

Bryn Mawr College
Financial Statements
May 31, 2020 and 2019

Bryn Mawr College
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May 31, 2020 and 2019

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Report of Independent Auditors

To the Board of Trustees of Bryn Mawr College

We have audited the accompanying financial statements of Bryn Mawr College, which comprise the statements of financial position as of May 31, 2020 and 2019, and the related statements of activities and of cash flows for the years then ended.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; 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 the financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our 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, we consider internal control relevant to the College'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 College'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 Bryn Mawr College as of May 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

PricewaterhouseCoopers LLP

October 5, 2020

Bryn Mawr College
Statements of Financial Position
May 31, 2020 and 2019

(in thousands)

	<u>2020</u>	<u>2019</u>
Assets		
Cash & cash equivalents	\$ 48,522	\$ 55,907
Short term investments	25,672	6,367
Accounts receivable (less allowance of \$604 in 2020 & \$364 in 2019)	5,553	5,754
Other current assets	1,101	1,734
Contributions receivable (less allowance of \$67 in 2020 & \$4 in 2019)	20,399	23,698
Student loans receivable (less allowance of \$1,870 in 2020 & \$1,765 in 2019)	2,560	2,727
Deposits with trustees of debt obligations	11,611	2,540
Plant and equipment, net of accumulated depreciation	194,358	196,782
Long term investments	906,669	931,340
Total assets	<u>\$ 1,216,445</u>	<u>\$ 1,226,849</u>
Liabilities and Net Assets		
Liabilities		
Accounts Payable	\$ 3,877	\$ 2,974
Accrued Expenses	7,469	7,858
Student Deposits	2,199	1,704
Deferred Revenue	1,668	2,647
Annuity Obligations	7,024	7,185
Debt	126,435	121,569
Other Long-term Liabilities	3,053	2,908
Advances from US government for student loans	605	964
Total Liabilities	<u>152,330</u>	<u>147,808</u>
Net Assets		
Without donor restrictions	519,651	521,709
With donor restrictions	544,464	557,332
Total net assets	<u>1,064,116</u>	<u>1,079,041</u>
Total Liabilities and Net Assets	<u>\$ 1,216,445</u>	<u>\$ 1,226,849</u>

The accompanying notes are an integral part of these financial statements.

Bryn Mawr College
Statement of Activities
Year Ended May 31, 2020

(with comparative totals for 2019, in thousands)

	Without donor restrictions	With donor restrictions	Total 2020	Total 2019
Operating revenues and other support:				
Tuition and fees, net of discount of \$39,497	\$ 46,028	\$ -	\$ 46,028	\$ 43,941
Private contributions	6,658	4,029	10,687	16,132
Government grants	6,998	-	6,998	7,074
Endowment payout under spending formula	23,740	23,081	46,821	46,280
Other	4,047	-	4,047	4,290
Auxiliary enterprises, net of discount of \$1,674	20,506	-	20,506	23,887
Interest income on cash and short-term investments	2,137	-	2,137	1,974
Releases from restriction	24,574	(24,574)	-	-
Total operating revenues and other support	<u>134,687</u>	<u>2,536</u>	<u>137,223</u>	<u>143,579</u>
Operating expenses:				
Education	78,556		78,556	80,756
Research	1,783		1,783	2,156
Public service	1,157		1,157	1,463
Institutional support	22,840		22,840	22,154
Auxiliary enterprises	17,567		17,567	17,291
Total operating expenses	<u>121,903</u>	<u>-</u>	<u>121,903</u>	<u>123,821</u>
Net changes from operations and other support	<u>12,784</u>	<u>2,536</u>	<u>15,320</u>	<u>19,758</u>
Non-operating items:				
Private contributions	1,649	6,854	8,504	19,588
Actuarial changes, interest and payments	(456)	(420)	(876)	(1,003)
Releases from restriction	839	(839)	-	-
Other	(17)	-	(17)	16
Realized and unrealized gains (losses) on investments, net of \$48,867 appropriated for endowment spending payout	(16,856)	(21,000)	(37,856)	(32,086)
Net changes from non-operating activities	<u>(14,841)</u>	<u>(15,404)</u>	<u>(30,245)</u>	<u>(13,485)</u>
Change in net assets	(2,057)	(12,868)	(14,925)	6,273
Net assets at beginning of year	521,709	557,332	1,079,041	1,072,768
Net assets at end of year	<u>\$ 519,651</u>	<u>\$ 544,464</u>	<u>\$1,064,116</u>	<u>\$1,079,041</u>

The accompanying notes are an integral part of these financial statements.

Bryn Mawr College
Statement of Activities
Year Ended May 31, 2019
(in thousands)

	Without donor restrictions	With donor restrictions	Total 2019
Operating revenues and other support:			
Tuition and fees, net of discount of \$39,265	\$ 43,941	\$ -	\$ 43,941
Private contributions	6,306	9,826	16,132
Government grants	7,074	-	7,074
Endowment payout under spending formula	22,391	23,889	46,280
Other	4,290	-	4,290
Auxiliary enterprises, net of discount of \$1,520	23,887	-	23,887
Interest income on cash and short-term investments	1,974	-	1,974
Releases from restriction	26,382	(26,382)	-
Total operating revenues and other support	<u>136,246</u>	<u>7,334</u>	<u>143,579</u>
Operating expenses:			
Education	80,756		80,756
Research	2,156		2,156
Public service	1,463		1,463
Institutional support	22,154		22,154
Auxiliary enterprises	17,291		17,291
Total operating expenses	<u>123,821</u>	<u>-</u>	<u>123,821</u>
Net changes from operations	<u>12,425</u>	<u>7,334</u>	<u>19,758</u>
Non-operating items:			
Private contributions	3,329	16,260	19,588
Actuarial changes, interest and payments	(646)	(356)	(1,003)
Releases from restriction	446	(446)	-
Other	35	(20)	16
Realized and unrealized gains (losses) on investments, net of \$42,183 appropriated for endowment spending payout	(14,610)	(17,477)	(32,086)
Net changes from non-operating activities	<u>(11,446)</u>	<u>(2,039)</u>	<u>(13,485)</u>
Change in net assets	979	5,294	6,273
Net assets at beginning of year	520,730	552,038	1,072,768
Net assets at end of year	<u>\$ 521,709</u>	<u>\$ 557,332</u>	<u>\$1,079,041</u>

The accompanying notes are an integral part of these financial statements.

Bryn Mawr College
Statements of Cash Flows
Years Ended May 31, 2020 and 2019

(in thousands)

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities		
Change in net assets	\$ (14,925)	\$ 6,273
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	12,854	13,036
Amortization	(832)	(832)
Loss on disposal of equipment	25	6
Provision for losses on accounts/loans receivable	402	(65)
Contributions restricted/designated for long-term investment	(8,420)	(20,204)
Contributions of property	-	(1,405)
Net realized and unrealized (gains)/losses on investments	(9,954)	(10,381)
Change in net present value of annuities	(161)	(106)
Change in asset retirement obligation	145	139
Changes in operating assets and liabilities:		
Accounts receivable, inventory and prepaid expenses	594	126
Accounts payable, accruals, deferred revenue and deposits	(129)	148
Contributions receivable	3,237	(1,360)
Net cash provided by (used in) operating activities	<u>(17,164)</u>	<u>(14,625)</u>
Cash flows from investing activities		
Proceeds from sale of investments	372,761	159,133
Purchase of long-term investments	(348,527)	(140,287)
Payments on student loans and employee mortgages	1,500	1,236
Student loans and employee mortgages advanced	(942)	(1,287)
Purchase of property, plant and equipment	(10,295)	(13,897)
Decrease(increase) in deposits held by trustees of debt obligations	<u>(9,071)</u>	<u>61</u>
Net cash provided by (used in) investing activities	<u>5,426</u>	<u>4,959</u>
Cash flows from financing activities		
Contributions restricted or designated for long-term investment	8,420	20,204
Proceeds from long-term borrowing	30,328	-
Debt issuance costs/premium	(330)	-
Repayment of debt	(24,300)	(2,965)
Government advance for loans	<u>(359)</u>	<u>(20)</u>
Net cash provided by (used in) financing activities	<u>13,759</u>	<u>17,219</u>
Net increase(decrease) in cash, cash equivalents, and restricted cash	2,020	7,553
Cash, cash equivalents, and restricted cash at beginning of year	<u>59,600</u>	<u>52,047</u>
Cash, cash equivalents, and restricted cash at end of year	<u>\$ 61,620</u>	<u>\$ 59,600</u>
Supplemental disclosures		
Non-cash gifts-in-kind	\$ 148	\$ 37
Contributed securities	4,890	4,991
Interest paid	5,348	5,201
Construction related payables	981	822

The accompanying notes are an integral part of these financial statements.

Bryn Mawr College
Notes to the Financial Statements
May 31, 2020
(Dollars in thousands)

1 Organization

Bryn Mawr College (the College) is a private institution of higher education founded in 1885 and located in Bryn Mawr, Pennsylvania on an historic and picturesque suburban campus less than ten miles from the downtown center of Philadelphia.

The Undergraduate College offers a four-year, residential experience to approximately 1,430 women representing 50 different states, districts and territories and 44 different countries with an expansive, customizable liberal arts curriculum of over 35 majors and 50 minors. Bryn Mawr was the first women's college to offer graduate education through the Ph.D., defying the limitations imposed on women's intellectual achievement at other institutions of the time. The College continues its support of master and doctoral programs via its Graduate School of Arts and Sciences and its Graduate School of Social Work and Social Research. Both graduate schools are coeducational and enroll approximately 300 full-time equivalent students in total.

2 Summary of Significant Accounting Policies

Basis of Presentation

The College's financial statements have been prepared on an accrual basis and in accordance with U.S. Generally Accepted Accounting Principles (GAAP). Net assets are classified as without donor restrictions or with donor restrictions based on the existence or absence of donor-imposed restrictions as follows:

With donor restrictions: Net assets subject to donor-imposed stipulations include current spendable contributions (non-endowment) with donor-imposed restrictions, endowment, capital, and planned contributions, and realized and unrealized gains and losses on the endowment.

Without donor restrictions: Net assets that are not subject to donor-imposed stipulations. Net assets without donor restriction may be designated for specific purposes by action of the Board of Trustees ("Quasi Endowment") or may otherwise be limited by contractual agreements with outside parties.

Expenses are reported as decreases in net assets without donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose for the restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the Statements of Activities as releases from restriction.

Measure of Operations

The College's measure of operations as presented in the Statement of Activities includes operating revenue from student tuition and fees (net of financial aid), private contributions, government grants, endowment payout under spending formula, auxiliary (net of financial aid), interest, and other. The Statement of Activities presents operating expenses by their functional classification. Additionally, operating expenses are presented by natural and functional classifications in footnote 10 Expenses by Nature and Function.

Non-operating activity presented on the Statement of Activities is comprised of private contributions (endowment and capital gifts), realized and unrealized gains and losses on investments (net of funds appropriated for endowment spending payout), actuarial changes related to split interest agreement funds, interest and payments related to the College's endowment and trusts, and other.

Bryn Mawr College
Notes to the Financial Statements
May 31, 2020
(Dollars in thousands)

Use of Estimates

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

Cash and Cash Equivalents

Cash and other investments with a maturity of three months or less at the time of purchase are reported as cash equivalents. The College has elected to classify cash equivalents included within short-term investments and long-term investments on the Statements of Financial Position as an investment and, therefore, does not include these within the Statement of Cash Flows.

Reconciliation between cash, cash equivalents, and restricted cash on the Statements of Cash Flows and Statements of Financial Position as of May 31 is as follows:

	<u>2020</u>	<u>2019</u>
Statements of Financial Position		
Cash & cash equivalents	\$ 48,522	\$ 55,907
Cash included in Long term investments	\$ 13,098	\$ 3,693
Statements of Cash Flow total cash, cash equivalents, and restricted cash*	\$ 61,620	\$ 59,600

*The College does not have restricted cash balances.

Contributions Receivable

Contributions, which include unconditional promises to give (pledges), are recognized as revenues in the period received at their net present value, less an allowance for estimated uncollectible amounts.

Fair Value of Financial Instruments

Certain College investments and other financial instruments are reported at fair value and other investments are reported using the practical expedient by reporting the fair value using the net asset value (NAV). Fair value represents the price that would be received upon the sale of an asset or paid upon the transfer of a liability in an orderly transaction between market participants as of the measurement date. Investments are then classified and disclosed in one of the following categories based on the lowest level input that is significant to the fair value measurement in its entirety:

- Level I – Quoted prices in active markets for identical assets or liabilities, at the reporting date, without adjustment. Market price is data generally obtained from relevant exchange or dealer markets.
- Level II – Pricing inputs, including broker quotes, are generally those other than exchange quoted prices in active markets, which are either directly or indirectly observable as of the reporting date.
- Level III – Pricing inputs are unobservable for the investment and includes situations where a) there is minimal, if any, market activity for the investment and b) the inputs used in determination of fair value require significant management judgment or estimation.

Inputs broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific

Bryn Mawr College
Notes to the Financial Statements
May 31, 2020
(Dollars in thousands)

and broad credit data, liquidity statistics and other factors. The College considers observable data to be that market data which is readily available, regularly distributed or updated, reliable and verifiable, not proprietary and provided by independent sources that are actively involved in the relevant market. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the College's perceived risk of that instrument.

Assets and liabilities are disclosed in the Notes to Financial Statements within the hierarchy based on the lowest (or least observable) input that is significant to the measurement. The College's assessment of the significance of an input requires judgment, which may affect the valuation and categorization within the fair value hierarchy.

The College performs additional procedures including due diligence reviews on its investments in investment companies and other procedures with respect to the capital account or net asset value (NAV) provided to ensure conformity with US Generally Accepted Accounting Principles (GAAP). The College has assessed factors including, but not limited to, managers' compliance with the Fair Value Measurement standard, price transparency and valuation procedures in place, the ability to redeem NAV at the measurement date and existence of certain redemption restrictions at the measurement date.

Cash and Equivalents

The carrying amount approximates fair value because of the short maturity of these instruments.

Short-Term Investments

Short-term investments include cash equivalents and fixed income mutual funds with maturities between three and twelve months. These short-term investments are valued using observable market data to the degree that they can be valued based on quoted market prices in active markets.

Equity Funds

Equity investments consist of separate accounts, daily traded mutual funds, commingled funds and limited partnerships. Securities held in separate accounts and daily traded mutual funds are generally valued based on quoted market prices in active markets obtained from exchange or dealer markets for identical assets with no valuation adjustment applied. Commingled funds and limited partnership interests are valued at NAV.

Real Assets

Real assets primarily represent real estate, commodity and energy related interests held through limited partnerships. The fund managers invest primarily in private investments for which there is no readily determinable market value. The fund manager may value the underlying private investments based on an appraised value, discounted cash flow, industry comparables or some other method. These investments are valued at NAV and adjusted for subsequent cash flow activity if applicable.

Private Equity

Investments in private equity are in the form of limited partnership interests. The fund managers invest primarily in private investments for which there is no readily determinable market value. The fund manager may value the underlying private investments based on an appraised value, discounted cash flow, industry comparables or some other method. These limited partnership investments are valued at NAV and adjusted for subsequent cash flow activity if applicable.

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Hedge Funds

Investments in hedge funds, also known as marketable alternatives, represent multi-strategy, global and US equity interests. The fund manager may value the underlying private investments based on an appraised value, discounted cash flow, industry comparables or some other method. These investments are valued at NAV and adjusted for subsequent cash flow activity if applicable.

Trust and Split Interest Agreements

Split interest agreements represent a variety of funds including pooled growth, pooled income, charitable gift annuity, charitable remainder unitrust and annuity trusts and income trusts. Where the College is trustee, liabilities associated with third party interests are reported on the Statement of Financial Position at fair value. Discount rates range between 3-6%. The College is the beneficiary of Trusts held by others. These are income trusts where the College will receive income payments in perpetuity or a defined term as defined in the trust. Beneficial interest in perpetual trusts represent resources neither in the possession of nor under the control of the College, but held and administered by outside fiscal agents, with the College deriving income from such funds. The trusts are recorded at their respective fair values which are reported periodically to the College by the outside fiscal agent.

Mortgages

The College's Mortgage Loan program is currently available to faculty who meet certain eligibility requirements and permits long-term monthly amortizing first mortgage loans of up to 85% of the appraised value (subject to a cap) for homes which are within a specified distance of campus. Mortgages are to be paid off in full within six months of termination of employment for any reason. The interest rate on such mortgage loans is locked for the term of the mortgage using the long-term monthly Applicable Federal Rate published by the Internal Revenue Service. Mortgage payments are by payroll deduction. Currently, there are no associated allowances for the receivables held under this program. The College has limited the number of faculty mortgages it issues to five during each calendar year.

Student Loan Receivables

Student loan receivables are reported net of allowances for doubtful loans whose adequacy is assessed regularly. The allowance provisions are intended to provide for loans that may not be collected. Determination of the fair value of student loan receivables, 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.

Endowment Investment and Spending Policies and Objectives

The College's endowment is comprised of approximately 1,460 individual funds established for a variety of reasons, including donor restrictions as well as funds designated by the Board to function as endowments (i.e. the quasi-endowment). Bryn Mawr's investment policy goal is primarily to maintain the purchasing power of the endowment and secondarily, to increase the portion of the College's operating budget that comes from endowment over time. The College utilizes a highly diversified investment portfolio to reduce the risk and increase the return over a full market cycle.

In determining the annual spending amount, Bryn Mawr College's policy uses a constant growth factor in combination with incremental spending from new gifts and a market-value-based collar. The spending amount for a given fiscal year is calculated using a 4.5% increase over the prior fiscal year's spending amount plus 5% of new gifts that were received in the most recently closed fiscal year. The

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May 31, 2020
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draw amount is then tested against the set collar: a floor or minimum draw amount of 4.5% of the trailing three-year average of the fiscal year-end market values and a ceiling or maximum draw amount of 5.5% of the same trailing three-year average of the fiscal year-end market values.

Commonwealth of Pennsylvania law (Act 141) permits the College to allocate to income each year a portion of endowment net realized gains. In accordance with the law, the College spends between 2% and 7% of the fair market value of the endowment funds, averaged over a period of three or more preceding years.

New Accounting Standards

In November 2016, the FASB issued an amendment (ASU 2016-18) to the Topic 230, Statement of Cash Flows - Restricted Cash. This standard provides specific guidance on the treatment of restricted cash and restricted cash equivalents on the Statement of Cash Flows. This standard is effective for fiscal years beginning after December 15, 2018. The implementation of the standard had no material effect on the presentation of restricted cash on the College's Statement of Cash Flow.

In February 2016, the FASB issued a standard on Leases (Topic 842). This standard requires lessees to recognize assets and liabilities for the rights and obligations created by leases with terms in excess of 12 months. The recognition, measurement and presentation of expenses and cash flows arising from a lease will primarily depend on its classification as a finance or operating lease. The accounting by lessors remains largely unchanged. This standard was originally set to be effective for fiscal years beginning after December 15, 2018. In June 2020 in response to the COVID-19 pandemic, the FASB issued an Accounting Standards Update (ASU 2020-05), which deferred the effective date for implementation of the Leases standard by one year with fiscal years beginning after December 15, 2019. The College has elected to utilize the deferral and is evaluating the impact this will have on the financial statements beginning in Fiscal Year 2021, which is not expected to be material.

Plant and Equipment

Plant assets are stated at cost less accumulated depreciation. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets, as follows: building shell (60 years); building systems, renovations and land improvements (20-25 years); information systems, equipment and furnishings (5-10 years); and library books (20 years). Depreciation expense is allocated to functional categories in the statement of operations based on building square footage. Expenditures for new construction, major renovations, equipment, and library acquisitions are capitalized. Gains or losses on the sale or retirement of plant assets are recorded in the year of disposition.

Works of art, special collections and similar assets have been capitalized at their estimated fair value at the date of acquisition, based upon appraisals or similar valuations. Such assets are not depreciated.

Long-lived assets to be held and used are reviewed for impairments whenever events or changes in circumstances indicate that the related carrying amount may not be recoverable.

Deferred Revenue

Student revenue is recognized net of institutional scholarships in the fiscal year in which the academic programs are delivered. Revenues received prior to the end of the fiscal year which relate to the following fiscal year are recorded and reflected in student deposits and deferred revenue.

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Deposit with Trustees of Debt Obligations

Deposits with the trustee associated with the College’s debt obligations are invested in cash, money market and various government securities according to the requirements established by the associated bond agreements.

Fund Raising Expenses

Direct expenses for fundraising were \$4,776 in 2020 and \$4,541 in 2019.

Tax Status

The College has been granted tax-exempt status as a non-profit organization under Section 501(c) (3) of the Internal Revenue Code, and accordingly, files annually federal tax Form 990 (Return of Organization Exempt from Income Tax). The College also files federal tax Form 990-T (Exempt Organizations Business Income Tax Return). The College monitors and evaluates its activities for unrelated business income.

The Tax Cuts and Jobs Act (the “Act”) was enacted on December 22, 2017. The Act impacts the College in several ways, including a new excise tax on net investment income, increases to unrelated business taxable income (UBTI) by the amount of certain fringe benefits for which a deduction is not allowed, changes to the net operating loss rules, repeal of the alternative minimum tax (AMT), and the computation of UBTI separately for each unrelated trade or business. The College has used the published federal guidance to estimate the tax liability that the Act has created for the years ending with May 31, 2020 and May 31, 2019.

Other Assets

Other assets include prepaid expenses and inventory which is valued at the lower of cost or market.

3 Contributions Receivable

Contributions receivable consisted of the following at May 31. The discount rates applied to new pledges was 4.0% and 4.3% at May 31, 2020 and 2019, respectively.

Contributions receivable in:	<u>2020</u>	<u>2019</u>
Less than one year	\$ 177	\$ 309
One to five years	21,906	26,852
More than five years	900	0
	<hr/>	<hr/>
	22,983	27,161
Less allowance for doubtful contributions	(67)	(4)
Less discount to present value	(2,518)	(3,459)
Contributions receivable	<hr/>	<hr/>
	\$ 20,399	\$ 23,698

Conditional contributions including bequest intentions are not recognized as assets and if received, are recorded as revenue in the period the condition is met. The College has certain federal, state, and private awards which are considered conditional grants. These grants are considered conditional due to the need to first spend the awarded funds on qualifying expenses and the right of return that exists for unexpended funds. The College had conditional contributions from grant awards for which the conditions have not been met of \$3,308 at May 31, 2020 and \$2,609 at May 31, 2019.

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4 Property, Plant and Equipment

At May 31 property, plant and equipment consisted of the following:

	<u>2020</u>		<u>2019</u>
Land and land improvements	\$ 9,292	\$	9,282
Buildings and fixed equipment	333,571		328,552
Information systems	6,055		6,029
Equipment and library books	51,927		51,182
Fine arts and special collections	5,875		5,731
Construction in progress	6,740		2,376
	<u>413,460</u>		<u>403,151</u>
Accumulated depreciation	(219,102)		(206,369)
Net property, plant, and equipment	<u>\$ 194,358</u>	\$	<u>196,782</u>

Depreciation expense was \$12,854 and \$13,036 at May 31, 2020 and 2019, respectively.

5 Long Term Investments

Endowment and similar funds are classified as long-term investments and include the College's permanent endowment funds, term endowment funds, and quasi-endowment funds. Quasi-endowment funds have been established by the Board of Trustees for the same purposes as endowment funds; however, quasi-endowment funds may be expended in their entirety at the discretion of the Board.

Annuity, life income, and trust agreements are also classified as long-term investments. The College pays periodically either the income earned or a fixed percentage of the assets to the beneficiary designated by the donor. Upon termination of an annuity, life income, or trust agreement the College's remainder interest in the assets is available for use by the College as restricted by the donor or designated by the Board of Trustees. The College has recorded an accrued liability of \$7,024 at May 31, 2020 and \$7,185 at May 31, 2019 representing gift annuities payable and pooled income fund liabilities.

Long-term investments include outstanding balances on residential mortgages held for eligible employees. The outstanding balances amounted to \$5,658 and \$6,150 as of May 31, 2020 and 2019, respectively. The mortgage portfolio's 3.3% weighted average interest rate approximates the market rates and the assets are fully collateralized with a zero deficiency and default rate. Also included is a receivable balance related to a sale of investments of \$429 and \$452 as of May 31, 2020 and 2019, respectively.

In accordance with *Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share or Its Equivalent* (ASU 2015-07), certain investments that are measured at fair value using the net asset value per share or its equivalent (NAV) as a practical expedient for fair value have been excluded from fair value hierarchy and reported separately. In 2020, the College elected to use the NAV practical expedient for additional investments that in prior years had been included in fair value hierarchy.

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May 31, 2020

(Dollars in thousands)

A summary of investments, measured at fair value in accordance with the *Fair Value Measurement* standard on a recurring basis, as of May 31, 2020 and 2019, is as follows:

	2020				
	Level I	Level II	Level III	NAV	Total (000)
Endowment					
Cash and Cash Equivalents	\$ 16,059				\$ 16,059
Diversifying Strategies/Hedge Funds				\$ 116,442	116,442
Equity - Developed International				66,805	66,805
Equity - Domestic	69,827	\$ 170		47,179	117,175
Equity - Emerging Markets	29,640			36,386	66,026
Equity - Global				75,489	75,489
Fixed Income Funds				78,921	78,921
Private Equity-Buyout/Other				139,963	139,963
Private Equity-Fund of Funds				2,689	2,689
Private Equity-Venture Capital				102,413	102,413
Real Assets Funds (non-marketable)				84,048	84,048
Total Endowment	\$ 115,526	\$ 170	\$ -	\$ 750,335	\$ 866,030
Annuities, Life Income, & Trusts	10,720		24,261		34,981
Residential Mortgages		5,658			5,658
Sub-Total Long Term Investments	\$ 126,246	\$ 5,827	\$ 24,261	\$ 750,335	\$ 906,669
Short Term Investments	25,672				25,672
Total Investments	\$ 151,918	\$ 5,827	\$ 24,261	\$ 750,335	\$ 932,341

	2019				
	Level I	Level II	Level III	NAV	Total
Endowment					
Cash and Cash Equivalents	\$ 42,527				\$ 42,527
Diversifying Strategies/Hedge Funds				\$ 132,005	132,005
Equity - Developed International		\$ 99,415			99,415
Equity - Domestic	79,698	11,331			91,029
Equity - Emerging Markets		85,076			85,076
Equity - Global		41,007			41,007
Fixed Income Funds		75,405			75,405
Private Equity-Buyout/Other				126,840	126,840
Private Equity-Fund of Funds				7,331	7,331
Private Equity-Venture Capital				87,841	87,841
Real Assets Funds (non-marketable)				99,677	99,677
Total Endowment	\$ 122,224	\$ 312,234	\$ -	\$ 453,695	\$ 888,153
Annuities, Life Income, & Trusts	11,213		25,825		37,038
Residential Mortgages		6,150			6,150
Sub-Total Long Term Investments	\$ 133,437	\$ 318,384	\$ 25,825	\$ 453,695	\$ 931,340
Short Term Investments	425	5,942			6,367
Total Investments	\$ 133,862	\$ 324,326	\$ 25,825	\$ 453,695	\$ 937,708

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Changes to the reported amounts of investments measured at fair value on a recurring basis listing Level III (unobservable) inputs as of May 31 are as follows:

	Trusts		Trusts
Balance, May 31,2019	\$25,825	Balance, May 31,2018	\$24,534
Purchases, sales and settlements	(676)	Purchases, sales and settlements	1,847
Net interest, dividends, fees	157	Net interest, dividends, fees	151
Net distributions	(363)	Net distributions	(396)
Net change in realized/unrealized gains (losses)	(681)	Net change in realized/unrealized gains (losses)	(311)
Balance, May 31,2020	<u>\$24,261</u>	Balance, May 31,2019	<u>\$25,825</u>

Transfers between leveled assets are based on the actual date of the event which caused the transfer. As of May 31, 2020 and 2019 there were no transfers between Levels I, II, or III.

Deposits with trustees of debt obligations of \$11,611 and \$2,540 as of May 31, 2020 and 2019, respectively, are considered Level I investments.

Limitations and restrictions regarding redeeming or selling investments exist for some of the College's investments. Investments like publicly traded securities or certain mutual funds have no restrictions, and under normal circumstances cash can be realized on a daily basis without advance notice prior to withdrawal. Other investments have provision that limit redemptions by requiring notice periods (generally 30 to 180 days after initial lock-up periods), limiting the dates on which redemptions can take place, and/or releasing cash associated with redemption requests over multiple quarters. Private equity and non-marketable real asset limited partnership interests are "illiquid" in that they are reliant on the disposition of portfolio positions and return of capital by the investment manager. Liquidity provisions of the College's investments as of May 31, 2020 and May 31, 2019 are as follows:

	2020							Total
	In Redemption/ Liquidation	Daily	Weekly	Monthly	Quarterly	Annual	Greater Than One Year or Illiquid	
Endowment								
Cash and Cash Equivalents		\$ 16,059						\$ 16,059
Diversifying Strategies/Hedge Funds	\$ 27,765				\$ 15,452	\$64,251	\$ 8,974	116,442
Equity - Developed International	40,410			\$ 26,394				66,805
Equity - Domestic		69,827		27,016		20,333		117,175
Equity - Emerging Markets		29,640		21,385		15,001		66,026
Equity - Global			\$52,802	22,687				75,489
Fixed Income Funds		78,921						78,921
Private Equity-Buyout/Other							139,963	139,963
Private Equity-Fund of Funds							2,689	2,689
Private Equity-Venture Capital							102,413	102,413
Real Assets Funds (non-marketable)	93						83,955	84,048
Total Endowment	\$ 68,268	\$ 194,447	\$ 52,802	\$ 97,482	\$ 15,452	\$ 99,585	\$ 337,994	\$ 866,030
Annuities, Life Income, & Trusts							34,981	34,981
Residential Mortgages							5,658	5,658
Sub-Total Long Term Investments	\$ 68,268	\$ 194,447	\$ 52,802	\$97,482	\$ 15,452	\$ 99,585	\$ 378,633	\$ 906,669
Short Term Investments		25,672						25,672
Total Investments	\$ 68,268	\$ 220,119	\$ 52,802	\$ 97,482	\$ 15,452	\$ 99,585	\$ 378,633	\$ 932,341

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	2019							Greater Than One Year or Illiquid	Total
	In Redemption/ Liquidation	Daily	Weekly	Monthly	Quarterly	Annual			
Endowment									
Cash and Cash Equivalents		\$ 42,527						\$ 42,527	
Diversifying Strategies/Hedge Funds	\$ 32,783				\$ 4,811	\$ 79,573	\$ 14,838	132,005	
Equity - Developed International				\$ 99,415				99,415	
Equity - Domestic		79,698		11,331				91,029	
Equity - Emerging Markets		17,065		68,012				85,076	
Equity - Global			\$ 12,780	28,227				41,007	
Fixed Income Funds		75,405						75,405	
Private Equity-Buyout/Other							126,840	126,840	
Private Equity-Fund of Funds							7,331	7,331	
Private Equity-Venture Capital							87,841	87,841	
Real Assets Funds (non-marketable)							99,677	99,677	
Total Endowment	\$ 32,783	\$ 214,694	\$ 12,780	\$ 206,984	\$ 4,811	\$ 79,573	\$ 336,528	\$ 888,153	
Annuities, Life Income, & Trusts							37,038	37,038	
Residential Mortgages							6,150	6,150	
Sub-Total Long Term Investments	\$ 32,783	\$ 214,694	\$ 12,780	\$ 206,984	\$ 4,811	\$ 79,573	\$ 379,716	\$ 931,340	
Short Term Investments		6,367						6,367	
Total Investments	\$ 32,783	\$ 221,062	\$ 12,780	\$ 206,984	\$ 4,811	\$ 79,573	\$ 379,716	\$ 937,708	

Investment activity for 2020 and 2019 is as follows:

	Endowment & similar funds	Gift annuities and trusts	Trusts held by others	2020	2019
Investments at beginning of year	\$ 888,153	\$ 29,579	\$ 7,459	\$ 925,191	\$ 933,992
Contributions restricted by donor	4,340	702		5,042	14,893
Contributions designated for long-term investment	3,378			3,378	5,311
Payout returned to long-term investment	(8)			(8)	(5)
Other increases	7,375			7,375	4,925
	903,238	30,281	7,459	940,978	959,116
Investment returns net of expenses of \$8,109 in 2020 and \$8,550 in 2019					
Investment dividends and interest	(2,045)			(2,045)	4,099
Realized/unrealized gains/(losses)	11,658	(566)	(89)	11,003	10,070
	9,613	(566)	(89)	8,958	14,169
Endowment spending payout	(46,821)			(46,821)	(46,280)
	(37,208)	(566)	(89)	(37,863)	(32,111)
Annuity and trust income		326		326	266
Payments to annuitants and trust expenses		(1,363)		(1,363)	(1,375)
Maturities of annuities		(1,066)		(1,066)	(705)
Investments at end of year	\$ 866,030	\$ 27,612	\$ 7,370	\$ 901,012	\$ 925,191

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6 Debt

Long-term debt, net of unamortized issuance costs, discounts, or premiums at May 31, consisted of the following:

	Maturity Date	Coupon Rates	2020	2019
Pennsylvania Higher Educational Facilities Authority				
College Revenue Bonds, Series 2019	12/1/2049	2.0-5.0%	\$ 29,998	\$ -
College Revenue Bonds, Series 2014	12/1/2044	3.0-5.0%	51,948	53,321
College Revenue Bonds, Series 2012A	12/1/2022	4.0%	13,544	13,766
College Revenue Bonds, Series 2010A	12/1/2019	4.0-5.0%	-	22,710
College Revenue Bonds, Series 2010	12/1/2029	3.0-5.0%	9,320	10,072
Montgomery County Industrial Development Authority				
College Revenue Bonds, Series 2017	12/1/2037	3.25-5%	21,624	21,700
			<u>\$ 126,435</u>	<u>\$ 121,569</u>

Principal payments on long-term debt are as follows:

	Series 2019	Series 2017	Series 2014	Series 2012A	Series 2010	Total
2021	\$ 1,000	\$ -	\$ 1,250	\$ -	\$ 780	\$ 3,030
2022	1,040	-	1,320	-	815	3,175
2023	-	-	1,385	13,100	840	15,325
2024	240	-	1,455	-	870	2,565
2025	255	-	1,525	-	900	2,680
Thereafter	\$ 24,370	20,335	40,770	-	5,045	90,520
Total principal payments						\$ 117,295
Net bond premiums, discount, and issuance costs						9,140
Total outstanding debt						<u>\$ 126,435</u>

The long-term debt includes various tax-exempt bond issues, which were all issued to fund capitalized assets. All of the bonds bear interest at fixed rates that were determined on their original sale date. Interest is payable semi-annually. The bonds were issued by the Pennsylvania Higher Educational Facilities Authority or by the Montgomery County Industrial Development Authority, as noted on the schedule above, pursuant to indentures with bond trustees. The proceeds were loaned to the College via loan agreements. For the purpose of securing the payments to Series 2010, 2012, and 2014 bondholders, the College pledged its unrestricted revenues, as defined in those agreements. In addition, under the terms of the agreements, the College is required to comply with various financial covenants. The College was in compliance with such covenants as of May 31, 2020 and May 31, 2019. The Series 2017 and Series 2019 bonds are not secured by a pledge of revenues or any other asset of the College; they are a general obligation of the College.

In May 2010, the College issued the Series 2010 bonds primarily to currently refinance the Series 1999 bond issue.

In November 2010, the College issued the Series 2010A bonds primarily to refinance a portion of the Series 2002 bond issue.

In November 2012, the College issued the Series 2012A bonds primarily to currently refinance the remainder of the Series 2002 bond issue. Approximately \$5,000 of proceeds was used for the construction, improvement, renovation, and equipping of various College facilities.

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In July 2014, the College issued the Series 2014 bonds to refinance a portion of the Series 2012 bond issue and to fund various construction, improvement, renovation and equipping projects expected to include the renovation and expansion of a student residential facility and the College's primary science facility. The Series 2014 Bonds legally defeased \$21,780 of the outstanding Series 2012 Bonds.

In June 2017, the College issued the Series 2017 bonds primarily to currently refinance the Series 2007 bond issue.

In September 2019, the College issued Series 2019 bonds to currently refund all outstanding Series 2010A Bonds. In addition, the Series 2019 Bonds provided approximately \$9,000 to fund a portion of the costs of planned improvements to the College's facilities.

7 Net Assets

Net assets at May 31, 2020 consisted of the following:

	Without Donor Restrictions	With Donor Restrictions	Total
Current funds	\$ 25,900	\$ 25,722	\$ 51,622
Loan funds	538	98	636
Endowment and similar funds			
True endowment	-	471,718	471,718
Quasi-endowment	391,580	-	391,580
Other endowment	-	8,557	8,557
Term endowment	-	1,680	1,680
Annuities and trusts	2,003	25,954	27,957
Plant funds			
Unexpended plant	25,686	-	25,686
Capital projects	-	10,736	10,736
Net investment in plant	73,943	-	73,943
Total	<u>\$ 519,651</u>	<u>\$ 544,464</u>	<u>\$ 1,064,116</u>

Net assets at May 31, 2019 consisted of the following:

	Without Donor Restrictions	With Donor Restrictions	Total
Current funds	\$ 20,366	\$ 27,949	\$ 48,315
Loan funds	538	138	676
Endowment and similar funds			
True endowment	-	486,994	486,994
Quasi-endowment	400,003	6,840	406,844
Term endowment	-	1,735	1,735
Annuities and trusts	2,410	27,443	29,853
Plant funds			
Unexpended plant	26,085	-	26,085
Capital projects	-	6,233	6,233
Net investment in plant	72,305	-	72,305
Total	<u>\$ 521,709</u>	<u>\$ 557,332</u>	<u>\$ 1,079,041</u>

True endowment net asset consisted of the following as of May 31:

	2020	2019
Corpus	\$274,247	\$269,561
Gains	\$197,471	\$217,434
Total	<u>\$471,718</u>	<u>\$486,994</u>

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Changes to the reported amount of the College's endowment net assets as of May 31 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Net assets, May 31, 2019	\$ 400,003	\$ 495,570	\$ 895,573
Investment return:			
Investment income	(926)	(1,119)	(2,045)
Net realized and unrealized	7,848	3,810	11,658
Total investment return	\$ 5,759	\$ 3,854	\$ 9,613
New gifts	1,399	6,403	7,802
Appropriation of endowment assets for spending	(23,740)	(23,081)	(46,821)
Transfers	6,997	371	7,368
Net assets, May 31, 2020	<u>\$ 391,580</u>	<u>\$ 481,955</u>	<u>\$ 873,535</u>

	Without Donor Restrictions	With Donor Restrictions	Total
Net assets, May 31, 2018	\$ 407,342	\$ 497,929	\$ 905,271
Investment return:			
Investment income	1,820	2,279	4,099
Net realized and unrealized	4,672	5,851	10,523
Total investment return	\$ 6,492	\$ 8,130	\$ 14,622
New gifts	2,937	14,102	17,039
Appropriation of endowment assets for spending	(20,835)	(25,445)	(46,280)
Transfers	4,067	853	4,920
Net assets, May 31, 2019	<u>\$ 400,003</u>	<u>\$ 495,570</u>	<u>\$ 895,573</u>

As of May 31, 2020, there were 155 donor-restricted endowment funds for which the fair value of assets was less than the level required by donor stipulations. These endowment funds had a total original gift value of \$80,618, current fair value of \$76,092, and a deficiency of \$4,526.

As of May 31, 2019, there were 92 donor-restricted endowment funds for which the fair value of assets was less than the level required by donor stipulations. These endowment funds had a total original gift value of \$56,326, current fair value of \$54,852, and a deficiency of \$1,474.

8 Employee Retirement Benefits

Eligible faculty, administration, and staff are provided retirement benefits under the College's defined contribution retirement program administered by Transamerica Retirement Solutions. The participants' contributions, which are permitted but not required, are fully vested, and the College funds its contributions to the plan on an ongoing basis. There are no unfunded benefits. The College's expense for the program was \$4,839 in 2020 and \$4,740 in 2019.

9 Commitments and Contingencies

Certain of the College's long-term investments involve future cash commitments which total approximately \$181,455 at May 31, 2020.

The College has outstanding construction contracts totaling approximately \$4,335. Completion of these projects is estimated to extend through January 2021.

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The College is involved in various legal actions that arise during the ordinary course of its operations. While the final outcome of these matters cannot be determined at this time, management does not expect that the resolution of the outstanding claims and litigation will have a material adverse effect upon the College's financial position.

10 Expenses by Nature and Function

The statements of activities present expenses by functional classification. The College also summarizes its expenses by natural classification.

Expenses related to operation and maintenance of plant include facilities operations and annual maintenance, utilities, depreciation, amortization, and interest expense for long-term debt. Interest expense for long-term debt is allocated to functional categories based on functional nature of campus facilities funded through proceeds of outstanding debt. All other operation and maintenance of plant expenses are allocated to functional categories based on building square footage.

Expenses were incurred in the following categories for the year ended May 31, 2020:

	Operating Expenses					Non-operating Expenses	Total Expenses
	Education	Research	Public Service	Institutional Support	Auxiliary enterprises		
Salaries & wages	\$36,581	\$388	\$811	\$11,682	\$4,406	\$80	\$53,947
Benefits	11,465	67	249	3,697	1,619	16	17,115
Program expenses	19,943	1,327	55	5,630	5,783	9,215	41,953
Depreciation	7,189	-	42	1,434	4,188	-	12,854
Interest	3,377	-	-	397	1,571	-	5,345
Total Expenses	78,556	1,783	1,157	22,840	17,567	9,311	131,214

Expenses were incurred in the following categories for the year ended May 31, 2019:

	Operating Expenses					Non-operating Expenses	Total Expenses
	Education	Research	Public Service	Institutional Support	Auxiliary enterprises		
Salaries & wages	\$ 36,590	\$ 576	\$ 897	\$ 10,861	\$ 4,640	\$ 53	\$53,618
Benefits	11,213	138	284	3,833	1,664	14	17,146
Program expenses	22,570	1,442	102	5,911	4,923	9,752	44,700
Depreciation	7,027	-	181	1,223	4,606	-	13,036
Interest	3,356	-	-	326	1,458	-	5,140
Total Expenses	80,756	2,156	1,463	22,154	17,291	9,819	133,640

11 Line of Credit

The College has access to lines of credit with two banks, with varying terms, through which a total of \$45,000 may be borrowed. One line of credit commitment is currently scheduled to expire on June 30, 2020, and the other on February 1, 2021. As of May 31, 2020, and May 31, 2019 there was no outstanding balance on either line of credit.

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12 Liquidity

The College closely monitors liquidity and availability of resources required to meet its operating needs and contractual commitments. All expenses of the College’s mission-related and support activities are considered in the analysis of resources available to meet the general expenditures over a 12-month period.

The following financial assets were available for expenditure within one year as of May 31:

	2020	2019
Cash and Cash Equivalents	\$ 48,522	\$ 55,907
Short Term Investments	25,672	6,367
Accounts Receivable	5,553	5,754
One year or less Contribution Receivable	2,689	937
Endowment Draw for Operations	48,366	46,821
<u>Total</u>	<u>\$ 130,803</u>	<u>\$ 115,786</u>

In addition to these financial assets, the College has two revolving lines of credit (footnote 11) with available credit that totaled \$45,000 as of May 31, 2020.

A portion of College’s assets were designated by the Board of Trustees to function as endowments. Such assets totaled \$391,580 at May 31, 2020. These funds are invested for long-term appreciation and current income but remain available, subject to liquidity terms described in footnote 5, and may be spent at the discretion of the Board.

The College operates with a balanced budget that anticipates collecting sufficient revenue to cover general expenditures not covered by donor restricted resources.

13 Impact of the COVID-19 Pandemic

The global COVID-19 pandemic created significant disruption to the College’s operations starting in mid-March 2020. Academic programming through the end of the spring 2020 academic term was conducted on-line and on-campus operations were considerably diminished. The financial impact in the fiscal year ending with May 31, 2020, was limited. Most significantly, the College refunded room and board fees to students for the portion of the spring semester that the students were not in residence.

The COVID-19 pandemic will continue to impact College operations and finances for the year ending May 31, 2021 and possibly beyond then. College revenue may be adversely affected by many factors, including potentially: declines in enrollment and therefore tuition revenue as more students than usual elect to take a gap year (first-year students) or an academic leave of absence (upper-class students), reduced interest in and capacity of on-campus housing which will be reflected in auxiliary enterprises revenue, need-based financial aid grant increases if there are significant reductions in family incomes, uncertainty of the investment markets impacting the College’s future endowment investment returns, and any reduced capacity of donors to give.

14 Subsequent Events

The College evaluated subsequent events after the balance sheet date of May 31, 2020 through its issuance date of October 5, 2020. The College is not aware of any subsequent events that would require recognition or disclosure.