

SWARTHMORE COLLEGE
CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2024 AND 2023



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YEARS ENDED JUNE 30, 2024 AND 2023**

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INDEPENDENT AUDITORS' REPORT

Board of Managers
Swarthmore College
Swarthmore, Pennsylvania

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Swarthmore College (the College), which comprise the consolidated statements of financial position as of June 30, 2024 and 2023, and the related statements of activities, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Swarthmore College as of June 30, 2024 and 2023, and changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern for one year after the date the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern for a reasonable period of time.

Board of Managers
Swarthmore College

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

King of Prussia, Pennsylvania
October 25, 2024

SWARTHMORE COLLEGE
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2024 AND 2023
(IN THOUSANDS)

| | 2024 | 2023 |
|---|---------------------|---------------------|
| ASSETS | | |
| Cash and Cash Equivalents | \$ 77,198 | \$ 95,354 |
| Accounts Receivable, Net | 2,150 | 1,825 |
| Prepaid Expenses and Inventories | 2,925 | 2,804 |
| Contribution Receivable | 3,311 | 7,979 |
| Student Loans Receivable, Net | 199 | 200 |
| Employee Mortgages and Housing Loans Receivable | 5,523 | 5,643 |
| Assets Restricted to Investment in Property and Equipment | 72,602 | 14,570 |
| Right-of-Use Assets: | | |
| Operating Lease | 47 | 108 |
| Financing Lease | 1,341 | 1,267 |
| Property and Equipment, Net | 637,490 | 562,654 |
| Investments, at Market: | | |
| Endowment | 2,728,473 | 2,720,329 |
| Life Income and Annuity | 35,900 | 33,518 |
| Other | 29,707 | 17,521 |
| | \$ 3,596,866 | \$ 3,463,772 |
| LIABILITIES AND NET ASSETS | | |
| LIABILITIES | | |
| Accrued Compensation | \$ 8,289 | \$ 7,135 |
| Payables and Other Accruals | 35,248 | 31,768 |
| Student Deposits | 2,581 | 1,873 |
| Deferred Payments and Other Liabilities | 38,379 | 39,055 |
| Right-of-Use Lease Liabilities: | | |
| Operating Leases | 47 | 108 |
| Financing Leases | 1,613 | 1,475 |
| Bonds Payable, Net | 456,140 | 360,096 |
| | 542,297 | 441,510 |
| NET ASSETS | | |
| Without Donor Restrictions | 1,292,567 | 1,250,767 |
| With Donor Restrictions | 1,762,002 | 1,771,495 |
| Total Net Assets | 3,054,569 | 3,022,262 |
| Total Liabilities and Net Assets | \$ 3,596,866 | \$ 3,463,772 |

See accompanying Notes to Consolidated Financial Statements.

SWARTHMORE COLLEGE
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2024
(IN THOUSANDS)

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|--|---------------------------------------|------------------------------------|---------------------|
| OPERATING REVENUES AND OTHER ADDITIONS | | | |
| Net Student Tuition, Fees, Housing, and Food | \$ 80,418 | \$ - | \$ 80,418 |
| Endowment Spending Distribution | 116,961 | 6,033 | 122,994 |
| Other Investment Income | 3,948 | 72 | 4,020 |
| Private Gifts and Grants | 8,772 | 2,632 | 11,404 |
| Government Grants | 2,757 | - | 2,757 |
| Auxiliary Activities and Other Income | 9,932 | 306 | 10,238 |
| Net Assets Released from Restrictions | <u>11,482</u> | <u>(11,482)</u> | <u>-</u> |
| Total Operating Revenues and Other Additions | 234,270 | (2,439) | 231,831 |
| OPERATING EXPENSES | | | |
| Salaries and Wages | 104,761 | - | 104,761 |
| Employee Benefits | 34,753 | - | 34,753 |
| Operating Expenses | 71,976 | - | 71,976 |
| Depreciation | 20,742 | - | 20,742 |
| Interest Expense | 8,877 | - | 8,877 |
| Total Operating Expenses | <u>241,109</u> | <u>-</u> | <u>241,109</u> |
| Change in Net Assets from Operating Activities | (6,839) | (2,439) | (9,278) |
| NONOPERATING ACTIVITIES | | | |
| Net Realized and Unrealized Gain and (Loss) on Investments, Net of Endowment Spending | 42,210 | (4,652) | 37,558 |
| Gifts and Grants | 2,035 | 691 | 2,726 |
| Change in Present Value of Life Income Funds | - | (1,138) | (1,138) |
| Maturities of Annuity and Life Income Funds | 550 | (550) | - |
| Change in Other Postretirement Benefits | 137 | - | 137 |
| Gain on Disposal of Property and Equipment | 1,640 | - | 1,640 |
| Other | 46 | 616 | 662 |
| Transfers Among Net Asset Classes | 363 | (363) | - |
| Net Assets Released from Restrictions | <u>1,658</u> | <u>(1,658)</u> | <u>-</u> |
| Change in Net Assets from Nonoperating Activities | <u>48,639</u> | <u>(7,054)</u> | <u>41,585</u> |
| NET CHANGE IN NET ASSETS | 41,800 | (9,493) | 32,307 |
| Net Assets - Beginning of Year | <u>1,250,767</u> | <u>1,771,495</u> | <u>3,022,262</u> |
| NET ASSETS - END OF YEAR | <u>\$ 1,292,567</u> | <u>\$ 1,762,002</u> | <u>\$ 3,054,569</u> |

See accompanying Notes to Consolidated Financial Statements.

SWARTHMORE COLLEGE
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023
(IN THOUSANDS)

| | Without Donor Restrictions | With Donor Restrictions | Total |
|--|-------------------------------|----------------------------|--------------|
| OPERATING REVENUES AND OTHER ADDITIONS | | | |
| Net Student Tuition, Fees, Housing, and Food | \$ 75,962 | \$ - | \$ 75,962 |
| Endowment Spending Distribution | 111,366 | 5,963 | 117,329 |
| Other Investment Income | 2,631 | - | 2,631 |
| Private Gifts and Grants | 2,499 | 2,797 | 5,296 |
| Government Grants | 4,714 | - | 4,714 |
| Auxiliary Activities and Other Income | 9,854 | 428 | 10,282 |
| Net Assets Released from Restrictions | 9,076 | (9,076) | - |
| Total Operating Revenues and Other Additions | 216,102 | 112 | 216,214 |
| OPERATING EXPENSES | | | |
| Salaries and Wages | 93,454 | - | 93,454 |
| Employee Benefits | 29,796 | - | 29,796 |
| Operating Expenses | 62,262 | - | 62,262 |
| Depreciation | 18,960 | - | 18,960 |
| Interest Expense | 8,382 | - | 8,382 |
| Total Operating Expenses | 212,854 | - | 212,854 |
| Change in Net Assets from Operating Activities | 3,248 | 112 | 3,360 |
| NONOPERATING ACTIVITIES | | | |
| Net Realized and Unrealized Loss and Gain on Investments, Net of Endowment Spending | (7,611) | 5,625 | (1,986) |
| Gifts and Grants | 7,526 | 4,328 | 11,854 |
| Change in Present Value of Life Income Funds | - | (1,684) | (1,684) |
| Maturities of Annuity and Life Income Funds | 174 | (174) | - |
| Change in Other Postretirement Benefits | 783 | - | 783 |
| Asset Impairment | (7,917) | - | (7,917) |
| Other | 411 | 949 | 1,360 |
| Transfers Among Net Asset Classes | 1,095 | (1,095) | - |
| Net Assets Released from Restrictions | 4,842 | (4,842) | - |
| Change in Net Assets from Nonoperating Activities | (697) | 3,107 | 2,410 |
| NET CHANGE IN NET ASSETS | 2,551 | 3,219 | 5,770 |
| Net Assets - Beginning of Year | 1,248,216 | 1,768,276 | 3,016,492 |
| NET ASSETS - END OF YEAR | \$ 1,250,767 | \$ 1,771,495 | \$ 3,022,262 |

See accompanying Notes to Consolidated Financial Statements.

SWARTHMORE COLLEGE
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2024 AND 2023
(IN THOUSANDS)

| | 2024 | 2023 |
|--|-----------|-----------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in Net Assets | \$ 32,307 | \$ 5,770 |
| Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities: | | |
| Depreciation | 20,231 | 18,517 |
| Amortization of Bond Premium and Deferred Financing Costs | (2,132) | (3,291) |
| Amortization of Right-of-Use Asset | 511 | 443 |
| Asset Impairment | - | 7,917 |
| Gain on Disposal of Property and Equipment | (1,640) | - |
| Donor-Restricted Gifts | (2,076) | (6,108) |
| Receipt of Contributed Securities | (1,451) | (346) |
| Proceeds of Contributed Securities | 1,048 | 205 |
| Net Unrealized and Realized Loss (Gain) on Investments | 42,537 | (108,815) |
| Change in Student Loan Reserve | 4 | (69) |
| Changes in Operating Assets and Liabilities: | | |
| Change in Accounts Receivable, Contributions Receivable, Prepaid Expenses, and Inventories | 4,222 | 15 |
| Change in Deferred Payments and Other Liabilities | (676) | (140) |
| Change in Student Deposits, Payable, and Accruals | 5,342 | 7,195 |
| Net Cash Provided (Used) by Operating Activities | 98,227 | (78,707) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of Property and Equipment | (94,042) | (65,073) |
| Proceeds from Sale of Property and Equipment | 615 | - |
| Proceeds from Sale of Investments | 816,906 | 673,257 |
| Purchase of Investments | (882,155) | (559,663) |
| Student Loans and Employee Housing Loans Advanced | (600) | (398) |
| Payments on Student Loans, Employee Mortgages and Housing Loans | 717 | 640 |
| Net Cash (Used) Provided by Investing Activities | (158,559) | 48,763 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Donor-Restricted Gifts | 2,076 | 6,108 |
| Proceeds from Contributed Securities Designated for Purchase of Property and Equipment and Long-Term Investment | 403 | 141 |
| Change in Assets Restricted to Investment in Property and Equipment | (58,032) | 33,432 |
| Payments on Finance Leases | (447) | (292) |
| Proceeds from Issuance of Bonds Payable | 141,603 | - |
| Advance Refunding of Bonds Payable | (32,458) | - |
| Payments on Bonds Payable | (10,969) | (9,520) |
| Net Cash Provided by Financing Activities | 42,176 | 29,869 |
| CHANGE IN CASH AND CASH EQUIVALENTS | (18,156) | (75) |
| Cash and Cash Equivalents - Beginning of Year | 95,354 | 95,429 |
| CASH AND CASH EQUIVALENTS - END OF YEAR | \$ 77,198 | \$ 95,354 |
| SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION | | |
| Cash Paid for Interest, Net of Amounts Capitalized | \$ 17,380 | \$ 14,311 |
| Noncash Capital Expenditures in Accounts Payable | \$ 21,886 | \$ 19,859 |

See accompanying Notes to Consolidated Financial Statements.

SWARTHMORE COLLEGE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023
(IN THOUSANDS)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Swarthmore College (the College) is a private, nonprofit college of liberal arts and engineering located in Swarthmore, Pennsylvania. The College was incorporated in 1864 and founded by the Society of Friends. A board of managers governs the College. The College information presented in the consolidated financial statements comprises all the accounts of the College, including its institutes, centers, and programs. Intercompany balances and transactions between the College and its subsidiaries have been eliminated in consolidation.

Related Parties

The consolidated financial statements of Swarthmore College include a wholly owned, for-profit company, Marjay Productions, Inc., which was a bequest from a donor. The purposes of Marjay Productions, Inc. are to hold copyrights of the donor's works and to receive royalties. Its financial operations are immaterial to Swarthmore College as a whole.

The consolidated financial statements of Swarthmore College also include a wholly owned, for-profit, sole member Pennsylvania Limited Liability Corporation named Parrish LLC. The purpose of Parrish LLC is to operate an inn and restaurant facility in the Borough of Swarthmore, PA. Its financial operations are immaterial to Swarthmore College as a whole.

The board of managers includes representatives from both private and public sector industries. The College received gifts from members of the board of managers in 2024 and 2023.

Basis of Presentation

The College's consolidated financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America and reporting practices of not-for-profit entities. The statements have been prepared with the adopted principles of the Accounting Standards Codification (ASC) 958, *Not-for-Profit Entities*, which requires classification of net assets into two categories according to donor-imposed restrictions. The principles require that assets, revenues, gains, expenses and losses be classified as either net assets without donor-imposed restrictions or net assets with donor-imposed restrictions.

Net Assets Without Donor Restrictions – This classification includes all revenues, gains, expenses and losses not restricted by donors. All operating expenses are reported as decreases in net assets without donor restriction since the use of restricted contributions require the release of the restriction. Periodically donor restrictions related to net assets may be clarified or changed; such changes are reflected as fund transfers in the period in which they are identified.

SWARTHMORE COLLEGE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023
(IN THOUSANDS)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

Net Assets With Donor Restrictions – This classification of net assets are subject to donor-imposed restrictions that are either maintained in perpetuity or that will be met either by actions of the College or by the passage of time. Generally, a donor-imposed restriction is a stipulation that specifies the use of a contributed assets only for specific purposes. Some donor-imposed restrictions are temporary in nature, including gifts for capital projects or buildings not yet placed in service; annuity and life income gifts and pledges. Other donor-imposed restrictions are perpetual or permanent in nature, such as donor-restricted endowment funds.

Investment Gains and Losses

The investment gains and losses are reported as increases or decreases without donor restrictions unless their use is restricted by explicit donor stipulation. Appropriation by the College board of managers is a requirement for the use of investment income and gains for operations.

Operating Activities

Operating results in the consolidated statements of activities reflect all transactions increasing or decreasing net assets without donor restrictions except those items associated with long-term investment, capital gifts, nonperiodic changes in postretirement benefit obligations, and other nonrecurring transactions.

Use of Estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles 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 amounts of revenues and expenses during the reporting periods. Significant estimates include the valuation of alternative investments, allowance for doubtful accounts and accrued employee benefits. Actual results could differ from those estimates.

Cash Equivalents

Cash equivalents are readily convertible to cash and have an original maturity date of three months or less from the date purchased. Pooled endowment fund cash and cash equivalents that are held for investment purposes are classified as investments (see Note 3).

Assets Restricted to Investment in Property and Equipment

Assets restricted to investment in property and equipment consist primarily of proceeds of tax-exempt bonds issued for the benefit of the College and limited by terms of the indentures to use for qualified capital projects. These assets consist of cash and cash equivalents and short-term investments, recorded at cost, which approximates fair value. Contributions restricted for the acquisition of property and equipment are also reported as assets restricted to investment in property and equipment until the contribution is utilized for their intended purpose.

SWARTHMORE COLLEGE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023
(IN THOUSANDS)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases

Right-of-use assets (financed) include equipment leased by the College with a term greater than one year. The asset is depreciated over the remaining life of the lease. Right-of-use assets (operating) include property leased by the College with a term greater than one year. These assets are reduced when lease payments are made. Right-of use-assets have a related right-of-use liability.

Right-of-use liabilities (financed and operating) are recorded at their present value of the remaining lease payments using the rate of the lease terms, if known, or the College's incremental borrowing rate when the lease term rate is unknown. The rates range from 1.24% to 7.75%.

Property and Equipment

Property and equipment is stated at cost less accumulated depreciation. Expenditures for new construction, major renovations and equipment are capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of building (60 years), building improvements (25 years), land improvements (15 years), and equipment (5 years).

Construction in progress is depreciated over the useful life of the respective assets once the asset is put into service. Operating expenses associated with the operation and maintenance of plant assets, as well as interest and depreciation expense, are allocated on the basis of square footage utilized by the functional classification of expense.

Works of art, historical treasures, and similar assets are recognized at their estimated fair value at the time of gift based upon appraisals or similar valuations. All material items, whether contributed or purchased, have been capitalized. Works of art, historical treasures, and similar assets are not subject to depreciation.

Long-lived assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the related carrying amount may not be recoverable.

Investments

Refer to Note 3 for the accounting and reporting policy for investments.

Tuition, Fees, and Scholarships

Revenue from student tuition and fees are recognized as revenue over the fiscal year for which educational services are provided. Tuition discounts in the form of scholarships and financial aid grants are reported as a reduction of revenues. Housing and food revenue is recognized over the period it is earned as housing services and food services are provided. The College applies institutional aid as a discount to qualified tuition and fees. Student scholarships that are in excess of tuition and fees is applied as a discount to room and board revenue.

SWARTHMORE COLLEGE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023
(IN THOUSANDS)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Tuition, Fees, and Scholarships (Continued)

At June 30, the student tuition, fees, room and board net of institutional aid was as follows:

| | 2024 | 2023 |
|--|------------|------------|
| Student Tuition and Fees | \$ 107,080 | \$ 100,249 |
| Housing and Food | 28,858 | 27,505 |
| Less: Student Aid | (55,520) | (51,792) |
| Net Student Tuition, Fees, Housing, and Food | \$ 80,418 | \$ 75,962 |

Contributions

Contributions of cash and other assets, including unconditional promises to give, are recognized as revenues in the period received. Contributions with donor-imposed restrictions that are not met in the same year as received or earned are reported as net assets with donor restrictions and are reclassified to net assets without donor restrictions when the donor-stipulated restrictions are met or purpose restrictions are satisfied. Contributions of assets other than cash are reported at their estimated fair value. Conditional promises to give are not recognized until the conditions are substantially met. Donated assets are recorded at estimated fair value at the date of the gift.

Contributions receivable are unconditional promises, recorded at present value net of any allowance for uncollectible contributions. The present value of pledges are determined using the applicable market rate in the period contributions are recognized, which ranges from 0.33% to 3.56%.

Conditional contributions including bequest intensions are not recognized as assets and if received, will be recorded as revenue in the period the condition is met. The College has federal awards which are considered conditional grants. Conditional grants from federal sponsored projects amounted to \$2,676 and \$3,403 as of June 30, 2024 and 2023, respectively.

Compensated Absences

Accrued compensation includes vacation time earned by hourly and staff employee, but not yet taken as of fiscal year-end. A staff employee is entitled to receive pay in lieu of vacation upon termination. Employees may accrue a maximum of 240 hours of vacation. Accrued vacation payable amounted to \$4,474 and \$3,831 as of June 30, 2024 and 2023, respectively.

SWARTHMORE COLLEGE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023
(IN THOUSANDS)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

College Housing Programs

For employees who meet certain eligibility requirements, the College has rental, mortgage, and financing assistance programs. The goal of the programs is to attract and retain excellent faculty and staff. Beginning on January 1, 2018, the College's Mortgage Loan program was replaced with a forgivable subordinated loan program, the Home Purchase Assistance Program. The College will continue to service the former program's existing College-issued mortgages. These loans and mortgages are collateralized by deeds of trust on properties in the Philadelphia region. Management evaluates current economic conditions and collection history to determine if an allowance is necessary. Currently, there are no associated allowances for the receivables held under either program.

The former College Mortgage Loan program provided 20-, 25-, 30- or 40-year monthly amortizing first mortgages for homes within a specified distance to campus for faculty, instructional staff, and other staff members who meet certain eligibility requirements. Mortgages are to be paid off within 360 days of the termination of employment for any reason (death, retirement or severance). The interest rate on such mortgage loans is reviewed and updated on a quarterly basis.

The College Home Purchase Assistance program is a 10-year forgivable, subordinate loan of up to 10% of the appraised value (subject to a cap) for homes that are considered a primary residence within a specified distance to campus for faculty, instructional staff, and other staff members who meet certain eligibility requirements. Subordinate loans are to be paid off in full within 360 days of the termination of employment for any reason (death, retirement or severance). There is no interest charged on the loan.

The College owns a number of houses and apartments which are rented to faculty, instructional staff, and other staff members who meet certain eligibility requirements in the Borough of Swarthmore and surrounding campus communities.

Accounting Pronouncements Adopted

On July 1, 2023, the College adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-13, *Measurement of Credit Losses in Financial Statements (Topic 325)*, the current expected credit losses (CECL) methodology for estimating credit losses on financial assets, utilizing the modified retrospective transition method. The adoption of CECL resulted in changes to the College's accounting policies, including the recognition of credit losses based on expected future credit losses rather than incurred credit losses. There was not a material impact on the College's financial statements due to the adoption of this accounting standard.

SWARTHMORE COLLEGE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023
(IN THOUSANDS)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

The College has evaluated events and transactions for potential recognition or disclosure through October 25, 2024, the date the consolidated financial statements were available for issue.

NOTE 2 CONTRIBUTIONS RECEIVABLE

Contributions receivable at June 30 were as follows:

| | <u>2024</u> | <u>2023</u> |
|--------------------------------------|------------------------|------------------------|
| Due in: | | |
| Less than One Year | \$ 1,795 | \$ 5,082 |
| One to Five Years | 1,438 | 1,773 |
| More than Five Years | 320 | 1,178 |
| Total | <u>3,553</u> | <u>8,033</u> |
| Unamortized Discount | (124) | 259 |
| Allowance for Doubtful Contributions | <u>(118)</u> | <u>(313)</u> |
| Contributions Receivable, Net | <u><u>\$ 3,311</u></u> | <u><u>\$ 7,979</u></u> |

NOTE 3 INVESTMENTS

The College reports all investments at fair value. The fair value of marketable equity and fixed income securities (which include both domestic and foreign issues) is generally based upon a combination of published market prices at the close of business on the last day of the fiscal year and exchange rates.

The fair value of investments for which published market prices are not available is based upon estimated values using discounted cash flow analysis or other industry standard methodologies.

Endowment investments include the College's permanent, term, and quasi-endowment funds. Although quasi-endowment funds have been established by the board of managers for the similar purposes as endowment funds, any portion of quasi-endowment funds may be expended upon approval by the board of managers.

SWARTHMORE COLLEGE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023
(IN THOUSANDS)

NOTE 3 INVESTMENTS (CONTINUED)

Annuity, unitrust and life income funds periodically pay either the income earned or a fixed percentage of the assets to designated beneficiaries and terminate at a designated time, usually upon the death of the last designated income beneficiary. The College's remainder interest is then available for use by the College as designated by either the donor or the board of managers. The actuarial liability for the charitable gift annuities as of June 30, 2024 and 2023, is based on the present value of future payments discounted at rates that vary by participant from 0.6% to 7.6% based upon the 2012 IAR Mortality Table. The actuarial liability for the unitrusts as of June 30, 2024 and 2023, is based on the present value of future payments discounted at rates that vary by trust from 5% to 9% of the Annuity 2000 Mortality Table. The fair value of life income assets, invested in Level 1 equity or debt securities, is measured at fair value on a recurring basis at quoted market prices.

The endowment objective established by the board of managers is to provide a sustainable level of distribution in support of the College's annual operating budget while preserving the real purchasing power of the endowment before gifts. The endowment provides significant support of the College's operations; therefore, endowment policies seek to achieve stability and sustained growth in this support. The board of managers sets the level of distribution of endowment return annually.

The College has a unitization system for the management of endowments. All endowments are invested in a single pool of investment assets. Each separate endowment owns units in the investment pool, and the College determines the fair value of a unit on a quarterly basis. Gifts to an endowment fund create new units at the unit value in effect at the time of the gift. Changes in the unit value reflect changes in the fair value of endowment assets. Such changes arise from investment income, gains and losses and from the annual distribution to support each endowment's intended purpose. The board of managers sets the approved distribution annually, with a spending rate policy minimum of 3.5% and a maximum of 5.0%. The College follows endowment spending guidelines for its unitized investments, including quasi-endowment, that provides for regular increases in spending while preserving the long-term purchasing power of the endowment. Earnings available for spending are shown in operating revenue, and the balance of realized and unrealized gains or loss is shown as nonoperating revenue.

The following table shows the endowment distribution for the years and unit value for the investment pool at June 30:

| | Number of Units | Fair Value | Income Distributions |
|---------------|--------------------|---------------|-------------------------|
| June 30, 2024 | 2,728,465 | \$ 1,010.53 | \$ 45.64 |
| June 30, 2023 | 2,703,551 | \$ 1,008.86 | \$ 44.68 |

SWARTHMORE COLLEGE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023
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NOTE 3 INVESTMENTS (CONTINUED)

The fair value of assets associated with individual donor-restricted endowment funds may fall below the value of the gifts (i.e., underwater deficits). The College has a policy that permits spending from underwater endowment funds depending on the degree to which the fund is underwater, unless otherwise precluded by donor intent or relevant laws and regulation. When a donor endowment deficit exists, it is classified as a deficit with donor restrictions. For June 30, 2024 and 2023, there were underwater endowment funds of \$650 and \$662, respectively.

| | 2024 | 2023 |
|--|-----------------|-----------------|
| Fair Value of Underwater Endowment Funds | \$ 7,275 | \$ 6,709 |
| Historic Dollar Value | 7,925 | 7,371 |
| Total | <u>\$ (650)</u> | <u>\$ (662)</u> |

Net realized and unrealized gains on assets with restrictions that are permanent in nature are reported as nonoperating activities. The commonwealth of Pennsylvania has not adopted the Uniform Management of Institutional Funds Act (UMIFA); rather, the Pennsylvania Uniform Principal and Income Act (Pennsylvania Act) governs the investment, use, and management of the College's endowment funds. Commonwealth of Pennsylvania law permits the College to appropriate for expenditure each year a portion of these net realized gains up to 7% of the average of the past three years' fair value of resources required to be maintained in perpetuity. Pursuant to this commonwealth of Pennsylvania law, the board of managers has approved the reclassification of net realized gains of \$14,062 and \$38,891 for 2024 and 2023, respectively, as released from donor restriction.

A summary of investment activity at June 30 is as follows:

| | Endowment Funds | Annuity and Life Income Funds | Other | 2024 Total | 2023 Total |
|--|---------------------|-------------------------------------|------------------|---------------------|---------------------|
| Investments - Beginning of Year | \$ 2,720,329 | \$ 33,518 | \$ 17,521 | \$ 2,771,368 | \$ 2,776,147 |
| Contributions | 2,851 | 1,453 | 1,805 | 6,109 | 5,115 |
| Maturities of Annuity and Life Income Funds | - | (1,006) | - | (1,006) | (4,978) |
| Other | - | 891 | - | 891 | 1,761 |
| Transfers In | 9,874 | 5,911 | 24,505 | 40,290 | 28,972 |
| Transfers Out | (28,624) | (5,915) | (14,626) | (49,165) | (25,137) |
| | (15,899) | 1,334 | 11,684 | (2,881) | 5,733 |
| Investment Return | 152,418 | 2,522 | 502 | 155,442 | 115,111 |
| Investment Management Fees | (5,381) | - | - | (5,381) | (6,916) |
| | 147,037 | 2,522 | 502 | 150,061 | 108,195 |
| Payments to Annuity and Life Income Beneficiaries | - | (1,474) | - | (1,474) | (1,378) |
| Endowment Spending Distribution: | | | | | |
| Without Donor Restrictions | (116,961) | - | - | (116,961) | (111,366) |
| With Donor Restrictions | (6,033) | - | - | (6,033) | (5,963) |
| | (122,994) | (1,474) | - | (122,994) | (117,329) |
| Investments - End of Year | <u>\$ 2,728,473</u> | <u>\$ 35,900</u> | <u>\$ 29,707</u> | <u>\$ 2,794,080</u> | <u>\$ 2,771,368</u> |

SWARTHMORE COLLEGE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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(IN THOUSANDS)

NOTE 3 INVESTMENTS (CONTINUED)

The generally accepted hierarchy for fair value measurements is based on the transparency of information used in the valuation of an asset or liability as of the measurement date. In determining fair value, valuation techniques used maximize the use of observable inputs and minimize the use of unobservable inputs. Certain investments that are measured at fair value using the net asset value per share or its equivalent (NAV) as a practical expedient have been categorized separately in the fair value hierarchy.

Level 1 – Quoted prices are available in active markets for identical investments as of the measurement date.

Level 2 – Pricing inputs, other than exchange-quoted prices in active markets, are either directly or indirectly observable as of the measurement date. Certain investments with structures similar to registered mutual funds may have readily determinable fair value if the NAV is determined, published and used as the basis for transactions.

Level 3 – Pricing inputs are unobservable and there is minimal (if any) market data.

The College's investment objectives guide its asset allocation policy and are achieved by investing with external investment management firms who utilize different investment strategies and operate through a variety of investment vehicles, including separate accounts, commingled funds managed by investment companies and limited partnerships. The College has investments in seven asset categories. Cash and cash equivalents are investments in short-term cash and money market instruments. These are able to be liquidated immediately or within 30 days. Fixed income includes investment in fixed income securities, such as U.S. Treasury bonds and Treasury Inflation-Protected securities. Public equity includes investment in publicly-traded stocks of domestic and international companies. Real assets include investments in real estate and natural resources. Private equity includes investments in buyouts, venture capital and distressed companies. Alternative strategies include investment in corporate direct lending, financial assets, and distressed debt and investments in multi-strategy hedge funds.

SWARTHMORE COLLEGE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023
(IN THOUSANDS)

NOTE 3 INVESTMENTS (CONTINUED)

A summary of investments, measured by the fair value hierarchy at June 30, is as follows:

| | 2024 | | | | |
|---------------------------|-------------------------|-------------------|-------------------|-----------------|---------------------|
| | Investments Measured at | | | | |
| | NAV | Level 1 | Level 2 | Level 3 | Total |
| Endowment: | | | | | |
| Fixed Income | \$ - | \$ 137,036 | \$ - | \$ - | \$ 137,036 |
| Public Equity | 319,646 | 185,397 | 278,187 | - | 783,230 |
| Real Assets | 403,736 | - | - | - | 403,736 |
| Private Equity | 890,222 | - | - | - | 890,222 |
| Alternative Strategies | 446,143 | - | - | - | 446,143 |
| Subtotal Endowment | <u>2,059,747</u> | <u>322,433</u> | <u>278,187</u> | <u>-</u> | <u>2,660,367</u> |
| Cash and Cash Equivalents | | | | | 68,106 |
| Total Endowment | | | | | <u>2,728,473</u> |
| Life Income | - | 35,900 | - | - | 35,900 |
| Other | - | 24,505 | 3,166 | 2,036 | 29,707 |
| Total Investments | <u>\$ 2,059,747</u> | <u>\$ 382,838</u> | <u>\$ 281,353</u> | <u>\$ 2,036</u> | <u>\$ 2,794,080</u> |

| | 2023 | | | | |
|---------------------------|-------------------------|-------------------|-------------------|-----------------|---------------------|
| | Investments Measured at | | | | |
| | NAV | Level 1 | Level 2 | Level 3 | Total |
| Endowment: | | | | | |
| Fixed Income | \$ - | \$ 132,974 | \$ - | \$ - | \$ 132,974 |
| Public Equity | 306,113 | 206,820 | 300,525 | - | 813,458 |
| Real Assets | 363,864 | - | - | - | 363,864 |
| Private Equity | 904,190 | - | - | - | 904,190 |
| Alternative Strategies | 439,945 | - | - | - | 439,945 |
| Subtotal Endowment | <u>2,014,112</u> | <u>339,794</u> | <u>300,525</u> | <u>-</u> | <u>2,654,431</u> |
| Cash and Cash Equivalents | | | | | 65,898 |
| Total Endowment | | | | | <u>2,720,329</u> |
| Life Income | - | 33,518 | - | - | 33,518 |
| Other | - | 12,907 | 2,666 | 1,948 | 17,521 |
| Total Investments | <u>\$ 2,014,112</u> | <u>\$ 386,219</u> | <u>\$ 303,191</u> | <u>\$ 1,948</u> | <u>\$ 2,771,368</u> |

Changes to the reported amounts of investments measured at fair value on a recurring basis using significant unobservable (Level 3) inputs as of June 30 are as follows:

| | Fair Value | Investment | Purchases | Sales | Fair Value |
|-------------------|---------------|------------|-----------|------------|---------------|
| | June 30, 2023 | Return | | | June 30, 2024 |
| Other Investments | \$ 1,948 | \$ 42 | \$ 1,587 | \$ (1,541) | \$ 2,036 |

| | Fair Value | Investment | Purchases | Sales | Fair Value |
|-------------------|---------------|------------|-----------|------------|---------------|
| | June 30, 2022 | Return | | | June 30, 2023 |
| Other Investments | \$ 1,891 | \$ 1,450 | \$ 718 | \$ (2,111) | \$ 1,948 |

For the fiscal years ended June 30, 2024 and 2023, there were no transfers between levels within the fair value hierarchy.

SWARTHMORE COLLEGE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 3 INVESTMENTS (CONTINUED)

The College has commitments to various limited partnerships. The College expects the majority of these funds to be called over the next four years with liquidity to be received over the next fifteen years. The following tables disclose the significant terms of the agreements with investment managers or funds by major category and value of outstanding commitments at June 30:

| 2024 | | | | |
|-------------------------|--|-------------------------|-------------------------|-----------------------------|
| | Investments Measured at Fair Value | Unfunded Commitments | Redemption Frequency | Redemption Notice Period |
| Alternative Strategies: | | | | |
| Hedge Funds | \$ 177,428 | \$ - | Quarterly/Semi-Annually | 65/90 Days |
| Hedge Funds | 42,021 | - | Illiquid | 65/90 Days |
| Private Funds | 226,694 | 126,442 | Illiquid | N/A |
| Private Equity | 890,222 | 354,763 | Illiquid | N/A |
| Real Assets | 403,736 | 244,657 | Illiquid | N/A |
| Public Equity | 319,646 | - | Monthly/Annually | 30-90 Days |
| Total | <u>\$ 2,059,747</u> | <u>\$ 725,862</u> | | |
| 2023 | | | | |
| | Investments Measured at Fair Value | Unfunded Commitments | Redemption Frequency | Redemption Notice Period |
| Alternative Strategies: | | | | |
| Hedge Funds | \$ 202,800 | \$ - | Quarterly/Semi-Annually | 65/90 Days |
| Hedge Funds | 39,506 | - | Illiquid | 65/90 Days |
| Private Funds | 197,639 | 126,442 | Illiquid | N/A |
| Private Equity | 904,190 | 354,763 | Illiquid | N/A |
| Real Assets | 363,864 | 244,657 | Illiquid | N/A |
| Public Equity | 306,113 | - | Monthly/Annually | 30-90 Days |
| Total | <u>\$ 2,014,112</u> | <u>\$ 725,862</u> | | |

SWARTHMORE COLLEGE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023
(IN THOUSANDS)

NOTE 4 LIQUIDITY AND AVAILABILITY

The following reflects the College's available financial assets as of the balance sheet date, reduced by amounts not available for use within one year because of contractual or donor-imposed restrictions or internal designations.

| | 2024 | 2023 |
|---|------------|------------|
| Cash and Cash Equivalents | \$ 77,198 | \$ 95,354 |
| Accounts Receivable to be Collected within 12 Months, Net | 2,150 | 1,825 |
| Student Loans Receivable to be Collected within 12 Months, Net | 16 | 23 |
| Employee Mortgage Loans to be Collected within 12 Months, Net | 217 | 240 |
| Contributions Receivable Without Donor Restrictions to be Collected within 12 Months | 52 | 120 |
| Board-Approved Endowment Distribution for Current Operations | 125,428 | 118,279 |
| Financial Assets Available at Year-End for Current Use | \$ 205,061 | \$ 215,841 |

The College has various sources of internal liquidity at its disposal including, cash, cash equivalents, marketable debt and equity securities. As part of the College's liquidity management, the College maintains no working capital lines of credit, but maintains capital allocations which provides liquidity of assets available to meet general expenditures as liabilities and other obligation come due. General expenditures consist of funding for the College's operating budget including debt obligation payments and funding for the annual capital renewal and replacement expenditures. The College's endowment funds consist of donor-restricted and quasi endowment funds. Income from donor-restricted endowments is restricted for specific purposes and therefore is not available for general expenditure. Although the College does not intend to spend from its quasi-endowment funds other than amounts distributed as part of the annual budget approval process, amounts from quasi-endowment funds could be made available by the board of managers, if necessary. The College's quasi-endowment funds value was \$995 and \$965 at June 30, 2024 and 2023, respectively. Management estimates as of June 30, 2024 and 2023, the College's investments of \$631 and \$618, respectively, have liquidity of under 30 days, while still subject to donor and endowment distribution restrictions.

SWARTHMORE COLLEGE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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(IN THOUSANDS)

NOTE 5 PROPERTY AND EQUIPMENT

Property and equipment at June 30 consisted of the following:

| | 2024 | 2023 |
|--|-------------------|-------------------|
| Land | \$ 5,783 | \$ 5,783 |
| Buildings and Improvements | 762,419 | 712,379 |
| Construction in Progress | 88,556 | 48,767 |
| Equipment | 23,339 | 20,481 |
| Works of Art, Historical Treasures, and Similar Asset | 4,776 | 4,776 |
| Total | <u>884,873</u> | <u>792,186</u> |
| Accumulated Depreciation | <u>(247,383)</u> | <u>(229,532)</u> |
| Property and Equipment, Net | <u>\$ 637,490</u> | <u>\$ 562,654</u> |

Interest payments totaling \$1,518 and \$1,154 were capitalized in 2024 and 2023, respectively.

NOTE 6 DEFERRED PAYMENTS AND OTHER LIABILITIES

Deferred payments and other liabilities at June 30, 2024 and 2023, consisted of the present value of future payments due to or on behalf of employees and former employees under retirement and postretirement programs, donors under annuity and life income programs, conditional asset retirement obligations and conditional gifts.

| | 2024 | 2023 |
|--|------------------|------------------|
| Charitable Gift Annuity Liabilities | \$ 8,285 | \$ 7,662 |
| Life Income and Unitrusts | 8,945 | 9,579 |
| Postretirement Health Benefit | 14,080 | 14,217 |
| Employees and Former Employees | 5,883 | 6,315 |
| Conditional Asset Retirement Obligations | 1,186 | 1,282 |
| Total | <u>\$ 38,379</u> | <u>\$ 39,055</u> |

The College currently provides a postretirement health benefit in the form of a monthly stipend for the payment of medical premiums to all employees who meet certain eligibility requirements.

SWARTHMORE COLLEGE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023
(IN THOUSANDS)

NOTE 6 DEFERRED PAYMENTS AND OTHER LIABILITIES (CONTINUED)

The components of the postretirement health benefit as of June 30 are as follows:

| | 2024 | 2023 |
|--|-----------|-----------|
| Change in Accumulated Postretirement Benefit Obligation: | | |
| Postretirement Benefit Obligation at Beginning of Year: | | |
| Actives not Fully Eligible to Retire | \$ 5,020 | \$ 7,261 |
| Actives Fully Eligible to Retire | 4,632 | 4,001 |
| Retirees | 4,565 | 3,739 |
| Total | 14,217 | 15,001 |
| Service Cost | 552 | 582 |
| Interest Cost | 681 | 629 |
| Actuarial Gain | (1,081) | (1,586) |
| Benefits Paid | (288) | (407) |
| Postretirement Benefit Obligation at End of Year: | | |
| Actives not Fully Eligible to Retire | 5,434 | 5,020 |
| Actives Fully Eligible to Retire | 4,544 | 4,632 |
| Retirees | 4,102 | 4,565 |
| Total | \$ 14,080 | \$ 14,217 |
| Change in Plan Assets: | | |
| Employer Contribution | \$ 288 | \$ 407 |
| Benefits Paid | (288) | (407) |
| Fair Value of Plan Assets - End of Year | \$ - | \$ - |
| Funded Status: | | |
| Postretirement Benefit Obligation at End of Year | \$ 14,080 | \$ 14,217 |
| Fair Value of Plan Assets at End of Year | - | - |
| Funded Status at End of Year | \$ 14,080 | \$ 14,217 |
| Current Liability | \$ 706 | \$ 706 |
| Noncurrent Liability | 13,374 | 13,511 |
| Total | \$ 14,080 | \$ 14,217 |

SWARTHMORE COLLEGE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 6 DEFERRED PAYMENTS AND OTHER LIABILITIES (CONTINUED)

| | <u>2024</u> | <u>2023</u> |
|---|-------------------|-------------------|
| Components of the Net Periodic Postretirement Benefit Cost: | | |
| Service Cost | \$ 552 | \$ 582 |
| Interest Cost | 680 | 629 |
| Amortization of Actuarial Gain | (351) | (278) |
| Total | <u>\$ 881</u> | <u>\$ 933</u> |
| OPEB Changes Other than Net Periodic Postretirement Benefit Cost: | | |
| New Actuarial Gain | \$ (1,081) | \$ (1,586) |
| Amortization of Unrecognized Amounts | 351 | 278 |
| Total | <u>\$ (730)</u> | <u>\$ (1,308)</u> |
| Unrecognized Amounts at Year-End: | | |
| Net Actuarial Gain | <u>\$ (6,336)</u> | <u>\$ (5,606)</u> |
| Total | <u>\$ (6,336)</u> | <u>\$ (5,606)</u> |
| Amortization Amounts in Following Year (Estimate): | | |
| Net Actuarial Gain | <u>\$ (414)</u> | <u>\$ (351)</u> |
| Total | <u>\$ (414)</u> | <u>\$ (351)</u> |
| Assumptions and Effects: | | |
| Medical Trend Rate Next Year | 6.50% | 6.00% |
| Ultimate Trend Rate | 5.00% | 5.00% |
| Year Ultimate Trend Rate is Achieved | 2029 | 2026 |
| Discount Rate Used to Value End-of-Year Accumulated Postretirement Benefit Obligation | 5.31% | 4.90% |
| Discount Rate Used to Value Net Periodic Postretirement Benefit Cost | 4.90% | 4.42% |
| Effect of a 1% Increase in Healthcare Cost Trend Rate on: | | |
| Interest Cost Plus Service Cost | \$ 226 | \$ 242 |
| Accumulated Postretirement Benefit Obligation | 2,015 | 1,955 |
| Effect of a 1% Decrease in Healthcare Cost Trend Rate on: | | |
| Interest Cost Plus Service Cost | \$ (181) | \$ (193) |
| Accumulated Postretirement Benefit Obligation | (1,670) | (1,618) |
| Measurement Date | 6/30/2024 | 6/30/2023 |

SWARTHMORE COLLEGE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 6 DEFERRED PAYMENTS AND OTHER LIABILITIES (CONTINUED)

| <u>Year Beginning July 1.</u> | <u>Estimated Future Benefit Payment</u> |
|-------------------------------|---|
| 2024 | \$ 706 |
| 2025 | 754 |
| 2026 | 806 |
| 2027 | 799 |
| 2028 | 825 |
| 2029 - 2033 | 4,906 |

NOTE 7 LONG-TERM DEBT

Balances of bonds and notes payable outstanding at June 30 were:

| | <u>Effective Interest Rate</u> | <u>Maturity Dates</u> | <u>2024 Principal</u> | <u>2023 Principal</u> |
|--------------------------------|------------------------------------|-----------------------|---------------------------|---------------------------|
| Swarthmore Borough Authority: | | | | |
| 2013 Revenue Bonds | 3.86% | 2020-2043 | \$ - | \$ 30,380 |
| 2015 Revenue Bonds | 3.65% | 2020-2045 | 46,865 | 48,040 |
| 2016A Revenue Bonds | 1.81% | 2020-2030 | 35,040 | 39,080 |
| 2016B Revenue Bonds | 2.95% | 2020-2046 | 18,640 | 19,090 |
| 2018 Revenue Bonds | 3.64% | 2023-2049 | 89,580 | 91,335 |
| 2021A Revenue Bonds | 1.94% | 2022-2038 | 19,385 | 20,555 |
| 2021B Revenue Bonds | 2.52% | 2031-2051 | 71,870 | 71,870 |
| 2023 Revenue Bonds | 3.88% | 2024-2053 | 125,200 | - |
| | | | <u>406,580</u> | <u>320,350</u> |
| Unamortized Bond Premium | | | 51,700 | 41,823 |
| Less: Deferred Financing Costs | | | (2,140) | (2,077) |
| Total Long-Term Debt | | | <u>\$ 456,140</u> | <u>\$ 360,096</u> |

The College bond ratings by Moody's and Standard & Poor's were Aaa/AAA for the years ended June 30, 2024 and 2023. Deferred financing costs represent bond issuance costs that are amortized over the period to bond maturity. Amortization of bond premiums is based on an effective-interest method.

On July 12, 2023, the College issued \$125,200 aggregate principal amount of 2023 Revenue Bonds (2023 Bonds) through the Swarthmore Borough Authority at a premium. The proceeds were used to advance refund a portion of the 2013 Revenue Bonds, par value of \$30,380, and to fund various tax-exempt capital projects.

On August 4, 2021, the College issued \$71,870 aggregate principal amount of 2021B Revenue Bonds (2021B Bonds) through the Swarthmore Borough Authority at a premium. The proceeds were used to advance refund a portion of the 2011C Revenue Bonds, par value of \$11,595, to fund the costs of issuing the 2021B Bonds, and various tax-exempt capital projects.

SWARTHMORE COLLEGE
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NOTE 7 LONG-TERM DEBT (CONTINUED)

On August 4, 2021, the College issued \$21,720 aggregate principal amount of taxable 2021A Revenue Bonds (2021A Bonds) through the Swarthmore Borough Authority. The proceeds were used to advance refund a portion of the 2011C Revenue Bonds, par value of \$21,420, and to fund the costs of issuing the 2021A Bonds.

On July 10, 2018, the College issued \$93,000 aggregate principal of the 2018 Revenue Bonds (2018 Bonds) through the Swarthmore Borough Authority at a premium. The proceeds were used to fund various tax-exempt capital projects and to fund the costs for issuing the 2018 Bonds.

On August 4, 2016, the College issued \$21,375 aggregate principal amount of 2016 Revenue Bonds, Series B (2016B Bonds) through the Swarthmore Borough Authority at a premium. The proceeds were used fund various tax-exempt capital projects, and to fund the costs of issuing the 2016B Bonds.

On July 19, 2016, the College issued \$59,975 aggregate principal amount of 2016 Revenue Refunding Bonds, Series A (2016A Bonds) through the Swarthmore Borough Authority at a premium. The proceeds were used to advance refund the 2006A Revenue Bonds, par value of \$74,305, which were scheduled to mature on September 15, 2030, and to fund the costs of issuing the 2016A Bonds.

On July 14, 2015, the College issued \$54,940 aggregate principal amount of 2015 Revenue Bonds (2015 Bonds) through the Swarthmore Borough Authority at a premium. The proceeds were used to fund various tax-exempt capital projects and to fund the costs of issuing the 2015 Bonds.

On July 31, 2013, the College issued \$47,340 aggregate principal amount of 2013 Revenue Bonds (2013 Bonds) through the Swarthmore Borough Authority at a premium. The proceeds were used to refund the 2008 Revenue Bonds, par value of \$25,360, which were scheduled to mature on September 15, 2013, to refund the 2009 Revenue Bonds, par value of \$8,525, which were scheduled to mature on September 15, 2013 and to fund various tax-exempt capital projects and to fund the costs of issuing the 2013 Bonds.

The College has a revolving line of credit with PNC Bank, NA totaling \$50,000 as of June 30, 2024 and 2023, respectively. The line of credit is secured by the College's unrestricted revenues and has an expiration date of June 30, 2024. The line of credit bears interest at the Bloomberg Short-Term Bank Yield rate plus 58 basis points. There were no amounts outstanding as of June 30, 2024 and 2023.

SWARTHMORE COLLEGE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 7 LONG-TERM DEBT (CONTINUED)

Debt principal payments on all borrowings as of June 30, 2024, are as follows:

| <u>Year Ending June 30,</u> | <u>Amount</u> |
|-----------------------------|-------------------|
| 2024-2025 | \$ 10,175 |
| 2025-2026 | 10,845 |
| 2026-2027 | 12,945 |
| 2027-2028 | 13,520 |
| 2028-2029 | 14,175 |
| Thereafter | 344,920 |
| Total | <u>\$ 406,580</u> |

NOTE 8 RETIREMENT BENEFITS

Retirement benefits for all eligible employees of the College are individually funded and vested under a defined contribution Sec. 403(b) retirement plan (the Plan) with Teachers Insurance and Annuity Association of America (TIAA), or Vanguard Group of Investment Companies. Under this arrangement, the College makes monthly contributions as defined in the Plan to the accounts of all employees. The College's contributions under this Plan are included in operating expenses and were \$8,617 and \$7,644 in 2024 and 2023, respectively.

The College has a Sec. 457 nonqualified deferred compensation plan for senior management employees. Participants elect to defer compensation, which is invested with TIAA or the Vanguard Group of Investment Companies and is considered College property until the employee withdraws the funds due to emergency, termination, or retirement. The participants' contributions are subject to the general creditors of the College, so the invested asset is offset by a corresponding liability in the amounts of \$1,031 and \$1,117 at June 30, 2024 and 2023, respectively. The College does not record transaction activity as revenue or expense. The investments are reported at fair value.

SWARTHMORE COLLEGE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 9 NET ASSETS

Net assets at June 30 were designated or allocated to the following:

| June 30, 2024 | Without Donor Restrictions | With Donor Restrictions | Total |
|---|-------------------------------|----------------------------|---------------------|
| Undesignated | \$ 35,227 | \$ - | \$ 35,227 |
| Donor-Restricted | - | 20,133 | 20,133 |
| Annuity and Life Income Funds | 13,405 | 5,965 | 19,370 |
| Student Loans | 1,249 | - | 1,249 |
| Donor-Restricted Endowment Funds: | | | |
| General College Support | - | 563,268 | 563,268 |
| Scholarships | - | 439,867 | 439,867 |
| Professorships | - | 405,503 | 405,503 |
| Academic Support | - | 245,027 | 245,027 |
| Other | - | 80,241 | 80,241 |
| Quasi-Endowment Funds | 994,567 | - | 994,567 |
| Net Investment in Property and Equipment | 248,119 | 1,998 | 250,117 |
| Total | <u>\$ 1,292,567</u> | <u>\$ 1,762,002</u> | <u>\$ 3,054,569</u> |
| | | | |
| June 30, 2023 | Without Donor Restrictions | With Donor Restrictions | Total |
| Undesignated | \$ 40,487 | \$ - | \$ 40,487 |
| Donor-Restricted | - | 8,675 | 8,675 |
| Annuity and Life Income Funds | 11,299 | 6,757 | 18,056 |
| Student Loans | 1,257 | - | 1,257 |
| Donor-Restricted Endowment Funds: | | | |
| General College Support | - | 588,886 | 588,886 |
| Scholarships | - | 438,846 | 438,846 |
| Professorships | - | 404,553 | 404,553 |
| Academic Support | - | 243,236 | 243,236 |
| Other | - | 79,986 | 79,986 |
| Quasi-Endowment Funds | 964,822 | - | 964,822 |
| Net Investment in Property and Equipment | 232,902 | 556 | 233,458 |
| Total | <u>\$ 1,250,767</u> | <u>\$ 1,771,495</u> | <u>\$ 3,022,262</u> |

Certain amounts have been transferred out of net assets without donor restrictions and into net assets with donor restrictions as a result of donor restrictions on matching gifts, unspent investment return added to principal, and clarifications of donors' restrictions.

As of June 30, 2024 and 2023, there were no donor-related endowment funds for which the fair value of assets is less than the level required by donor stipulations. The corpus of true endowment funds that are part of the donor-restricted endowment funds as of June 30, 2024 and 2023, were \$246,112 and \$242,933, respectively.

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NOTE 9 NET ASSETS (CONTINUED)

Changes to the reported amount of the College's true endowment funds and associated appreciation as of June 30 are as follows:

| | Without Donor Restrictions | With Donor Restrictions | Total |
|----------------------------------|-------------------------------|----------------------------|---------------------|
| Endowment - June 30, 2022 | \$ 983,229 | \$ 1,742,009 | \$ 2,725,238 |
| Contributions | 259 | 2,242 | 2,501 |
| Transfers | (7,278) | 12,638 | 5,360 |
| Investment Returns | 106,894 | 4,581 | 111,475 |
| Investment Management Fees | (6,916) | - | (6,916) |
| Endowment Spending Distributions | (111,366) | (5,963) | (117,329) |
| Endowment - June 30, 2023 | 964,822 | 1,755,507 | 2,720,329 |
| Contributions | 212 | 2,639 | 2,851 |
| Transfers | (7,255) | (11,495) | (18,750) |
| Investment Returns | 159,130 | (6,712) | 152,418 |
| Investment Management Fees | (5,381) | - | (5,381) |
| Endowment Spending Distributions | (116,961) | (6,033) | (122,994) |
| Endowment - June 30, 2024 | <u>\$ 994,567</u> | <u>\$ 1,733,906</u> | <u>\$ 2,728,473</u> |

NOTE 10 FUNCTIONAL EXPENSES

The College's functional expenses are presented in accordance with the functions attributable to one or more program or administration of the College. Each functional classification is categorized related to the underlying operations by natural classification. Allocation of depreciation, plant operations and management, utilities, debt interest expense are allocated to programs based on the square footage assigned to College programs.

Functional expenses for the years ended June 30 are as follows:

| | Instruction | Academic Support | Student Services | Institutional Support | Auxiliary Activities | Research and Public Service | Operations and Maintenance | 2024 Total |
|-------------------------------|------------------|---------------------|---------------------|--------------------------|-------------------------|--------------------------------|----------------------------------|-------------------|
| Salaries and Wages | \$ 40,589 | \$ 15,429 | \$ 10,663 | \$ 20,215 | \$ 4,739 | \$ 3,071 | \$ 10,055 | \$ 104,761 |
| Employee Benefits | 13,907 | 3,828 | 2,727 | 8,212 | 1,830 | 673 | 3,576 | 34,753 |
| Operating Expenses | 9,142 | 10,805 | 5,752 | 16,325 | 13,444 | 2,044 | 14,464 | 71,976 |
| Allocations: | | | | | | | | |
| Depreciation and Amortization | 5,960 | 2,516 | 1,160 | 1,400 | 9,706 | - | - | 20,742 |
| Operations and Maintenance | 8,298 | 3,503 | 1,615 | 1,238 | 13,507 | - | (28,161) | - |
| Interest Expense | 2,596 | 1,096 | 505 | 387 | 4,227 | - | 66 | 8,877 |
| Total | <u>\$ 80,492</u> | <u>\$ 37,177</u> | <u>\$ 22,422</u> | <u>\$ 47,777</u> | <u>\$ 47,453</u> | <u>\$ 5,788</u> | <u>\$ -</u> | <u>\$ 241,109</u> |

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NOTE 10 FUNCTIONAL EXPENSES (CONTINUED)

| | Instruction | Academic Support | Student Services | Institutional Support | Auxiliary Activities | Research and Public Service | Operations and Maintenance | 2023 Total |
|-------------------------------|------------------|---------------------|---------------------|--------------------------|-------------------------|--------------------------------|----------------------------------|-------------------|
| Salaries and Wages | \$ 36,038 | \$ 13,409 | \$ 9,038 | \$ 18,615 | \$ 4,089 | \$ 3,145 | \$ 9,120 | \$ 93,454 |
| Employee Benefits | 11,109 | 3,448 | 2,366 | 7,581 | 1,484 | 608 | 3,200 | 29,796 |
| Operating Expenses | 7,153 | 9,769 | 5,426 | 14,081 | 12,622 | 2,189 | 11,022 | 62,262 |
| Allocations: | | | | | | | | |
| Depreciation and Amortization | 5,542 | 2,340 | 1,079 | 924 | 8,729 | 346 | - | 18,960 |
| Operations and Maintenance | 6,987 | 2,949 | 1,360 | 605 | 11,004 | 437 | (23,342) | - |
| Interest Expense | 2,509 | 1,059 | 488 | 217 | 3,952 | 157 | - | 8,382 |
| Total | <u>\$ 69,338</u> | <u>\$ 32,974</u> | <u>\$ 19,757</u> | <u>\$ 42,023</u> | <u>\$ 41,880</u> | <u>\$ 6,882</u> | <u>\$ -</u> | <u>\$ 212,854</u> |

Direct fundraising expenses were \$12,444 and \$10,762 for the years ended June 30, 2024 and 2023, respectively, and are included in institutional support in the tables above.

NOTE 11 INCOME TAX

The College has been granted tax-exempt status as a nonprofit organization under Section 501(c)(3) of the Internal Revenue Code (IRC) and, accordingly, files federal tax Form 990 (Return of Organization Exempt from Income Tax) annually. The College also files federal tax Form 990-T (Exempt Organizations Business Income Tax Return).

The College is subject to federal excise taxes imposed on private colleges and universities if certain conditions are met. The excise tax is imposed on net investment income, as defined under federal law which includes interest, dividends, and net realized gains on the sale of investments. The College is subject to the excise tax for 2024 and 2023 at a 1.4% excise tax rate for the tax years ended December 31, 2023 and 2022. The current liability of the excise tax for June 30, 2024 and 2023, is \$1,722 and \$2,025, respectively. As of June 30, 2024 and 2023, there were no deferred excise tax expenses resulting from net unrealized gains (and losses) on investments.

Marjay Productions, Inc. is a for-profit corporation subject to federal income taxes under the IRC. Through June 30, 2024, this corporation has no significant outstanding tax obligations.

Parrish LLC is a for-profit corporation subject to federal income taxes under the IRC. Through June 30, 2024, this wholly owned, sole member Pennsylvania Limited Liability Corporation has not generated any taxable income.

In accordance with the guidance on accounting for uncertainty in income taxes, management regularly evaluates its tax positions and does not believe the College has any uncertain tax positions that require disclosure or adjustment in the financial statements. The College continually monitors and evaluates its activities for unrelated business income activity.

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NOTE 12 COMMITMENTS AND CONTINGENCIES

In the ordinary course of business, the College occasionally becomes involved in legal proceedings. While any legal proceeding or litigation has an element of uncertainty, management believes that the outcome of all current pending or threatened actions will not have a material adverse effect on the business or financial condition of the College. As of June 30, 2024 and 2023, the College had outstanding commitments for construction contracts and purchase orders of \$66,573 and \$110,342, respectively.



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