

**Bryn Mawr College**  
**Financial Statements**  
**May 31, 2021 and 2020**

**Bryn Mawr College**  
**Index**  
**May 31, 2021 and 2020**

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	<b>Page(s)</b>
<b>Report of Independent Auditors</b> .....	1
<b>Financial Statements</b>	
Statements of Financial Position .....	2
Statements of Activities.....	3-4
Statements of Cash Flows .....	5
Notes to Financial Statements .....	6-21



## **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, 2021 and 2020, 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 Company'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 Company'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, 2021 and 2020, 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 4, 2021

**Bryn Mawr College**  
**Statements of Financial Position**  
**May 31, 2021 and 2020**

(in thousands)

	<u>2021</u>	<u>2020</u>
<b>Assets</b>		
Cash & cash equivalents	\$ 78,536	\$ 48,522
Short term investments	27,168	25,672
Accounts receivable (less allowance of \$441 in 2021 & \$604 in 2020)	5,850	5,553
Other current assets	1,354	1,101
Contributions receivable (less allowance of \$56 in 2021 & \$67 in 2020)	19,691	20,399
Student loans receivable (less allowance of \$1,729 in 2021 & \$1,870 in 2020)	2,226	2,560
Deposits with trustees of debt obligations	7,097	11,611
Plant and equipment, net of accumulated depreciation	192,414	194,358
Long term investments	1,230,232	906,669
<b>Total assets</b>	<b><u>\$ 1,564,567</u></b>	<b><u>\$ 1,216,445</u></b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts Payable	\$ 5,952	\$ 3,877
Accrued Expenses	7,049	7,469
Student Deposits	1,882	2,199
Deferred Revenue	1,940	1,668
Annuity Obligations	6,467	7,024
Debt	122,821	126,435
Other Long-term Liabilities	3,197	3,053
Advances from US government for student loans	415	605
<b>Total Liabilities</b>	<b><u>149,723</u></b>	<b><u>152,330</u></b>
<b>Net Assets</b>		
Without donor restrictions	682,475	519,651
With donor restrictions	732,370	544,464
<b>Total net assets</b>	<b><u>1,414,845</u></b>	<b><u>1,064,116</u></b>
<b>Total Liabilities and Net Assets</b>	<b><u>\$ 1,564,567</u></b>	<b><u>\$ 1,216,445</u></b>

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

**Bryn Mawr College**  
**Statement of Activities**  
**Year Ended May 31, 2021**

(with comparative totals for 2020, in thousands)

	Without donor restrictions	With donor restrictions	Total 2021	Total 2020
<b>Operating revenues and other support:</b>				
Tuition and fees, net of discount of \$36,663	\$ 43,052	\$ -	\$ 43,052	\$ 46,028
Private contributions	10,076	11,188	21,264	10,687
Government grants	6,648	-	6,648	6,998
Endowment payout under spending formula	24,599	23,767	48,366	46,821
Other	3,497	-	3,497	4,047
Auxiliary enterprises, net of discount of \$1,845	13,332	-	13,332	20,506
Interest income on cash and short-term investments	935	-	935	2,137
Releases from restriction	31,051	(31,051)	-	-
Total operating revenues and other support	<u>133,190</u>	<u>3,903</u>	<u>137,093</u>	<u>137,223</u>
<b>Operating expenses:</b>				
Education	75,242		75,242	78,556
Research	1,386		1,386	1,783
Public service	1,077		1,077	1,157
Institutional support	17,876		17,876	22,840
Auxiliary enterprises	16,183		16,183	17,567
Total operating expenses	<u>111,764</u>	<u>-</u>	<u>111,764</u>	<u>121,903</u>
Net changes from operations and other support	<u>21,426</u>	<u>3,903</u>	<u>25,329</u>	<u>15,320</u>
<b>Non-operating items:</b>				
Private contributions	4,962	15,005	19,967	8,504
Actuarial changes, interest and payments	(334)	(243)	(577)	(876)
Releases from restriction	235	(235)	-	-
Other	(3)	-	(3)	(17)
Realized and unrealized gains (losses) on investments, net of \$39,722 appropriated for endowment spending payout	136,538	169,475	306,013	(37,856)
Net changes from non-operating activities	<u>141,398</u>	<u>184,002</u>	<u>325,400</u>	<u>(30,245)</u>
Change in net assets	162,824	187,905	350,729	(14,925)
Net assets at beginning of year	519,651	544,464	1,064,116	1,079,041
<b>Net assets at end of year</b>	<u>\$ 682,475</u>	<u>\$ 732,370</u>	<u>\$1,414,845</u>	<u>\$1,064,116</u>

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

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

(in thousands)

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

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

**Bryn Mawr College**  
**Statements of Cash Flows**  
**Years Ended May 31, 2021 and 2020**

(in thousands)

	<u>2021</u>	<u>2020</u>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 350,729	\$ (14,925)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	12,708	12,854
Amortization	(585)	(832)
Loss on disposal of equipment	-	25
Provision for losses on accounts/loans receivable	(268)	402
Contributions restricted/designated for long-term investment	(18,338)	(8,420)
Net realized and unrealized (gains)/losses on investments	(346,033)	(9,954)
Change in net present value of annuities	(557)	(161)
Change in asset retirement obligation	143	145
Changes in operating assets and liabilities:		
Accounts receivable, inventory and prepaid expenses	(386)	594
Accounts payable, accruals, deferred revenue and deposits	926	(129)
Contributions receivable	718	3,237
Net cash provided by (used in) operating activities	<u>(942)</u>	<u>(17,164)</u>
<b>Cash flows from investing activities</b>		
Proceeds from sale of investments	209,981	372,761
Purchase of long-term investments	(196,167)	(348,527)
Payments on student loans and employee mortgages	1,178	1,500
Student loans and employee mortgages advanced	(973)	(942)
Purchase of property, plant and equipment	(10,078)	(10,295)
Decrease(increase) in deposits held by trustees of debt obligations	4,514	(9,071)
Net cash provided by (used in) investing activities	<u>8,455</u>	<u>5,426</u>
<b>Cash flows from financing activities</b>		
Contributions restricted or designated for long-term investment	18,338	8,420
Proceeds from long-term borrowing	-	30,328
Debt issuance costs/premium	-	(330)
Repayment of debt	(3,030)	(24,300)
Government advance for loans	(190)	(359)
Net cash provided by (used in) financing activities	<u>15,118</u>	<u>13,759</u>
Net increase(decrease) in cash, cash equivalents, and restricted cash	22,631	2,020
Cash, cash equivalents, and restricted cash at beginning of year	<u>61,620</u>	<u>59,600</u>
Cash, cash equivalents, and restricted cash at end of year	<u>\$ 84,251</u>	<u>\$ 61,620</u>
<b>Supplemental disclosures</b>		
Non-cash gifts-in-kind	\$ 1,893	\$ 148
Contributed securities	12,439	4,890
Interest paid	5,074	5,348
Construction related payables	1,666	981

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

# **Bryn Mawr College**

## **Notes to the Financial Statements**

### **May 31, 2021**

(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 1,300 women representing 47 different states, districts and territories and 37 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. All graduate programs 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, 2021**  
(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>2021</u>	<u>2020</u>
Statements of Financial Position		
Cash & cash equivalents	\$ 78,536	\$ 48,522
Cash included in Long term investments	\$ 5,715	\$ 13,098
Statements of Cash Flow total cash, cash equivalents, and restricted cash*	\$ 84,250	\$ 61,620

\*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, 2021**

(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.

# Bryn Mawr College

## Notes to the Financial Statements

### May 31, 2021

(Dollars in thousands)

#### *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 1,475 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 objective is to maintain (or increase) in perpetuity the inflation-adjusted purchasing power of its assets net of spending over the long-term, specifically to achieve CPI-U + 4.5%. To meet this objective, the endowment must assume investment risk. This risk must consist predominantly of owning appreciating, equity or equity-linked assets, which are subject to market volatility over shorter time periods.

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

# **Bryn Mawr College**

## **Notes to the Financial Statements**

### **May 31, 2021**

(Dollars in thousands)

spending amount plus 5% of new gifts that were received in the most recently closed fiscal year. The 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 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. The College adopted this standard as of June 1, 2020 on a modified retrospective basis. The College elected to apply certain practical expedients to implement the standard, which permit the College to not reassess: (1) whether any expired or existing contracts are or contain leases; (2) the lease classification for any expired or existing leases; and (3) any initial direct costs for any existing leases as of the effective date. The College elected the practical expedient to combine lease and any related non-lease components when transitioning leases. The adoption of this standard resulted in no changes to the College's financial statements.

#### 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.

#### 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.

**Bryn Mawr College**  
**Notes to the Financial Statements**  
**May 31, 2021**

(Dollars in thousands)

Fund Raising Expenses

Direct expenses for fundraising were \$4,453 in 2021 and \$4,776 in 2020.

Leases

The College determines if an arrangement is or contains a lease at inception of the contract and if a lease is identified analyzes the agreement to determine whether it should be classified as a finance lease or an operating lease. For operating leases, right-of-use assets and lease liabilities are recognized at the commencement date of the lease based on the estimated present value of lease payments over the lease term. For finance leases, the College initially records the assets and lease liabilities at the present value of the future minimum lease payments. The College uses its incremental borrowing rate in effect at the commencement date of the lease agreement in determining the present value of lease payments. The College elects to apply the short-term lease recognition and measurement exemption for all leases with terms of 12 months or less.

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, 2021 and May 31, 2020.

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 4.0% at May 31, 2021 and 2020, respectively.

Contributions receivable in:		<u>2021</u>		<u>2020</u>
Less than one year	\$	1,709	\$	177
One to five years		19,919		21,907
More than five years		792		900
		<u>22,420</u>		<u>22,984</u>
Less allowance for doubtful contributions		(56)		(67)
Less discount to present value		<u>(2,673)</u>		<u>(2,518)</u>
Contributions receivable	\$	<u>19,691</u>	\$	<u>20,399</u>

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

**Bryn Mawr College**  
**Notes to the Financial Statements**  
**May 31, 2021**

(Dollars in thousands)

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 \$8,565 at May 31, 2021 and \$3,308 at May 31, 2020.

4 Property, Plant and Equipment

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

	<u>2021</u>		<u>2020</u>
Land and land improvements	\$ 9,292	\$	9,292
Buildings and fixed equipment	338,533		333,571
Information systems	6,265		6,055
Equipment and library books	52,542		51,927
Fine arts and special collections	5,875		5,875
Construction in progress	<u>11,491</u>		<u>6,740</u>
	423,998		413,460
Accumulated depreciation	<u>(231,584)</u>		<u>(219,102)</u>
Net property, plant, and equipment	<u>\$ 192,414</u>	\$	<u>\$ 194,358</u>

Depreciation expense was \$12,708 and \$12,854 at May 31, 2021 and 2020, 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 similar 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 \$6,467 at May 31, 2021 and \$7,024 at May 31, 2020 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 \$5,881 and \$5,658 as of May 31, 2021 and 2020, respectively. The mortgage portfolio's 3.0% 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 \$390 and \$429 as of May 31, 2021 and 2020, 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.



**Bryn Mawr College**  
**Notes to the Financial Statements**  
**May 31, 2021**

(Dollars in thousands)

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 31,2020	\$24,261	Balance, May 31,2019	\$25,825
Purchases, sales and settlements	0	Purchases, sales and settlements	(676)
Net interest, dividends, fees	94	Net interest, dividends, fees	157
Net distributions	(399)	Net distributions	(363)
Net change in realized/unrealized gains (losses)	5,224	Net change in realized/unrealized gains (losses)	(681)
Balance, May 31,2021	<u>\$29,180</u>	Balance, May 31,2020	<u>\$24,261</u>

Transfers between leveled assets are based on the actual date of the event which caused the transfer. As of May 31, 2021 and 2020 there were no transfers between Levels I, II, or III.

Deposits with trustees of debt obligations of \$7,097 and \$11,611 as of May 31, 2021 and 2020, 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, 2021 and May 31, 2020 are as follows:

	2021							Total
	In Redemption/ Liquidation	Daily	Weekly	Monthly	Quarterly	Annual	Greater Than One Year or Illiquid	
<b>Endowment</b>								
Cash and Cash Equivalents		\$ 45,793						\$ 45,793
Diversifying Strategies/Hedge Funds	\$ 1,780				\$ 32,224	\$ 85,645		119,649
Equity - Developed International				\$ 36,552				36,552
Equity - Domestic		117,018		38,313		33,297		188,627
Equity - Emerging Markets		39,719		33,138		23,184		96,042
Equity - Global			\$62,676	69,846				132,521
Fixed Income		79,109						79,109
Private Equity-Buyout/Other							\$ 216,000	216,000
Private Equity-Fund of Funds							1,090	1,090
Private Equity-Venture Capital							188,369	188,369
Real Assets (non-marketable)		90					78,687	78,777
Total Endowment	\$ 1,870	\$281,639	\$62,676	\$177,848	\$ 32,224	\$142,126	\$ 484,147	\$1,182,530
<b>Trusts</b>							41,820	41,820
Residential Mortgages							5,881	5,881
Sub-Total Long Term Investments	\$ 1,870	\$281,639	\$62,676	\$177,848	\$ 32,224	\$142,126	\$ 531,849	\$1,230,232
Short Term Investments		27,168						27,168
Total Investments	\$ 1,870	\$308,807	\$62,676	\$177,848	\$ 32,224	\$142,126	\$ 531,849	\$1,257,400

**Bryn Mawr College**  
**Notes to the Financial Statements**  
**May 31, 2021**  
(Dollars in thousands)

	2020							Greater Than One Year or Illiquid	Total
	In Redemption/ Liquidation	Daily	Weekly	Monthly	Quarterly	Annual			
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	

Investment activity for 2021 and 2020 is as follows:

	Endowment & similar funds	Gift annuities and trusts	Trusts held by others	2021	2020
Investments at beginning of year	\$ 866,030	\$ 27,612	\$ 7,370	\$ 901,012	\$ 925,191
Contributions restricted by donor	4,656	270		4,926	5,042
Contributions designated for long-term investment	13,412			13,412	3,378
Payout returned to long-term investment	(4)			(4)	(8)
Other increases	791			791	7,375
	884,885	27,882	7,370	920,137	940,978
Investment returns net of expenses of \$11,362 in 2021 and \$8,109 in 2020					
Investment dividends and interest	8,644			8,644	(2,045)
Realized/unrealized gains/(losses)	337,367	6,782	1,574	345,723	11,003
	346,011	6,782	1,574	354,367	8,958
Endowment spending payout	(48,366)			(48,366)	(46,821)
	297,645	6,782	1,574	306,001	(37,863)
Annuity and trust income		209		209	326
Payments to annuitants and trust expenses		(1,343)		(1,343)	(1,363)
Maturities of annuities		(653)		(653)	(1,066)
Investments at end of year	\$ 1,182,530	\$ 32,877	\$ 8,944	\$ 1,224,351	\$ 901,012

**Bryn Mawr College**  
**Notes to the Financial Statements**  
**May 31, 2021**

(Dollars in thousands)

6 Debt

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

	Maturity Date	Coupon Rates	2021	2020
Pennsylvania Higher Educational Facilities Authority				
College Revenue Bonds, Series 2019	12/1/2049	2.0-5.0%	\$ 28,895	\$ 29,998
College Revenue Bonds, Series 2014	12/1/2044	3.5-5.0%	50,522	51,948
College Revenue Bonds, Series 2012A	12/1/2022	4.0%	13,322	13,544
College Revenue Bonds, Series 2010	12/1/2029	3.5-5.0%	8,533	9,320
Montgomery County Industrial Development Authority				
College Revenue Bonds, Series 2017	12/1/2037	3.25-5%	21,549	21,624
			<u>\$ 122,821</u>	<u>\$ 126,435</u>

Principal payments on long-term debt are as follows:

	Series 2019	Series 2017	Series 2014	Series 2012A	Series 2010	Total
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
2026	275	-	1,600	-	930	2,805
Thereafter	\$ 24,095	20,335	39,170	-	4,115	87,715
Total principal payments						\$ 114,265
Net bond premiums, discount, and issuance costs						8,556
Total outstanding debt						<u>\$ 122,821</u>

The long-term debt includes various tax-exempt bond issues, which were all issued to fund capital projects or refinance/defease prior bond issues. 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, 2021 and May 31, 2020. 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 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.

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

**Bryn Mawr College**  
**Notes to the Financial Statements**  
**May 31, 2021**

(Dollars in thousands)

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, 2021 consisted of the following:

	Without Donor Restrictions	With Donor Restrictions	Total
Current funds	\$ 34,400	\$ 27,867	\$ 62,267
Loan funds	538	307	845
Endowment and similar funds			
True endowment	-	636,580	636,580
Quasi-endowment	530,613		530,613
Other endowment	-	22,166	22,166
Term endowment	-	2,306	2,306
Annuities and trusts	4,369	30,984	35,353
Plant funds			
Unexpended plant	41,525	-	41,525
Capital projects	-	12,160	12,160
Net investment in plant	71,030	-	71,030
<b>Total</b>	<b>\$ 682,475</b>	<b>\$ 732,370</b>	<b>\$ 1,414,845</b>

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	-	10,735	10,735
Net investment in plant	73,944	-	73,944
<b>Total</b>	<b>\$ 519,651</b>	<b>\$ 544,464</b>	<b>\$ 1,064,116</b>

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

	2021	2020
Corpus	\$280,786	\$274,247
Gains	\$355,794	\$197,471
<b>Total</b>	<b>\$636,580</b>	<b>\$471,718</b>

**Bryn Mawr College**  
**Notes to the Financial Statements**  
**May 31, 2021**  
(Dollars in thousands)

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, 2020	\$ 391,580	\$ 481,955	\$ 873,535
Investment return:			
Investment income	3,860	4,784	8,644
Net realized and unrealized	154,400	182,968	337,368
Total investment return	\$ 158,260	\$ 187,752	\$ 346,012
New gifts	4,892	14,805	19,697
Appropriation of endowment assets for spending	(24,599)	(23,767)	(48,366)
Transfers	480	307	787
Net assets, May 31, 2021	<u>\$ 530,613</u>	<u>\$ 661,052</u>	<u>\$ 1,191,665</u>

	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>

As of May 31, 2021, there was 1 donor-restricted endowment fund for which the fair value of assets was less than the level required by donor stipulations. That endowment fund had a total original gift value of \$16, current fair value of \$13, and a deficiency of \$3.

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.

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 and the Teachers Insurance and Annuity Association of America (TIAA). 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 \$4,907 in 2021 and \$4,839 in 2020.

9 Commitments and Contingencies

Certain of the College's long-term investments involve future cash commitments which total approximately \$134,771 at May 31, 2021. The College anticipates to meet these commitments with endowment cash and cash equivalents described in footnote 5 and liquidity received from long-term investments. Should the need arise, these resources will be augmented with liquid resources described in footnote 12.

**Bryn Mawr College**  
**Notes to the Financial Statements**  
**May 31, 2021**

(Dollars in thousands)

The College has outstanding construction contracts totaling approximately \$12,428. Completion of these projects is estimated to extend through Spring 2022.

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 use 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, 2021:

	Operating Expenses					Non-operating Expenses	Total Expenses
	Education	Research	Public Service	Institutional Support	Auxiliary enterprises		
Salaries & wages	\$36,766	\$505	\$735	\$10,828	\$4,088	\$719	\$53,640
Benefits	11,814	111	249	3,004	1,634	109	16,922
Program expenses	16,874	770	53	2,250	4,376	11,320	35,643
Depreciation	6,629	-	41	1,422	4,616	-	12,708
Interest	3,159	-	-	371	1,469	-	5,000
<b>Total Expenses</b>	<b>75,242</b>	<b>1,386</b>	<b>1,077</b>	<b>17,876</b>	<b>16,183</b>	<b>12,149</b>	<b>123,913</b>

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
<b>Total Expenses</b>	<b>78,556</b>	<b>1,783</b>	<b>1,157</b>	<b>22,840</b>	<b>17,567</b>	<b>9,311</b>	<b>131,214</b>

11 Line of Credit

The College has access to lines of credit with two banks, with varying terms, through which a total of \$50,000 may be borrowed. One line of credit commitment is currently scheduled to expire on November 30, 2022, and the other on February 1, 2024. As of May 31, 2021, and May 31, 2020 there was no outstanding balance on either line of credit.

**Bryn Mawr College**  
**Notes to the Financial Statements**  
**May 31, 2021**  
(Dollars in thousands)

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:

	2021	2020
Cash and Cash Equivalents	\$ 78,536	\$ 48,522
Short Term Investments	27,168	25,672
Accounts Receivable	5,850	5,553
One year or less Contribution Receivable	3,443	2,689
Endowment Draw for Operations	48,609	48,366
<b>Total</b>	<b>\$ 163,606</b>	<b>\$ 130,803</b>

In addition to these financial assets, the College has two revolving lines of credit (footnote 11) with available credit that totaled \$50,000 as of May 31, 2021.

A portion of College’s assets were designated by the Board of Trustees to function as endowments. Such assets totaled \$530,613 at May 31, 2021 and \$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 Leases

The College had no finance lease arrangements for the fiscal year ending on May 31, 2021.

The College leases limited property and equipment under the terms of operating leases. All College leases during the fiscal year that ended on May 31, 2021 were with terms of 12 months or shorter. The total cost of operating leases for the year ended May 31, 2021 consisted of:

	2021
Short-term lease expense	\$444
<b>Total</b>	<b>\$444</b>

14 Impact of the COVID-19 Pandemic

The global COVID-19 pandemic impacted both revenues and expenses in the fiscal year ending May 31, 2021. Auxiliary enterprise revenues were negatively affected primarily by the fact that fewer students were resident on campus. The College limited residential capacity on campus to reduce the risk of viral transmission, and some students either chose to study remotely or were unable to travel to campus. In addition, there were no rentals of the campus facilities allowed, and therefore no rental

**Bryn Mawr College**  
**Notes to the Financial Statements**  
**May 31, 2021**

(Dollars in thousands)

revenues collected. There was also a decline in the net Tuition and Fees revenue line item, albeit more modest, due in part to the fact that some students chose to take a hiatus from their studies for the year.

There were myriad expenses the College incurred to help manage the risks introduced by the pandemic, the largest of which was associated with periodic testing of students. The new COVID-related expenses were offset by a reduction in spending, particularly spending associated with travel and on-campus activities that didn't occur or were re-imagined in a virtual format at significantly reduced costs.

15 Subsequent Events

The College evaluated subsequent events after the balance sheet date of May 31, 2021 through its issuance date of October 4, 2021. The College is not aware of any subsequent events that would require recognition or disclosure.