



Pomona  
College

A photograph of a modern building with a red-tiled roof and large columns, surrounded by trees and a sculpture. The building has a prominent portico with several columns. The foreground features a large, abstract sculpture made of two tall, tapered, conical shapes on a dark base. The scene is set against a clear blue sky with a hint of sunset or sunrise.

# Audited Financial Statements

FOR THE YEAR ENDED  
**JUNE 30, 2022**

COVER: *View of the Center for Athletics, Recreation and Wellness as seen from Stover Walk.*



**POMONA COLLEGE**

Financial Statements

June 30, 2022 and 2021

(With Independent Auditors' Report Thereon)

# POMONA COLLEGE

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KPMG LLP  
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## Independent Auditors' Report

The Board of Trustees:

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the financial statements of Pomona College (the College), which comprise the statement of financial position as of June 30, 2022 and 2021, 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 College as of June 30, 2022 and 2021, 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.

#### *Basis for Opinion*

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the College and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our 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 U.S. generally accepted accounting principles, 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 College's ability to continue as a going concern for one year after the date the financial statements are issued.

#### *Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* 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 and *Government Auditing Standards*, 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 College's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern for a reasonable period of time.

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

#### *Supplementary Information*

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary schedule of financial responsibility data is presented for purposes of additional analysis as required by the US Department of Education, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary schedule of financial responsibility data is fairly stated, in all material respects, in relation to the financial statements as a whole.

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2022, 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 solely 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 the effectiveness of the College's 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 21, 2022

**POMONA COLLEGE**

Statements of Financial Position

June 30, 2022 and 2021

(In thousands of dollars)

<b>Assets</b>	<b>2022</b>	<b>2021</b>
Cash and cash equivalents	\$ 5,335	2,444
Accounts and other receivables, net	5,594	4,080
Prepaid expenses, deposits and other assets	12,570	2,307
Short-term investments	119,097	121,604
Contributions receivable, net	27,890	23,134
Notes receivable, net	8,601	9,291
Long-term investments:		
Pooled	2,924,561	3,208,585
Separately invested	109,802	147,529
Property, plant, and equipment, net	430,245	413,286
Total assets	\$ <u>3,643,695</u>	<u>3,932,260</u>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable	\$ 12,302	8,733
Accrued payroll and other liabilities	18,716	22,854
Life income and annuities obligation	132,589	127,339
Long-term debt	241,410	245,746
Government advances for student loans	730	961
Funds held in trust for others	6,962	16,523
Total liabilities	<u>412,709</u>	<u>422,156</u>
Net assets:		
Without donor restrictions	1,512,565	1,626,421
With donor restrictions	1,718,421	1,883,683
Total net assets	<u>3,230,986</u>	<u>3,510,104</u>
Total liabilities and net assets	\$ <u>3,643,695</u>	<u>3,932,260</u>

See accompanying notes to financial statements.

**POMONA COLLEGE**

Statement of Activities

Year ended June 30, 2022

(In thousands of dollars)

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Revenues, gains, and other support:			
Student revenues net (includes student financial aid of \$52,384)	\$ 75,904	—	75,904
Federal grants and contracts	4,863	—	4,863
Private gifts and grants	14,897	4,765	19,662
Private contracts	350	—	350
Pooled income appropriated for operations	105,320	—	105,320
Sales and services of education departments	3,251	—	3,251
Other revenues	650	—	650
	<u>205,235</u>	<u>4,765</u>	<u>210,000</u>
Net assets released or transferred from donor restrictions	<u>58,617</u>	<u>(58,617)</u>	<u>—</u>
Total revenues, gains, and other support	<u>263,852</u>	<u>(53,852)</u>	<u>210,000</u>
Expenses:			
Instruction	66,195	—	66,195
Research	2,608	—	2,608
Public service	1,269	—	1,269
Academic support	20,785	—	20,785
Student services	24,272	—	24,272
Institutional support	38,043	—	38,043
Auxiliary enterprises	37,167	—	37,167
Total expenses	<u>190,339</u>	<u>—</u>	<u>190,339</u>
Increase (decrease) in net assets from operating activities	<u>73,513</u>	<u>(53,852)</u>	<u>19,661</u>
Nonoperating activities:			
Net realized and unrealized losses on investments	(95,498)	(122,071)	(217,569)
Net investment income	10,334	19,375	29,709
Pooled income appropriated for operations	(105,320)	—	(105,320)
Pooled income appropriated for annuities	(3,787)	(1,943)	(5,730)
Changes in actuarially determined gift liabilities	4,486	(406)	4,080
Other actuarial adjustments	(113)	—	(113)
Annuity and life income funds released and liquidated	2,474	(6,365)	(3,891)
Other	55	—	55
Change in net assets from nonoperating activities	<u>(187,369)</u>	<u>(111,410)</u>	<u>(298,779)</u>
Change in net assets	<u>(113,856)</u>	<u>(165,262)</u>	<u>(279,118)</u>
Net assets, beginning of year	<u>1,626,421</u>	<u>1,883,683</u>	<u>3,510,104</u>
Net assets, end of year	<u>\$ 1,512,565</u>	<u>1,718,421</u>	<u>3,230,986</u>

See accompanying notes to financial statements.



**POMONA COLLEGE**

Statement of Activities

Year ended June 30, 2021

(In thousands of dollars)

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Revenues, gains, and other support:			
Student revenues net (includes student financial aid of \$43,303)	\$ 32,989	—	32,989
Federal grants and contracts	4,540	—	4,540
Private gifts and grants	7,055	12,707	19,762
Private contracts	136	—	136
Pooled income appropriated for operations	102,704	—	102,704
Sales and services of education departments	2,760	—	2,760
Other revenues	386	—	386
	<u>150,570</u>	<u>12,707</u>	<u>163,277</u>
Net assets released or transferred from donor restrictions	<u>66,961</u>	<u>(66,961)</u>	<u>—</u>
Total revenues, gains, and other support	<u>217,531</u>	<u>(54,254)</u>	<u>163,277</u>
Expenses:			
Instruction	61,621	—	61,621
Research	1,885	—	1,885
Public service	885	—	885
Academic support	18,382	—	18,382
Student services	20,629	—	20,629
Institutional support	31,668	—	31,668
Auxiliary enterprises	21,743	—	21,743
Total expenses	<u>156,813</u>	<u>—</u>	<u>156,813</u>
Increase (decrease) in net assets from operating activities	<u>60,718</u>	<u>(54,254)</u>	<u>6,464</u>
Nonoperating activities:			
Net realized and unrealized gains on investments	398,500	504,413	902,913
Net investment income	4,974	11,834	16,808
Pooled income appropriated for operations	(102,704)	—	(102,704)
Pooled income appropriated for annuities	(3,574)	(1,911)	(5,485)
Changes in actuarially determined gift liabilities	12,246	(309)	11,937
Other actuarial adjustments	177	—	177
Annuity and life income funds released and liquidated	(1,235)	(1,965)	(3,200)
Loss on retirement of debt	(22,034)	—	(22,034)
Other	410	—	410
Change in net assets from nonoperating activities	<u>286,760</u>	<u>512,062</u>	<u>798,822</u>
Change in net assets	347,478	457,808	805,286
Net assets, beginning of year	<u>1,278,943</u>	<u>1,425,875</u>	<u>2,704,818</u>
Net assets, end of year	<u>\$ 1,626,421</u>	<u>1,883,683</u>	<u>3,510,104</u>

See accompanying notes to financial statements.

**POMONA COLLEGE**

Statements of Cash Flows

Years ended June 30, 2022 and 2021

(In thousands of dollars)

	<u>2022</u>	<u>2021</u>
Cash flows from operating and nonoperating activities:		
Change in net assets	\$ (279,118)	805,286
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	18,963	18,925
Accretion of interest on CEFA bonds	1,928	1,976
Amortization of bond cost of issuance	45	164
Loss on retirement of debt	—	22,034
Contributions restricted for long-term investment	(17,422)	(17,756)
Net realized and unrealized (gains) losses on investments	217,569	(902,913)
Noncash gifts	—	(657)
Donated securities	(4,541)	(2,605)
Adjustments of actuarial liabilities	(4,080)	(11,937)
Change in assets and liabilities:		
Decrease (increase) in accounts receivable	(1,513)	1,730
Decrease in contributions receivable	6,960	7,045
Increase in prepaid expenses, inventory and other assets	(10,263)	(184)
Increase in accounts payable	3,569	4,344
Decrease in accrued payroll and other liabilities	(4,138)	(283)
Increase in lease obligation	433	—
Net cash used in operating activities	<u>(71,608)</u>	<u>(74,831)</u>
Cash flows from investing activities:		
Additions to property, plant, and equipment	(36,356)	(15,103)
Purchase of investments	(1,086,125)	(902,716)
Proceeds from sale of investments	1,172,229	1,026,186
Proceeds from sale of donated securities	4,862	2,274
Disbursements of student loans	(600)	(355)
Collections of student loans	1,290	997
Disbursements of trust deed loans	(3,623)	(2,325)
Collections of trust deed loans	2,972	3,395
Net cash provided by investing activities	<u>54,649</u>	<u>112,353</u>
Cash flows from financing activities:		
Proceeds from contributions restricted for:		
Investment in endowment	4,308	6,145
Investment in life income	4,971	2,350
Investment in plant	8,142	9,261
Repayment of notes payable	—	(65,000)
Government student loans return of fund	(231)	(208)
Payments on long-term debt	(6,310)	(116)
Investment income on life income and annuities	470	1,396
Proceeds from life income and annuities	19,930	10,737
Payments on life income and annuities	(2,752)	(2,984)
Payments on funds held in trust for others	(8,678)	—
Net cash provided by (used in) financing activities	<u>19,850</u>	<u>(38,419)</u>
Net change in cash and cash equivalents	2,891	(897)
Cash and cash equivalents, beginning of year	<u>2,444</u>	<u>3,341</u>
Cash and cash equivalents, end of year	\$ <u>5,335</u>	\$ <u>2,444</u>
Supplementary cash flow information:		
Cash paid during the year for interest	\$ 6,039	4,606
Noncash investing activities:		
Transfer of perpetual trusts	\$ 11,716	—
Noncash financing activities:		
Defeasance of bonds	\$ —	206,055

See accompanying notes to financial statements.

## POMONA COLLEGE

### Notes to Financial Statements

June 30, 2022 and 2021

#### **(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 1,750 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 within the following two 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 and short-term investments 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.

## POMONA COLLEGE

### Notes to Financial Statements

June 30, 2022 and 2021

**(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) 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.

**(h) 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 used 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.

**(i) 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 0.97% to 7.50% and overestimated lives according to the 2012 IAR Mortality Tables.

**(j) 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. Contributions that contain a donor-imposed condition are not recorded until the condition is substantially met or when the possibility that the condition will not be met is remote. A donor-imposed condition must include both a barrier and a right of asset return or pledge cancellation. 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





































**POMONA COLLEGE**  
Notes to Financial Statements  
June 30, 2022 and 2021

**(9) Net Assets**

At June 30, 2022 and 2021, net assets consist of the following, in thousands of dollars:

	<u>2022</u>	<u>2021</u>
Without donor restrictions:		
For plant and other designated purposes	\$ 112,228	112,246
Loan funds	1,282	1,311
Designated for annuity and life income funds	41,634	54,670
Funds functioning as endowment	1,170,280	1,291,693
Invested in property, plant, and equipment, net of related debt	<u>187,141</u>	<u>166,501</u>
Total without donor restrictions	<u>1,512,565</u>	<u>1,626,421</u>
With donor restrictions:		
Endowment funds	420,149	406,639
Restricted for specific purposes and time	62,849	62,583
Annuity and life income funds	45,716	65,958
Loan funds	15,165	15,389
Accumulated unappropriated gains on endowment	<u>1,174,542</u>	<u>1,333,114</u>
Total with donor restrictions	<u>1,718,421</u>	<u>1,883,683</u>
Total net assets	<u>\$ 3,230,986</u>	<u>3,510,104</u>

**(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, 2022 and 2021, the College's contributions to this plan amounted to approximately \$6,725,000 and \$6,469,000, respectively.

For the years ended June 30, 2022 and 2021, contributions made by employees to the College's 457(b) Plan of approximately \$6,885,000 and \$8,362,000, 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, 2022 and 2021, the College had approximately (\$252,000) and (\$365,000), respectively, in accrued payroll and other liabilities to

## POMONA COLLEGE

### Notes to Financial Statements

June 30, 2022 and 2021

provide 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

**POMONA COLLEGE**

Notes to Financial Statements

June 30, 2022 and 2021

**(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, 2022 and 2021, the board of trustees authorized distributions of \$104,958,000 and \$102,449,000, respectively, for current operations.

Endowment net assets consist of the following at June 30, 2022 and 2021, in thousands of dollars:

	<b>2022</b>		
	<b>Without donor restrictions</b>	<b>With donor restrictions</b>	<b>Total</b>
Donor-restricted endowment	\$ (2,209)	420,149	417,940
Board-designated endowment	189,860	—	189,860
Accumulated unappropriated gains	982,629	1,174,543	2,157,172
Total	\$ 1,170,280	1,594,692	2,764,972

**POMONA COLLEGE**

Notes to Financial Statements

June 30, 2022 and 2021

	<b>2021</b>		
	<b>Without donor restrictions</b>	<b>With donor restrictions</b>	<b>Total</b>
Donor-restricted endowment	\$ —	406,639	406,639
Board-designated endowment	189,817	—	189,817
Accumulated unappropriated gains	<u>1,101,876</u>	<u>1,333,114</u>	<u>2,434,990</u>
Total	<u>\$ 1,291,693</u>	<u>1,739,753</u>	<u>3,031,446</u>

Changes in endowment net assets for the year ended June 30, 2022 are as follows, in thousands of dollars:

	<b>Without donor restrictions</b>	<b>With donor restrictions</b>	<b>Total</b>
Endowment net assets, June 30, 2021	\$ 1,291,693	1,739,753	3,031,446
Pooled investment returns:			
Investment income	11,449	15,355	26,804
Net realized and unrealized losses on investments	<u>(86,216)</u>	<u>(116,266)</u>	<u>(202,482)</u>
Total pooled investment losses	(74,767)	(100,911)	(175,678)
Distributions per spending policy	<u>(104,958)</u>	<u>—</u>	<u>(104,958)</u>
Net pooled investment losses appropriated to pool	<u>(179,725)</u>	<u>(100,911)</u>	<u>(280,636)</u>
Other changes in endowment:			
Gifts	—	4,308	4,308
Releases, changes, and transfers per donor restrictions	(2,157)	8,092	5,935
Endowment income reinvested	386	3,533	3,919
Appropriation of endowment assets for expenditure	<u>60,083</u>	<u>(60,083)</u>	<u>—</u>
Total other changes in endowment	<u>58,312</u>	<u>(44,150)</u>	<u>14,162</u>
Total changes in endowment	<u>(121,413)</u>	<u>(145,061)</u>	<u>(266,474)</u>
Endowment net assets, June 30, 2022	<u>\$ 1,170,280</u>	<u>1,594,692</u>	<u>2,764,972</u>



**POMONA COLLEGE**  
Notes to Financial Statements  
June 30, 2022 and 2021

Changes in endowment net assets for the year ended June 30, 2021 are as follows, in thousands of dollars:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Endowment net assets, June 30, 2020	\$ 965,014	1,289,533	2,254,547
Pooled investment returns:			
Investment income	6,386	8,482	14,868
Net realized and unrealized gains on investments	<u>363,790</u>	<u>486,532</u>	<u>850,322</u>
Total pooled investment returns	370,176	495,014	865,190
Distributions per spending policy	<u>(102,449)</u>	<u>                    </u>	<u>(102,449)</u>
Net pooled investment returns appropriated to pool	<u>267,727</u>	<u>495,014</u>	<u>762,741</u>
Other changes in endowment:			
Gifts	—	5,964	5,964
Releases, changes, and transfers per donor restrictions	150	4,658	4,808
Endowment income reinvested	365	3,021	3,386
Appropriation of endowment assets for expenditure	<u>58,437</u>	<u>(58,437)</u>	<u>—</u>
Total other changes in endowment	<u>58,952</u>	<u>(44,794)</u>	<u>14,158</u>
Total changes in endowment	<u>326,679</u>	<u>450,220</u>	<u>776,899</u>
Endowment net assets, June 30, 2021	<u>\$ 1,291,693</u>	<u>1,739,753</u>	<u>3,031,446</u>

**(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, 2022 and 2021 totaled \$8,448,000 and \$7,327,000, respectively.

**(14) Related Parties**

As of June 30, 2022 and 2021, \$10,830,000 and \$14,600,000 of gross contribution receivables are due from Board of Trustee members.

**POMONA COLLEGE**

Notes to Financial Statements

June 30, 2022 and 2021

**(15) Commitments and Contingencies**

**(a) Line of Credit**

At June 30, 2022, the College had three lines of credit from two institutions which in total provide \$100,000,000 in additional liquidity; there were no borrowings outstanding on these lines of credit at that date. All three lines are re-negotiated annually and currently provide the following interest rate options: Daily Simple Secured Overnight Financing Rate plus 50 basis points, Term Secured Overnight Financing Rate plus 50 basis points, or the Prime Rate. At June 30, 2022 the one-month Term Secured Overnight Financing Rate plus 50 basis points equaled 2.186%.

**(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.

**(16) 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 charged directly to the appropriate functional category.

Expenses by natural and functional classification for the years ended June 30, 2022 and 2021, were as follows:

	2022						Total
	Salaries and benefits	Services	Depreciation and amortization	Interest expense	Plant operations and utilities	Other operating expenses	
Instruction	\$ 49,394	2,162	6,360	2,588	3,152	2,539	66,195
Research	1,070	235	—	—	35	1,268	2,608
Public service	950	151	4	1	3	160	1,269
Academic support	8,344	5,003	2,200	895	1,195	3,148	20,785
Student services	14,244	1,681	2,507	1,020	1,300	3,519	24,271
Institutional support	17,713	12,767	967	395	999	5,203	38,044
Auxiliary enterprises	12,541	3,368	7,535	3,068	3,800	6,855	37,167
Total	\$ <u>104,256</u>	<u>25,367</u>	<u>19,573</u>	<u>7,967</u>	<u>10,484</u>	<u>22,692</u>	<u>190,339</u>

**POMONA COLLEGE**

Notes to Financial Statements

June 30, 2022 and 2021

	2021						Total
	Salaries and benefits	Services	Depreciation and amortization	Interest expense	Plant operations and utilities	Other operating expenses	
Instruction	\$ 47,747	1,919	5,974	2,087	2,817	1,077	61,621
Research	768	272	—	—	80	765	1,885
Public service	751	12	4	1	5	112	885
Academic support	7,915	4,186	2,067	722	1,036	2,456	18,382
Student services	13,064	1,558	2,355	823	1,082	1,747	20,629
Institutional support	18,415	9,622	908	317	275	2,131	31,668
Auxiliary enterprises	6,852	1,541	7,079	2,473	3,130	668	21,743
Total	\$ 95,512	19,110	18,387	6,423	8,425	8,956	156,813

**(17) Financial Responsibility Standards**

The College participates in federal Title IV student financial assistance programs, which require it to meet standards of financial responsibility based on criteria determined by the U.S. Department of Education (ED), as set forth in 34 CFR 668.171. The criteria for private institutions include the annual calculation by ED of a financial responsibility composite score, as further outlined in 34 CFR 668.172, using audited financial statements submitted through the ED's eZ-Audit system. The composite score has been and will continue to be based on three ratios: Primary Reserve, Equity, and Net Income. These ratios utilize the following financial data of the College, which are not otherwise presented in the financial statements or other notes to the financial statements, as of and for the year ended June 30, 2022:

Inputs directly from the statement of activities:

Total revenues, gains, and other support	Net income ratio	\$ 263,852,000
Plus: Net realized and unrealized gains on investments	Net income ratio	(95,498,000)
Plus: Net investment income	Net income ratio	10,334,000
Plus: Changes in actuarially determined gift liabilities	Net income ratio	4,486,000
Plus: Other actuarial adjustments	Net income ratio	(113,000)
Plus: Other	Net income ratio	55,000
Total revenue and gains without donor restrictions		\$ <u>183,116,000</u>

**POMONA COLLEGE**

Notes to Financial Statements

June 30, 2022 and 2021

**(18) Deferred Tax Asset**

The College has recorded a deferred tax asset reflecting the benefit of federal and state unrelated business taxable income loss carryforwards and credits, which expire in varying amounts in varying time periods. Included in net operating loss carryforward are \$17,157,337 of federal losses that arose after the 2017 tax year which are available to reduce future federal taxable income, if any, over an indefinite period. In addition, the College has recorded a deferred tax asset reflecting the benefit of accumulated unrealized investment losses, not subject to expiration, that are available to offset future realized gains subject to IRC Section 4968 excise taxes. The composition of carryforward benefits that give rise to the deferred tax asset are as follows:

		<b>Federal</b>	<b>State</b>	<b>Excise Tax</b>	<b>Total</b>
Carryforwards	\$	72,746,325	23,564,663	—	96,310,988
Credits		11,219,952	—	—	11,219,952
Unrealized losses		—	—	526,580,202	526,580,202
Total	\$	83,966,277	23,564,663	526,580,202	634,111,142

Realization of these assets is dependent on generating sufficient taxable income prior to expiration of the loss carryforwards and credits. The valuation allowance primarily related to foreign tax credits and net operating losses arising before the 2018 tax year subject to expiration. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets depends on the generation of future taxable income during the periods in which those loss carryforwards and credits are available.

		<b>Federal</b>	<b>State</b>	<b>Excise Tax</b>	<b>Total</b>
Deferred tax assets	\$	26,496,080	1,537,690	7,372,123	35,405,893
Valuation allowance		(22,372,811)	(654,705)	(1,866,068)	(24,893,584)
Net federal deferred tax asset	\$	4,123,269	882,985	5,506,055	10,512,309

**(19) Subsequent Events**

Subsequent events have been evaluated through December 21, 2022, which corresponds to the date when the financial statements were available to be issued.

## **SUPPLEMENTARY SCHEDULE**

**POMONA COLLEGE**

Supplementary Schedule of Financial Responsibility Data

Year ended June 30, 2022

(In thousands of dollars)

<u>Location in financial statements or related notes</u>	<u>Financial element</u>	<u>Amount</u>
Primary reserve ratio: expendable net assets:		
Statement of financial position	Net assets without donor restrictions	\$ 1,512,565
Statement of financial position	Net assets with donor restrictions	1,718,421
Statement of financial position	Property, plant, and equipment, net	430,245
Note 7, Property, Plant and Equipment	Construction in progress	51,204
Statement of financial position	Long-term debt	241,410
Statement of financial position	Annuities with donor restrictions	59,076
Note 9, Net Assets	Annuity and life income funds with donor restrictions	45,716
Note 9, Net Assets	Term endowments with donor restrictions	440
Note 9, Net Assets	Net assets with donor restrictions: restricted in perpetuity	461,622
Primary reserve ratio: expenses and losses:		
Statement of activities	Total expenses and losses without donor restrictions	296,972
Equity ratio: modified net assets:		
Statement of financial position	Net assets without donor restrictions	1,512,565
Statement of financial position	Net assets with donor restrictions	1,718,421
Equity ratio: modified assets:		
Statement of financial position	Total assets	3,643,695
Net income ratio:		
Statement of activities	Change in net assets without donor restrictions	(113,856)
Note 17, Financial Responsibility Standards	Total revenues and gains without donor restrictions	183,116

See accompanying independent auditors report.





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