Financial Statements

2022 and 2021

LAFAYETTE COLLEGE

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Financial Statements

Years ended June 30, 2022 and 2021

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Trustees
Lafayette College

Opinion
We have audited the financial statements of Lafayette College (the “College”), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the College as of June 30, 2022, and 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.

Basis for opinion
We conducted our audit of the financial statements in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the College and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other matter
The financial statements of Lafayette College as of and for the year ended June 30, 2021 were audited by other auditors who expressed an unmodified opinion on those financial statements in their report dated October 26, 2021.

Responsibilities of management 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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the College’s ability to continue as a going concern for one year after the date the financial statements are available to be issued.

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Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern for a reasonable period of time.

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

Grant Thornton LLP

Iselin, New Jersey
October 25, 2022

LAFAYETTE COLLEGE
Statements of Financial Position
June 30, 2022 and 2021
(Dollars in thousands)

	2022	2021
Assets		
Cash and cash equivalents	$ 63,231	$ 53,317
Short-term investments (note 2)	21,499	23,510
Accounts and loans receivable, net (note 3)	3,924	2,721
Contributions receivable and bequests, net (note 4)	13,203	9,680
Prepaid expenses and other assets	4,149	3,131
Deposits with bond trustees (note 12)	1,464	1,031
Long-term investments (note 6)	1,055,336	1,124,926
Property and equipment, net (note 8)	411,239	396,686
Total assets	$ 1,574,045	$ 1,615,002
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	$ 19,906	$ 18,178
Deposits and deferred revenues	1,900	2,183
Funds held for others	4,120	4,940
Annuities payable (note 9)	15,586	18,887
Postretirement benefits (note 19)	27,466	39,575
Federal student loans refundable	208	395
Interest rate swap agreements (note 13)	7,189	13,523
Conditional asset retirement obligations (note 15)	1,842	1,792
Lease obligations (note 14)	6,378	6,919
Mortgages payable (note 11)	-	1,980
Bonds and notes payable, net (note 11)	288,273	276,047
Total liabilities	372,868	384,419
Commitments and Contingencies (notes 5, 6, 8, and 23)		
Net Assets (note 21)		
Without donor restrictions	397,255	373,166
With donor restrictions	803,922	857,417
Total net assets	1,201,177	1,230,583
Total liabilities and net assets	$ 1,574,045	$ 1,615,002

See accompanying Notes to Financial Statements.

LAFAYETTE COLLEGE
Statements of Activities
Years ended June 30, 2022 and 2021
(Dollars in thousands)

	2022			2021		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Operating Revenues						
Tuition and fees, net (note 16)	$ 92,171	$ -	$ 92,171	$ 84,439	$ -	$ 84,439
Government grants	7,503	-	7,503	4,573	-	4,573
Private gifts and grants	6,858	-	6,858	7,640	-	7,640
Endowment support (note 7)	41,435	-	41,435	40,403	-	40,403
Other	2,773	-	2,773	2,563	-	2,563
Sales and services of auxiliaries (note 16)	39,428	-	39,428	18,354	-	18,354
Net assets released from restrictions	1,067	-	1,067	1,054	-	1,054
Total operating revenues	191,235	-	191,235	159,026	-	159,026
OPERATING EXPENSES						
Instruction (note 20)	63,058	-	63,058	56,468	-	56,468
Research (note 20)	1,716	-	1,716	1,152	-	1,152
Academic support (note 20)	12,267	-	12,267	11,569	-	11,569
Student services (note 20)	35,954	-	35,954	29,568	-	29,568
Institutional support (note 20)	32,818	-	32,818	32,033	-	32,033
Auxiliary services (note 20)	33,446	-	33,446	26,783	-	26,783
Total operating expenses	179,259	-	179,259	157,573	-	157,573
Change in net assets from operating activities	11,976	-	11,976	1,453	-	1,453
Nonoperating Activities						
Long-term investment return (note 6)	28,928	(58,689)	(29,761)	91,162	160,502	251,664
Endowment support (note 16)	(41,435)	(586)	(42,021)	(40,403)	(596)	(40,999)
Endowment, capital, and other donor restricted gifts	3,761	13,870	17,631	730	7,772	8,502
Deferred giving, net	(685)	(3,964)	(4,649)	182	7,251	7,433
Change in fair value of interest rate swap agreements (note 13)	6,334	-	6,334	4,430	-	4,430
Change in postretirement benefits cost (note 19)	11,269	-	11,269	920	-	920
Loss on disposal of property and equipment	(170)	-	(170)	-	-	-
Other nonoperating gain	1,052	-	1,052	45	-	45
Loss on defeasance of debt	-	-	-	(7,112)	-	(7,112)
Net assets released from restrictions	3,059	(4,126)	(1,067)	2,715	(3,769)	(1,054)
Change in net assets from nonoperating activities	12,113	(53,495)	(41,382)	52,669	171,160	223,829
Change in net assets	24,089	(53,495)	(29,406)	54,122	171,160	225,282
Net assets at beginning of year	373,166	857,417	1,230,583	319,044	686,257	1,005,301
Net assets at end of year	$ 397,255	$ 803,922	$ 1,201,177	$ 373,166	$ 857,417	$ 1,230,583

See accompanying Notes to Financial Statements.

LAFAYETTE COLLEGE
Statements of Cash Flows
Years ended June 30, 2022 and 2021
(Dollars in thousands)

	2022	2021
Cash flows from operating activities		
Change in net assets	$ (29,406)	$ 225,282
Reconciliation of change in net assets to net cash provided by operating activities		
Depreciation	15,596	15,781
Amortization of bond premium, discount and issuance costs	(1,638)	(1,664)
Net realized and unrealized loss (gain) on short-term investments	1,122	(66)
Net unrealized loss (gain) on long-term investments	72,525	(198,680)
Loss (gain) on conditional asset retirement obligation	50	(144)
Loss on adjustment for experience of postretirement benefits cost	-	160
Loss on property and equipment disposals	170	-
Loss on defeasance of debt	-	7,112
Contributions for investment in endowment and annuities	(16,437)	(8,950)
Changes in assets and liabilities		
Change in short-term investments	889	914
Change in accounts and loans receivable	(1,263)	1,536
Change in contributions receivable and bequests, net	(275)	176
Change in prepaid expenses and other assets	(1,019)	(495)
Change in accounts payable and accrued expenses	1,971	4,877
Change in deposits and deferred revenues	(283)	(3,337)
Change in funds held for others	(820)	1,322
Change in postretirement benefits	(12,109)	(1,726)
Change in interest rate swap agreements	(6,334)	(4,430)
Net cash provided by operating activities	22,741	37,668
Cash flows from investing activities		
Purchases of property and equipment	(30,183)	(8,333)
Student loans issued	(213)	(248)
Student loans repaid, net	273	446
Change in contributions, receivable and bequests, net	(3,249)	5,682
Purchases of investments	(457,766)	(643,184)
Proceeds from sales and maturities of investments	454,832	611,186
Change in deposits with bond and other trustees	(433)	1,771
Net cash used in investing activities	(36,739)	(32,680)
Cash flows from financing activities		
Repayment of principal of mortgage	(1,980)	(120)
Proceeds from issuance of bonds and notes	14,000	61,661
Payments associated to debt refinancing	-	(61,154)
Payment of bond issuance costs	(136)	(501)
Payment of lease obligations	(920)	(881)
Change in deferred giving liability	(3,301)	(161)
Change in federal student loans refundable	(188)	(487)
Contributions for investment in endowment and annuities	16,437	8,950
Net cash provided by financing activities	23,912	7,307
Change in cash and cash equivalents	9,914	12,295
Cash and cash equivalents at beginning of year	53,317	41,022
Cash and cash equivalents at end of year	$ 63,231	$ 53,317
Supplemental disclosure of cash flow information		
Noncash transactions		
Amounts included in accounts payable for purchase of property and equipment	$ 7,527	$ 1,157
Equipment acquired through capital lease	$ 379	$ 393
Cash paid during the year for interest	$ 9,955	$ 9,795

See accompanying Notes to Financial Statements.

The College

Lafayette College (the College) is an independent institution of higher education offering undergraduate bachelor of arts, science, and engineering degrees. The College was chartered in 1826 and named for the Revolutionary War hero the Marquis de Lafayette. The College is fully accredited by the Middle States Association of Colleges and Schools. The College is coeducational with approximately 2,730 and 2,480 full-time students in Fall 2021 and Fall 2020, respectively. The College is located in Easton, Pennsylvania and occupies a 110-acre campus. The campus is comprised of approximately 70 academic, residential, and student activity buildings as well as athletic and playing fields.

The College derives its revenues principally from student tuition and fees, gifts, and investment earnings. Additional support is generated through auxiliary activities, such as dining services and residence facilities. The College expends its resources to meet the College's instructional and educational mission. The College is exempt from federal and state income taxes under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3) and similar Commonwealth of Pennsylvania provisions. Donations to the College qualify for deduction as charitable contributions.

1. Summary of Significant Accounting Policies

The significant accounting policies followed by the College in the preparation of its financial statements are described below:

Basis of Presentation

The accompanying financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). Net assets, revenues, gains, and losses are classified and reported in the accompanying financial statements as separate classes of net assets based on the existence or absence of donor-imposed restrictions within the following categories:

Net Assets Without Donor Restrictions – Net assets that are available for use in general operations and not subject to donor-imposed restrictions. Net assets may be designated for specific purposes by action of the College's Board of Trustees.

Net Assets With Donor Restrictions – Net assets with donor restrictions are subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Revenues are reported as increases in net assets without donor restrictions unless use of the revenue is subject to donor-imposed restrictions. Revenues with donor restrictions are reported as increases in net assets with donor restrictions. Such revenues are released to net assets without donor restrictions either upon the passage of time or when donor stipulations are met. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investment and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is defined by donor-imposed restrictions.

Periodically donor restrictions related to net assets may be clarified or changed; such changes are reflected as transfers at the time they are communicated.

Accounting Pronouncements Adopted

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases* (Topic 842). This ASU requires lessees to recognize a lease liability and a right-of-use (ROU) asset on a discounted basis, for substantially all leases, as well as additional disclosures regarding leasing arrangements. Disclosures are required to enable users of financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. In July 2018, the FASB issued ASU 2018-11, *Leases* (Topic 842): Targeted Improvements, which provides an optional transition method of applying the new lease standard. Topic 842 can be applied using either a modified retrospective approach at the beginning of the earliest period presented or, as permitted by ASU 2018-11, at the beginning of the period in which it is adopted, i.e., the comparatives under Accounting Standards Codification (ASC) 840 option.

The College adopted Topic 842 on July 1, 2020 (the effective date), using the comparatives under ASC 840 transition method, which applies Topic 842 at the beginning of the period in which it is adopted. Prior period amounts have not been adjusted in connection with the adoption of this standard. The College elected the practical expedients under the new standard, which permits entities to not reassess lease classification, lease identification or initial direct costs for existing or expired leases prior to the effective date. The College has lease agreements with nonlease components that relate to the lease components. The College elected to account for nonlease components and the lease components separately. Also, the College elected to keep short-term leases with an initial term of 12 months or less off the statement of financial position. As well as the practical expedient to not assess whether existing or expired land easements that were not previously accounted for as leases under Topic 840 are or contain a lease under Topic 842, the College did not elect the hindsight practical expedient in determining the lease term for existing leases as of July 1, 2020.

The most significant impact of adoption was the recognition of operating lease ROU assets and operating lease liabilities. ROU assets of $6,720 and $6,087 were recognized at June 30, 2022 and 2021, respectively. Operating lease liabilities of $6,137 and $5,931 were recognized at June 30, 2022 and 2021, respectively. ROU assets are included in property and equipment categorized by the types of assets leased.

The accounting for existing capital leases (now referred to as finance leases) remained substantially unchanged. The standard did not significantly affect the statements of activities or cash flows.

In March 2020, the FASB issued ASU No. 2020-04, Facilitation of the Effects of Reference Rate Reform on Financial Reporting (ASU 2020-04). ASU 2020-04 provides optional expedients and exceptions for applying US GAAP to contracts and other transactions that reference the London Interbank Offered Rate (LIBOR) or another reference rate expected to be discontinued as a result of reference rate reform. The provisions of ASU No. 2020-04 are effective for certain reference rate-related contract modifications that occur during the period March 12, 2020 through December 31, 2022. The College is currently evaluating the impact of applying ASU 2020-04.

Revenue Recognition

Revenues from sources other than contributions are reported as increases in net assets without donor restrictions. Contributions are reported as increases in the appropriate category of net assets. Long-term investment return is reported as changes in net assets without donor restrictions unless limited by explicit donor-imposed stipulations or by law, in which case related returns are reported as changes in net assets with donor restrictions. Expirations of temporary restrictions on net assets, that is, the donor-imposed stipulated purpose has been accomplished, or the stipulated time period has elapsed, are reported as net assets released from restrictions in the statement of activities. Expenses are reported as decreases in net assets without donor restrictions. Because of changes or clarifications in donor-imposed stipulations, certain net assets may be reclassified amongst net assets with or without donor restrictions.

Net assets with donor restrictions which are met in the current fiscal year are reclassified to net assets without donor restrictions and reported as net assets released from restrictions.

Gifts and investment return that were initially restricted by donor stipulation and for which the restriction is satisfied in the same fiscal year are recorded as revenue without donor restrictions. Other investment return is reflected in the statement of activities with or without donor restrictions, based upon the existence and nature of any donor or legally imposed restrictions.

Tuition, Fees, and Scholarships – The College recognizes revenue from student tuition and fees within the fiscal year in which educational services are provided. Tuition and fees for instruction and other educational services, net of scholarships and fellowships, are substantially billed and collected prior to the end of each semester. Revenues are earned and recognized over the course of each semester as educational services are delivered. Accounts receivable from students are typically insignificant at the end of each fiscal year.

The College determines the transaction price based on standard charges for goods and services provided, reduced by “tuition discounts” in the form of scholarships and financial aid grants, including those funded by the College’s operating resources, endowment, and gifts. Tuition discounts represent the difference between the stated charge for tuition and fees and the amount that is billed to students or third parties making payments on behalf of students.

Auxiliary Services – The College’s auxiliary services consist principally of activities that provide goods and services to the campus community, such as residence and dining halls, retail food services, staff housing, and bookstore operations. These activities are managed as self-supporting activities. Revenues and expenses from auxiliary services are reported as changes in net assets without donor restrictions and are recognized in the period in which sales and services are provided. Auxiliary revenues arise primarily from contracts with students. Charges to students for campus residence and dining are substantially billed and collected prior to the end of each semester. Associated revenues are earned and recognized over the course of each semester as these services are delivered. Accounts receivable from students are typically insignificant at the end of each fiscal year.

Contributions – Contributions, including unconditional promises to give (pledges), are reported as revenues in the period received or pledged at their net realizable value.

Gifts of cash and other assets received without donor stipulations are reported as revenue and net assets without donor restrictions. Contributions with purpose or time restrictions are reported as increases in net assets with donor restrictions and subsequently released when the restrictions on which they depend are met. Contributions subject to donor-imposed stipulations that the corpus be maintained permanently are recognized as increases in net assets with donor restrictions.

Unconditional promises to give, which are to be received after one year, are discounted using an appropriate discount rate commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any. An allowance for uncollectible contributions receivable is provided in the net asset class in which the contribution receivable resides based on an assessment of the creditworthiness of the respective donor and nature of fundraising activity. Contributions receivable are written-off in the period deemed uncollectible, and subsequent collections, if any, are credited to income when received.

Cash contributions to be used to acquire or construct long-lived assets are reported as revenue and net assets with donor restrictions. The restriction is satisfied when the assets are acquired or constructed and placed in service.

Donations of property, equipment, and other long-lived assets are recorded as support at their estimated fair value at the date of donation. Such gifts are reported as revenue and net assets without donor restrictions unless explicit donor stipulations specify how such assets must be used, in which case the gifts are reported as revenue and net assets with donor restrictions.

Conditional gifts depend on the occurrence of a specified future and uncertain event to bind the potential donor and are recognized as assets and revenue when the conditions are substantially met and the gift becomes unconditional.

Grants – Support funded by grants for basic research and other sponsored programs are generally subject to restrictions and conditions that must be met before the College is entitled to funding. The College recognizes revenues on grants for basic research and other sponsored programs as the College meets the conditions prescribed by the grant agreement, by performing the contracted services or incurring resource outlays eligible for reimbursement. The expenditure in accordance with award terms typically results in the simultaneous release of restrictions and satisfaction of conditions imposed by the grantor. Advances from granting agencies are generally considered refundable in the unlikely event specified services are not performed. Grant activities and outlays are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

Revenue from exchange contracts for applied research is recognized as the College's contractual performance obligations are substantially met. Indirect cost recovery by the College on U.S. government grants and contracts is based upon a predetermined negotiated rate and is recorded as grants and contracts revenue.

Fair Value Measurements

The College has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy in accordance U.S. GAAP. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the hierarchy under U.S. GAAP are described below:

Level 1 - Financial assets and liabilities with values based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.

Level 2 - Financial assets and liabilities with values based on one or more of the following:

1. Quoted prices for similar assets or liabilities in active markets.
2. Quoted prices for identical or similar assets or liabilities in nonactive markets.
3. Pricing models whose inputs are observable for substantially the full term of the asset or liability.
4. Pricing models whose inputs are derived principally from or corroborated by observable market data through correlation or other means for substantially the full term of the asset or liability.

Level 3 - Financial assets and liabilities with values based on prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable. These inputs reflect management's own assumptions about the assumptions a market participant would use in pricing the asset or liability as of the measurement date.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls has been determined based on the lowest level 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 in its entirety requires judgment, and considers factors specific to the asset or liability.

Both observable and unobservable inputs may be used to determine the fair value of positions that the College has classified within the Level 3 category. As a result, the unrealized gains and losses for assets and liabilities within the Level 3 category presented in footnote 6 may include changes in fair value that were attributable to both observable (for example, changes in market interest rates) and unobservable (for example, changes in unobservable long-dated volatilities) inputs, if any.

A review of the fair value hierarchy classifications is conducted on an annual basis. Changes in the types of inputs may result in a reclassification for certain financial assets or liabilities. Reclassifications impacting Level 3 of the fair value hierarchy are reported as transfers in/out of the Level 3 category as of the beginning of the year in which reclassifications occur.

As a practical expedient, in accordance with ASU 2015-07, *Fair Value Measurements (Topic 820): Disclosures for Investments in Certain Entities that Calculate Net Asset Value (NAV) per Share (or its Equivalent)*, the College is permitted to estimate the fair value of an investment in an investment company at the measurement date using the reported NAV. Adjustment is required if the College expects to sell the investment at a value other than NAV or if the NAV is not calculated in accordance with U.S. GAAP. Accordingly, all investments, for which fair value is measured using NAV, are excluded from the fair value hierarchy.

Investments

Investments are reported at fair value. The values of publicly traded fixed income and equity securities are based on quoted market prices as of the measurement date. Fair values for shares in mutual funds are based on share prices reported by the funds as of the last business day of the fiscal year. Nonmarketable securities, which include alternative investments in hedge funds and private equity funds, are valued using NAV, or its equivalent, provided by fund managers as a practical expedient to estimate fair value, unless it is probable that all or a portion of the investment will be sold for an amount different from NAV. As of June 30, 2022, the College had no specific plans or intentions to sell investments at amounts different than NAV. These nonmarketable investments often require the estimation of fair values by the fund managers in the absence of readily determinable fair values.

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the statement of financial position and reported based on quoted market prices. Reported fair values for private equities, venture capital limited partnership interests, hedge funds and similar interests (collectively, alternative investments) are estimated by the respective external investment manager if ascertainable fair values are not readily available. Such valuations involve assumptions and methods that are reviewed by the College. Because the College's alternative investments are not readily marketable, their estimated fair value is subject to uncertainty and, therefore, may differ significantly from the fair value that would have been reported had a ready market for such investments existed. Due to inherent risks and potential volatility in investment valuations, the amounts reported in the accompanying financial statements can vary substantially from year to year and such differences could be material.

Long-term investments include beneficial interests in trusts. A beneficial interest in a limited-term or perpetual trust represents resources neither in the possession of, nor under the control of the College, but held and administered by an outside fiscal agent, with the College deriving income from the trust.

Assets of the Alumni Association of Lafayette College and the Lafayette College Student Investment Club, are included in long-term investments.

Cash and Cash Equivalents

Cash and cash equivalents consist of short-term, highly liquid investments with a maturity of three months or less at the time of purchase and debt securities with original maturities of three months or less from the date of purchase, except for those assigned to the College's investment managers as part of the College's long-term investment strategies. Cash and cash equivalents are classified as Level 1 in the fair value hierarchy.

Short-Term Investments

Short-term investments primarily include money market funds and fixed income securities with maturities of up to one year at the time of purchase and are reported at net asset value. Short-term investments are classified as Level 1 in the fair value hierarchy.

Concentrations of Credit Risk

The College's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents, investments, and deposits with bond trustees. These funds are held in various high-quality financial institutions managed by College personnel and outside advisors. The College maintains its cash and cash equivalents in financial institutions that typically, significantly exceed federally insured limits. The College believes that the concentrations of credit risk are reasonable for its cash and cash equivalents, investments, and deposits with bond trustees.

Accounts and Loans Receivable

The College's accounts and loans receivable relate to tuition and fees for student attendance and auxiliary activities. Accounts receivable are stated at the amount of consideration from students for which the College has an unconditional right to receive. Accounts receivable are due at the beginning of each semester and are stated at amounts due from students, net of an allowance for doubtful accounts. The College determines its allowance based on the anticipated net realizable value of collections expected. Receivables are written-off in the period in which they are deemed uncollectible.

Student loans receivable represent institutional loans to students and loans issued under federal student loan programs and are reported net of an allowance for doubtful accounts. Certain student loans through the federal Perkins revolving loan program (see Note 3) are guaranteed by the federal government. Allowances for doubtful accounts are established for all student loans receivable, including federal Perkins loans receivable, based on prior collection experience and current economic factors that, in management's judgment, could influence the ability of loan recipients to repay the amounts per the loan terms. Loan balances are written-off when they are deemed to be permanently uncollectible.

Deposits with Bond and Other Trustees

Deposits with bond and other trustees represent funds held by bond trustees for capital projects and the collateral obligation to the counterparty under the College's various interest rate swap agreements. Deposits with bond trustees include highly liquid investments with varying maturities and investment goals of preserving capital and maintaining daily liquidity. Deposits with bond and other trustees and the College's obligation to provide collateral to the counterparty of its various swap agreements are classified as Level 2 in the fair value hierarchy.

Property and Equipment

The College capitalizes assets acquired for greater than $5 and with useful lives greater than five years. Library books purchased prior to June 30, 2017 were capitalized and depreciated while Library books purchased after that date are expensed. Gifts of property and equipment are recorded at fair value at the date of donation and are reported as a nonoperating increase to net assets without donor restriction, unless explicit donor stipulations specify how the donated assets must be used.

Maintenance, repairs, and minor improvements are charged to operations as incurred. Major improvements, which substantially extend the useful lives of assets, are capitalized. Upon sale or other disposition of assets, the cost and related accumulated depreciation are removed from the accounts of the College and the resulting gain or loss, if any, is reflected as part of nonoperating activities.

(Dollars in thousands)

Depreciation is computed on the straight-line basis over the estimated useful lives of the assets as follows:

	Years
Infrastructure and land improvements	40
Building acquisition and new construction	50
Rental properties and improvements	25
Building improvements	25 to 40
Library books (purchased prior to June 30, 2017)	10
Furniture, fixtures, equipment, and vehicles	5 to 25
Software	5 to 10

Included in property and equipment is the College's rare works collection. The College carries its rare works collection, works of art, historical treasures, and similar assets at the fair value (based on independent appraisal) of the collection items at the date of gift or purchase. These collections are held for public exhibition, education, and research in furtherance of the College's educational and public service mission. The College's collections are not depreciated.

Leasehold improvements are amortized over the shorter of their useful lives or the term of the lease to which they pertain using the straight-line method. Assets under finance leases are amortized on the straight-line method over either the lease term or the estimated useful life of the assets in accordance with current accounting standards.

Capitalized interest is charged to construction-in-progress or buildings during the period of construction of the capital assets, and is amortized over the useful lives of the associated assets.

The College capitalizes certain computer software costs, which are amortized consistent with College policy upon being placed in service. Amortization of capitalized software is included in depreciation expense.

Leases

The College analyzes each lease agreement to determine whether it should be classified as an operating or a finance lease. For operating leases, right-of-use (ROU) 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. As most of the College's leases do not provide an implicit interest rate, 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. The portion of payments on operating lease liabilities related to interest, along with the amortization of the related right-of-use assets, is recognized as rent expense. This rent expense is recognized on a straight-line basis over the term of the lease. The portion of payments on finance lease liabilities related to interest is recognized as interest expense. The amortization of the right-of-use assets under finance leases is recognized as depreciation and amortization expense.

Valuation of Long-Lived Assets

Long-lived assets to be held and used are required to be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In general, any long-lived assets to be disposed of are reported at the lower of carrying amount or fair value less cost to sell. The College periodically evaluates the recoverability of its long-lived assets, including real estate and improvements and deferred costs, using objective methodologies. Such methodologies include evaluations based on cash flows generated by the underlying assets or other determinants of fair value. None of the College's long-lived assets were considered to be impaired as of June 30, 2022 and 2021.

Deposits and Deferred Revenues

Deposits and deferred revenues relate to tuition and matriculation deposits and other payments for future services that are received prior to the end of the current fiscal year. The College apportions revenues and the related expenses of academic semesters which span fiscal years, between the fiscal years to which they pertain. Funds held on behalf of the student organizations and collected for activity fees wherein the College is acting as a fiscal agent are reported as funds held for others.

Annuities Payable

Under the College's charitable gift annuities program, the College has various types of split-interest agreements, including charitable gift annuities, charitable remainder trusts, and pooled life income funds. Liabilities are recorded at the present value of the estimated future payments expected to be made to donors or other stipulated beneficiaries. Assets pertaining to the College's charitable gift annuities program are measured at fair value, are classified as Level 2 in the fair value hierarchy, and are included in long-term investments.

Contribution revenue is recognized at the date the agreements are established based on the fair value of the assets contributed less a liability of the present value of the expected payments to be made to the beneficiaries, which are actuarially determined. Such revenue is reported as an increase in net assets with and without donor restrictions, based on the existence or absence of donor stipulated use restrictions.

Each year, the College re-evaluates the expected future payments to beneficiaries based on changes in life expectancy and other actuarial assumptions. Changes in the life expectancy, amortization of the discount, and other changes in the estimates of future annuity payments are recognized annually and are reported as change in value of split-interest agreements in the statement of activities. Upon termination of a life interest, the share of the corpus attributable to the life interest holder becomes available to the College, which may be restricted based on the existence or absence of donor stipulated use restrictions.

Federal Student Loans Refundable

Funds provided by the Federal Government under the Perkins Student Loan Program were loaned to qualified students. The amounts due from students are reported as student loans receivable. These funds are ultimately refundable to the U.S. government and are presented in the statement of financial position as a liability (see Note 3).

On September 30, 2017, the federal Perkins Loan Program expired. No new loans can be issued under this federal program. Students who received their first Perkins Loan before July 1, 2017, however, were eligible for four more years of loans unless they changed their major. As loans are repaid, the federal portions are to be returned to the U.S. Department of Education. The Department of Education started collecting these funds as of October 1, 2018. The College is in process of liquidating its loan portfolio in accordance with federal guidelines.

Interest Rate Swap Agreements

Interest rate swap agreements (the Swaps) are recognized as either assets or liabilities in accordance with the netting provisions in the counterparty agreement and are measured at fair value. Gains or losses resulting from changes in the fair values of the Swaps are reported as nonoperating gains or losses in the statement of activities.

The Swaps value is measured by alternative pricing sources with reasonable levels of price transparency in markets that may not be continuously active. Based on the complex nature of the Swaps, the markets these instruments trade in are not as efficient and are less liquid than that of the more mature Level 1 markets. These markets do, however, have comparable, observable inputs in which an alternative pricing source values these assets in order to arrive at a fair value. These characteristics classify the Swaps as Level 2 in the fair value hierarchy.

Conditional Asset Retirement Obligation

A conditional asset retirement obligation is a legal obligation to perform an asset retirement activity in which the timing and method of settlement are conditional on a future event that may be within the control of the entity. The assets are depreciated over their remaining useful lives and the conditional asset retirement obligation is adjusted for accretion and settlements made, if any, on an annual basis.

Debt - Original Issue Premium or Discount

A premium or discount resulting from the issuance of long-term debt (typically the difference between the par amounts of bonds compared to the proceeds received) is amortized to interest expense over the life of the debt instrument using the straight-line method.

The presentation of net borrowings includes the total unamortized premium or discount and cost of issuance such as underwriting, bond rating, and legal fees associated with the debt issuance.

Tax Status

The College is recognized by the Internal Revenue Service (IRS) as exempt from federal income tax under Section 501(c)(3) of the U.S. Internal Revenue Code, except for taxes on income from activities unrelated to its exempt purpose. Accordingly, the College is not subject to income taxes except to the extent it has taxable income from activities that are not related to its exempt purpose. The College has accrued costs of $270 within its accrued expenses at June 30, 2022 and 2021 for an estimated unrelated business income tax liability.

In December 2017, the Tax Cuts and Jobs Act (the Act) was enacted. The Act may impact the College in several ways, including new excise taxes on executive compensation, net investment income, increases to unrelated business taxable income (UBTI), changes to the net operating loss rules, repeal of the alternative minimum tax, and the computation of UBTI separately for each unrelated trade or business. The College continues to evaluate the impact of the Act on its operations.

U.S. GAAP requires management to evaluate tax positions taken by the College and recognize a tax liability if the College has taken an uncertain tax position that more likely than not would not be sustained upon examination by the IRS. Management has analyzed the tax positions taken by the College, and has concluded that as of June 30, 2022, there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the accompanying financial statements.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period.

The most significant management estimates and assumptions relate to the determination of allowances for doubtful accounts for student accounts, loans, and bequests receivable after probate; valuation of investments, without a readily determinable fair value; useful lives assigned to fixed assets; conditional asset retirement obligations; actuarial estimates for the College's postretirement health plan obligation and annuities payable; and the reported fair values of certain other of the College's assets and liabilities. Actual results could differ from those estimates.

Fund Accounting

The College maintains its internal accounts in accordance with the principles of fund accounting to ensure observance of limitations and restrictions placed on the use of resources available to the College, and to reflect how the College manages its resources. This is the procedure by which resources for various purposes are classified into funds that are in accordance with specified activities or objectives. These financial statements, however, are prepared to focus on the College as a whole and according to the existence or absence of donor-imposed restrictions, as required by U.S. GAAP.

Operations

The accompanying statements of activities present the changes in net assets distinguishing between operating and nonoperating activities. Operating activities principally include all operating revenues and expenses that are an integral part of the College's educational programs, research, and supporting activities, net assets released from donor restrictions to support operating expenditures, and transfers from board-designated and other nonoperating funds to support current operating activities, when they occur. Operating revenues include investment return pursuant to the College's endowment spending policy, investment income earned on working capital funds and contributions without donor restrictions.

The College has defined nonoperating activities principally to include endowment investment return, net of amounts distributed to support operations in accordance with the endowment spending policy (see Note 7); contributions and bequests added to the endowment, supporting major capital acquisition or construction, or time or purpose restricted and unavailable for current operations; net assets released from restrictions; gains or losses on derivative financial instruments; activity related to split-interest agreements; and actuarial adjustments associated with postretirement benefits. Certain other gains and losses considered to be of a more unusual or nonrecurring nature are also included as part of nonoperating activities.

(Dollars in thousands)

Reclassifications

Certain account balances in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements. These reclassifications had no impact on total assets, total liabilities, or net assets.

2. Financial Assets and Liquidity Resources

The College regularly monitors the availability of resources required to meet its general operating expenditures. The College maintains a balanced operating budget and anticipates collecting sufficient revenue to cover general expenditures, not covered by donor-restricted resources. Cash inflows are subject to seasonal variations attributable to tuition billing, federal grant reimbursements, and a concentration of contributions received at calendar and fiscal year-end.

To manage liquidity, the College maintains a working capital portfolio conservatively invested; the amounts and duration of which correspond with projected liquidity needs. The College also maintains $60 million in lines of credit with financial institutions that may be drawn upon as needed to manage operating cash flow. See Note 10 for additional information on these lines.

As of June 30, 2022 and 2021, financial assets and liquidity resources available within one year of the statement of financial position date for general expenditures, such as operating expenses, debt service, and capital renewal projects not financed with debt are as follows:

	2022	2021
Financial assets:		
Cash	$ 61,318	$ 42,292
Short-term investments	21,499	23,510
Student and other receivables, net	2,207	843
Pledge payments available for operations	684	791
Fiscal 2023 and fiscal 2022 board - approved endowment distributions, respectively	42,268	41,278
Total financial assets available within one year	127,976	108,714
Liquidity resources:		
Bank lines of credit available	60,000	60,000
Total financial assets and liquidity resources available within one year	$ 187,976	$ 168,714

The College receives significant contributions restricted by donors and considers contributions restricted for activities, which are ongoing and central to its annual operations to be available to meet cash needs for general expenditures. Cash from restricted contributions of $5,637 and $5,049 for June 30, 2022 and 2021, respectively, is included in financial assets available to meet cash needs for general expenditures within one year of the statement of financial position date.

In addition to financial assets available to meet general expenditures within one year detailed above, the following amounts are expected to be released from donor-restricted net assets over the next 12 months to meet expected construction costs:

	2022	2021
Net assets restricted for construction costs	$ 3,682	$ 2,358

(Dollars in thousands)

The College maintains standby bond purchase agreements (SBPAs) that will fund the required purchase of variable rate demand bonds in the event of a failed remarketing. In the event of a failed remarketing, the bonds could be put back to the College in any given week. See Note 12 for additional details. In the unexpected event that an SBPA cannot be drawn on, funds would be transferred from (a) operating cash; (b) capital reserve funds; (c) endowment funds; or (d) lines of credit.

Certain long-term investment vehicles utilized by the College may have capital calls. The College will transfer any funds needed for capital calls from within its endowment portfolio. The College's long-term investment portfolio had approximately $401 million and $509 million as of June 30, 2022 and 2021, respectively, which could be liquidated within 30 days.

As of June 30, 2022 and 2021, the College's managed endowment consists of donor-restricted endowments and funds designated by the Board as endowments of $1.004 billion and $1.064 billion, respectively. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are unavailable for general expenditure. The endowment is subject to an annual spending rate of 5%, as described in Note 7. Although the College does not intend to spend from its board-designated endowment other than amounts appropriated for operations each year. As of June 30, 2022 and 2021, the College had $258 million and $269 million, respectively, of board-designated endowment funds available to support operations, if necessary, with Board approval.

3. Accounts and Loans Receivable, Net

Accounts and other receivables are reported net of allowance for doubtful accounts. Adjustments to the provision are recorded as part of institutional support in the statement of activities.

The College makes uncollateralized loans to students based on financial need. Student loans are funded through federal government and institutional loan programs, and are reported net of allowance for doubtful loans. Allowances for uncollectible amounts are established based on prior collection experience, student default rates, and current economic factors which, in management's judgment, could influence the ability of loan recipients to repay the amounts per the loan terms. Institutional loan balances are written-off only when they are deemed uncollectible. Loans disbursed under the federal Perkins Loan program are able to be assigned to the federal government in certain nonrepayment situations. In these situations, the federal portion of the loan balance is guaranteed.

Student account and other receivables, net, as of June 30 consist of the following:

	2022	2021
Students accounts	$ 595	$ 567
Less allowance for doubtful accounts	(507)	(484)
Total	88	83
Student loans	2,628	2,780
Less allowance for doubtful loans	(911)	(902)
Total	1,717	1,878
Grants	418	87
Other	1,701	673
Total	$ 3,924	$ 2,721

(Dollars in thousands)

Student accounts receivable are reported at the estimate net realizable amount and are fully reserved after two years. The allowance for doubtful accounts was established based on prior collection experience. Grants receivable are due primarily from federal and state agencies and are considered fully realizable.

Funds advanced by the federal government, including allocated interest earnings of $208 and $395 at June 30, 2022 and 2021, respectively, are ultimately refundable to the government and are classified as federal student loans refundable in the statements of financial position.

4. Contributions Receivable and Bequests, Net

Contributions receivable are recorded at fair value on the date the donor's unconditional promise to contribute is made using the present value of estimated future cash flows. Contributions receivable are not measured at fair value subsequent to the initial measurement because the discount rate selected for each contribution receivable remains constant over the collection period of the respective pledge.

Contributions receivable, net, consists of the following unconditional promises to give and bequests after probate as of June 30:

	2022	2021
Expected to be collected in:		
Less than one year, including bequests	$ 5,456	$ 4,900
Between one and five years	8,795	1,012
In more than five years	764	4,939
Total	15,015	10,851
Less present value discount at rates ranging from 0.9% to 3.6%	(1,242)	(777)
Less allowance for uncollectible amounts	(570)	(394)
Total contributions receivable and bequests, net	$ 13,203	$ 9,680

The net present value of the contribution receivable is recorded as follows as of June 30:

	2022	2021
Without donor restrictions	$ 929	$ 1,349
With donor restrictions (donor-imposed purpose and time restrictions)	7,463	2,705
With donor restrictions (donor-endowment funds)	4,811	5,626
Total contributions receivable and bequests, net	$ 13,203	$ 9,680

At June 30, 2022 and 2021, the College had outstanding contributions receivable from related parties (members of the Board of Trustees) of $2,230 and $2,533, respectively. Such trustees are not part of the College's management.

(Dollars in thousands)

The College has been notified of certain intentions to give under various wills and trust agreements, the realizable amounts of which are not presently determinable. The College's share of such bequests is recorded when the College has an irrevocable right to the bequest and the proceeds are measurable. Specifically, at June 30, 2022 and 2021, the College had received notification of outstanding bequest intentions and certain conditional promises to give of approximately $1,700 and $2,011, respectively. These intentions and conditional promises are not recognized as assets and, if received, will generally be restricted for specific purposes stipulated by the donors, primarily endowments for faculty support, scholarships, or general operating support for a particular department of the College.

5. Grants

The College recognized operating revenues based on expenditures and related indirect costs funded by grants as follows for the years ended June 30:

	2022	2021
Provided for		
Research	$ 1,305	$ 536
Other sponsored programs	6,656	4,609
Total	$ 7,961	$ 5,145
Provided by		
Federal agencies	$ 7,324	$ 4,092
State and local agencies	213	497
Private organizations	424	556
Total	$ 7,961	$ 5,145

At June 30, 2022 and 2021, the College had remaining available award balances pertaining to federal, state, local, and private conditional grants of $8,253 and $9,824, respectively. These award balances are not recognized as assets and will be recognized as revenue as the projects progress and conditions are met, generally as expenses are incurred. The College has awarded conditional grants to subrecipients related to performance of certain sponsored projects, which have outstanding commitments of up to $113 and $11 as of June 30, 2022 and 2021, respectively.

6. Long-term Investments

The following table presents a summary of long-term investments as of June 30:

	2022	2021
Endowment funds	$ 1,004,418	$ 1,065,265
Deferred giving	47,919	56,272
Funds held for others	2,999	3,389
Total	$ 1,055,336	$ 1,124,926

(Dollars in thousands)

The following tables present information about the College's long-term investments measured at fair value and indicates the fair value hierarchy of the valuation techniques utilized by the College to determine such fair value as of June 30:

	2022		
	Quoted prices in active markets (Level 1)	NAV	Total
Cash and cash equivalents	$ 24,103	$ -	$ 24,103
Mutual and exchange traded funds	148,524	-	148,524
Fixed income	30,995	-	30,995
Equity - stocks	8,044	-	8,044
Alternative investments:			
Event driven/distressed	-	5,516	5,516
Long-short	-	189,484	189,484
Long-only	-	201,319	201,319
Multi-strategy/absolute return	-	157,204	157,204
Real estate	-	5,399	5,399
Private equity	-	284,748	284,748
Total alternative investments	-	843,670	843,670
Total long-term investments	$ 211,666	$ 843,670	$ 1,055,336

	2021			
	Quoted prices in active markets (Level 1)	Significant Other Observable Inputs (Level 2)	NAV	Total
Cash and cash equivalents	$ 22,693	$ -	$ -	$ 22,693
Mutual and exchange traded funds	217,770	-	-	217,770
Fixed income	31,917	-	-	31,917
Equity:				
Stocks	12,937	-	-	12,937
Long-only	-	147,240	-	147,240
Total equity	12,937	147,240	-	160,177
Alternative investments:				
Event driven/distressed	-	-	19,543	19,543
Long-short	-	-	205,521	205,521
Long-only	-	-	130,603	130,603
Multi-strategy/absolute return	-	-	145,186	145,186
Real estate	-	-	2,432	2,432
Private equity	-	-	189,084	189,084
Total alternative investments	-	-	692,369	692,369
Total long-term investments	$ 285,317	$ 147,240	$ 692,369	$ 1,124,926

(Dollars in thousands)

The estimated fair value of investments is based on quoted market prices, except for certain investments for which quoted market prices are not available and therefore are measured at net asset value. Because certain alternative investments are not readily marketable, their estimated value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for such investments existed. These instruments may contain elements of both credit risk and market risk. Such risks include, but are not limited to: limited liquidity, dependence upon key individuals, emphasis on speculative investments, and nondisclosure of portfolio composition. The College reviews and evaluates the values provided by the investment managers and agrees with the valuation methods and assumptions (third party price verifications for example) used in determining the fair value of the alternative investments. The College requests, receives, and reviews the audited financial statements from all investment funds on an annual basis. Under the terms of certain limited partnership agreements, the College is obligated to periodically advance additional funding or capital calls.

The following tables summarize the liquidity, redemption frequency, redemption notice, and unfunded commitments that have not expired for the Long-term Investments as of June 30:

	2022					Unfunded commitments	Redemption frequency	Redemption notice period
	Within 30 days	31-90 days	91-365 days	>365 days	Total			
Cash and cash equivalents	$ 24,103	$ -	$ -	$ -	$ 24,103	$ -	None	NA
Mutual and exchange traded funds	148,524	-	-	-	148,524	-	None	NA
Fixed income	30,995	-	-	-	30,995	-	None	NA
Equity - stocks	8,044	-	-	-	8,044	-	None	NA
Alternative investments								
Event driven/distressed	-	-	350	5,166	5,516	-	None - annual	NA - 90 days
Long-short	48,116	99,923	-	41,445	189,484	-	None - annual	NA - 90 days
Long-only	141,509	21,367	38,443	-	201,319	-	Weekly – qtr.	7 - 90 days
Multi-strategy/absolute return	-	84,148	46,126	26,930	157,204	-	Weekly – qtr.	NA - 65 days
Real estate	-	-	-	5,399	5,399	13,746	None	NA
Private equity	-	-	-	284,748	284,748	218,150	None	NA
Total alternative investments	189,625	205,438	84,919	363,688	843,670	231,896		
Total long-term investments	$ 401,291	$ 205,438	$ 84,919	$363,688	$ 1,055,336	$ 231,896		

	2021					Unfunded commitments	Redemption frequency	Redemption notice period
	Within 30 days	31-90 days	91-365 days	>365 days	Total			
Cash and cash equivalents	$ 22,693	$ -	$ -	$ -	$ 22,693	$ -	None	NA
Mutual and exchange traded funds	217,770	-	-	-	217,770	-	None	NA
Fixed income	31,917	-	-	-	31,917	-	None	NA
Equity								
Stocks	12,937	-	-	-	12,937	-	None	NA
Long-only	89,440	22,771	35,029	-	147,240	-	Monthly – qtr.	5 - 90 days
Total equity	102,377	22,771	35,029	-	160,177	-		
Alternative investments								
Event driven/distressed	-	161	555	18,827	19,543	-	None - annual	NA - 90 days
Long-short	55,434	106,314	-	43,773	205,521	-	None - annual	NA - 90 days
Long-only	78,879	22,278	29,446	-	130,603	-	Weekly – qtr.	7 - 90 days
Multi-strategy/absolute return	-	91,259	25,491	28,436	145,186	-	Weekly – qtr.	NA - 65 days
Real estate	-	-	-	2,432	2,432	4,335	None	NA
Private equity	-	-	-	189,084	189,084	165,071	None	NA
Total alternative investments	134,313	220,012	55,492	282,552	692,369	169,406		
Total long-term investments	$ 509,070	$ 242,783	$ 90,521	$282,552	$ 1,124,926	$ 169,406		

The following provides a brief description of the types of financial instruments held in long-term investments, the methodology for estimating fair value, and the level within the fair value hierarchy of the estimate. As mentioned previously, a financial instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

Mutual and Exchange Traded Funds: Mutual and exchange traded funds (open to the general public with quoted prices in active markets) investing in publicly traded fixed income securities with quoted prices in active markets. These mutual funds are generally considered to be a Level 1 in the hierarchy. Certain fixed income mutual funds, however, do not have quoted prices in active markets. These funds are excluded within the fair value hierarchy and are measured at NAV.

Fixed Income Investments: U.S. dollar denominated, investment grade fixed income securities with quoted prices in active markets. Fixed income investments are considered Level 1 in the hierarchy.

Equity – Stocks: Domestic and/or foreign equity securities with quoted prices in active markets. Equity stocks are considered Level 1 in the hierarchy.

Equity - Long-Only: This category invests directly in long positions in U.S. and International equities.

Alternative Investments: Funds and partnerships that invest in a variety of investments including: private equity, derivatives, real estate, multi-strategy, long/short equities, distressed, and opportunistic fixed income. These investments for which fair value is measured using NAV are excluded from the fair value hierarchy.

Event Driven/Distressed Funds: This category invests in U.S. dollar denominated securities of distressed global companies.

Long/Short Equity Funds: This category invests directly in long and short positions in U.S. and international equities.

Long-Only Equity Funds: This category invests directly in long positions in U.S. and international equities.

Multi-Strategy/Absolute Return Funds: Investments in this category focus on multi-strategy investing including, but not limited to, a variety of arbitrage strategies, distressed investments, private equity, long/short equity, and special situations.

Real Estate Funds: This category's investments include any interest in or vehicle relating to real estate assets.

Private Equity Funds: Holdings in this category include private equity, venture capital funds, buyout funds, secondary funds, and direct investments.

(Dollars in thousands)

The components of long-term investment return from all sources are reflected below for the years ended June 30:

	2022	2021
Endowment assets, (managed and similar funds):		
Dividends and interest, net	$ 8,122	$ 5,784
Realized gains, net	28,270	53,841
Change in unrealized (losses) gains, net	(66,141)	192,190
Total	$ (29,749)	$ 251,815
Deferred giving assets:		
Dividends and interest, net	$ 1,228	$ 1,114
Realized gains, net	185	37
Change in unrealized (losses) gains, net	(6,384)	6,490
Total	$ (4,971)	$ 7,641

Investment advisory fees paid by the College to external consultants and custodians included in long-term investment return for the years ended June 30, 2022 and 2021 are $578 and $655, respectively. The long-term investment return above includes approximately $2,660 and $2,790 of internal investment office management expenses for 2022 and 2021, respectively.

7. Endowment and Similar Funds

The College's endowment consists of approximately 1,560 individual funds established primarily for scholarships, academic program support, and facilities maintenance. Endowment assets include those assets of donor-restricted funds that the College must hold in perpetuity or for a donor-specified period and funds designated by the Board of Trustees to function as endowments (quasi-endowments). Net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. Net assets of the deferred giving program (investment fair value, less annuities payable) primarily designated for the endowment at maturity are also included in the endowment. Some endowment assets are held, controlled, and administered by third-party trustees (funds held in trust by others). The College has interpreted Commonwealth of Pennsylvania law as requiring the donor-restricted endowment funds, absent explicit donor stipulations to the contrary, to be managed with the long-term objective of preserving the real value (after inflation) of the funds. As a result of this interpretation, the College classifies as perpetually restricted net assets: (a) the original value of gifts donated to its perpetual endowment; (b) the original value of subsequent gifts to its perpetual endowment; and (c) accumulations of income to its perpetual endowment made in accordance with the direction of the applicable donor gift instrument. Therefore, perpetually restricted endowment net assets represent the original corpus of gifts given to the College for which the gift instruments stipulate that the principal be invested in perpetuity and only income be used for donor intended purposes, if any.

Total return earned on the corpus of perpetually restricted endowment net assets, is spendable and, accordingly, the College classifies the earnings as spendable net assets with donor restrictions, pending appropriation for expenditure by the College's Board of Trustees.

(Dollars in thousands)

The fair value of the endowment net assets consists of the following:

	2022				
		With donor restrictions			
	Without donor restrictions	Cumulative appreciation	Perpetual	Total	Total
Donor-restricted endowment funds	$ -	$ 344,287	$ 402,870	$ 747,157	$ 747,157
Board-designated endowment funds	257,740	-	-	-	257,740
Total managed endowment net assets	257,740	344,287	402,870	747,157	1,004,897
Annuity net assets	571	3,856	4,158	8,014	8,585
Funds held in trust by others	-	-	3,510	3,510	3,510
Pledges and bequests	-	-	4,811	4,811	4,811
Total endowment and similar fund net assets	$ 258,311	$ 348,143	$ 415,349	$ 763,492	$ 1,021,803

	2021				
		With donor restrictions			
	Without donor restrictions	Cumulative appreciation	Perpetual	Total	Total
Donor-restricted endowment funds	$ -	$ 379,053	$ 415,353	$ 794,406	$ 794,406
Board-designated endowment funds	269,341	-	-	-	269,341
Total managed endowment net assets	269,341	379,053	415,353	794,406	1,063,747
Annuity net assets	1,256	4,388	5,706	10,094	11,350
Funds held in trust by others	-	-	4,304	4,304	4,304
Pledges and bequests	-	5	5,626	5,631	5,631
Total endowment and similar fund net assets	$ 270,597	$ 383,446	$ 430,989	$ 814,435	$ 1,085,032

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the “historic dollar value.” At June 30, 2022, funds with original gift values of $6,988, fair values of $6,694, and deficiencies of $294 were reported in net assets with donor restrictions. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new restricted contributions and continued appropriation for certain purposes that was deemed prudent by the Board of Trustees. No such deficiencies existed at June 30, 2021.

The College has a policy that permits spending from underwater endowment funds depending on the degree to which the fund is underwater, unless otherwise precluded by donor stipulations or laws and regulations. The Board of Trustees approved for expenditure $102 from underwater endowment funds in fiscal 2022. The College presents the endowment returns net of investment office expenses.

A portion of the College's managed endowment is separately invested. The accumulated appreciation on the separately invested funds are reported as part of the perpetual endowment even though the return earned on the corpus is spendable.

(Dollars in thousands)

Much of the College's individual endowments are pooled for investment purposes, each unitized fund subscribing to or disposing of units on the basis of the fair value per unit at the beginning of the quarter within which the transaction occurs, while others are invested separately in accordance with donor direction. Total managed endowment net assets are invested as follows:

	2022	2021
Pooled endowment funds	$ 884,777	$ 916,241
Separately invested endowment funds	120,120	147,506
Total managed endowment funds	$ 1,004,897	$ 1,063,747

The investment portfolios are managed to achieve a prudent long-term total return. The College relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The College targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints. Under the College's investment policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to provide an average rate of return, over time that exceeds the endowment spending rate plus inflation, defined as the consumer price index, and related investment costs. This is consistent with the College's objective to maintain the purchasing power of endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

The College's spending policy is designed to provide a predictable flow of funds to support annual operations. The spending policy is intended to balance current spending needs and preserve the endowment's future purchasing power. The College applies a 5% spending rate to a 36-month moving average of the endowment's fair value ending as of June 30 two years preceding the year in which expenditure is planned. The use of a moving average smooths out wide fluctuations in the fair value of endowment investments. The Board of Trustees sets the spending rate through the College's annual budget process. Restricted endowment earnings in excess of the spending rate are classified as net assets with donor restrictions until such time that they are appropriated for expenditure. When annual yield is insufficient to support spending appropriations, the balance is provided from net assets with donor restrictions. Special appropriations from the College's quasi-endowment are made for certain purposes in addition to the spending rate, as approved by the College's Board of Trustees, annually, if determined to be necessary.

In accordance with the spending rate and special appropriations, endowment spending distributions of $42,021 and $40,999 were made available in 2022 and 2021, respectively, to support operations of the College. Included in the fiscal 2022 and 2021 appropriations were $1,748 and $1,190, respectively, of support for the College's capital campaign and $1,980 and $181, respectively, of additional support for property acquisitions.

(Dollars in thousands)

The following tables summarize the changes in managed endowment net assets:

	2022				
		With donor restriction			
	Without donor restriction	Cumulative appreciation	Perpetual	Total	Total
Managed endowment net assets - June 30, 2021	$ 269,341	$ 379,053	$ 415,354	$ 794,407	$ 1,063,747
Endowment return, net	28,606	(34,536)	(23,360)	(57,896)	(29,290)
Contributions	1,222	368	6,832	7,200	8,422
Endowment support used in operations	(41,435)	(586)	-	(586)	(42,021)
Matured annuity funds	-	-	445	445	445
Transfers and other changes	6	(12)	3,599	3,587	3,593
Managed endowment net assets - June 30, 2022	$ 257,740	$ 344,287	$ 402,870	$ 747,157	$ 1,004,897

	2021				
		With donor restriction			
	Without donor restriction	Cumulative appreciation	Perpetual	Total	Total
Managed endowment net assets - June 30, 2020	$ 216,784	$ 250,028	$ 372,590	$ 622,618	$ 839,402
Endowment return, net	90,836	128,636	31,127	159,763	250,599
Contributions	206	319	10,631	10,950	11,156
Endowment support used in operations	(40,403)	(596)	-	(596)	(40,999)
Matured annuity funds	112	-	1,122	1,122	1,234
Transfers and other changes	1,806	666	(116)	550	2,356
Managed endowment net assets - June 30, 2021	$ 269,341	$ 379,053	$ 415,354	$ 794,407	$ 1,063,747

8. Property and Equipment, Net

Property and equipment, net, consists of the following as of June 30:

	2022	2021
Land improvements	$ 67,873	$ 67,187
Buildings and building improvements	505,747	505,296
Library books	29,198	29,355
Furniture, equipment, software and other plant assets	54,101	53,611
Total	656,919	655,449
Less accumulated depreciation and amortization	(297,387)	(285,296)
Less accumulated amortization of right-of-use assets	(399)	(157)
Total	359,133	369,996
Land	10,002	10,002
Works of art and historical treasures	10,838	10,603
Construction-in-progress	31,266	6,085
Total property and equipment, net	$ 411,239	$ 396,686

Depreciation expense for the years ended June 30, 2022 and 2021 was $15,596 and $15,781, respectively.

No capitalized software was placed in service in 2022 or 2021.

(Dollars in thousands)

Buildings and building improvements include capitalized conditional asset retirement obligations at a cost of $1,842 and $1,792 at June 30, 2022 and 2021, respectively, with accumulated depreciation of $816 at June 30, 2022 and 2021.

Construction-in-progress is placed into service when projects are completed for use. Construction-in-progress includes no capitalized interest at June 30, 2022 and 2021. Estimated outstanding construction contract commitments at June 30, 2022 were $9,953 and will be funded through contributions, operating resources, or bond financing proceeds.

9. Annuities Payable

For the years ended June 30, 2022 and 2021, the discount rates used to value split-interest agreements ranged between 0.8% and 11.2%, and represented the applicable IRS discount rate in effect at the time the gift arrangement originated.

At June 30, 2022 and 2021, the fair value of the assets associated with split-interest agreements was $47,919 and $56,272, respectively, and the liability is recorded as annuities payable in the statements of financial position.

The following table summarizes the changes in the College's annuities payable balance for the years ended June 30:

	2022	2021
Beginning of year	$ 18,887	$ 19,048
New agreements	5	512
Terminations of life interest	(139)	(437)
Payments to beneficiaries	(3,079)	(2,808)
Actuarial valuation change	(88)	2,572
End of year	$ 15,586	$ 18,887

10. Unsecured Line of Credit

The College has three committed unsecured lines of credit for working capital with financial institutions with which it also maintains depository relationships. If funds are drawn, interest is payable monthly at a floating rate. The maximum borrowing amounts of $10,000, $20,000, and $30,000 expire January 31, 2023, April 23, 2023, and May 2, 2024, respectively. There were no borrowings against the lines at both June 30, 2022 and 2021.

11. Bonds, Notes, and Mortgage Payable

Bonds payable, net, consisting of bonds with varying terms and maturity dates through November 2053 totaled $288,273 and $276,047 at June 30, 2022 and 2021, respectively.

Total interest expense on long-term obligations, including net payments related to swap agreements, and investment income offset from deposits with bond trustees, totaled $9,857 and $9,839 for the years ended June 30, 2022 and 2021, respectively. Cash paid for bond interest totaled $9,955 and $9,683, for the years ended June 30, 2022 and 2021, respectively.

The College amortizes on a straight-line basis bond issuance costs and bond discounts and premiums over the life of the bonds. As of June 30, 2022 and 2021, unamortized bond issuance costs were $1,665 and $1,673, respectively, and are included in bonds payable in the College's statements of financial position. Amortization expense for issuance cost was $143 and $136 for the years ended June 30, 2022 and 2021, respectively. As of June 30, 2022 and 2021, unamortized bond premiums and discounts, net, were $13,238 and $15,019, respectively, are also included in bonds payable in the College's statements of financial position. Net amortization of premiums and discounts was $1,781 and $1,800 for the years ended June 30, 2022 and 2021, respectively.

(Dollars in thousands)

Bonds and notes payable consist of the following as of June 30:

	2022	2021
Northampton County General Purpose Authority Variable Rate Revenue Refunding Bonds, Series 2003, bearing a weekly variable market interest rate paid monthly, principal payments due in November 2023. Interest rate at June 30, 2022 is 0.91%. The bonds are hedged with an interest rate swap agreement.	$ 10,190	$ 10,190
Northampton County General Purpose Authority Variable Rate Revenue Bonds, Series 2006, bearing a weekly variable market interest rate paid monthly, with principal payments due in 2036. Interest rate at June 30, 2022 is 0.91%. The bonds are hedged with an interest rate swap agreement.	11,000	11,000
Northampton County General Purpose Authority Variable Rate Revenue Refunding Bonds, Series 2010A, principal payments due in 2030, bearing a weekly variable market interest rate paid monthly. The interest rate at June 30, 2022 is 0.91%. The bonds are hedged with an interest rate swap agreement.	22,290	22,290
Northampton County General Purpose Authority Refunding and Revenue Bonds, Series 2017, 3.125%-5%, with principal payments due in 2023, 2027, 2034, and 2047.	136,050	136,050
Northampton County General Purpose Authority Refunding and Revenue Bonds, Series 2018 4%, with principal payments due in 2038.	21,345	21,345
Northampton County General Purpose Authority Taxable Refunding and Revenue Bonds, Series 2020, 2.179%-3.130%, with principal payments due in 2032, 2043 and 2050.	61,825	61,825
Lafayette College Senior Unsecured Note, Series 2022A 3.15%, with principal payments due 2050.	14,000	-
Par value	276,700	262,700
Unamortized premium	13,387	15,177
Unamortized discount	(149)	(158)
Unamortized issuance costs	(1,665)	(1,672)
Total bonds and notes payable, net	$ 288,273	$ 276,047

(Dollars in thousands)

Aggregate principal maturities of bonds obligations are as follows:

Year ending June 30,	Amount
2023	$ -
2024	35,190
2025	-
2026	-
2027	-
Thereafter	241,510
Total	$ 276,700

In March 2022, the College entered into a private placement agreement with New York Life Insurance Company and New York Life Insurance and Annuity Corporation and issued $31,000 in notes consisting of (a) Series 2022A Senior Unsecured Note of $14,000 aggregate principal at 3.15% due November 1, 2050 and (b) Series 2022B Senior Unsecured Notes of $17,000 aggregate principal amount at 3.21% due November 1, 2050. The closing of the Series 2022A occurred in March 2022 and is reflected in the bonds and notes payable schedule above. The Series 2022B closed in September 2022. The proceeds from the issuance of the series 2022A and B were used to finance construction projects on campus.

The College assumed the mortgage on the Student Residence located at 512 March Street in November 2017. In August 2021, the College paid-off the principal balance of $1,980.

12. Deposits with Bond Trustees

Under the terms of its various debt agreements, the College is required to pledge revenues, maintain certain funding for debt repayment and collateral, and comply with various financial covenants including the maintenance of a specified debt service coverage ratio. At June 30, 2022 and 2021, deposits with bond trustees, pursuant to these provisions, were $1,464 and $1,031, respectively.

Management is unaware of any violations of the covenants as of June 30, 2022.

13. Interest Rate Swap Agreements

At June 30, 2022, the College has three fixed interest rate exchange agreements (swap contracts) to hedge a portion of its interest rate exposure associated with its floating rate tax-exempt bonds. In each swap, the College pays a counterparty a fixed rate, and the counterparty pays the College a variable rate based on an index.

Each of the three swap contracts is used to hedge certain interest rate exposures and is not used for speculative purposes. The net payments either made to or received from the counterparty are reported as interest expense within the operating expenses of the statements of activities. For the years ended June 30, 2022 and 2021, net payments to the counterparty were $2,060 and $2,083, respectively.

(Dollars in thousands)

The College is required to provide collateral to the counterparty if the fair value liability of the swap contracts, in accordance with the valuations calculated by the counterparty, is more than $15 million in the counterparty's favor. The counterparty is required to provide collateral to the College if a fair value is more than $5 million in favor of the College. For purposes of these daily collateral calculations, the fair values of the three swap contracts are netted. The thresholds and collateralization requirements can change with ratings of the College's bonds. There was no collateral required by the College as of June 30, 2022 or 2021. The College's fair value liability of the swap contracts is the following as of June 30:

	2022	2021
2003 Swap - In December, 2002, the College entered into a fixed-payor swap contract to hedge its 2003 Variable Rate Refunding Bonds. The College is paying the counterparty 4.34% and receiving the SIFMA Index on the 2003 Swap. The 2003 Swap terminates in 2023.	$ 279	$ 1,012
2006 Swap - In May, 2004, the College entered into a fixed-payor Swap Contract to hedge a portion of its Second Series of 2004 Variable Rate Bonds. In August 2008, the College retired the Second Series of 2004 Variable Rate Bonds and subsequently novated the provisions of the 2004 Swap to the 2006 Bonds. The College is paying the counterparty 3.88%, and the College receives a varying percentage of one-month LIBOR. The 2006 Swap terminates in 2034.	1,621	3,643
2010 Swap - In March 2003, the College sold the counterparty an option to enter into a fixed-payor swap contract which the counterparty exercised in May 2010. The College has associated the 2010 Swap to the 2010 A Bonds. The College pays the counterparty a fixed rate of 6.00% and receives the SIFMA Index plus 0.25%. The 2010 Swap terminates in 2030.	5,289	8,868
Total interest rate swap agreements	$ 7,189	$ 13,523

The College has standby bond purchase agreements with two commercial banks to provide liquidity support for the variable rate bonds, which are remarketed weekly. In the event some or all of the bonds were tendered and not remarketed, the facilities provide for the purchase of the un-remarketed bonds by the banks. Any funds provided by this liquidity facility would be payable to the banks by the College. The College pays an annual commitment fee of 0.365% on the 2003 Series, and 0.250% on the Series 2006 and 2010A bonds. The 2003, 2006, and 2010A Series agreements expire December 2, 2022, December 21, 2024, and April 30, 2024, respectively. There have been no bonds purchased by the banks under the agreements through June 30, 2022.

(Dollars in thousands)

14. Leases

The College leases certain office and computer equipment under the terms of finance leases. These finance leases had a weighted average discount rate of 1.1% and weighted average remaining term of 2 and 3 years as of June 30, 2022 and 2021, respectively.

The College leases facilities, property and equipment, and vehicles under the terms of operating leases. The terms of these operating leases vary and generally contain renewal options. Certain of these operating leases provide for increasing rent over the term of the lease. Many of the College's operating leases include options to extend the lease, which are only included in the minimum lease terms if they are reasonably certain to be exercised. The College's operating leases had a weighted average discount rate of 2.9% and 2.8% and weighted average remaining term of 26 and 25 years as of June 30, 2022 and 2021, respectively.

Amortization of assets recognized under finance leases is included in depreciation expense and amounted to $488 and $571 for the years ended June 30, 2022 and 2021, respectively.

The components of lease expense for the years ended June 30 are as follows:

	2022	2021
Lease cost		
Finance lease cost:		
Amortization of right-of-use asset	$ 62	$ 62
Interest on lease liabilities	3	4
Total finance lease cost	65	66
Operating lease cost	419	303
Short-term lease cost	45	41
Total lease cost	$ 529	$ 410
Other information		
Cash paid for amounts included in the Measurement of lease liabilities:		
Operating cash flows from finance leases	$ 99	$ 78
Financing cash flows from finance leases	3	4
Operating cash flows from operating leases	380	268
Right-of-use assets obtained in exchange for new finance lease liabilities	-	383
Right-of-use assets obtained in exchange for new operating lease liabilities	375	6,087

Minimum annual rentals for the five years ending subsequent to June 30, 2022 in the aggregate are:

Year ending June 30,	Finance leases	Operating leases
2023	$ 135	$ 395
2024	102	398
2025	21	353
2026	-	355
2027	-	293
Thereafter		7,160
Total minimum lease payments	258	8,954
Less amounts representing interest	(19)	(2,817)
Present value of lease liabilities	$ 239	$ 6,137

(Dollars in thousands)

15. Conditional Asset Retirement Obligations

The College has asset retirement obligations (CARO) for asbestos related removal costs. The College accrues for asset retirement obligations in the period in which they are incurred if sufficient information is available to reasonably estimate the fair value of the obligation. The College applied retrospective application to the inception of the liability using an inflation rate of 3.5% and a discount rate of 4.88%. These inputs to the fair value estimate are considered Level 3 in the fair value hierarchy. Over time, the liability is accreted to its settlement value. Upon settlement of the liability, the College will recognize a gain or loss for any difference between the settlement amount and liability amount recorded. The abatement projects, to which the obligation pertains, are expected to be completed by fiscal 2025.

The following table summarizes the activity for the CARO for the years ended June 30:

	2022	2021
Beginning of year	$ 1,792	$ 1,936
Obligations settled during the period	(38)	(25)
Accretion expense	88	(119)
End of year	$ 1,842	$ 1,792

16. Tuition, Fees, and Student Aid

Tuition and fees revenue are presented net of amounts awarded to students to defray the cost of attending the College based on academic merit, need, leadership, service, athleticism, among other criteria. The following table presents the components of Tuition and Fees, Net, for the years ended June 30:

	2022	2021
Tuition and fees	$ 152,897	$ 130,955
Student financial aid	(60,726)	(46,516)
Tuition and fees, net	$ 92,171	$ 84,439

The College places a priority on financial aid to ensure a diverse student body that brings a variety of talents and experiences to the educational community. In 2022, Lafayette students received over $60 million in scholarships and financial aid grants. The following table presents the sources of financial aid funds provided to students for the years ended June 30:

	2022	2021
Institutional support	$ 50,302	$ 36,278
Sponsored support	10,424	10,238
Total scholarships and financial aid grants	$ 60,726	$ 46,516

Institutional aid includes scholarships awarded to students from unrestricted operating resources. Sponsored aid includes financial aid and scholarships funded from donor-restricted spendable and endowed gifts and other external sources including federal and state grant programs.

(Dollars in thousands)

17. Auxiliary Service Revenues

Revenues recognized from auxiliary activities are summarized as follows for the years ended June 30:

	2022	2021
Student housing	$ 24,175	$ 11,275
Student dining	12,839	5,581
Bookstore	1,578	722
Other activities	836	776
Total auxiliary services revenues	$ 39,428	$ 18,354

In the fall of 2020, due to the pandemic, the College delivered instruction remotely, with only a very limited number of students allowed to reside on campus. Students returned to campus in spring 2021; student housing and dining fee revenues for the year ended June 30, 2021 were negatively impacted.

18. Retirement Plans

The College maintains a defined contribution retirement plan, the “Lafayette College Retirement Plan” or the “Plan,” which covers substantially all eligible employees. The Plan qualifies under Section 403(b) of the Internal Revenue Code and is subject to the provisions of the Employee Retirement Income Security Act of 1974. The College contributes approximately 9.5% of full-time employees’ base salary and 8% of eligible part-time employees’ base salary. Effective July 1, 2020, the Plan was amended to suspend the College contribution and the mandatory employee contribution for all participants (other than those participants who are covered by a collective bargaining agreement) for the period commencing on July 1, 2020 and ending on June 30, 2021. The College contribution was reinstated April 1, 2021. The Plan is funded currently. The College’s contributions to the Plan for the years ended June 30, 2022 and 2021 amounted to $6,237 and $1,758, respectively.

19. Postretirement Benefit Obligations Other Than Pensions

The College provides a postretirement health plan for certain current and former employees and their spouses. The Plan primarily covers full-time employees who joined the College before July 1, 1996 and have continued on a full-time basis since their start of employment. The College accrues expected medical postretirement benefits over the years that the employees render the requisite service. The College uses a July 1 measurement date for its plan. Summarized plan information is stated below.

(Dollars in thousands)

The following table presents the reconciliation of the beginning and ending benefit obligation:

	2022	2021
Benefit obligation at beginning of year	$ 39,575	$ 41,141
Operating:		
Service cost	43	89
Benefits payments	(883)	(735)
Total operating gain	(840)	(646)
Nonoperating:		
Interest cost	1,128	1,201
Actuarial gain	(12,397)	(2,121)
Total nonoperating gain	(11,269)	(920)
Benefit obligation at end of year	$ 27,466	$ 39,575

The following table sets forth the status of the plan, which is unfunded, at June 30, 2022 and 2021:

	2022	2021
Accumulated postretirement benefit obligation:		
Retirees and spouses	$ 16,129	$ 22,117
Other fully eligible participants	10,673	14,831
Other active plan participants not yet fully eligible	664	2,627
Total	27,466	39,575
Plan assets at fair value	-	-
Accumulated postretirement benefit obligation	$ 27,466	$ 39,575

Weighted average assumptions for the years ended June 30, 2022 and 2021 are as follows:

	2022	2021
Discount rate for net periodic postretirement benefit cost	3.0%	3.0%
Discount rate for accumulated postretirement benefit obligation	4.5%	3.0%

Assumed healthcare cost trend rate at June 30, 2022 and 2021 is as follows:

	2022	2021
Healthcare cost trend rate assumed for next year	10.0%	7.0%
Rate to which the cost trend rate is assumed to decline (ultimate rate)	5.0%	7.0%
Year that ultimate rate is reached	2027	N/A

Impact of 1% increase in assumed healthcare cost trend rate at June 30, 2022 and 2021 is as follows:

	2022	2021
Increase in accumulated postretirement benefit obligation	$ 3,440	$ 6,202
Increase in net periodic postretirement benefit cost	1,435	205

(Dollars in thousands)

Expected future College costs are as follows:

Year ending June 30,	Expected College cost
2023	$ 1,879
2024	1,947
2025	1,862
2026	1,904
2027	2,117
2028 through 2031	9,421

20. Summary of Expense Classification

The accompanying statements of activities present expenses by functional classification in accordance with the categories recommended by the National Association of College and University Business Officers. The College’s primary program services are academic instruction and research. Expenses reported as academic support, student services and auxiliary services are incurred in support of these primary program activities. Institutional support includes general and administrative expenses and other support services. Functional expenses are categorized as follows:

- Instruction includes expenses for all activities that are part of the instructional program.
- Research includes expenses for activities specifically organized to produce research, whether funded by a federal grant or foundation or directly supported by the College.
- Academic support includes expenses for all activities that directly support the instructional programs of the college such as the library, curriculum development, and technology services.
- Student services include activates that contribute to student emotional and physical well-being and intellectual, cultural, and social development outside the formal instructional program.
- Auxiliaries include expenses relating to the operation of the auxiliary activities such as housing, dining services, bookstore, and other services.
- Institutional support includes centralized management and administrative support services such as executive management, finance, and business operations, administrative technology, general administration, and fundraising activities.

Expenses are directly charged to these functional expenses whenever practical.

Expenses by functional classification, include allocations of operation and maintenance costs, depreciation, and interest. Operation and maintenance of plant and depreciation expense for land improvements and buildings are allocated based upon square footage corresponding to the use of facilities. Depreciation expense for equipment is allocated to functional classifications based on the functional classifications of the departments in which the equipment is located. Interest expense is allocated based on the functional purpose for which the debt proceeds were used.

(Dollars in thousands)

Expenses, by natural classification, for the years ended June 30 follow:

2022	Instruction	Research	Academic support	Student services	Institutional support	Auxiliary services	Operations & maintenance	Total
Salaries & wages	$ 30,833	$ 858	$ 4,281	$ 12,326	$ 14,665	$ 3,989	$ 5,138	$ 72,090
Benefits	9,689	85	1,278	3,696	4,587	1,105	1,723	22,163
Total compensation	40,522	943	5,559	16,022	19,252	5,094	6,861	94,253
Operating costs	5,455	636	2,736	10,786	8,621	15,874	6,051	50,159
Occupancy	5	-	2	341	2,654	924	5,389	9,315
Depreciation & amortization	4,848	137	1,383	1,982	1,218	2,539	3,489	15,596
Interest	5,123	-	604	1,602	293	1,578	736	9,936
Operations & maintenance	7,105	-	1,983	5,221	780	7,437	(22,526)	-
Total	$ 63,058	$ 1,716	$ 12,267	$ 35,954	$ 32,818	$ 33,446	$ -	$ 179,259

2021	Instruction	Research	Academic support	Student services	Institutional support	Auxiliary services	Operations & maintenance	Total
Salaries & wages	$ 30,741	$ 693	$ 4,326	$ 10,915	$ 16,034	$ 3,789	$ 4,945	$ 71,443
Benefits	7,463	65	1,065	2,619	3,658	891	1,254	17,015
Total compensation	38,204	758	5,391	13,534	19,692	4,680	6,199	88,458
Operating costs	2,209	258	2,427	7,437	7,634	10,484	5,427	35,876
Occupancy	2	-	1	294	2,274	769	4,144	7,484
Depreciation & amortization	4,814	136	1,362	1,976	1,570	2,561	3,361	15,780
Interest	5,269	-	599	1,616	156	1,749	586	9,975
Operations & maintenance	5,970	-	1,789	4,711	707	6,540	(19,717)	-
Total	$ 56,468	$ 1,152	$ 11,569	$ 29,568	$ 32,033	$ 26,783	$ -	$ 157,573

Fundraising expenses are included in institutional support in the accompanying statements of activities. For the years ended June 30, 2022 and 2021, fundraising costs total $5,128 and $4,357 respectively. The College includes only those fundraising costs incurred by its development office for purposes of reporting fundraising expenses and does not allocate other College personnel costs or overhead to this category.

21. Net Assets

Certain net assets have been designated for specific purposes or uses under various internal operating and administrative arrangements of the College. As a result, substantially all the net assets classified as without donor restrictions in the accompanying statements of financial position as of June 30, 2022 and 2021 have been earmarked for long-term investment, special purposes, or are invested in plant. Net assets without donor restrictions consist of the following at June 30:

Without donor restriction	2022	2021
Board-designated		
Quasi-endowment	$ 257,740	$ 269,341
Capital reserve	23,645	21,429
Total board designated	281,385	290,770
Postretirement benefits provision	(27,466)	(39,575)
Swap agreements provision	(7,189)	(13,523)
Net investment in plant	114,747	109,949
Undesignated	35,778	25,544
Total net assets without restriction	$ 397,255	$ 373,166

Net assets with donor restrictions are principally restricted for educational and other donor-stipulated purposes and also include certain gifts for which the donors have not yet articulated their intended purposes.

(Dollars in thousands)

The composition of the net assets with donor restrictions is as follows for the years ended June 30:

With donor restrictions	2022	2021
Subject to expenditure when a specified event occurs		
Scholarship and financial aid	$ 9,770	$ 10,539
Educational and general programs	16,463	17,147
Facilities and maintenance	18,072	21,120
Other - related to time and purpose restrictions	9,165	13,899
Endowment returns subject to future appropriation		
Scholarship and financial aid	77,224	88,380
Educational and general programs	203,300	220,913
Facilities and maintenance	19,457	20,955
Annuity funds	27,277	30,217
Contributions receivable	7,634	3,050
Total net assets restricted by time or purpose	388,362	426,219
Amounts with perpetual restrictions		
Scholarship and financial aid	127,212	120,988
Educational and general programs	102,209	122,987
Facilities and maintenance	176,960	175,681
Loan funds for students	210	210
Annuity funds	4,158	5,706
Contributions receivable	4,811	5,626
Total net assets with perpetual restrictions	415,560	431,198
Total with donor restrictions	$ 803,922	$ 857,417

Deferred giving net assets consist of the following at June 30:

	2022	2021
Without donor restrictions	$ 571	$ 1,256
With donor restrictions, spendable	27,277	30,217
With donor restrictions, perpetual	4,158	5,706
Total	$ 32,006	$ 37,179

22. Net Assets Released From Restrictions and Reclassifications

Net assets released from donor-imposed restrictions consist of the following for the years ended June 30:

	2022	2021
Academic support	$ 451	$ 262
Expiration of time restrictions	3,675	3,507
Net assets released from restrictions - operating	$ 4,126	$ 3,769

From time to time, certain funds may be reclassified from net assets with and without donor restrictions due to clarification of donor stipulations. The College reclassified $3,601 and $116 from net assets with donor restrictions to net assets without donor restrictions during the years ended June 30, 2022 and 2021, respectively.

23. Contingencies

Amounts received and expended by the College under various federal and state programs are subject to audit by governmental agencies. In the opinion of management, audit adjustments, if any, would not have a material effect on the financial position, changes in net assets, or cash flows of the College.

The College is, from time to time, subject to routine litigation incidental to its business. College counsel believes that existing insurance policies are sufficient and, as such, management believes that pending litigation will not have a material adverse effect on the financial position, changes in net assets, or cash flows of the College.

24. Related Party Transactions

Members of the College's Board of Trustees and senior management may, from time to time, be associated, either directly or indirectly, with companies doing business with the College. The College's conflict of interest policy requires, among other things, that no member of the Board of Trustees or its committees can participate in any decision in which they (or an immediate family member) have a material financial interest. For members of the Board of Trustees and senior management, the College requires annual disclosure of significant financial interest in, or employment, or consulting relationships with, entities doing business with the College. When such relationships exist, measures are taken to address the actual or perceived conflict to protect the best interests of the College and ensure compliance with relevant conflict of interest policy or laws. The College has no material related party transactions to disclose other than the amounts received from Trustees as discussed in Note 4.

25. Risk and Uncertainties

In March 2020, the World Health Organization declared the spread of the Coronavirus Disease (COVID-19) a worldwide pandemic. COVID-19 is having significant effects on global markets, supply chains, businesses, higher education, and communities. Specific to Lafayette College, the College closed its campus and transitioned to remote instruction in March 2020 for the remainder of the spring semester. The College remained remote in fall 2020 with students returning to campus in spring 2021. The College saw a reduction in enrollment as some students decided to defer. The impact of the revenue loss was mitigated by expense reductions.

The College is committed to the health and safety of its students, faculty, staff and the local community. It has allocated significant resources to COVID-19 testing, personal protective equipment and remote instruction to reduce the transmission of the virus and provide a safe environment in which the College's students can live and learn in a residential setting. COVID-19 may continue to affect the ability of the College to conduct its normal operations and the cost of its operations, including, but not limited to, declines in enrollment, loss of tuition and auxiliary revenues and costs for increased use of technology and social distancing.

Management believes the College is taking appropriate actions to mitigate the negative impact. The full extent of the impact of COVID-19 on the College will depend on future developments, including the duration and spread of the outbreak.

26. Subsequent Events

The College evaluated its June 30, 2022 financial statements for subsequent events through October 25, 2022, the date the financial statements were issued, and determined that all significant events and disclosures are included in the accompanying financial statements. See Note 11 regarding the issuance of additional debt that occurred in September 2022.

LAFAYETTE COLLEGE

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