KPMG

COLUMBIA COLLEGE CHICAGO

Financial Statements

August 31, 2021 and 2020

(With Independent Auditors' Report Thereon)

COLUMBIA COLLEGE CHICAGO

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KPMG LLP
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Suite 5500
200 E. Randolph Street
Chicago, IL 60601-6436

Independent Auditors' Report

The Board of Trustees
Columbia College Chicago:

We have audited the accompanying financial statements of Columbia College Chicago, which comprise the balance sheets as of August 31, 2021 and 2020, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Columbia College Chicago as of August 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

As discussed in note 2 to the financial statements, in 2021, the College adopted Financial Accounting Standards Board Accounting Standards Update No. 2016-02, *Leases (Topic 842)*, as amended. Our opinion is not modified with respect to this matter

KPMG LLP

Chicago, Illinois
January 20, 2022

COLUMBIA COLLEGE CHICAGO

Balance Sheets

August 31, 2021 and 2020

Assets		**2021**	**2020**
Cash and cash equivalents	$	3,954,466	6,713,690
Student accounts receivable, less allowance for doubtful accounts of approximately $4,001,670 in 2021 and $6,898,600 in 2020		425,455	795,381
Other accounts and interest receivable, net		2,011,949	1,317,281
Deposits and prepaid expenses		3,758,921	7,667,833
Grants and contributions receivable, net		1,670,077	1,624,434
Long-term investments, at fair value		311,232,548	275,608,344
Net pension funding		1,817,428	676,799
Right of use assets – operating, net of amortization		126,615,611	—
Right of use assets – finance, net of amortization		1,079,950	—
Land, buildings, and equipment, net		214,506,538	228,187,307
Total assets	$	667,072,943	522,591,069
Liabilities and Net Assets			
Liabilities:			
Accounts payable	$	4,938,653	4,430,588
Accrued expenses		8,867,520	8,280,021
Deferred revenue and refundable deposits		30,447,887	26,458,183
Accrued interest payable		875,655	912,434
Asset retirement obligation		4,635,544	4,198,508
Lease obligation – operating		129,342,496	—
Lease obligation – finance		700,970	—
Long-term indebtedness		79,605,042	83,051,602
Total liabilities		259,413,767	127,331,336
Net assets:			
Without donor restrictions		387,537,109	379,078,890
With donor restrictions		20,122,067	16,180,843
Total net assets		407,659,176	395,259,733
Total liabilities and net assets	$	667,072,943	522,591,069

See accompanying notes to financial statements.

COLUMBIA COLLEGE CHICAGO

Statements of Activities

Years ended August 31, 2021 and 2020

	2021			2020		
	Without donor restrictions	**With donor restrictions**	**Total**	**Without donor restrictions**	**With donor restrictions**	**Total**
Operating activities:						
Revenue:						
Tuition and fees, net of $63,598,600 and $51,917,500 in tuition allowances	$ 110,367,287	—	110,367,287	129,373,990	—	129,373,990
Student housing, net	20,424,420	—	20,424,420	23,151,790	—	23,151,790
Sales and services	602,405	—	602,405	748,141	—	748,141
Private gifts and grants	166,111	2,246,997	2,413,108	221,640	2,006,899	2,228,539
Government grants and contracts	13,092,695	—	13,092,695	8,727,748	—	8,727,748
Investment return for operations	782,608	—	782,608	1,910,199	—	1,910,199
Additional endowment spending distribution from board designated funds	8,920,000	—	8,920,000	8,278,000	—	8,278,000
Other	71,662	—	71,662	96,198	—	96,198
Net assets released from restrictions	1,978,392	(1,978,392)	—	1,991,677	(1,991,677)	—
Total operating revenue	156,405,580	268,605	156,674,185	174,499,383	15,222	174,514,605
Expenses:						
Salaries and wages	73,313,913	—	73,313,913	78,235,658	—	78,235,658
Employee benefits	23,532,086	—	23,532,086	21,188,306	—	21,188,306
Supplies and services	22,797,918	—	22,797,918	23,419,501	—	23,419,501
Operation and maintenance of plant	42,618,835	—	42,618,835	40,829,745	—	40,829,745
Interest	4,028,419	—	4,028,419	4,244,295	—	4,244,295
Depreciation and amortization	15,655,002	—	15,655,002	15,912,576	—	15,912,576
Total operating expenses	181,946,173	—	181,946,173	183,830,081	—	183,830,081
Excess (deficiency) of operating revenue over operating expenses	(25,540,593)	268,605	(25,271,988)	(9,330,698)	15,222	(9,315,476)
Nonoperating activities:						
Investment return, less amounts for operations	39,783,259	2,589,451	42,372,710	17,234,913	1,087,323	18,322,236
Additional endowment spending distributed from board designated funds	(8,920,000)	—	(8,920,000)	(8,278,000)	—	(8,278,000)
Capital gifts for facilities and collections	505,534	824,440	1,329,974	295,658	991,309	1,286,967
Gifts to donor-restricted funds	—	497,018	497,018	—	160,602	160,602
Nonoperating other income	1,223,016	—	1,223,016	—	—	—
Gain (loss) on sale of property or disposal of equipment	28,084	—	28,084	1,148	—	1,148
Recognition of change in pension funded status	2,045,607	—	2,045,607	3,743,596	—	3,743,596
Other components of net periodic benefit cost	(904,978)	—	(904,978)	(1,002,915)	—	(1,002,915)
Net assets released from restrictions for capital	265,000	(265,000)	—	808,650	(808,650)	—
Change in fund designation	(26,710)	26,710	—	(998)	998	—
Total non-operating gain	33,998,812	3,672,619	37,671,431	12,802,052	1,431,582	14,233,634
Change in net assets	8,458,219	3,941,224	12,399,443	3,471,354	1,446,804	4,918,158
Net assets at beginning of year	379,078,890	16,180,843	395,259,733	375,607,536	14,734,039	390,341,575
Net assets at end of year	$ 387,537,109	20,122,067	407,659,176	379,078,890	16,180,843	395,259,733

See accompanying notes to financial statements.

COLUMBIA COLLEGE CHICAGO

Statements of Cash Flows

Years ended August 31, 2021 and 2020

		2021	2020
Cash flows from operating activities:			
Change in net assets	$	12,399,443	4,918,158
Adjustments to reconcile change in net assets to net cash used in operating activities:			
Recognition of change in pension funded status		(1,140,629)	(3,045,681)
Depreciation and amortization		15,730,701	15,627,002
Donation of fixed assets and collections, net of costs		(503,915)	(299,221)
Gain on disposal of property and equipment		(28,084)	(1,148)
Net gain on investments		(43,358,225)	(20,422,741)
Gifts to endowment		(497,018)	(160,602)
Changes in assets and liabilities:			
Student accounts receivable		369,926	(464,898)
Other accounts and interest receivable		(694,668)	(149,221)
Deposits and prepaid expenses		(433,530)	542,106
Grants and contributions receivable		(45,643)	(832,867)
Accounts payable		508,065	1,376,283
Accrued expenses		936,647	(1,551,086)
Deferred revenue and refundable deposits		10,508,218	(6,012,014)
Accrued interest payable		(36,779)	67,836
Asset retirement obligation		437,036	732,644
Change in net operating ROU assets and liabilities		550,815	—
Net cash used in operating activities		(5,297,640)	(9,675,450)
Cash flows from investing activities:			
Proceeds from sale of investments		179,188,403	144,280,342
Purchase of investments		(171,454,382)	(121,402,779)
Proceeds from sale of land, buildings, and equipment		70,000	42,000
Purchase of land, buildings, and equipment		(3,130,433)	(15,054,055)
Net cash provided by investing activities		4,673,588	7,865,508
Cash flows from financing activities:			
Proceeds from gifts to endowment		497,018	160,602
Proceeds from issuance of debt instruments		—	20,378,049
Payments on finance lease obligation		(1,022,190)	(647,126)
Principal payments on long-term debt		(1,610,000)	(13,320,000)
Net cash provided by (used in) financing activities		(2,135,172)	6,571,525
Net increase (decrease) in cash and cash equivalents		(2,759,224)	4,761,583
Cash and cash equivalents at beginning of year		6,713,690	1,952,107
Cash and cash equivalents at end of year	$	3,954,466	6,713,690
Supplementary disclosure of cash flow information:			
Cash paid during the year for interest	$	3,524,085	3,328,069
Supplementary disclosure of noncash transactions:			
Donated fixed assets and collections	$	503,915	299,221
Additions of equipment relating to finance lease obligation		—	1,189,647
Change in accrued expenses for land, buildings, and equipment		349,149	(6,319,039)

See accompanying notes to financial statements.

(1) Organization

Columbia College Chicago (the College) is a private, not-for-profit, fully accredited college offering comprehensive academic programs in the performing, visual, communications, and writing arts within a liberal arts framework. The College is an urban institution located in Chicago's South Loop that enrolls students from the Chicago area, across the United States, and internationally. Students are primarily enrolled in undergraduate degree programs although the College also offers graduate programs.

Current Operating Environment

In March 2020, the World Health Organization declared the novel coronavirus (COVID-19) a pandemic. The continued spread of COVID-19 and its impact on social interaction, travel, economies, and financial markets may adversely affect the College's operations and financial condition, including, among other things, (i) the ability of the College to conduct its operations and/or the cost of operations, (ii) governmental and nongovernmental funding, and (iii) financial markets impacting investments valuation and interest rates.

Commencing March 18, 2020, undergraduate and graduate course instruction was conducted virtually, and most students vacated the campus. The College granted refunds of $8.2 million in fiscal year 2020 for housing and dining services not provided after March 18, 2020. Students continued to meet their academic requirements for the remainder of the 2019-20 academic year. The 2020-21 academic year was conducted in a hybrid format, with limited on-campus instruction combined with virtual learning. Students have since returned to campus on a full-time basis for the 2021-22 academic year.

The COVID-19 pandemic has negatively affected national, state, and local economies, and the higher education landscape in general. While the total financial impact on the College cannot be quantified at this time, the pandemic may have a material adverse effect on the future financial profile and operating performance of the College. The College continues to monitor the course of the pandemic and is prepared to take additional measures to protect the health of the College community and promote the continuity of its academic mission.

(2) Summary of Significant Accounting Policies

The financial statements of the College have been prepared on the accrual basis. Significant accounting policies followed by the College are described below.

(a) Basis of Presentation

To ensure the observance of limitations and restrictions placed on the use of resources available, the College maintains its accounts in accordance with the principles and practices of fund accounting. Fund accounting is the procedure by which resources for various purposes are classified for accounting purposes into funds that are maintained in accordance with activities or objectives of the College.

For external reporting purposes, however, the College's financial statements have been prepared to focus on the organization as a whole and to present balances and transactions classified in accordance with the existence or absence of donor-imposed restrictions. As such, the College adheres to the provisions of Financial Accounting Standards Board (FASB) Accounting Standard Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit*

Entities and classifies net assets into two categories, net assets without donor restrictions and net assets with donor restrictions, defined as follows:

- Net assets without donor restrictions are derived from tuition and other institutional resources not subject to donor-imposed restrictions, including those designated by the Board of Trustees to function as endowment (quasi-endowments) and other board-designated net assets.
- Net assets with donor restrictions are subject to donor-imposed restrictions including those restricted for a particular use, expiring with the passage of time or the occurrence of an event, or to be maintained in perpetuity. When time and purpose restrictions expire, net assets with donor restrictions are released as net assets without donor restrictions. Net assets subject to donor-imposed restrictions may also require assets to be maintained permanently in perpetuity by the College. Generally, the donors of these assets permit the College to use all or part of the income earned on related investments for general or specific purposes.

Revenue is reported as an increase in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without restriction unless their use is restricted by explicit donor stipulation or law.

(b) Revenue Recognition

The College follows the guidance in FASB ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, as amended, in its revenue recognition practices. This guidance requires that the College recognizes revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the College expects to receive in exchange for those goods and services.

(i) Tuition and Fees, Net of Scholarships

Tuition from academic programs delivered to students is recognized in the fiscal year in which the academic programs are delivered. Tuition is charged at different rates depending on the program in which the student is enrolled, less any institutional financial aid awarded by the College to qualifying students. This institutional aid represents a reduction of the tuition transaction price. As part of a student’s course of instruction, certain fees, such as technology fees, are billed to students. Tuition and fees are earned ratably over the applicable term and are not considered separate performance obligations.

The College bills tuition and fees in advance of each academic term; however, students have until approximately the second week of the term to drop classes and receive a full refund. Student receivables are not recognized until the passage of the refund deadline. In some instances, students pay prior to the deadline and the College recognizes deferred revenue in these situations.

(ii) Student Housing, Net of Scholarships

Housing revenue consists of fees for room and dining services (board) during the student’s education. These fees are viewed as one performance obligation. Fees are charged at different rates depending on the room accommodations. Both room fees and dining services are billed in advance of each academic term and recognized ratably as revenue over the period in which these services are provided. As with tuition, the College records deferred revenue when students pay prior to the start of the academic term.

(iii) Sales and Services

This category consists of revenue generated by the College from different arrangements that are deemed to be exchange transactions. Major revenue streams in this category include ticket sales for dance and theater performances, revenue from seminars and workshops, and tuition from community outreach programs. Revenue from these activities is generally recognized as services are performed.

(iv) Grant and Contract Revenue

The College adheres to FASB ASU No. 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Made*. This ASU provides a framework for determining whether a transaction should be accounted for as a contribution or as an exchange transaction. The guidance also helps determine whether a contribution is conditional and provides guidance to distinguish between a donor-imposed condition and a donor-imposed restriction.

Revenue from government grants and contracts are deemed to be nonexchange (nonreciprocal) transactions and fall under the contribution guidance when conditions are met. Revenue is recognized as qualifying expenditures are incurred in accordance with the agreement.

Private gifts, including unconditional promises to give (i.e., pledges), are recognized in the period received. Conditional pledges are not recognized until the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at estimated fair value. Contributions to be received after one year are discounted at an appropriate rate commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for doubtful pledges receivable is provided based upon the administration’s judgment considering such factors as the creditworthiness of the donor, prior collection history, type of contribution, and nature of the fund-raising activity.

Contributions received with donor-imposed restrictions are reported as revenue of the net assets with donor restrictions class and released to the net assets without donor restrictions class when the restriction has been met. Donor-restricted contributions whose restrictions are met within the same fiscal year in which they are received are reported as revenue without donor restrictions. Contributions of land, buildings, and equipment without donor-imposed restrictions concerning the use of such long-lived assets are reported as revenue of the net assets without donor restrictions class. Contributions of cash or other assets to be used to acquire land, buildings, and equipment with donor-imposed use restrictions are reported as revenue of the net assets with donor restrictions class; the restrictions are considered to be released at the time such long-lived assets are placed into service.

(c) COVID-19 Pandemic and Higher Education Emergency Relief Fund

During the College’s fiscal year 2020, the federal government passed the Coronavirus Aid, Relief, and Economic Security Act (the Act), which established a Higher Education Emergency Relief Fund

(“HEERF”). The College was awarded approximately $6.3 million under the Act. Subsequently, during the College’s fiscal year 2021, two additional acts were passed by the government to again award funds to higher education institutions under HEERF, the Coronavirus Response and Relief Supplemental Appropriations Act and the American Rescue Plan Act of 2021. Under these subsequent fundings, the College was eligible to receive approximately $9.8 million and $17.2 million, respectively.

Funds awarded to institutions under HEERF are to be used to provide eligible students emergency financial aid grants for expenses related to the disruption of campus operations due to the COVID-19 crisis (“HEERF Student Share”). Additionally, institutions are permitted use of remaining funds upon meeting the requirements of the HEERF Student Share to cover operational costs and lost revenue associated with the significant changes brought on by this crisis (“HEERF Institutional Share”).

The amounts awarded to the College as HEERF Student Share and HEERF Institutional Share under each of these Acts are as follows:

		HEERF Student Share	HEERF Institutional Share
Coronavirus Aid, Relief, and Economic Security Act ("HEERF I")	$	3,170,771	3,170,771
Coronavirus Response and Relief Supplemental Appropriations Act ("HEERF II")		3,170,771	6,619,998
American Rescue Plan Act of 2021 ("HEERF III")		8,613,491	8,601,621
Total awarded	$	14,955,033	18,392,390

During fiscal year 2020, the College distributed nearly all HEERF I Student Share to students and used the HEERF Institutional Share to offset a portion of the costs associated with the housing and dining refunds given to students. The College’s expenditures of $3.15 million associated with the HEERF Student Share were recorded as supplies and services expense, while expenditures of $3.15 million related to the institutional share were presented net of student housing revenue on the College’s statement of activities.

In fiscal year 2021, all the HEERF II and a portion of the HEERF III Student Share were disbursed to students, together approximating $4.6 million. These disbursements were recorded as supplies and services expense on the College’s statement of activities. The College used the Institutional Share from HEERF II to offset the remainder of the housing and dining refunds given to students during the 2019-20 academic year, $4.5 million, as well as using certain of the funds to recover a portion of lost revenue from the pandemic, $1.9 million. There were no associated expenditures recorded on the College’s statement of activities in fiscal year 2021 associated with these uses.

The College recognized HEERF revenue of approximately $11 million in fiscal year 2021 and $6.3 million in fiscal year 2020 within government grants and contracts on the statements of activities.

(d) Long-Term Pooled Investment Payout

The College has adopted a spending policy in support of current operational budget requirements. This policy allows for the spending of a percentage (5% for fiscal years 2021 and 2020) of the average fair value of the long-term pooled (LTP) investments over the past three years. Pooled investments consist of assets of the College's endowment, certain assets with donor restrictions, and funds designated by the Board of Trustees to be invested as endowment. See note 14 for additional information regarding the College's investment strategy and objectives.

(e) Operations

Operating results in the statements of activities reflect all transactions increasing or decreasing net assets without donor restrictions except those items of a long-term capital nature, that is, associated with long-term investments, gifts for physical plant, or certain pension changes.

(f) Cash Equivalents

Cash equivalents consist primarily of highly liquid debt instruments acquired with an original maturity of three months or less. Certain securities of a similar nature may be included in investments because such instruments are held by the College for designated purposes.

(g) Land, Buildings, and Equipment

Land, buildings, and equipment are stated at cost or, in the case of gifts, fair value at date of donation, less accumulated depreciation. Leased equipment is depreciated using a straight-line method over the shorter of the estimated useful life of the equipment or the term of the lease. Buildings and equipment are depreciated using the straight-line method over their estimated useful lives. The estimated useful lives are as follows:

Buildings	50 years
Building improvements	15–25 years
Library books	10 years
Furnishings and equipment	3–10 years

Long-lived assets, such as buildings and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If events are identified, recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to its estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized for the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of are separately presented in the balance sheet and reported at the lower of the carrying amount or fair value less costs to sell and are no longer depreciated.

(h) Collections

In 1997, the College began capitalizing its collections retroactively. To the extent reliable records existed, the College capitalized items acquired prior to 1997 at their cost at the date of purchase or, if the items were contributed, at their fair or appraised value at the accession date (the date the item was accepted by the College). Other items, particularly those acquired prior to 1997, when detailed curatorial records began to be maintained, have been capitalized at their appraised or estimated current fair value. In some cases, collection items held solely for their potential educational value or historical significance were determined to have no alternative use and were not assigned values for the purpose of capitalization.

(i) Income Taxes

The College has received a determination letter from the Internal Revenue Service (IRS) indicating that it is a tax-exempt organization as provided in Section 501(c)(3) of the Internal Revenue Code of 1986 and, except for taxes pertaining to unrelated business income, is exempt from federal and state income taxes. No provision has been made for income taxes in the accompanying financial statements, as the College has had no significant unrelated business income. In accordance with U.S. generally accepted accounting principles (GAAP), the College recognizes the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. Based upon this practice, the College, as of August 31, 2021 and 2020, believes it has no significant uncertain tax positions.

(j) Conditional Asset Retirement Obligation

The College has recorded a liability to recognize the estimated cost of conditional asset retirement obligations related to potential asbestos abatement. The costs of abatement were estimated using a variety of assumptions and estimates, including a cost-per-square-foot estimate, inflation estimates, and an estimated discount rate. At August 31, 2021 and 2020, the College has recorded an asset retirement obligation of $4,635,544 and $4,198,508, respectively.

(k) Fair Value of Financial Instruments

The College follows the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurement*, the official pronouncement for fair value measurements for financial instruments. The pronouncement defines fair value as the price that could be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market of the asset or liability in an orderly transaction between market participants on the measurement date.

The pronouncement also establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

In many cases, the valuation technique used to measure fair value includes inputs from multiple levels of the fair value hierarchy. The lowest level of significant input determines the placement of the entire fair value measurement in the hierarchy.

As a practical expedient, the College records its investment in certain entities that calculate net asset value per share (or its equivalent) that do not have a readily determinable fair value using the net asset value per share of the investment (or its equivalent) as of the College's fiscal year-end. Using this approach, the value of these investments does not include certain attributes that may impact the final value of the investments, such as restrictions on redemption and transaction prices for principal-to-principal and brokered transactions.

(l) Use of Estimates

In order to prepare these financial statements, the College has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reporting of revenue, expenses, gains, and losses during the reporting period. Actual results could differ from these estimates.

(m) Recently Adopted Accounting Pronouncements

In November 2016, the FASB issued clarifying guidance in ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. The amendments in the update require that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The amendments in the update do not provide a definition of restricted cash or restricted cash equivalents. The College's retrospective adoption of the ASU in fiscal year 2020 did not have a material effect on its financial statements.

Effective September 1, 2020, the College adopted FASB ASU No. 2016-02, *Leases (Topic 842)*, as amended. The new ASU is intended to improve financial reporting of leasing transactions by requiring organizations that lease assets to recognize assets and liabilities for the rights and obligations created by leases that extend more than twelve months. The standard also requires reclassification of previously capitalized leases to new standalone accounts on the balance sheet.

The College adopted Topic 842 using the effective date transition method. Financial information was not updated for periods prior to September 1, 2020, and certain disclosure required under the new standard was not provided. Accounting for leases for the year ended August 31, 2020 is in accordance with Topic 840. No cumulative effect of a change in accounting principle resulted from adoption. As permitted by Topic 842, for leases with a term of 12 months or less, the College has elected not to recognize the lease assets and liabilities.

(Continued)

The College elected the following practical expedients provided by the new standard:

- the package of practical expedients that permits no reassessment of whether any expired or existing contracts are or contain a lease, the lease classification for any expired or existing leases, and any initial direct costs for any existing leases as of the effective date,
- the practical expedient that permits not separating lease and non-lease components for any lessee, and
- the practical expedient that permits no reassessment of whether land easements meet the definition of a lease if they were not accounted for as such under Topic 840.

As of September 1, 2020, the College recognized an operating lease liability of $150,853,500 and a corresponding right of use asset of $148,677,428 on its balance sheet. Other balance sheet accounts impacted by adoption included recording the balance of rent abatement, formerly a component of deferred revenue and refundable deposits, as a reduction to right of use assets - operating. Additionally, capital lease assets were reclassified from land, buildings and equipment to right of use assets - finance, and the associated liabilities were reclassified from long-term debt to lease obligation -finance.

(3) Grants and Contributions Receivable

At August 31, 2021 and 2020, grants and contributions receivable were $1,670,077 and $1,624,434, respectively, net of discounts of $19,037 and allowances of $0 for fiscal year 2021 and discounts of $22,772 and allowances of $0 for fiscal year 2020. Of the amount outstanding at August 31, 2021 $1,224,114 is expected to be collected within one year, and $465,000 is expected to be collected within two to five years.

(4) Investments

Investments are stated at fair value. The fair value of investments is based upon quoted market prices when available. However, the investments also include certain instruments where quoted market prices may not be available. For these instruments, the College has applied a practical expedient and recorded the net asset value reported by each underlying fund. The valuations for these investments involve estimates, appraisals, assumptions, and other analytical methods performed by investment managers and then reviewed by the College and the College’s investment consultant.

The College’s interests in alternative investment funds such as absolute return, equity, hedge funds, and private equity are reported at the net asset value (NAV) reported by the fund managers, which is used as a practical expedient to estimate the fair value, unless it is probable that all or a portion of the investment will be sold for an amount different from NAV. As of August 31, 2021 and 2020, the College had no plans to sell investments at amounts different from NAV.

The College’s investments are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment vehicles, it is at least reasonably possible that changes in the value of investments will occur in the near term and that such changes could materially affect amounts reported in the balance sheets.

Investment income, gains and losses, and any investment-related expenses are recorded as an increase (decrease) in net assets without donor restrictions in the statements of activities unless their use is restricted by explicit donor stipulations or law. In the absence of donor stipulations or law to the contrary, losses on the investment of a donor-restricted endowment fund are applied to reduce net assets with donor restrictions to the extent that donor-imposed restrictions on net appreciation of the fund have not been met before the loss occurs.

The investments, including cash and cash equivalents, at August 31, 2021 and 2020 are comprised of the following:

	2021		Redemption	Days'
	Level 1	Total	or liquidity	notice
Cash and cash equivalents	$ 3,954,466	3,954,466	Daily	1
Investments:				
Fixed income [a]				
Endowment	$ 28,927,998	28,927,998	Daily	1
Operations	75,618,024	75,618,024	Daily	1
Subtotal	$ 104,546,022	104,546,022		
Equities [b]	$ 21,739,906	21,739,906	Daily	1
Investments measured at net asset value		184,946,620		
Total investments at fair value as of August 31, 2021		$ 311,232,548		

	2020		Redemption	Days'
	Level 1	Total	or liquidity	notice
Cash and cash equivalents	$ 6,713,690	6,713,690	Daily	1
Investments:				
Fixed income [a]				
Endowment	$ 45,325,569	45,325,569	Daily	1
Operations	73,930,930	73,930,930	Daily	1
Subtotal	$ 119,256,499	119,256,499		
Equities [b]	$ 16,865,935	16,865,935	Daily	1
Investments measured at net asset value		139,485,910		
Total investments at fair value as of August 31, 2020		$ 275,608,344		

(a) Includes investments in mutual funds that invest in fixed income securities.

(b) Includes small to mid-capitalization growth stocks.

In accordance with the fair value measurements and disclosures guidance, the following table presents the category, fair value, redemption frequency, and redemption notice period for College investments, the fair values of which are estimated using the NAV per share as of August 31, 2021 and 2020:

	2021	2020	Redemption frequency (if currently eligible)	Redemption notice period (if currently eligible)
Absolute return	$ 41,058,748	34,217,287	Quarterly to two years	45–90
Equity	102,753,032	78,810,066	Quarterly	30
Hedge funds	33,232,697	20,305,218	Quarterly to annual	30–90
Private equity	7,902,143	6,153,339	NA	NA
Total	$ 184,946,620	139,485,910		

(5) Land, Buildings, and Equipment

Land, buildings, and equipment at August 31, 2021 and 2020 are comprised of the following:

	2021	2020
Land	$ 21,898,620	21,898,620
Buildings and improvements	331,184,918	329,837,041
Furnishings and equipment	39,873,447	52,004,374
Library collections	12,933,289	12,933,289
Museum and art collections	18,127,798	17,573,327
Construction in process	2,211,964	2,380,696
	426,230,036	436,627,347
Less accumulated depreciation	211,723,498	208,440,040
	$ 214,506,538	228,187,307

Effective September 2019, the construction of the College’s new student center was completed, and the assets placed into service. The total cost of the new student center was $55,902,990.

During fiscal year 2020, the College removed various fully depreciated assets from its ledger since these assets were no longer in use. The cost and related accumulated depreciation of these assets were $42,267,170.

Outstanding commitments for construction contracts amounted to approximately $567,162 and $916,311 at August 31, 2021 and 2020, respectively.

(6) Leases

The College has entered into various leasing arrangements with lessors for equipment and auxiliary building space. The College's lease portfolio contains both operating and finance leases and is primarily comprised of real estate leases.

The College recognizes lease liabilities and their corresponding right of use ("ROU") assets at the lease commencement date, and initially measures the lease liabilities and ROU assets using the present value of lease payments over the lease term, with adjustments made to ROU assets for any prepayments and rent abatements. The College uses the BBB+ yield curve as the source for its discount rates to calculate liabilities, which corresponds to the College's debt rating issued by Standard and Poor's.

Lease costs for the year ended August 31, 2021 are as follows:

Lease cost		2021
Finance lease expense:		
Amortization of ROU assets	$	732,030
Interest on lease liabilities		58,399
Operating lease expense		24,384,162
Short-term lease expense		4,843,756
Variable lease expense		—
Sublease income		—
Total lease cost	$	30,018,347

Other supplemental lease information		2021
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows for finance leases	$	73,096
Operating cash flows for operating leases		28,078,298
Financing cash flows for finance leases		1,022,190
ROU assets obtained in exchange for lease liabilities (noncash):		
Finance leases		—
Operating leases		—
Weighted average remaining lease term (years):		
Finance leases		2.9
Operating leases		6.4
Weighted average discount rate:		
Finance leases		2.7 %
Operating leases		2.0

A maturity analysis for finance and operating leases as of August 31, 2021 is as follows:

		Finance	Operating
Year ending August 31:			
2022	$	299,992	24,423,641
2023		178,061	25,028,710
2024		178,061	25,648,954
2025		75,424	26,284,803
2026		—	24,680,680
Thereafter		—	21,504,099
Total		731,538	147,570,887
Less present value discount		(30,568)	(18,228,391)
Lease liability	$	700,970	129,342,496

Future minimum lease obligations under Topic 840 for operating leases as of August 31, 2020 were as follows:

2021	$	28,114,723
2022		24,313,056
2023		24,915,349
2024		25,532,741
2025		26,165,677
Thereafter		51,094,387
	$	180,135,933

Property and equipment rental expense was $24,620,517 during the fiscal year ended August 31, 2020.

(7) Deferred Revenue and Refundable Deposits

The components of deferred revenue and refundable deposits as of August 31 are presented below:

		2021	2020
Tuition and housing deferred revenue	$	20,981,796	19,283,048
Rent abatement		—	6,518,514
Deferred grant revenue		8,858,684	112,133
Refundable deposits		607,407	544,488
	$	30,447,887	26,458,183

Tuition and housing deferred revenue and refundable deposits are recognized ratably as revenue over the subsequent fiscal year in which the academic programs are delivered and housing services are provided. Deferred grant revenue is recognized as revenue when qualifying expenditures are incurred.

(8) Long-Term Debt

Long-term debt at August 31, 2021 and 2020 is as follows:

		2021	2020
IFA first mortgage notes:			
Series 2000 issued April 1, 2000	$	5,700,000	5,700,000
Series 2013 issued October 31, 2013		—	290,000
Series 2015 issued October 15, 2015		52,825,000	54,145,000
Series 2019 issued November 20, 2019		18,035,000	18,035,000
Capital lease obligations		—	1,723,160
		76,560,000	79,893,160
Unamortized premiums:			
Series 2015		1,803,714	1,914,711
Series 2019		2,206,371	2,284,473
Unamortized bond issuance costs		(965,043)	(1,040,742)
	$	79,605,042	83,051,602

Maturities of long-term debt outstanding at August 31, 2021 are as follows:

		FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	Thereafter	Total
Series 2000	$	—	—	—	—	—	5,700,000	5,700,000
Series 2013		—	—	—	—	—	—	—
Series 2015		2,045,000	2,135,000	2,245,000	2,360,000	2,480,000	41,560,000	52,825,000
Series 2019		—	—	—	—	370,000	17,665,000	18,035,000
	$	2,045,000	2,135,000	2,245,000	2,360,000	2,850,000	64,925,000	76,560,000

All first mortgage notes were issued by the Illinois Finance Authority (IFA) to finance the costs of the acquisition, construction, renovation, and equipping of educational or student housing facilities and are secured by such facilities. Interest rates, except for the Series 2000, are fixed rates ranging from 1.38% to 5.00%. Interest payments are due semiannually except for the Series 2000 mortgage notes on which interest is due monthly.

Effective as of November 20, 2019, the College issued $18,035,000 Illinois Finance Authority Revenue Bonds, the proceeds of which were used to reimburse the College for a portion of the student center construction that was completed in September 2019 (Series 2019 Bonds).

In October 2015, the College issued $50,490,000 Illinois Finance Authority Revenue Refunding Bonds, Series 2015A and $7,975,000 Illinois Finance Authority Taxable Revenue Refunding Bonds, Series 2015B (Series 2015 Bonds). The proceeds were used to refund all of the outstanding Illinois Finance Authority Revenue Bonds, Series 2003, Series 2007, and Series 2011; and to pay certain costs of issuance of the bonds. The transaction also generated a $2,359,000 premium on the Series 2015A bonds. Interest rates on the bonds range from 2.00% to 5.00%.

Included in long-term debt are general obligation variable rate demand bonds, maturing on June 30, 2030, of $5,700,000 for the fiscal years ended August 31, 2021 and 2020. The bonds are marketed weekly by a remarketing agent, and the interest rate is reset each week based on current market conditions. The interest rates for the weeks ended August 31, 2021 and 2020 were 0.03% and 0.10%, respectively. In the event that the agent is unable to remarket the bonds, the bonds become a demand note under an irrevocable letter of credit issued by BMO Harris Bank. This is to provide the necessary credit enhancement and liquidity that make the Series 2000 Bonds marketable at a reasonable interest cost. The amount available under this reimbursement agreement was $5,754,658 as of August 31, 2021 and 2020. The reimbursement agreement carries an interest rate equal to the prime rate (3.25% at August 31, 2021 and 2020) in effect at the time of use. The reimbursement agreement and letter of credit are for a two-year term. The reimbursement agreement and letter of credit are payable in quarterly installments over the remaining life of the agreement commencing on the first quarterly date within 60 days after the letter of credit is used. As of August 31, 2021 and 2020, no amounts have been drawn on the letter of credit. The letter of credit is valid through July 1, 2023. Should the irrevocable letter of credit not be renewed, an alternative credit facility must be obtained, or the bonds require immediate repayment.

The irrevocable letter of credit is subject to certain financial covenants, the most restrictive of which include net asset ratio restrictions, cash and investment restrictions, and a debt service limitation. Except for the Series 2000 debt service limitation covenant for which a waiver dated May 27, 2021 was issued, management believes that these debt covenants were met as of August 31, 2021 and 2020.

(9) Employee Benefit Plans

(a) Columbia College Pension Plan

The College has a defined-benefit pension plan, the Columbia College Chicago Pension Plan, covering all eligible employees. The College has received a determination letter from the IRS, indicating that the plan is exempt from tax under the applicable provisions of the Internal Revenue Code.

On May 7, 2003, all eligible employees were given notice, as required by Section 204(h) of the Employee Retirement Income Security Act of 1974, that the plan was amended to end all benefit accruals effective June 23, 2003, prior to the accumulation of an additional benefit accrual earned for the 2003 calendar year. Therefore, the pension plan was effectively frozen at the amounts determined as of December 31, 2002.

The College adheres to FASB ASU No. 2017-07, *Compensation – Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost,* which requires the service cost component of the net periodic pension cost to be reported in the same line item as employee benefit costs on the statements of activities. Other components of net periodic pension cost are presented in the statements of activities separately from the service cost component and outside of nonoperating activities.

The following table sets forth the Columbia College Pension Plan's funded status and amounts recognized in the College's financial statements at August 31, 2021 and 2020, as determined at the measurement dates of August 31, 2021 and 2020:

		2021	2020
Change in benefit obligation:			
Benefit obligation at beginning of year	$	42,742,108	41,588,045
Interest cost		992,970	1,172,793
Actuarial gain/(loss)		(420,493)	2,924,650
Benefits paid		(3,962,864)	(2,943,380)
Benefit obligation at end of year		39,351,721	42,742,108
Change in fair value of plan assets:			
Fair value of plan assets at beginning of year		43,418,907	39,219,163
Actual gain on plan assets		1,713,106	6,838,124
Employer contributions		—	305,000
Benefits paid		(3,962,864)	(2,943,380)
Fair value of plan assets at end of year		41,169,149	43,418,907
Funded status recognized on the balance sheets	$	1,817,428	676,799

The accumulated benefit obligation for the plan was $39,351,721 and $42,742,108 at August 31, 2021 and 2020, respectively.

Net periodic pension cost for the plan for the fiscal years ended August 31, 2021 and 2020 included the following components:

		2021	2020
Interest cost on projected benefit obligation	$	992,970	1,172,793
Expected return on plan assets		(1,661,877)	(1,884,396)
Net amortization and deferral		972,549	1,340,097
Impact of plan settlements		601,336	374,421
Net periodic pension cost	$	904,978	1,002,915

Discount rates of 2.59% and 2.43% were used in determining the actuarial present value of the projected benefit obligations for fiscal years 2021 and 2020, respectively. The expected long-term rate of return on assets was 4% for fiscal years 2021 and 2020 and is based on analysis of actual and projected rates of return. Because the plan is frozen and new benefits are not accruing, the projected salary increase to normal retirement age for all employees for fiscal years 2021 and 2020 was 0.

Weighted average asset allocation by asset category is as follows:

	2021	2020
Equities	94 %	28 %
Bonds	6	72

The plan achieves its asset allocation by investing in a bond fund as well as a diversified balanced mutual fund. The bond fund invests in medium to high-grade corporate bonds. The mutual fund is spread across asset classes that include U.S. large-capitalization equities, investment-grade fixed income securities, international equities, and government mortgage-backed securities. The plan's investments are all Level 1 investments and are stated at fair value as of the fiscal year-end.

The College made no contributions to the plan during fiscal year 2021 and contributed $305,000 during fiscal year 2020.

The following benefit payments, which reflect expected future service, are expected to be paid for each of the fiscal years ending August 31:

Fiscal year(s)	Amount
2022	$ 4,119,740
2023	2,305,647
2024	2,563,282
2025	3,136,770
2026	2,545,218
2027–2031	11,212,070

(b) Columbia College Employees' Retirement Trust

Effective January 1, 2003, the College instituted a new defined-contribution plan, the Columbia College Chicago Employees' Retirement Plan (the Plan). The Columbia College Chicago Employees' Retirement Trust has been established to implement the Plan.

The amount contributed annually by the College to the trust will be distributed to eligible employees based on years of service and age. No participant contributions are necessary to receive the employer contributions. The College made contributions to participant accounts of $2,699,195 and $4,236,380 during fiscal years 2021 and 2020, respectively, which are reported in employee benefits expenses.

(10) Contingencies

The College is a defendant in various litigation matters arising in the normal course of business. In the opinion of management, the ultimate resolution of all such litigation matters will not have a material effect on the financial position or activities of the College.

(11) Net Assets

Net assets at August 31 are comprised of the following:

	2021	2020
Amounts without donor restrictions:		
Board-designated for endowment	$ 221,303,487	190,256,902
Undesignated	166,233,622	188,821,988
Total net assets without donor restrictions	387,537,109	379,078,890
Amounts with donor restrictions:		
Amounts restricted by time or purpose:		
Endowment returns subject to future appropriation	5,767,428	3,511,726
Academic programs	662,474	662,357
Scholarships	2,297,341	2,426,812
Community	1,082,687	424,148
Facility	1,768,531	1,247,012
Subtotal	11,578,461	8,272,055
Amounts with perpetual restrictions:		
Endowment	8,543,606	7,908,788
Total net assets with donor restrictions	20,122,067	16,180,843
Total net assets	$ 407,659,176	395,259,733

(12) Expenses by Functional Classifications

The College’s primary activity is to provide academic programs. Student services, auxiliary and institutional support expenses are incurred in support of this mission. The College also incurs expenses related to programming that serves the local community.

In accordance with ASC Topic 958, the College recorded direct expenses by program and allocated operation and maintenance of plant to each functional expense category using a square footage allocation methodology for the years ended August 31, 2021 and 2020, as follows:

	2021					
	Educational activities	Student services	Public services	Auxiliaries	Support activities	Total
Operating expenses:						
Salaries and wages	$ 47,027,698	11,632,827	1,274,422	709,294	12,669,672	73,313,913
Employee benefits	13,416,252	4,132,684	230,295	208,234	5,544,621	23,532,086
Supplies and services	3,902,991	9,992,507	267,720	3,722,804	4,911,896	22,797,918
Rent, utilities, and maintenance	8,036,365	1,944,812	253,948	29,079,645	3,304,065	42,618,835
Interest	1,406	—	—	9,145	4,017,868	4,028,419
Depreciation and amortization	11,089,891	2,794,407	383,947	57,723	1,329,034	15,655,002
Total	$ 83,474,603	30,497,237	2,410,332	33,786,845	31,777,156	181,946,173

	2020					
	Educational activities	Student services	Public services	Auxiliaries	Support activities	Total
Operating expenses:						
Salaries and wages	$ 50,864,478	12,194,993	1,502,594	627,870	13,045,723	78,235,658
Employee benefits	13,999,627	4,286,401	276,427	178,973	2,446,878	21,188,306
Supplies and services	3,291,665	10,471,481	308,073	3,849,854	5,498,428	23,419,501
Rent, utilities, and maintenance	8,702,610	2,184,697	251,922	24,986,449	4,704,067	40,829,745
Interest	2,514	—	—	6,405	4,235,376	4,244,295
Depreciation and amortization	11,251,153	2,702,924	355,044	107,645	1,495,810	15,912,576
Total	$ 88,112,047	31,840,496	2,694,060	29,757,196	31,426,282	183,830,081

(13) Financial Assets and Liquidity Resources

The College actively monitors liquidity required to meet its general expenditures. General expenditures include operating expenses, principal and interest payments on debt, pension and retirement plan payments, and internally funded capital projects. The annual cash cycle has seasonal variations primarily related to the timing of tuition billings. Cash in excess of daily requirements is invested in highly liquid investment funds.

The financial assets of the College that could readily be made available for general expenditures within one year of August 31, 2021 and 2020 are as follows:

		2021	2020
Cash and cash equivalents	$	3,954,466	6,713,690
Student accounts receivable, net		425,455	795,381
Other receivables		1,417,571	163,784
Pledge payments available for operations		—	7,034
Subsequent year's endowment distribution		9,493,000	8,920,000
Investments not subject to donor or board restrictions		75,618,024	73,930,930
Total financial assets available to meet general expenditures within one year	$	90,908,516	90,530,819

In addition to financial assets available to meet general expenditures in the year following August 31, 2021, a significant portion of the College's annual expenditures will be funded by current year operating revenues. Although the College does not intend to spend from its board-designated endowment other than amounts appropriated for general expenditures as part of its annual operating budget approval process, amounts from this fund could be made available if necessary.

(14) Net Asset Classification of Funds and Enhanced Disclosures for Endowment

The College's endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. Net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

(a) Interpretation of Relevant Law

The Board of Trustees of the College has reviewed the Illinois Uniform Prudent Management of Institutional Funds Act (UPMIFA) and, having considered its rights and obligations thereunder, has chosen to require the preservation of the original value of a contribution of a donor-restricted endowment fund as of the gift date, absent explicit donor stipulations to the contrary. As a result, 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. Also included in net assets with donor restrictions is accumulated appreciation on donor-restricted endowments, which are available for expenditure subject to spending policies.

In accordance with UPMIFA, the College considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

The total long-term investments reported on the balance sheets include true endowments, funds functioning as endowment, and expendable gifts. Endowment net assets exclude the expendable gifts included in the long-term investments.

Endowment net assets consist of the following at August 31, 2021:

		2021		
		Without donor restrictions	**With donor restrictions**	**Total**
Donor-restricted endowment funds	$	—	14,311,037	14,311,037
Board-designated endowment funds		221,303,487	—	221,303,487
Total endowment net assets	$	221,303,487	14,311,037	235,614,524

Endowment net assets consist of the following at August 31, 2020:

		2020		
		Without donor restrictions	**With donor restrictions**	**Total**
Donor-restricted endowment funds	$	—	11,420,512	11,420,512
Board-designated endowment funds		190,256,902	—	190,256,902
Total endowment net assets	$	190,256,902	11,420,512	201,677,414

(Continued)

Changes in endowment net assets for the year ended August 31, 2021 are as follows:

	2021		
	Without donor restrictions	With donor restrictions	Total
Endowment net assets, August 31, 2020	$ 190,256,902	11,420,512	201,677,414
Investment returns, net	40,200,638	2,589,451	42,790,089
Contributions	67,016	497,023	564,039
Change in donor designation	(301,069)	137,800	(163,269)
Appropriation for expenditure	(8,920,000)	(333,749)	(9,253,749)
Endowment net assets, August 31, 2021	$ 221,303,487	14,311,037	235,614,524

Changes in endowment net assets for the year ended August 31, 2020 are as follows:

	2020		
	Without donor restrictions	With donor restrictions	Total
Endowment net assets, August 31, 2019	$ 180,514,511	10,458,134	190,972,645
Investment returns, net	17,962,466	1,087,323	19,049,789
Contributions	(67,020)	206,102	139,082
Change in donor designation	124,945	—	124,945
Appropriation for expenditure	(8,278,000)	(331,047)	(8,609,047)
Endowment net assets, August 31, 2020	$ 190,256,902	11,420,512	201,677,414

(b) Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the College to retain as a fund of perpetual duration. Deficiencies of this nature, referred to as underwater endowments, are reported in net assets with donor restrictions. In the event an endowment falls underwater, current management practice is to disallow spending from the fund until the fair value of the endowment fund exceeds the original gift amount. No funds were underwater as of August 31, 2021 and 2020.

(c) Return Objective and Risk Parameters

The College has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment. Endowment assets include those assets of donor-restricted funds that the College must hold in perpetuity or for a donor-specified period as well as board-designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that exceed the annual Consumer Price Index (CPI) by 5%, while assuming a risk level that is consistent with the risk associated with the above benchmark. Based on the investment policy, the College expects its endowment funds, over its stated investment horizon of 10 years, to provide an average annual real rate of return of approximately 5% plus the CPI. Actual returns in any given year may vary from this amount.

(d) Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the College relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The College targets a diversified asset allocation that places emphasis on investments in global equities, absolute return strategies, hedge funds and private equity.

(e) Spending Policy and How the Investment Objectives Relate to Spending Policy

The purpose of endowment funds is to facilitate donor's desires to make substantial long-term gifts to the College and to develop a new and significant source of revenue to the College. In doing so, the endowment is designed to provide a secure, long-term source of funds to (a) fund special programs; (b) ensure long-term growth, and (c) support the administrative expenses of the College as deemed appropriate.

To achieve these goals, the College has a policy of appropriating for distribution each year up to 7% of its endowment funds' average fair value using the three years prior to the budget year. Under the policy adopted by the College, interest, dividends, and appreciation on investments held in the investment pool are made available for spending. The Board of Trustees set the endowment distribution at $333,749 for fiscal year 2021 and $331,047 for fiscal year 2020. In addition, the Board of Trustees approved a distribution from board-designated endowments of approximately $8.9 million in 2021 and $8.3 million in 2020 to be used for operations.

(15) Subsequent Events

In connection with the preparation of the financial statements and in accordance with FASB ASC Topic 855, *Subsequent Events*, management evaluated subsequent events after the balance sheet date of August 31, 2021 through January 20, 2022, the date when the financial statements were issued.