The Claremont Colleges, Inc.

Financial Report

2022-2023

THE CLAREMONT COLLEGES, INC.
ANNUAL FINANCIAL REPORT

June 30, 2023 and 2022

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."

MOSSADAMS

Report of Independent Auditors

The Audit Committee
The Claremont Colleges, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of The Claremont Colleges, Inc., which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of The Claremont Colleges, Inc. as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Claremont Colleges, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Moss Adams LLP

Los Angeles, California
September 26, 2023

THE CLAREMONT COLLEGES, INC.
STATEMENTS OF FINANCIAL POSITION

June 30, 2023 and 2022

	2023	2022
ASSETS		
Cash and cash equivalents	$ 3,726,861	$ 9,770,663
Accounts receivable (Note 3)	3,153,247	4,399,449
Prepaid expenses, deposits and other assets	2,672,609	2,366,728
Other long-lived assets, net	1,154,599	-
Student loans receivable (Note 4)	3,111,695	3,275,407
Operating right of use assets	687,154	577,133
Investments (Note 5)	91,899,242	94,735,096
Property, plant and equipment, net (Note 7)	44,112,396	42,916,383
Total assets	$ 150,517,803	$158,040,859
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable, accrued liabilities and other liabilities	$ 9,385,472	$ 11,051,920
Note payable (Note 8)	3,700,562	3,962,465
Lines of credit (Note 9)	1,032,350	1,205,340
Operating lease obligation (Note 10)	687,154	596,643
Bonds payable (Note 11)	9,732,096	10,436,577
Funds held in trust for others	2,082,438	1,639,978
Asset retirement obligation (Note 7)	241,534	230,376
Total liabilities	26,861,606	29,123,299
Net assets (Note 12):		
Without donor restrictions	91,172,265	97,027,603
With donor restrictions		
Time or purpose	19,694,367	19,105,391
Perpetual	12,789,565	12,784,566
Total with donor restrictions	32,483,932	31,889,957
Total net assets	123,656,197	128,917,560
Total liabilities and net assets	$ 150,517,803	$158,040,859

THE CLAREMONT COLLEGES, INC.
STATEMENT OF ACTIVITIES

For the year ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues:			
Sales and services	$ 49,452,499	$ -	$ 49,452,499
Spending policy income	652,873	365,541	1,018,414
Rental income	165,938	-	165,938
Interest and dividends on separate investments, net	1,752,571	58,935	1,811,506
Gifts and grants	22,149	4,984	27,133
Release and reclassifications of restricted net assets	277,323	(277,323)	-
Total revenues and release of net assets	52,323,353	152,137	52,475,490
Expenses (Note 15):			
Academic support services	14,442,689	-	14,442,689
Student services	8,931,789	-	8,931,789
Institutional support services	22,427,388	-	22,427,388
Administration and general	7,846,370	-	7,846,370
Total expenses	53,648,236	-	53,648,236
Revenues (under) expenses	(1,324,883)	152,137	(1,172,746)
Other changes in net assets:			
Realized and unrealized gain (loss) on investments net of spending policy income	(1,276,221)	425,224	(850,997)
Redesignation of net assets	(5,000)	5,000	-
Net gain on sale of property	25,950	-	25,950
Actuarial adjustments	152,638	11,614	164,252
Transfers to Claremont Colleges	(3,427,822)	-	(3,427,822)
Total other changes in net assets	(4,530,455)	441,838	(4,088,617)
Change in net assets	(5,855,338)	593,975	(5,261,363)
Net assets at beginning of year	97,027,603	31,889,957	128,917,560
Total net assets at end of year	$ 91,172,265	$ 32,483,932	$123,656,197

The accompanying notes are an integral part of the financial statements

THE CLAREMONT COLLEGES, INC.
STATEMENT OF ACTIVITIES

For the year ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues:			
Sales and services	$ 41,612,029	$ -	$ 41,612,029
Spending policy income	622,597	348,700	971,297
Rental income	163,815	-	163,815
Interest and dividends on separate investments, net	650,147	56,010	706,157
Gifts and grants	2,167,209	4,972	2,172,181
Release and reclassifications of restricted net assets	434,011	(434,011)	-
Total revenues and release of net assets	45,649,808	(24,329)	45,625,479
Expenses (Note 15):			
Academic support services	14,078,481	-	14,078,481
Student services	7,625,308	-	7,625,308
Institutional support services	21,107,928	-	21,107,928
Administration and general	7,751,850	-	7,751,850
Total expenses	50,563,567	-	50,563,567
Revenues (under) expenses	(4,913,759)	(24,329)	(4,938,088)
Other changes in net assets:			
Realized and unrealized loss on investments net of spending policy income	(2,823,906)	(3,348,860)	(6,172,766)
Redesignation of net assets	(6,061)	6,061	-
Impairment on software implementation costs as a service	(16,622,282)	-	(16,622,282)
Net gain on sale of property	157,031	-	157,031
Actuarial adjustments	(201,733)	(6,901)	(208,634)
Transfers from other Claremont Colleges	1,038,282	-	1,038,282
Total other changes in net assets	(18,458,669)	(3,349,700)	(21,808,369)
Change in net assets	(23,372,428)	(3,374,029)	(26,746,457)
Net assets at beginning of year	120,400,031	35,263,986	155,664,017
Total net assets at end of year	$ 97,027,603	$ 31,889,957	$128,917,560

THE CLAREMONT COLLEGES, INC.
STATEMENTS OF CASH FLOWS

For the years ended June 30, 2023 and 2022

	2023	2022
Cash flows from operating activities:		
Change in net assets	$ (5,261,363)	$ (26,746,457)
Adjustments to reconcile change in net assetsto net cash provided by operating activities:		
Depreciation expense	2,257,998	2,181,319
Amortization of bond premium, asset retirement obligation and long-lived assets	109,966	1,939,214
Amortization of right of use assets - operating	204,553	104,812
Realized and unrealized (gain) loss on investments	(167,417)	5,201,469
Impairment on software implementation costs as a service	-	16,622,282
Gain on sale of property	(25,950)	(157,031)
PPP Loan forgiveness	-	(2,150,974)
Actuarial adjustments	(164,252)	208,634
Transfers to (from) other Claremont Colleges	3,427,822	(1,038,282)
Contributions restricted for long term investments	(4,984)	(4,972)
Changes in assets and liabilities, net of effects from noncash activities:		
Accounts receivable	1,246,202	1,292,189
Prepaid expenses, deposits and other assets	(305,881)	(313,900)
Student loans receivable	184,169	-
Accounts payable, accrued liabilities and other liabilities	(1,323,994)	3,222,485
Funds held in trust for others	442,460	605,822
Operating lease liabilities	(224,063)	(115,227)
Net cash provided by operating activities	395,266	851,383
Cash flows from investing activities:		
Proceeds from sales of property	30,000	1,532,252
Purchase of property, plant and equipment	(3,458,061)	(3,623,119)
Purchase of other long-lived assets	(1,282,888)	-
Proceeds from sale of investments	42,114,632	33,638,481
Purchase of investments	(39,111,361)	(27,772,183)
Loans made to students	(623,168)	(696,391)
Collection of student loans	504,390	210,130
Net cash (used in) provided by investing activities	(1,826,456)	3,289,170
Cash flows from financing activities:		
Proceeds from borrowings	824,763	3,569,811
Principal payments on note payable	(779,537)	(735,408)
Principal payments on bonds payable	(675,000)	(645,000)
Principal payments on lines of credit	(560,000)	(1,239,834)
Transfers (to) from other Claremont Colleges	(3,427,822)	1,038,282
Contributions restricted for long term investments	4,984	4,972
Net cash (used in) provided by financing activities	(4,612,612)	1,992,823
Net (decrease) increase in cash	(6,043,802)	6,133,376
Cash and cash equivalents at beginning of year	9,770,663	3,637,287
Cash and cash equivalents at end of year	$ 3,726,861	$ 9,770,663
Supplemental disclosure of cash flows:		
Interest paid	$ 685,458	$ 736,389
Supplemental disclosure of non-cash financing activities		
PPP Loan forgiveness	$ -	$ 2,150,974

The accompanying notes are an integral part of the financial statements

June 30, 2023 and 2022

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.

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.

Other Long-Lived Assets

Other long-lived assets include capitalized implementation costs for software as a service (SaaS) agreements. SaaS is a software delivery method that provides access to software and its functions remotely as a web-based service over the internet. Other long-lived assets are amortized over the contract term. As of June 30, 2023 and 2022, other long lived assets included $150,389,514 and $0 net of amortization, respectively. Amortization expense for the years ended June 30, 2023 and 2022 was $128,289 and $1,939,214, respectively.

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. To accommodate defaults, a reserve account has been created amounting to 3% of the cumulative interest due annually to the private lender. In the event the total amount in the reserve account exceeds the loans in default, TCC will remit any excess to the lender. KGI has agreed to bear any additional 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.

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

Right of Use Asset and Lease Obligations

TCC recognizes a Right-of-Use (ROU) asset and lease obligations for leases with an expected term greater than twelve months and with a discounted value greater than $100,000 for building and $25,000 for equipment leases on it's consolidated statements of financial position at commencement date, which is the date TCC gains access to the property or underlying asset. The ROU asset is determined based on the lease obligation adjusted for lease incentives received. The lease obligation is determined based on the present value of future minimum rental payments using a risk-free incremental borrowing rate in effect at the time of the lease commencement. Operating lease cost is recognized on a straight-line basis over the lease term. Certain optional renewal periods were not included in the determination of the ROU asset and lease obligation if management determined it was not reasonably certain that the lease would be extended.

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.

Due to the risks associated with certain investments and the level of uncertainty related to changes in the value of the investment securities, it is at least reasonably possible that changes in risks in the near term could materially affect account balances and the amounts reported in the Statements of Financial Position.

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, 2023 and 2022, cumulative net gains totaling $7,027,315 and $7,085,089, 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, 2023 and 2022 was 4.5% of the trailing twenty-quarter moving average unit market value of pooled investments or $1,018,414 and $971,297, respectively.

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.

June 30, 2023 and 2022

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

Endowment Funds *(continued)*

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, 2023, funds with an original gift value of $72,779 and fair value of $71,966, were deficient by $813. As of June 30, 2022, funds with an original gift value of $72,779 and fair value of $70,988, were deficient by $1,791.

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

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, fixed income funds, and certain equity funds are valued based on quoted market prices, and are therefore typically classified within Level 1. Cash equivalents are intended for long-term reinvestment.

June 30, 2023 and 2022

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

Fair Value Measurement of Financial Instruments (*continued*)

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.

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.

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.

Funds 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.

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.

June 30, 2023 and 2022

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

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.

Revenue Recognition

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

Gifts and grants 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 met.

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.

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.

June 30, 2023 and 2022

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

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.

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, 2023 and 2022, 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, 2023 and 2022.

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, 2022.

NOTE 3 - ACCOUNTS RECEIVABLE:

Accounts receivable at June 30, 2023 and 2022 were as follows:

	2023	2022
The Claremont Colleges	$ 2,368,664	$ 3,342,913
Due from affiliates	654,774	863,607
Other	129,809	192,929
Total accounts receivable	$ 3,153,247	$ 4,399,449

At June 30, 2023, 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, 2023, The Claremont Colleges have met certain conditions and received $171,395. The remainder will be received as additional conditions are met.

June 30, 2023 and 2022

NOTE 4 - STUDENT LOANS RECEIVABLE:

Student loans receivable was $3,111,695 and $3,275,407 for the years ended June 30, 2023 and 2022, respectively.

At June 30, 2023 and 2022, 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
2023	$ 12,225	$ 73,382	$ 41,260	$ 287,847	$ 414,715
2022	$ 10,948	$ 35,817	$ 112,966	$ 185,160	$ 344,891

To accommodate defaults, a reserve account is created amounting to 3% of cumulative interest due annually to the private lender. In the event the total amount in the reserve account exceeds the loans in default, TCC will remit any additional interest to the lender. KGI has agreed to bear all additional 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. See Footnote 7 for the note payable associated with the loan agreement.

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, 2023 and 2022. 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.

	2023	2022
Pooled investments:		
Cash equivalents	$ 490,504	$ 1,421,549
Domestic equity funds	6,066,075	4,769,337
International equity funds	7,785,132	5,434,661
Fixed income funds	3,434,015	3,801,042
Real asset funds	4,147,138	4,499,278
Absolute return funds	5,036,310	6,012,760
Private equity / venture capital limited partnerships	5,209,513	5,776,933
Total pooled investments	32,168,687	31,715,560
Separate investments:		
Cash equivalents	3,815,465	817,918
Domestic equity funds	183,237	178,081
Fixed income funds	55,731,853	62,023,537
Total separate investments	59,730,555	63,019,536
Total investments	$ 91,899,242	$ 94,735,096

	2023	2022
By category:		
Funds functioning as endowment	$ 498,210	$ 491,443
Time or purpose endowment funds	2,493,200	2,445,481
Perpetual endowment funds	28,585,325	28,192,056
Other	60,322,507	63,606,116
Total investments	$ 91,899,242	$ 94,735,096

June 30, 2023 and 2022

NOTE 6 - FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS:

The following table presents the investments carried in the Statements of Financial Position by level within the valuation hierarchy as of June 30, 2023:

	Level 1	Assets Valued Using NAV Practical Expedient	2023
Cash equivalents	$ 4,305,969	$ -	$ 4,305,969
Domestic equity funds	183,237	6,066,075	6,249,312
International equity funds	-	7,785,132	7,785,132
Fixed income funds	59,165,868	-	59,165,868
Real assets funds	-	4,147,138	4,147,138
Absolute return funds	-	5,036,310	5,036,310
Private equity / venture capital limited partnerships	-	5,209,513	5,209,513
Total investment securities	$ 63,655,074	$ 28,244,168	$ 91,899,242

The following table presents the investments carried in the Statements of Financial Position by level within the valuation hierarchy as of June 30, 2022:

	Level 1	Assets Valued Using NAV Practical Expedient	2022
Cash equivalents	$ 2,239,467	$ -	$ 2,239,467
Domestic equity funds	178,081	4,769,337	4,947,418
International equity funds	-	5,434,661	5,434,661
Fixed income funds	65,824,579	-	65,824,579
Real assets funds	-	4,499,278	4,499,278
Absolute return funds	-	6,012,760	6,012,760
Private equity / venture capital limited partnerships	-	5,776,933	5,776,933
Total investment securities	$ 68,242,127	$ 26,492,969	$ 94,735,096

The following table shows the fair value , unfunded commitments and redemption restrictions for investments reported at 'Net Asset Value' as of June 30, 2023:

	Fair Value at June 30, 2023	Unfunded Commitments	Redemption Frequency	Redemption Notice Period	Strategies and Other Restrictions
Domestic equity funds	$ 6,066,075	$ -	Monthly	30 days	(1)
International equity funds	7,785,132	-	Monthly	10 days	(2)
Real asset funds	4,147,138	-	Quarterly / Annually	65 - 90 days	(3)
Absolute return funds	5,036,310	-	Quarterly / Annually	65 - 90 days	(3)
Private equity / venture capital limited	5,209,513	2,911,125	N/A	N/A	(4)
Total	$ 28,244,168	$ 2,911,125			

(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.

(2) The international equity funds 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

(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.

June 30, 2023 and 2022

NOTE 6 - FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS: ***Continued***

(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 7 - PROPERTY, PLANT AND EQUIPMENT:

Property, plant and equipment consist of the following at June 30, 2023 and 2022:

	2023	2022
Land and land improvements	$ 9,791,376	$ 9,795,426
Buildings	50,246,976	48,870,123
Equipment	18,259,610	17,847,114
Construction in progress	8,919,989	7,251,277
	87,217,951	83,763,940
Less accumulated depreciation	(43,105,555)	(40,847,557)
Total property, plant and equipment	$ 44,112,396	$ 42,916,383

The following schedule summarizes asset retirement obligation activity for the years ended June 30, 2023 and 2022:

	2023	2022
Beginning balance	$ 230,376	$ 219,763
Accretion expense (disposal of property)	11,158	10,613
Ending balance	$ 241,534	$ 230,376

NOTE 8 - NOTE PAYABLE:

In February 2010, TCC entered into an agreement with a private lender to finance student loans for international students attending KGI. TCC may borrow up to $7,350,000 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 April 1 prime rate plus 3% (11.00% as of April 1, 2023 and 6.50% as of 2022). The amounts payable on the loan as of June 30, 2023 and 2022 were $3,700,562 and $3,962,465, respectively. See Footnote 4 for student loan receivable associated with the loan agreement.

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

Fiscal Years Ending June 30,	Future Payments
2024	$ 786,825
2025	718,981
2026	671,136
2027	581,052
2028	502,948
Thereafter	439,620
Total	$ 3,700,562

Interest expense was $180,205 and $211,187 for the years ended June 30, 2023 and 2022, respectively.

June 30, 2023 and 2022

NOTE 9 - LINES OF CREDIT:

TCC has negotiated an unsecured line of credit agreement with a financing company for up to $2,800,000 to purchase/lease equipment, software, licenses, and services. The terms of the agreement matures after 7 years with various renewal options and is interest free. The agreement expires on August 17, 2024. Total borrowings outstanding as of June 30, 2023 and 2022 were $1,032,350 and $1,205,340, respectively.

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, 2023 for an additional one year term. Any borrowings on the line would bear interest at the secured overnight financing rate (SOFR) plus 0.85%. The line of credit is subject to an unused commitment fee and letter of credit fee. As of June 30, 2023, TCC believes it was in compliance with all reporting requirements of the agreement. As of June 30, 2023 and June 30, 2022, the line of credit had an interest rate of 5.94% and 2.35%, respectively, and no borrowings were outstanding.

Interest expense on these notes was $0 for the years ended June 30, 2023 and 2022, respectively.

As of June 30, 2023, lines of credit maturities were as follows:

Fiscal Years Ending June 30,	Principal Amount
2024	$ 472,350
2025	560,000
	$ 1,032,350

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. The current term expires August 31, 2024.

NOTE 10 - LEASE OBLIGATION:

TCC has entered into operating lease commitments for storage and office space. The corresponding obligations are due in monthly installments with maturities through June 2029.

The annual lease obligation at June 30, 2023 is as follows:

Fiscal Years Ending June 30,	Lease Payments
2024	$ 186,896
2025	189,703
2026	117,968
2027	120,917
2028	123,940
Thereafter	127,039
	$ 739,425
Present value discount	(52,271)
Total operating lease obligation as of June 30, 2023	$ 687,154

June 30, 2023 and 2022

NOTE 11 - BONDS PAYABLE:

At June 30, 2023 and June 30, 2022, bonds payable were comprised of:

	2023	2022
California Educational Facilities Authority (CEFA) 2011	$ 4,320,000	$ 4,680,000
California Educational Facilities Authority (CEFA) 2012	5,105,000	5,420,000
Subtotal bonds payable	9,425,000	10,100,000
Plus premium	623,286	679,252
Less cost of issuance	(316,190)	(342,675)
Total bonds payable	$ 9,732,096	$ 10,436,577

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 and $1,025,000. Interest is payable semiannually at rates ranging from 4.3% to 5.3%. Bonds maturing after October 1, 2023 with principal balances totaling $4,320,000 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 California Infrastructure and Economic Development Bank (CIEDB) 2003. Annual principal payments range from $330,000 to $595,000. Interest is payable semiannually at rates ranging from 4.0% to 5.0%.

Interest expense was $475,900 and $504,012 for the years ended June 30, 2023 and June 30, 2022, respectively, and includes amortized premium and cost of issuance of ($29,480) in each year, respectively.

As of June 30, 2023, bond maturities were as follows:

Fiscal Years Ending June 30,	Principal Amount
2024	$ 705,000
2025	565,000
2026	595,000
2027	620,000
2028	650,000
Thereafter	6,290,000
Total	$ 9,425,000

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

NOTE 12 - NET ASSETS:

At June 30, 2023 and 2022, net assets consisted of the following:

	2023	2022
Net assets without donor restrictions:		
Board designated endowment	$ 498,367	$ 493,006
Operating and other designated funds	52,374,239	61,391,842
Property, plant and other	38,299,659	35,142,755
Total net assets without donor restrictions	$ 91,172,265	$ 97,027,603
Net assets with donor restrictions:		
Endowment funds	$ 31,114,521	$ 30,664,520
Academic and institutional support programs	1,369,411	1,225,437
Total net assets with donor restrictions	$ 32,483,932	$ 31,889,957

June 30, 2023 and 2022

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.

	2023	2022
Endowment net assets without donor restrictions		
Funds functioning as endowment	$ 498,367	$ 493,006
Endowment net assets with donor restrictions		
Time or purpose endowment funds	$ 2,529,196	$ 2,472,464
Perpetual endowment funds	12,789,565	12,784,566
Portion of perpetual endowment fund subject to a time restriction under California UPMIFA:		
Without purpose restriction	102,242	96,100
With time or purpose restriction	15,694,331	15,313,181
Fund with deficiencies	(813)	(1,791)
Total endowment net assets with donor restrictions	31,114,521	30,664,520
Total endowment	$ 31,612,888	$ 31,157,526

Changes in endowed equity as of June 30, 2023 and 2022 are displayed in the following tables:

	Without Donor Restrictions	With Donor Restrictions	Total 2023
Investment returns, net	$ 1,342,886	$ 432,658	$ 1,775,544
Endowment returns distributed to other Claremont Colleges	(291,692)	-	(291,692)
Endowment returns distributed to TCC	(1,044,271)	4,572	(1,039,699)
Gifts	-	4,984	4,984
Transfers	(1,562)	7,787	6,225
Net change in endowed equity	5,361	450,001	455,362
Endowed equity, beginning of year	493,006	30,664,520	31,157,526
Endowed equity, end of year	$ 498,367	$ 31,114,521	$ 31,612,888

	Without Donor Restrictions	With Donor Restrictions	Total 2022
Investment returns, net	$ 1,225,637	$ (3,343,661)	$ (2,118,024)
Endowment returns distributed to other Claremont Colleges	(278,486)	-	(278,486)
Endowment returns distributed to TCC	(1,000,057)	4,074	(995,983)
Gifts	-	4,972	4,972
Transfers	-	24,513	24,513
Net change in endowed equity	(52,906)	(3,310,102)	(3,363,008)
Endowed equity, beginning of year	545,912	33,974,622	34,520,534
Endowed equity, end of year	$ 493,006	$ 30,664,520	$ 31,157,526

June 30, 2023 and 2022

NOTE 14 - FINANCIAL ASSETS AND LIQUIDITY RESOURCES:

As of June 30, 2023 and June 30, 2022, financial assets and liquidity resources available within one year for general expenditure were as follows:

	2023	2022
Financial Assets and liquidity sources:		
Cash and cash equivalents	$ 3,726,861	$ 9,770,663
Accounts receivable	3,153,247	4,399,449
Short-term investments	3,998,702	995,999
Board designations:		
Funds functioning as endowment and time and purpose funds	2,991,410	2,936,924
Subsequent year's endowment payout	1,225,927	1,187,184
Total financial assets available within one year	$ 15,096,147	$ 19,290,219

In addition, as of June 30, 2023, TCC had an additional $54,414,656 in short-term investments which are designated for land purchases, but available for general expenditure with Board approval. TCC also maintains a $2,000,000 line of credit that may be drawn down as needed during the year.

NOTE 15 - FUNCTIONAL CLASSIFICATION OF EXPENSES:

Expenses by functional classification for the year ended June 30, 2023 consist of the following:

	Academic Support Services	Student Services	Institutional Support Services	Administration and General	2023
Operating expenses:					
Salaries, wages and benefits	$ 5,749,541	$ 6,635,758	$ 13,697,554	$ 4,490,781	$ 30,573,634
Occupancy, maintenance and plant	2,854,504	623,169	1,717,249	1,858,090	7,053,012
Services	1,279,396	1,235,074	4,606,532	1,321,752	8,442,754
Library materials, supplies and other	4,559,248	437,788	2,406,053	175,747	7,578,836
Total operating expenses	$ 14,442,689	$ 8,931,789	$ 22,427,388	$ 7,846,370	$ 53,648,236

Expenses by functional classification for the year ended Jun 30, 2022 consist of the following:

	Academic Support Services	Student Services	Institutional Support Services	Administration and General	2022
Operating expenses:					
Salaries, wages and benefits	$ 6,197,773	$ 5,567,841	$ 11,720,824	$ 4,814,559	$ 28,300,997
Occupancy, maintenance and plant	2,507,855	509,350	4,262,989	1,379,414	8,659,608
Services	1,121,559	1,145,969	3,280,897	1,386,003	6,934,428
Library materials, supplies and other	4,251,294	402,148	1,843,218	171,874	6,668,534
Total operating expenses	$ 14,078,481	$ 7,625,308	$ 21,107,928	$ 7,751,850	$ 50,563,567

NOTE 16 - 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. 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, 2023 and 2022 totaled $2,070,520 and $2,669,873, respectively.

June 30, 2023 and 2022

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 material risk of loss exists as a result of the case, except the legal expenses incurred to date.

NOTE 19 - SUBSEQUENT EVENTS:

On August 16, 2023 Golden State Water District canceled the letter of credit and released TCC of all obligations under the agreement. This had no financial effect.

TCC has evaluated subsequent events through September 26, 2023, which is the date the financial statements are available for issuance, and concluded that there were no other events or transactions that need to be disclosed.

THE CLAREMONT COLLEGES, INC.

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