2019/20 FINANCIAL REPORT

THE CLAREMONT COLLEGES, INC.

THE CLAREMONT COLLEGES, INC.
ANNUAL FINANCIAL REPORT

June 30, 2020 and 2019

CONTENTS

"My own very deep hope is that instead of one great, undifferentiated university, we might have a group of institutions divided into small colleges - somewhat on the Oxford type - around a library and other utilities which they would use in common. In this way I should hope to preserve the inestimable personal values of the small college while securing the facilities of a great university. Such a development would be a new and wonderful contribution to American education."

James A. Blaisdell, 1923

MOSSADAMS

Report of Independent Auditors

To the Audit Committee
The Claremont Colleges, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of The Claremont Colleges, Inc., which comprise the statements of financial position as of June 30, 2020 and 2019, 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 accounting principles generally accepted in the United States of America; 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.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Claremont Colleges, Inc. as of June 30, 2020 and 2019, and the change 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.

Moss Adams LLP

Los Angeles, California
October 26, 2020

STATEMENTS OF FINANCIAL POSITION

As of June 30, 2020 and 2019

	2020	2019
ASSETS		
Cash and cash equivalents	$ 6,550,889	$ 3,696,227
Accounts receivable (Note 3)	6,417,549	5,981,302
Prepaid expenses, deposits and other assets	2,562,392	2,474,156
Other long-lived assets, net	3,878,428	5,817,642
Student loans receivable (Note 4)	2,711,203	2,710,967
Investments (Note 5)	89,839,696	86,438,652
Property, plant and equipment, net (Note 6)	53,626,772	50,212,510
Total assets	$ 165,586,929	$ 157,331,456
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable, accrued liabilities and other liabilities	$ 8,353,897	$ 9,281,138
Note payable (Note 7)	4,215,284	4,254,422
Lines of credit (Note 8 and 16)	2,599,724	1,736,225
Bonds payable (Note 9)	11,760,537	12,525,017
Funds held in trust for others	660,833	151,809
Asset retirement obligation (Note 6)	245,008	248,062
Total liabilities	27,835,283	28,196,673
Net assets (Note 12):		
Without donor restrictions	109,684,028	98,417,299
With donor restrictions		
Time or purpose	15,313,538	17,964,652
Perpetual	12,754,080	12,752,832
Total with donor restrictions	28,067,618	30,717,484
Total net assets	137,751,646	129,134,783
Total liabilities and net assets	$ 165,586,929	$ 157,331,456

The accompanying notes are an integral part of the financial statements

THE CLAREMONT COLLEGES, INC.
STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues:			
Sales and services	$ 44,584,927	$ -	$ 44,584,927
Spending policy income	652,877	355,572	1,008,449
Rental income	206,013	-	206,013
Interest and dividends on separate investments, net	1,162,608	65,250	1,227,858
Gifts and grants	474,517	51,620	526,137
Release and reclassifications of restricted net assets	1,068,348	(1,068,348)	-
Total revenues and release of net assets	48,149,290	(595,906)	47,553,384
Expenses:			
Academic support services	14,351,232	-	14,351,232
Student services	6,424,928	-	6,424,928
Institutional support services	23,749,626	-	23,749,626
Administration and general	5,720,734	-	5,720,734
Total expenses	50,246,520	-	50,246,520
Revenues over (under) expenses	(2,097,230)	(595,906)	(2,693,136)
Other changes in net assets:			
Realized and unrealized gain (loss) on investments net of spending policy income	1,000,733	(2,054,059)	(1,053,326)
Net gain on sale of property	12,280,217	-	12,280,217
Actuarial adjustments	11,032	99	11,131
Transfers from other Claremont Colleges	71,977	-	71,977
Total other changes in net assets	13,363,959	(2,053,960)	11,309,999
Change in net assets	11,266,729	(2,649,866)	8,616,863
Net assets at beginning of year	98,417,299	30,717,484	129,134,783
Total net assets at end of year	$ 109,684,028	$ 28,067,618	$ 137,751,646

THE CLAREMONT COLLEGES, INC.
STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues:			
Sales and services	$ 43,226,037	$ -	$ 43,226,037
Spending policy income	648,860	353,257	1,002,117
Rental income	197,644	-	197,644
Interest and dividends on separate investments, net	1,310,548	74,011	1,384,559
Gifts and grants	75,052	134,218	209,270
Release and reclassifications of restricted net assets	1,247,243	(1,247,243)	-
Total revenues and release of net assets	46,705,384	(685,757)	46,019,627
Expenses:			
Academic support services	15,607,252	-	15,607,252
Student services	6,436,808	-	6,436,808
Institutional support services	19,970,331	-	19,970,331
Administration and general	5,015,408	-	5,015,408
Total expenses	47,029,799	-	47,029,799
Revenues over (under) expenses	(324,415)	(685,757)	(1,010,172)
Other changes in net assets:			
Realized and unrealized (loss) gain on investments net of spending policy income	(338,794)	428,408	89,614
Net gain on sale of property	3,778,797	-	3,778,797
Actuarial adjustments	(22,043)	2,621	(19,422)
Transfers from other Claremont Colleges	8,548,239	-	8,548,239
Total other changes in net assets	11,966,199	431,029	12,397,228
Change in net assets	11,641,784	(254,728)	11,387,056
Net assets at beginning of year	86,775,515	30,972,212	117,747,727
Total net assets at end of year	$ 98,417,299	$ 30,717,484	$ 129,134,783

THE CLAREMONT COLLEGES, INC.
STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Change in net assets	$ 8,616,863	$ 11,387,056
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation expense	1,894,315	1,900,035
Amortization of bond premium, asset retirement obligation and other long-lived assets	2,201,344	2,176,060
Realized and unrealized gain on investments	(38,177)	(1,091,731)
Gain on disposal of property	(12,280,217)	(3,778,797)
Actuarial adjustments	(11,131)	19,422
Transfers from other Claremont Colleges	(71,977)	(8,548,239)
Contributions restricted for long term investments	(5,268)	(4,150)
Changes in operating assets and liabilities:		
Accounts receivable	(436,148)	2,622,293
Prepaid expenses, deposits and other	(326,934)	(215,297)
Accounts payable, accrued liabilities and other	(1,038,913)	1,351,314
Funds held in trust for others	509,024	148,254
Net cash provided by (used in) operating activities	(987,219)	5,966,220
Cash flows from investing activities:		
Proceeds from sales of property	12,766,938	4,820,632
Purchase of property, plant and equipment	(5,795,298)	(9,465,993)
Purchase of other long lived assets	-	(73,218)
Proceeds from sale of investments	22,893,736	95,168,231
Purchase of investments	(26,256,603)	(101,321,182)
Loans made to students	(508,795)	(538,894)
Collection of student loans	575,296	612,156
Net cash provided by (used in) investing activities	3,675,275	(10,798,268)
Cash flows from financing activities:		
Proceeds from borrowings	4,777,613	939,296
Principal payments on note payable	(765,777)	(687,072)
Principal payments on bonds payable	(735,000)	(710,000)
Principal payments on lines of credit	(3,187,475)	(703,159)
Transfers from other Claremont Colleges	71,977	8,548,239
Contributions restricted for long term investments	5,268	4,150
Net cash provided by financing activities	166,606	7,391,454
Net increase (decrease) in cash	2,854,662	2,559,406
Cash and cash equivalents at beginning of year	3,696,227	1,136,821
Cash and cash equivalents at end of year	$ 6,550,889	$ 3,696,227
Supplemental disclosure of cash flows:		
Interest paid	$ 728,871	$ 758,955

June 30, 2020 and 2019

NOTE 1 – ORGANIZATION:

The Claremont Colleges, Inc. ("TCC"; formerly Claremont University Consortium) is the support organization for an affiliated group of independent colleges known as The Claremont Colleges. Each college within the group is a separate corporate entity governed by its own board of trustees. TCC is governed by its Board of Directors, which consists of the presidents and board chairs of the seven colleges, the TCC CEO, and outside directors.

Support services provided to The Claremont Colleges by TCC include: a central library system, health and counseling services, ethnic centers, an interfaith chaplaincy, central bookstore, campus safety, physical plant and facilities support, and financial, real estate, risk management and employee benefits services. Additional functions include managing land for future institutions and college expansion and promoting cooperation among members to enhance educational excellence. These services and facilities are shared by members of the group through a combination of cost allocations based on use and direct charges for services rendered. The objective of TCC as a nonprofit support institution is service, and the primary obligation of accounting and reporting is for resources received and applied rather than the determination of net income. The following accounting policies of TCC are in accordance with those generally accepted for nonprofit organizations.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Presentation
The accompanying financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Net Asset Categories
The accompanying financial statements present information regarding TCC's financial position and activities according to the following net asset categories:

Net Assets without Donor Restrictions – Net assets that are not subject to donor imposed stipulations and are available for use in general operations or are part of what's invested in property, plant and equipment (net of related debt). However, the governing board may designate any of these funds for specific purposes (i.e., specific purpose reserves or endowments).

Net Assets with Donor Restrictions – Net assets subject to donor imposed stipulations (1) that will be met either by actions of TCC or the passage of time or (2) that are to be perpetually maintained by TCC. Generally, the donors of these assets permit TCC to use all or part of the income earned on related investments for general or specific purposes.

Revenue Recognition
Sales and services revenues are recorded when the services are provided.

Gifts from donors, including contributions receivable (unconditional promises to give), are recognized as revenue in the period received and are reported as increases in the appropriate category of net assets. Gifts of assets other than cash are recorded at their estimated fair value. Contributions to be received in future periods are discounted at an appropriate credit adjusted discount rate. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met.

June 30, 2020 and 2019

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: ***Continued***

Revenue Recognition, ***Continued***

Rental income from operating leases is recognized on a straight-line basis over the initial lease term.

Investment returns, including investment income, net of investment expenses, and gains and losses, are recorded on a trade date and reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation.

Revenue and Expenses Without Donor Restrictions

TCC reports operating revenues and expenses in the net assets without donor restrictions section of the Statements of Activities. Operations are those annual activities which support the core mission of TCC.

Operating revenues include charges for business, student and academic services. Business services include community and government relations, benefits administration, campus safety, engineering and construction, utilities, repairs and maintenance, construction management and facilities planning, accounting, audit and other financial services, food service contract administration, human resources, information services, real estate and housing administration, and risk management administration. Student and academic services include health and wellness, bookstore, library, chaplains and cultural student affairs. Operating revenues also include gifts, certain investment income, releases of net assets with donor restrictions and miscellaneous income.

Operating expenses (for which the operating revenues are used) include salaries and benefits, departmental expenses, depreciation, amortization and interest. These expenses are reported by functional expense categories as defined in the Integrated Postsecondary Education Data System (IPEDS): academic support services, student services, institutional support services and administration and general. Program service expenses fall under the categories of academic support services, student services and institutional support services. Administration and general expenses represent TCC support costs. Certain components of administration and general expenses are determined by allocating costs from combined use operations. These allocations are based on use estimates. Depreciation and operation and maintenance of plant expenses are allocated to all functional categories based on building square footage. Interest expense on capital debt and other borrowings is allocated based on usage of debt-financed space.

Transfers from Other Claremont Colleges

At times, consortial projects are financially managed by TCC and the resulting asset, liability, or expense resides with TCC. The members of The Claremont Colleges fund the projects, based on an agreed upon formula and timeline, through transfers. No agreements are established between TCC and the members of The Claremont Colleges to constitute a liability to members of The Claremont Colleges for consortial projects financially managed by TCC.

Concentrations of Revenue Risk

TCC receives a significant percentage of its revenues from the five undergraduate and two graduate institutions in The Claremont Colleges group, which are all located in the same geographic area.

Expiration of Donor-Imposed Restrictions

The expiration of a donor-imposed restriction on a contribution or on endowment income is recognized in the period in which the restriction substantially expires. At that time, the related resources are released to net assets without donor restrictions. A restriction expires when the stipulated time period has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both and for unexpended earnings of endowment when appropriated by the Board. It is TCC's policy to release the restrictions on contributions of cash or other assets received for the acquisitions of long-lived assets when the long-lived assets are placed into service.

June 30, 2020 and 2019

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: ***Continued***

Cash and Cash Equivalents

For the purposes of reporting cash funds, cash and cash equivalents includes demand deposit bank accounts and sweep accounts. TCC maintains cash on deposit at one institution. The amount on deposit fluctuates and at times exceeds the insured limit of $250,000 by the Federal Deposit Insurance Corporation, which potentially subjects TCC to credit risk.

Accounts Receivable

Collectability of accounts receivable is reviewed individually and in the aggregate. No allowance accounts have been established based on financial knowledge and experience with The Claremont Colleges. The majority of the receivable balances relate to direct charge services provided to the members of The Claremont Colleges and its affiliates. Balances deemed uncollectable are written off through a charge to bad debt expense and a credit to accounts receivable.

Investments

Where permitted by law, TCC pools investments for management purposes. The remainder of the investments are managed as separate investments. Marketable securities are reported at fair value. Alternative investments are carried at estimated fair value provided by the management of alternative investment partnerships or funds. TCC reviews and evaluates the values provided by the investment managers and agrees with the valuation methods and assumptions used in determining the fair value of the alternative investments. Because alternative investments are not readily marketable, the estimated fair value is subject to uncertainty and, therefore, may differ from the fair value that would have been used had a readily available market for the investment existed, and such differences could be material. At times the balances of TCC's investment accounts exceed the Securities Investors Protection Corporation (SIPC) limits.

The cost of securities sold is determined by the fair value and is used to compute realized gains and losses. Unrealized gains and losses reflect the changes in fair values of investments from the prior year. Investment income and gains and losses on investments are reported net of direct and indirect investment expenses and as increases and decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation. The date of record for investments is the trade date. TCC utilizes the equity method of accounting when required.

Management of Pooled Investments

TCC follows an investment policy which anticipates a greater long-range return through investing for capital appreciation and accepts lower current yields from dividends and interest. In order to offset the effect of lower current yields for current operations, the Board of Directors has adopted a spending policy for pooled investments whereby annually, if the ordinary income of pooled investments is insufficient to provide the full amount of investment return specified, the balance may be appropriated from cumulative realized gains of the pooled investments. At June 30, 2020 and 2019, cumulative net gains totaling $12,871,426 and $14,969,317, respectively, are recorded in both net assets with donor restrictions and net assets without donor restrictions and are available for appropriation under TCC spending policy. The spending policy for the fiscal years ended June 30, 2020 and 2019 was 4.5% of the trailing twenty-quarter moving average unit market value of pooled investments or $1,008,449 and $1,002,117, respectively.

June 30, 2020 and 2019

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: *Continued*

Endowment Funds

The Board of Directors of TCC interpreted the California Uniform Prudent Management of Institutional Funds Act (UPMIFA) to state that TCC, in the absence of explicit donor stipulations to the contrary, may appropriate for expenditure or accumulate so much of an endowment fund as TCC determines prudent for the uses, benefits, purposes, and duration for which the endowment fund is established. As a result of this interpretation, TCC classifies as net assets with donor restrictions (a) the value of gifts donated to the endowment, and (b) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Board designated funds or "Funds functioning as endowment" and their unappropriated earnings are classified as net assets without donor restrictions.

In accordance with California UPMIFA, TCC 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 mission of TCC 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 TCC
(7) The investment policies of TCC.

Funds with Deficiencies

From time to time, as a result of market declines, the fair value of certain donor restricted endowments were less than the historical dollar value. Deficiencies of this nature have been recorded as reductions in net assets with donor restrictions. TCC policy does not prevent spending from underwater funds, unless specifically prohibited by the donor or relevant laws and regulations. As of June 30, 2020 and 2019, funds with an original gift value of $2,503,468 and $499,079 and fair value of $2,316,579 and $468,415, were deficient by $186,889 and $30,664, respectively.

Fair Value Measurement of Financial Instruments

A financial instrument is defined as a contractual obligation that ultimately ends with the delivery of cash or an ownership interest in an entity. Disclosures included in these notes regarding the fair value of financial instruments have been derived using external market sources, estimates using present value or other valuation techniques.

TCC carries most investments at fair value in accordance with generally accepted accounting principles. Under this standard, fair value is defined as the price that would be received to sell an asset (i.e. the “exit price”) in an orderly transaction between market participants at the measurement date. A fair value hierarchy that prioritizes the inputs to valuation techniques was used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

June 30, 2020 and 2019

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: ***Continued***

Fair Value Measurement of Financial Instruments, ***Continued***

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

Level 1 – Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that TCC has the ability to access at the measurement date;
Level 2 – Inputs other than quoted prices that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active;
Level 3 – Inputs that are unobservable.

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

The investments in cash equivalents, mutual funds, and certain equity securities are valued based on quoted market prices, and are therefore typically classified within Level 1. Cash equivalents are intended for long-term reinvestment.

The investments in hedge funds, certain domestic and equity funds, private equity funds, and limited partnerships are valued at net asset value (NAV), and are therefore classified under net asset value (NAV) per share (or equivalent). These assets are presented in the accompanying financial statements at fair value. TCC's determination of fair value is based upon the best available information provided by the investment manager and may incorporate management assumptions and best estimates after considering a variety of internal and external factors. Such value generally represents TCC's proportionate share of the partner's capital of the investment partnerships as reported by their general partners. For these investments, TCC, through its monitoring activities, agrees with the fair value as determined by the investment managers.

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

Although TCC uses its best judgment in determining the fair value, there are inherent limitations in any methodology. Future confirming events could affect the estimates of fair value and could be material to the financial statements. These events could also affect the amount realized upon liquidation of the investments.

June 30, 2020 and 2019

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: ***Continued***

Property, Plant and Equipment

Property, plant and equipment are stated at cost representing the original purchase price or the fair value at the date of the gift, less accumulated depreciation. TCC capitalizes plant asset purchases with a useful life of five years or more and a cost equal to or greater than $100,000 for buildings and land improvements, $25,000 for equipment, and all land and vehicles. Depreciation expense is computed on a straight-line basis over the estimated useful lives of buildings, permanent improvements and equipment (generally 40 years for buildings, 25 years for land improvements and 7 years for equipment). The costs and accumulated depreciation of assets sold or retired are removed from the accounts and related gains and losses are included in the Statements of Activities.

Other Long-Lived Assets

Other long-lived assets consists of software as a service (SaaS) agreements which are amortized over the life of the contract. SaaS is a software delivery method that provides access to software and its functions remotely as a web-based service over the internet. Contracts range from 60 to 81 months. As of June 30, 2020 and 2019, other long lived assets included $3,878,428 and $5,817,642 for SaaS agreements net of amortization, respectively. Amortization expense for the years ended June 30, 2020 and 2019 was $1,939,214 and $1,914,808, respectively.

Fund Held in Trust for Others

Funds held in trust for others represents other Claremont College funds for ongoing intercollegiate programs where TCC is the administrator.

Insurance Policies

TCC administers workers' compensation, short-term disability and unemployment insurance programs for The Claremont Colleges. Premiums are allocated to the member institutions based on participation. Each institution self-insures for unemployment and short-term disability. Workers' compensation is insured under a loss sensitive program and the member institutions have exposure that exceeds premiums paid which are accrued for under accounts payable, accrued liabilities and other liabilities on the Statements of Financial Position. TCC believes that amounts reserved are adequate to fund projected claims.

Use of Estimates

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

Income Taxes

TCC is exempt from Federal and California income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code, except for taxes on unrelated business income. Since TCC had no material unrelated business income for the years ended June 30, 2020 and 2019, no provision for income taxes has been made in the accompanying financial statements. In accordance with generally accepted account principles, TCC had no uncertain tax positions at June 30, 2020 and 2019.

June 30, 2020 and 2019

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: ***Continued***

Reclassifications

Certain prior year amounts have been reclassified for consistency with current year presentations. These reclassifications had no net effect on the ending balance of net assets as of June 30, 2019.

NOTE 3 - ACCOUNTS RECEIVABLE:

Accounts receivable at June 30, 2020 and 2019 were as follows:

	2020	2019
The Claremont Colleges	$ 4,743,738	$ 4,732,122
Due from broker	202,461	5,586
Due from affiliates	1,431,422	1,203,765
Other	39,928	39,829
Total accounts receivable	$ 6,417,549	$ 5,981,302

At June 30, 2020, TCC had knowledge of promises totaling up to $20 million that are contingent upon the Claremont Colleges satisfying certain donor conditions. These promises will be recognized when the conditions have been substantially met. As of June 30, 2020, The Claremont Colleges have met certain conditions and received $171,395. The remainder will be received as additional conditions are met.

NOTE 4 - STUDENT LOANS RECEIVABLE:

TCC entered into a renewable agreement with a private lender to administer loans to international students attending the Keck Graduate Institute (KGI), a member of The Claremont Colleges. KGI has agreed to bear all risk of defaults on loan and interest payments by program participants. As a guarantee against default, KGI has granted TCC an interest in its endowment funds of up to $750,000. Student loans receivable was $2,711,203 and $2,710,967 for the years ended June 30, 2020 and 2019, respectively.

At June 30, 2020 and 2019, the following amounts were past due under the student loan program:

		less than 270 days past due	270 days to 2 years past due	2 to 5 years past due	over 5 years past due	Total past due
2020	Donor restricted program	$ 58,866	$ -	$ 250,222	$ 156,321	$ 465,409
2019	Donor restricted program	$ 46,408	$ 128,219	$ 177,007	$ 109,211	$ 460,845

An allowance for doubtful accounts has not been recorded based on prior collection experience and current economic factors which, in management's judgment, could influence the ability of loan recipients to repay the amounts per the loan terms. Additionally, all loans are guaranteed by KGI. See Footnote 7 for the note payable associated with the loan agreement.

June 30, 2020 and 2019

NOTE 5 - INVESTMENTS:

TCC's policy is to maintain a diversified investment portfolio. The following schedule summarizes the assets in pooled investments and the assets held as separate investments at June 30, 2020 and 2019. The carrying value of investments is based on quoted market prices and analytical pricing methods are utilized for investments for which there is no market and for the carrying value of limited partnership net assets in proportion to TCC's interest. The carrying values are considered fair values.

	2020	2019
Pooled investments:		
Cash equivalents	$ 5,290	$ 332,819
Domestic equity	5,296,161	5,271,903
International equity	6,598,289	7,373,330
Fixed income funds	3,829,908	3,690,524
Real asset funds	3,378,094	4,930,477
Absolute return funds	5,996,009	5,796,766
Private equity / venture capital limited partnerships	2,389,888	2,222,352
Total pooled investments	27,493,639	29,618,171
Separate investments:		
Cash equivalents	4,968,856	10,726,382
Mutual funds	826,950	743,896
Domestic equity	163,640	172,403
Fixed income funds	56,386,611	45,177,800
Total separate investments	62,346,057	56,820,481
Total investments	$ 89,839,696	$ 86,438,652

	2020	2019
By category:		
Funds functioning as endowment	$ 663,603	$ 715,006
Time or purpose endowment funds	2,434,774	2,619,611
Perpetual endowment funds	24,395,262	25,754,878
Other	62,346,057	57,349,157
Total investments	$ 89,839,696	$ 86,438,652

June 30, 2020 and 2019

NOTE 6 - PROPERTY, PLANT AND EQUIPMENT:

Property, plant and equipment consist of the following at June 30, 2020 and 2019:

	2020	2019
Land and land improvements	$ 10,327,058	$ 10,550,093
Buildings	49,554,268	50,144,670
Equipment	15,363,945	15,082,875
Construction in progress	16,119,464	11,218,166
	91,364,735	86,995,804
Less accumulated depreciation	(37,737,963)	(36,783,294)
Total property, plant and equipment	$ 53,626,772	$ 50,212,510

In February 2020, a building was sold to another member of The Claremont Colleges for approximately $7.1 million. In May 2020, land held at cost was sold to another member of The Claremont Colleges for approximately $5.7 million. Net gains from these sales are reflected on the Statement of Activities.

TCC has recorded asset retirement obligations under generally accepted accounting principles related to certain fixed assets, primarily for disposal of regulated materials upon eventual retirement of the assets. The following schedule summarizes asset retirement obligation activity for the years ended June 30, 2020 and 2019:

	2020	2019
Beginning balance	$ 248,062	$ 236,871
Accretion expense (disposal of property)	(3,054)	11,191
Ending balance	$ 245,008	$ 248,062

NOTE 7 - NOTE PAYABLE

In February 2010, TCC entered an agreement with a private lender to finance student loans for international students attending KGI. TCC may borrow up to $6,000,000 to issue such loans. Borrowings are to be repaid to the lender in annual installments over eight years commencing 30 months after the receipt of the initial loan. Interest payable is calculated annually at the June 1 prime rate plus 2% (5.25% and 7.50% as of June 30, 2020 and 2019, respectively). The amounts payable on the loan as of June 30, 2020 and 2019 were $4,215,284 and $4,254,422, respectively. See Footnote 4 for student loan receivable associated with the loan agreement.

June 30, 2020 and 2019

NOTE 7 - NOTE PAYABLE: ***Continued***

The following is a summary of future payments including principal and interest:

Fiscal Years Ending June 30,	Loan Payments
2021	$ 793,036
2022	802,149
2023	800,130
2024	691,085
2025	567,772
Thereafter	561,112
Total	$ 4,215,284

Interest expense was $217,844 and $203,726 for the years ended June 30, 2020 and 2019, respectively.

NOTE 8 - LINES OF CREDIT

TCC has negotiated various unsecured lines of credit and other agreements with banks or financing companies for up to $7,550,710 to purchase/lease equipment, software, licenses, and services. The terms of the agreements range from 1 to 5 years with various renewal terms and bear rates that are either fixed or prime plus 1%, the rates range from 0.0% to 9.8% and expire between 2021 and 2025. Total borrowings outstanding as of June 30, 2020 and 2019 were $1,156,377 and $2,242,708, respectively.

Interest expense was $9,471 and $10,280 for the years ended June 30, 2020 and 2019, respectively.

As of June 30, 2020, lines of credit maturities were as follows:

Fiscal Years Ending June 30,	Principal Amount
2021	$ 605,968
2022	550,409
	$ 1,156,377

In August 2018, TCC entered into an unsecured revolving line of credit agreement with a bank for $2,000,000. The term of the line was for one year and it was renewed on August 31, 2020 for an additional one year term. Any borrowings on the line would bear interest at the LIBOR daily floating rate plus 0.75%. The line of credit is subject to an unused commitment fee and letter of credit fee. As of June 30, 2020, TCC believes it was in compliance with all reporting requirements of the agreement. As of June 30, 2020 and 2019, the line of credit had an interest rate of .91% and 2.38%, respectively, and no borrowings were outstanding.

In December 2016, TCC entered into an irrevocable standby letter of credit with a bank in the amount of $518,854 for new improvements relating to a parcel of land owned by TCC from which a water company is entitled to draw, should nonperformance of the obligation occur. The term of the letter is one year with automatic renewals without amendment for successive one year periods, but not beyond December 12, 2022.

June 30, 2020 and 2019

NOTE 9 - BONDS PAYABLE:

At June 30, 2020 and 2019, bonds payable were comprised of:

	2020	2019
California Educational Facilities Authority (CEFA) 2011	$ 5,365,000	$ 5,830,000
California Educational Facilities Authority (CEFA) 2012	6,000,000	6,270,000
Subtotal bonds payable	11,365,000	12,100,000
Plus premium	791,185	847,151
Less cost of issuance	(395,648)	(422,134)
Total bonds payable	$ 11,760,537	$ 12,525,017

The CEFA 2011 bonds were issued in April 2011. The unsecured bond proceeds were used to refund CEFA 1999 as well as for the renovation and equipping of administrative facilities. Annual principal payments range from $185,000 to $1,025,000. Interest is payable semiannually at rates ranging from 3.0% to 5.3%. Bonds maturing after October 1, 2022 with principal balances totaling $4,680,000 are subject to mandatory redemption prices ranging from 97.84% to 98.60%.

The CEFA 2012 bonds were issued in August 2012. The unsecured bond proceeds were used to refund CIEDB 2003. Annual principal payments range from $225,000 to $595,000. Interest is payable semiannually at rates ranging from 3.0% to 5.0%.

Interest expense was $504,609 and $533,759 for the years ended June 30, 2020 and 2019, respectively, and includes amortized premium and cost of issuance of $29,480 and $29,480, respectively.

As of June 30, 2020, bond maturities were as follows:

Fiscal Years Ending June 30,	Principal Amount
2021	$ 620,000
2022	645,000
2023	675,000
2024	705,000
2025	565,000
Thereafter	8,155,000
Total	$ 11,365,000

Management believes that it is in compliance with the various restrictive covenants required by the CEFA Series 2012 and 2011 bond agreements.

June 30, 2020 and 2019

NOTE 10 - EMPLOYEE BENEFIT PLANS:

Defined Contribution Plan

TCC maintains a defined contribution retirement plan which provides retirement benefits for certain administrative personnel through the Teachers Insurance and Annuity Association of America ("TIAA"). Under this defined contribution plan, TCC and participant contributions are used to purchase individual annuity contracts and investments equivalent to retirement benefits earned. Vesting provisions are full and immediate. Benefits commence upon retirement and pre-retirement survivor death benefits are provided. TCC contributions to the plan for the years ended June 30, 2020 and 2019 totaled $1,804,733 and $1,691,566, respectively.

NOTE 11 - FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS:

The following table presents the investments carried on the Statement of Financial Position by level within the valuation hierarchy as of June 30, 2020:

	Level 1	Assets Valued Using NAV Practical Expedient	2020
Cash equivalents	$ 4,974,146	$ -	$ 4,974,146
Mutual funds	826,950	-	826,950
Domestic equity funds	163,640	5,296,161	5,459,801
International equity funds	-	6,598,289	6,598,289
Fixed income funds	60,216,519	-	60,216,519
Real assets funds	1,419,460	1,958,634	3,378,094
Absolute return funds	-	5,996,009	5,996,009
Private equity / venture capital limited partnerships	-	2,389,888	2,389,888
Total investment securities	$ 67,600,715	$ 22,238,981	$ 89,839,696

The following table presents the investments carried on the Statement of Financial Position by level within the valuation hierarchy as of June 30, 2019:

	Level 1	Assets Valued Using NAV Practical Expedient	2019
Cash equivalents	$ 11,059,201	$ -	$ 11,059,201
Mutual funds	743,896	-	743,896
Domestic equity funds	172,403	5,271,903	5,444,306
International equity funds	-	7,373,330	7,373,330
Fixed income funds	48,868,324	-	48,868,324
Real assets funds	2,677,894	2,252,583	4,930,477
Absolute return funds	-	5,796,766	5,796,766
Private equity / venture capital limited partnerships	-	2,222,352	2,222,352
Total investment securities	$ 63,521,718	$ 22,916,934	$ 86,438,652

NOTE 11 - FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS: ***Continued***

The following table shows the fair value, unfunded commitments and redemption restrictions for investments reported at 'Net Asset Value' as of June 30, 2020:

	Fair Value at June 30, 2020	Unfunded Commitments	Redemption Frequency	Redemption Notice Period	Strategies and Other Restrictions
Domestic equity funds	$ 5,296,161	$ -	Monthly	30 days	(1)
International equity funds	6,598,289	-	Monthly	10 days	(2)
Real asset funds	1,958,634	-	Quarterly / Annually	65 - 90 days	(3)
Absolute return funds	5,996,009	-	Quarterly / Annually	65 - 90 days	(3)
Private equity / venture capital limited partnerships	2,389,888	1,214,891	N/A	N/A	(4)
Total	$ 22,238,981	$ 1,214,891			

(1) The Domestic equity funds are organized as Cayman Islands exempted limited partnerships whose investment objective is to achieve long-term growth through investments in exchange-traded funds that invest in the equity securities of U.S. companies.

(2) The International equity fund is organized as a Delaware limited partnership whose investment objective is to achieve long-term growth through investments in exchange-traded closed-end funds that invest primarily in the equity securities of non-U.S. companies.

(3) The Absolute return and real asset funds are organized as Delaware limited partnerships and as Cayman Islands exempt funds. They are multi-manager, multi-strategy "fund of funds" formed to invest predominantly in limited partnerships and similar pooled investment vehicles. Shares may be redeemed quarterly or annually with prior notice.

(4) Limited partnerships are invested with managers whose investment strategies consist of absolute return with long/short, event driven and relative value investments, private equity with investments in fund of funds that include buy-outs, turnarounds, and distressed hard assets and venture capital with investments in fund of funds. There are no redemption rights available for investors other than the liquidation of assets held by the fund, which will result in a distribution of capital to investors.

NOTE 12 - NET ASSETS:

At June 30, 2020 and 2019, net assets consisted of the following:

	2020	2019
Net assets without donor restrictions:		
Board designated endowment	$ 428,173	$ 460,910
Operating and other designated funds	77,024,807	66,998,762
Property, plant and other	32,231,048	30,957,627
Total net assets without donor restrictions	$ 109,684,028	$ 98,417,299
Net assets with donor restrictions:		
Time or purpose endowment funds	$ 13,831,444	$ 15,875,753
Perpetual endowment funds	12,754,080	12,752,832
Academic and institutional support programs	1,482,094	2,088,899
Total net assets with donor restrictions	$ 28,067,618	$ 30,717,484

June 30, 2020 and 2019

NOTE 13 - ENDOWED NET ASSETS AND ENDOWED EQUITY:

Net assets of TCC include donor restricted endowment funds and funds functioning as endowment. Donor restricted endowments are subject to the restrictions of gift instruments requiring in perpetuity or time and purpose that the principal be invested and the income only be utilized as provided for under the California Uniform Prudent Management of Institutional Funds Act. Unutilized income from donor restricted endowments are held in donor restricted endowment net assets. Any portion of such funds may be expended provided that the restricted funds functioning as endowment are expended in accordance with donor restrictions. Funds functioning as endowment have been established by the governing board to function as endowment (Note 2), as such, any portion of such funds may be expended.

	2020	2019
Endowment net assets without donor restrictions		
Funds functioning as endowment	$ 428,173	$ 460,910
Total endowment net assets without donor restrictions	428,173	460,910
Endowment net assets with donor restrictions		
Portion of perpetual endowment fund subject to a time restriction under California UPMIFA:		
Without purpose restriction	37,143	67,132
With time or purpose restriction	13,981,190	15,839,285
Fund with deficiencies	(186,889)	(30,664)
Perpetual	12,754,080	12,752,832
Total endowment net assets with donor restrictions	26,585,524	28,628,585
Total endowment	$ 27,013,697	$ 29,089,495

Changes in endowed equity as of June 30, 2020 and 2019 are displayed in the following tables:

	Without Donor Restrictions	With Donor Restrictions	Total 2020
Investment returns, net	$ 1,270,913	$ (2,048,150)	$ (777,237)
Endowment returns distributed to other Claremont Colleges	(291,361)	-	(291,361)
Endowment returns distributed to TCC	(1,012,289)	3,840	(1,008,449)
Gifts	-	1,249	1,249
Net change in endowed equity	(32,737)	(2,043,061)	(2,075,798)
Endowed equity, beginning of year	460,910	28,628,585	29,089,495
Endowed equity, end of year	$ 428,173	$ 26,585,524	$ 27,013,697

June 30, 2020 and 2019

NOTE 13 - ENDOWED NET ASSETS AND ENDOWED EQUITY: ***Continued***

	Without Donor Restrictions	With Donor Restrictions	Total 2019
Investment returns, net	$ 1,356,902	$ 434,446	$ 1,791,348
Endowment returns distributed to other Claremont Colleges	(289,595)	-	(289,595)
Endowment returns distributed to TCC	(1,005,774)	3,657	(1,002,117)
Gifts	1,000	1,100	2,100
Net change in endowed equity	62,533	439,203	501,736
Endowed equity, beginning of year	398,377	28,189,382	28,587,759
Endowed equity, end of year	$ 460,910	$ 28,628,585	$ 29,089,495

NOTE 14 - FINANCIAL ASSETS AND LIQUIDITY RESOURCES:

As of June 30, 2020 and 2019, financial assets and liquidity resources available within one year for general expenditure were as follows:

	2020	2019
Financial Assets:		
Cash and cash equivalents	$ 6,550,889	$ 3,696,227
Accounts receivable	6,417,549	5,981,302
Short-term investments	5,132,496	10,898,785
Board designations:		
Funds functioning as endowment and time and purpose funds	3,098,377	3,334,617
Subsequent year's endowment payout	1,285,503	1,299,720
Total financial assets available within one year	$ 22,484,814	$ 25,210,651

In addition, as of June 30, 2020, TCC had an additional $56,386,600 in short-term investments which are designated for land purchases, but available for general expenditure with Board approval.

June 30, 2020 and 2019

NOTE 15 - FUNCTIONAL CLASSIFICATION OF EXPENSES:

Expenses by functional classification for the year ended June 30, 2020 consist of the following:

	Academic Support Services	Student Services	Institutional Support Services	Administration and General	2020
Operating expenses:					
Salaries, wages and benefits	$ 5,530,527	$ 4,832,006	$13,882,737	$ 3,902,942	$ 28,148,212
Occupancy, maintenance and plant	2,396,709	407,812	4,742,191	1,066,806	8,613,518
Services	1,612,505	855,769	3,572,635	734,218	6,775,127
Library materials, supplies and other	4,811,491	329,341	1,552,063	16,768	6,709,663
Total operating expenses	$ 14,351,232	$ 6,424,928	$23,749,626	$ 5,720,734	$ 50,246,520

Expenses by functional classification for the year ended June 30, 2019 consist of the following:

	Academic Support Services	Student Services	Institutional Support Services	Administration and General	2019
Operating expenses:					
Salaries, wages and benefits	$ 5,214,873	$ 4,565,687	$12,844,345	$ 3,672,501	$ 26,297,406
Occupancy, maintenance and plant	4,434,257	708,807	2,050,661	501,080	7,694,805
Services	1,267,253	765,075	3,251,558	791,600	6,075,486
Library materials, supplies and other	4,690,869	397,239	1,823,767	50,227	6,962,102
Total operating expenses	$ 15,607,252	$ 6,436,808	$19,970,331	$ 5,015,408	$ 47,029,799

NOTE 16 - PAYCHECK PROTECTION PROGRAM LOAN:

TCC received a Paycheck Protection Program (PPP) loan in the amount of $4,050,974 granted by the Small Business Administration under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). PPP loans are considered conditional contributions, with a right-of return in the form of an obligation to be repaid if a barrier to entitlement is not met. The barrier is that PPP loan funds must be used to maintain compensation costs and employee headcount, and other qualifying expenses (mortgage interest, rent and utilities) incurred following receipt of the funds. In June 2020, TCC returned $2,150,974. The institution recognized $456,652 as grant revenue as qualified expenses occurred and barriers to entitlement were met as of June 30, 2020. The remaining balance of the loan of $1,443,348 is included in Notes Payable on the Statement of Financials Position. Application for forgiveness of the oustanding balance of the loan of $1,900,000 will be submitted in October 2020, with inclusion of compliance substantiation and certification therein. However, at the time of issuance of the financial statements, notice of forgiveness had not been received from the lender. All documentation supporting program compliance has been made available for the financial statement audit. Management believes that the loan will be forgiven. However, if a portion of the loan must be repaid, the terms (1% per annum, repayable over a maximum of five years with a six-month deferral period) are such that TCC has sufficient liquidity to repay the unforgiven portion.

June 30, 2020 and 2019

NOTE 17 - RELATED PARTY TRANSACTIONS:

It is the policy of TCC to provide disclosure to the Audit Committee of the Board of Directors of any related party transactions. There were no material related party transactions which required disclosure in the financial statements other than transactions with affiliated institutions.

TCC operates a service on a ground lease from one of the member colleges for which no rent is charged. This arrangement is designed for the mutual benefit of all The Claremont Colleges members.

NOTE 18 - COMMITMENTS AND CONTINGENCIES:

Occasionally TCC is involved in certain lawsuits arising in the ordinary course of its operations. The ultimate resolution of these lawsuits is not expected to have a material effect on TCC's financial position or changes in net assets.

TCC is currently in a lawsuit related to a potential land sale. TCC has determined that no risk of loss exists as a result of the case, except the legal expenses incurred to date.

NOTE 19 - SUBSEQUENT EVENTS:

TCC has evaluated subsequent events through October 26, 2020, which is the date the financial statements are available for issuance, and concluded that there were no events or transactions that need to be disclosed.

Coronavirus COVID-19 Pandemic

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak has continued to spread and has adversely affected workforces, economies, and financial markets globally, potentially leading to economic downturn. It has also disrupted the normal operations of many businesses. Senior management has been closely monitoring the impact of COVID-19 as it relates to both TCC and the Claremont Colleges' operations, students and employees. It is impossible to predict all the effects and the ultimate impact of the COVID-19 pandemic, as the situation is rapidly evolving. The duration of the pandemic is likely to impact student enrollment and housing decisions due to financial constraints and other effects related to the economic and health impacts of COVID-19. TCC transitioned almost all its employees to remote work beginning in mid-March, with limited on-site staffing to continue to provide safety, health and other necessary services to the Colleges. The State of California and LA County Public Health officials must approve plans for bringing employees and students back to in-person instruction. The restrictions on student housing have had the most significant impact on future revenues for the Colleges thus far and, as a result, the TCC budget for the fiscal year ending June 30, 2021 has been reduced. The reduction impacted both staffing and certain operating costs across departments. The budget reductions related to formula funding will cause TCC revenues to decline for the fiscal year ending June 30, 2021.

THE CLAREMONT COLLEGES, INC.

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