Berea College

Financial Statements

for the Year Ended June 30, 2022

Board of Trustees

Officers

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HIGHLIGHTS
(Unaudited)

	As of or for the Year Ended June 30, 2022	2021
OPERATING REVENUE	$ 158,317,998	$ 139,757,432
OPERATING EXPENSES	$ 148,214,011	$ 135,860,712
OPERATING REVENUE IN EXCESS OF OPERATING EXPENSES	$ 10,103,987	$ 3,896,720
ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT	$ 11,477,843	$ 21,626,598
LONG-TERM INVESTMENTS OF THE ENDOWMENT		
Original gift value	$ 678,597,811	$ 623,982,665
Investments at market	1,418,870,700	1,575,414,600
Interest and dividends, net	$ 24,756,920	$ 16,145,938
Return	1.5%	1.4%
Market price change	$ (171,764,463)	$ 345,675,616
Return	-11.0%	28.4%
Total return	$ (147,007,543)	$ 361,821,554
Percent - time weighted	-9.5%	29.8%
CASH AND IN-KIND CONTRIBUTIONS		
Cash gifts	$ 35,721,706	$ 37,366,839
Bequests	41,015,277	12,190,201
Total cash gifts	76,736,983	49,557,040
Gifts-in-kind	58,988	6,210
Total	$ 76,795,971	$ 49,563,250

REPORT OF THE VICE PRESIDENT FOR FINANCE

October, 2022

To the Board of Trustees, President Roelofs, and Friends of Berea College,

Although the financial markets became quite unfriendly during the latter half of the fiscal year, we made progress in furthering the mission of Berea College by providing a quality education to academically promising and economically needy students. We completed the greatest fundraising year in the history of the College. More information about the very successful fundraising year is below.

After ending 2021 with the best single-year investment performance since 2000, the endowment investment return for the year ended June 30, 2022 was -9.5%. The spendable return from the endowment remains the primary funding source for the College's unrestricted educational and general operating budget. During the year, the endowment experienced a net market-price decrease of $171.8 million and $24.8 million in income resulting in a net investment return of -9.5%. Endowment additions amounted to $54.6 million for the year and was comprised of $43.4 million in endowment fund gifts and net other additions of $11.2 million including transfers from two external trusts. The June 30, 2022 endowment market value of $1,418.9 million is composed of cumulative original gifts and other additions of $678.6 million plus cumulative net market appreciation after endowment spending of $740.3 million. The market value of the quasi-endowment portion of the investments as of June 30, 2022, was $694.0 million, or 48.9% of the total endowment investments. The Board policy, approved in 1920, of adding all unrestricted bequests to the endowment has been a major factor in endowment growth over the years.

FY22 was a record-breaking year for the College. Berea's fundraising total for FY22 from the Alumni, Communications and Philanthropy (ACP) division was $53.9 million, compared to $23.3 million in FY21. The closest year for ACP fundraising was in 2009, when ACP raised $35.2 million during, ironically, the Great Recession. The Strategic Initiatives division raised $22.8 million in FY22, for a combined College fundraising total of more than $76.8 million. The previous record was $59 million in 2016.

This fundraising from ACP includes a special bequest from a dear friend of the College. A donor who never visited campus made what is now the largest bequest gift in Berea College history. This generous donor to Berea will certainly be missed, but we all celebrate the exceptional legacy she leaves.

The Berea Fund goal for FY22 was $4.725 million, and overall, the College raised $4,737,890 for the Fund. A total of 23,902 gifts in FY22 came from 13,985 donors (including 100 percent of Berea trustees), including 4,150 gifts from 470 current students, who contribute a portion of their earnings back to the College and are known as Berea Patrons. Cumulative giving from Berea Patrons since its inception in 2013 now totals more than $180,000, a noteworthy figure.

As the College begins its fundraising efforts for FY23, giving is strong. The Berea Fund goal for FY23 is $4.8 million. Perhaps the ACP's division's biggest undertaking in FY23 is the Building a Technology Future Like No Other campaign, a multi-year initiative to build two technology buildings. We are closing in on $7 million for this $10 million campaign as we look toward the future. With so much to be thankful for, we remember all those who give to make the Berea College mission possible.

Capital project construction on campus continues. The Computer Science, Digital Media and Information Technologies Building (Tech 1) is the first of two planned buildings focused on Technology supporting a culture of collaboration critical to innovation. Designed to meet U.S. Green Building Council's LEED Silver level Certification for sustainable design and construction, the building will feature transparent classrooms where students can see technology learning on display. To make way for Tech 1, the 50,000 square foot Charles Martin Hall Science Building, originally built in 1928, was razed during the summer months of 2021. Construction began in May, 2022 for the new 48,761 square foot facility and is scheduled to be completed by December, 2023. The second, third and fourth floor space programming includes academic classrooms, computer labs, maker spaces, faculty offices, on-air campus radio/television studios and digital media production labs. The first level will be dedicated to our Information Systems & Services department (IS&S). As well, a new data center will be constructed on the fourth floor in conjunction with the new campus fiber optic loop project currently underway.

Financial Position

Operating results and the financial position of the College remain very strong. Operating revenue in excess of operating expenses amounted to $10.1 million. **Total Net Assets** (total assets less liabilities) of the College were $1,772.5 million, decreasing by $166.3 million or 8.6 percent during the year. This change reflects a decrease in the market value of total long-term investments during the year from $1,645.1 million as of June 30, 2021 to $1,463.7 million as of June 30, 2022.

At June 30, 2022, **Total Assets** of the College were $1,899.8 million. Of this amount, long-term investments (including endowment funds, annuity and life income funds and other funds) comprised $1,463.7 million; net property, plant and equipment totaled $254.2 million; and current assets totaled $150.7 million. Long-term contributions receivable and bequests in probate totaled $17.1 million; non-current prepaid expenses totaled $2.0 million; and long-term receivables totaled approximately $5.9 million. In addition, other long-term assets of $6.2 million include the College's investment in one hydro electric project that is in operation and another hydro electric project still under construction.

Total Liabilities decreased by $9.0 million from $136.3 million as of June 30, 2021 to $127.3 million as of June 30, 2022. The decrease was primarily due the revenue recognition of $4.1 million of deferred revenue from 2021 related to Higher Education Emergency Relief Funds received from the federal government to assist with the pandemic coupled with a reduction in the interest rate swap liability of $2.8 million.

Concluding Comments

We are grateful for the leadership of the board of trustees, the engagement of alumnae and donors who support students and the College in a myriad of ways, and the dedication of faculty, students, and staff, who continue to enable Berea College to be an institution of higher education like no other. Please know that the Berea College welcome mat is always out.

Respectfully submitted,

Jeffrey S. Amburgey
Vice President for Finance

RESPONSIBILITY FOR THE COLLEGE'S CONSOLIDATED FINANCIAL STATEMENTS

The Finance Office of Berea College is directly responsible for the preparation, integrity and fair presentation of the financial statements and the other information included in this annual report. This office, through the Vice President for Finance, reports directly to the President of the College with oversight by the College's Board of Trustees.

The College maintains a system of internal controls over financial reporting, which is designed to provide reasonable assurance to the College's administration and Board of Trustees that the College's assets are protected and that transactions and events are recorded properly in the financial statements.

The College's financial statements have been audited by the independent accounting firm of Crowe LLP, which was given unrestricted access to all financial records and related data, including minutes of all meetings of trustees. The Vice President for Finance and personnel of the Finance Office believe that the representations made to the independent auditors during their audit were valid and appropriate in all material respects.

The Board of Trustees of Berea College, through the Audit Committee comprised of trustees not employed by the College, has adopted Audit Committee Bylaws that include engaging the independent auditors and meeting with the College administration, the College's internal auditor, and the independent auditors to ensure that each is carrying out its responsibilities and to discuss auditing, internal control, and financial reporting matters. The independent auditors have full and free access to the Audit Committee and meet with the Audit Committee at least annually.

We believe the following financial statements present fairly, in all material respects, the financial position of the College as of June 30, 2022 and 2021, and the changes in its net assets and cash flows for the years then ended.

October 27, 2022

Lyle D. Roelofs
President

Jeffrey S. Amburgey
Vice President for Finance

Crowe

Crowe LLP
Independent Member Crowe Global

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Berea College
Berea, Kentucky

Opinion

We have audited the consolidated financial statements of Berea 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 to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Berea College as of 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 Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Berea College and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 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 consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 Berea 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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Berea 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.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying Highlights, Report of the Vice President for Finance and Responsibility for the College's Consolidated Financial Statements, as noted on the table of contents, are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. The information has not been subjected to the auditing procedures applied in the audits of the consolidated financial statements and accordingly, we do not express an opinion or provide any assurance on them.

Crowe LLP

Crowe LLP

Lexington, Kentucky
October 27, 2022

BEREA COLLEGE
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	June 30, 2022	June 30, 2021
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 123,379,681	$ 109,954,375
Accrued interest on investments	1,705,331	1,755,530
Accounts receivable - U.S. Government	11,435,021	18,122,387
Other accounts receivable	2,681,567	1,187,309
Inventories	1,165,644	1,063,147
Prepaid expenses and other assets	1,223,902	1,882,885
Contributions receivable and bequests in probate, net	9,099,662	22,462,655
Total current assets	150,690,808	156,428,288
PREPAID EXPENSES AND OTHER ASSETS	1,976,571	2,418,247
CONTRIBUTIONS RECEIVABLE AND BEQUESTS IN PROBATE, NET	17,080,683	15,598,349
LONG-TERM RECEIVABLES		
Notes receivable - hydro projects	5,590,110	-
Institutional student loans	355,887	337,256
Total long-term receivables	5,945,997	337,256
LONG-TERM INVESTMENTS		
Donor restricted endowment	724,840,600	821,902,200
Board designated endowment	694,030,100	753,512,400
Annuity and life income	22,873,500	28,143,400
Funds held in trust by others	19,415,000	37,472,000
Other investments	2,585,900	4,044,800
Total long-term investments	1,463,745,100	1,645,074,800
OTHER LONG-TERM ASSETS		
Investment in hydro projects	6,211,082	-
Total other long-term assets	6,211,082	-
PROPERTY, PLANT AND EQUIPMENT, NET	254,176,639	255,215,023
Total assets	$ 1,899,826,880	$ 2,075,071,963

BEREA COLLEGE
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	June 30, 2022	June 30, 2021
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 13,035,910	$ 13,737,330
Accounts payable - capital construction projects	1,954,722	1,752,097
Accrued salaries and wages	4,148,240	4,262,621
Current portion of interest rate swap valuation	261,511	707,349
Current maturities of long-term debt	2,249,878	3,004,254
Other current liabilities	1,605,075	5,380,283
Total current liabilities	23,255,336	28,843,934
LONG-TERM LIABILITIES		
Actuarial liability for annuities payable and other liabilities	14,283,210	15,672,992
Deferred financing expense	(1,496,529)	(1,780,333)
Interest rate swap valuation	2,279,489	4,638,651
Long-term debt	89,022,392	88,880,878
Total long-term liabilities	104,088,562	107,412,188
Total liabilities	127,343,898	136,256,122
NET ASSETS		
Without donor restrictions		
For current operations	198,114	139,743
Designated for specific purposes	103,455,349	88,829,781
Invested in property, plant and equipment	151,032,878	145,055,275
Support of future operations from:		
Contributions receivable and bequests in probate	10,792,917	17,537,810
Board designated endowment funds	694,030,100	753,512,400
Total net assets without donor restrictions	959,509,358	1,005,075,009
With donor restrictions		
Unexpended contributions restricted for operations	34,803,104	35,701,367
Unexpended contributions restricted for plant renewals and replacement	10,759,578	10,418,397
Annuity and life income contracts	10,481,600	14,561,200
Expended contributions for long-lived assets	4,850,546	5,141,117
Loan funds	3,154,948	3,080,616
Contributions receivable and bequests in probate	4,668,248	5,463,935
Funds held in trust by others	19,415,000	37,472,000
Donor restricted endowment funds - accumulated earnings	428,437,978	536,491,576
Donor restricted endowment funds - original gift	296,402,622	285,410,624
Total net assets with donor restrictions	812,973,624	933,740,832
Total net assets	1,772,482,982	1,938,815,841
Total liabilities and net assets	$ 1,899,826,880	$ 2,075,071,963

BEREA COLLEGE
CONSOLIDATED STATEMENTS OF ACTIVITIES

	Year Ended June 30, 2022	2021
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
OPERATING REVENUE		
Spendable return from long-term investments	$ 58,384,833	$ 54,395,617
Gifts and donations	6,170,119	6,832,988
Federal grants	54,613,561	50,916,989
Cost of education fees paid by federal and state scholarships	3,500,000	3,500,000
Fees paid by students	1,524,010	1,113,373
Other income	4,638,916	4,029,866
Residence halls and dining service	9,697,717	5,340,474
Auxiliaries	4,938,121	3,317,683
Gain (loss) on sale of property, plant and equipment	34,568	(2,771,687)
Net assets released from restrictions	23,956,293	19,697,657
Gross operating revenue	167,458,138	146,372,960
Less: Student aid	(9,140,140)	(6,615,528)
Net operating revenue	158,317,998	139,757,432
OPERATING EXPENSES		
Program Services -		
Instruction	31,853,484	29,312,222
Public service	49,290,546	46,733,428
Academic support	11,285,345	11,161,168
Student services	14,325,602	11,734,583
Residence halls and dining service	12,495,026	10,662,533
Auxiliaries	5,750,738	4,876,654
Total Program Services	125,000,741	114,480,588
Support Services, including fund raising expense of $7,169,444 in 2022 and $6,676,258 in 2021	23,213,270	21,380,124
Total operating expenses	148,214,011	135,860,712
Operating revenue in excess of operating expenses	10,103,987	3,896,720
OTHER UNRESTRICTED ACTIVITY		
Net assets released from capital restrictions	4,749,790	1,419,422
Pandemic lost revenue relief	-	2,735,206
Gain on valuation of interest rate swaps	2,805,000	1,857,000
Total other unrestricted activity	7,554,790	6,011,628
REVENUES DESIGNATED FOR LONG-TERM INVESTMENT		
Unrestricted bequests	27,894,029	14,333,147
Matured annuity and life income contracts	114,484	917,241
Reclassification of net assets for matured trusts and other	11,834,367	-
Investment return (less) more than amounts designated for current operations	(103,067,308)	141,733,915
Total (decrease) increase in revenues designated for long-term investment	(63,224,428)	156,984,303
(Decrease) increase in net assets without donor restrictions	$ (45,565,651)	$ 166,892,651

BEREA COLLEGE
CONSOLIDATED STATEMENTS OF ACTIVITIES

	Year Ended June 30, 2022	Year Ended June 30, 2021
CHANGES IN TOTAL NET ASSETS		
NET ASSETS WITHOUT DONOR RESTRICTIONS		
Operating revenue in excess of operating expenses	$ 10,103,987	$ 3,896,720
Other unrestricted activity	7,554,790	6,011,628
(Decrease) increase in revenues designated for long-term investment	(63,224,428)	156,984,303
(Decrease) increase in net assets without donor restrictions	(45,565,651)	166,892,651
NET ASSETS WITH DONOR RESTRICTIONS		
Restricted gifts and donations	30,851,164	25,388,369
Restricted spendable return on endowment investments	5,558,307	4,884,140
Restricted return on endowment investments	208,363	214,401
Investment return (less) more than amounts designated for current operations	(106,702,217)	158,924,991
Change in underwater endowment funds	(1,389,520)	1,668,490
Restricted capital (loss) gain on funds held in trust by others	(4,748,499)	6,654,000
Net adjustment of annuity payment and deferred giving liability	(3,889,872)	5,104,351
Reclassification of net assets released from restrictions	(23,956,293)	(19,697,657)
Reclassification of net assets released from capital restrictions	(4,749,790)	(1,419,422)
Reclassification of net assets for matured trusts and other	(11,834,367)	-
Reclassification of matured annuity and life income contracts to revenues designated for long-term investment	(114,484)	(917,241)
(Decrease) increase in net assets with donor restrictions	(120,767,208)	180,804,422
Total (decrease) increase in net assets	(166,332,859)	347,697,073
NET ASSETS		
Beginning of year	1,938,815,841	1,591,118,768
End of year	$ 1,772,482,982	$ 1,938,815,841

BEREA COLLEGE
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended June 30, 2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
(Decrease) increase in net assets	$ (166,332,859)	$ 347,697,073
Adjustments to reconcile (decrease) increase in net assets to net cash used in operating activities -		
Realized and unrealized loss (gain) on long-term investments	173,595,807	(358,481,173)
Restricted return on endowment funds	(208,363)	(214,401)
Gifts and bequests for financing activities	(49,620,963)	(20,506,597)
Decrease in contributions receivable and bequests in probate	11,880,659	3,008,746
Gift value of annuity contracts written	(177,021)	(293,949)
Depreciation	12,494,063	11,815,075
Loss on sale of property, plant and equipment	17,665	2,771,687
Gain on revaluation of interest rate swaps	(2,805,000)	(1,857,000)
Decrease (increase) in other current assets	5,799,794	(7,886,212)
Decrease (increase) in non-current prepaid expenses and other assets other than cash payments for debt issuance costs	441,676	(406,863)
(Decrease) increase in current liabilities other than capital construction accounts payable and current maturities of long-term debt	(4,591,009)	7,477,681
(Decrease) increase in actuarial annuity payment liability and other liabilities	(1,389,783)	755,851
Decrease (increase) in deferred debt financing expenses	283,804	(558,658)
Net cash used in operating activities	(20,611,530)	(16,678,740)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of securities held for long-term investment	(282,239,729)	(324,772,844)
Proceeds from sales and maturities of investments	290,150,643	319,545,866
Purchase of property, plant and equipment	(11,477,843)	(21,626,598)
Increase in capital construction accounts payable	202,625	972,812
Proceeds from sale of property, plant and equipment	4,499	20,667
Investment in hydro projects	(6,211,082)	-
Increase in notes receivable from hydro projects	(5,590,110)	-
(Increase) decrease in long-term student loans	(18,631)	258,795
Net cash used in investing activities	(15,179,628)	(25,601,302)
CASH FLOWS FROM FINANCING ACTIVITIES		
Gifts and bequests received for -		
Long-term investment	43,439,367	14,602,431
Property, plant and equipment	6,181,296	5,904,066
Student loans	300	100
Endowment return restricted for long-term investments	208,363	214,401
Repayment of indebtedness	(3,679,254)	(3,602,539)
Long-term debt issued	3,066,392	52,284,913
Net cash provided by financing activities	49,216,464	69,403,372
Net increase in cash and cash equivalents	13,425,306	27,123,330
Cash and cash equivalents, beginning of year	109,954,375	82,831,045
Cash and cash equivalents, end of year	$ 123,379,681	$ 109,954,375

NOTE 1 - ORGANIZATION AND SUMMARY OF ACCOUNTING POLICIES

General

Berea College (the College) is a not-for-profit institution providing liberal arts education to students with limited family financial resources primarily from the Southern Appalachian Mountain region. All students are provided a full tuition scholarship and, accordingly, the College is dependent on gifts and donations to help provide a low cost but high quality education. The College has one campus located in Berea, Kentucky with an enrollment of approximately 1,500 students and approximately 850 employees.

Scope of Financial Statements

Berea Interchange Development Corporation (BIDC), a 501(c)(2) organization, was formed in 1987 as a land holding company controlled by Berea College. Financial transactions for BIDC are consolidated into the Berea College financial statements. The College controls 100% of BIDC and trustees and officers of BIDC are current trustees and officers of the College.

In August 2017, the Berea College Science and Health Foundation, Inc. (the Foundation), a 501(c)(3) organization, was organized to facilitate a New Markets Tax Credit financing transaction to partially fund the construction of the Margaret A. Cargill Natural Sciences and Health Building. Financial transactions for the Foundation are consolidated into the Berea College financial statements. The College controls 100% of the Foundation and trustees and officers of the Foundation include current trustees and officers of the College.

In November 2020, the College organized Berea College Leverage Lender, Inc. (the "Company"), a Kentucky non-profit corporation and 501(c)(3) organization, to facilitate a New Markets Tax Credit financing transaction to partially fund the construction of the College's Facilities Management and Student Labor Complex. Financial transactions for the Company are consolidated into the Berea College financial statements. The College controls 100% of the Company; directors and officers of the Company include current trustees and officers of the College.

All intercompany accounts and transactions between Berea College and these entities have been eliminated in the accompanying consolidated financial statements.

NOTE 1 - ORGANIZATION AND SUMMARY OF ACCOUNTING POLICIES (Continued)

Basis of Presentation

The consolidated financial statements have been prepared on the accrual basis of accounting. The preparation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and judgments that affect the reported amounts of assets, liabilities and disclosures of contingencies at the date of the consolidated financial statements and revenues and expenses recognized during the reporting period. Actual results could differ from those estimates.

Financial Statement Presentation: The consolidated financial statements report the changes in and totals of each net asset class based on the existence of donor restrictions. Net assets are classified as without donor restrictions or with donor restrictions as described below:

> *Net assets without donor restrictions* are net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the College. Net assets without donor restrictions include undesignated net assets and net assets that are Board designated for endowment.
>
> *Net assets with donor restrictions* are net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature while others are perpetual in nature.

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, except that contributions which impose restrictions that are fully met in the same fiscal year they are recognized are included in unrestricted revenues. Expenses are reported as decreases in net assets without donor restrictions. Cumulative net appreciation associated with donor-restricted endowments is classified as net assets with donor restrictions restricted for purpose or passage of time (see Note 2). Expirations of those restrictions on net assets (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.

Contributions, including unconditional promises to give and bequests in probate, are recognized as revenues in the period received. Conditional promises to give with a right of return and a barrier are not recognized until the conditions on which they depend are met. Contributions of assets other than cash are recorded at their estimated fair value at the date of the gift. Contributions to be received after one year are discounted at the June 30, five-year Daily Treasury Yield Curve Rate for the fiscal year the pledge was initially recorded, currently at rates ranging from 0.29% to 3.01%. Amortization of the discount is recorded as additional contribution revenue and used in accordance with donor-imposed restrictions, if any, on the contributions. Allowance is made for uncollectible contributions based upon management's judgment and analysis of the creditworthiness of the donors, past collection experience and other relevant factors.

Contributions of exhaustible long-lived assets, or of cash or other assets to be used to acquire them, without donor stipulations concerning the use of such long-lived assets, are recognized as revenue when the assets are placed in service.

NOTE 1 - ORGANIZATION AND SUMMARY OF ACCOUNTING POLICIES (Continued)

All contributions of works of art, historical treasures and similar assets, whether held as part of a collection (for education, research or public exhibition rather than for sale) or for sale or other purposes, have been recognized at their estimated fair value at the date of receipt based upon appraisals or similar valuations. All such items, whether contributed or purchased, have been capitalized and are subject to College policy that requires the use of proceeds from items that are sold to be for the acquisition of new collection items, the direct care of existing collections, or both.

Cash and Cash Equivalents

For financial statement purposes, the College considers all investments (not held for long-term investment) with original maturities of three months or less as cash equivalents. The College maintains cash in bank accounts, which at times may exceed federally insured limits. The College has not experienced any losses on such accounts. The College believes that it is not exposed to any significant credit risk on cash and cash equivalents.

Inventories

Inventories are stated at the lower of cost (weighted average) or market.

Receivables

The College makes uncollateralized loans to students based on financial need. At June 30, 2022 and 2021, student loans totaled $615,887 (net of $171,000 loan loss reserve) and $617,256 (net of $250,000 loan loss reserve), respectively, of which $260,000 and $280,000 for June 30, 2022 and 2021, respectively, are reflected in current assets and were funded from institutional resources. Reserves for loan losses are established when no payments are received for over six months. Loan balances are written off when they are deemed to be permanently uncollectible. Recoveries of student loans receivable previously written off are recorded when received.

In addition, the College holds notes receivable in relation to the College's partnership in the construction of hydroelectric powerplants on Locks 12 and 14 of the Kentucky River. The notes receivable is issued to Appalachian Hydro Association, LLC, an investing partner in these hydro projects. At June 30, 2022, the notes receivable totaled $5,590,110, of which no amounts were deemed to be uncollectable.

Investments

Investments are reported at their respective fair values. The values of publicly traded fixed income and equity securities are based upon quoted market prices. Private equities, including real estate partnerships, and certain other nonmarketable securities are valued using information provided by the general partner or investment manager, such as net asset value, for the respective funds. Other real estate investments are stated at cost on the date of acquisition or fair market value at date of receipt in the case of gifts. Net realized and unrealized gains and losses on investments are reflected in the consolidated statements of activities. Gains and losses on investments sold are determined on a specific identification basis.

NOTE 1 - ORGANIZATION AND SUMMARY OF ACCOUNTING POLICIES (Continued)

The College's investments do not have a significant concentration of credit risk within any industry or specific institution.

The market risk inherent in certain College investments is primarily the potential loss arising from adverse changes in quoted market prices on equity securities and in interest rates on fixed income securities. Investment securities, in general, are exposed to various risks, such as interest rates, credit and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the consolidated statements of financial position. In an effort to mitigate this market risk, the College has adopted a policy of maintaining a diverse investment pool through the use of strategic asset allocation guidelines approved by the Investment Committee.

Derivatives

Derivative instruments, including certain derivative instruments embedded in other contracts, are valued at fair value and are included in the consolidated statements of financial position. The change in fair value of such instruments is included in the consolidated statements of activities.

Fair Value of Financial Instruments

Cash and cash equivalents, accounts receivable, accounts payable, accrued liabilities and deferred income approximate fair value because of their short-term nature. Contributions receivable approximate fair value because of the present value discount included in the carrying amount. Investments are carried at fair value or approximate fair value as discussed in Note 5. The carrying amount of the annuity and trust liabilities approximates fair value based on life expectancies and the present value discount. The fair value of the College's long-term debt is disclosed in Note 11 and is based on quoted market prices for the same or similar issues, giving consideration to the interest rates, maturity and other factors.

The fair values of financial instruments other than investments, which include the items listed in the preceding paragraph, are based on a variety of factors. In some cases, fair values represent quoted market prices for identical instruments (Level 1 inputs - market approach; cash and cash equivalents). In other cases, fair values have been estimated based on assumptions about the amount and timing of estimated future cash flows and assumed discount rates reflecting varying degrees of risk (Level 2 inputs - income approach; remaining financial instruments other than investments). Accordingly, the fair values may not represent actual values that could have been realized at year-end or that will be realized in the future.

Other Long-Term Investments

The College holds a one-percent partnership interest in the construction and power production of two hydroelectric powerplants at Locks 12 and 14 on the Kentucky River. These projects are funded from Board-approved allocations from quasi endowment and recorded, at cost, as of the date of the College's contribution to the projects. At June 30, 2022, the College's net investment in the hydro projects totaled $6,211,082.

NOTE 1 - ORGANIZATION AND SUMMARY OF ACCOUNTING POLICIES (Continued)

Split-Interest Agreements and Interest in Trusts Held by Others

The College's split-interest agreements with donors consist primarily of irrevocable charitable remainder trusts, charitable gift annuities, and life income funds for which the College serves as trustee. Assets held in these split-interest agreements are included in investments. Contribution revenue is recognized at the dates the split-interest agreements are established, net of the liabilities for the present value of the estimated future payments to be made to the donors and/or other beneficiaries. Annually, the College records the change in value of split-interest agreements by marking to fair value the assets that are associated with each agreement and recalculating the liability for the present value of the estimated future payments to be made to the donors and/or other beneficiaries. The discount rate and actuarial assumptions used in calculating the annuity obligation are those provided in Internal Revenue Service guidelines and actuarial tables.

For agreements where the College is not the trustee, the College has recorded its beneficial interest in the agreements as an asset reported in the line item "Contributions Receivable and Bequests in Probate."

Property, Plant and Equipment

Property, plant and equipment are stated at cost at the date of acquisition or fair value at the date of the gift, less accumulated depreciation.

Depreciation on the property, plant and equipment owned by the College has been computed using the straight-line method based on the following composite depreciation guidelines:

Buildings and additions	30 - 75 years
Building improvements and renovations	15 - 30 years
Furniture and equipment	2 - 10 years

Using these guidelines, depreciation expense for the years ended June 30 was:

	2022	2021
Educational and general purposes	$ 11,447,298	$ 10,847,585
Student industries	1,046,765	967,490
	$ 12,494,063	$ 11,815,075

Equipment with a unit cost of $5,000 or more and having an estimated useful life of greater than one year is capitalized. Renovations to buildings, infrastructure and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense is incurred. The College capitalizes, but does not depreciate, works of art and historical treasures that are held for education, research or public exhibition.

NOTE 1 - ORGANIZATION AND SUMMARY OF ACCOUNTING POLICIES (Continued)

Unrestricted Bequests

The College follows the policy of designating all unrestricted bequests that are in probate or that have been through probate and received by the College as additions to the quasi endowment tuition replacement funds. Such bequests are reported as revenues designated for long-term investment in the consolidated statements of activities.

Measure of Operations

In its consolidated statements of activities, the College includes in its definition of operations all revenues and expenses that are an integral part of its programs and supporting activities. Items excluded are contributions restricted in perpetuity, gifts for capital construction, changes in the value of interest rate swap agreements, unrestricted bequests, investment return more or less than amounts designated for current operations and certain other non-recurring items. Spendable return from the endowment is calculated using the spending formula adopted by the Board of Trustees. The amount designated for current operations is approved by the Board of Trustees annually.

Revenue Recognition

Students admitted by the College are guaranteed substantial financial aid through resources other than their family; this is achieved through endowment spendable return, federal and state aid, outside scholarships, and grants from participation in the College's work program and these sources are sufficient to cover the full cost of education (tuition). Thus, no student is required to pay any out-of-pocket expenses for tuition. Most students receive additional grant assistance to help with the costs of housing, meals, and fees according to the families' ability to pay as determined from family information submitted on the Free Application for Federal Student Aid (FAFSA).

Because the College does not collect tuition from its students, no tuition revenue is recognized in the consolidated statements of activities. However, in the consolidated statements of activities, cost of education fees paid by federal and state scholarships for the years ended June 30, 2022 and 2021, are included in the amount of $3,500,000 and $3,500,000, respectively. There are no deferred scholarships as of June 30, 2022 or 2021.

Residence hall and dining service revenues are included within the consolidated statements of activities. A student and the family are responsible for the cost of room and board. However, for those who qualify on the basis of need—and most students do—financial aid is available to defray all or part of these costs. The student aid amounts provided in the consolidated statements of activities represent institutional aid primarily for room and board. Charges to students for room and board 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 provided to customers.

A student who withdraws during the first two weeks of a semester is entitled to a refund of half the housing charge and half of the unexpired portion of the meal charge. All refunds have been remitted to students prior to June 30, 2022 and 2021.

NOTE 1 - ORGANIZATION AND SUMMARY OF ACCOUNTING POLICIES (Continued)

The College's summer school program has a starting and ending date that differ from its fiscal year end. Therefore, at the end of the fiscal year, a portion of revenue from this program was not yet earned and reflected as deferred revenue for 2022 in the amount of $186,776. The balance of deferred revenue at June 30, 2022 was recognized as revenue over the academic term beginning July 1, 2022, as services were rendered; there was not a summer school program for the summer of 2021.

The College has elected the short-term contract exemption with respect to its performance obligations under its contracts with students as all such contracts had original terms of less than one year.

Auxiliaries include sale of Berea College crafts and operation of on-campus stores and hotel. All revenue is recorded at the point of sale and all performance obligations have been satisfied.

As a result of the Novel Coronavirus Disease, COVID-19, the President of the United States declared that the COVID-19 outbreak in the United States constituted a national emergency effective March 1, 2020. Due to this national emergency, the College made the decision to dismiss student from campus after they returned from Spring break. Because of this decision, the College provided cash refunds and/or credits on student accounts for spring 2020 room and board, in the approximate amount of $1,374,000, related to unearned deferred revenue. The College did not record revenue on amounts that were refunded. A significant portion of these funds were recovered during fiscal year 2021 from federal funding sources related to COVID-19 relief funds made available by the federal government. These funding sources and amounts received are more fully described in the following paragraphs.

During fiscal years 2022 and 2021, the College received significant funding from the Higher Education Emergency Relief Funds (HEERF I, HEERF II, and HEERF III) granted under the Coronavirus Aid, Relief, and Economic Security Act (CARES) enacted on March 27, 2020, the Coronavirus Response and Relief Supplemental Appropriate Act (CRRSAA) enacted on December 27, 2020, and the American Rescue Plan Act (ARP) enacted on March 11, 2021. To the extent available, these funds have been used to offset costs and lost revenue directly related to the COVID-19 pandemic. The resulting revenue has been recorded as federal grant revenue and recognized in the appropriate year.

During the fiscal year ended June 30, 2022 and 2021, respectfully, the College recorded approximately $4,711,730 and $3,943,585 of revenue for the institutional portion and $4,551,067 and $2,632,673 of revenue for the student portion of HEERF I, II, and III funding. These funds were used to reimburse the College for costs associated with the COVID-19 pandemic and lost revenue related to the pandemic, including approximately $1,111,105 in room and board refunds issued to students during fiscal year 2020 and an estimated lost revenue of $2,735,206 during fiscal years 2021 and 2020 for Boone Tavern Hotel and the College's Child Development Lab.

NOTE 1 - ORGANIZATION AND SUMMARY OF ACCOUNTING POLICIES (Continued)

The College cannot record any revenue related to the institutional portion of the grant disproportionate to the expended portion of the student related funding. As a result, deferred revenues related to the institutional funding sources total $4,057,010 as of June 30, 2021; there were no deferred revenues as of June 30, 2022. Additionally, as of June 30, 2022, there were no remaining student and institutional funding from HEERF II and III.

Functional Allocation of Expenses

The costs of providing the various programs and supporting services have been summarized on a functional basis in the consolidated statements of activities. Accordingly, certain items have been allocated among the programs and supporting services benefited.

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy and plant operations, which are allocated on a square footage basis, as well as, salaries and wages, benefits, payroll taxes, office expenses, information technology, insurance, interest, travel, repairs and maintenance, and other, which are allocated on the basis of estimates of usage or time and effort. See Note 3 – Statement of Functional Expenses.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results differ from those estimates.

Risks and Uncertainties

As a result of the Novel Coronavirus Disease (COVID-19), the President of the United States declared that the COVID-19 outbreak in the United States constituted a national emergency effective March 1, 2020. As a result, during March of 2020, the College made adjustments to its operations and academic delivery based on the spread of COVID-19 throughout the United States and State of Kentucky.

Many of these COVID-19 protocols from 2020 and 2021 have remained in place as the College started the fall 2022 semester and the College continues to maintain reasonable operational changes in an effort to control spending as the pandemic continues into fiscal year 2023. While the future impacts of the COVID-19 pandemic cannot be quantified at this time, the College continues to monitor its course and, if necessary, is prepared to take additional measures to protect the health and welfare of the College and its students and employees.

Reclassification

Certain reclassifications have been made to the fiscal year 2021 financial statements to conform to the fiscal year 2022 presentation with no effect on total assets, liabilities, net assets or the change in net assets.

NOTE 2 – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprised the following:

	June 30, 2022	June 30, 2021
Cash and cash equivalents	$ 79,871,440	$ 70,023,119
Accounts receivable	2,136,450	1,187,309
Contributions receivable	30,400	8,352
Distributions from beneficial interests in funds held in trust by others	699,048	689,000
Endowment spendable return	61,158,346	54,271,534
Total	$ 143,895,684	$ 126,179,314

The College's endowment funds consist of donor-restricted endowments and funds designated by the board as endowments. 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 not available for general expenditure.

The College's board-designated endowment of $694,030,100 and $753,512,400 at June 30, 2022 and 2021, respectively, is subject to the board-approved endowment spending formula. Although the College does not intend to spend from this board-designated endowment (other than amounts appropriated for general expenditures as part of the Board's annual budget approval and appropriation), these amounts could be made available if necessary.

As part of the College's liquidity management plan, cash in excess of daily requirements is invested in short-term investments, CDs, and money market funds.

NOTE 3 – STATEMENT OF FUNCTIONAL EXPENSES

	Program Services				Management and General	Fundraising and Development	Total for Year Ended June 30, 2022
	Instruction	Public Service	Other	Total			
Grants and other assistance	$ -	$ 766,287	$ -	$ 766,287	$ -	$ -	$ 766,287
Salaries and wages	16,514,972	13,395,931	12,784,038	42,694,941	7,690,217	3,712,878	54,098,036
Employee benefits and payroll taxes	4,074,883	3,397,836	3,591,702	11,064,421	1,455,342	1,005,327	13,525,090
Professional services	-	-	-	-	-	596,250	596,250
Accounting fees	-	-	-	-	89,430	-	89,430
Legal fees	-	-	-	-	285,267	-	285,267
Lobbying	-	-	10,700	10,700	-	-	10,700
Advertising and promotion	-	-	34,959	34,959	94,457	29,611	159,027
Office expenses	591,909	16,185	380,609	988,703	199,712	51,304	1,239,719
Information technology	1,549	9,318	53,205	64,072	1,857,331	14,628	1,936,031
Occupancy	1,087,812	57,251	689,667	1,834,730	136,184	56,071	2,026,985
Printing and publications	52,432	5,944	237,883	296,259	67,241	90,040	453,540
Travel	473,016	35,424	139,546	647,986	68,677	94,779	811,442
Conferences, conventions and meetings	51,722	124,892	227,417	404,031	64,596	17,975	486,602
Interest	1,769,525	34,457	850,169	2,654,151	443,116	33,747	3,131,014
Insurance	355,326	19,718	237,426	612,470	45,805	19,311	677,586
Depreciation	4,257,856	354,796	7,306,362	11,919,014	414,646	160,403	12,494,063
Repairs and maintenance	1,446,045	128,176	1,986,337	3,560,558	749,129	75,334	4,385,021
Other:							
Outreach programs	-	26,836,535	-	26,836,535	1,540,930	-	28,377,465
Residence halls and dining service	-	-	5,583,799	5,583,799	-	-	5,583,799
Boone Tavern	-	-	3,672,812	3,672,812	-	-	3,672,812
Rentals	-	-	327,351	327,351	-	-	327,351
Cost of Goods Sold	-	-	495,195	495,195	-	-	495,195
Health services	-	-	669,832	669,832	-	-	669,832
All other expenses	1,176,437	4,107,796	4,577,702	9,861,935	841,746	1,211,786	11,915,467
Total	$ 31,853,484	$ 49,290,546	$ 43,856,711	$ 125,000,741	$ 16,043,826	$ 7,169,444	$ 148,214,011

NOTE 3 – STATEMENT OF FUNCTIONAL EXPENSES (Continued)

	Program Services				Management and General	Fundraising and Development	Total for Year Ended June 30, 2021
	Instruction	Public Service	Other	Total			
Grants and other assistance	$ -	$ 740,604	$ -	$ 740,604	$ -	$ -	$ 740,604
Salaries and wages	16,504,031	13,339,238	12,554,029	42,397,298	7,266,608	3,590,191	53,254,097
Employee benefits and payroll taxes	4,026,818	3,393,227	3,082,215	10,502,260	2,497,022	955,753	13,955,035
Professional services	-	-	-	-	-	503,932	503,932
Accounting fees	-	-	-	-	93,400	-	93,400
Legal fees	-	-	-	-	267,131	-	267,131
Lobbying	-	-	15,291	15,291	-	-	15,291
Advertising and promotion	2,900	248	61,601	64,749	74,525	30,000	169,274
Office expenses	399,368	40,070	313,274	752,712	168,846	44,559	966,117
Information technology	60	4,248	26,874	31,182	1,919,363	29,128	1,979,673
Occupancy	896,265	45,436	586,958	1,528,659	97,501	39,320	1,665,480
Printing and publications	26,101	5,050	213,564	244,715	52,237	71,821	368,773
Travel	30,097	5,016	55,060	90,173	29,364	28,070	147,607
Conferences, conventions and meetings	20,265	7,467	131,935	159,667	26,276	2,270	188,213
Interest	949,734	15,550	616,431	1,581,715	229,862	13,406	1,824,983
Insurance	303,445	16,176	190,769	510,390	33,468	13,945	557,803
Depreciation	4,250,530	388,265	6,669,466	11,308,261	358,261	148,553	11,815,075
Repairs and maintenance	1,093,767	102,274	378,712	1,574,753	151,870	117,896	1,844,519
Other:							
Outreach programs	-	28,039,718	49,539	28,089,257	571,412	-	28,660,669
Residence halls and dining service	-	-	4,401,323	4,401,323	-	-	4,401,323
Boone Tavern	-	-	2,893,378	2,893,378	-	-	2,893,378
Rentals	-	-	314,018	314,018	-	-	314,018
Cost of Goods Sold	-	-	462,421	462,421	-	-	462,421
Health services	-	-	438,684	438,684	163,000	-	601,684
All other expenses	808,841	590,841	4,979,396	6,379,078	703,720	1,087,414	8,170,212
Total	$ 29,312,222	$ 46,733,428	$ 38,434,938	$ 114,480,588	$ 14,703,866	$ 6,676,258	$ 135,860,712

NOTE 4 – LONG-TERM INVESTMENTS

	Year ended June 30, 2022	Year ended June 30, 2021
Endowment:		
Pooled Investments -		
U. S. equities	$ 510,391,800	$ 538,256,400
International equities	279,276,700	431,154,400
Corporate notes and bonds	144,754,200	229,544,600
U. S. Government securities	192,861,900	115,581,900
Private equity - venture capital	73,500	133,300
Private equity - buy out	1,037,600	2,199,200
Private equity - fund of funds	210,534,000	189,580,300
Hedge funds	-	1,700
Special opportunities	37,952,400	37,611,900
Short-term investments and cash	37,455,500	26,438,800
Total	1,414,337,600	1,570,502,500
Non Pooled Investments -		
U. S. equities	26,000	44,100
Corporate notes and bonds	34,400	39,200
Real estate	2,405,500	2,766,700
Short-term investments and cash	2,067,200	2,062,100
Total	4,533,100	4,912,100
Total endowment	1,418,870,700	1,575,414,600
Annuity and Life Income:		
U. S. equities	7,266,000	9,151,900
International equities	4,622,200	5,852,000
Corporate notes and bonds	3,363,800	4,130,500
U. S. Government securities	2,327,000	2,793,200
International bonds	1,242,300	1,503,000
Real estate - public investments	3,482,100	4,278,000
Insurance policies	102,500	94,800
Short-term investments and cash	467,600	340,000
Total annuity and life income	22,873,500	28,143,400
Funds Held in Trust by Others, where Berea College receives all or a stipulated percent of income	19,415,000	37,472,000
Other Investments	2,585,900	4,044,800
Total long-term investments	$ 1,463,745,100	$ 1,645,074,800

NOTE 4 – LONG-TERM INVESTMENTS (Continued)

Hedged equity investments are valued using the net asset value ("NAV") per share times the number of units held at year end. The objectives of these funds are to achieve superior risk-adjusted returns with low volatility and low correlation to both the equity and fixed income markets by investing in a diversified group of pooled investment vehicles. These funds generally have quarterly liquidity provisions after minimum holding periods have been achieved. The College has satisfied all minimum holding periods. Full liquidations are generally subject to a 10% hold-back to be received after the following fiscal year-end audit has been completed. The College considers the liquidity provisions when making new hedged equity investments. The College has no hedge fund investments as of June 30, 2022.

Private equity and special opportunity investments are generally made through limited partnerships and may have a partnership life ranging from 5 to 15-year terms. Under the terms of such agreements, the College may be required to provide additional funding when capital calls are made by underlying fund managers. These partnerships have a limited existence, and they may provide for annual extensions for the purpose of disposing of portfolio positions and returning capital to investors. However, depending on market conditions, the inability to execute the fund's strategy, or other factors, a manager may extend or reduce the terms of a fund. The College cannot anticipate such changes because they generally arise from unforeseeable events, but should they occur they could reduce liquidity or originally anticipated investment returns. Accordingly, the timing and amount of capital calls in future years are uncertain. The College invests in multiple private equity and special opportunity funds. The limited partnerships generally invest in the following: (1) buyout funds which invest in more established companies in need of some repair or growth, (2) debt funds which provide lending to companies that are being restructured or re-capitalized, (3) real estate funds which provide capital for new construction, renovation or change in property ownership or management, and (4) venture funds which invest in young companies with varying degrees of infrastructure, revenues and profits.

The College measures the fair value for these investments based on net asset value ("NAV") as a practical expedient, without further adjustment, unless it is probable that the investment will be sold at a significantly different value. Some attributes that impact the security's fair value may not be reflected in NAV, including, but not limited to, the investor's ability to redeem the investment at the measurement date and unfunded purchase commitments. If the College sold all or a portion of its alternative investments, it is reasonably possible that the transaction value could differ significantly from the estimated fair value at the measurement date, because of the nature of the investments, changes in market conditions and the overall economic environment.

The College's investment objective for its pooled long-term investments is to provide a predictable and growing stream of inflation-adjusted spendable return while maintaining the real (inflation-adjusted) value of the pooled investments. In connection with these investment objectives, the Board of Trustees has adopted a spending formula for determining that part of total return which can be expended annually.

NOTE 4 – LONG-TERM INVESTMENTS (Continued)

A weighted-average endowment spending formula was adopted by the Board of Trustees effective July 1, 2011. Under the formula, the amount available for spending per unit from the pooled endowment funds is calculated by increasing the prior year's spendable return by the annual change in the Consumer Price Index for all Urban Consumers compiled by the U. S. Department of Labor, Bureau of Labor Statistics (CPI) for the previous twelve month period plus 0.5% multiplied by a weighting factor of 70%. Added to this amount is 5% of the average market value of the pooled investments for the immediately preceding 6 calendar quarters multiplied by a weighting factor of 30%. To help maintain intergenerational equity and ensure a prudent level of spending, if the endowment spendable return calculated under this formula is less than 4.0% or more than 6.0% of the prior June 30 market value of the pooled endowment, the Board of Trustees determines whether to make any adjustments to the endowment spendable return.

For 2022 and 2021, spendable return under the formulas amounted to $64,150,104 and $59,488,771, respectively. In 2022, actual cash income earned on pooled investments, net of $702,739 for investment management and custodial fees, amounted to $24,755,521, or $39,394,583 less than the spendable return provided by the formula. This difference was provided by the accumulated net appreciation earned on investments.

The College follows the policy of spending only cash income received on non-pooled endowment investments. Such income amounted to $1,399 in 2022 and $5,387 in 2021, while the market value of these investments of $4,533,100 at June 30, 2022 and $4,912,100 at June 30, 2021 decreased by $84,000 in 2022 and increased by $19,700 in 2021. Additions to non-pooled endowment investments during 2022 and 2021 amounted to $5,000 each year. During the year, $300,000 was transferred from non-pooled endowment to pooled endowment.

Dividend and interest income of $24,756,920 and $16,145,938 reported net of external investment manager fees of $702,739 and $560,288 is included in the consolidated statements of activities for the years ended June 30, 2022 and 2021, respectively.

Effective July 15, 2010, the Commonwealth of Kentucky adopted legislation incorporating the provisions outlined in the Uniform Prudent Management of Institutional Funds Act (UPMIFA). The statutory guidelines relate to prudent management, investment and expenditure of donor-restricted endowments held by charitable organizations. The legislation specifies factors for fiduciaries to consider prior to making a decision to appropriate from or accumulate into an organization's endowment funds.

The College has interpreted the Kentucky enacted version of UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the College classifies as net assets with donor restrictions restricted in perpetuity (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Any remaining portion of the donor-restricted endowment fund that is not classified in net assets with donor restrictions restricted in perpetuity is classified as net assets with donor restrictions restricted by purpose or passage of time until those amounts are appropriated for expenditure by the College in a manner consistent with the standard of prudence prescribed by UPMIFA.

NOTE 4 – LONG-TERM INVESTMENTS (Continued)

From time to time, the fair value of assets associated with an endowed fund may fall below its historical book value. The cumulative value of these deficiencies is classified as net assets with donor restrictions restricted by purpose or passage of time. As of June 30, 2022, the College had 94 underwater endowment funds, with a total market value of $18,856,144 and a book value of $20,300,689, resulting in an underwater amount of $1,444,545. As of June 30, 2021, the College had two underwater endowment funds, with a total market value of $44,011 and a book value of $99,035, resulting in an underwater amount of $55,024.

The College follows the policy of appropriating from underwater endowment funds consistent with the factors outlined below.

The College interprets its fiduciary responsibility for donor-restricted endowments under UPMIFA, unless there are donor-specific provisions to the contrary, as preserving intergenerational equity to the extent possible. Under this broad guideline, future endowment beneficiaries should essentially receive at least the same level of economic support that the current generation enjoys. Endowment assets are invested to provide growth of the endowment through real investment return that exceeds spending over the long term. The overarching objective is to meet the College's goal of preserving and enhancing the real (inflation-adjusted) purchasing power of the endowment fund in perpetuity. Assets are invested to provide a stream of earnings to meet spending needs and attain long-term objectives without the assumption of undue risks.

In accordance with UPMIFA, 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 endowment fund

(2) The purposes of the institution and the endowment fund

(3) General economic conditions

(4) The possible effect of inflation or deflation

(5) The expected total return from income and the appreciation of investments

(6) Other resources of the institution

(7) The investment policy of the institution

NOTE 4 – LONG-TERM INVESTMENTS (Continued)

During 2022, the unit value of pooled investments changed as follows:

The total return earned by the endowment investments for the years ended June 30, was:

	2021-22				2020-21
	Market Value	Number of Units	Value Per Unit	Time Weighted Return Net of Fees	Market Value
Beginning balance	$ 1,570,502,500	840,860.707	$ 1,867.732		$ 1,217,279,700
Market price change	(171,680,463)		(195.612)	-11.0%	345,655,916
Net income earned	24,755,521		29.441	1.5%	16,140,551
Spendable return	(64,150,104)		(76.291)	-	(59,488,771)
	(211,075,046)		(242.463)	-9.5%	302,307,696
Additions	54,910,146	29,357.098	-		50,915,104
Ending balance	$ 1,414,337,600	870,217.805	$ 1,625.269		$ 1,570,502,500

The total return earned by the endowment investments for the years ended June 30, was:

	2022	2021
Pooled investments -		
Cash income, net	$ 24,755,521	$ 16,140,551
Market price change	(171,680,463)	345,655,916
Non-pooled investments -		
Cash income	1,399	5,387
Market price change	(84,000)	19,700
Total return	$ (147,007,543)	$ 361,821,554
Distributed to -		
Net assets without donor restrictions		
Spendable return	$ 58,384,832	$ 54,395,617
Long-term investments	(103,067,308)	141,733,915
Net assets with donor restrictions		
Spendable return	5,558,307	4,884,140
Investment return (less) more than amounts designated for current operations	(106,702,217)	158,924,991
Underwater endowment funds	(1,389,520)	1,668,490
Restricted earnings	208,363	214,401
Total	$ (147,007,543)	$ 361,821,554

NOTE 4 – LONG-TERM INVESTMENTS (Continued)

Endowment investments net asset composition by type of fund as of June 30, 2022:

	Without Donor Restrictions	With Donor Restrictions		
	Board Designated	Accumulated Earnings	Original Gift	Total
Donor restricted endowment funds	$ -	$ 428,437,978	$ 296,402,622	$ 724,840,600
Board designated endowment funds	694,030,100	-	-	$ 694,030,100
	$ 694,030,100	$ 428,437,978	$ 296,402,622	$ 1,418,870,700

Changes in endowment investments net assets for the Fiscal Year ended June 30, 2022:

	Without Donor Restrictions	With Donor Restrictions		
	Board Designated	Accumulated Earnings	Original Gift	Total
Endowment investments net assets, beginning of year	$ 753,512,400	$ 536,491,576	$ 285,410,624	$ 1,575,414,600
Investment return:				
Investment income	24,756,920	-	-	24,756,920
Net losses (realized (and unrealized)	(83,942,291)	(87,822,172)	-	(171,764,463)
Total investment return	(59,185,371)	(87,822,172)	-	(147,007,543)
Contributions	-	-	8,772,188	8,772,188
Other restricted additions	-	28,139	2,219,810	2,247,949
Board designated additions	43,585,009	10,000	-	43,595,009
Appropriation of endowment assets for expenditure	(43,881,938)	(20,269,565)	-	(64,151,503)
Endowment investments net assets, end of year	$ 694,030,100	$ 428,437,978	$ 296,402,622	$ 1,418,870,700

NOTE 4 – LONG-TERM INVESTMENTS (Continued)

Endowment investments net asset composition by type of fund as of June 30, 2021:

	Designated	Earnings	Original Gift	Total
Donor restricted endowment funds	$ -	$ 536,491,576	$ 285,410,624	$ 821,902,200
Board designated endowment funds	753,512,400	-	-	$ 753,512,400
	$ 753,512,400	$ 536,491,576	$ 285,410,624	$ 1,575,414,600

Changes in endowment investments net assets for the Fiscal Year ended June 30, 2021:

	Without Donor Restrictions	With Donor Restrictions		
	Board Designated	Accumulated Earnings	Original Gift	Total
Endowment investments net assets, beginning of year	$ 567,919,000	$ 375,872,292	$ 278,375,808	$ 1,222,167,100
Investment return:				
Investment income	16,145,938	-	-	16,145,938
Net gains (realized (and unrealized)	162,408,821	183,266,795	-	345,675,616
Total investment return	178,554,759	183,266,795	-	361,821,554
Contributions	-	-	6,045,958	6,045,958
Other restricted additions	-	25,803	988,858	1,014,661
Board designated additions	43,859,485	-	-	43,859,485
Appropriation of endowment assets for expenditure	(36,820,844)	(22,673,314)	-	(59,494,158)
Endowment investments net assets, end of year	$ 753,512,400	$ 536,491,576	$ 285,410,624	$ 1,575,414,600

NOTE 4 – LONG-TERM INVESTMENTS (Continued)

The College's endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As of June 30, 2022, the College has approximately 5,500 individual endowment funds of which approximately 2,200 are donor-restricted funds that are used to provide funding for cost of education for students, direct student aid, various academic support programs, and other restricted uses.

GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. One key component of the fair value measurement required by GAAP includes the development of a three-tiered fair value hierarchy. Assets and liabilities reported at fair value are placed in one of the three tiers, except as noted below, based upon the "inputs" used to determine fair value at the measurement date. These inputs are summarized in the three broad levels listed below:

Level 1 - quoted prices in active markets for identical assets or liabilities

Level 2 - other significant inputs (including quoted prices of similar securities, interest rates, prepayment spreads, credit risk, etc.)

Level 3 - significant unobservable inputs

The inputs or methodology used to value investments are not necessarily an indication of the risk associated with investing in those securities. For example, money market securities are valued using amortized cost and although amortized cost approximates the fair value of the securities the valuation is not obtained from a quoted price in an active market. Therefore, money market securities are reflected in Level 2.

NOTE 5 – FAIR VALUE MEASUREMENTS

The following summarizes the fair value of assets and liabilities and the Level 3 reconciliation at June 30, 2022:

	June 30, 2022 Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	NAV[1]
Assets					
Endowment investments:					
Short-term investments and cash	$ 39,522,700	$ -	$ 39,522,700	$ -	$ -
U.S. equities	510,417,800	510,417,800	-	-	-
International equities	279,276,700	279,276,700	-	-	-
Fixed income	337,650,500	254,386,100	83,264,400	-	-
Private equity	211,645,100	-	-	-	211,645,100
Other endowment investments	40,357,900	-	-	2,405,500	37,952,400
Building maintenance investments	2,585,900	2,550,300	35,600	-	-
Certificates of deposit	454,299	-	454,299	-	-
Student managed investment accounts	173,910	165,852	8,058	-	-
Funds held in trust by others	19,415,000	-	-	19,415,000	-
Split-interest agreements	22,873,500	22,873,500	-	-	-
Total assets	$ 1,464,373,309	$ 1,069,670,252	$ 123,285,057	$ 21,820,500	$ 249,597,500
Liabilities					
Interest rate swap agreements	$ 2,541,000	$ -	$ 2,541,000	$ -	$ -
Split-interest agreements	12,391,900	-	12,391,900	-	-
Total liabilities	$ 14,932,900	$ -	$ 14,932,900	$ -	$ -

[1]Investments using Net Asset Value (NAV) as a fair value expedient are not included in the fair value hierarchy, pursuant to the adoption of ASU 2015-07, *Fair Value Measurement*

Level 3 Reconciliation

	Balances June 30, 2021	Net Realized and Unrealized Gains and (Losses) Included in Change in Net Assets	Purchases, Sales, Issuances and Settlement, Net	Net Transfers In (Out) of Level 3	Balances June 30, 2022
Endowment investments	$ 2,766,700	$ (61,200)	$ (300,000)	$ -	$ 2,405,500
Funds held in trust by others	37,472,000	(4,748,499)	(13,308,501)	-	19,415,000
Total	$ 40,238,700	$ (4,809,699)	$ (13,608,501)	$ -	$ 21,820,500

The College's policy is to recognize transfers in and transfers out as of the actual date of the event or change in circumstance that caused the transfer.

NOTE 5 – FAIR VALUE MEASUREMENTS (Continued)

The following summarizes the fair value of assets and liabilities and the Level 3 reconciliation at June 30, 2021:

	June 30, 2021 Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	NAV[1]
Assets					
Endowment investments:					
Short-term investments and cash	$ 28,500,900	$ -	$ 28,500,900	$ -	$ -
U.S. equities	538,300,500	538,300,500	-	-	-
International equities	431,154,400	431,154,400	-	-	-
Fixed income	345,165,700	179,237,300	165,928,400	-	-
Private equity	191,912,800	-	-	-	191,912,800
Hedge funds	1,700	-	-	-	1,700
Other endowment investments	40,378,600	-	-	2,766,700	37,611,900
Building maintenance investments	4,044,800	3,994,700	50,100	-	-
Certificates of deposit	453,021	-	453,021	-	-
Funds held in trust by others	37,472,000	-	-	37,472,000	-
Split-interest agreements	28,143,400	28,143,400	-	-	-
Total assets	$ 1,645,527,821	$ 1,180,830,300	$ 194,932,421	$ 40,238,700	$ 229,526,400
Liabilities					
Interest rate swap agreements	$ 5,346,000	$ -	$ 5,346,000	$ -	$ -
Split-interest agreements	13,582,200	-	13,582,200	-	-
Total liabilities	$ 18,928,200	$ -	$ 18,928,200	$ -	$ -

[1]Investments using Net Asset Value (NAV) as a fair value expedient are not included in the fair value hierarchy, pursuant to the adoption of ASU 2015-07, *Fair Value Measurement*

Level 3 Reconciliation

	Balances June 30, 2020	Net Realized and Unrealized Gains and (Losses) Included in Change in Net Assets	Purchases, Sales, Issuances and Settlement, Net	Net Transfers In (Out) of Level 3	Balances June 30, 2021
Endowment investments	$ 2,766,700	$ -	$ -	$ -	$ 2,766,700
Funds held in trust by others	30,818,000	6,654,000	-	-	37,472,000
Total	$ 33,584,700	$ 6,654,000	$ -	$ -	$ 40,238,700

The College's policy is to recognize transfers in and transfers out as of the actual date of the event or change in circumstance that caused the transfer.

NOTE 5 – FAIR VALUE MEASUREMENTS (Continued)

The following methods and assumptions were used to estimate the fair value for each class of financial instrument measured at fair value:

Endowment and Other Investments

Short-term investments - The fair value of short-term investments, consisting primarily of money market funds, is classified as Level 2 as these funds are not traded on a regular basis.

Domestic and international equities - Investments in equity mutual funds and equity securities are classified as Level 1 as these funds and securities are traded in active markets for which closing prices are readily available.

Fixed income - Fixed income mutual funds are classified as Level 1 as these funds are traded in an active market for which closing prices are readily available. Separately managed fixed income investments are classified as Level 2 because pricing is based on inputs such as interest rates and credit risk and not from quoted prices in active markets.

Alternative investments - Investments in hedge funds, private equity funds, and funds of funds are measured at fair value using the net asset value per share (or its equivalent) practical expedient and have not been classified in the fair value hierarchy.

Funds Held in Trust by Others

The College's beneficial interest in perpetual trusts administered by a third party are classified as Level 3 as the fair values are based on a combination of Level 2 inputs (interest rates and yield curves) and significant unobservable inputs (entity specific estimates of cash flows). Due to the College having an irrevocable right to receive the income earned from the trusts' assets, the fair value of the College's beneficial interest is estimated to approximate the fair value of the trusts' assets.

Split-Interest Agreements

The College's split-interest agreements in which the College serves as trustee are classified as Level 1 as the underlying assets are invested in publicly traded mutual funds with quoted prices in active markets.

Interest Rate Swap Agreements

Interest rate swap agreements do not have observable market quotes. For these financial instruments the College's swap counterparty, The Bank of New York Mellon, provides an annual valuation using the difference between the fixed rate paid by the College and the counterparty's LIBOR interest rate forecast discounted at the swap yield curve. The model is based on observable inputs for forward interest rates and discount rates. As such, this derivative instrument is classified within Level 2 of the fair value hierarchy.

NOTE 6 – DERIVATIVE FINANCIAL INSTRUMENTS

The College uses certain derivative financial instruments to manage interest rate risk. The fair market value of these contracts is reported as a part of the fair value of the underlying financial instruments.

As a strategy to mitigate exposure to the risk of interest rate fluctuations, the College entered into an interest rate swap agreement on the Series 2002A bonds during 2004. This interest rate swap has been designated as a cash flow hedge of long-term debt and provides for the College to receive interest from the counterparty at 70% of one-month LIBOR and to pay interest to the counterparty at a fixed rate of 3.45% on a fixed notional amount of $18,110,000. Although there are no required principal payments on the 2002A bonds until the June 1, 2032 final maturity date, optional annual principal payments have reduced the outstanding principal balance to $7,750,000 and $8,425,000 at June 30, 2022 and 2021, respectively. The average rate received from the interest rate swap counterparty during 2022 and 2021 was 0.16% and 0.10%, respectively, and the average interest rate paid by the College for 2022 and 2021 was 3.45%. The interest rate swap matures in 2032. Total net interest expensed during 2022 and 2021 was $583,096 and $608,107, respectively, and is allocated to various expenses by function in the consolidated statements of activities. The expected fair value of the swap to be amortized in the next fiscal year is $206,711.

During 2004 the College entered into an additional interest rate swap agreement on the Series 2003B bonds. The interest rate swap has been designated as a cash flow hedge of long-term debt and provides for the College to receive interest from the counterparty at 70% of one-month LIBOR and to pay interest to the counterparty at a fixed rate of 3.746% on a notional amount of $3,900,000 and $4,380,000 at June 30, 2022 and 2021, respectively. The notional amount of the swap agreement amortizes at the same rate as the underlying bond series. The average rate received from the interest rate swap counterparty during 2022 and 2021 was 0.16% and 0.10%, respectively, and the average interest rate paid by the College for 2022 and 2021 was 3.746%. The interest rate swap matures in 2029. Total net interest expensed during 2022 and 2021 was $152,866 and $175,433, respectively, and is allocated to various expenses by function in the consolidated statements of activities. The expected fair value of the swap to be amortized in the next fiscal year is $54,800.

Under the agreements, the College pays or receives the net interest amount monthly, with the monthly settlements included in interest expense. The agreements are recorded at fair value with subsequent changes in fair value included in the changes in net assets in the consolidated statements of activities. The valuation of the two interest rate swaps at June 30, 2022 and 2021 resulted in a liability of $2,541,000 and $5,346,000, respectively. If the agreements remain in force until maturity, the College's remaining liability related to the swaps would be $0.

NOTE 7 – DEFINED CONTRIBUTION RETIREMENT PLAN

The College has a defined contribution retirement plan covering all eligible employees with one or more years of service. Costs of the plan are expensed as incurred and aggregated $3,500,174 in 2022 and $3,478,100 in 2021.

NOTE 8 – LEASES

Berea College enters into leases in the normal course of operations, primarily for printing and information technology equipment and off campus office space for our Partners for Education services. The College's leases have remaining terms ranging from one to five years; the College has elected not to recognize lease terms of 12 months of less (short-term leases) on the College's Statements of Financial Position.

Leases are classified as operating or finance leases at the lease commencement date. Lease expense for operating leases is recognized on a straight-line basis over the lease term. Right-of-use assets represent the College's right to use and underlying asset for the lease terms and lease liabilities represent the College's obligation to make lease payments arising from the lease. Right-of-use assets and lease liabilities are recognized at the lease commencement date based on the estimated present value of lease payments over the lease term. Operating lease payments to be paid after one year are discounted using the June 30, five-year Daily Treasury Yield Curve Rate for the fiscal year the accounting standard was adopted and/or the fiscal year in which the lease commenced. Currently, rates ranging from 0.29% to 3.01% are being used.

Right-of-use assets and lease liabilities, by lease type, and the associated Statements of Financial Position classifications, are as follows:

	Statements of Financial Position Classification	June 30, 2022	June 30, 2021
Right-of-use assets:			
Operating leases	Prepaid expenses and other assets	$ 675,841	$ 771,354
Finance leases	Property, plant and equipment, net	118,293	236,586
Total right-of-use assets		$ 794,134	$ 1,007,940
Lease liabilities:			
Operating leases	Other liabilities	$ 675,841	$ 771,354
Finance leases	Other liabilities	118,293	236,586
Total lease liabilities		$ 794,134	$ 1,007,940

The components of total lease cost were as follows, for the period ending:

	June 30, 2022	June 30, 2021
Finance lease cost		
Right-of-use asset amortization	$ 118,293	$ 118,293
Operating lease cost	284,759	264,091
Total lease cost	$ 403,052	$ 382,384

NOTE 8 – LEASES (continued)

Future undiscounted lease payments for finance and operating leases with initial terms of more than one year as of June 30, 2022 are as follows:

Fiscal year	Operating Leases	Finance Leases
2023	$ 185,101	$ 118,293
2024	175,765	-
2025	103,019	-
2026	59,246	-
2027 and Thereafter	200,780	-
	$ 723,911	$ 118,293

NOTE 9 – PROPERTY, PLANT AND EQUIPMENT

The major categories of property, plant and equipment as of June 30 were:

	2022	2021
Educational property, plant and equipment	$ 367,083,376	$ 343,361,338
Auxiliary plant and equipment	26,613,726	24,916,111
Rental property	3,383,995	3,442,762
Forest and farms	3,376,112	3,181,257
Collections and works of art	5,072,643	5,041,745
Construction in process	9,267,529	23,912,452
Less accumulated depreciation	(160,620,742)	(148,640,642)
	$ 254,176,639	$ 255,215,023

NOTE 10 – CONDITIONAL ASSET RETIREMENT OBLIGATIONS

Obligations associated with the retirement of long-lived assets are recorded when there is a legal obligation to incur such costs and the fair value of the liability can be reasonably estimated. This amount is accounted for as an additional element of cost and is depreciated over the useful life of the asset. The College's 2022 and 2021 accounting for costs associated with asbestos abatement is as follows:

	2022	2021
Beginning balance	$ 837,644	$ 846,401
Accretion expense	21,779	21,228
Liabilities settled during the year	-	(29,985)
Ending balance	$ 859,423	$ 837,644

NOTE 11 – LONG-TERM DEBT

	June 30, 2022	June 30, 2021
Variable Rate Demand Educational Facilities Revenue Bonds, Series 2002A - Issued August 29, 2002; due June 1, 2032; variable interest rate, 0.65% as of June, 2022 with synthetic fixed rate of 3.45%; proceeeds used for various capital projects.	$ 7,750,000	$ 8,425,000
Variable Rate Demand Educational Facilities Revenue Bonds, Series 2003B - Issued December 11, 2003; annual payments through June 1, 2029; variable interest rate, 0.65% as of June, 2022 with synthetic fixed rate of 3.746%; proceeds used for various capital projects.	3,900,000	4,380,000
Industrial Building Revenue and Revenue Refunding Bonds, Series 2012 - Issued September, 2012; private bank placement thorugh PNC Bank, National Association; monthly payments at fixed rate of 1.58% through September 21, 2022; proceeds used for construction of new resident hall and refunding of Series 2008 bonds.	269,724	1,338,033
Educational Facilities Revenue Refunding Bonds, Series 2012 - Issued December, 2012; prviate bank placement through Fifth Third Bank; annual payments at fixed rate of 1.92% through June 1, 2024; proceeds used for refunding Series 2003A bonds.	1,481,769	2,209,120
Educational Facilities Revenue Refunding Bonds, Series 2013 - Issued April, 2013; annual payments through June 1, 2033; at rates from 1.25% to 3.00% with 2.74% average coupon; proceeds used for refunding 2003A bonds.	8,410,000	8,475,000
Educational Facilities Revenue Refunding Bonds, Series 2015 - Issued May, 2015; private bank placement through Fifth Third Bank; annual payments at fixed rate of 2.58% through June 1, 2025; proceeds used for refunding Series 2005A bonds.	2,076,389	2,739,983
Mountain Association for Community Economic Development, Inc. - Issued January 5, 2018; due January 5, 2025; quarterly payments at fixed rate of 3.25%, per annum, until December 31, 2018 and 0.20%, per annum, thereafter.	1,650,000	1,650,000
Community Ventures Corporation - Issue January 31, 2020; due April 30, 2027; quarterly interest payments at fixed rate of 2.00%, per annum.	750,000	750,000

NOTE 11 – LONG-TERM DEBT (Continued)

	June 30, 2022	June 30, 2021
Sustainability Bonds (Green + Social), Taxable, Series 2021 - Issued March 31, 2021; due June 1, 2071; semi-annual interest payments at a fixed rate of 3.592%. Annual principal payments set to commence on June 1, 2067. Proceeds used for various capital projects and an addition to quasi endowment.	$ 50,000,000	$ 50,000,000
Lock 12 Master Tenant, LLC - Issued June 30, 2022; due December 31, 2049; quarterly interest payments at a fixed rate of 1%, per annum.	3,066,392	-
Subtotal	79,354,274	79,967,136
New markets tax credit transactions - see Note 12	11,917,996	11,917,996
	91,272,270	91,885,132
Less current portion	(2,249,878)	(3,004,254)
Total Long-Term Debt	$ 89,022,392	$ 88,880,878

Principal payments on long-term debt are required to be made in each of the following fiscal years: \$2,249,878 in 2023; \$2,021,305 in 2024; \$2,071,699 in 2025; \$1,405,000 in 2026; \$1,445,000 in 2027 and \$82,079,388 in subsequent years thereafter.

The fair value of the College's long-term debt at June 30, 2022 and 2021 was estimated to be \$88,838,000 and \$92,103,000, respectively, based upon rates available to the College for debt with similar terms and remaining maturities.

Interest expensed in 2022 and 2021 totaled \$3,131,014 and \$1,824,983, respectively.

Cash payments for interest amounted to \$3,428,811 in 2022 and \$1,441,804 in 2021.

NOTE 12 – NEW MARKETS TAX CREDIT TRANSACTIONS

In 2017, the College formed the Berea College Science and Health Foundation, Inc. (the Foundation) to facilitate New Markets Tax Credit (NMTC) financing transactions to partially fund the construction of the Margaret A. Cargill Natural Sciences and Health Building.

The NMTC Program attracts private capital into low-income communities by permitting individual and corporate investors to receive a tax credit against their federal income tax in exchange for making equity investments in specialized financial intermediaries, called Community Development Entities (CDEs). The credit totals 39 percent of the original investment amount and is claimed over a period of seven years. Berea College serves as the "leverage lender" in these transactions and is not the recipient of the tax credit. The Foundation is the qualified borrower in the NMTC transactions and entered into the following loan agreements with CDEs, which are included in long-term debt in the consolidated statements of financial position. The land and title of the building were transferred, by the College, to the Foundation and serve as collateral for the financing transaction. Intercompany transactions between the College and Foundation have been eliminated in the consolidated financial statements.

NOTE 12 – NEW MARKETS TAX CREDIT TRANSACTIONS (Continued)

Partnerships of Hope XVIII, LLC, a CDE, is 99% owned by the Berea College Investment Fund, LLC (the "Fund"). The Fund is 100% owned by PNC New Markets Investment Partners, LLC ("PNC") after a leverage loan from Berea of $6,990,000 and a contribution from PNC. Partnerships of Hope XVIII, LLC then loaned $10,000,000 to the Foundation, consisting of $6,990,000 from the College and $3,010,000 of funds representing PNC's interest in Partnerships of Hope XVIII, LLC.

Pacesetter CDE, LLC, a CDE is 99% owned by Petros-Pacesetter Kentucky Investment Fund 2, LLC (the "Fund 2"). The Fund 2 is 100% owned by U.S. Bank National Association ("U.S. Bank") after a leverage loan from Berea of $3,543,750 and a contribution from U.S. Bank. Pacesetter CDE, LLC then loaned $4,166,667 to the Foundation, consisting of $3,543,750 from the College and $622,917 of funds representing U.S. Bank's interest in Pacesetter CDE, LLC.

Brownfield Revitalization CDE, LLC a CDE is 99% owned by USBCDC Investment Fund 189, LLC (the "Fund 3"). The Fund 3 is 100% owned by U.S. Bank after a leverage loan from Berea of $3,517,500 and a contribution from U.S. Bank. Brownfield Revitalization CDE, LLC then loaned $4,166,666 to the Foundation, consisting of $3,517,500 from the College and $649,166 of funds representing U.S. Bank's interest in Brownfield Revitalization CDE, LLC.

Partnerships of Hope XX, LLC, a CDE, is 99% owned by the Berea College Investment Fund 2, LLC (the "Fund 4"). The Fund 4 is 100% owned by PNC New Markets Investment Partners, LLC ("PNC") after a leverage loan from Berea of $6,291,000 and a contribution from PNC. Partnerships of Hope XX, LLC then loaned $9,000,000 to the Foundation, consisting of $6,291,000 from the College and $2,709,000 of funds representing PNC's interest in Partnerships of Hope XX, LLC.

Dakotas XXIV, LLC, a CDE, is 99% owned by the Berea College Investment Fund 2, LLC (the "Fund 5"). The Fund 5 is 100% owned by PNC New Markets Investment Partners, LLC ("PNC") after a leverage loan from Berea of $6,958,000 and a contribution from PNC. Dakotas XXIV, LLC then loaned $9,600,000 to the Foundation, consisting of $6,958,000 from the College and $2,642,000 of funds representing PNC's interest in Dakotas XXIV, LLC.

Urban Development Fund 57, LLC, a CDE, is 99% owned by the Berea College Investment Fund 3, LLC (the "Fund 6"). The Fund 6 is 100% owned by PNC New Markets Investment Partners, LLC ("PNC") after a leverage loan from Berea College Leverage Lender, Inc. of $2,245,736 and a contribution from PNC. Urban Development Fund 57, LLC then loaned $3,289,474 to Berea College Facilities Management department (as a portion of business), consisting of $2,245,736 from the Leverage Lender and $695,053 and $348,685 of funds representing PNC's interest in Urban Development Fund 57, LLC.

PNC CDE 110, LLC, a CDE, is 99% owned by the Berea College Investment Fund 3, LLC (the "Fund 7"). The Fund 7 is 100% owned by PNC New Markets Investment Partners, LLC ("PNC") after a leverage loan from Berea College Leverage Lender, Inc. of $3,508,825 and a contribution from PNC. PNC CDE 110, LLC then loaned $4,750,000 to Berea College Facilities Management department (as a portion of business), consisting of $3,508,825 from the Leverage Lender and $1,241,175 of funds representing PNC's interest in PNC CDE 110, LLC.

NOTE 12 – NEW MARKETS TAX CREDIT TRANSACTIONS (Continued)

	June 30, 2022	June 30, 2021
Partnerships of Hope XVIII, LLC - Issued September 22, 2017; interest paid quarterly at fixed rate of 1.127641%, per annum, through August 2047; monthly principal payments begin on December 10, 2024 and continue quarterly until loan is fully amortized on August 10, 2047	$ 3,010,000	$ 3,010,000
Pacesetter CDE, LLC - Issued October 6, 2017; interest is paid quarterly at fixed rate of 1%, per annum, through September 2046; monthly principal payments begin on December 10, 2023 and continue quarterly until the loan is fully amortized on September 10, 2046.	622,917	622,917
Brownfield Revitalization CDE, LLC - Issued October 6, 2017; interest paid quarterly at fixed rate of 1%, per annum, through September 2046; monthly principal payments begin on December 10, 2023 and continue quarterly until the loan is fully amortized on September 10, 2046.	649,166	649,166
Partnerships of Hope XX, LLC - Issued July 10, 2018; interest paid quarterly at fixed rate of 1.394891%, per annum, through December 2047; monthly principal payments begin on December 10, 2025 and continue quarterly until loan is fully amortized on December 31, 2047.	2,709,000	2,709,000
Dakotas XXIV, LLC - Issued July 10, 2018; interest paid quarterly at fixed rate of 1.394891%, per annum, through December 2047; monthly principal payments begin on December 10, 2025 and continue quarterly until loan is fully amortized on December 31, 2047.	2,642,000	2,642,000
Urban Development Fund 57, LLC - Issued November 6, 2020; interest paid quarterly at fixed rate of 1.18%, per annum, through November 2050; monthly principal payments begin on December 10, 2027 and continue quarterly until loan is fully amortized on November 6, 2050.	1,043,738	1,043,738
PNC CDE 110, LLC - Issued November 6, 2020; interest paid quarterly at fixed rate of 1.18%, per annum, through November 2050; monthly principal payments begin on December 10, 2027 and continue quarterly until loan is fully amortized on November 6, 2050.	1,241,175	1,241,175
	$ 11,917,996	$ 11,917,996

NOTE 12 – NEW MARKETS TAX CREDIT TRANSACTIONS (Continued)

In connection with the completion of the seven year NMTC period for Fund 1, Fund 2, Fund 3, Fund 4, Fund 5, the principal balance of the notes payable, outlined in the table above, is expected to be converted into equity through a put/call option and the Foundation assets will be transferred to the College. The Foundation is required to submit quarterly financial statements to the CDEs and is in compliance with that requirement as of June 30, 2022.

Likewise, in connection with the completion of the seven year NMTC period for Fund 6 and Fund 7, the principal balance of the notes payable, outlined in the table above, is expected to be converted into equity through a put/call option. The Berea College Facilities Management department is required to submit quarterly financial statements to the CDEs and is in compliance with that requirement as of June 30, 2022.

NOTE 13 – CONTRIBUTIONS AND BEQUESTS IN PROBATE

	June 30, 2022 Total	Due In: One Year or Less	Due In: One Year to Five Years	Due In: Over Five Years	June 30, 2021 Total
Unconditional Promises for -					
Unrestricted	$ 44,400	$ 30,400	$ 14,000	$ -	$ 26,100
Restricted [1]	5,544,530	1,908,530	3,636,000	-	9,781,050
Buildings and equipment [2]	5,575,738	2,846,362	2,304,376	425,000	5,322,400
Endowment	255,583	172,183	83,400	-	618,581
Reserve for unfulfilled promises	(85,669)	(21,157)	(47,512)	(17,000)	(38,803)
Total	11,334,582	4,936,318	5,990,264	408,000	15,709,328
Bequests in Probate	11,091,111	4,107,994	6,976,808	6,309	18,116,013
External Charitable Remainder Trusts*	4,048,783	-	-	4,048,783	3,958,253
Charitable Lead Trusts	372,450	55,350	221,400	95,700	427,800
Total	$ 26,846,926	$ 9,099,662	$ 13,188,472	$ 4,558,792	$ 38,211,394
Present Value of Estimated Future Cash Flows	$ 26,180,345	$ 9,099,662	$ 12,612,847	$ 4,467,836	$ 38,061,004

[1] June 30, 2022 balance includes $5,542,530 commitment from an external charitable trust ($1,907,530 due in one year or less, $3,635,000 due in one year to five years).

[2] June 30, 2022 balance includes $3,715,000 commitment from an external charitable trust ($2,500,000 due in one year or less, $1,215,000 due in one year to five years).

*Discounted beneficial interest in trusts.

NOTE 14 – COMMITMENTS AND CONTINGENCIES

During the normal course of business, the College is involved in various claims and lawsuits. In the opinion of the College's administration, the potential loss on all claims and lawsuits, net of insurance proceeds, will not be significant to the College's financial position, changes in net assets, or liquidity.

The College receives grants and contracts from certain federal, state, and local agencies to fund various activities. The costs, both direct and indirect, that have been charged to the grants or contracts are subject to examination and approval by the granting agency. It is the opinion of the College's administration that any disallowance or adjustment of such costs would not have a material effect on the consolidated financial statements.

At June 30, 2022, the College was committed under various contracts with alternative investment managers to fund $258,782,040 of capital calls for these investments. These capital calls will occur over the term of the respective agreements, which is generally no more than a ten-year period. As these capital calls are made, funds will be reallocated from investments in fixed-income securities. These investments are consistent with the strategic asset allocation guidelines for long-term investments as established by the College's Board of Trustees. The capital calls are summarized by the type of investment below:

Fund of funds	$ 223,408,220
Special opportunities	35,373,820
Total	$ 258,782,040

The College has purchase commitments relating to construction projects of approximately $19,113,000 as of June 30, 2022.

NOTE 15 – CONCENTRATIONS

The College's operations are heavily dependent upon the spendable return from endowment investments. Therefore, an extended downturn in financial markets could have an adverse effect on the College's programs and activities.

Many of the College's students receive support from state and federal student financial assistance programs. A significant reduction in the level of this support, if it were to occur, might have an adverse effect on the College's programs and activities.

NOTE 16 – NET ASSETS RELEASED FROM RESTRICTIONS

Donor-imposed restrictions expired on net assets with donor restrictions during the years ended June 30, as follows:

	2022	2021
Purpose Restricted Contributions for -		
Instruction	$ 2,529,572	$ 2,356,189
Public service	8,155,661	4,515,361
Academic support	2,495,069	2,209,048
Student services	4,155,787	2,957,973
Residence halls	688,846	823,562
Student aid	3,094,551	2,736,275
Support services	2,822,219	4,099,249
Auxiliaries	13,121	-
Plant operations	1,467	-
	23,956,293	19,697,657
Time-Restricted Contributions - Long-Lived Assets	4,749,790	1,419,422
Total Net Assets Released from Restriction	$ 28,706,083	$ 21,117,079
Matured Annuity and Life Income Contracts - Purpose and Time Restricted Agreements Reclassified to Tuition Replacement Funds on Net Assets Without Donor Restrictons	$ 114,484	$ 917,241

NOTE 17 – TAX STATUS

Berea College has a determination from the IRS that it is a not-for-profit organization exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, the College is subject to federal income tax on any unrelated business income. No provision for income tax has been made in the accompanying consolidated financial statements.

GAAP requires the College to evaluate tax positions taken by the College and recognize a tax liability (or asset) if the College has taken an uncertain position that more likely than not would be sustained upon examination by the IRS. The College has analyzed the tax positions taken by the College and has concluded that there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the consolidated financial statements. The College would recognize interest and penalties related to uncertain tax positions in interest and income tax expense, respectively. The College does not have an amount accrued for interest or penalties as of June 30, 2022 or 2021. The College is subject to routine audits by taxing jurisdictions; however there are currently no audits for any tax periods in progress. The College believes it is no longer subject to income tax examinations for years prior to 2019.

NOTE 18 – SUBSEQUENT EVENTS

We evaluate events and transactions that occur after the statement of financial position date as potential subsequent events. We performed this evaluation through October 27, 2022, the date on which we issued our consolidated financial statements. There were no events occurring during the evaluation period that would require recognition or disclosure in the consolidated financial statements.

BEREA COLLEGE