Consolidated Financial Statements

Spelman College
Years Ended June 30, 2022 and 2021
With Report of Independent Auditors

Ernst & Young LLP

Building a better working world

Spelman College

Consolidated Financial Statements

Years Ended June 30, 2022 and 2021

Contents

Report of Independent Auditors

Management and the Board of Trustees
Spelman College

Opinion

We have audited the consolidated financial statements of Spelman College (the College), which comprise the consolidated statements of financial position as of June 30, 2022 and 2021, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the College at June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor¶s R (li)-3 (2t( )-64 Td [(in.99C2_0 12 Tf 11re W* n BT /T5n B)30 G.c)50 (d8 (r)]TJa 0 g /

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 of material misstatement, whether due to fraud or error, and to issue an auditor¶s a (s)9 ( )5092 re 1g

Spelman College

Consolidated Statements of Financial Position

	June 30 2022	June 30 2021
Assets		
Cash and cash equivalents	$ 127,868,975	$ 88,804,528
Student accounts receivable (net of allowance for doubtful accounts of $2,394,000 in 2022 and $2,309,000 in 2021)	798,126	700,606
Grants and other receivables	2,452,540	1,120,691
Contributions receivable, net (Note 2)	29,247,247	31,008,196
Investments (Notes 3 and 9)	497,744,540	570,846,842
Other assets	1,073,466	811,353
Operating right-of-use asset (Note 10)	1,475,737	1,556,204
Property and equipment, net (Note 5)	161,291,487	160,930,886
Total assets	$ 821,952,118	$ 855,779,306
Liabilities and net assets		
Accounts payable and accrued expenses	$ 7,020,858	$ 6,947,126
Accrued compensation and related expenses	7,160,736	6,820,060
Deferred revenue	983,603	1,206,196
Bonds payable (Note 6)	56,000,498	60,990,513
Obligations under right of use lease (Note 10)	1,475,737	1,556,204
Advances from federal government	±	635,330
Total liabilities	72,641,432	78,155,429

Net assets:

Spelman College

Consolidated Statements of Activities

Year Ended June 30, 2022
(With Summarized Financial Information for the Year Ended June 30, 2021)

	2022			2021
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Operating revenue:				

Spelman College

Spelman College

Consolidated Statements of Cash Flows

	June 30	
	2022	2021
Cash flows from operating activities		
Change in net assets	$ (28,313,191)	$ 188,235,748
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	5,373,218	5,421,031
Amortization of bond issuance costs	64,860	78,355
Amortization of bond premium	(754,875)	(809,806)
In-kind contribution of property and other	(22,665)	(5,000)
Net realized and unrealized (gains) losses on investments	59,902,436	(148,295,985)
Private gifts and grants restricted for long-term investment	(32,442,541)	(16,413,625)
(Increase) decrease in student accounts receivable	(97,520)	851,990
Decrease (increase) in grants and other receivables	(1,331,849)	1,185,726
Decrease (increase) in contributions receivable, net	1,760,949	(11,861,167)
(Increase) decrease in other assets	(239,449)	426,020
Increase (decrease) in accounts payable and accrued exper and accrued compensation and related expenses	255,100	1,798,791
Increase (decrease) in deferred revenue	(222,593)	489,607
Net cash provided by (used in) operating activities	3,931,880	(21,101,685)
Cash flows from investing activities		
Purchases and acquisitions of property and equipment	(5,566,178)	(3,308,191)
Payments received on student notes receivable	±	627,114
Proceeds from sales of investments	194,047,703	217,029,846
Purchases of investments	(180,847,836)	(261,639,194)
Net cash (used in) provided by investing activities	7,633,689	(47,290,425)
Cash flows from Financing activities		
Principal repayments on bonds and notes payable	(4,300,000)	(4,125,000)
Increase (decrease) in advances from federal government	(643,663)	(366,592)
Proceeds from private gifts and grants restricted for long-term investment	32,442,541	16,413,625
Net cash provided by financing activities	27,498,878	11,922,033
(Decrease) Increase in cash, cash equivalents and restricted cash	39,064,447	(14,266,707)
Cash, cash equivalents and restricted cash at beginning of year	88,804,528	103,071,235
Cash, cash equivalents and restricted cash at end of year	$ 127,868,975	$ 88,804,528
Supplemental disclosures:		
Cash paid for interest	$ 2,715,915	$ 2,924,145
Non-cash change in right of use asset and liability	80,467	1,556,204
In-kind gift ± property and other	22,665	5,000
Property and equipment included in accounts payable	167,642	22,650

See accompanying notes to financial statements.

1. Summary of Significant Accounting Policies (continued)

Expenses are reported as decreases in net assets without donor restrictions. Net realized and unrealized gains and losses on investments are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or by law. The expiration of donor restrictions (i.e., the donor stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications from net assets with donor restrictions to net assets without donor restrictions. Donor restrictions on gifts to acquire long-lived assets are considered met in the period in which the assets are acquired and placed in service and are reported as reclassifications from net assets with donor restriction to net assets without donor restrictions.

(c) Investments

Investments consist of

1. Summary of Significant Accounting Policies (continued)

Liquidity risk represents the possibility that the College may be unable to rapidly adjust the size of its portfolio holdings in times of high volatility and financial stress at a reasonable price. If the College was compelled to dispose of a liquid or illiquid investment at an inopportune time, it may be required to do so at a substantial discount to fair value.

The College invests in alternative investments, which can be highly illiquid. Under adverse market or economic conditions, the secondary market for certain of these alternative investments could contract. As a result, the College could find it more difficult to sell these securities or may only be able to sell the securities at prices lower than if such securities were more widely traded. The College's interests in alternative investments are generally reported at the net asset value (NAV) reported by the fund managers, which is used as a practical expedient to estimate the fair value of the College's interest therein, 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 and 2021, the College had no plans or intentions to sell investments at amounts different from NAV.

The College holds investments denominated in currencies other than the U.S. dollar. Thus, there is exposure to currency risk because the value of the investments denominated in other currencies may fluctuate due to changes in currency exchange rates, and this can have an adverse effect on the reported value of assets and liabilities denominated in currencies other than the U.S. dollar.

The College's investment portfolio is subject to interest rate and credit risks for certain securities whose valuation would be impacted by changes in interest rates. The portfolio is also subject to the risk where the issuer of a security is not able to pay interest or repay principal when it is due.

The value of securities held by the College may decline in response to certain economic events, including those events impacting entities whose securities are owned and included in the investment portfolio. Those events impacting valuation may include (but are not limited to) economic changes, global pandemics, market fluctuations, regulatory changes, global and political instability, currency, interest rate, and commodity price fluctuations. The College attempts to the CCg/11(por)-2 Tf 1 0 (4(lue)22(ge49(f)13(luc-tbil)-3()13(/11(por)-2 Tf 1 s)9(98(tt)-3(e)4(mpt)-3(s)u

1. Summary of Significant Accounting Policies (continued)

(d) Property and Equipment

Property and equipment are stated at cost at date of acquisition or at estimated fair value at date of donation, less accumulated depreciation.

Depreciation of property and equipment is provided over the estimated useful lives of the respective assets on a straight line basis. A summary of depreciable lives is as follows:

Land improvements	25 year
Buildings	50 year
Furniture and equipment	5 years
Investment in the Robert W. Woodruff Library at the Atlanta University Center Consortium, Inc.	7 years

Property and equipment may be capitalized if it is owned by the College, held for operations (not resale), has a useful life that exceeds one year, and meets the capitalization threshold.

(e) Advances From Federal Government for Student Loans

The College owns a one tenth interest in its Federal Perkins Loan fund used to advance loans to students. The remaining nine tenths is distributable to the federal government upon liquidation of the federal loan program and is recorded as a liability in the accompanying consolidated statements of financial position.

(f) Income Tax Status

The College is recognized as an organization exempt from federal income tax under Section 501(a) of the Internal Revenue Code (the Code) as an organization described in Section 501(c)(3), whereby only unrelated business income, as dee W* n Q q 0.9(inc0.00000n)-3(c)4(om)-6(e)arnt9 4

1. Summary of Significant Accounting Policies (continued)

(g) Atlanta University Center Consortium, Inc.

1. Summary of Significant Accounting Policies (continued)

representing its right to use the underlying asset for the lease term. The guidance is intended to improve financial reporting of leasing transactions by requiring organizations that lease assets to recognize assets and liabilities for the rights and obligations created by leases that extend more than twelve months. Key provisions in this guidance include additional disclosures surrounding the amount, timing and uncertainty of cash flows arising from leases. The accounting applied by a lessor under ASU 2016-02 is largely unchanged from that applied under ASC Topic 840. The ASU is effective for all business entities for fiscal years beginning after December 15, 2019. The College adopted ASU 2016-02 on July 1, 2020.

2. Contributions Receivable, Net

Contributions receivable as of June 30, 2022 and 2021, are summarized as follows:

2. Contributions Receivable, Net (continued)

The College has conditional contributions, not recorded, for the promotion of higher education and research of approximately $12 million. As of June 30, 2022, conditional contributions are broken out as follows: foundation grants of $3 million, Title III of $3.9 million, Department of Defense of $1.9 million, and other of $1.1 million. As of June 30, 2021, conditional contributions were

4. Endowment Net Assets (continued)

In accordance with the Act, the College considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the College and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the College
7. The investment policies of the College

Endowment net assets consisted of the following at June 30, 2022 and 2021:

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds:			
Other funds	$ ±	$ 384,186,497	$ 384,186,497
Board-designated endowment funds	79,212,354	±	79,212,354
Total endowed net assets	$ 79,212,354	$ 384,186,497	$ 463,398,851

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds:			
Other funds	$ ±	$ 444,656,430	$ 444,656,430
Board-designated endowment funds	96,		

4. Endowment Net Assets (continued)

Changes in endowment net assets for the years ended June 30, 2022 and 2021, were as follows:

	2022		
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Endowment net asse			

4. Endowment Net Assets (continued)

(e) Spending Policy

The College utilizes the total return concept (income yield and appreciation) in the management of its endowment. The College has implemented a spending policy designed to stabilize annual spending levels and preserve the real value of the endowment over time. In accordance with the College's policy, a predetermined endowment spending rate, consistent with the College's total return objective, has been established. Should the actual return be insufficient to support this policy, the balance is provided from net accumulated appreciation. Should the return exceed the amounts withdrawn in accordance with the spending policy, the balance is reinvested in the endowment.

The College has a policy of appropriating for distribution each year 4.70% of a weighted average of its endowment funds values as of September 30 for each of the four fiscal years preceding the fiscal year in which the distribution is planned. In establishing these policies, the College considered the expected return on its endowment. Accordingly, the College expects the current spending policy to allow its endowment to maintain its purchasing power by growing at a rate at least equal to planned payouts. Additional real growth will be provided through new gifts and any excess investment return. The College withdrew an additional 0.1% and 0.46% of the fair value of the endowment as of the beginning of the year for each of the years ended June 30, 2022 and 2021, respectively, in order to support its capital campaign. The actual spending rate used to support the College's operating budget for the years ended June 30, 2022 and 2021, calculated as a percentage of the fair value of the endowment as of the beginning of the year, was 4.21% and 5.97%, respectively.

6. Bonds Payable (continued)

Under the terms of the agreements related thereto, the Authority Revenue Bonds of 2003 (the 2003 bonds) are unsecured general obligations of the College. The proceeds of the 2003 bonds were for the purpose of financing or refinancing all or a portion of various projects and advance refunding of the 1994 bonds. In April 2012, $17,010,000 of the proceeds from the issuance of the Revenue Bonds of 2012 was held in escrow for advance refunding of a portion of the 2003 bonds. There are no amounts outstanding under the 2003 bonds as of June 30, 2022.

Under the terms of the agreements related thereto, the Revenue Bonds of 2012 (the 2012 bonds) are unsecured general obligations of the College. The proceeds of the 2012 bonds were for the purpose of advance refunding a portion of the 2003 bonds and refunding the outstanding principal balances of the 2005 and 2008 notes payable to a commercial bank. Approximately $18,559,000 of the proceeds from the issuance of the 2012 bonds was placed in escrow in order to refund $17,010,000 of the 2003 bonds on June 1, 2012.

Under the terms of the agreements related thereto, the Revenue Bonds of 2015 (the 2015 bonds) are unsecured general obligations of the College. The proceeds of the 2015 bonds were for the purpose of advance refunding a portion of the 2007 bonds. Approximately $59,683,000 of the proceeds from the issuance of the 2015 bonds was placed in escrow in order to refund $53,820,000 of the 2007 bonds based on an amended maturity date of June 1, 2017.

The maturity schedule for bonds payable as of June 30, 2022, is as follows:

	Revenue Bonds of 2012	Revenue Bonds of 2015	Total
Year ending June 30:			
2023	$ 610,000	$ 4,020,000	$ 4,630,000
2024	600,000	4,220,000	4,820,000
2025	465,000	4,430,000	4,895,000
2026	325,000	4,655,000	4,980,000
2027	315,000	4,890,000	5,205,000
Thereafter	410,000	28,240,000	28,650,000
Total	$ 2,725,000	$ 50,455,000	$ 53,180,000

Interest expense related to bonds payable approximated $1,961,040 and $2,114,000 for the years ended June 30, 2022 and 2021, respectively.

7. Net Assets Released From Restrictions

Net assets were released from donor imposed restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors for the years ended June 30, 2022 and 2021, as follows:

	2022	2021
Operating:		
Scholarships and fellowships	$ 18,189,342	$ 14,224,815
Instruction	10,589,218	9,159,087
Research	1,834,420	2,059,934
Public service	±	1,267
Academic support	1,807,726	881,328
Student services	7,362,146	3,559,285
Institutional support	3,604,191	2,044,613
Auxiliary enterprises	293,421	1,034,193
Other	3,155,901	3,063,182
	46,836,365	36,027,704

9. Fair Value

The College's estimates of fair value for financial assets and liabilities are based on the framework established in ASC Topic 820, Fair Value Measurement. This guidance establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. 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 fair value hierarchy are as follows:

- Level 1 inputs ± Unadjusted quoted prices for identical assets or liabilities in active markets that are accessible at the measurement date.

- Level 2 inputs ± Quoted prices for instruments that are identical or similar in markets that are not active and model-derived valuations for which all significant inputs are observable, either directly or indirectly in active markets.

- Level 3 inputs ± Prices or valuations that require inputs that are both signif

9. Fair Value (continued)

Contributions receivable for current year gifts are initially measured at fair value in the year the receivable is recorded based on the present value of future cash flows discounted at a rate commensurate with risks involved, which is an application of the income approach.

A reasonable estimate of the fair value of advances from the federal government and student loans could not be made because the notes receivable are not salable and can only be assigned to the federal government or its designees. The carrying value of institutional student notes receivable approximates fair value.

The carrying amounts of accounts payable, accrued compensation and related expenses, and other related accruals approximate fair value because of the relatively short maturity of these financial instruments.

10. Leases – Right of Use

The College has several noncancelable operating leases for machinery and equipment with expiration dates through 2027. The College adopted the effective date method July 1, 2020. As of June 30, 2022 and 2021, the College's right of use assets and corresponding liability was $1,475,737 and $1,556,205, respectively, and represented the present value of the remaining lease payments. The payments were discounted using the College's weighted average borrowing rate of 3.5% and weighted average remaining lease term of 3.7 years. As a practical expedient, in accordance with ASC 842, the College elected not to separate nonlease components from the lease component and instead accounted for each separate lease component and the nonlease components
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11. Expenses

Expenses are reported in the accompanying consolidated statements of activities in categories

Spelman College

12. Liquidity and Availability of Financial Assets (continued)

The College's working capital and cash flow to fund general expenditures have seasonal variations related to the timing of

14. Pension Plan (continued)

Total pension expense under this plan approximated $2,368,000 and $2,722,000 for the years ended June 30, 2022 and 2021, respectively.

15. Commitments and Contingencies

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