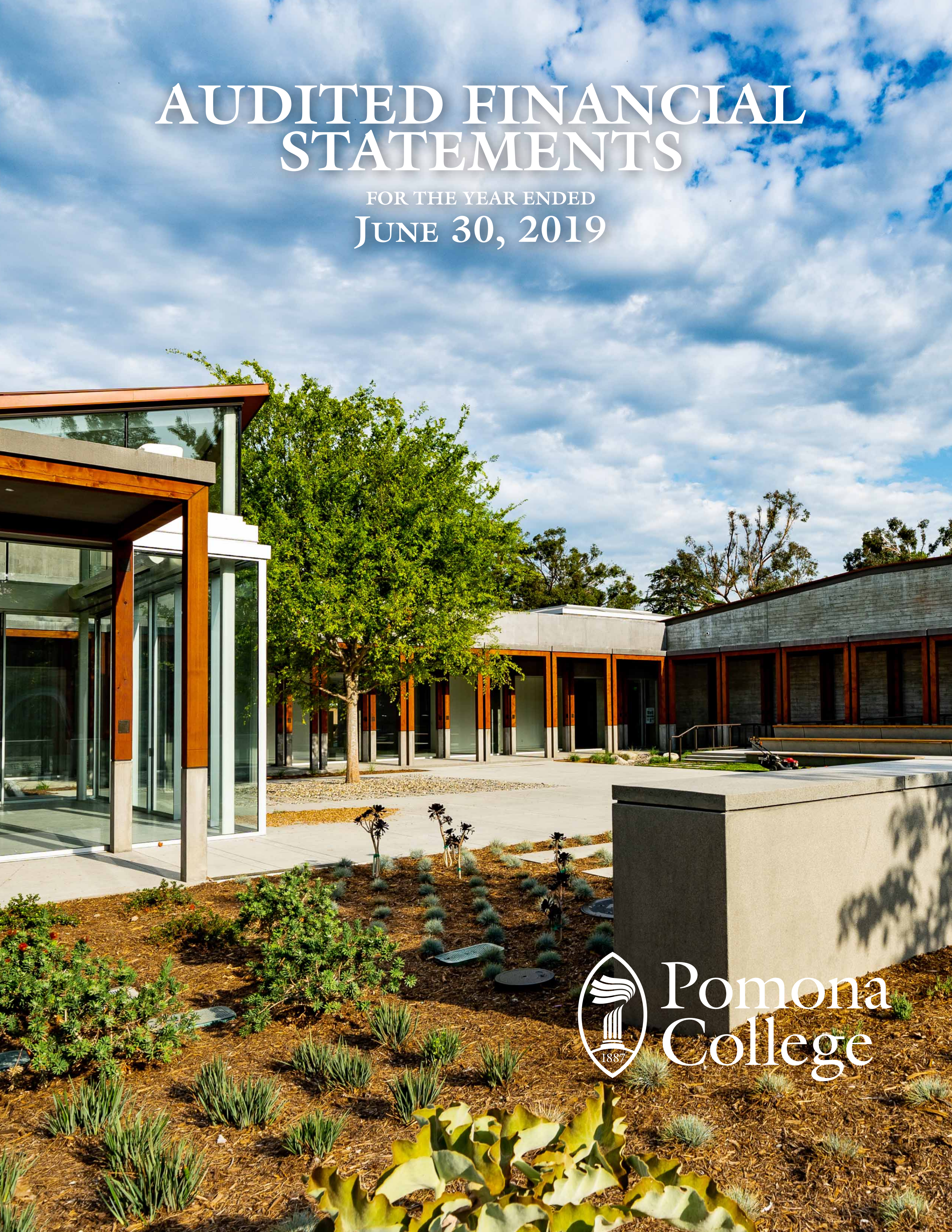
AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED

JUNE 30, 2019



Pomona College

1887

COVER: *The new Benton Museum of Art at Pomona College*

POMONA COLLEGE

Financial Statements

June 30, 2019 and 2018

(With Independent Auditors' Report Thereon)

KPMG LLP
Suite 700
20 Pacifica
Irvine, CA 92618-3391

Independent Auditors' Report

The Board of Trustees
Pomona College:

Report on the Financial Statements

We have audited the accompanying financial statements of Pomona College (the College), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the College as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

KPMG

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2019, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

KPMG LLP

Irvine, California
December 19, 2019

POMONA COLLEGE

Statements of Financial Position

June 30, 2019 and 2018

(In thousands of dollars)

Assets		**2019**	**2018**
Cash and cash equivalents	$	3,715	4,351
Accounts and other receivables, net of allowance		3,426	2,189
Prepaid expenses and deposits		2,764	2,702
Short-term investments		65,928	72,634
Contributions receivable, net		40,213	24,299
Notes receivable, net of allowance		10,049	10,347
Long-term investments:			
Pooled		2,458,679	2,394,323
Separately invested		133,788	132,016
Property, plant, and equipment, net of accumulated depreciation		427,351	413,234
Total assets	$	3,145,913	3,056,095
Liabilities and Net Assets			
Liabilities:			
Accounts payable	$	6,062	7,747
Accrued payroll and other liabilities		19,876	15,973
Life income and annuities obligation		108,046	96,136
Long-term debt		223,940	226,088
Government advances for student loans		1,496	1,618
Funds held in trust for others		14,434	13,811
Total liabilities		373,854	361,373
Net assets:			
Without donor restrictions		1,300,805	1,278,310
With donor restrictions		1,471,254	1,416,412
Total net assets		2,772,059	2,694,722
Total liabilities and net assets	$	3,145,913	3,056,095

See accompanying notes to financial statements.

POMONA COLLEGE

Statement of Activities

Year ended June 30, 2019

(In thousands of dollars)

	Without donor restrictions	With donor restrictions	Total
Revenues, gains, and other support:			
Student revenues net (includes student financial aid of $46,910)	$ 65,829	—	65,829
Federal grants and contracts	1,372	—	1,372
Private gifts and grants	5,957	29,467	35,424
Private contracts	846	19	865
Pooled income appropriated for operations	97,108	—	97,108
Sales and services of education departments	3,910	35	3,945
Other revenues	753	—	753
	175,775	29,521	205,296
Net assets released or transferred from donor restrictions	57,634	(57,634)	—
Total revenues, gains, and other support	233,409	(28,113)	205,296
Expenses:			
Instruction	67,676	—	67,676
Research	2,728	—	2,728
Public service	1,305	—	1,305
Academic support	18,546	—	18,546
Student services	23,392	—	23,392
Institutional support	32,497	—	32,497
Auxiliary enterprises	31,550	—	31,550
Total expenses	177,694	—	177,694
Increase (decrease) in net assets from operating activities	55,715	(28,113)	27,602
Nonoperating activities:			
Net realized and unrealized gains on investments	54,679	69,436	124,115
Net investment income	8,996	12,438	21,434
Pooled income appropriated for operations	(97,108)	—	(97,108)
Changes in actuarially determined gift liabilities	863	3,669	4,532
Other actuarial adjustments	56	—	56
Annuity and life income funds released and liquidate	154	(2,588)	(2,434)
Other	(860)	—	(860)
Change in net assets from nonoperating activities	(33,220)	82,955	49,735
Change in net assets	22,495	54,842	77,337
Net assets, beginning of year	1,278,310	1,416,412	2,694,722
Net assets, end of year	$ 1,300,805	1,471,254	2,772,059

See accompanying notes to financial statements.

POMONA COLLEGE

Statement of Activities

Year ended June 30, 2018

(In thousands of dollars)

		Without donor restrictions	With donor restrictions	Total
Revenues, gains, and other support:				
Student revenues, net (includes student financial aid of $47,268)	$	63,541	—	63,541
Federal grants and contracts		1,427	—	1,427
Private gifts and grants		7,125	11,394	18,519
Private contracts		969	15	984
Pooled income appropriated for operations		93,459	—	93,459
Sales and services of education departments		3,630	24	3,654
Other revenues		205	54	259
		170,356	11,487	181,843
Net assets released or transferred from donor restrictions		61,808	(61,808)	—
Total revenues, gains, and other support		232,164	(50,321)	181,843
Expenses:				
Instruction		65,375	—	65,375
Research		3,030	—	3,030
Public service		1,282	—	1,282
Academic support		18,668	—	18,668
Student services		23,286	—	23,286
Institutional support		33,348	—	33,348
Auxiliary enterprises		31,217	—	31,217
Total expenses		176,206	—	176,206
Increase (decrease) in net assets from operating activities		55,958	(50,321)	5,637
Nonoperating activities:				
Net realized and unrealized gains on investments		75,501	95,809	171,310
Net investment income		5,056	11,564	16,620
Pooled income appropriated for operations		(93,459)	—	(93,459)
Changes in actuarially determined gift liabilities		2,384	7,320	9,704
Other actuarial adjustments		350	—	350
Annuity and life income funds released and liquidate		(982)	(1,035)	(2,017)
Annuity and life income funds released and liquidate		(575)	—	(575)
Change in net assets from nonoperating activities		(11,725)	113,658	101,933
Change in net assets		44,233	63,337	107,570
Net assets, beginning of year		1,234,077	1,353,075	2,587,152
Net assets, end of year	$	1,278,310	1,416,412	2,694,722

See accompanying notes to financial statements.

POMONA COLLEGE

Statements of Cash Flows

Years ended June 30, 2019 and 2018

(In thousands of dollars)

		2019	2018
Cash flows from operating and nonoperating activities:			
Change in net assets	$	77,337	107,570
Adjustments to reconcile change in net assets to net cash used in operating activities:			
Depreciation		18,332	17,502
Accretion of interest on CEFA bonds		2,089	2,554
Amortization of bond premium		(750)	(435)
Contributions restricted for long-term investment		(7,993)	(10,765)
Net realized and unrealized gains on investments		(124,115)	(171,310)
Noncash gifts		(1,262)	(262)
Adjustments of actuarial liabilities		(4,589)	(9,704)
Change in assets and liabilities:			
Decrease (increase) in accounts receivable		(1,235)	3,442
Decrease (increase) in contributions receivable		(15,925)	7,496
Decrease (increase) in inventory		20	57
(Increase) decrease in prepaid expenses and deposits		(83)	(124)
(Decrease) increase in accounts payable		(3,960)	(299)
(Decrease) increase in accrued payroll and other liabilities		3,810	(3,426)
Net cash used in operating activities		(58,324)	(57,704)
Cash flows from investing activities:			
Additions to property, plant, and equipment		(30,082)	(22,100)
Purchase of investments		(561,910)	(581,096)
Proceeds from sale of investments		629,439	614,248
Disbursements of student loans		(848)	(845)
Collections of student loans		1,145	1,858
Disbursements of trust deed loans		(4,385)	(2,946)
Collections of trust deed loans		2,813	3,125
Net cash provided by investing activities		36,172	12,244
Cash flows from financing activities:			
Proceeds from contributions restricted for:			
Investment in endowment		1,636	4,910
Investment in life income		1,043	1,885
Investment in plant		5,314	3,970
Proceeds from long-term debt issuance		—	30,065
Government advances for student loans		(122)	(761)
Payments on long-term debt		(3,486)	(3,475)
Retirement of CEFA bonds payable		—	(5,930)
Investment income on life income and annuities		1,973	2,051
Proceeds from life income and annuities		18,065	14,584
Payments on life income and annuities		(2,907)	(3,130)
Net cash provided by financing activities		21,516	44,169
Net change in cash and cash equivalents		(636)	(1,291)
Cash and cash equivalents, beginning of year		4,351	5,642
Cash and cash equivalents, end of year	$	3,715	4,351
Supplementary cash flow information:			
Cash paid during the year for interest	$	6,925	8,559
Noncash financing activities:			
Defeasance of bonds	$	—	124,589

See accompanying notes to financial statements.

(1) Summary of Significant Accounting Policies

(a) Reporting Organization

Founded in 1887, Pomona College (the College) is an independent, coeducational liberal arts college offering instruction in all major fields of the fine arts, humanities, social sciences, and natural sciences. The College has an enrollment of approximately 1,675 students and a student-faculty ratio of eight to one.

Pomona College is a member of an affiliated group of colleges known as The Claremont Colleges. Each affiliated college is a separate corporate entity governed by a separate board of trustees. The Claremont University Consortium, a member of this group, acts as the coordinating institution, which provides common student and administrative services including certain central facilities utilized by all the colleges. The costs of these services and facilities are shared by the members of the group.

(b) Basis of Presentation

The accompanying financial statements of the College are prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (GAAP).

(c) Classification of Net Assets

The accompanying financial statements present information regarding the College’s financial position and activities according to the following three net asset categories:

(i) Net Assets without Donor Restrictions

Net assets without donor restrictions represent expendable funds available for operations, which are not otherwise limited by donor restrictions.

(ii) Net Assets with Donor Restrictions

Net assets with donor restrictions consist of contributed funds subject to specific donor-imposed restrictions, (1) that will be met either by actions of the College or the passage of time or (2) that are to be permanently maintained by the College. Generally, the donors of these assets permit the College to use all or part of the income earned on related investments for general or specific purposes.

(d) Cash and Cash Equivalents

Cash includes all short term, highly liquid investments with original maturities of three months or less when purchased. Cash and cash equivalents representing assets held in the investment pool are included in long-term investments (see note 6).

The College maintains cash in various financial institutions, which periodically exceeds federally insured limits.

(e) Investments

Investments are reflected at fair value. The College uses net asset value (NAV) as a practical expedient for determining fair value of its financial instruments, in cases where appropriate criteria are met.

(f) Management of Pooled Investments

The College follows an investment policy that anticipates a greater long-term 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, the board of trustees has adopted a spending policy for pooled investments whereby annually, if the ordinary income from the pooled investments is insufficient to provide the full amount of investment return specified by the adopted spending policy, the balance may be appropriated from cumulative realized gains of the pooled investments.

(g) Fair Value of Financial Instruments

The College did not elect fair value accounting for any asset or liability that is not currently required to be measured at fair value.

Fair value of the College's financial instruments is determined using the estimates, methods, and assumptions as set forth below. See note 6 for further information regarding investments and their fair value.

(i) Cash Equivalents, Accounts and Other Receivables, Accounts Payable, Accrued Payroll and Other Liabilities

Fair value approximates book value due to the short maturity of these instruments.

A reasonable estimate of the fair value of student loans extended under government loan programs has not been made as the loans can only be assigned to the U.S. government.

(ii) Life Income and Annuities Obligation

The carrying amount of annuity and trust obligations approximates fair value as the instruments are recorded at the estimated net present value of future cash flows. The estimated fair value, however, involves unobservable inputs considered to be Level 3 in the fair value hierarchy.

(h) Property, Plant, and Equipment

Property, plant, and equipment are stated at cost, representing the purchase price or fair market value at the date of gift, less accumulated depreciation. Depreciation expense is computed using the straight-line method over the estimated useful lives of the assets (generally, 7 years for equipment and land improvements, 40 years for buildings and 30 years for residence halls). Construction in progress will be depreciated over the useful lives of the respective assets when they are ready for their intended use. The costs and accumulated depreciation of assets sold or retired are removed from the accounts and the related gains and losses are included in the statements of activities.

(i) Art Collection

The collection, which was acquired through purchase and contributions since the College's inception, is not recognized as an asset on the statement of financial position. Purchases of collection items are recorded as decreases in net assets without donor restrictions in the year in which the items are acquired, or as net assets with donor restrictions if the assets use to purchase the items are restricted by donors. Contributed collection items are not reflected on the financial statements. Proceeds from deaccessions or insurance recoveries are reflected as increases in the appropriate net asset classes.

(j) Life Income and Annuities Obligation

The actuarial liability for life income and annuity contracts and agreements are based on the present value of future payments, discounted at a rate that is commensurate with the risks involved ranging from 1.41% to 7.50% and over estimated lives according to the 2012 IAR Mortality Tables.

(k) Revenue and Expense Recognition

Student tuition and fees are recorded as revenues in the year during which the related academic services are rendered. Student tuition and fees received in advance of services to be rendered are recorded as deferred revenues and are included in accrued payroll and other liabilities on the statements of financial position. Revenues from federal grants and contracts are recorded as allowable expenditures under such agreements as incurred. Contributions, including unconditional promises to give, are recognized as revenue in the period received and are reported as increases in the appropriate class of net assets. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted at an appropriate discount rate. An allowance for uncollectible contributions is estimated based upon such factors as prior collection history, type of contribution, and nature of fund-raising activity. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments, investment income, and other revenues are reported as increases or decreases in net assets without donor restrictions, unless their use is restricted by explicit donor stipulation.

(l) Allocation of Certain Expenses

The statements of activities present expenses by functional classification. Depreciation expense, operation and maintenance of plant, and interest expense are allocated based on square footage occupancy of College facilities. Expenses related to fund-raising, included in institutional support, are $10,200,000 and $10,860,000, respectively, for the years ended June 30, 2019 and 2018.

(m) Expiration of Donor-Imposed Restrictions

The expiration of a donor-imposed restriction on a contribution is recognized in the period in which the restriction expires. At that time, the related resources are reclassified to net assets without donor restrictions. A restriction expires when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

The College follows the policy of reporting as unrestricted support donor-imposed restricted contributions whose restrictions are met in the same period as received. It is the College’s policy to lift the restrictions on contributions of cash or other assets received for the acquisition of long-lived assets when the funds are expended.

(n) Estates and Trusts

The College is named beneficiary of various estates in probate. Unless the ultimate amount available for distribution can be determined before the close of the probate proceedings, the College does not record these amounts until the time of asset distribution. Trusts in which the College is named as irrevocable beneficiary, but is not a trustee, are recorded when the College is notified by the trustee and the ownership percentage and valuation are determined.

(Continued)

(o) Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amount of revenues, expenses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

(p) Income Taxes

The College is exempt from taxation under Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the California Revenue and Taxation Code and is generally not subject to federal and state income taxes. However, the College is subject to income taxes on any income that is derived from a trade or business regularly carried on, and not in furtherance of the purposes for which it was granted exemption. No income tax provision has been recorded as the net income, if any, from any unrelated trade or business, in the opinion of management, is not material to the financial statements taken as a whole.

(q) Change in Accounting Principle

During 2019, the College adopted the provisions of ASU 2016-14, *Not-for-Profit Entities (Topic 958). Presentation of Financial Statements of Not-for-Profit Entities.* A summary of the changes by financial statement area are as follows:

(i) Statement of Financial Position

The statement of financial position distinguishes between two new classes of net assets – those with donor-imposed restrictions and those without. This is a change from the previously required three classes of net assets – unrestricted, temporarily restricted and permanently restricted.

Underwater donor restricted endowment funds are shown within the donor restricted net asset class. This is a change from the previously required classification of unrestricted net assets.

(ii) Statement of Activities

The standard requires the College to report expenses by both nature and function, either in the statement of activities, as a separate statement or within the notes. See note 15.

Investment income is shown net of external and direct internal investment expenses. There is no longer a requirement to include a disclosure of those netted expenses.

(iii) Notes to the Financial Statements

The standard requires enhanced quantitative and qualitative disclosure to provide additional information useful in assessing liquidity and cash flows, including a description of the time horizon used to manage its liquidity and near-term availability and demands for cash as of the reporting date. See note 1(r) below.

Revenue from Contracts with Customers: The University adopted ASU 2014-09 – Revenue from Contracts with Customers (Topic 606) during the year ended June 30, 2019. This guidance requires an entity to recognize revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The College's revenue is derived primarily from academic programs taught to students. Tuition and related fees are recognized as revenue over the course of the academic term or program for which it is earned. Non-tuition related revenue is recognized as services are performed or goods are delivered. The adoption of ASU 2014-09 did not result in a material change to timing of when revenue is recognized.

Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made: The College adopted ASU 2018-08 – Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made during the year ended June 30, 2019. The ASU provides a more robust framework for determining whether a transaction should be accounted for as a contribution or as an exchange transaction. The guidance also helps determine whether a contribution is conditional and better distinguishes between a donor-imposed condition from a donor-imposed restriction. The adoption of Topic 958 did not result in material change to how the College accounts for revenue from contributions, grants and contracts.

(r) Liquidity and Availability

At June 30, 2019 and 2018, financial assets available within one year for general expenditure were as follows (in thousands):

		2019	2018
Cash and cash equivalents	$	2,364	2,450
Accounts and other receivables, net of allowance		3,426	2,189
Short-term investments		9,086	7,599
Contributions receivable		3,577	1,867
Separately invested		4,444	2,832
Subsequent year's endowment payout		60,442	58,761
Total financial assets available within one year without board action		83,339	75,698
Short-term investments designated for operations and plant		15,280	29,689
Separately invested designated for operations and plant		38,456	56,326
Funds functioning as endowment available for operations		998,432	980,386
Total financial assets available within one year	$	1,135,507	1,142,099

The College's cash flows have seasonal variations during the year attributable to tuition billing and a concentration of contributions received at calendar and fiscal year-end. Supplementing student and gift revenues is the pooled income appropriated for operations, otherwise known as endowment payout. The unitized pool of investments is managed closely to meet the liquidity requirements of the monthly payout draw as well as funding for capital calls and new investments. Sources of liquidity within the pool include cash, dividends and investment income, capital distributions and the sale of holdings.

Investments designated for operations and plant could be redesignated for general expenditures by the board on either a temporary or permanent basis. The College has a long-standing practice of not withdrawing quasi-endowed funds to retire debt or provide funding for capital projects. Should adverse circumstances warrant a withdrawal, these funds, or a portion thereof could be made available through board action.

As detailed in Note 8, the College has three lines of credit from two institutions which in total would provide $100,000,000 to provide additional liquidity for the pooled investments and also for general operations. There have been no borrowings on these lines.

(s) Reclassifications

Certain prior year amounts have been reclassified for consistency with the current period presentation. These reclassifications had no effect on the reported change in net assets.

(2) Net Student Revenues

Student revenues for the years ended June 30, 2019 and 2018, in thousands of dollars, consist of the following:

		2019	2018
Tuition and fees	$	88,213	86,153
Room and board		24,526	24,656
Gross student revenues		112,739	110,809
Less:			
Sponsored financial aid		(20,611)	(18,663)
Unsponsored financial aid		(26,299)	(28,605)
Student financial aid		(46,910)	(47,268)
Net student revenues	$	65,829	63,541

“Sponsored” financial aid consists of funds provided by external entities (including donors of restricted funds), whereas “unsponsored” aid consists of funds provided by the College.

(3) Accounts and Other Receivables

Accounts and other receivables, net of allowance at June 30, 2019 and 2018, in thousands of dollars, are as follows:

		2019	2018
Private gifts and grants	$	—	134
Sales and other		3,526	2,183
		3,526	2,317
Less allowance for doubtful accounts		(100)	(128)
Accounts and other receivables, net of allowance	$	3,426	2,189

(4) Notes Receivable

Notes receivable at June 30, 2019 and 2018, in thousands of dollars, are as follows:

		2019	2018
Loans receivable from students	$	11,314	11,563
Less allowance for doubtful accounts		(1,265)	(1,216)
Notes receivable, net of allowance	$	10,049	10,347

Determination of the fair value of student loans receivable, which are primarily federally sponsored student loans with U.S. government mandated interest rates and repayment terms subject to significant restrictions as to their transfer and disposition, could not be made without incurring excessive costs.

(5) Contributions Receivable

Unconditional promises to give are included in the financial statements as contributions receivable and revenue of the appropriate net asset category. Promises to give are recorded after discounting, at rates ranging from 1.41% to 2.47% to the present value of the future cash flows. Unconditional promises to give received during the years ended June 30, 2019 and 2018 have been discounted at credit-adjusted rates commensurate with the risks associated with the contribution in accordance with Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurements and Disclosures*. These inputs to the fair value estimate are considered Level 3 in the fair value hierarchy. Book value approximates fair value.

The College has been named remainderman in certain split-interest agreements. These trust agreements require that the trustee make annual or more frequent payments to the beneficiaries. Upon the death of the beneficiaries or other termination of the trusts, the remaining trust assets will be distributed to the College and other remaindermen as stipulated in the trust agreements. The College has recorded its beneficial interest in these split-interest agreements based on the present value of future cash flows using a discount rate of 6.15%. The actuarial assumption used in this calculation is based on the expected return on assets in effect at the date of the valuation. The underlying trust assets are valued at fair value and consist primarily of securities that are traded on the active market.

(Continued)

At June 30, 2019 and 2018, unconditional promises to give, in thousands of dollars, are expected to be received in the following periods:

		2019	2018
In one year or less	$	12,727	7,331
Between one year and five years		12,164	3,889
More than five years		16,649	13,742
		41,540	24,962
Less discount		(1,834)	(1,379)
Pledged contributions		39,706	23,583
Split-interest agreements		507	716
Contributions receivable, net	$	40,213	24,299

Unconditional promises to give and split-interest agreements at June 30, 2019 and 2018, in thousands of dollars, have the following restrictions:

		2019	2018
Endowment for programs, activities, and scholarships	$	2,161	5,278
Building construction		34,406	16,100
Education and general		5,480	4,300
		42,047	25,678
Less discount		(1,834)	(1,379)
Contributions receivable, net	$	40,213	24,299

(6) Investments

(a) Fair Value Measurement

The fair value of investments at June 30, 2019 and 2018, in thousands of dollars, is as follows:

		2019	2018
Pooled investments:			
Cash and cash equivalents	$	86,361	42,569
Domestic equities		372,987	360,376
International equities		257,221	254,450
Emerging markets		216,250	216,474
Fixed income		265,966	250,015
Fixed income – trust deeds		27,658	24,370
Venture capital		413,952	347,301
Private equity		110,313	100,121
Absolute return		468,269	472,735
Real assets[1]		239,702	325,912
Total long-term investments – pooled		2,458,679	2,394,323
Separately invested:			
Cash and cash equivalents		7,206	5,754
Domestic equities		29,624	30,104
International equities		3,044	3,120
Fixed income		74,440	74,013
Real assets[1]		3,380	3,990
Other		16,094	15,035
Total long-term investments – separately invested		133,788	132,016
Short-term investments (cash and cash equivalents)		65,928	72,634
	$	2,658,395	2,598,973

[1] Real assets include marketable hard assets, private real estate/timber and private energy/mining.

The College's investment income net of related expenses for the years ended June 30, 2019 and 2018 was as follows, in thousands of dollars:

		2019	2018
Interest and dividends	$	29,329	23,386
Less investment expenses		(7,895)	(6,766)
Net investment income		21,434	16,620
Net realized and unrealized gains on investments		124,115	171,310
Total investment income, net	$	145,549	187,930

(b) Absolute Return Strategies

These investments typically include certain types of financial instruments, including, among others, futures and forward contracts, options, and securities sold not yet purchased, intended to hedge against changes in the market value of investments. These financial instruments may result in loss due to changes in the market (market risk). The following tables summarize these investments by investment strategy type at June 30, 2019 and 2018, in thousands of dollars.

	2019			
Absolute return strategy	**Number of funds**		**Cost**	**Fair value**
Diversified arbitrage	6	$	30,098	91,342
Private diversifiers	10		28,920	31,883
Long-short equity	3		27,125	101,984
Global Macro/Systematic	4		140,000	146,427
Event arbitrage	2		31,587	69,170
Distressed securities	1		25,000	27,463
	26	$	282,730	468,269

	2018			
Absolute return strategy	**Number of funds**		**Cost**	**Fair value**
Diversified arbitrage	6	$	58,476	148,454
Private diversifiers	5		19,408	22,895
Long-short equity	5		56,074	111,508
Global Macro/Systematic	3		105,000	104,654
Event arbitrage	4		22,205	56,832
Distressed securities	1		25,000	28,392
	24	$	286,163	472,735

(c) Pending Purchases and Sales

At June 30, 2019 and 2018, the College had pending security purchases of $791,000 and $808,000, respectively; and pending security sales of $19,806,000 and $5,479,000, respectively.

(d) Pooled Fund

Where permitted by gift agreements and/or applicable government regulations, investments are pooled. Pooled investments and allocations of pooled investment income are accounted for on a unit fair value method. The following table summarizes data pertaining to this method for the years ended June 30, 2019 and 2018, in thousands of dollars:

		2019	2018
Unit fair value at end of year	$	1,115	1,094
Units owned:			
Net assets without donor restrictions:			
Funds functioning as endowment		897,886	897,566
Designated for annuity and life income funds		82,198	73,914
Total net assets without donor restrictions		980,084	971,480
Net assets with donor restrictions:			
Restricted for specific purposes		4,254	3,768
Endowment funds		1,178,803	1,170,901
Annuities and life income funds		42,756	42,529
Total with donor restrictions		1,225,813	1,217,198
Total units		2,205,897	2,188,678
Weighted average units		2,196,099	2,170,572
Net pooled investment income per weighted average unit	$	47	45

(e) Fair Value Hierarchy

The College’s fair value hierarchy prioritizes the inputs to valuation techniques 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). The three levels of the fair value hierarchy are as follows:

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date of identical, unrestricted assets. Assets and liabilities classified as Level 1 generally include listed equities, futures, options, and certain fixed-income securities.

Level 2 – Quoted prices for markets that are not active or financial instruments for which all significant inputs are observable, either directly or indirectly. Assets and liabilities classified as Level 2 generally include equity swaps, forward contracts, certain fixed-income securities, over-the-counter option contracts, and certain other derivatives.

Level 3 – Pricing inputs are unobservable for the asset and reflect management's own assumptions to determine fair value.

Inputs are used in applying the valuation techniques and broadly refer to the assumptions that the College 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 the College's perceived risk of that investment.

The investments in cash and cash equivalents, short-term investments, certain domestic and international equities, certain emerging markets, certain real assets, and certain domestic fixed income are valued based on quoted market prices, and are, therefore, classified within Level 1.

The investments in certain international equities, certain emerging markets, domestic fixed income, and international fixed income are valued based on quoted market prices of comparable assets, and are, therefore, classified within Level 2.

The investments in private equity, venture capital, absolute return hedge funds, certain real assets, certain investment funds focused on domestic and international equities, and international fixed incomes are held primarily through limited partnerships and commingled funds for which fair value is estimated using net asset value (NAV) reported by fund managers as a practical expedient. Such assets are not classified in the fair value hierarchy.

Certain nonpooled investments, primarily in real assets, are classified as Level 3. Management's assumptions are used to determine fair value.

There were no transfers between Level 1 and Level 2 investments, or between Level 2 and Level 3, for the years ended June 30, 2019 and 2018, for assets classified in the fair value hierarchy.

In accordance with ASU 2015-07, Fair Value Measurement (Topic 820): *Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share or Its Equivalent*), investments measured at net asset value (NAV), as a practical expedient for fair value, are excluded from the fair value hierarchy.

Basis of Reporting

Pooled investments are presented in the accompanying financial statements at fair value. The College'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 the College's proportionate share of the partner's capital of the investment partnerships as reported by their general partners. For these investments, the College has determined, through its monitoring activities, to rely on the fair market value as determined by the investment managers.

The general partners of the underlying investment partnerships generally value their investments at fair value. Investments with no readily available market are generally valued according to the mark-to-market method, which attempts to apply a fair value standard by referring to 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 the company 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.

The following tables summarize the valuation of the College's investments, in thousands of dollars, by the fair value hierarchy levels as of June 30, 2019 and 2018. Consistent with ASU 2015-007, investments measured at net asset value (NAV) are not classified in the fair value hierarchy:

	Investments measured at NAV	2019 Investments classified in the fair value hierarchy			
		Level 1	Level 2	Level 3	Total
Pooled investments:					
Cash and cash equivalents	$ —	86,361	—	—	86,361
Domestic equities	340,758	32,229	—	—	372,987
International equities	211,989	—	45,232	—	257,221
Emerging markets	160,334	—	55,916	—	216,250
Fixed income	62,603	—	203,363	—	265,966
Fixed income – Trust Deeds	—	—	27,658	—	27,658
Venture capital	413,952	—	—	—	413,952
Private equity	110,313	—	—	—	110,313
Absolute return	468,269	—	—	—	468,269
Real assets	164,259	75,443	—	—	239,702
Total pooled investments	1,932,477	194,033	332,169	—	2,458,679
Separately invested assets:					
Cash and cash equivalents	$ —	73,134	—	—	73,134
Domestic equities	—	29,624	—	—	29,624
International equities	—	3,044	—	—	3,044
Fixed income	—	14,673	59,767	—	74,440
Real assets	—	—	—	3,380	3,380
Other	—	—	16,090	4	16,094
Total other invested assets	—	120,475	75,857	3,384	199,716
Total	$ 1,932,477	314,508	408,026	3,384	2,658,395

	Investments measured at NAV	2018 Investments classified in the fair value hierarchy Level 1	Level 2	Level 3	Total
Pooled investments:					
Cash and cash equivalents	$ —	42,569	—	—	42,569
Domestic equities	335,367	25,009	—	—	360,376
International equities	214,423	—	40,027	—	254,450
Emerging markets	125,904	24,739	65,831	—	216,474
Fixed income	58,395	—	191,620	—	250,015
Fixed income – Trust Deeds	—	—	24,370	—	24,370
Venture capital	347,301	—	—	—	347,301
Private equity	100,121	—	—	—	100,121
Absolute return	472,735	—	—	—	472,735
Real assets	178,033	147,879	—	—	325,912
Total pooled investments	1,832,279	240,196	321,848	—	2,394,323
Separately invested assets:					
Cash and cash equivalents	—	78,388	—	—	78,388
Domestic equities	—	30,104	—	—	30,104
International equities	—	3,120	—	—	3,120
Fixed income	—	15,557	58,456	—	74,013
Real assets	—	—	—	3,990	3,990
Other	—	79	14,952	4	15,035
Total other invested assets	—	127,248	73,408	3,994	204,650
Total	$ 1,832,279	367,444	395,256	3,994	2,598,973

(Continued)

		June 30, 2019							
	Strategy	NAV in funds	Number of funds	Remaining life	Amount of unfunded commitments[2]	Timing to draw down commitments	Redemption terms	Redemption restrictions	Redemption restrictions in place at year-end
Venture/growth equity	Venture capital and growth equity fund primarily in the U.S.	$ 483.4	90	1–15 years	$ 82.5	up to 6 years	N/A [1]	N/A [1]	N/A [1]
Private equity/distressed	Buyout and distressed funds in U.S. and international	139.8	66	1–15 years	142.1	up to 6 years	N/A [1]	N/A [1]	N/A [1]
Private real assets	Real estate, timberland, and energy funds primarily in the U.S. and developed Europe	97.2	58	1–15 years	83.6	up to 6 years	N/A [1]	N/A [1]	N/A [1]
Total private investments		720.4	214		308.2				
Absolute return and long/short equity	Long/short and diversified arbitrage funds investing globally	436.4	15	N/A	—	N/A	Ranges between monthly with 10 days' notice, to annually with 180 days' notice.	No redemption restrictions.	3 funds have 25% annual gates in place; 1 fund has 15% gate in place; 1 fund has a 10% annual gate in place
Commingled funds	Debt and Equity funds with various regional mandates	775.7	12	N/A	—	N/A	Ranges between monthly with 6 days' notice, to tri-annually with 90 days' notice.	1 fund has a rolling three-year lock-up period. 1 fund has a rolling 2 year lock-up period.	1 fund has a 25% annual gate; 1 fund has a 20% annual gate
Total		$ 1,932.5	241		$ 308.2				

[1] These funds are in private equity structure with no ability to be redeemed.

[2] The timing and amount of unfunded commitments to be exercised in any particular future year is uncertain.

		June 30, 2018							
	Strategy	NAV in funds	Number of funds	Remaining life	Amount of unfunded commitments[2]	Timing to draw down commitments	Redemption terms	Redemption restrictions	Redemption restrictions in place at year-end
Venture/growth equity	Venture capital and growth equity fund primarily in the U.S.	$ 347.3	84	1–15 years	$ 70.3	up to 6 years	N/A [1]	N/A [1]	N/A [1]
Private equity/distressed	Buyout and distressed funds in U.S. and international	123.0	58	1–15 years	124.2	up to 6 years	N/A [1]	N/A [1]	N/A [1]
Private real assets	Real estate, timberland, and energy funds primarily in the U.S. and developed Europe	178.0	62	1–15 years	117.0	up to 6 years	N/A [1]	N/A [1]	N/A [1]
Total private investments		648.3	204		311.5				
Absolute return and long/short equity	Long/short and diversified arbitrage funds investing globally	449.8	19	N/A	9.6	N/A	Ranges between monthly with 10 days' notice, to annually with 180 days' notice.	No redemption restrictions.	3 funds have 25% annual gates in place; 1 fund has 15% gate in place; 1 fund has a 10% annual gate in place
Commingled funds	Debt and Equity funds with various regional mandates	734.2	12	N/A	27.6	N/A	Ranges between monthly with 6 days' notice, to tri-annually with 90 days' notice.	1 fund has a rolling three-year lock-up period. 1 fund has a rolling 2 year lock-up period.	1 fund has a 25% annual gate; 1 fund has a 20% annual gate
Total		$ 1,832.3	235		$ 348.7				

[1] These funds are in private equity structure with no ability to be redeemed.

[2] The timing and amount of unfunded commitments to be exercised in any particular future year is uncertain.

(Continued)

(7) Property, Plant, and Equipment

Property, plant, and equipment at June 30, 2019 and 2018, in thousands of dollars, are as follows:

		2019	2018
Land	$	11,846	11,846
Land improvements		12,485	12,194
Buildings		549,337	545,256
Equipment		29,875	24,935
Construction in progress		44,738	21,601
		648,281	615,832
Less accumulated depreciation		(220,930)	(202,598)
Property, plant, and equipment, net of accumulated depreciation	$	427,351	413,234

Outstanding commitments for design and construction contracts amounted to approximately $9,699,000 and $26,301,000 as of June 30, 2019 and 2018, respectively.

(8) Long-Term Debt

Long-term debt consists of bonds payable and a loan payable.

Bonds payable, in thousands of dollars, issued through the California Educational Facilities Authority (CEFA) and California Municipal Finance Authority (CMFA), and associated interest rates and maturities at June 30, 2019 and 2018 are as follows, in thousands of dollars:

	Interest rates	Maturity dates		2019	2018
				Principal amount	
Series 2017A (CMFA)	3% – 5%	2029 – 2048	$	138,470	138,470
Series 2005A (CEFA)	4.4% – 5.2%	2018 – 2045		40,207	41,272
				178,677	179,742
Plus unamortized premium				14,999	15,751
Bonds payable				193,676	195,493
Private placement loans payable				30,264	30,595
			$	223,940	226,088

		Principal amount
Schedule of maturities:		
Years ending:		
2020	$	4,106
2021		3,981
2022		3,887
2023		3,741
2024		3,625
2025–2051		204,600
	$	223,940

The CEFA and CMFA agreements contain covenants relating to maintenance of the College, insurance, and other general items. Management believes that the College is in compliance with all the debt covenants.

On June 26, 2014, the College executed a $25 million private placement tax-exempt loan agreement with First Republic Bank and California Municipal Finance Authority (CMFA). The interest rate is fixed at 3.25% and the funds can be drawn down over three years. The term is 30 years. As of June 30, 2019 and 2018, $14 million had been drawn down.

On October 18, 2016, the College executed a $17,225,000 private placement tax-exempt loan agreement with Boston Private and California Municipal Finance Authority. This transaction current refunded the 2005A CEFA CIBs with a matching maturity schedule. The term is 30 years. The interest rate is fixed at 2.96%.

On February 3, 2005, the College executed the issuance of $41,880,000 of tax-exempt bonds through the CEFA. The issuance included $16,735,000 of current interest bonds and $25,145,000 of capital appreciation bonds. Proceeds of $16,204,000 were used to refund the Series 1999B CEFA bonds. The remaining proceeds were used to finance the cost of the acquisition, construction, renovation of certain educational facilities.

On December 14, 2017, the College executed the issuance of $154,654,000 of tax-exempt bonds through the CMFA. Proceeds of $128,724,000 were used to refund the Series 2008A and Series 2009A CEFA bonds. The remaining proceeds of $25,930,000 were used to provide partial funding for the Pomona College Museum of Art, currently under construction.

(9) Net Assets

At June 30, 2019 and 2018, net assets consist of the following, in thousands of dollars:

		2019	2018
Without donor restrictions:			
For plant and other designated purposes	$	68,980	80,163
Loan funds		1,135	1,677
Designated for annuity and life income funds		33,094	33,127
Funds functioning as endowment		998,432	980,386
Invested in property, plant, and equipment, net of related debt		199,164	182,957
Total without donor restrictions		1,300,805	1,278,310
With donor restrictions:			
Endowment funds		379,116	373,203
Restricted for specific purposes and time		75,283	52,101
Annuity and life income funds		57,868	56,459
Loan funds		15,438	14,531
Accumulated unappropriated gains on endowment		943,549	920,118
Total with donor restrictions		1,471,254	1,416,412
Total net assets	$	2,772,059	2,694,722

(10) Retirement Plans

The College participates with other members of The Claremont Colleges in a defined contribution retirement plan administered by the Claremont University Consortium. This plan provides retirement benefits for all employees through the Teachers Insurance and Annuity Association and the College Retirement Equities Fund (TIAA). Under this plan, College contributions are used to purchase fixed and/or variable annuities offered by TIAA. Vesting provisions are full and immediate. Benefits commence upon retirement and pre-retirement survivor death benefits are provided. In conjunction with this plan, employees are able to contribute a portion of their salary into a tax-deferred annuity account and invest such assets in mutual funds offered by TIAA, Fidelity Investments Institutional Services Company, Inc., or The Vanguard Group. For the years ended June 30, 2019 and 2018, the College's contributions to this plan amounted to approximately $6,604,000 and $6,415,000, respectively.

For the years ended June 30, 2019 and 2018, contributions made by employees to the College's 457(b) Plan of approximately $6,385,000 and $5,737,000, respectively, were included in separately invested assets and accrued payroll and other liabilities on the statements of financial position.

(11) Workers' Compensation

The College participates with other members of The Claremont Colleges in collective insurance agreements including self-insurance for workers' compensation. At June 30, 2019 and 2018, the College had approximately $212,000 and $269,000, respectively, in accrued payroll and other liabilities to provide

(Continued)

for payment of claims pending. Management believes that the ultimate disposition of these or other claims would not result in any material adjustments to the financial statements.

(12) Endowment

The net assets of the College include permanent endowment funds and funds functioning as endowment. Permanent endowments are subject to the restrictions of gift instruments requiring in perpetuity that the principal be invested and the income only be utilized as provided for under the California Uniform Prudent Management of Institutional Funds Act (CUPMIFA). While funds functioning as endowment have been established by the board of trustees to function as endowment, any portion of such funds may be expended.

The College's endowment consists of approximately 1,800 individual funds established for a variety of purposes including both donor-restricted endowment funds and funds designated by the board of trustees to function as endowments. Net assets associated with endowment funds, including funds designated by the board of trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

(a) Interpretation of Relevant Law

The board of trustees of the College has interpreted the CUPMIFA (the Act) as permitting the preservation of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the College classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowments; (b) the original value of subsequent gifts to the permanent endowment; and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The portion of the donor-restricted endowment fund related to accumulated earnings on endowments is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the College in a manner consistent with the standard of prudence prescribed by the Act. In accordance with the Act, the College considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

(b) Return Objective and Risk Parameters

The College has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the College must hold in perpetuity as well as board-designated funds. Under this policy, as approved by the board of trustees, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of a custom benchmark that reflects the College's current asset allocation targets and a simple benchmark composed of 85% of the S&P 500 Index and 15% of the Barclays Capital Government/Credit Bond Index, while assuming a moderate level of investment risk.

The College expects its endowment funds to attain, over time and within acceptable risk levels, an average annual real rate of return of approximately 5.00%, net of all investment management and related fees and without regard to whether the return is in the form of income or capital gains. Actual returns in any given year may vary from this amount.

(c) Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the College relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The College targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

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

The College has a policy of appropriating for distribution each year 4.50% to 5.50% of its endowment funds' average fair value over the prior 20 quarters through June 30 one year prior to the beginning of the fiscal year in which the distribution is planned. In establishing this policy, the College considered the long-term expected return on its endowment. Accordingly, over the long term, the College expects the current spending policy to allow its endowment to maintain its purchasing power by growing at a rate at least equal to planned payouts. Additional real growth will be provided through new gifts and any excess investment return. For years ended June 30, 2019 and 2018, the board of trustees authorized distributions of $96,930,000 and $93,306,000, respectively, based on an approved spending rate of 4.77% and 4.81%, respectively, for current operations.

Endowment net assets consist of the following at June 30, 2019 and 2018, in thousands of dollars:

		2019		
		Without donor restrictions	**With donor restrictions**	**Total**
Donor-restricted endowment	$	—	379,116	379,116
Board-designated endowment		189,728	—	189,728
Accumulated unappropriated gains		808,704	943,549	1,752,253
Total	$	998,432	1,322,665	2,321,097

		2018		
		Without donor restrictions	With donor restrictions	Total
Donor-restricted endowment	$	—	373,203	373,203
Board-designated endowment		189,703	—	189,703
Accumulated unappropriated gains		790,683	920,118	1,710,801
Total	$	980,386	1,293,321	2,273,707

Changes in endowment net assets for the year ended June 30, 2019 are as follows, in thousands of dollars:

		Without donor restrictions	With donor restrictions	Total
Endowment net assets, June 30, 2018	$	980,386	1,293,321	2,273,707
Pooled investment returns:				
Investment income		7,729	10,114	17,843
Net realized and unrealized gains on investments		51,979	68,392	120,371
Total pooled investment returns		59,708	78,506	138,214
Distributions per spending policy		(96,930)	—	(96,930)
Net pooled investment returns appropriated to pool		(37,222)	78,506	41,284
Other changes in endowment:				
Gifts		2	1,634	1,636
Releases, changes, and transfers per donor restrictions		23	1,505	1,528
Endowment income reinvested		320	2,622	2,942
Appropriation of endowment assets for expenditure		54,923	(54,923)	—
Total other changes in endowment		55,268	(49,162)	6,106
Total changes in endowed		18,046	29,344	47,390
Endowment net assets, June 30, 2019	$	998,432	1,322,665	2,321,097

(Continued)

Changes in endowment net assets for the year ended June 30, 2018 are as follows, in thousands of dollars:

		Without donor restrictions	With donor restrictions	Total
Endowment net assets, June 30, 2017	$	941,991	1,223,217	2,165,208
Pooled investment returns:				
Investment income		6,375	8,233	14,608
Net realized and unrealized gains on investments		72,412	93,764	166,176
Total pooled investment returns		78,787	101,997	180,784
Distributions per spending policy		(93,306)	—	(93,306)
Net pooled investment returns appropriated to pool		(14,519)	101,997	87,478
Other changes in endowment:				
Gifts		13	4,897	4,910
Releases, changes, gains, losses, and transfers per donor restrictions		32	12,823	12,855
Endowment income reinvested		299	2,957	3,256
Appropriation of endowment assets for expenditure		52,570	(52,570)	—
Total other changes in endowment		52,914	(31,893)	21,021
Total changes in endowed		38,395	70,104	108,499
Endowment net assets, June 30, 2018	$	980,386	1,293,321	2,273,707

(13) Affiliated Institutions

The amounts paid by the College to Claremont University Consortium for the common student and administrative services and the use of facilities for the years ended June 30, 2019 and 2018 totaled $8,472,000 and $8,392,000, respectively.

(14) Commitments and Contingencies

(a) Line of Credit

At June 30, 2019, the College had three lines of credit with two institutions. A $35,000,000 line of credit would bear interest at a rate set by the bank (4.50% at June 30, 2019). There were no borrowings outstanding on this line of credit at June 30, 2019. A $25,000,000 committed line of credit and a $40,000,000 uncommitted line of credit with a second institution would bear interest at a rate set by the bank (5.00% at June 30, 2019). There were no borrowings outstanding on these lines of credit at June 30, 2019.

(Continued)

(b) Federal Funding

Certain federal grants that the College administers and for which it receives reimbursements are subject to audit and final acceptance by federal granting agencies. The amount of expenditures that may be disallowed by the grantor, if any, cannot be determined at this time. The College expects that such amounts, if any, would not have a significant impact on the financial position of the College.

(15) Functional Expenses by Natural Classification

Certain categories of expenses that are attributable to more than one program or supporting function are allocated based on various methods. Specifically, facilities, interest and depreciation are allocated among functional classifications based on usage of space and square footage. Information technology costs are allocated based on software usage and the overall employees in the various functional categories. All other costs are changed directly to the appropriate functional category.

Expenses by natural and functional classification for the years ended June 30, 2019 and 2018, were as follows:

	2019							
		Salaries and Benefits	Services	Depreciation and Amortization	Interest Expense	Plant Operations and utilities	Other Operating Expenses	Total
Instruction	$	45,448	2,012	6,030	2,710	3,385	8,091	67,676
Research		1,244	278	—	—	96	1,110	2,728
Public Service		1,035	59	4	2	8	197	1,305
Academic Support		6,880	5,124	2,086	937	1,223	2,296	18,546
Student Services		12,599	1,534	2,377	1,068	1,352	4,462	23,392
Institutional Support		17,811	9,066	917	337	909	3,457	32,497
Auxiliary Enterprises		10,428	2,100	7,145	3,211	3,828	4,838	31,550
Total	$	95,445	20,173	18,559	8,265	10,801	24,451	177,694

	2018							
		Salaries and Benefits	Services	Depreciation and Amortization	Interest Expense	Plant Operations and utilities	Other Operating Expenses	Total
Instruction	$	44,480	1,916	5,775	3,448	3,371	6,385	65,375
Research		1,310	360	—	—	112	1,248	3,030
Public Service		969	103	4	2	8	196	1,282
Academic Support		6,488	5,089	1,730	1,033	1,066	3,262	18,668
Student Services		12,191	1,356	2,277	1,360	1,346	4,756	23,286
Institutional Support		17,119	9,495	877	749	1,384	3,724	33,348
Auxiliary Enterprises		9,341	1,926	6,843	4,086	3,913	5,108	31,217
Total	$	91,898	20,245	17,506	10,678	11,200	24,679	176,206

(16) Subsequent Events

Subsequent events have been evaluated through December 19, 2019, which corresponds to the date when the financial statements were available to be issued. There are no other subsequent events that require disclosure.

Pomona College
150 E. Eighth Street
Claremont, CA 91711