

KENYON COLLEGE
CONSOLIDATED FINANCIAL REPORT
JUNE 30, 2021

KENYON COLLEGE

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Independent Auditors' Report

The Board of Trustees
Kenyon College
Gambier, Ohio

We have audited the accompanying consolidated financial statements of Kenyon College (a nonprofit organization), which comprise the consolidated statement of financial position as of June 30, 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Kenyon College as of June 30, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Prior Year Summarized Comparative Information

We have previously audited Kenyon College's 2020 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated November 9, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Meloney + Novotny LLC

Cleveland, Ohio
October 28, 2021

KENYON COLLEGE

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

June 30, 2021

(With Comparative Totals as of June 30, 2020)

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash and cash equivalents	\$ 56,558,830	\$ 82,472,410
Investments	589,140,627	482,565,739
Accounts and interest receivable	7,969,163	3,193,227
Inventories	867,291	967,997
Present value of pledges receivable	27,226,888	31,291,727
Loans receivable	4,139,687	4,661,265
Interests in charitable trusts	3,389,565	2,621,340
Property and equipment, net	358,399,463	319,928,671
Other assets	<u>4,950,975</u>	<u>3,896,476</u>
 Total assets	 <u>\$ 1,052,642,489</u>	 <u>\$ 931,598,852</u>
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable, accrued expenses and agency funds	\$ 14,552,303	\$ 12,638,889
Fair value of interest rate swaps	2,044,782	2,539,022
Deposits and advances	3,199,142	6,055,841
Liability for post-retirement benefits	6,590,444	6,149,005
Split interest agreements payable	6,528,691	5,924,333
Government loan funds	471,393	831,058
Capital lease obligations, net	<u>266,558,305</u>	<u>268,676,681</u>
Total liabilities	299,945,060	302,814,829
 NET ASSETS		
Without donor restrictions	406,793,852	354,610,947
With donor restrictions	<u>345,903,577</u>	<u>274,173,076</u>
Total net assets	<u>752,697,429</u>	<u>628,784,023</u>
 Total liabilities and net assets	 <u>\$ 1,052,642,489</u>	 <u>\$ 931,598,852</u>

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

KENYON COLLEGE

CONSOLIDATED STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2021
(With Comparative Totals for the Year Ended June 30, 2020)

	Without Donor Restrictions	With Donor Restrictions	2021 Total	2020 Total
OPERATING REVENUES				
Tuition and mandatory fees	\$ 86,565,951		\$ 86,565,951	\$ 104,718,105
Less: Financial aid	<u>(39,847,911)</u>		<u>(39,847,911)</u>	<u>(40,799,231)</u>
Net tuition and mandatory fees	46,718,040		46,718,040	63,918,874
Auxiliary enterprise revenues	16,748,562		16,748,562	21,282,526
Investment return designated for operations	13,862,865	\$ 10,529,375	24,392,240	24,446,398
Private gifts and grants	6,546,921	2,994,165	9,541,086	14,663,601
Government grants	5,686,121		5,686,121	1,435,458
Miscellaneous fees	116,338		116,338	155,375
Other income	1,242,432	105,337	1,347,769	1,629,094
Net assets released from restrictions	<u>15,045,746</u>	<u>(15,045,746)</u>	<u>-</u>	<u>-</u>
Total operating revenues	105,967,025	(1,416,869)	104,550,156	127,531,326
OPERATING EXPENSES				
Program services				
Instruction	39,126,310		39,126,310	44,013,406
Student services	25,351,733		25,351,733	23,457,066
Academic support	10,600,924		10,600,924	9,984,766
Research	1,166,015		1,166,015	855,186
Community partnership	348,571		348,571	369,858
Auxiliary enterprises	<u>19,733,851</u>		<u>19,733,851</u>	<u>20,571,265</u>
Total program services	96,327,404		96,327,404	99,251,547
Management and general	12,539,066		12,539,066	11,140,162
Fundraising	<u>4,230,900</u>		<u>4,230,900</u>	<u>4,718,960</u>
Total operating expenses	<u>113,097,370</u>		<u>113,097,370</u>	<u>115,110,669</u>
Change in net assets from operating activities	(7,130,345)	(1,416,869)	(8,547,214)	12,420,657
NON-OPERATING ACTIVITIES				
Contributions and pledges		15,717,345	15,717,345	22,046,210
Loss on early extinguishment of debt			-	(1,952,927)
Investment return, less amounts designated for operations	56,607,196	62,055,393	118,662,589	(21,301,389)
Change in fair value of interest rate swaps	494,240		494,240	338,178
Net change in split interest agreements	(50,897)	(579,616)	(630,513)	382,826
(Loss) gain on disposal of property and equipment	(2,750)		(2,750)	57,574
Art installation	(1,929,042)		(1,929,042)	(5,429,532)
Miscellaneous	24,265	124,486	148,751	102,798
Net assets released from restrictions	<u>4,170,238</u>	<u>(4,170,238)</u>	<u>-</u>	<u>-</u>
Change in net assets from non-operating activities	<u>59,313,250</u>	<u>73,147,370</u>	<u>132,460,620</u>	<u>(5,756,262)</u>
CHANGE IN NET ASSETS	52,182,905	71,730,501	123,913,406	6,664,395
NET ASSETS AT BEGINNING OF YEAR	<u>354,610,947</u>	<u>274,173,076</u>	<u>628,784,023</u>	<u>622,119,628</u>
NET ASSETS AT END OF YEAR	<u>\$ 406,793,852</u>	<u>\$ 345,903,577</u>	<u>\$ 752,697,429</u>	<u>\$ 628,784,023</u>

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

KENYON COLLEGE

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2021

(With Comparative Totals for the Year Ended June 30, 2020)

	Program Services	Management and General	Fundraising	2021 Total	2020 Total
Salaries and wages	\$ 40,390,970	\$ 4,181,486	\$ 2,862,021	\$ 47,434,477	\$ 48,480,089
Employee benefits	13,007,492	1,813,150	934,548	15,755,190	17,314,658
Total salaries and benefits	53,398,462	5,994,636	3,796,569	63,189,667	65,794,747
Professional and outside services	2,793,249	1,545,363	31,653	4,370,265	4,163,283
Interest and bond costs	7,869,456	432,372		8,301,828	9,273,656
Other expenses	4,297,470	1,256,097	160,256	5,713,823	1,867,323
Travel and entertainment	700,399	207,754	7,989	916,142	3,773,589
Cost of food service	4,480,849			4,480,849	3,531,332
Off Campus Studies program	168,100			168,100	4,172,509
Rent and utilities	3,765,510	148,592	10,001	3,924,103	3,823,644
Equipment and furniture	1,205,825	173,205	1,682	1,380,712	900,315
Materials, printing and supplies	3,456,051	1,894,220	69,084	5,419,355	2,204,462
Fees and honoraria	954,848	1,200	14	956,062	863,617
Cost of sales and inventory	1,080,970			1,080,970	1,368,636
Books and periodicals	380,393			380,393	225,375
Dues and memberships and postage	437,064	345,894	55,157	838,115	879,337
Total current operating expenditures	84,988,646	11,999,333	4,132,405	101,120,384	102,841,825
Art installation	1,929,042			1,929,042	5,429,532
Depreciation	11,338,758	539,733	98,495	11,976,986	12,268,844
Total functional expenses	98,256,446	12,539,066	4,230,900	115,026,412	120,540,201
Less:					
Art installation expenses reported in non-operating activities	(1,929,042)			(1,929,042)	(5,429,532)
Total expenses	\$ 96,327,404	\$ 12,539,066	\$ 4,230,900	\$ 113,097,370	\$ 115,110,669

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

KENYON COLLEGE

CONSOLIDATED STATEMENT OF CASH FLOWS

Year Ended June 30, 2021
(With Comparative Totals for the Year Ended June 30, 2020)

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 123,913,406	\$ 6,664,395
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Depreciation expense	11,976,986	12,268,844
Amortization of bond premiums and issuance costs, net	(918,376)	(28,711)
Change in fair value of interest rate swaps	(494,240)	(338,178)
Loss (gain) on disposal of property and equipment	2,750	(57,574)
Net realized and unrealized (gains) losses	(139,062,833)	1,040,306
Contributions for long-term purposes	(9,004,434)	(11,095,191)
Changes in operating assets and liabilities:		
Accounts and interest receivable	(4,775,936)	(1,399,493)
Inventories	100,706	48,418
Present value of pledges receivable	4,064,839	3,809,940
Loans receivable	521,578	76,478
Interests in charitable trusts	(768,225)	54,630
Other assets	(1,054,499)	759,546
Accounts payable, accrued expenses and agency funds	1,913,414	1,188,387
Deposits and advances	(2,856,699)	3,638,128
Liability for postretirement benefits	441,439	(1,128,802)
Split interest agreements payable	604,358	208,790
Government loan funds	(359,665)	(524,803)
Net cash (used) provided by operating activities	<u>(15,755,431)</u>	<u>15,185,110</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of land	-	133,021
Purchases of land, buildings and equipment	(50,450,528)	(37,217,467)
Purchase of securities	(61,667,902)	(6,432,931)
Sale of securities	157,744,785	82,368,822
Increased investment in limited partnerships	(63,588,938)	(45,795,826)
Net cash used by investing activities	<u>(17,962,583)</u>	<u>(6,944,381)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions for long-term purposes	9,004,434	11,095,191
Payments on capital lease obligations	(1,200,000)	(1,155,000)
Cash payment for bond retirement	-	(56,985,000)
Proceeds from issuance of bonds	-	49,940,000
Proceeds from premium on bond issuance	-	9,042,175
Payment for bond issuance costs	-	(578,610)
Net cash provided by financing activities	<u>7,804,434</u>	<u>11,358,756</u>
CHANGE IN CASH AND CASH EQUIVALENTS	<u>(25,913,580)</u>	<u>19,599,485</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>82,472,410</u>	<u>62,872,925</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 56,558,830</u>	<u>\$ 82,472,410</u>

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

KENYON COLLEGE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

- A. *Organization* – Kenyon College (the College), a private educational institution, derives its revenues from student tuition and fees, investment earnings, gifts and grants, operation of residence and dining halls and related activities. The College is institutionally committed to promoting a liberal arts education. Skills are promoted and developed that are not only useful to any career but essential for a fulfilling and valuable life.
- B. *Basis for Consolidation* – The accounts of the Kenyon Inn Management Company, a wholly-owned subsidiary of the College, have been consolidated with the accounts of the College in the accompanying consolidated financial statements. In addition, the accounts of the Kenyon Review, the College's literary periodical, the Gund Gallery, the Kokosing Nature Preserve and the Philander Chase Conservancy (all legally separate entities) have also been consolidated in the accompanying consolidated financial statements of the College due to the College's control of and financial interest in each entity. All significant intercompany accounts and transactions have been eliminated.
- C. *Basis of Accounting* – The accompanying consolidated financial statements have been prepared on the accrual basis of accounting, and in all material respects, in accordance with generally accepted accounting principles in the United States of America (GAAP).
- D. *Comparative Information* – The consolidated financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the College's audited financial statements as of and for the year ended June 30, 2020, from which the summarized information was derived.
- E. *Use of Estimates* – Preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.
- F. *Liquidity* – Assets and liabilities are listed in their estimated order of liquidity. For those accounts for which such liquidity is unclear, additional disclosures have been made in the accompanying notes within these consolidated financial statements.
- G. *Fair Values of Financial Instruments* – GAAP provides a framework for measuring fair value and requires a three level hierarchy for disclosure to show the extent and the level of judgment used to estimate fair value measurements related to financial instruments:

Level 1 – Uses unadjusted quoted prices that are available in active public markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – Uses inputs other than Level 1 that are either directly or indirectly observable as of the reporting date through correlation with market data, including quoted prices for similar assets or liabilities in active markets and quoted prices in markets that are not active. Level 2 also includes assets and liabilities that are valued using models or other pricing methodologies that do not require significant judgment since the input assumptions used in the models, such as interest rates and volatility factors, are corroborated by readily observable data.

KENYON COLLEGE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Note 1. Summary of Significant Accounting Policies (Continued)

G. *Fair Values of Financial Instruments (Continued)*

Level 3 – Uses inputs that are unobservable and are supported by little or no market activity and reflect the use of significant management judgment. These values are generally determined using pricing models and market assumptions.

The following methods and assumptions were used to estimate the fair values of each class of financial instruments for which it is practicable to estimate that value:

Cash and Cash Equivalents

The carrying amount approximates fair value due to the short maturity of those instruments.

Equity Investments

Common Stocks

The fair values of these investments are estimated based on quoted market prices for these or similar investments, generally considered Level 1 valuations.

Mutual Funds

The fair values of these investments are estimated based on quoted market prices for these or similar investments, generally considered Level 1 valuations.

Fixed Income Investments

Marketable Funds

Fixed income marketable funds are investments where a readily verifiable fair value may or may not exist. Fair value in these investments is reported by management based on readily available public market data, generally considered Level 1 valuations.

Alternative Funds

Alternative funds are investments in securities where a readily verifiable fair value may not exist and/or is not available to management. Fair value of these investments is reported by management based on information provided by the investment managers as validated by management and its advisors and, as such, additional quantitative disclosures are not required. Values may be based on readily available public market data and values may be measured using net asset value (NAV) per share as a practical expedient. Investments that are measured using NAV have been categorized separately.

Pledges Receivable

Pledges receivable are recorded at the present value of the discounted future cash flows, based on current market interest rates on the date of the contribution. The carrying value of pledges receivable, therefore, approximates their fair value.

KENYON COLLEGE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Note 1. Summary of Significant Accounting Policies (Continued)

G. *Fair Values of Financial Instruments (Continued)*

Loans Receivable

Federal Perkins Loans Receivable

The interest rates charged on Perkins loans receivable are fixed by the U.S. Department of Education. The carrying value of these loans approximates fair value.

Kenyon College Loans Receivable

The interest rates charged on Kenyon College loans are fixed by the College and are consistent with market rates. Accordingly, the carrying amount reported approximates fair value.

Interests in Charitable Trusts

Contributions receivable from remainder trusts are valued based on inputs that are quoted prices in active markets which are used to estimate the future cash flows of the trust. The College's share of interests in perpetual trusts is recorded at fair market value. The College does not have the ability to liquidate these holdings and, as such, these funds are shown as Level 3 inputs.

Split Interest Agreements Payable

The carrying value of these accounts is actuarially determined based on the present value of the discounted estimated future cash flows using market interest rates on the date of contribution and, therefore, approximates fair value. The annual payments on the annuities range from \$148 to \$59,209.

Long-Term Debt

The fair value of the College's long-term debt, based on the College's current incremental borrowing rates for similar types of borrowing arrangements, approximates its carrying amount.

Interest Rate Swaps

The fair value of the interest rate swaps is based on projected interest rates for the duration of the swaps, values that, while observable in the market, are subject to adjustment due to pricing considerations for the specific instrument. The resulting fair values are generally considered Level 2 valuations.

Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The College's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of fair value assets and their placement within the fair value hierarchy levels.

The following tables set forth by level within the fair value hierarchy the College's financial assets and liabilities that were accounted for at a fair value on a recurring basis as of June 30, 2021 and 2020. The tables do not include cash on hand or other assets and liabilities that are measured at historical cost or any basis other than fair value.

KENYON COLLEGE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Note 1. Summary of Significant Accounting Policies (Continued)

G. *Fair Values of Financial Instruments (Continued)*

<u>June 30, 2021</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
Equity investments				
Common stocks	\$ 8,646,377	\$ -	\$ -	\$ 8,646,377
Mutual funds	<u>37,423,929</u>	<u>-</u>	<u>-</u>	<u>37,423,929</u>
Total equity investments	46,070,306	-	-	46,070,306
Fixed income - marketable funds	<u>50,662,126</u>	<u>-</u>	<u>-</u>	<u>50,662,126</u>
	<u>\$ 96,732,432</u>	<u>\$ -</u>	<u>\$ -</u>	96,732,432
Alternative investments measured at NAV				<u>492,408,195</u>
				<u>\$589,140,627</u>
Interests in charitable trusts			\$ 3,389,565	\$ 3,389,565
Liabilities				
Interest rate swaps		\$ 2,044,782		\$ 2,044,782
<u>June 30, 2020</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
Equity investments				
Common stocks	\$ 20,287,998	\$ -	\$ -	\$ 20,287,998
Mutual funds	<u>27,164,214</u>	<u>-</u>	<u>-</u>	<u>27,164,214</u>
Total equity investments	47,452,212	-	-	47,452,212
Fixed income - marketable funds	<u>69,427,005</u>	<u>-</u>	<u>-</u>	<u>69,427,005</u>
	<u>\$116,879,217</u>	<u>\$ -</u>	<u>\$ -</u>	\$116,879,217
Alternative investments measured at NAV				<u>365,686,522</u>
				<u>\$482,565,739</u>
Interests in charitable trusts			\$ 2,621,340	\$ 2,621,340
Liabilities				
Interest rate swaps		\$ 2,539,022		\$ 2,539,022

KENYON COLLEGE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Note 1. Summary of Significant Accounting Policies (Continued)

G. *Fair Values of Financial Instruments (Continued)*

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3 inputs) are as follows for the years ended June 30, 2021 and 2020:

<u>Interests in Charitable Trusts</u>	<u>2021</u>	<u>2020</u>
Beginning balance	\$ 2,621,340	\$ 2,675,970
Distributions	(79,817)	(78,460)
Unrealized gain	<u>848,042</u>	<u>23,830</u>
	<u>\$ 3,389,565</u>	<u>\$ 2,621,340</u>

H. *Cash Equivalents* – The College considers investments with a maturity of three months or less when purchased to be cash equivalents on the consolidated statement of financial position and for purposes of preparing the consolidated statement of cash flows. The College maintains cash and cash equivalent balances at various financial institutions which, at times, may exceed federally insured limits and may exceed reported values due to outstanding checks.

I. *Interest Rate Swaps* – Derivative instruments (interest rate swaps) are recorded by the College on the consolidated statement of financial position at fair value, as described in Note 1.G. The College's interest rate swap agreements are used to manage exposure to interest rate movement by effectively changing the variable rates on the College's capital lease obligations to a fixed rate. The critical terms of the interest rate swap agreements and the interest-bearing debt associated with the swap agreements are similar. The interest rate swaps qualify and have been designated and accounted for as fair value hedges. Changes in fair market value of the interest rate swaps are recognized as a change in net assets on the consolidated statement of activities in the period of change, following GAAP guidance specific to non-for-profit organizations (see Note 8).

J. *Investments* – Investments are carried at fair value as described in Note 1.G. Investments received from donors as gifts are recorded at fair value at the date of gift. Investment return is recorded net of expenses and includes interest, dividends and both realized and unrealized gains and losses.

Alternative investments include interests in hedge funds, private equity, real estate and commodities funds. The College held alternative investments valued at \$492,408,195 and \$365,686,522, representing 47% and 39% of the total assets as of June 30, 2021 and 2020, respectively. Because alternative investments may not be entirely readily marketable, their estimated fair value is subject to uncertainty and, therefore, may differ from the value that would have been reported had a ready market for such investments existed. Such differences could be material. Also see *Fair Values of Financial Instruments* section.

K. *Restricted Cash* – At June 30, 2021, cash includes restricted bond proceeds of \$18,079,074 (see Note 8).

KENYON COLLEGE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Note 1. Summary of Significant Accounting Policies (Continued)

- L. *Loans Receivable* – Loans receivable, which include Perkins and Kenyon College loans, are carried at unpaid principal balances, less an allowance for uncollectible loans of \$40,000 at June 30, 2021 and 2020. Periodic evaluation of the adequacy of the allowance is based on past loan loss experience and current economic conditions. Interest income is recorded as monthly payments are received. Loans receivable are considered to be past due if a payment is not made within 30 days of the payment due date. Interest on past due loans is not accrued and recognized only to the extent cash payments are received.
- M. *Interests in Charitable Trusts* – Irrevocable charitable remainder trusts and charitable lead trusts that are held in trust by others have been included in the College's accompanying consolidated financial statements as an asset and as contribution revenue as of the date the College is notified of its interest in the irrevocable trust.
- N. *Property and Equipment, Net* – Acquisitions of property and equipment are stated at cost or at the fair market value of the properties when acquired by gift. It is the policy of the College to capitalize additions and, for replacements, to capitalize the incremental increase in cost of plant and equipment items. Maintenance, repairs and minor renewals are charged to expense when incurred.

The College recognizes depreciation on the straight-line method over the estimated useful life for each major category of assets. These estimated useful lives are summarized in the following table:

Land improvements	10-40 years
Buildings and building improvements	50 years
Equipment and furniture	3-10 years
Library books	25 years

Collections and Works of Art – Collections are not capitalized under the provisions of ASC 958-605, *Revenue Recognition-Contributions Received*. All works of art and collections are held for public exhibition, education or research; are protected, kept unencumbered, cared for and preserved; and are subject to policies governing their use. Prior to ASC 958-605 adoption, the College did capitalize works of art and collections. At June 30, 2021 and 2020, the net book value of these items is \$1,862,696 and is reflected as equipment on the consolidated statement of financial position.

Property and equipment consist of the following at June 30:

	<u>2021</u>	<u>2020</u>
Land and land improvements	\$ 3,422,106	\$ 3,299,926
Buildings and building improvements	356,163,359	353,416,648
Equipment and furniture	43,395,104	43,464,378
Library books	28,959,663	28,036,624
Construction work in progress	<u>109,197,059</u>	<u>63,865,486</u>
	541,137,291	492,083,062
Accumulated depreciation	<u>(182,737,828)</u>	<u>(172,154,391)</u>
Property and equipment, net	<u>\$ 358,399,463</u>	<u>\$ 319,928,671</u>

KENYON COLLEGE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Note 1. Summary of Significant Accounting Policies (Continued)

N. *Property and Equipment, Net (Continued)*

Depreciation expense for the years ended June 30, 2021 and 2020 was \$11,976,986 and \$12,268,844, respectively.

Through June 30, 2021, the College has incurred costs of \$94,214,421 under construction contracts which are included in construction work in progress on the consolidated statement of financial position. As of June 30, 2021, the College has outstanding commitments of \$35,587,343 remaining for the construction of new facilities.

O. *Net Assets* – Net assets are classified into two categories: without donor restrictions, which result from the receipt of funds which have no donor-imposed restrictions related to the timing or use of the funds, and net assets with donor restrictions, which result from funds received with donor-imposed restrictions that limit the use of the asset. Some donor restrictions are temporary in nature, such as those resulting from timing differences between the receipt of funds and the incurrence of the related expenses. Other donor-imposed restrictions are permanent in nature where the funds are to be invested in perpetuity and only the income be utilized. These assets also include interests in perpetual trusts.

P. *Expiration of Donor-Imposed Restrictions* – The expiration of a donor-imposed restriction on a contribution or on endowment income is recognized in the period in which the restriction expires and at that time the related resources are reclassified to net assets without donor restrictions. A restriction expires when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled or both.

Contributions of property and equipment without donor restrictions concerning the use of such long-lived assets are reported as revenues without donor restrictions. Contributions of cash or other assets to be used to acquire property and equipment with such donor stipulations are reported as revenues with donor restrictions. The restrictions are considered to be released at the time such long-lived assets are placed in service.

Q. *Revenue Recognition* – The College recognizes revenue from student tuition and fees during the year in which the related academic services are provided and are displayed net of student financial aid on the consolidated statement of activities. The performance obligation of delivering educational services is simultaneously received and consumed by the students; therefore, the revenue is recognized ratably over the course of the academic term. In addition, the students have an option to room and board on the premises. The performance obligation of providing access to housing and meals is satisfied ratably over the academic term in which the student chooses to live on campus and purchase a meal plan. Payments are generally required prior to the beginning of the semester. All amounts received prior to the commencement of the fiscal year that pertain to the next fiscal year are deferred to the applicable period.

The College records contributions, cash and promises to give, when they are received unconditionally, at their fair value. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are met. Federal and state contracts and grants are conditional upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Consequently, at June 30, 2021, contributions approximating \$3,763,050, of which no amounts have been received in advance, have not been recognized in the accompanying consolidated financial statements because the conditions have not yet been met.

KENYON COLLEGE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Note 1. Summary of Significant Accounting Policies (Continued)

- R. *Allocation of Functional Expenses* – The costs of providing various programs and other activities have been summarized on a functional basis on the consolidated statement of activities and by natural classification on the consolidated statement of functional expenses. The consolidated statement of functional expenses reports certain categories of expenses that are attributable to more than one program or supporting function. Certain expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include personnel costs, operation and maintenance of plant and other expenses which are allocated based on either a percentage of full-time equivalents of employees assigned to various departments or a percentage of square footage of total space used by each department.
- S. *Federal Income Taxes* – The Internal Revenue Service has determined that the College, the Kenyon Review, the Gund Gallery, the Kokosing Nature Preserve and the Philander Chase Conservancy are exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as public charities described in Section 501(c)(3); accordingly, no provision for federal income taxes has been made in the consolidated financial statements. The Kenyon Inn Management Company is subject to federal income taxes, which for June 30, 2021 and 2020 were not significant to these consolidated financial statements. There were no unrecognized tax benefits as of June 30, 2021.
- The income tax returns for all entities remain subject to examination by the Internal Revenue Service, as well as various state and local taxing authorities, generally for three years.
- T. *Operations* – The consolidated statement of activities includes a subtotal for the change in net assets from operating activities. This subtotal reflects revenues that the College and all consolidated entities received for operating purposes, including investment income derived from the College's endowment payout formula. Nonoperating activity reflects the change in appreciation/depreciation on long-term investments net of the amount appropriated using the endowment payout formula, contributions for endowment and plant purposes, gains or losses on the disposal of property and equipment, the net change in annuity and life income funds and other nonoperating revenues and expenses.
- U. *Conditional Asset Retirement Obligations* – Management has considered the provisions of GAAP, specifically as it relates to its legal obligations to perform asset retirement activities on its existing properties. Management believes that there is an indeterminate settlement date for the asset retirement obligations because the range of time over which the College may settle the obligations is unknown and cannot be estimated. As a result, management cannot reasonably estimate the liability related to these asset retirement activities as of June 30, 2021.
- V. *Reclassifications* – Certain 2020 amounts have been reclassified to conform to the 2021 presentation.
- W. *Contingencies* – The College is involved in litigation and is subject to certain claims that arise in the normal course of operations. In the opinion of management, the ultimate disposition of the litigation and claims will not have a material adverse effect on the College's operations or financial position.
- X. *Subsequent Events* – The College has evaluated subsequent events through October 28, 2021, which is the date the consolidated financial statements were available to be issued.

KENYON COLLEGE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Note 2. Investments

The fair value of investments is as follows (refer to Note 1 for information related to fair values):

	June 30	
	<u>2021</u>	<u>2020</u>
Equity investments:		
Common stocks	\$ 8,646,377	\$ 20,287,998
Mutual funds	37,423,929	27,164,214
Alternative investments:		
Hedge and alternative funds	299,741,865	241,902,428
Private equity	95,928,504	54,676,962
Real estate	21,187,863	17,149,914
Commodities	<u>28,153,205</u>	<u>21,244,616</u>
Total alternative investments	<u>445,011,437</u>	<u>334,973,920</u>
Total equity investments	491,081,743	382,426,132
Fixed income investments:		
Marketable funds	50,662,126	69,427,005
Alternative funds	<u>47,396,758</u>	<u>30,712,602</u>
Total fixed income investments	<u>98,058,884</u>	<u>100,139,607</u>
	<u>\$ 589,140,627</u>	<u>\$ 482,565,739</u>

Investment funds in private equity funds and alternative investment classes are typically organized as limited partnerships. A unique characteristic of these structures is that the investment manager requests (or calls) capital commitments from the investors as investment opportunities arise and distributes capital only when investments are liquidated. Capital calls are typically made by the investment manager during years 1-5 of a fund's life while the majority of capital distributions do not occur until years 8-10 of a fund's life.

The College was obligated at June 30, 2021 to invest additional funds in limited partnership investments in the amount of \$72,609,148 at the direction of the general partners. These capital calls may be funded through distributions from current limited partnerships, liquidations of investments currently held by the College, new gifts and/or available cash.

Due to the nature of alternative investments and the use of some limited partnerships and commingled vehicles in traditional asset classes (public equities and fixed income), the College contractually agrees to liquidity restrictions. The College, in response to this risk, closely monitors the liquidity of the portfolio. As of June 30, 2021, the following liquidity characteristics applied to the College's investments in private equity funds and alternative investments:

<u>Liquid Within:</u>	<u>% of Investment Portfolio</u>
1 year	41.9%
3 years	23.0%
Illiquid	35.1%

KENYON COLLEGE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Note 2. Investments (Continued)

Illiquid investments represent those invested in real assets and private equity limited partnerships. There is a very limited secondary market for these interests and selling them would require considerable time. The College is not actively trying to sell any of its illiquid investments at this time.

Note 3. Endowment Funds

The College places great importance on risk reduction through asset allocation and style diversification. The College has interpreted the Ohio Uniform Prudent Management of Institutional Funds Act (UPMIFA) as allowing the College to appropriate for expenditure from a donor-restricted endowment fund such amounts as the Board of Trustees determines is prudent, except as otherwise provided by the donor in a gift agreement. Factors considered in making investment and appropriation decisions for such funds are described below. The following are investment performance objectives for the portfolio:

The Investment Committee is charged by the Board of Trustees to oversee the investment process. For endowment funds, the objective is to achieve superior long-term total returns such that the requirements of the annual budget are met, all within the confines of reasonable risk. In this regard, specific responsibilities include the hiring, monitoring and changing of investment managers, performance monitoring, establishing asset classes, allocation targets and ranges and rebalancing strategies. As part of its overall mission, the Investment Committee maintains a detailed *Statement of Purpose and Policies* and it regularly reviews the appropriateness of the contents in light of the current investment environment. In conjunction with the Campus and Finance Committee of the Board of Trustees, the Investment Committee recommends to the full Board spending policies in respect to the annual distribution from endowment funds.

The College's endowment assets consist of two groupings: 1) those funds which can be pooled together for purposes of investment and payout and 2) those funds which by donor restriction, either as to investment or payout, must be separately invested. The assets of the pooled funds consist of all investment types disclosed in Note 2 and income is distributed based on a Board approved payout formula as described below. The endowment funds with donor restrictions generally consist of mutual funds and life insurance policies.

For the year ended June 30, 2021, the College utilized a spending formula to calculate the distribution out of its pooled investment portfolio. The formula is composed of two elements: 1) a market element adjusts annual endowment spending to the long-term sustainable target spending of 4.00% of the average actual market value of the endowment for the most recent three years. This element of the spending rate receives a 30% weighting in the spending rate calculation and 2) a spending element increases last year's spending rate by a factor for inflation (3.5%) plus budget growth (1.50%). This element of the spending rate receives a weight of 70%. The distributed earnings are considered appropriated for expenditure and recorded as net assets released from restrictions on the consolidated statement of activities as spent. The College has temporarily frozen the payout rate while slightly increasing the payout amount due to new cash gifts received during the year.

Effective June 30, 2019, the College's Board of Trustees voted to classify the unrestricted reserve fund as a board designated endowment fund. The payout from this unrestricted fund is determined annually in the budgeting process, and has historically averaged approximately 6% of the market value of the fund.

KENYON COLLEGE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Note 3. Endowment Funds (Continued)

The College's endowment funds were as follows as of June 30, 2021 and 2020:

<u>June 30, 2021</u>	Without Donor Restrictions	With Donor Restrictions			Total
		Original Gift Amount	Accumulated Earnings	Total	
Endowment assets, beginning of year,	\$210,287,496	\$192,270,983	\$ 19,384,846	\$211,655,829	\$421,943,325
Investment return:					
Investment income	901,368	279,936	1,241,929	1,521,865	2,423,233
Net appreciation (realized and unrealized)	<u>66,004,211</u>	<u>280,585</u>	<u>68,736,571</u>	<u>69,017,156</u>	<u>135,021,367</u>
Total investment return	66,905,579	560,521	69,978,500	70,539,021	137,444,600
Cash contributions	1,561,347	11,952,217	-	11,952,217	13,513,564
Appropriation of endowment assets for expenditure	<u>(13,322,116)</u>	<u>-</u>	<u>(9,483,036)</u>	<u>(9,483,036)</u>	<u>(22,805,152)</u>
Endowment assets, end of year	<u>\$265,432,306</u>	<u>\$204,783,721</u>	<u>\$ 79,880,310</u>	<u>\$284,664,031</u>	<u>\$550,096,337</u>

<u>June 30, 2020</u>	Without Donor Restrictions	With Donor Restrictions			Total
		Original Gift Amount	Accumulated Earnings	Total	
Endowment assets, beginning of year,	\$218,053,873	\$177,671,071	\$ 28,728,488	\$206,399,559	\$424,453,432
Investment return:					
Investment income	590,402	345,117	639,092	984,209	1,574,611
Net depreciation (realized and unrealized)	<u>(937,088)</u>	<u>(233,350)</u>	<u>(334,752)</u>	<u>(568,102)</u>	<u>(1,505,190)</u>
Total investment return	(346,686)	111,767	304,340	416,107	69,421
Cash contributions	5,910,336	14,488,145	-	14,488,145	20,398,481
Appropriation of endowment assets for expenditure	<u>(13,330,027)</u>	<u>-</u>	<u>(9,647,982)</u>	<u>(9,647,982)</u>	<u>(22,978,009)</u>
Endowment assets, end of year	<u>\$210,287,496</u>	<u>\$192,270,983</u>	<u>\$ 19,384,846</u>	<u>\$211,655,829</u>	<u>\$421,943,325</u>

KENYON COLLEGE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Note 3. Endowment Funds (Continued)

Based on the College's spending formula, as of June 30, 2021 and 2020, an additional \$4,373,881 and \$2,844,030, respectively, has been appropriated for expenditure out of accumulated earnings with donor restrictions.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the College to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are reported as a reduction of net assets with donor restrictions. As of June 30, 2021 and 2020, endowment funds with market values of \$-0- and \$44,106,643, respectively, were \$-0- and \$843,699, respectively, below the original gift amount.

Note 4. Pledges Receivable

As of June 30, 2021, the College had received unconditional promises to give as follows:

Within one year	\$ 15,974,939
One to two years	3,722,197
Two to three years	1,463,000
Three to four years	2,318,250
Four to five years	1,205,656
More than five years	<u>4,403,750</u>
	29,087,792
Discount on long-term pledges	<u>(1,860,904)</u>
	<u>\$ 27,226,888</u>

The amounts are recorded at the present value of future cash flows discounted using rates for one to twenty-six year treasury securities ranging from 0.64% to 3.71%. Management estimates an allowance for uncollectible pledges based upon its review of outstanding pledges and historical collections. As of June 30, 2021, the allowance for uncollectible pledges was \$133,203, which is included in the discount on long-term pledges presented above.

As of June 30, 2020, the College had received gross unconditional promises totaling \$33,705,288 net of allowances for uncollectible pledges of \$165,310 and discount on long-term pledges of \$2,248,251.

Note 5. Available Line of Credit

Under an unused and unsecured line of credit with a bank, the College may borrow up to \$15,000,000 at a rate of 4.00% as of June 30, 2021.

KENYON COLLEGE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Note 6. Guaranteed Loans

The College offers a home mortgage loan guarantee program to certain members of its faculty and administration. Under this program, the College guarantees 100% of the outstanding mortgage loans until such time as the outstanding amount on each loan is reduced to 70% of the original appraised value or contract price of the property, at which time the guarantee is released. Under the program, the College has the right to purchase the mortgage loans from the lenders in the event of default by an employee. As of June 30, 2021, the College has guaranteed mortgage loans aggregating \$2,667,129. All loans were current as of June 30, 2021. The College deems it unlikely that any amount of the guarantee would be called by the banks.

Note 7. Retirement and Postretirement Benefit Plans

The College had three defined contribution retirement plans which covered substantially all employees. Effective December 31, 2019, the College merged the three defined contribution retirement plans into one plan. Eligible employees may contribute a percentage of their compensation. The College contributes 9.5% of the employee's compensation for all employees who contribute a minimum deferral of 3% or 5%, depending on the classification of the employee participating in the plan. The College's contributions to the plans were \$4,028,081 and \$3,967,267 during the years ended June 30, 2021 and 2020, respectively.

In addition to the College's defined contribution retirement plans, the College has two additional postretirement benefit plans. One plan provides certain health care benefits for retired employees. The College makes defined contributions to the plan on behalf of eligible employees who are 35 years of age or older and have completed at least one year of service. The College's contributions are limited to 25 years or the employee's separation from employment, whichever occurs first. The College contributed \$96,745 and \$921,656 for the years ended June 30, 2021 and 2020, respectively. The majority of the College's contributions to the plan providing certain health care benefits for retired employees was suspended from July 1, 2020 through June 30, 2021, due to the coronavirus pandemic.

The second plan is a defined benefit postretirement plan which provides life insurance benefits applicable only to two groups: 1) grandfathered members of the collective bargaining unit who were active as of February 4, 1974 and 2) members of the faculty who retire under early retirement agreements with coverage to continue for a maximum of five years. Because of the short period of coverage for faculty members covered by this plan, the value of this benefit for them is not material to the calculation of the postretirement valuation and, therefore, has not been included. The College reserves the right to modify or terminate these retiree payments at any time. The amount of funding activity is determined at the discretion of management. Currently, the College has not funded any portion of the liability.

The College recognizes the underfunded status of the defined benefit plan on its consolidated statement of financial position, measured as the difference between the fair value of plan assets and the projected benefit obligation. The College recognizes the change in the funded status of the plan in the year in which the change occurs through net assets without donor restrictions.

Included in net assets without donor restrictions at June 30, 2021 and 2020 are the following amounts that have not yet been recognized in net periodic benefit cost: unrecognized actuarial loss of \$2,725,061 and \$1,224,789, respectively, and unrecognized net prior service credit of \$-0- and \$-0-, respectively. The contributions, actuarial loss and prior service credit expected to be recognized during the year ended June 30, 2021 are \$437,081, \$110,507 and \$-0-, respectively.

KENYON COLLEGE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Note 7. Retirement and Postretirement Benefit Plans (Continued)

The following sets forth the plan status with amounts reported in the College's consolidated financial statements:

	Fiscal Years Ended June 30	
	<u>2021</u>	<u>2020</u>
Net Periodic Postretirement Cost		
Service cost	\$ 315,219	\$ 321,182
Interest cost	147,169	204,176
Amortization of prior service cost	-	(4,354)
Amortization of unrecognized loss	<u>85,714</u>	<u>136,878</u>
 Total net periodic postretirement cost	 <u>\$ 548,102</u>	 <u>\$ 657,882</u>

	Fiscal Years Ended June 30	
	<u>2021</u>	<u>2020</u>
Change in Benefit Obligation		
Benefit obligation at beginning of year	\$ 6,149,005	\$ 7,277,807
Service cost	315,219	321,182
Interest cost	147,169	204,176
Actuarial loss (gain)	612,881	(1,363,394)
Plan participant contributions	67,713	64,996
Benefits paid	<u>(701,543)</u>	<u>(355,762)</u>
 Benefit obligation at end of year	 <u>\$ 6,590,444</u>	 <u>\$ 6,149,005</u>

During 2010, the plan was amended to provide benefits to the spouse and/or children for 12 months following the death of the participant. Previously, benefits would continue indefinitely provided the spouse remained unmarried.

Estimated future benefit payments as of June 30, 2021 are as follows:

2022	\$ 437,000
2023	473,000
2024	557,000
2025	567,000
2026	552,000
2027-2031	2,971,000

KENYON COLLEGE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Note 7. Retirement and Postretirement Benefit Plans (Continued)

	Fiscal Years Ended June 30	
	<u>2021</u>	<u>2020</u>
Actuarial Assumptions		
Weighted average discount rate:		
Expense for the year	2.37%	3.22%
Accumulated plan benefit obligation (at year-end)	2.38%	2.37%
Medical trend:		
For next year	6.90%	6.30%
Ultimate trend rate	4.50%	4.50%
Year reached	2030	2029

The medical trend rate assumption has a significant effect on the benefit obligation and other amounts reported. If the medical trend rates were to increase by 1% for each year, the benefit obligation as of June 30, 2021 would increase by \$581,092 and the sum of the service and interest cost components of the Net Periodic Postretirement Benefit Cost (NPPBC) for fiscal year 2021 would increase by \$56,222. If the medical trend rates were to decrease by 1% for each year, the benefit obligation as of June 30, 2021 would decrease by \$517,107 and the sum of the service and interest cost components of the NPPBC for fiscal year 2021 would decrease by \$48,674.

Note 8. Capital Lease Obligations

As of June 30, 2021, the College has in place five lease agreements with the Ohio Higher Educational Facility Commission (the Commission) to finance various building and improvement projects. These leases serve as security for the Commission's Higher Educational Facility Revenue Bonds. The bonds are collateralized by a security interest in the buildings and improvements comprising the various projects.

Rental payments under the leases equal the interest and principal payments on related bonds issued by the Commission. The leases give the College the option to purchase the assets at nominal amounts after all bonds are retired. Accordingly, the College has recorded buildings and improvements with a cost of \$228,016,673 and accumulated depreciation of \$102,945,851 as of June 30, 2021 and the liabilities as capital lease obligations. Amortization of these assets is included in depreciation expense.

All revenues generated by the leased facilities are pledged as collateral for retirement of the bonds.

KENYON COLLEGE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Note 8. Capital Lease Obligations (Continued)

Summary of Bonds Outstanding

The College's bonds outstanding are as follows as of June 30:

	<u>2021</u>	<u>2020</u>
<u>2013 Revenue Bonds:</u>		
Maturing through July 1, 2037 with a rate of 5.00%		
outstanding principal	\$ 43,610,000	\$ 43,610,000
unamortized premium	684,971	727,782
unamortized issuance costs	(321,746)	(340,673)
 <u>2015 Revenue Bonds:</u>		
Maturing through July 1, 2040 with rates ranging from 4.00% - 5.00%		
outstanding principal	39,400,000	39,400,000
unamortized premium	924,093	975,432
unamortized issuance costs	(331,712)	(348,298)
 <u>2016 Revenue Bonds:</u>		
Maturing through July 1, 2044 with rates ranging from 3.25% to 5.00%		
outstanding principal	53,330,000	53,330,000
unamortized premium	2,601,921	2,721,556
unamortized issuance costs	(471,871)	(493,320)
 <u>2017 Revenue Bonds:</u>		
Maturing through July 1, 2047 with rates ranging from 4.00% to 5.00%		
outstanding principal	64,195,000	65,395,000
unamortized premium	5,617,469	5,983,198
unamortized issuance costs	(580,031)	(602,339)
 <u>2020 Revenue Bonds:</u>		
Maturing through July 1, 2044 with rates ranging from 4.00% to 5.00%		
outstanding principal	49,940,000	49,940,000
unamortized premium	8,490,604	8,932,844
unamortized issuance costs	<u>(530,393)</u>	<u>(554,501)</u>
 Total outstanding principal	 250,475,000	 251,675,000
Total unamortized premium/discount, net	18,319,058	19,340,812
Total unamortized issuance costs	<u>(2,235,753)</u>	<u>(2,339,131)</u>
 Capital lease obligations, net	 <u>\$ 266,558,305</u>	 <u>\$ 268,676,681</u>

KENYON COLLEGE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Note 8. Capital Lease Obligations (Continued)

Summary of Bonds Outstanding (Continued)

In July 2013, the College issued \$43,610,000 of revenue bonds through the Commission. The proceeds of the bonds were used to advance refund \$40,500,000 of previous bond issues and provided for issuance costs. The bonds were issued at a premium for a true interest cost of 4.86%. The bond premium is being amortized over the term of the bonds. The bonds are subject to mandatory sinking fund redemption, maturing on July 1, 2035, 2036 and 2037.

In May 2015, the College issued \$39,400,000 of revenue bonds through the Commission. The proceeds of the bonds were used to advance refund \$37,535,000 of a previous bond issue and provided for issuance costs. The bonds were issued at a premium for a true interest cost of 4.19%. The bond premium is being amortized over the term of the bonds. The bonds are subject to mandatory sinking fund redemption, maturing on July 1, 2038, 2039 and 2040.

In November 2016, the College issued \$53,330,000 of revenue bonds through the Commission. The proceeds of the bonds were used to refund \$48,640,000 of previous bond issues and provided for issuance costs. The 2016 Bond Trustee received proceeds from the bonds to be placed in an escrow account to pay both principal and interest on the previous issues. Because the escrow funds, along with any earnings, are irrevocably committed for this purpose, the \$48,640,000 is deemed to have been paid and discharged within the meaning of the Trust Agreement; however, the College remains obligated to resolve any shortage of principal and interest payments out of the escrow account. The bonds were issued at a premium for a true interest cost of 3.84%. The bond premium is being amortized over the term of the bonds. The bonds are subject to mandatory sinking fund redemption, maturing on July 1, 2040, 2042 and 2044.

In December 2017, the College issued \$68,730,000 of revenue bonds through the Commission. The proceeds of the bonds will be used to pay the costs of and relating to constructing, furnishing and equipping library facilities and an academic quad, and other College academic, administrative and student resident facilities. The 2017 bonds were issued at a premium of \$6,939,523 for a true interest cost of 3.80%. The bond premium is being amortized over the life of the bonds. The bonds are subject to mandatory sinking fund redemption, maturing on July 1, 2042 and 2047.

In April 2020, the College issued \$49,940,000 of revenue bonds through the Commission. The proceeds of the bonds were used to refund the remaining outstanding principal of \$56,985,000 of a previous bond issue. The 2020 Bond Trustee received proceeds from the bonds to be placed in an escrow account to pay both principal and interest on a previous bond issue. Because the escrow funds, along with any earnings, are irrevocably committed for this purpose, the \$56,985,000 is deemed to have been paid and discharged within the meaning of the Trust Agreement; however, the College remains obligated to resolve any shortage of principal and interest payments out of the escrow account. The bonds were issued at a premium of \$9,042,175 for a true interest cost of 3.46%. The bond premium is being amortized over the term of the bonds. The bonds are subject to mandatory sinking fund redemption maturing on July 1, 2041 and 2042.

The amount of rent paid by the College on its bonds for the year ended June 30, 2021 was \$11,664,207 of which \$1,200,000 represented principal and \$10,464,207 represented interest. For the year ended June 30, 2021, the College capitalized interest of \$2,648,523, which is included in construction work in progress. The amount of rent paid by the College on its bonds for the year ended June 30, 2020 was \$11,653,800 of which \$1,155,000 represented principal and \$10,498,800 represented interest.

KENYON COLLEGE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Note 8. Capital Lease Obligations (Continued)

Summary of Bonds Outstanding (Continued)

At June 30, 2021, future minimum payments by year and in the aggregate under these capital lease obligations consist of the following:

2022	\$ 12,692,963
2023	12,695,212
2024	12,699,212
2025	12,699,713
2026	12,701,713
Remaining amount due	<u>390,955,225</u>
	454,444,038
Amount representing interest	<u>(203,969,038)</u>
Fixed rate obligations outstanding	250,475,000
Unamortized premiums/discount	18,319,058
Unamortized bond issuance costs	<u>(2,235,753)</u>
	<u>\$ 266,558,305</u>

Interest Rate Swap Agreements

As part of a strategy to manage the College's debt position over time and decrease variable rate risk, the College entered into an interest rate swap agreement in February 2006 in which the College pays a fixed rate, 3.514%, in exchange for receiving a variable rate which is indexed to LIBOR and calculated on a notional amount of \$57,600,000. The difference between the fixed interest rate and the variable interest rate is settled on a quarterly basis. The agreement terminates in February 2026.

At the time the 2010 bonds were issued, which refunded the College's variable rate bonds with fixed rate bonds, it would have cost the College approximately \$5,700,000 to terminate the 2006 swap agreement. The College entered into a second interest rate swap agreement which is the reverse of the February 2006 swap. Under the terms of this agreement, the College pays a variable rate indexed to LIBOR and receives a fixed payment of 2.67% on a notional amount of \$57,600,000. This agreement also terminates in February 2026 and effectively finances the \$5,700,000 over the remaining life of the initial swap agreement.

At June 30, 2021 and 2020, the net value of the swap agreements was a liability of \$2,044,782 and \$2,539,022, respectively. For the fiscal years ended June 30, 2021 and 2020, the College's interest expense was increased by \$486,144 as a result of the interest rate swaps.

Note 9. Net Assets

Net assets without donor restrictions include funds functioning as endowment, as designated by the Board of Trustees, amounting to \$265,432,306 and \$210,287,496 at June 30, 2021 and 2020, respectively, which are subject to the College's investment and spending policies as described in Note 3.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Note 9. Net Assets (Continued)

Net assets with donor restrictions were restricted as follows:

	<u>2021</u>	<u>2020</u>
Net assets with donor restrictions		
Net assets subject to time restrictions:		
Pledges receivable restricted to capital or program	\$ 10,011,302	\$ 10,555,045
Net assets subject to purpose restrictions:		
Faculty and academic support	6,685,378	4,871,252
Student programs	545,803	1,168,285
Scholarships, prizes and awards	1,745,600	832,028
Plant improvements	5,954,759	7,506,861
General support	519,894	688,696
Other programs	638,818	846,754
Total net assets subject to purpose restrictions	<u>16,090,252</u>	<u>15,913,876</u>
Net assets subject to spending policy and appropriation:		
Original gift amount	204,783,721	192,270,983
Pledges receivable restricted for endowment	17,215,586	20,736,682
Accumulated earnings	<u>79,880,310</u>	<u>19,384,846</u>
Total net assets subject to spending policy and appropriation	301,879,617	232,392,511
Net assets not subject to spending:		
Beneficial interest in trusts restricted in perpetuity	7,474,770	5,640,494
Beneficial interest in trusts	1,703,088	1,282,505
Loan funds	<u>8,744,548</u>	<u>8,388,645</u>
Total net assets not subject to spending	<u>17,922,406</u>	<u>15,311,644</u>
Total net assets with donor restrictions	<u>\$ 345,903,577</u>	<u>\$ 274,173,076</u>

Restricted net assets released from restrictions for the years ended June 30 were as follows:

	<u>2021</u>	<u>2020</u>
Restricted net assets released		
Unexpended endowment income and gifts and grants:		
Faculty and academic support	\$ 4,314,513	\$ 39,123,353
Student programs	1,130,203	2,090,275
Scholarships, prizes and awards	5,601,045	9,626,955
Plant improvements	2,376,791	934,565
Other programs	3,212,477	5,420,619
Gifts pending donor designation	<u>2,580,955</u>	<u>1,539,785</u>
Total restricted net assets released	<u>\$ 19,215,984</u>	<u>\$ 58,735,552</u>

KENYON COLLEGE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Note 10. Liquidity and Availability of Financial Assets

The College regularly monitors liquidity required to meet its operating needs. The College has various sources of liquidity including cash and cash equivalents and investments. In addition to financial assets available to meet general expenditures over the next 12 months, the College strives to operate within a balanced budget and anticipates collecting revenues and using internal contingency funds sufficient to cover operating expenses. The College receives contributions restricted by donors, and considers contributions restricted for programs which are ongoing, major and central to its annual operations to be available to meet cash needs for general expenditures.

The College manages its financial assets available to meet general expenditures by operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets and maintaining sufficient reserves to provide that future opportunities of a long-term nature can be acted upon. The College forecasts its future cash flows and monitors its liquidity and reserves on a routine basis. As described in Note 5, the College has a line of credit available for additional liquidity needs in short-term, emergency circumstances.

Financial assets available for general expenditure, that is without donor or other restrictions limiting their use, within one year comprise the following:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 56,558,830	\$ 82,472,410
Investments	589,140,627	482,565,739
Accounts and interest receivable	7,969,163	3,193,227
Present value of pledges receivable	27,226,888	31,291,727
Loans receivable	4,139,687	4,661,265
Interests in charitable trusts	<u>3,389,565</u>	<u>2,621,340</u>
Total financial assets	688,424,760	606,805,708
Less assets not available for general expenditure within one year:		
Pledges receivable due greater than one year or restricted to long-term purposes	(22,618,695)	(25,245,145)
Cash restricted by donor for long-term purposes	(1,133,269)	(1,940,851)
Revolving loan funds not available for general expenditure	(4,139,687)	(4,661,265)
Interests in charitable trusts, net of anticipated distributions	(3,309,748)	(2,542,880)
Donor-restricted endowment funds	(284,664,031)	(211,655,829)
Cash and investments designated by the Board for long-term investment	(283,511,380)	(256,788,011)
Add approved appropriations from donor and board designated funds	<u>25,087,332</u>	<u>22,034,244</u>
Financial assets available for general expenditure within one year	<u>\$ 114,135,282</u>	<u>\$ 126,005,971</u>

KENYON COLLEGE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Note 11. Our Path Forward

In September 2017, the College received a \$75 million gift from an anonymous donor as part of the Our Path Forward campaign. This gift will be used to support the College's academic programs. Three major priorities for the original \$300 million comprehensive campaign include fundraising for endowed scholarships and professorships; support for internship and research opportunities, community-engaged learning and off-campus study; and increased capacity to adapt the College's campus for more innovative and collaborative learning and teaching. As part of the campaign, the West Quad Project will be a hub for 21st century learning and teaching and will allow the College to make significant progress toward a more physically accessible campus.

Coming during one of the most challenging times in memory, the generosity of 17,947 alumni, parents and friends has propelled the Our Path Forward campaign past its \$300 million goal five months ahead of schedule. The Our Path Forward to the Bicentennial campaign now has an increased goal of \$500 million and renewed emphasis on scholarships and financial aid.

Through September 30, 2021, the College has raised approximately \$350 million toward this campaign.

In January 2021, an anonymous donor verbally committed \$100 million to fund construction of three apartment-style residence halls on South Campus, each with room for just over 100 students, therefore the gift has not met the College's criteria to be recorded as revenue.

Part of the West Quad project includes the custom design and installation of a new major sculpture which will join the College's permanent collection. Costs related to the art installation are fully funded by the anonymous donor, classified as non-operating on the consolidated statement of activities and amounted to \$1,929,042 and \$5,429,532 for the years ended June 30, 2021 and 2020, respectively.

Note 12. CARES Act

On March 27, 2020, President Trump signed into law the Coronavirus Aid, Relief and Economic Security (CARES) Act. The CARES Act, among other things, created the Higher Education Emergency Relief Fund (HEERF). During the years ended June 30, 2021 and 2020 The College received awards of \$1,667,281 and \$470,279, respectively, that are to be provided directly to students in the form of grants to help student families facing additional expenses related to the disruption of regular campus operations due to the coronavirus. The College distributed \$474,087 and \$-0- to students during the years ended June 30, 2021 and 2020, respectively. During the years ended June 30, 2021 and 2020 the College received similar awards of \$2,042,334 and \$470,279, respectively, that are to cover certain allowable institutional costs related to the coronavirus. The college expended \$2,157,712 and \$-0- during the years ended June 30, 2021 and 2020, respectively, in HEERF funds for institutional purposes related to this grant. These institutional funds are released to the College as the student assistance portion is spent.

Note 13. COVID-19 Global Pandemic

On January 30, 2020, the World Health Organization declared the outbreak of the coronavirus disease 2019 (COVID-19) a global health emergency and subsequently declared the COVID-19 outbreak a global pandemic in March 2020. The pandemic has adversely affected domestic and global economic activity and the full impact continues to evolve as of the date of this report.

Accordingly, the pandemic is expected to affect the financial condition, results of operations and cash flows of the College during fiscal year 2022, but the extent is unknown at this time. In response, the College made a number of budget adjustments in the 2020-21 and 2021-22 fiscal years that it believes should help the College navigate through the rest of the 2021-22 fiscal year without any major disruption to the academic program.