KPMG

# BOWDOIN COLLEGE

Financial Statements

Year ended June 30, 2023
(with summarized comparative information for June 30, 2022)

(With Independent Auditors' Report Thereon)

KPMG LLP
Two Financial Center
60 South Street
Boston, MA 02111

# Independent Auditors' Report

Board of Trustees
Bowdoin College:

*Opinion*

We have audited the financial statements of Bowdoin College (the College), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the College as of June 30, 2023, and the changes in net assets and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

*Basis for Opinion*

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

*Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

*Auditors' Responsibilities for the Audit of the Financial Statements*

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

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

**Report on Summarized Comparative Information**

We have previously audited the College's 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 17, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022 is consistent, in all material respects, with the audited financial statements from which it has been derived.

KPMG LLP

Boston, Massachusetts
October 16, 2023

**BOWDOIN COLLEGE**
Statement of Financial Position
June 30, 2023
(with comparative information as of June 30, 2022)
(In thousands)

| Assets | | 2023 | 2022 |
|---|---|---|---|
| Cash and cash equivalents | $ | 3,820 | 2,818 |
| Accounts receivable | | 3,554 | 2,096 |
| Other assets | | 7,117 | 6,897 |
| Contributions receivable, net | | 50,116 | 52,463 |
| Student loans receivable, net | | 796 | 1,090 |
| Investments | | 2,592,761 | 2,666,975 |
| Beneficial interest in trusts | | 8,895 | 8,777 |
| Funds held by bond trustee | | 6,597 | 6,579 |
| Right-of-use assets - operating leases | | 8,824 | 9,511 |
| Right-of-use assets - financing leases | | 3,602 | 2,009 |
| Property and equipment, net | | 362,816 | 343,741 |
| Total assets | $ | 3,048,898 | 3,102,956 |
| **Liabilities** | | | |
| Accounts payable and accrued liabilities | $ | 27,751 | 29,774 |
| Operating lease liabilities | | 9,122 | 9,750 |
| Financing lease liabilities | | 3,551 | 1,944 |
| Split-interest obligations | | 12,566 | 12,540 |
| Liability for postretirement benefits | | 18,607 | 17,633 |
| Bonds and notes payable | | 343,503 | 348,843 |
| Other long-term obligations | | 14,704 | 16,328 |
| Total liabilities | | 429,804 | 436,812 |
| **Net Assets** | | | |
| Without donor restriction | | 308,145 | 300,727 |
| With donor restriction | | 2,310,949 | 2,365,417 |
| Total net assets | | 2,619,094 | 2,666,144 |
| Total liabilities and net assets | $ | 3,048,898 | 3,102,956 |

See accompanying notes to financial statements.

**BOWDOIN COLLEGE**
Statement of Activities
Year ended June 30, 2023
(with summarized comparative information for the year ended June 30, 2022)
(In thousands)

| | Without donor restriction | With donor restriction | 2023 Total | 2022 Total |
|---|---|---|---|---|
| Operating activity: | | | | |
| Revenue: | | | | |
| Net student charges | $ 89,425 | — | 89,425 | 86,420 |
| Auxiliary enterprises | 4,575 | — | 4,575 | 3,654 |
| Contributions | 9,806 | 4,703 | 14,509 | 18,308 |
| Endowment return appropriated | 7,765 | 85,135 | 92,900 | 82,239 |
| Designated net assets appropriated | 180 | — | 180 | 3,146 |
| Other investment income | 1,788 | 9 | 1,797 | 1,072 |
| Grants and contracts | 9,825 | 75 | 9,900 | 4,959 |
| Other income | 2,604 | 170 | 2,774 | 2,303 |
| Net assets released from restrictions | 87,305 | (87,305) | — | — |
| Total operating revenue | 213,273 | 2,787 | 216,060 | 202,101 |
| Expenses: | | | | |
| Salaries and wages | 95,437 | — | 95,437 | 90,600 |
| Employee benefits | 30,692 | — | 30,692 | 29,527 |
| Depreciation and amortization | 17,392 | — | 17,392 | 15,616 |
| Interest expense | 13,990 | — | 13,990 | 12,884 |
| Other operating expenses | 55,523 | — | 55,523 | 53,048 |
| Total operating expenses | 213,034 | — | 213,034 | 201,675 |
| Increase in net assets from operating activity | 239 | 2,787 | 3,026 | 426 |
| Nonoperating activity: | | | | |
| Contributions | 236 | 33,558 | 33,794 | 25,463 |
| Investment return, net of endowment return appropriated | (3,181) | (81,400) | (84,581) | (284,639) |
| Designated net assets appropriated | (180) | — | (180) | (3,146) |
| Net assets released from restrictions | 10,656 | (10,656) | — | — |
| Other changes | (352) | 1,243 | 891 | 9,695 |
| Increase (decrease) in net assets from nonoperating activity | 7,179 | (57,255) | (50,076) | (252,627) |
| Total change in net assets | 7,418 | (54,468) | (47,050) | (252,201) |
| Net assets, beginning of year | 300,727 | 2,365,417 | 2,666,144 | 2,918,345 |
| Net assets, end of year | $ 308,145 | 2,310,949 | 2,619,094 | 2,666,144 |

See accompanying notes to financial statements.

**BOWDOIN COLLEGE**
Statement of Cash Flows
Year ended June 30, 2023
(with comparative information for the year ended June 30, 2022)
(In thousands)

| | | 2023 | 2022 |
|---|---|---|---|
| Cash flows from operating activities: | | | |
| Change in net assets | $ | (47,050) | (252,201) |
| Adjustments to reconcile change in net assets to net cash used in operating activities: | | | |
| Depreciation and amortization | | 17,392 | 15,616 |
| (Gain) loss on disposal of property and equipment | | (29) | 59 |
| Net realized and unrealized (gains) losses on investments and trusts | | (7,767) | 204,380 |
| Change in fair value of interest rate swap | | (1,249) | (3,250) |
| Cash paid for settlements under interest rate swap | | 235 | 723 |
| Reduction in right-of-use assets – operating leases | | 687 | 672 |
| Change in contributions receivable, net | | 2,347 | 8,671 |
| Contributions for endowment and other long-term purposes | | (33,975) | (26,146) |
| Change in other assets, net | | (1,712) | (743) |
| Change in other liabilities, net | | (1,513) | (7,630) |
| Change in operating lease liabilities | | (628) | (561) |
| Net cash used in operating activities | | (73,262) | (60,410) |
| Cash flows from investing activities: | | | |
| Purchases of investments | | (317,546) | (523,288) |
| Sales of investments | | 399,400 | 517,990 |
| Cash paid for property and equipment | | (34,596) | (26,113) |
| Proceeds from sale of property | | 38 | 20 |
| Repayment of U.S. government loan advances | | (353) | (410) |
| Change in student loans receivable | | 294 | 438 |
| Net cash provided by (used in) investing activities | | 47,237 | (31,363) |
| Cash flows from financing activities: | | | |
| Proceeds from issuance of bonds payable | | — | 65,000 |
| Repayments on bonds payable | | (530) | (510) |
| Borrowings on notes payable | | 3,000 | 7,500 |
| Repayments on notes payable | | (7,500) | (4,283) |
| Decrease (increase) in funds held by trustee for debt service | | (17) | 1 |
| Cash paid for settlements under interest rate swap | | (235) | (723) |
| Contributions for endowment and other long-term purposes | | 33,975 | 26,146 |
| Bond issuance costs | | — | (496) |
| Repayments on financing leases | | (1,666) | (844) |
| Net cash provided by financing activities | | 27,027 | 91,791 |
| Net change in cash and cash equivalents | | 1,002 | 18 |
| Cash and cash equivalents, beginning of year | | 2,818 | 2,800 |
| Cash and cash equivalents, end of year | $ | 3,820 | 2,818 |
| Supplemental disclosure of cash flow information: | | | |
| Cash paid for interest | $ | 14,684 | 13,338 |
| Cash paid for amounts included in the measurement of lease liabilities: | | | |
| Operating cash flows from operating leases | | 849 | 795 |
| Noncash activities: | | | |
| Increase (decrease) in accrued liabilities from construction of buildings and purchase of equipment | $ | 464 | 3,039 |
| Increase right-of-use asset and financing lease liabilities | | 3,273 | 717 |

See accompanying notes to financial statements.

## (1) Summary of Significant Accounting Policies

### *Organization*

Founded in 1794, Bowdoin is a private, coeducational, nonsectarian, and highly selective college of 1,977 students of distinction from across America and around the world. Accredited by the New England Commission of Higher Education, Bowdoin offers bachelor of arts degrees in more than forty majors, including interdisciplinary programs. A national leader in the teaching and study of the environment across the curriculum, Bowdoin provides a liberal arts education and residential life experience that instills principled leadership, lifelong learning, and service to the common good. During fiscal year 2023, Bowdoin enrolled 1,852 full-time equivalent (FTE) students, not including 125 FTE students who studied off campus.

### *Basis of Presentation*

The College's financial statements have been prepared in accordance with U.S. generally accepted accounting principles (GAAP) on the accrual basis of accounting.

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the College's financial statements for the year ended June 30, 2022, from which the summarized information was derived.

### *Statement of Financial Position*

### *Net Assets*

The financial statements have been prepared to focus on the College as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions. The College has classified its net assets as follows:

*Net Assets With Donor Restriction*

Net assets subject to donor-imposed restrictions that may be perpetual, or may expire with the passage of time or when actions are taken to meet restrictions. Net assets with donor restriction include the corpus and accumulated gains of donor restricted endowment funds, contributions receivable and split-interest agreements that are subject to the passage of time, and appropriated endowment funds not yet expended for their restricted purpose.

*Net Assets Without Donor Restriction*

Net assets that are not subject to donor-imposed restrictions and are available for the general operations of the College. Such net assets may be designated by the College for specific purposes, including to function as endowment funds.

***Cash and Cash Equivalents***

Cash and cash equivalents consist of money market funds and investments with original maturities of three months or less and are carried at cost, which approximates fair value. Cash and cash equivalents held for investment purposes are classified as Investments and Funds held by bond trustee and are not reported as cash equivalents for purposes of the statement of cash flows.

***Fair Value Measurements***

Investments, beneficial interest in trusts, funds held by trustee, and swaps are reported at fair value in the College's financial statements. Fair value represents the price that would be received upon the sale of an asset or paid upon the transfer of a liability in an orderly transaction between market participants as of the measurement date. GAAP establishes a fair value hierarchy that prioritizes inputs used to measure fair value into three levels:

- Level 1 – quoted prices (unadjusted) in active markets that are accessible at the measurement date for assets or liabilities.
- Level 2 – observable prices that are based on inputs not quoted in active markets, but corroborated by market data.
- Level 3 – unobservable inputs that are used when little or no market data is available.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. In determining fair value, the College utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible.

Most of the College's investments are held through limited partnerships and commingled funds for which fair value is estimated using net asset values (NAVs) reported by fund managers as a practical expedient. Such NAV-measured investments are not categorized in the fair value hierarchy.

***Contributions Receivable***

Contributions receivable, excluding outside trusts held by third parties, are recorded initially at fair value considering the time value of money and collectability, which are Level 3 inputs in the fair value hierarchy. Thereafter, they are reported at their net realizable value. The present value of estimated future cash flows has been measured at the time of the contribution using rates indicative of the market and credit risk associated with the contribution.

***Split-Interest Agreements***

The College is party to various split-interest agreements including charitable trusts, charitable gift annuities and pooled life income funds. Assets held in pooled life income funds and charitable gift annuities are reported as Investments at the estimated fair value of the underlying assets. Charitable trusts under which the College serves as trustee and perpetual trusts are reported as Beneficial interest in trusts at the estimated fair value of the College's share of the underlying assets. The present value of estimated future payments to beneficiaries is reported as Split-interest obligations in the statement of financial position. Beneficial interests in trusts are categorized as Level 3 due to unobservable inputs used to estimate fair value.



(Continued)

Charitable trusts under which an outside party serves as trustee are included in Contributions receivable at the estimated fair value of the College’s share of the underlying assets, net of the present value of estimated future payments to beneficiaries. These trusts are categorized as Level 3 due to unobservable inputs used to estimate fair value.

Donor contributions to split-interest agreements are reported as Contributions in the nonoperating section of the statement of activities in the year the gift is made. Subsequent changes in value are included in Other changes in the statement of activities. Discount rates used to calculate the present value of estimated future payments to beneficiaries range from 2.35% to 7.0%.

***Property and Equipment***

Land, buildings, fixtures, and equipment are stated at cost, or estimated fair value at date of donation in the case of gifts, net of accumulated depreciation.

Depreciation expense is computed on a straight-line basis over the estimated useful lives of the assets, which are as follows:

| | Estimated useful lives |
|---|---|
| Land improvements | 20–25 |
| Buildings and building improvements | 25–60 |
| Furnishings and fixtures | 5–15 |
| Instructional and computer equipment | 3–15 |
| Vehicles and machinery | 5–15 |
| Operational equipment | 3–15 |

The costs of repairs and maintenance are charged to expense as incurred; major renovations and projects that prolong an asset’s useful life are capitalized as plant assets. The College recognizes the fair value of liabilities for legal obligations associated with future asset retirements in the period in which the obligation is incurred.

***College Collections***

The College does not capitalize collections, primarily art objects, as they are held for public exhibition and education rather than financial gain. Proceeds from the sale of collection items are generally used to acquire other items for collection.

***Interest Rate Swap Agreements***

Interest rate swap agreements are reported at fair value based on the present value of net cash flows resulting from the exchange of fixed-rate payments for floating rate payments over the remaining life of the contract, and are included in Other long-term obligations. Each floating-rate payment is calculated based on forward market rates at the valuation date for each respective payment. Because the inputs used to value the contract can generally be corroborated by market data, the College’s only interest rate swap at June 30, 2023 and 2022 is categorized in Level 2 of the fair value hierarchy.

***Bonds Payable***

Certain items related to the issuance of debt, such as accounting, legal, and underwriting fees, as well as original issue premiums and discounts, are capitalized and amortized over the lives of the respective debt issues. Bonds payable are presented net of unamortized issue costs and premiums or discounts.

***Statement of Activities***

Significant aspects of the presentation of the statement of activities include:

- The statement of activities reflects the change in net assets for two net asset categories: with donor restriction and without donor restriction.
- Revenues are reported as increases in net assets without donor restriction unless use of the related assets is limited by donor-imposed restrictions, in which case they are reported as increases in net assets with donor restriction. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized.
- Expenses are reported as decreases in net assets without donor restriction.
- When resources with donor restriction (including endowment income appropriated under the spending formula) are expended for the purposes specified by the donor, the amounts are reclassified from revenue with donor restriction to revenue without donor restriction. The reclassification appears either in the operating section or nonoperating section of the statement of activities as Net assets released from restrictions, depending on whether the donor restricted the assets to be used for operating purposes (e.g., student aid) or nonoperating purposes (e.g., capital additions).

***Operating activity***

The statement of activities reflects a subtotal for the change in net assets from operating activity. This subtotal reflects revenues the College received for educational, research, and other operating purposes, including amounts appropriated under the Board of Trustees' approved spending policy, operating investment return, and all operating expenses. Nonoperating activity reflects all other activity, including but not limited to investment return net of the amount appropriated under the Board of Trustees' approved spending formula, contributions restricted for endowment and plant purposes as well as substantial unrestricted contributions the College determines will be used for long-term purposes, and changes in certain long-term obligations.



(Continued)

***Net student charges***

Revenue from tuition, fees, room and board is determined based on published rates, and is billed and reported in the statement of activities net of institutional aid. Components of Net student charges include (in thousands):

| | | 2023 | 2022 |
|---|---|---|---|
| Tuition and fees | $ | 113,883 | 109,186 |
| Room and board | | 29,551 | 28,171 |
| Gross student charges | | 143,434 | 137,357 |
| Less scholarships | | (54,009) | (50,937) |
| Net student charges | $ | 89,425 | 86,420 |

***Contributions***

The College reflects a receivable on the statement of financial position for unconditional promises (pledges), which are generally written agreements to contribute cash or other assets to the College. Contributions subject to donor-imposed stipulations that are met in the same reporting period are initially reported as revenue with donor restrictions and then reclassified to net assets without donor restrictions, with the exception of reimbursement based federal grants, which are recognized as revenue without donor restriction. Pledges that are receivable after the statement of financial position date are shown as increases in net assets with donor restriction and are reclassified to net assets without donor restriction when the purpose or time restrictions are met. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are met.

***Fundraising Costs***

All fundraising costs including incremental costs incurred for major capital campaigns are expensed as incurred. Total fundraising expenses were $8,572,000 and $7,687,000 for the years ended June 30, 2023 and 2022, respectively.

***Use of Estimates***

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of financial statements, and the reported amounts of revenues and expenses during the period. Significant estimates include the valuation of certain investments, the liability for postretirement benefits, split-interest obligations, an interest rate swap, and receivables. Actual results could differ from those estimates.

***Taxes***

The College is a not-for-profit organization and is generally exempt from income taxes as described in Section 501(c)(3) of the Internal Revenue Code, as amended. The College assesses uncertain tax positions and has determined there were no such positions that have a material effect on the financial statements.



(Continued)

The College is subject to a federal excise tax of 1.4% on net investment income under the Tax Cuts and Jobs Act signed into law on December 22, 2017. Net investment income includes interest, dividends and net realized gains on the sale of investments. Estimated excise tax expense of $645,000 and $2,177,000 for the fiscal years ended June 30, 2023 and 2022, respectively, is reported in Accounts payable and other accruals in the statement of financial position and in Investment return in the statement of activities.

The College has also made provisions for deferred taxes in the amount of $10,000,000 and $10,100,000 as of June 30, 2023 and 2022, respectively. The deferred tax liability represents future excise tax payable on unrealized gains in excess of the tax basis of investments. The liability is reported in Other liabilities in the statement of financial position and in Other changes in the statement of activities.

***Leases***

The College has entered into several operating and finance leases for storage, office space, fiber optic connectivity, and computer hardware. The College determines if an arrangement is a lease at inception and recognizes assets and liabilities representing the rights to use underlying assets and obligations from leases that are greater than one year.

Right-of-use assets and lease liabilities associated with operating leases are included in the statement of financial position as “Right-of-use assets - operating leases” and “Operating lease liabilities”, respectively. Right-of-use assets and lease liabilities associated with finance leases are included in the statement of financial position as “Right-of-use assets - financing leases” and “Financing lease liabilities”, respectively.

Lease assets represent the College’s right to use an underlying asset for the lease term. Lease liabilities represent the College's obligation to make lease payments arising from the lease.

Operating and finance lease obligations are recognized based on the present value of lease payments over the lease term discounted using an appropriate incremental borrowing rate. The value of an option to extend or terminate a lease is reflected to the extent it is reasonably certain management will exercise that option.

## (2) Net Assets

The College's net assets consist of the following as of June 30 (in thousands):

| | | 2023 | 2022 |
|---|---|---|---|
| Net assets without donor restriction: | | | |
| Board designated endowment | $ | 201,218 | 208,251 |
| Net investment in plant | | 92,869 | 93,492 |
| Reserves and working capital | | 35,433 | 20,634 |
| Postretirement benefit obligations | | (18,607) | (17,633) |
| Interest rate swap agreement | | (2,768) | (4,017) |
| | $ | 308,145 | 300,727 |
| Net assets with donor restriction: | | | |
| Purpose restricted endowment | $ | 2,220,983 | 2,264,567 |
| Contributions receivable and split interest agreements | | 61,152 | 63,012 |
| Other net assets held in perpetuity | | 7,600 | 8,211 |
| Other spendable net assets | | 21,214 | 29,627 |
| | $ | 2,310,949 | 2,365,417 |

Net assets with donor restriction are subject to the following time and purposes restrictions (in thousands):

| | | Held in perpetuity | Subject to endowment appropriation | Available for specified purpose | Subject to passage of time | Total |
|---|---|---|---|---|---|---|
| **2023:** | | | | | | |
| Capital projects | $ | — | — | 6,599 | 5,857 | 12,456 |
| Instruction | | 51,824 | 140,225 | 19,586 | 4,721 | 216,356 |
| Library and museums | | 26,734 | 73,919 | 7,452 | 540 | 108,645 |
| Operations | | 55,917 | 314,118 | 3,053 | 3,518 | 376,606 |
| Other purposes | | 19,492 | 30,554 | 3,733 | 4,557 | 58,336 |
| Professorships | | 81,750 | 193,676 | 2,329 | 6,271 | 284,026 |
| Scholarships and other | | | | | | — |
| assistance | | 367,139 | 760,837 | 1,498 | 35,688 | 1,165,162 |
| Technology | | 23,199 | 66,163 | — | — | 89,362 |
| | $ | 626,055 | 1,579,492 | 44,250 | 61,152 | 2,310,949 |

| | Held in perpetuity | Subject to endowment appropriation | Available for specified purpose | Subject to passage of time | Total |
|---|---|---|---|---|---|
| **2022:** | | | | | |
| Capital projects | $ — | — | 3,307 | 924 | 4,231 |
| Instruction | 50,599 | 146,952 | 21,942 | 2,491 | 221,984 |
| Library and museums | 25,400 | 77,434 | 3,791 | 451 | 107,076 |
| Operations | 55,174 | 327,991 | 2,481 | 3,025 | 388,671 |
| Other purposes | 18,841 | 32,272 | 15,477 | 7,276 | 73,866 |
| Professorships | 64,693 | 203,092 | 1,586 | 9,349 | 278,720 |
| Scholarships and other assistance | 355,198 | 802,101 | 1,336 | 39,496 | 1,198,131 |
| Technology | 23,199 | 69,538 | 1 | — | 92,738 |
| | $ 593,104 | 1,659,380 | 49,921 | 63,012 | 2,365,417 |

## (3) Investments

### *Basis of Reporting*

Investments include endowment, charitable gift annuities, pooled life income funds, taxable bond proceeds and unrestricted operating investments. Investments are reported at estimated fair value. If an investment is held directly by the College and an active market with quoted prices exists, the market price of an identical security is used as reported fair value. The majority of the College's investments are in shares or units of institutional commingled funds and investment partnerships invested in equity, fixed income, absolute return, private equity, or real asset strategies. Absolute return strategies involve funds whose managers have the authority to invest in various asset classes at their discretion, including the ability to invest long and short. Funds with absolute return strategies generally hold securities or other financial instruments for which a ready market exists and may include stocks, bonds, put or call options, swaps, currency hedges and other instruments, and are valued by the investment manager accordingly. Private equity funds employ buyout, venture capital, and distressed credit strategies. Real assets funds generally hold interests in private real estate, infrastructure, and commodity related investments.

The College's interests in commingled investment funds are generally reported at the net asset value (NAV) reported by the fund managers and assessed as reasonable by the College, which is used as a practical expedient to estimate the fair value of the College's interest therein, in the absence of readily determinable fair value, unless it is probable that all or a portion of the investment will be sold for an amount different from NAV. As of June 30, 2023, the College had no plans or intentions to sell investments at amounts different from NAV.

Although the College's nonmarketable managers adhere to fair value accounting as required by ASC 820, *Fair Value Measurements and Disclosures*, because of inherent uncertainties in valuation assumptions, the estimated fair values for alternative investments such as private equity and private real estate may differ significantly from values that would have been used had a ready market existed, and the differences could be material. Such valuations are determined by fund managers and generally consider variables such as operating results, comparable earnings multiples, projected cash flows, recent sales prices, and other pertinent information.

The following tables summarize the College's investments by strategy and, as applicable, categorization in the fair value hierarchy as of June 30, 2023 and 2022 (in thousands):

| | Investments measured at NAV | Investments categorized in the fair value hierarchy | | | Total fair value |
|---|---|---|---|---|---|
| | | Level 1 | Level 2 | Level 3 | |
| **2023:** | | | | | |
| Cash and cash equivalents | $ — | 111,330 | — | — | 111,330 |
| Fixed income | — | 77,029 | 22,298 | — | 99,327 |
| Equities: | | | | | |
| Domestic | 313,852 | 7,354 | — | — | 321,206 |
| Emerging markets | 54,905 | 3,365 | — | — | 58,270 |
| Global | 97,923 | 8,667 | — | — | 106,590 |
| Absolute return: | | | | | |
| Global macro | 276,222 | — | — | — | 276,222 |
| Global long/short | 376,735 | 5,498 | — | — | 382,233 |
| Opportunistic and other | 93,943 | — | — | — | 93,943 |
| Alternative investments: | | | | | |
| Private equity | 904,037 | — | — | — | 904,037 |
| Real assets | 237,976 | — | — | 1,627 | 239,603 |
| | $ 2,355,593 | 213,243 | 22,298 | 1,627 | 2,592,761 |

| | Investments measured at NAV | Investments categorized in the fair value hierarchy | | | Total fair value |
|---|---|---|---|---|---|
| | | Level 1 | Level 2 | Level 3 | |
| **2022:** | | | | | |
| Cash and cash equivalents | $ — | 117,627 | — | — | 117,627 |
| Fixed income | — | 96,692 | 29,804 | — | 126,496 |
| Equities: | | | | | |
| Domestic | 266,910 | 11,900 | — | — | 278,810 |
| Emerging markets | 84,226 | 720 | — | — | 84,946 |
| Global | 102,933 | 3,191 | — | — | 106,124 |
| Absolute return: | | | | | |
| Global macro | 262,775 | — | — | — | 262,775 |
| Global long/short | 361,591 | 1,458 | — | — | 363,049 |
| Opportunistic and other | 93,610 | — | — | — | 93,610 |
| Alternative investments: | | | | | |
| Private equity | 997,794 | — | — | — | 997,794 |
| Real assets | 233,130 | — | — | 2,614 | 235,744 |
| | $ 2,402,969 | 231,588 | 29,804 | 2,614 | 2,666,975 |

Registered mutual funds are classified in Level 1 of the fair value hierarchy, as defined in note 1, as are equity securities custodied in the College's name because their fair values are based on quoted prices for identical securities. The College's fixed income investments may include directly held U.S. corporate bonds, which although readily marketable are valued using matrix pricing and are classified as Level 2.

### *Liquidity*

Investment liquidity as of June 30, 2023 and 2022 is aggregated in the tables below based on redemption or sale period (in thousands):

| | Daily | Monthly | Quarterly | Semi-annually | Annual/ longer | Illiquid | Total |
|---|---|---|---|---|---|---|---|
| **2023:** | | | | | | | |
| Cash and cash equivalents | $ 110,996 | — | — | — | — | 334 | 111,330 |
| Fixed income | 92,427 | — | — | — | — | 6,900 | 99,327 |
| Equities | 23,973 | 21,228 | 312,019 | — | 59,579 | 69,267 | 486,066 |
| Absolute return | — | 84,828 | 520,521 | 40,003 | 39,933 | 67,113 | 752,398 |
| Alternative investments | — | — | — | — | — | 1,143,640 | 1,143,640 |
| | $ 227,396 | 106,056 | 832,540 | 40,003 | 99,512 | 1,287,254 | 2,592,761 |

| | Daily | Monthly | Quarterly | Semi-annually | Annual/ longer | Illiquid | Total |
|---|---|---|---|---|---|---|---|
| **2022:** | | | | | | | |
| Cash and cash equivalents | $ 117,224 | — | — | — | — | 403 | 117,627 |
| Fixed income | 119,483 | — | — | — | — | 7,013 | 126,496 |
| Equities | 25,894 | 13,742 | 310,954 | — | 64,936 | 54,354 | 469,880 |
| Absolute return | — | 63,244 | 535,187 | 40,058 | 28,334 | 52,611 | 719,434 |
| Alternative investments | — | — | — | — | — | 1,233,538 | 1,233,538 |
| | $ 262,601 | 76,986 | 846,141 | 40,058 | 93,270 | 1,347,919 | 2,666,975 |

Certain marketable investment funds contain lock-up provisions. Under such provisions, share classes of the investment are available for redemption at various times in accordance with the management agreement with the fund.

### *Commitments*

Private equity and real asset investments are generally made through private limited partnerships. Under the terms of the partnership agreements, the College makes a commitment of a specific amount of capital to a partnership and is obligated to remit committed funding periodically when capital calls are exercised by the General Partner as the partnership executes on its investment strategy. Private equity and real asset funds are typically structured with investment periods of three-to-seven years. Subsequent to the expiration of the investment period, a fund is usually prohibited from calling capital for new investments. The aggregate amount of unfunded commitments associated with private limited partnerships as of June 30, 2023 was $333,744,000. Of this amount, 19.3% of commitments were for funds whose investment period had expired. The timing and amount of future capital calls expected to be exercised in any particular future year is uncertain.

### *Endowment Funds*

The College maintains 1,740 individual donor-restricted endowment funds and 142 Board-designated endowment funds.

Endowment net assets classified as without donor restriction include funds designated by the Board as endowment (also referred to as quasi-endowment), including any accumulated return thereon. For donor-restricted endowment funds, the College follows the provisions of the Maine Uniform Prudent Management of Institutional Funds Act (UPMIFA). The College reports as net assets with donor restriction an amount equal to the value of each permanent donor-restricted endowment fund at the time it became an endowment fund, and subsequent contributions and accumulations pursuant to the applicable gift instrument until appropriated for expenditure by the College. The College considers several factors in making a determination to appropriate or accumulate donor-restricted endowment funds, including the individual endowment fund’s purpose, duration and preservation, the possible effect of inflation (or deflation), and expected total return.

Endowment net asset composition by type of fund as of June 30, 2023 and 2022 is as follows (in thousands):

| | | Without donor restriction | With donor restriction | Total |
|---|---|---|---|---|
| **2023:** | | | | |
| Donor-restricted endowment funds | $ | — | 2,197,948 | 2,197,948 |
| Board-designated endowment funds | | 201,218 | 23,035 | 224,253 |
| Total endowment funds | $ | 201,218 | 2,220,983 | 2,422,201 |

| | | Without donor restriction | With donor restriction | Total |
|---|---|---|---|---|
| **2022:** | | | | |
| Donor-restricted endowment funds | $ | — | 2,244,272 | 2,244,272 |
| Board-designated endowment funds | | 208,251 | 20,295 | 228,546 |
| Total endowment funds | $ | 208,251 | 2,264,567 | 2,472,818 |

Changes in endowment net assets for the years ended June 30, 2023 and 2022 are as follows (in thousands):

| | | Without donor restriction | With donor restriction | Total |
|---|---|---|---|---|
| **2023:** | | | | |
| Endowment net assets, beginning of year | $ | 208,251 | 2,264,567 | 2,472,818 |
| Investment return | | 198 | 2,606 | 2,804 |
| Appropriation of endowment assets for expenditure | | (7,765) | (85,135) | (92,900) |
| New gifts, other additions and transfers between restriction categories | | 534 | 38,945 | 39,479 |
| Endowment net assets, end of year | $ | 201,218 | 2,220,983 | 2,422,201 |

| | | Without donor restriction | With donor restriction | Total |
|---|---|---|---|---|
| **2022:** | | | | |
| Endowment net assets, beginning of year | $ | 220,928 | 2,497,510 | 2,718,438 |
| Investment return | | (16,962) | (179,612) | (196,574) |
| Appropriation of endowment assets for expenditure | | (6,716) | (75,523) | (82,239) |
| New gifts, other additions and transfers between restriction categories | | 11,001 | 22,192 | 33,193 |
| Endowment net assets, end of year | $ | 208,251 | 2,264,567 | 2,472,818 |

***Return Objectives and Risk Parameters***

The College's endowment is invested with the intent of balancing the often conflicting goals of generating a steady, stable stream of support for the current operations of the College while preserving the purchasing power of the endowment to support programs and initiatives for future generations of Bowdoin students. Using the basic tenets of modern portfolio theory, the endowment is diversified across multiple asset classes with differing correlations and risk and return characteristics. The endowment is managed with a total return goal of attaining an average annualized real return in excess of 5% in order to support spending and maintain or grow the endowment's purchasing power.

*Strategies Employed for Achieving Investment Objectives*

In order to achieve the long-term target return, the endowment is invested in asset classes and strategies with long-term return potential. Active management is pursued in areas where the College has a competitive advantage and access to top-quality investment management teams. In recognition of the potential for equities to generate strong returns, the portfolio is substantially invested in equity-oriented strategies. In order to mitigate risk, the College combines diversification across noncorrelated asset classes with a prudent spending policy.

*Endowment Spending Allocation and Relationship of Spending Policy to Investment Objectives*

The College employs a total return approach to endowment management. The College uses a twelve-quarter moving average to determine spending from endowment, with the yearly spending distribution determined on June 30 in the year preceding the fiscal year of spending. The smoothing function imposed by the twelve-quarter average effectively reduces the volatility of the spending distribution, allowing for a sustainable flow of funds to support the College. The College may spend in a range between 4% and 5.5%. The official spending rate, approved annually by the Board of Trustees, for the year ended June 30, 2023 was 4.82%, and for the year ended 2022 was 5.0%. The annual distribution amounted to $92,200,000 in 2023 and $82,239,000 in 2022. In 2023, a supplemental draw of $700,000 was distributed from the accumulated gains of a donor-restricted endowment fund for academic programming. The total fiscal year 2023 distribution of $92,900,000 was 3.8% of the endowment market value as of June 30, 2022. The total fiscal year 2022 distribution of $82,239,000 was 3.0% of the endowment market value as of June 30, 2021. Annual distributions are expended in accordance with the terms or restrictions of the individual funds. The spending policy is reviewed annually by the Investment

Committee in conjunction with the Financial Resources Committee in recognition of the interdependent relationship of investment policy and the financial needs of the College.

*Funds with Deficiencies*

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the historic dollar value of the original contributions due to unfavorable market movements. Deficiencies of this nature are reported in net assets with donor restriction. At June 30, 2023 there were 58 funds with deficiencies, which together had an original gift value of $25,319,000, a current fair market value of $23,355,000, and a deficiency of $1,964,000. At June 30, 2022 there were 58 funds with deficiencies, which together had an original gift value of $22,168,000, a current fair market value of $20,637,000, and a deficiency of $1,531,000.

## (4) Contributions Receivable

Contributions receivable consist of the following at June 30, 2023 and 2022 (in thousands):

| | | 2023 | 2022 |
|---|---|---|---|
| Pledges receivable | $ | 40,394 | 43,433 |
| Contributions receivable held in outside trusts | | 21,225 | 20,437 |
| Total contributions receivable | | 61,619 | 63,870 |
| Less allowance for uncollectibles | | (3,000) | (3,000) |
| Less unamortized discount (rates ranging from 1.0% to 4.7%) | | (8,503) | (8,407) |
| Contributions receivable, net | $ | 50,116 | 52,463 |
| Amounts due in: | | | |
| Less than one year | $ | 24,447 | 20,401 |
| One to five years | | 15,947 | 23,032 |
| More than five years | | 21,225 | 20,437 |
| Gross amount due | $ | 61,619 | 63,870 |

As of June 30, 2023, 23% of the gross pledges receivable balance is due from three donors.

Conditional promises, which depend on the occurrence of a specified future or uncertain event, including expenditure under reimbursement-based federal grant awards, are recognized when expenses are incurred. The total amount of unrecognized federal grant awards was approximately $4,557,000 and $4,502,000 at June 30, 2023 and 2022, respectively.



(Continued)

## (5) Leases

The components of lease expense are as follows:

| | | 2023 | 2022 |
|---|---|---|---|
| Finance lease expense: | | | |
| Amortization of right-of-use assets | $ | 1,680 | 869 |
| Interest on lease obligations | | 75 | 59 |
| Operating lease expense | | 908 | 908 |
| Short-term lease expense | | 16 | 108 |
| Total lease cost | $ | 2,679 | 1,944 |
| Other information: | | | |
| Weighted average remaining lease term - finance leases | | 2.53 | 2.40 |
| Weighted average remaining lease term - operating leases | | 18.64 | 19.01 |
| Weighted average discount rate - finance leases | | 0.81 % | 2.85 % |
| Weighted average discount rate- operating leases | | 2.40 % | 2.38 % |

Payments due include options to extend leases that are reasonably certain through fiscal year 2049 and are summarized below:

| | | Operating | Finance | Total |
|---|---|---|---|---|
| 2024 | $ | 864 | 1,741 | 2,605 |
| 2025 | | 873 | 1,021 | 1,894 |
| 2026 | | 883 | 838 | 1,721 |
| 2027 | | 893 | — | 893 |
| 2028 | | 694 | — | 694 |
| Thereafter | | 7,472 | — | 7,472 |
| | | 11,679 | 3,600 | 15,279 |
| Less amounts representing interest | | (2,557) | (49) | (2,606) |
| | $ | 9,122 | 3,551 | 12,673 |

## (6) Property and Equipment

A summary of property and equipment at June 30, 2023 and 2022 is as follows (in thousands):

| | | 2023 | 2022 |
|---|---|---|---|
| Land | $ | 7,515 | 7,265 |
| Land improvements | | 16,201 | 15,933 |
| Buildings | | 503,921 | 457,183 |
| Furniture and fixtures | | 11,534 | 8,770 |
| Instructional and computer equipment | | 13,023 | 12,523 |
| Machinery and vehicles | | 4,430 | 4,008 |
| Operational equipment | | 33,080 | 31,322 |
| Construction in progress | | 12,925 | 31,192 |
| | | 602,629 | 568,196 |
| Accumulated depreciation | | (239,813) | (224,455) |
| Land, buildings and equipment, net | $ | 362,816 | 343,741 |

The construction in progress balance at June 30, 2023 relates principally to the implementation of new financial software and renovations to existing campus buildings.

## (7) Retirement Plans

***Defined Contribution Plan***

Retirement benefits are provided under defined contribution plans. The College’s expense under these plans is based on the qualifying salaries of the participants and was $9,625,000 and $9,166,000 in 2023 and 2022, respectively.

***Postretirement Benefit Obligation***

The College administers health care and life insurance plans for retired employees and their spouses. A reconciliation of the Accumulated Postretirement Benefit Obligation (APBO) for the years ended June 30, 2023 and 2022 is as follows (in thousands):

| | | **2023** | **2022** |
|---|---|---|---|
| Change in benefit obligation: | | | |
| APBO, beginning of year | $ | 17,633 | 21,033 |
| Service costs | | 899 | 994 |
| Interest costs | | 788 | 508 |
| Plan participant contributions | | 109 | 96 |
| Actuarial loss (gain) | | 633 | (2,975) |
| Benefits paid | | (1,455) | (2,023) |
| APBO and funded status, end of year | $ | 18,607 | 17,633 |
| Change in plan assets: | | | |
| Fair value of plan assets at beginning of year | $ | — | — |
| Employer contributions | | 1,346 | 1,927 |
| Plan participant contributions | | 109 | 96 |
| Benefits paid | | (1,455) | (2,023) |
| Fair value of plan assets at end of year | $ | — | — |

Effective January 1, 2020, Medicare ceased new enrollments in Medicare Supplement Plan F. As a result, the College eliminated its self-insured Medicare Supplement Plan F coverage for retirees over the age of 65. Effective January 1, 2020, the College began providing eligible post-age 65 retirees access to a private individual Medicare marketplace, and a funded health reimbursement account with which they can pay eligible premiums and/or medical expenses.

The College uses the Pri-2012 mortality tables issued by the Society of Actuaries to value the APBO. The discount rate used to value the APBO was 4.84% in 2023 and 4.31% in 2022 based on prevailing interest rates. The weighted average health care cost trend rate used in measuring the APBO and benefit cost is 7.5% in 2023, gradually declining to 5.0% in 2028. As of June 30, 2023 and 2022, the College has internally funded a portion of this obligation through the establishment of a Board-designated endowment fund, which had a balance of $12,447,000 and $12,925,000, respectively.

***Net Periodic Postretirement Benefit Cost***

The discount rate used to value the net periodic postretirement benefit cost was 4.31% in 2023 and 2.48% in 2022. The net periodic postretirement benefit cost for the years ended June 30, 2023 and 2022 is as follows (in thousands):

| | | 2023 | 2022 |
|---|---|---|---|
| Postretirement benefits earned during the year (service cost) | $ | 899 | 994 |
| Interest cost on accumulated postretirement benefit obligation | | 788 | 507 |
| Amortization of prior service cost and actuarial loss | | 204 | 291 |
| Net periodic postretirement benefit cost other than service cost | | 992 | 798 |
| Total net periodic postretirement benefit cost | $ | 1,891 | 1,792 |

In the statement of activities, service cost is included in Employee benefits in operating activity, and net periodic benefit cost other than service cost is included in Other changes in nonoperating activity

Estimated future benefit payments net of employee contributions are as follows (in thousands):

| | | Estimated benefit payments, net |
|---|---|---|
| Year ending June 30: | | |
| 2024 | $ | 1,695 |
| 2025 | | 1,815 |
| 2026 | | 1,194 |
| 2027 | | 1,233 |
| 2028 | | 1,365 |
| 2029–2033 | | 7,853 |

## (8) Bonds and Other Debt Obligations

The following is a summary of outstanding bonds, net of unamortized discounts or premiums and issuance costs, and other debt obligations, at June 30, 2023 (in thousands):

| | | 2023 | 2022 |
|---|---|---|---|
| Obligations to Maine Health and Higher Education Facilities Authority (MHHEFA): | | | |
| Series 2008, variable rate (4.29% at June 30, 2023), due 2032-2037, par value $20,700 | $ | 20,526 | 20,506 |
| Series 2009B, taxable, 6.667%, due 2035 – 2039, par value $19,750 | | 19,659 | 19,653 |
| Series 2017, 5.000%, due 2035 – 2039, par value $30,435 | | 34,263 | 34,502 |
| Series 2018, 4.000% – 5.000%, due 2021 – 2048, par value $27,355 | | 29,808 | 30,485 |
| Total MHHEFA | | 104,256 | 105,146 |
| Series 2012, taxable, 4.693%, due 2112, par value $128,500 | | 127,131 | 127,116 |
| Series 2017, taxable, 4.061%, due 2047, par value $45,000 | | 44,583 | 44,565 |
| Series 2021, taxable, 1.477%-2.930%, due 2025-2034, 2040-2051, par value $65,000 | | 64,533 | 64,516 |
| Bonds payable, net | | 340,503 | 341,343 |
| Line of credit facilities | | 3,000 | 7,500 |
| Bonds and notes payable | $ | 343,503 | 348,843 |

### ***Bonds Payable***

The Revenue Bond Agreements associated with the College’s outstanding debt contain covenants regarding permitted dispositions, permitted reorganizations and continuing disclosure requirements.

In accordance with the terms of the Revenue Bond and Taxable Bond Agreements, the College has established certain principal, interest, and construction funds. These funds, presented as Funds held by bond trustee on the accompanying statement of financial position, were $6,597,000 and $6,579,000 at June 30, 2023 and 2022, respectively, and were invested in a government agency money market fund (Level 1 in the fair value hierarchy).

Total interest expense incurred for the year ended June 30, 2023 was $13,990,000, net of amounts capitalized of $561,000. Total interest expense incurred for the year ended June 30, 2022 was $12,884,000, net of amounts capitalized of $448,000.

### *Interest Rate Swap Agreement*

The College has an interest rate swap agreement with a financial institution counterparty. The purpose of the agreement is to substantially convert the variable rate on the Series 2008 Revenue Bonds to an annual fixed rate. The following table summarizes the outstanding swap agreement at June 30, 2023 and 2022 (in thousands):

| Counterparty | Expiration date | | Remaining notional balance | Swap fixed/ floating rates | | Fair value of liability at June 30 2023 | Fair value of liability at June 30 2022 |
|---|---|---|---|---|---|---|---|
| JPMorgan | July 1, 2037 | $ | 20,500 | Pay 3.84%/Receive 67% Fed Funds rate | $ | (2,768) | (4,017) |

The terms and conditions of the swap include two-way collateral posting requirements for either counterparty in a liability position. As of June 30, 2023, the College's collateral posting threshold was $25,000,000. The threshold increases or decreases $5,000,000 for each incremental ratings adjustment assigned by Moody's Investor Services, Inc. The College was not required to post any collateral in connection with the swap during the years ended June 30, 2023 and 2022. The College has the right to terminate the interest rate swap agreement at any time at the prevailing market rate.

The College recognized a realized loss related to swap settlements of $235,000 and $723,000 for the years ended June 30, 2023 and 2022, respectively. The College recognized an unrealized gain of $1,249,000 and $3,250,000 for the years ended June 30, 2023 and 2022, respectively. The activity is included in Other changes in the statement of activities.

### *Other Debt Obligations*

The College has two uncollateralized, revolving lines of credit with two financial institutions. Both are with interest payable monthly on outstanding advances at variable rates based on a federal funds rate. One line of credit is in the amount of $30,000,000 and expires in March 2024, and the other line of credit is in the amount of $170,000,000 and expires in June 2024. The balance outstanding on these lines of credit was $3,000,000 and $7,500,000 at June 30, 2023 and 2022, respectively.

### *Debt Maturities*

The following is a schedule of principal maturities of bonds and notes payable for the next five fiscal years and thereafter as of June 30, 2023 (in thousands):

| | | |
|---|---|---|
| 2024 | $ | 3,550 |
| 2025 | | 570 |
| 2026 | | 3,330 |
| 2027 | | 3,390 |
| 2028 | | 3,470 |
| Thereafter | | 325,430 |
| | $ | 339,740 |

**(9) Financial Assets and Liquidity Resources**

As of June 30, 2023, the following financial assets and liquidity resources are available within one year for general expenditures, such as operating expenses, debt service and capital renewal programs (in thousands):

| | | |
|---|---|---|
| Financial assets: | | |
| Cash and cash equivalents | $ | 3,820 |
| Accounts receivable | | 3,554 |
| Contributions receivable available for operations | | 3,221 |
| Funds held by bond trustee for debt service | | 6,036 |
| Operating reserves and working capital investments | | 135,943 |
| Fiscal 2023 board-approved endowment distribution | | 113,496 |
| Total financial assets available within one year | $ | 266,070 |

The College regularly monitors the availability of resources required to meet its operating expenditures, while striving to maximize investment earnings on available funds. Cash flows are subject to seasonal variations attributable to tuition billing, federal grant reimbursements, and a concentration of contributions received at calendar and fiscal year end. To manage liquidity, the College has access to $200,000,000 in lines of credit with two financial institutions that is drawn upon as needed to manage both operating and endowment cash flow. The balance available at June 30, 2023 was approximately $197,000,000.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the College considers all expenditures related to ongoing operating activities. The College maintains a balanced operating budget and anticipates collecting sufficient revenue to cover general expenditures not funded by donor-restricted resources. In addition, as of June 30, 2023, the College had an additional $201,218,000 of board designated endowment that is available to support general operations with Board approval.

**(10) Expenses by Function and Natural Classification**

The statement of activities presents operating expenses by natural classification (e.g. salaries and wages, depreciation). The College also reports expenses by functional categories that reflect the College's major program activities. Expenses not directly identifiable with a program or support service are allocated to major programs and supporting activities. Operation and maintenance of plant is allocated based on the relative square footage of buildings used to support the program activity. Depreciation expense is allocated to the program or supporting activity where the corresponding asset is utilized. Interest expense is allocated to the program or supporting activity benefiting from the use of corresponding debt proceeds.



(Continued)

Expenses by both natural and functional classification for the years ended June 30, 2023 and 2022, are presented below (in thousands):

| | Program activities | | | | | |
|---|---|---|---|---|---|---|
| | Instruction and research | Academic support | Student services | Auxiliary enterprises | Institutional support | Total expenses |
| **2023:** | | | | | | |
| Salaries and wages | $ 37,710 | 9,107 | 20,359 | 12,123 | 16,138 | 95,437 |
| Employee benefits | 12,530 | 2,829 | 6,397 | 3,746 | 5,190 | 30,692 |
| Depreciation and amortization | 7,333 | 1,454 | 3,107 | 4,458 | 1,040 | 17,392 |
| Interest expense | 4,234 | 315 | 2,995 | 5,493 | 953 | 13,990 |
| Other operating expenses | 13,994 | 7,986 | 13,313 | 10,330 | 9,900 | 55,523 |
| Total operating expenses | 75,801 | 21,691 | 46,171 | 36,150 | 33,221 | 213,034 |
| Net periodic postretirement benefit cost other than service cost | — | — | — | — | 992 | 992 |
| Loss on swap settlements | — | — | — | — | 235 | 235 |
| Total expenses by function | $ 75,801 | 21,691 | 46,171 | 36,150 | 34,448 | 214,261 |
| **2022:** | | | | | | |
| Salaries and wages | $ 37,583 | 8,641 | 18,716 | 10,717 | 14,943 | 90,600 |
| Employee benefits | 12,557 | 2,711 | 5,918 | 3,404 | 4,937 | 29,527 |
| Depreciation and amortization | 5,812 | 1,225 | 3,009 | 4,516 | 1,054 | 15,616 |
| Interest expense | 4,500 | 295 | 3,192 | 4,139 | 758 | 12,884 |
| Other operating expenses | 14,365 | 7,043 | 12,163 | 9,900 | 9,577 | 53,048 |
| Total operating expenses | 74,817 | 19,915 | 42,998 | 32,676 | 31,269 | 201,675 |
| Net periodic postretirement benefit cost other than service cost | — | — | — | — | 798 | 798 |
| Loss on swap settlements | — | — | — | — | 723 | 723 |
| Total expenses by function | $ 74,817 | 19,915 | 42,998 | 32,676 | 32,790 | 203,196 |

## (11) Contingencies

The College is subject to certain legal proceedings and claims that arise in the ordinary course of conducting its activities. In the opinion of management, the College has defensible positions and any ultimate liabilities are covered by insurance or will not materially affect the financial position of the College.

## (12) Related Party Transactions

Members of the College’s Board of Trustees and senior management may, from time to time, be associated, either directly or indirectly, with companies doing business with the College. All members of the College’s Board, Committee members, Officers of Instruction, and Officers of Administration are surveyed annually as to potential conflicts of interest. The College requires disclosure of significant financial interest in, or employment, or consulting relationships with, entities doing business with the College. When such relationships exist, measures are taken to address the actual or perceived conflict to protect the best interests of the College and ensure compliance with relevant conflict of interest laws.

Certain of the College’s investments are managed by entities in which the management or ownership of the entities includes members of the College’s Board of Trustees or its Committees, or held at financial institutions for which key employees serve as board members. The total amount of investments managed by such entities amounted to $212,225,000 and $226,955,000 at June 30, 2023 and 2022, respectively. The selection, due diligence, recommendation and monitoring associated with these investments is equally as rigorous as with any of the College’s investments. Related parties must recuse themselves from any decisions involving their respective entities and are subject to the Investment Committee conflict of interest policies. In all cases, the College pays fees for these investments that are at or below market.

## (13) Subsequent Events

The College considers events or transactions that occur after the statement of financial position date, but before the financial statements are issued, to provide additional evidence relative to certain estimates or to identify matters that require additional disclosure. These financial statements were issued on October 16, 2023, and subsequent events have been evaluated through that date.