>Without donor restrictions</u>	<u>With donor restrictions – time or purpose</u>	<u>With donor restrictions – perpetual</u>	<u>Total</u>
Endowment net assets, July 1, 2019	\$ 288,930,801	86,962,842	176,999,699	552,893,342
Investment return:				
Net investment gain	891,469	770,358	—	1,661,827
Net appreciation of investments	4,137,032	3,265,727	—	7,402,759
Contributions	1,722,926	—	8,346,575	10,069,501
Contributions from trust terminations	10,292	—	312,258	322,550
Appropriation of endowment assets for expenditure	(15,370,000)	(12,654,580)	—	(28,024,580)
Transfers and other reclassifications	567,116	—	201,482	768,598
Endowment net assets, June 30, 2020	\$ <u>280,889,636</u>	<u>78,344,347</u>	<u>185,860,014</u>	<u>545,093,997</u>

(13) Functional Classification of Expenses

Educational program expenses include instruction, academic support, and student services. The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. These expenses were allocated among program and supporting functions using a variety of cost allocation techniques, such as square footage and time and effort. Pandemic-related costs incurred for the year ended June 30, 2021 are reported as general institutional support.

The table below presents expenses by both their nature and function for the year ended June 30, 2021.

	<u>Educational programs</u>	<u>Research</u>	<u>Auxiliary enterprises</u>	<u>College relations</u>	<u>General institutional support</u>	<u>Total</u>
Salaries and wages	\$ 33,292,796	902,990	3,124,319	4,452,034	3,892,974	45,665,113
Benefits	11,046,030	219,718	1,003,897	1,696,289	1,483,278	15,449,212
Utilities, alterations, and repairs	1,849,779	158,907	3,322,884	52,257	197,012	5,580,839
Depreciation	2,813,332	245,154	2,988,337	53,368	299,333	6,399,524
Interest and accretion	1,247,775	108,731	1,325,157	23,670	132,761	2,838,094
Supplies, services, and other	11,898,051	117,636	5,854,958	918,557	8,255,840	27,045,042
Total	\$ <u>62,147,763</u>	<u>1,753,136</u>	<u>17,619,552</u>	<u>7,196,175</u>	<u>14,261,198</u>	<u>102,977,824</u>

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The table below presents expenses by both by their nature and function for the year ended June 30, 2020.

	<u>Educational programs</u>	<u>Research</u>	<u>Auxiliary enterprises</u>	<u>College relations</u>	<u>General institutional support</u>	<u>Total</u>
Salaries and wages	\$ 33,956,510	844,549	3,248,208	4,677,413	4,194,643	46,921,323
Benefits	11,701,899	198,602	1,015,859	1,832,830	1,638,098	16,387,288
Utilities, alterations, and repairs	2,937,437	181,489	3,553,342	59,218	225,551	6,957,037
Depreciation	2,760,902	240,585	2,934,607	52,374	293,755	6,282,223
Interest and accretion	1,387,624	120,918	1,473,679	26,322	147,641	3,156,184
Supplies, services, and other	<u>12,616,479</u>	<u>165,918</u>	<u>6,257,181</u>	<u>1,133,917</u>	<u>2,728,960</u>	<u>22,902,455</u>
Total	<u>\$ 65,360,851</u>	<u>1,752,061</u>	<u>18,482,876</u>	<u>7,782,074</u>	<u>9,228,648</u>	<u>102,606,510</u>

(14) Fundraising Expense

The College expended \$3,115,351 and \$3,326,799 for the years ended June 30, 2021 and 2020, respectively, for payroll and benefits, informational materials, college relations, travel, and special events relating to fundraising activities. These costs are all classified as college relations in the statements of activities and changes in net assets.

(15) Commitments and Contingencies

From time to time, the College is involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, most of these claims and legal actions are covered by insurance and the ultimate disposition of these matters will not have a material effect on the College's financial position, statements of activities and changes in net assets, or cash flows.

(16) Subsequent Events

The College has evaluated subsequent events from the statement of financial position date through October 6, 2021, the date at which the financial statements were issued, and determined that there are no other items to disclose.