# Williams College

## Consolidated Financial Statements
## June 30, 2023 and 2022

# Williams College
## Index
## June 30, 2023 and 2022

## Report of Independent Auditors

To the Board and Trustees of Williams College:

### *Opinion*

We have audited the accompanying consolidated financial statements of Williams College and its subsidiaries (the "College"), which comprise the consolidated statements of financial position as of June 30, 2023 and 2022, and the related consolidated statements of activities and of cash flows for the years then ended, including the related notes (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the College as of June 30, 2023 and 2022, and the 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 audit in accordance with auditing standards generally accepted in the United States of America (US 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 audit. 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 consolidated 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 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 US 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 US 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.

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.

PricewaterhouseCoopers LLP

Boston, Massachusetts
October 20, 2023

# Williams College
## Consolidated Statements of Financial Position
## June 30, 2023 and 2022

| (in thousands) | 2023 | | 2022 | |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash and cash equivalents | | $ 49,939 | | $ 34,554 |
| Accounts receivable | | 2,486 | | 3,427 |
| Contributions receivable (Note 2) | | 59,331 | | 51,311 |
| Notes receivable - student loans (Note 3) | | 879 | | 1,164 |
| Notes receivable - other (Note 4) | | 14,043 | | 13,874 |
| Other assets | | 16,258 | | 14,691 |
| Investments | | | | |
| Investments held on behalf of Williams College (Note 5) | $ 3,543,495 | | $ 3,589,761 | |
| Investments held on behalf of the Clark Art Institute (Note 6) | 441,267 | | 449,639 | |
| Total investments, at fair value | | 3,984,762 | | 4,039,400 |
| Land, buildings and equipment, net (Note 7) | | 692,148 | | 703,229 |
| Total assets | | $ 4,819,846 | | $ 4,861,650 |
| **Liabilities** | | | | |
| Accounts payable and accrued liabilities | | $ 24,963 | | $ 28,044 |
| Accrued salaries and benefits | | 44,073 | | 43,902 |
| Investments held on behalf of the Clark Art Institute (Note 6) | | 441,267 | | 449,639 |
| Deferred revenue and deposits | | 1,460 | | 1,619 |
| Deferred tax liability and payable | | 4,807 | | 9,994 |
| U.S. Government advances for student loans | | 620 | | 950 |
| Liabilities related to split-interest agreements | | 56,579 | | 59,674 |
| Bonds payable (Note 10) | | 372,757 | | 401,607 |
| Total liabilities | | 946,526 | | 995,429 |
| **Net assets** | | | | |
| Without donor restrictions | | 639,506 | | 618,161 |
| With donor restrictions | | 3,232,282 | | 3,246,579 |
| Total College net assets | | 3,871,788 | | 3,864,740 |
| Noncontrolling interests without donor restrictions | | 1,532 | | 1,481 |
| Total net assets | | 3,873,320 | | 3,866,221 |
| Total liabilities and net assets | | $ 4,819,846 | | $ 4,861,650 |

The accompanying notes are an integral part of these consolidated financial statements.

# Williams College
## Consolidated Statement of Activities
## Year Ended June 30, 2023 with Summarized Comparative Totals for 2022

| *(in thousands)* | 2023 | | | 2022 |
|---|---|---|---|---|
| | Without Donor Restrictions | With Donor Restrictions | Total | Total |
| **Operating revenue, gains and other** | | | | |
| Net student revenues | | | | |
| Tuition, fees, room and board, | | | | |
| net of financial aid of $64,623 in 2023 ($59,158 in 2022) | $ 98,896 | $ - | $ 98,896 | $ 97,915 |
| Auxiliary enterprises - other | 11,711 | - | 11,711 | 9,742 |
| Special purpose grants expended and related income | 6,608 | - | 6,608 | 8,952 |
| Gifts and grants, net of discount and allowance | 17,518 | 5,491 | 23,009 | 23,922 |
| Investment income | 1,713 | - | 1,713 | 309 |
| Investment gains appropriated | 16,936 | 145,670 | 162,606 | 161,309 |
| Other income | 1,046 | - | 1,046 | 943 |
| Net assets released from restrictions | 146,541 | (146,541) | - | - |
| Total operating revenue, gains, and other | 300,969 | 4,620 | 305,589 | 303,092 |
| **Operating expenses and other** | | | | |
| Salaries and wages | 122,618 | - | 122,618 | 116,335 |
| Employee benefits | 39,999 | - | 39,999 | 40,294 |
| Operating expenses | 84,038 | - | 84,038 | 72,659 |
| Interest expense | 10,125 | - | 10,125 | 11,640 |
| Depreciation | 39,127 | - | 39,127 | 39,009 |
| Total operating expenses and other | 295,907 | - | 295,907 | 279,937 |
| Change in net assets from operating activities | 5,062 | 4,620 | 9,682 | 23,155 |
| **Nonoperating activities** | | | | |
| Investment return, net | 8,978 | 90,802 | 99,780 | (471,795) |
| Change in deferred liability and payable | 118 | 1,330 | 1,448 | 7,047 |
| Investment gains appropriated | (16,936) | (145,670) | (162,606) | (161,309) |
| Investment income, annuitant payments and | | | | |
| change in value of split-interest agreements, net | (1,322) | 453 | (869) | (887) |
| Adjustments for post-employment liabilities | (1,253) | - | (1,253) | 6,298 |
| Endowment, plant, and split-interest gifts, net of discount and allowance | 5,810 | 40,049 | 45,859 | 19,610 |
| Unrealized gains on interest rate swaps | 2,269 | - | 2,269 | 5,913 |
| Gains on the retirement of long-term debt | 12,832 | - | 12,832 | - |
| Net assets released from restrictions | 828 | (828) | - | - |
| Fund retirements | 591 | (591) | - | - |
| Funds further designated | 4,462 | (4,462) | - | - |
| Other adjustments | (94) | - | (94) | (6,512) |
| Change in net assets from nonoperating activities | 16,283 | (18,917) | (2,634) | (601,635) |
| Total change in net assets without donor restriction - Williams College | 21,345 | - | 21,345 | (43,860) |
| Total change in net assets without restriction - noncontrolling interest | 51 | - | 51 | 58 |
| Total change in net assets with donor restriction | - | (14,297) | (14,297) | (534,620) |
| Total change in net assets | 21,396 | (14,297) | 7,099 | (578,422) |
| Beginning net assets | 619,642 | 3,246,579 | 3,866,221 | 4,444,643 |
| Ending net assets | $ 641,038 | $ 3,232,282 | $ 3,873,320 | $ 3,866,221 |

The accompanying notes are an integral part of these consolidated financial statements.

# Williams College
## Consolidated Statement of Activities
## Year Ended June 30, 2022

| *(in thousands)* | 2022 | | |
|---|---|---|---|
| | Without Donor Restrictions | With Donor Restrictions | Total |
| **Operating revenue, gains and other** | | | |
| Net student revenues | | | |
| Tuition, fees, room and board, | | | |
| net of financial aid of $59,158 | $ 97,915 | $ - | $ 97,915 |
| Auxiliary enterprises - other | 9,742 | - | 9,742 |
| Special purpose grants expended and related income | 8,952 | - | 8,952 |
| Gifts and grants, net of discount and allowance | 17,876 | 6,046 | 23,922 |
| Investment income | 309 | - | 309 |
| Investment gains appropriated | 17,988 | 143,321 | 161,309 |
| Other income | 943 | - | 943 |
| Net assets released from restrictions | 143,198 | (143,198) | - |
| Total operating revenue, gains, and other | 296,923 | 6,169 | 303,092 |
| **Operating expenses and other** | | | |
| Salaries and wages | 116,335 | - | 116,335 |
| Employee benefits | 40,294 | - | 40,294 |
| Operating expenses | 72,659 | - | 72,659 |
| Interest expense | 11,640 | - | 11,640 |
| Depreciation | 39,009 | - | 39,009 |
| Total operating expenses and other | 279,937 | - | 279,937 |
| Change in net assets from operating activities | 16,986 | 6,169 | 23,155 |
| **Nonoperating activities** | | | |
| Investment return, net | (63,804) | (407,991) | (471,795) |
| Change in deferred liability and payable | 573 | 6,474 | 7,047 |
| Investment gains appropriated | (17,988) | (143,321) | (161,309) |
| Investment income, annuitant payments and | | | |
| changes in value of split-interest agreements, net | (1,049) | 162 | (887) |
| Adjustments for post-employment liabilities | 6,298 | - | 6,298 |
| Endowment, plant, and split-interest gifts, net of discount and allowance | 2,257 | 17,353 | 19,610 |
| Unrealized gains and net settlement on interest rate swaps | 5,913 | - | 5,913 |
| Gains on the retirement of long-term debt | - | - | - |
| Net assets released from restrictions | 10,095 | (10,095) | - |
| Fund retirements | 1,062 | (1,062) | - |
| Funds further designated | 2,309 | (2,309) | - |
| Other Adjustments | (6,512) | - | (6,512) |
| Change in net assets from nonoperating activities | (60,846) | (540,789) | (601,635) |
| Total change in net assets without donor restriction - Williams College | (43,860) | - | (43,860) |
| Total change in net assets without restriction - noncontrolling interest | 58 | - | 58 |
| Total change in net assets with donor restriction | - | (534,620) | (534,620) |
| Total change in net assets | (43,802) | (534,620) | (578,422) |
| Beginning net assets | 663,444 | 3,781,199 | 4,444,643 |
| Ending net assets | $ 619,642 | $ 3,246,579 | $ 3,866,221 |

The accompanying notes are an integral part of these consolidated financial statements.

# Williams College
## Consolidated Statement of Cash Flows
## Years Ended June 30, 2023 and 2022

| *(in thousands)* | 2023 | 2022 |
|---|---|---|
| **Cash flow from operating activities** | | |
| Total change in net assets | $ 7,099 | $ (578,422) |
| Adjustments to reconcile change in net assets to net cash used in operating activities: | | |
| Depreciation, amortization and accretion, net | 37,565 | 37,508 |
| Provision for doubtful accounts | (71) | (19) |
| Realized and change in unrealized (gains) losses on investments and income | (101,485) | 474,145 |
| Change in noncontrolling interests without donor restrictions | 51 | 58 |
| (Gain) loss on real property held for resale | (445) | 384 |
| (Gain) on retirement of long term debt | (12,832) | - |
| Loss (gain) on disposal of plant assets | 3 | (253) |
| Gifts restricted for long-term investment | (19,565) | (21,501) |
| Donated securities | (14,518) | (12,657) |
| Proceeds from sale of donated securities | 2,850 | 3,709 |
| Gifts-in-kind | (5,757) | (2,207) |
| Changes in operating assets and liabilities | | |
| Accounts receivable | 1,020 | (2,508) |
| Contributions receivable | (8,020) | 14,577 |
| Notes receivable | 122 | (382) |
| Other assets | (3,427) | (3,546) |
| Accounts payable and accrued liabilities | (103) | (5,312) |
| Present value of beneficiary payments | 3,027 | 2,775 |
| Accrued salaries and benefits | 170 | (7,537) |
| Deferred revenue and deposits | (158) | (641) |
| Deferred tax liability | (5,187) | (7,047) |
| Net cash used in operating activities | (119,661) | (108,876) |
| **Cash flow from investing activities** | | |
| Proceeds from sale of investments | 690,606 | 778,685 |
| Purchase of investments | (522,406) | (597,277) |
| Additions to land, buildings and equipment | (27,565) | (17,977) |
| Proceeds from the sale of real estate | 1,418 | 1,662 |
| Student loans granted | (71) | (70) |
| Student loans repaid | 348 | 363 |
| Net cash provided by investing activities | 142,330 | 165,386 |
| **Cash flow from financing activities** | | |
| Gifts restricted for long-term use | 19,565 | 21,501 |
| Proceeds from sale of donated securities restricted for endowments | 11,668 | 7,448 |
| Payments to beneficiaries | (6,122) | (6,039) |
| Proceeds to the Clark Art Institute | (20,500) | (9,216) |
| Deposits made for bond payments | 2,891 | (157) |
| Issuance of new debt | 99,670 | - |
| Repayment of debt | (114,126) | (59,589) |
| Repayment of U.S. Government advances | (330) | (256) |
| Net cash used in financing activities | (7,284) | (46,308) |
| Net increase in cash | 15,385 | 10,202 |
| **Cash** | | |
| Beginning of year | 34,554 | 24,352 |
| End of year | $ 49,939 | $ 34,554 |
| **Supplemental disclosures** | | |
| Cash paid during the year for interest | $ 11,315 | $ 13,164 |
| Noncash transactions | | |
| Fair value of securities received and distributed | 35,549 | 166,319 |
| Donated securities | 14,518 | 12,657 |
| Exchange of land for notes receivable | 290 | 400 |
| Amounts included in accounts payable related to land, buildings, and equipment | 4,296 | 7,274 |

The accompanying notes are an integral part of these consolidated financial statements.

## 1. Summary of Significant Accounting Policies

### Basis of Presentation

The consolidated financial statements of Williams College have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America ("GAAP").

The consolidated financial statements include the accounts of Williams College, the Williams Inn, LLC, Williams Renewables, LLC and Williams College Foundation (UK) Limited. Collectively, all of these entities are referred to as the "College". All significant inter-entity transactions and balances have been eliminated upon consolidation.

Williams College is the sole shareholder of Williams Renewables, LLC. Williams Renewables, LLC was established to facilitate Williams' investments in renewable energy projects. During 2017, Williams Renewables, LLC entered into an agreement with Simonds Road Solar, LLC. As a result of the agreement, Williams Renewables, LLC has a controlling interest in Simonds Road Solar, LLC. As of June 30, 2023, and 2022, assets of Simonds Road Solar, LLC totaled $5.32 and $5.30 million, with net operating gain totaled $0.07 and $0.10 million respectively. The College has reflected noncontrolling interest without donor restrictions related to a third party's interest in Simonds Road Solar of $1.53 million and $1.48 million as of June 30, 2023 and June 30, 2022.

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. In the accompanying consolidated financial statements, net assets that have similar characteristics have been combined as follows:

Net Assets without Donor Restriction - Net assets derived from tuition and other institutional resources which are not subject to donor-imposed restrictions. Net assets without donor restrictions also include board designated funds functioning as endowment and net investment in plant.

Net Assets with Donor Restriction - Net assets which are subject to donor-imposed restrictions that can be fulfilled by actions of the College pursuant to those restrictions or that expire by the passage of time. Generally, the donors of these assets permit the College to use all or part of the investment return on these assets for general or specific purposes.

Revenues are reported as increases in net assets without donor restriction unless use of the revenue is restricted by donor-imposed restrictions.

Expenses are reported as decreases in net assets without donor restriction.

Gains and losses on investment and other assets or liabilities are reported as increases or decreases in net assets without donor restriction unless their use is defined by donor-imposed restrictions.

Expirations or changes in donor-imposed stipulations are reported as net assets released from restrictions and reclassifications between net asset classes. Periodically a donor may decide to clarify or no longer restrict their gift, such changes are reflected at the time they are identified.

### Measure of Operations

The measure of operations is the change in net assets from operating activities, which includes revenue support for operating activities without donor restriction and with donor restrictions that are not long-term in nature. Tuition, net of certain scholarships and fellowships, fees, contributions for operations and the allocation of endowment spending for operations are included in the measure of operations.

Nonoperating activities include transactions of a capital nature including realized and changes in unrealized gains and losses on investments to be reinvested by the College to generate a return that will support operations, excise taxes, additions to or changes in the value of split-interest arrangements, unrealized gain on interest rate swaps, adjustments to post-employment liabilities, and plant, life income and endowment gifts.

**Revenues**

The College considers tuition, room and board as one contract with three performance obligations under ASC 606. The College is a residential community with the majority of students living in campus housing and dining in campus facilities. Tuition is charged per semester at the same rate for all students. Tuition, room and board are all fully earned by June 30. Financial aid is calculated based on total cost of attendance.

The College records student related revenue within the fiscal year in which services are provided. Institutional financial aid includes amounts funded by the College's operations, endowments, and gifts and provide funding to offset the published price of tuition and fees, room, and board for students. Grants to students for costs in excess of published prices are reported as student services and expense in the consolidated statement of activities.

Student related revenue by performance obligation is as follows *(in thousands)*:

**2023**

| | Tuition & Fees | Room | Board | Total |
|---|---|---|---|---|
| Student charge | $ 133,245 | $ 15,831 | $ 14,443 | $ 163,519 |
| Allocation of financial aid | (52,658) | (6,256) | (5,709) | (64,623) |
| Total net student charges | $ 80,587 | $ 9,575 | $ 8,734 | $ 98,896 |

**2022**

| | Tuition & Fees | Room | Board | Total |
|---|---|---|---|---|
| Student charge | $ 128,531 | $ 14,927 | $ 13,615 | $ 157,073 |
| Allocation of financial aid | (48,408) | (5,622) | (5,128) | (59,158) |
| Total net student charges | $ 80,123 | $ 9,305 | $ 8,487 | $ 97,915 |

**Cash and Cash Equivalents**
Cash represents liquid investments with a maturity of three months or less at the date of purchase.

**Contributions**
Contributions, including unconditional promises to give, are recognized as revenues in the period received. Contributions with donor-imposed restrictions (together with the associated investment return on such contributions) are reported as revenues with donor restrictions. When an expenditure is incurred that satisfies the donor-imposed restriction, the contribution is released to net assets without donor restrictions. Contributions restricted for the acquisition of land, buildings and equipment are reported as revenues with donor restrictions. These contributions are released to net assets without donor restrictions upon acquisition of the assets or when the asset is placed into service. Gifts-in-kind are reported as revenue without donor restrictions unless use of the asset is restricted by the donor.

Conditional promises to give are not recognized as revenue until the conditions on which they depend are met. Contributions of assets other than cash are recorded at their estimated fair value at the date of gift.

Contributions to be received after one year are measured at fair value using a discount rate commensurate with the terms of the contribution. Discount rates range from 0.94% to 3.68% based on the year the pledge was recorded. Amortization of the discount is recorded as contribution revenue in accordance with donor-imposed restrictions, if any, on the contribution. An allowance is made for uncollectible contributions based upon management's judgment, past collection experience and other relevant factors. The current year increment to such allowance, along with modifications to contributions receivable for changes in payment methodology, are netted against current year contribution revenue. Amounts netted (against) to contribution revenue were (in thousands) ($2,955) and ($5,562) for the years ended June 30, 2023 and 2022, respectively.

**Other Assets**
Other assets consist of prepayment of bonds, prepaid expenses and inventories.

**Investments**
The College reports investments at fair value in accordance with GAAP. Fair value is defined as the amount that would be received as a result of selling an asset, or the amount that would be paid to transfer a liability (i.e., an exit price), in an orderly transaction between market participants at the measurement date.

The fair values of investments are determined as follows:

| Investments | Value as Recorded |
|---|---|
| Short-term investments, including cash at banks and short-term, highly liquid investments with an original maturity of three months or less at the time of purchase | At amortized cost which approximates fair value |
| Stocks, bonds, mutual funds, and other publicly traded securities | At quoted market value, representing fair value |
| Privately held investment vehicles including investments in funds with managers managing global long/short equities, absolute return strategies, venture capital, buyouts, real estate, real assets, and other strategies | Estimated fair value determined by the manager of the privately held partnership |

Certain investment vehicles do not have quoted market prices. These include 1) hedge fund investments with managers of global long/short equities and absolute return strategies; 2) investments in venture capital, buyout, real asset and real estate partnerships; and 3) certain other commingled funds. In the absence of quoted market prices for these investments, the College determined fair value based on information provided by external managers. Most of these external managers calculate the College's capital account or Net Asset Value (NAV) at fair value in accordance with, or in a manner consistent with, GAAP. GAAP permits the College to estimate the fair value of these investments by using the reported NAV provided by the external managers as a practical expedient. The College has performed due diligence procedures on these investments to support recognition at fair value as of June 30, 2023 and 2022. Due to the inherent uncertainties of valuation, these estimated fair values may differ significantly from the values that would have been reported had a readily available market for these investments existed, and these differences could be material.

Beneficial and perpetual trusts held by third parties are recorded at fair value based upon the present value of the future distributions expected to be received over the term of the agreement. These methods may result in a fair value measurement that may not be indicative of net realizable value or reflective of future fair values.

While the College believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

**Liquidity**

The College regularly monitors the availability of resources required to meet its general operating expenditures.

As of June 30, 2023, and 2022, financial assets and liquidity resources available within one year for general expenditure, such as operating expense, interest and principal payments, and capital renewal programs were as follows:

| *(in thousands)* | | **2023** | | **2022** |
|---|---|---|---|---|
| Total assets, at June 30: | | $ 4,819,846 | | $ 4,861,650 |
| Less: | | | | |
| Other assets | | (16,258) | | (14,691) |
| Investments held on behalf of the Clark Art Institute | | (441,267) | | (449,639) |
| Land, buildings and equipment, net | | (692,148) | | (703,229) |
| Financial assets, at June 30: | | $ 3,670,173 | | $ 3,694,091 |
| Less financial assets due in more than one year or with donor-imposed restrictions | | | | |
| Contributions restricted by donor with time or purpose restrictions | $ 44,949 | | $ 44,002 | |
| Endowment assets | 3,293,946 | | 3,327,363 | |
| Split-income gifts | 47,661 | | 44,945 | |
| Other investments | 9,276 | | 10,447 | |
| Notes due in over one year | 13,423 | | 13,281 | |
| | | 3,409,255 | | 3,440,038 |
| Financial assets available for operating expense | | 260,918 | | 254,053 |
| Endowment distribution approved by board for spending | | 171,000 | | 162,607 |
| Total financial assets available for operating expense | | $ 431,918 | | $ 416,660 |

To manage liquidity, the College maintains $205 million of lines of credit that can be drawn upon as needed to manage both operating and endowment cash flow. Cash flows are subject to seasonal variations attributable to the timing of tuition billings, receipts of gifts and grants, pledge payments and endowment distributions. Also, the College had an additional (in thousands) $268,524 and $271,379 for 2023 and 2022, respectively, of board designated endowment that is available to support general operations with board approval.

**Land, Buildings and Equipment**

Capital expenditures for and gifts of land, buildings and equipment are recorded at cost at the date of acquisition or fair value at the date of donation. Depreciation is computed on a straight-line basis over the estimated useful lives of buildings (40-60 years), building systems, renovations and land improvements (20 years), equipment (3-10 years) and software (3 years).

Interest is capitalized on debt funded capital projects in process until the project is substantially complete.

The College's art and rare book collections are recorded at cost or appraised value at the date of acquisition. Collections are not depreciated. The College does not capitalize the cost of library books and periodicals.

**Conditional Asset Retirement Obligation**
The College recognizes the fair value of a liability for legal obligations associated with asset retirements in the period in which the obligation is incurred, in accordance with ASC 410, Asset Retirement and Environmental Obligations. The liability is reflected in accounts payable and accrued liabilities. When the liability was initially recorded, the cost of the asset retirement obligation is capitalized by increasing the carrying amount of the related long-lived asset. The liability is accreted to its present value each period, and the capitalized cost associated with the retirement obligation is depreciated over the useful life of the related asset. Upon settlement of the obligation, any difference between the cost to settle the asset retirement obligation and the liability recorded is recognized as a gain or loss in the consolidated statements of activities.

| *(in thousands)* | 2023 | 2022 |
|---|---|---|
| **Change in asset retirement obligation** | | |
| Asset retirement obligation at beginning of year | $ 4,767 | $ 4,725 |
| Settlement of obligation | (115) | (113) |
| Accretion expense | 189 | 155 |
| Asset retirement obligation at end of year | $ 4,841 | $ 4,767 |

**Employee Benefits**
Retirement benefits for substantially all full-time employees are individually funded and vested under a defined contribution retirement program with the Teachers Insurance and Annuity Association and the College Retirement Equities Fund (“TIAA” and “CREF”, respectively). Under this agreement, the College and plan participants make periodic contributions to TIAA and CREF. The College’s expense under defined contribution retirement plans amounted to (in thousands) $9,620 and $9,666 for 2023 and 2022, respectively.

The College provides post-retirement benefits that include retiree life insurance and a portion of early retiree medical, dental and life insurance premiums.

The College accrues post-employment benefits which may include salary continuation, severance benefits, workers’ compensation and other disability related benefits, and the post-employment continuation of health care benefits, life insurance benefits and similar benefits to certain employees and beneficiaries.

The components of net periodic benefit cost other than the service cost component are included in the line item “Adjustment for post-employment liabilities” in the consolidated statement of activities.

**U.S. Government Advances for Student Loans**
Funds provided by the United States Government under the Federal Perkins Loan program were loaned to qualified students and reloaned after collection. The Federal Perkins Loan expired in 2017, with no disbursements permitted after June 30, 2018 and as a result no new loans will be issued.

**Split-interest Agreements and Outside Trusts**
For those trusts for which the College serves as trustee, the assets held are included with its pooled investments. Assets under these agreements are recorded at fair value. Contribution revenues are recognized at the dates the trusts are established net of a liability for the present value of the estimated future payments. Liabilities related to split-interest agreements of (in thousands) $56,579 and $59,674 as of June 30, 2023 and 2022, respectively, presented in the consolidated statements of financial position, are adjusted during the term of the trusts for changes in the value of the assets, amortization of the discount, and other changes in the estimates of future benefits.

For those irrevocable charitable remainder trusts for which the College does not serve as trustee, the College records its beneficial interest in those assets as contribution revenue and contributions receivable at the present value of the expected future cash inflows. Such trusts are recorded at the date the College has been notified of the trust’s existence and sufficient information regarding the trust has been accumulated to form the basis for an accrual. Changes in the value of these assets related to the amortization of the discount or revisions in the income beneficiary's life expectancy are recorded as a nonoperating change in the valuation of contributions receivable of net assets with donor restrictions.

The College is also the beneficiary of certain perpetual trusts held and administered by others. The fair value of these trusts, which is reported by the outside trustee, is included in investments. Distributions from the trusts are recorded as investment income in the period they are received. Changes in fair value of the trusts are recorded as nonoperating gains or losses with donor restricted and without donor restricted net assets.

**Allocation of Interest, Depreciation and Operation and Maintenance of Plant**
Certain expenses have been allocated to functional areas based on the following:

- Interest – by bond issue, by functional nature of building use
- Depreciation – by square footage, by functional nature of building use
- Operation and maintenance of plant – by specific identification where applicable and by square footage, by functional nature of building use

**Use of Estimates**
The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that may affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. The College's significant estimates include the fair value of its investments, its valuation of contributions receivable, its valuation of financial contracts, recognition of its asset retirement obligations, its postretirement health benefits and other accruals for expenses incurred which will be settled in the future. Actual results could differ from those estimates.

**Income Taxes/Tax-Exempt Status**
Williams College is exempt from federal and state income taxes to the extent provided by section 501(c)(3) of the Internal Revenue Code and equivalent state provisions, except with regard to unrelated business income which is taxable at corporate income tax rates, and provisions of the 2017 Tax Cuts and Jobs Act (the "Act"). The Act impacts the College in several ways, including excise taxes on compensation and net investment income, changes to the net operating loss rules, repeal of the certain minimum tax (AMT), and the computation of UBTI separately for each unrelated trade or business. Further, the Act established a flat 21% US federal corporate tax rate and federal corporate unrelated business income tax rate.

The College has made provisions for a deferred tax liability from net unrealized gains on qualifying assets and estimated at the 1.4% tax rate of $3.8 and $6.2 million as of June 30, 2023 and 2022, respectively. Accruals for the current portion of the excise and compensation tax of $1.0 and $3.8 million were also included for the years ending June 30, 2023 and 2022, respectively. Excise taxes paid related to the year ended June 30, 2022 were $3.4 million.

The College believes it has taken no significant uncertain tax positions.

**Reclassifications**
Certain prior year balances were reclassified to conform to the current year presentation.

**Recent Accounting Pronouncements**

**ASU 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"** In August 2018 the FASB issued ASU 2018-15, that clarifies the accounting for implementation costs in cloud computing arrangements. ASU 2018-15 is effective for annual reporting periods beginning after December 15, 2020, and interim periods within annual periods beginning after

December 15, 2021. The College adopted this standard effective July 1, 2022. The adoption of this standard resulted in a $1.48 million charge to prepaid expenses related to the capitalization of Workday costs.

## 2. Contributions Receivable

Contributions receivable are as follows at June 30:

| *(in thousands)* | 2023 | 2022 |
|---|---|---|
| **Expected collection period** | | |
| Less than one year | $ 14,382 | $ 7,309 |
| One year to five years | 23,437 | 28,148 |
| Over five years | 714 | 925 |
| Less: Discount to present value | (670) | (2,628) |
| Allowance for uncollectible contributions | (2,955) | (5,562) |
| Net contributions receivable | 34,908 | 28,192 |
| Funds held in trust by others | 21,423 | 23,119 |
| Bequest receivable | 3,000 | - |
| Contributions receivable, net | $ 59,331 | $ 51,311 |

Conditional contributions, including bequest intentions, are not recognized as assets and will be recorded as revenue when received. Revocable bequest intentions totaled $92 million at June 30, 2023.

Unexpended federal awards totaling (in thousands) $4,602 and $3,691 as of June 30, 2023 and 2022 respectively, are considered non-exchange transactions and include a barrier and a right of return. As such, these conditional promises to give are not recognized as revenues until the College expends the resources.

Funds held in trust by others are valued using Level 3 inputs (see Note 5 for discussion on classification of fair value measurements). The following is a reconciliation of funds held in trust by others in which significant unobservable inputs (Level 3) were used in determining value.

| *(in thousands)* | 2023 | 2022 |
|---|---|---|
| **Beginning of year balances** | $ 23,119 | $ 32,765 |
| Change in unrealized gains | (1,296) | (9,941) |
| Net (retirements) additions | (400) | 295 |
| **End of year balances** | $ 21,423 | $ 23,119 |

## 3. Notes Receivable – Student Loans

The College holds notes receivable from student loans (net of allowance) totaling (in thousands) $879 and $1,164 as of June 30, 2023 and 2022, respectively. The College is required to disclose the fair value of student loans receivable. Management believes that it is not practicable to determine the fair value of loans receivable as they are predominately federally sponsored student loans with mandated interest rates and repayment terms, further subject to significant restrictions as to their transfer or disposition. College sponsored and donor provided loans are similarly restricted as to interest rate and disposition. The College discontinued its student loan programs in fiscal year 2022, replacing it with an all-grant initiative.

## 4. Notes Receivable – Other

The College holds mortgages on residences of eligible faculty and staff members that amounted to (in thousands) $9,710 and $9,869 as of June 30, 2023 and 2022, respectively. The average stated interest rate paid on the mortgages as of June 30, 2023 and 2022 was 2.24% and 2.23% respectively. The College holds other notes receivable totaling (in thousands) $4,333 and $4,005 as of June 30, 2023 and 2022, respectively.

## 5. Investments

Investments held by the College at June 30 are comprised of:

| *(in thousands)* | **2023** | **2022** |
|---|---|---|
| Investments held on behalf of Williams College | $ 3,486,558 | $ 3,534,369 |
| Investments held on behalf of the Clark Art Institute | 441,267 | 449,639 |
| Total Investment Pool | 3,927,825 | 3,984,008 |
| Split-interest agreements | 47,661 | 44,945 |
| Other investments | 9,276 | 10,447 |
| Total investments | $ 3,984,762 | $ 4,039,400 |

**Investment Pool Governance**
The Investment Committee, a standing committee of the Board of Trustees, is responsible for setting asset allocation, investment policy and the strategic direction of the Williams College Investment Pool. The Investment Committee approves the operating budget and annual goals for the investment office and monitor investment results to ensure policy objectives are met. Three Advisory Committees (Marketable Assets, Non-Marketable Assets and Real Assets) serve as sub-committees of the Investment Committee and provide focused asset class advice. The Chief Investment Officer ("CIO") reports to the College President and oversees and manages the College's Investment Office, including the selection of investments, investment managers and consultants, subject to the approval of the Investment Committee and in accordance with the Committee's policies and procedures.

**Investment Pool Mission, Objectives and Strategy**
The mission of the Investment Pool is to contribute financial support to both the present and future needs of the College as well as to provide sufficient liquidity to meet such needs on a timely basis.

The College's overall investment objective is to achieve the highest level of investment performance that is compatible with its risk tolerance and prudent investment practices.

The College's investment strategy is designed to meet its investment objective and has the following characteristics: an equity bias; diversification; an emphasis on alternative investments; and sufficient liquidity.

**Investment Pool Asset Allocation**
The asset allocation, asset class benchmarks, and allowable ranges for each asset class for the Williams College Investment Pool are approved by the Investment Committee upon the recommendation of the CIO and reviewed every year.

In addition to the asset class diversification targets presented above, the College diversifies its investments among various investment strategies. The investments are managed by external investment management firms and held in custody by a major commercial bank, except for assets structured as partnerships, LLCs and commingled funds, which have separate arrangements appropriate to their legal structure.

**ASC 820 Disclosure - Fair Value Hierarchy**
*FASB Accounting Standards Codification ASC 820 on Fair Value Measurements*, prescribes a three-level hierarchy for fair value measurements based on the observability of inputs used in the valuation of an investment as of the measurement date. Investments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 Quoted prices are available in active markets for identical investments as of the reporting date, without adjustment. The type of investments in Level 1 include short-term investments, listed equity securities held in the name of the College in separately managed accounts and exchange traded mutual fund investments.

Level 2 Pricing inputs, including broker quotes, other than exchange traded quoted prices in active markets. The inputs are either directly or indirectly observable as of the reporting date.

Level 3 Pricing inputs that are unobservable and includes situations where there is little, if any, market activity for the investment.

Investments measured at fair value using a fund's NAV as a practical expedient have not been classified in the fair value hierarchy. The College performs additional procedures including due diligence reviews on its investments in investment companies and other procedures with respect to the capital account or NAV provided to ensure conformity with GAAP.

The following table presents the fair value of the College's investments as of June 30, 2023 and 2022, by the ASC 820 fair value valuation hierarchy defined above. The College held no Level 2 investments as of June 30, 2023 and 2022.

*(in thousands)* **June 30, 2023**

| | Investment Assets Quoted Prices in Active Markets (Level 1) | Investment Assets Valued With Unobservable Inputs (Level 3) | Investment Assets Not Subject to Fair Value Leveling | Total Investments |
|---|---|---|---|---|
| **Investment Pool** | | | | |
| Investments at NAV practical expedient | $ - | $ - | $ 3,809,960 | $ 3,809,960 |
| Short-term investments | 62,626 | - | - | 62,626 |
| Redemption receivable from underlying funds | - | - | 55,269 | 55,269 |
| Other assets and liabilities | - | - | (30) | (30) |
| Total Investment Pool | 62,626 | - | 3,865,199 | 3,927,825 |
| Investments held for the Clark Art Institute | - | - | (441,267) | (441,267) |
| Total Investment Pool - Williams College | 62,626 | - | 3,423,932 | 3,486,558 |
| **Split-interest agreements** | | | | |
| Cash and cash equivalents | 6,121 | - | - | 6,121 |
| Common and preferred stocks | 18,292 | - | - | 18,292 |
| Fixed income securities | 5,611 | - | - | 5,611 |
| Real estate mutual funds | 1,707 | - | - | 1,707 |
| Perpetual trusts held by others | - | 15,931 | - | 15,931 |
| Total split-interest agreements | 31,731 | 15,931 | - | 47,662 |
| Other investments | 2,110 | 7,165 | - | 9,275 |
| Total investments - Williams College | 96,467 | 23,096 | 3,423,932 | 3,543,495 |
| Investments held for the Clark Art Institute | - | - | 441,267 | 441,267 |
| **Total investments at fair value** | $ 96,467 | $ 23,096 | $ 3,865,199 | $ 3,984,762 |

*(in thousands)* **June 30, 2022**

| | Investment Assets Quoted Prices in Active Markets (Level 1) | Investment Assets Valued With Unobservable Inputs (Level 3) | Investment Assets Not Subject to Fair Value Leveling | Total Investments |
|---|---|---|---|---|
| **Investment Pool** | | | | |
| Investments at NAV practical expedient | $ - | $ - | $ 3,924,836 | $ 3,924,836 |
| Short-term investments | 58,708 | - | - | 58,708 |
| Redemption receivable from underlying funds | - | - | 491 | 491 |
| Other assets and liabilities | - | - | (27) | (27) |
| Total Investment Pool | 58,708 | - | 3,925,300 | 3,984,008 |
| Investments held for the Clark Art Institute | - | - | (449,639) | (449,639) |
| Total Investment Pool - Williams College | 58,708 | - | 3,475,661 | 3,534,369 |
| **Split-interest agreements** | | | | |
| Cash and cash equivalents | 6,876 | - | - | 6,876 |
| Common and preferred stocks | 16,344 | - | - | 16,344 |
| Fixed income securities | 5,889 | - | - | 5,889 |
| Real estate mutual funds | 1,785 | - | - | 1,785 |
| Perpetual trusts held by others | - | 14,051 | - | 14,051 |
| Total split-interest agreements | 30,894 | 14,051 | - | 44,945 |
| Other investments | 2,065 | 8,382 | - | 10,447 |
| Total investments - Williams College | 91,667 | 22,433 | 3,475,661 | 3,589,761 |
| Investments held for the Clark Art Institute | - | - | 449,639 | 449,639 |
| **Total investments at fair value** | $ 91,667 | $ 22,433 | $ 3,925,300 | $ 4,039,400 |

**Level 3 Assets Rollforward**

The following table presents the College's activity for the fiscal years ended June 30, 2023 and 2022, for investments measured at fair value on a recurring basis using significant unobservable inputs (level 3):

*(in thousands)*

| | **2023** | **2022** |
|---|---|---|
| **Beginning of year balances** | $ 22,433 | $ 26,008 |
| Gifts received | 80 | 2,650 |
| Sales | (1,733) | (646) |
| Net gains (losses) | 2,316 | (5,579) |
| **End of year balances** | $ 23,096 | $ 22,433 |

### Additional Fair Value Disclosure

The College uses NAV to determine the fair value of investments which (a) do not have a readily determinable fair value (e.g. private equity partnerships) and (b) prepare their financial statements consistent with the measurement principals of an investment company or have the attributes of an investment company. In accordance with US GAAP, the following required disclosure lists specified investment types by major category.

**2023**

*(in thousands)*

| Investment Pool/ Strategy | Market Value | Unfunded Commitments | Redemption Terms | Redemption Restrictions |
|---|---|---|---|---|
| Global Long Equity | $ 810,187 | $ 1,541 | Ranges from 5 days to 30 months. One fund is in the process of liquidating. | Ranges from 1 day to 150 days. |
| Global Long/Short Equity | 583,478 | 10,930 | Ranges from 30 days to 21 months. Fund may have lock-up provisions and/or investor/fund level gates. Two funds are commitment-based with no ability to redeem. | Ranges from 10 days to 90 days. |
| Absolute Return | 551,031 | 5,398 | Ranges from 30 days to 6 months. Four funds are commitment based with no ability to redeem. One fund holds illiquid positions and will redeem at manager discretion. One fund is in the process of liquidating. | Ranges from 30 days to 90 days. |
| Venture Capital | 700,047 | 106,275 | Closed-end funds not available for redemption. | Not Applicable.[1] |
| Buyouts | 530,632 | 303,762 | Closed-end funds not available for redemption. | Not Applicable.[1] |
| Real Assets | 192,301 | 45,784 | Closed-end funds not available for redemption. | Not Applicable.[1] |
| Real Estate | 228,782 | 109,213 | Closed-end funds not available for redemption. | Not Applicable.[1] |
| Non-investment Grade Fixed Income | 213,502 | 99,065 | Ranges from 90 days to 6 months. Some funds are commitment based with no ability to redeem. | Ranges from 45 days to 61 days. Not applicable for closed-end funds. |
| Total Investments, *NAV practical expedient* | $ 3,809,960 | $ 681,968 | | |

[1] These are invested in limited partnership structures for which the College does not have discretion over redemption. Distributions from the underlying funds are received as investments are realized.

**2022**

*(in thousands)*

| **Investment Pool/ Strategy** | **Market Value** | **Unfunded Commitments** | **Redemption Terms** | **Redemption Restrictions** |
|---|---|---|---|---|
| Global Long Equity | $ 760,321 | $ 1,914 | Ranges from 5 days to 30 months. One fund is in the process of liquidating. | Ranges from 1 day to 150 days. |
| Global Long/Short Equity | 618,888 | 18,330 | Ranges from 30 days to 21 months. Fund may have lock-up provisions and/or investor/fund level gates. Two funds are commitment-based with no ability to redeem. | Ranges from 10 days to 90 days. |
| Absolute Return | 622,187 | 31,399 | Ranges from 30 days to 6 months. Four funds are commitment based with no ability to redeem. One fund holds illiquid positions and will redeem at manager discretion. One fund is in the process of liquidating. | Ranges from 30 days to 90 days. |
| Venture Capital | 860,030 | 100,504 | Closed-end funds not available for redemption. | Not Applicable.[1] |
| Buyouts | 442,992 | 289,514 | Closed-end funds not available for redemption. | Not Applicable.[1] |
| Real Assets | 203,989 | 69,098 | Closed-end funds not available for redemption. | Not Applicable.[1] |
| Real Estate | 189,025 | 164,305 | Closed-end funds not available for redemption. | Not Applicable.[1] |
| Non-investment Grade Fixed Income | 227,404 | 122,976 | Ranges from 90 days to 6 months. Some funds are commitment based with no ability to redeem. | Ranges from 45 days to 61 days. Not applicable for closed-end funds. |
| Total Investments, *NAV practical expedient* | $ 3,924,836 | $ 798,040 | | |

[1] These are invested in limited partnership structures for which the College does not have discretion over redemption. Distributions from the underlying funds are received as investments are realized.

**Other Investment-Related Disclosures**
The College is obligated, under certain limited partnership agreements, to make additional capital contributions up to contractual levels. The timing and amounts of the contributions are determined by the general partners.

The following table reflects the total return for the year:

| *(in thousands)* | 2023 | 2022 |
|---|---|---|
| Realized and change in unrealized gain (loss), net of investment management fees and costs | $ 108,694 | $ (529,825) |
| Reinvested endowment income | 3,214 | 143 |
| Net investment income (other than reinvested amounts) | 1,713 | 309 |
| Net investment income from trusts [1] | 1,663 | 1,752 |
| Earnings related to supporting organization | (12,128) | 57,888 |
| Total | $ 103,156 | $ (469,733) |

[1] Included with "Investment income, annuitant payments and change in value of split-interest agreements"

Investment management fees and costs are netted against investment returns. Investment management fees are comprised of management fees earned by fund managers of the commingled funds. Costs are comprised of endowment accounting and investment office expenses.

In connection with the investments managed by external investment advisors, derivative financial instruments, principally options, futures and options on futures, may be employed by certain advisors. Derivative financial instruments are not an integral part of the College's direct overall investment strategy.

Investments, in general, are exposed to various risks, such as interest rate, credit and overall market volatility. As such, it is reasonably possible that changes in the fair values of investments will occur in the near term and that such changes could materially affect the amounts reported in the consolidated statements of financial position and consolidated statements of activities.

## 6. Investments Held for the Clark Art Institute

In February of 2017, the College and a supporting organization, the Clark Art Institute ("Clark"), entered into a participation agreement wherein the Clark transferred substantially all of its endowment over a three-year period to the College to invest in the College's investment pool. The College will manage the investments on the Clark's behalf. The funds are invested in accordance with the College's investment policies and objectives.

| *(in thousands)* | 2023 | 2022 |
|---|---|---|
| Investments held for the Clark Art Institute | $ 441,267 | $ 449,639 |

## 7. Land, Buildings and Equipment

Land, buildings and equipment of the College consist of the following at June 30:

| *(in thousands)* | **2023** | **2022** |
|---|---|---|
| Land and land improvements | $ 89,202 | $ 86,265 |
| Buildings | 948,450 | 947,652 |
| Equipment | 125,725 | 123,228 |
| Right of use asset | 2,911 | 3,944 |
| | 1,166,288 | 1,161,089 |
| Less: Accumulated depreciation | (563,110) | (524,171) |
| | 603,178 | 636,918 |
| Construction in progress | 25,827 | 9,544 |
| Art collections | 63,143 | 56,767 |
| | $ 692,148 | $ 703,229 |

Depreciation expense was (in thousands) $39,127 and $39,009 for the years ended June 30, 2023 and 2022, respectively. During fiscal year 2023, the College disposed of certain assets with an original cost of (in thousands) $1,742 and accumulated depreciation of $188.

No interest costs were capitalized in 2023 and 2022, respectively.

## 8. Commitments and Contingencies

At June 30, 2023, the College has outstanding construction and purchase contracts totaling approximately (in thousands) $42,877. Completion of these projects is estimated to extend through June 2027.

The College has entered into long-term noncancelable operating leases with lease terms extending through the year 2030. These leases are reflected in the right of use asset in the land, building and equipment footnote with a corresponding liability (in thousands) of $2,911 in the accounts payable and accrued liabilities in the consolidated statements of financial position.

## 9. Self-Insurance

The College uses a combination of insurance and self-insurance mechanisms to provide for potential liabilities for employee healthcare benefits, workers' compensation, general liability, property damage, director and officers' liability and vehicle liability. Liabilities associated with the risks that are retained by the College are not discounted and are estimated, in part, by considering historical claims experience and evaluations of outside experts, demographic factors, severity factors, and other actuarial assumptions. The estimated accrual for these liabilities could be affected if future occurrences and claims differ from these assumptions and historical trends. For the fiscal years ended June 30, 2023 and June 30, 2022, the self-insurance liability, which is specific to employee healthcare benefits, was (in thousands) $1,162 and $1,227, respectively, and is included in accrued salaries and benefits in the consolidated statements of financial position.

### 10. Bonds Payable

Borrowing for plant facilities consists of the following at June 30:

*(in thousands)*

| Series | Mode | Rate Range | Average Annual Rate | Convert to Fixed Option | Original Principal | Original Premium | Current Annual Principal | Maximum Annual Principal | Call Date | Amount Outstanding at 2023 | Amount Outstanding at 2022 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **MDFA Series I** | Fixed | 0.70% variable after 2025 | 0.70% | Yes | $ 17,000 | $ - | $ 1,155 | $ 1,550 | 1/1/25 | $ 14,790 | $ 15,910 |
| **MDFA Series J** | Variable with Swap | Variable | 2.39% | Yes | 33,065 | - | 2,853 | 3,185 | 4/3/06 | 12,067 | 14,813 |
| **MDFA Series N** | Fixed | 0.45% variable after 2025 | 0.45% | Yes | 50,470 | - | - | 10,250 | 7/1/25 | 50,470 | 50,470 |
| **MDFA Series P** | Fixed | 2.00%-5.00% | 2.40% | N/A | 126,140 | 22,236 | - | 15,310 | 7/1/23 | - | 107,080 |
| **MDFA Series Q** | Fixed | 2.50%-5.00% | 4.66% | N/A | 64,645 | 13,516 | 140 | 24,200 | 7/1/26 | 56,615 | 56,750 |
| **Taxable Debt 2016** | Variable | Variable | 4.51% | | 10,500 | - | 306 | 485 | Anytime | 9,336 | 9,636 |
| **MDFA Series R** | Variable with Swap | Variable | 3.65% | | 40,000 | - | - | 10,950 | Anytime | 40,000 | 40,000 |
| **MDFA Series S** | Fixed | 4.00%-5.00% | 4.52% | N/A | 52,770 | 7,725 | 1,400 | 6,745 | 7/1/27 | 52,770 | 52,770 |
| **MDFA Series T** | Fixed | 5.00% | 5.00% | N/A | 20,555 | 5,370 | 1,000 | 1,665 | 7/1/31 | 18,450 | 19,410 |
| **MDFA Series U** | Fixed | 3.16% | 3.16% | N/A | $ 99,670 | $ - | $ - | $ 14,670 | Anytime | 99,670 | - |
| Unamortized premium | | | | | | | | | | 20,673 | 37,097 |
| Unamortized bond costs | | | | | | | | | | (2,084) | (2,329) |
| | | | | | | | $ 6,854 | | | $ 372,757 | $ 401,607 |

The bonds are general obligations of the College with no collateral requirements.

Bond issuance costs at June 30, 2023 of (in thousands) $2,084 are amortized over the life of the respective bonds. Bond premiums of (in thousands) $20,673 at June 30, 2023, are amortized over the life of the respective bonds. Combined debt principal payment requirements for the years 2024 through 2028 approximate (in thousands) $6,854, $12,716, $13,188, $13,665, and $14,126 respectively.

The Series J bonds are subject to tender by bondholders. To the extent that tendered bonds cannot be remarketed, the College is required to repurchase the bonds.

The combined debt principal payment requirements above reflect the repayment of such bonds according to their scheduled maturity dates. If bonds were fully tendered as of June 30, 2023, the debt principal payment requirements for the years 2024 through 2028 would approximate (in thousands) $16,068, $9,756, $71,808, $9,220 and $12,827 respectively.

On April 4, 2023 the College issued refunding revenue bonds, Issue Series U. The proceeds of these bonds will refund the Issue Series P bonds maturing on and after July 1, 2024, in the aggregate par amount (in thousands) of $97,885 and related issuance costs. The College made an escrow contribution (in thousands) of $4,771 to pay the principal of and accrued interest on the July 1, 2023 maturity of the Series P bonds.

**Forward Interest Rate Swaps**
In 2005, the College entered into a forward interest rate swap agreement related to the Series J Bonds. The agreement has a current notional amount of (in thousands) $14,813. Under the terms of the agreement, the College pays a fixed rate of 3.457% to a third party who in turn pays a variable rate, estimated as 68% of LIBOR, on the respective notional amount.

In 2016, the College entered into an interest rate swap agreement related to the issuance of the Series R bonds. The agreement has a notional amount of (in thousands) $40,000. Under the terms of the agreement, the College pays a fixed rate of 1.2530% to a third party who in turn pays a variable rate, estimated as 67% of LIBOR, on the respective notional amount.

The interest rate swap agreements were not entered into for trading or speculative purposes. Because market risks arise from movements in interest rates, the College entered into the interest rate swap to reduce interest rate volatility on the outstanding debt.

As of June 30, 2023, and 2022, the fair value of the two swaps was a net asset of approximately (in thousands) $5,390 and $3,120, respectively. The interest rate swaps expire on July 1, 2026 and July 1, 2046 respectively.

## 11. Lines of Credit

At June 30, 2023, the College has the following lines of credit *(in thousands)*:

| Expiration Date | | Amount |
|---|---|---|
| August 2024 | $ | 40,000 |
| May 2025 | | 50,000 |
| July 2025 | | 15,000 |
| May 2026 | | 100,000 |
| Total lines of credit | $ | 205,000 |

If drawn upon these lines would be assessed a spread to an index depending on the duration of the loan. There were no outstanding amounts on the lines of credit at June 30, 2023 or 2022.

## 12. Endowments

The College's endowment consists of donor-restricted endowment funds and board-designated endowment funds for a variety of purposes. Split-interest agreements that have been designated for endowment are not considered as part of the endowment until funds are received. The net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The College pools the majority of its investments in a unitized account similar to an open-ended mutual fund. Funds added or withdrawn from the pool are recorded at their share of the then current fair value of the pool. Investment income of the pools is recognized by the funds owning the assets based on their share of the investment pool, which is determined on a monthly basis.

The College utilizes a total return approach to managing the investment pool. This approach emphasizes total return, which consists of current yield (interest and dividends) as well as the net appreciation (realized and change in unrealized gains) in the fair value of pooled investments.

Under the total return approach, the College appropriated for operations accumulated gains of (in thousands) $162,606 and $161,309 for the years ended June 30, 2023 and 2022, respectively. Total return in excess of, or less than, the amount appropriated is reported as nonoperating gains or losses.

The College establishes a spending rate expressed as a percentage of the trailing twelve quarter fair value of the investment pool. The spending rate is allocated to pool participants, with the difference between the spending rate and current yield (which typically is lower than the spending rate) recorded as realized gains utilized in operating revenue. The Board of Trustees has interpreted the Massachusetts "Uniform Prudent Management of Institutional Funds Act" statute, which was effective June 2009 ("UPMIFA"), as requiring the preservation of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the College classifies as net assets with donor restrictions, (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment funds are classified as net assets with donor restrictions until those amounts are appropriated for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA. The College considers the following factors in making a determination to appropriate or accumulate endowment funds:

(1) The duration and preservation of the fund

(2) The purposes of the College and the donor restricted endowment fund

(3) General economic conditions

(4) The possible effect of inflation and deflation

(5) The expected total return from income and the appreciation of investments

(6) Other resources of the College

(7) The investment policies of the College.

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

*(in thousands)*

| | 2023 | | |
|---|---|---|---|
| | Without Donor Restrictions | With Donor Restrictions | Total |
| **Net endowment assets, June 30, 2022** | $ 271,379 | $ 3,055,984 | $ 3,327,363 |
| Gifts and transfers | | | |
| Gifts received and pledge activity | - | 24,734 | 24,734 |
| Transfers and gifts further designated | 2,484 | 2,979 | 5,463 |
| Investment return | | | |
| Net gains (losses) | 7,469 | 84,756 | 92,225 |
| Accumulated gains spent for operations | (16,936) | (145,670) | (162,606) |
| Income earned returned to principal | 4,128 | 2,639 | 6,767 |
| **Net endowment assets, June 30, 2023** | $ 268,524 | $ 3,025,422 | $ 3,293,946 |

*(in thousands)*

| | 2022 | | |
|---|---|---|---|
| | Without Donor Restrictions | With Donor Restrictions | Total |
| **Net endowment assets, June 30, 2021** | $ 316,977 | $ 3,576,884 | $ 3,893,861 |
| Gifts and transfers | | | |
| Gifts received and pledge activity | - | 16,931 | 16,931 |
| Transfers and gifts further designated | 1,535 | (5,357) | (3,822) |
| Investment return | | | |
| Net gains (losses) | (34,554) | (391,851) | (426,405) |
| Accumulated gains spent for operations | (17,988) | (143,321) | (161,309) |
| Income earned returned to principal | 5,409 | 2,698 | 8,107 |
| **Net endowment assets, June 30, 2022** | $ 271,379 | $ 3,055,984 | $ 3,327,363 |

**Endowment Funds with Deficits (Underwater Endowment)**
As a result of market declines, the fair value of assets associated with individual donor-restricted endowment funds may fall below the value of the initial and subsequent contributed value (underwater). Funds (in thousands) with an original gift value of $25,270 were underwater by $3,190 as of June 30, 2023. Funds (in thousands) with an original gift value of $23,060 were underwater by $2,980 as of June 30, 2022. These unrealized losses are classified as a reduction in net assets with donor restrictions. The College distributes, based on the spending rate, from underwater funds. Future market gains will be used to restore this reduction in net assets.

**Return Objectives and Risk Parameters**
The College has adopted endowment investment and spending policies that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the permanent nature of endowment funds. Under this policy, the return objective for the endowment assets, measured over a full market cycle, shall be to maximize the return against a blended index, based on the endowment's target allocation applied to the appropriate individual benchmarks. The College expects its endowment funds over time, to provide an average rate of return of approximately 5.0% real, that is after adjusting for inflation, annually. Actual returns in any given year may vary from this amount.

**Strategies Employed for Achieving Investment Objectives**
To achieve its long-term rate of return objectives, the College relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized gains) and current yield (interest and dividends). The College targets a diversified asset allocation to achieve its long-term objectives within prudent risk constraints.

**Endowment Spending Allocation and Relationship of Spending Policy to Investment Objectives**
Spending from the endowment to support operations, referred to as asset use at the College, is expected to be 5.0% of the twelve-quarter trailing average of the end of year investment pool over the long run. This policy is based on the expectation that the endowment will grow by 5.0% real, that is after adjusting for inflation, and operating expenditures will increase by 4-5% annually, allowing part of the annual growth to support operations, and part for reinvestment to sustain the permanent nature of the endowment. The Trustees' Budget and Financial Planning Committee approves the asset use rate each year.

## 13. Net Assets

Following is the composition of the College's net assets without donor restrictions and net assets with donor restriction at June 30, 2023 and 2022:

| *(in thousands)* | 2023 | 2022 |
|---|---|---|
| **Net assets without donor restriction** | | |
| College unrestricted | $ 371,373 | $ 347,596 |
| Board designated endowment funds | 268,524 | 271,379 |
| Deferred tax liability | (391) | (814) |
| Noncontrolling interest | 1,532 | 1,481 |
| Total net assets without donor restrictions | $ 641,038 | $ 619,642 |
| **Net assets with donor restriction** | | |
| Spendable gifts for restricted purposes | $ 117,629 | $ 104,154 |
| Contributions & bequests receivable | 38,098 | 28,192 |
| Split-interest agreements, including outside managed trusts | 107,522 | 116,516 |
| Student loan funds | - | 9 |
| Endowment funds - unspent appreciation | 2,221,048 | 2,282,618 |
| Endowment funds - original principal | 752,402 | 724,270 |
| Deferred tax liability | (4,417) | (9,180) |
| Total net assets with donor restrictions | $ 3,232,282 | $ 3,246,579 |

## 14. Expenses by Function and Natural Classification

Expenses reported by natural classification on the consolidated statements of activities are summarized by function for the year ended June 30, 2023 and 2022, respectively.

| *(in thousands)* | 2023 | | | | | |
|---|---|---|---|---|---|---|
| **Operating expenses** | Instruction and Departmental Research | Academic Support | Student Services | Institutional Support | Auxiliary Enterprises | Total |
| Salaries and wages | $ 57,570 | $ 9,831 | $ 22,770 | $ 20,806 | $ 11,641 | $ 122,618 |
| Benefits | 18,922 | 3,318 | 7,183 | 5,699 | 4,877 | 39,999 |
| Operating expenses | 19,908 | 8,322 | 25,376 | 10,977 | 19,455 | 84,038 |
| Interest | 4,483 | 2,648 | 1,150 | 639 | 1,205 | 10,125 |
| Depreciation | 18,724 | 3,474 | 1,675 | 4,364 | 10,890 | 39,127 |
| **Total operating expenses** | $ 119,607 | $ 27,593 | $ 58,154 | $ 42,485 | $ 48,068 | $ 295,907 |

| *(in thousands)* | 2022 | | | | | |
|---|---|---|---|---|---|---|
| **Operating expenses** | Instruction and Departmental Research | Academic Support | Student Services | Institutional Support | Auxiliary Enterprises | Total |
| Salaries and wages | $ 56,258 | $ 9,392 | $ 20,696 | $ 19,272 | $ 10,717 | $ 116,335 |
| Benefits | 19,204 | 3,243 | 6,690 | 6,093 | 5,064 | 40,294 |
| Operating expenses | 17,757 | 7,567 | 21,196 | 9,617 | 16,522 | 72,659 |
| Interest | 4,458 | 3,957 | 1,440 | 840 | 945 | 11,640 |
| Depreciation | 17,305 | 3,608 | 2,131 | 3,844 | 12,121 | 39,009 |
| **Total operating expenses** | $ 114,982 | $ 27,767 | $ 52,153 | $ 39,666 | $ 45,369 | $ 279,937 |

## 15. Credit Loss Disclosures

Management regularly assesses the adequacy of the allowance for credit losses by performing evaluations of the outstanding notes receivable, including such factors as the differing economic risks associated with each loan category, the financial condition of specific borrowers and the value of collateral.

Notes receivable offset by an allowance for credit losses at June 30, 2023 and 2022:

| *(in thousands)* | **2023** | **2022** |
|---|---|---|
| Federal student loans | $ 465 | $ 704 |
| Other student loans | 532 | 570 |
| Faculty and staff mortgages | 9,710 | 9,869 |
| Pine Cobble land notes | 3,151 | 2,860 |
| Other notes receivable | 1,182 | 1,182 |
| | 15,040 | 15,185 |
| Allowance | (118) | (147) |
| | $ 14,922 | $ 15,038 |

## 16. Subsequent Events

The College has evaluated subsequent events for potential recognition or disclosure through October 20, 2023, the date the consolidated financial statements were issued, and determined that there have been no subsequent events that would require recognition in the consolidated financial statements or additional disclosure, other than those included in the preceding notes to the consolidated financial statements.