



BOWDOIN COLLEGE

Financial Statements

Year ended June 30, 2022

(with summarized comparative information for June 30, 2021)

(With Independent Auditors' Report Thereon)



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

Independent Auditors' Report

The 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, 2022, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the College as of June 30, 2022, and the changes in 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 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 19, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.

KPMG LLP

Boston, Massachusetts
October 17, 2022

BOWDOIN COLLEGE

Statement of Financial Position

June 30, 2022

(with comparative information as of June 30, 2021)

(In thousands)

Assets	2022	2021
Cash and cash equivalents	\$ 2,818	2,800
Accounts receivable	2,096	2,559
Other assets	6,897	5,971
Contributions receivable, net	52,463	61,134
Student loans receivable, net	1,090	1,528
Investments	2,666,975	2,864,654
Beneficial interest in trusts	8,777	9,900
Funds held by bond trustee	6,579	6,580
Right-of-use assets - operating leases	9,511	10,183
Right-of-use assets - financing leases	2,009	2,162
Property and equipment, net	343,741	329,715
Total assets	<u>\$ 3,102,956</u>	<u>3,297,186</u>
Liabilities		
Accounts payable and accrued liabilities	\$ 29,774	24,001
Operating lease liabilities	9,750	10,311
Financing lease liabilities	1,944	2,071
Split-interest obligations	12,540	14,740
Liability for postretirement benefits	17,633	21,033
Bonds and notes payable	348,843	281,947
Other long-term obligations	16,328	24,738
Total liabilities	<u>436,812</u>	<u>378,841</u>
Net Assets		
Without donor restriction	300,727	320,605
With donor restriction	2,365,417	2,597,740
Total net assets	<u>2,666,144</u>	<u>2,918,345</u>
Total liabilities and net assets	<u>\$ 3,102,956</u>	<u>3,297,186</u>

See accompanying notes to financial statements.

BOWDOIN COLLEGE

Statement of Activities

Year ended June 30, 2022

(with summarized comparative information for the year ended June 30, 2021)

(In thousands)

	<u>Without donor restriction</u>	<u>With donor restriction</u>	<u>2022 Total</u>	<u>2021 Total</u>
Operating activity:				
Revenue:				
Net student charges	\$ 86,420	—	86,420	66,272
Auxiliary enterprises	3,654	—	3,654	1,868
Contributions	9,331	8,977	18,308	16,797
Endowment return appropriated	6,716	75,523	82,239	77,696
Designated net assets appropriated	3,146	—	3,146	7,280
Other investment income	1,070	2	1,072	1,284
Grants and contracts	4,930	29	4,959	4,824
Other income	2,140	163	2,303	820
Net assets released from restrictions	78,407	(78,407)	—	—
Total operating revenue	<u>195,814</u>	<u>6,287</u>	<u>202,101</u>	<u>176,841</u>
Expenses:				
Salaries and wages	90,600	—	90,600	80,704
Employee benefits	29,527	—	29,527	25,176
Depreciation and amortization	15,616	—	15,616	14,964
Interest expense	12,884	—	12,884	11,980
Other operating expenses	53,048	—	53,048	42,424
Total operating expenses	<u>201,675</u>	<u>—</u>	<u>201,675</u>	<u>175,248</u>
(Decrease) increase in net assets from operating activity	<u>(5,861)</u>	<u>6,287</u>	<u>426</u>	<u>1,593</u>
Nonoperating activity:				
Contributions	6,040	19,423	25,463	16,920
Investment return, net of endowment return appropriated	(26,823)	(257,816)	(284,639)	930,830
Designated net assets appropriated	(3,146)	—	(3,146)	(7,280)
Net assets released from restrictions	215	(215)	—	—
Other changes	9,697	(2)	9,695	(5,254)
(Decrease) increase in net assets from nonoperating activity	<u>(14,017)</u>	<u>(238,610)</u>	<u>(252,627)</u>	<u>935,216</u>
Total change in net assets	<u>(19,878)</u>	<u>(232,323)</u>	<u>(252,201)</u>	<u>936,809</u>
Net assets, beginning of year	<u>320,605</u>	<u>2,597,740</u>	<u>2,918,345</u>	<u>1,981,536</u>
Net assets, end of year	<u>\$ 300,727</u>	<u>2,365,417</u>	<u>2,666,144</u>	<u>2,918,345</u>

See accompanying notes to financial statements.

BOWDOIN COLLEGE

Statement of Cash Flows

Year ended June 30, 2022

(with comparative information for the year ended June 30, 2021)

(In thousands)

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Change in net assets	\$ (252,201)	936,809
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	15,616	14,964
Loss on disposal of property and equipment	59	341
Net realized and unrealized losses (gains) on investments and trusts	204,380	(1,011,978)
Change in fair value of interest rate swap	(3,250)	(2,342)
Cash paid for settlements under interest rate swap	723	748
Reduction in right-of-use assets – operating leases	672	669
Change in contributions receivable, net	8,671	869
Contributions for endowment and other long-term purposes	(26,146)	(21,664)
Change in other assets, net	(743)	1,377
Change in other liabilities, net	(7,630)	14,227
Change in operating lease liabilities	(561)	(558)
Net cash used in operating activities	<u>(60,410)</u>	<u>(66,538)</u>
Cash flows from investing activities:		
Purchases of investments	(523,288)	(549,290)
Sales of investments	517,990	631,447
Cash paid for property and equipment	(26,113)	(21,071)
Proceeds from sale of property	20	4
Repayment of U.S. government loan advances	(410)	(516)
Decrease in funds held by trustee for construction	—	2,565
Change in student loans receivable	438	590
Net cash (used in) provided by investing activities	<u>(31,363)</u>	<u>63,729</u>
Cash flows from financing activities:		
Proceeds from issuance of bonds payable	65,000	—
Repayments on bonds payable	(510)	(490)
Borrowings on notes payable	7,500	4,000
Repayments on notes payable	(4,283)	(21,443)
Decrease (increase) in funds held by trustee for debt service	1	(7)
Cash paid for settlements under interest rate swap	(723)	(748)
Contributions for endowment and other long-term purposes	26,146	21,664
Bond issuance costs	(496)	—
Repayments on financing leases	(844)	(660)
Net cash provided by financing activities	<u>91,791</u>	<u>2,316</u>
Net change in cash and cash equivalents	18	(493)
Cash and cash equivalents, beginning of year	<u>2,800</u>	<u>3,293</u>
Cash and cash equivalents, end of year	<u>\$ 2,818</u>	<u>2,800</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 13,338	12,453
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	795	780
Noncash activities:		
Increase (decrease) in accrued liabilities from construction of buildings and purchase of equipment	\$ 3,039	(3,263)
Increase right-of-use asset and financing lease liabilities	717	2,731

See accompanying notes to financial statements.

BOWDOIN COLLEGE

Notes to Financial Statements

Year ended June 30, 2022

(with summarized comparative information for June 30, 2021)

(1) Summary of Significant Accounting Policies***Organization***

Founded in 1794, Bowdoin is a private, coeducational, nonsectarian, and highly selective college of approximately 1,960 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 2022, Bowdoin enrolled 1,874 full-time equivalent (FTE) students, not including 74 FTE students who studied off campus. Prominent alumni include educator Geoffrey Canada '74; former American Express CEO Kenneth Chenault '73; former Secretary of Defense William S. Cohen '62; Netflix CEO and co-founder Reed Hastings '83; former Senate Majority Leader and peacemaker George J. Mitchell '54; and Olympic champion Joan Benoit Samuelson '79, among many other leaders in all walks of life.

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, 2021, 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.

BOWDOIN COLLEGE

Notes to Financial Statements

Year ended June 30, 2022

(with summarized comparative information for June 30, 2021)

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.

BOWDOIN COLLEGE

Notes to Financial Statements

Year ended June 30, 2022

(with summarized comparative information for June 30, 2021)

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:

	<u>Estimated useful lives</u>
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, 2022 and 2021 is categorized in Level 2 of the fair value hierarchy.

BOWDOIN COLLEGE

Notes to Financial Statements

Year ended June 30, 2022

(with summarized comparative information for June 30, 2021)

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.
- 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 formula, 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.

BOWDOIN COLLEGE

Notes to Financial Statements

Year ended June 30, 2022

(with summarized comparative information for June 30, 2021)

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):

	<u>2022</u>	<u>2021</u>
Tuition and fees	\$ 109,186	98,342
Room and board	28,171	11,241
Gross student charges	137,357	109,583
Less scholarships	(50,937)	(43,311)
Net student charges	<u>\$ 86,420</u>	<u>66,272</u>

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 \$7,687,000 and \$6,231,000 for the years ended June 30, 2022 and 2021, 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.

BOWDOIN COLLEGE

Notes to Financial Statements

Year ended June 30, 2022

(with summarized comparative information for June 30, 2021)

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 \$2,177,000 and \$1,023,000 for the fiscal years ended June 30, 2022 and 2021, 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 \$10,100,000 and \$14,900,000 as of June 30, 2022 and 2021, 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.

BOWDOIN COLLEGE

Notes to Financial Statements

Year ended June 30, 2022

(with summarized comparative information for June 30, 2021)

(2) Net Assets

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

	<u>2022</u>	<u>2021</u>
Net assets without donor restriction:		
Board designated endowment	\$ 208,251	220,928
Net investment in plant	93,492	86,456
Reserves and working capital	20,634	41,521
Postretirement benefit obligations	(17,633)	(21,033)
Interest rate swap agreement	(4,017)	(7,267)
	<u>\$ 300,727</u>	<u>320,605</u>
Net assets with donor restriction:		
Purpose restricted endowment	\$ 2,264,567	2,497,510
Contributions receivable and split interest agreements	63,012	75,861
Other net assets held in perpetuity	8,211	5,962
Other spendable net assets	29,627	18,407
	<u>\$ 2,365,417</u>	<u>2,597,740</u>

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

	<u>Held in perpetuity</u>	<u>Subject to endowment appropriation</u>	<u>Available for specified purpose</u>	<u>Subject to passage of time</u>	<u>Total</u>
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
	<u>\$ 593,104</u>	<u>1,659,380</u>	<u>49,921</u>	<u>63,012</u>	<u>2,365,417</u>

BOWDOIN COLLEGE

Notes to Financial Statements

Year ended June 30, 2022

(with summarized comparative information for June 30, 2021)

	<u>Held in perpetuity</u>	<u>Subject to endowment appropriation</u>	<u>Available for specified purpose</u>	<u>Subject to passage of time</u>	<u>Total</u>
2021:					
Capital projects	\$ —	—	749	639	1,388
Instruction	49,017	169,194	19,036	3,888	241,135
Library and museums	24,478	89,026	16,587	618	130,709
Operations	54,006	371,039	2,096	3,681	430,822
Other purposes	17,462	37,983	6,828	18,044	80,317
Professorships	58,434	233,601	1,509	8,439	301,983
Scholarships and other assistance	334,065	932,239	1,347	40,552	1,308,203
Technology	23,199	79,984	—	—	103,183
	<u>\$ 560,661</u>	<u>1,913,066</u>	<u>48,152</u>	<u>75,861</u>	<u>2,597,740</u>

(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 asset and natural resources funds generally hold interests in private real estate, oil and gas partnerships, and mineral holdings.

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, 2022, 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.

BOWDOIN COLLEGE

Notes to Financial Statements

Year ended June 30, 2022

(with summarized comparative information for June 30, 2021)

The following tables summarize the College's investments by strategy and, as applicable, categorization in the fair value hierarchy as of June 30, 2022 and 2021 (in thousands):

	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
	<u>\$ 2,402,969</u>	<u>231,588</u>	<u>29,804</u>	<u>2,614</u>	<u>2,666,975</u>
2021:					
Cash and cash equivalents	\$ —	19,387	—	—	19,387
Fixed income	5	60,291	13,162	—	73,458
Equities:					
Domestic	247,918	9,410	—	—	257,328
Emerging markets	116,845	1,003	—	—	117,848
Global	163,750	52,752	—	—	216,502
Absolute return:					
Global macro	243,925	—	—	—	243,925
Global long/short	352,606	—	—	—	352,606
Opportunistic and other	110,514	—	—	—	110,514
Alternative investments:					
Private equity	1,257,696	—	—	—	1,257,696
Real assets	213,145	—	—	2,245	215,390
	<u>\$ 2,706,404</u>	<u>142,843</u>	<u>13,162</u>	<u>2,245</u>	<u>2,864,654</u>

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.

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(with summarized comparative information for June 30, 2021)

Liquidity

Investment liquidity as of June 30, 2022 and 2021 is aggregated in the tables below based on redemption or sale period (in thousands):

	<u>Daily</u>	<u>Monthly</u>	<u>Quarterly</u>	<u>Semi-annually</u>	<u>Annual/ longer</u>	<u>Illiquid</u>	<u>Total</u>
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
	<u>\$ 262,601</u>	<u>76,986</u>	<u>846,141</u>	<u>40,058</u>	<u>93,270</u>	<u>1,347,919</u>	<u>2,666,975</u>
2021:							
Cash and cash equivalents \$	19,288	—	—	—	—	99	19,387
Fixed income	64,066	—	—	—	—	9,392	73,458
Equities	83,252	27,750	382,546	—	77,597	20,533	591,678
Absolute return	386	112,232	531,798	2,582	26,353	33,694	707,045
Alternative investments	—	—	—	—	—	1,473,086	1,473,086
	<u>\$ 166,992</u>	<u>139,982</u>	<u>914,344</u>	<u>2,582</u>	<u>103,950</u>	<u>1,536,804</u>	<u>2,864,654</u>

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, 2022 was \$318,726,000. Of this amount, 19.6% 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 1,709 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

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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, 2022 and 2021 is as follows (in thousands):

	<u>Without donor restriction</u>	<u>With donor restriction</u>	<u>Total</u>
2022:			
Donor-restricted endowment funds	\$ —	2,244,272	2,244,272
Board-designated endowment funds	<u>208,251</u>	<u>20,295</u>	<u>228,546</u>
Total endowment funds	<u>\$ 208,251</u>	<u>2,264,567</u>	<u>2,472,818</u>
	<u>Without donor restriction</u>	<u>With donor restriction</u>	<u>Total</u>
2021:			
Donor-restricted endowment funds	\$ —	2,480,916	2,480,916
Board-designated endowment funds	<u>220,928</u>	<u>16,594</u>	<u>237,522</u>
Total endowment funds	<u>\$ 220,928</u>	<u>2,497,510</u>	<u>2,718,438</u>

Changes in endowment net assets for the years ended June 30, 2022 and 2021 are as follows (in thousands):

	<u>Without donor restriction</u>	<u>With donor restriction</u>	<u>Total</u>
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	<u>11,001</u>	<u>22,192</u>	<u>33,193</u>
Endowment net assets, end of year	<u>\$ 208,251</u>	<u>2,264,567</u>	<u>2,472,818</u>

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(with summarized comparative information for June 30, 2021)

	<u>Without donor restriction</u>	<u>With donor restriction</u>	<u>Total</u>
2021:			
Endowment net assets, beginning of year	\$ 146,100	1,634,870	1,780,970
Investment return	81,152	912,760	993,912
Appropriation of endowment assets for expenditure	(6,324)	(71,372)	(77,696)
New gifts, other additions and transfers between restriction categories	—	21,252	21,252
Endowment net assets, end of year	<u>\$ 220,928</u>	<u>2,497,510</u>	<u>2,718,438</u>

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.

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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 each of the years ended June 30, 2022 and 2021 was 5%. The annual distribution amounted to \$82,239,000 in 2022 and \$77,096,000 in 2021. In 2021, a supplemental draw of \$600,000 was distributed from the accumulated gains of a donor-restricted endowment fund for academic programming. The total fiscal year 2022 distribution of \$82,239,000 was 3.0% of the endowment market value as of June 30, 2021. The total fiscal year 2021 distribution of \$77,696,000 was 4.4% of the endowment market value as of June 30, 2020. 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. In 2022, the College withdrew \$13,151,000 from a donor-restricted term endowment at the request of the donor. The proceeds are being used to fund construction of a new building. The transfer out is netted against New gifts, other additions and transfers between restriction categories in the table above.

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. Deficiencies of this nature are reported in net assets with donor restriction. 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. There were no funds with deficiencies at June 30, 2021.

These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new contributions for donor-restricted endowment funds.

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Year ended June 30, 2022

(with summarized comparative information for June 30, 2021)

(4) Contributions Receivable

Contributions receivable consist of the following at June 30, 2022 and 2021 (in thousands):

	<u>2022</u>	<u>2021</u>
Pledges receivable	\$ 43,433	52,110
Contributions receivable held in outside trusts	<u>20,437</u>	<u>19,777</u>
Total contributions receivable	63,870	71,887
Less allowance for uncollectibles	(3,000)	(3,000)
Less unamortized discount (rates ranging from 1.0% to 6.4%)	<u>(8,407)</u>	<u>(7,753)</u>
Contributions receivable, net	<u>\$ 52,463</u>	<u>61,134</u>
Amounts due in:		
Less than one year	\$ 20,401	19,762
One to five years	23,032	32,348
More than five years	<u>20,437</u>	<u>19,777</u>
Gross amount due	<u>\$ 63,870</u>	<u>71,887</u>

As of June 30, 2022, 41% of the gross pledges receivable balance is due from six 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 \$4,502,000 and \$5,287,000 at June 30, 2022 and 2021, respectively.

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Year ended June 30, 2022

(with summarized comparative information for June 30, 2021)

(5) Leases

The components of lease expense are as follows:

	<u>2022</u>	<u>2021</u>
Finance lease expense:		
Amortization of right-of-use assets	\$ 869	569
Interest on lease obligations	59	60
Operating lease expense	908	908
Short-term lease expense	108	36
	<u>1,944</u>	<u>1,573</u>
Total lease cost	\$ 1,944	1,573
<u>Other information:</u>		
Weighted average remaining lease term - finance leases	2.40	3.00
Weighted average remaining lease term - operating leases	19.01	19.46
Weighted average discount rate - finance leases	2.85 %	3.42 %
Weighted average discount rate- operating leases	2.38 %	2.36 %

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

	<u>Operating</u>	<u>Finance</u>	<u>Total</u>
2023	\$ 849	903	1,752
2024	864	903	1,767
2025	873	182	1,055
2026	883	—	883
2027	893	—	893
Thereafter	8,166	—	8,166
	<u>12,528</u>	<u>1,988</u>	<u>14,516</u>
Less amounts representing interest	<u>(2,778)</u>	<u>(44)</u>	<u>(2,822)</u>
	\$ <u>9,750</u>	<u>1,944</u>	<u>11,694</u>

BOWDOIN COLLEGE

Notes to Financial Statements

Year ended June 30, 2022

(with summarized comparative information for June 30, 2021)

(6) Property and Equipment

A summary of property and equipment at June 30, 2022 and 2021 is as follows (in thousands):

	<u>2022</u>	<u>2021</u>
Land	\$ 7,265	7,265
Land improvements	15,933	15,899
Buildings	457,183	451,541
Furniture and fixtures	8,770	8,952
Instructional and computer equipment	12,523	11,832
Machinery and vehicles	4,008	3,672
Operational equipment	31,322	29,733
Construction in progress	31,192	10,988
	<u>568,196</u>	<u>539,882</u>
Accumulated depreciation	<u>(224,455)</u>	<u>(210,167)</u>
Land, buildings and equipment, net	<u>\$ 343,741</u>	<u>329,715</u>

The construction in progress balance at June 30, 2022 relates principally to construction of two new academic 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 \$9,166,000 and \$7,158,000 in 2022 and 2021, respectively. In response to the economic consequences of the pandemic, the College's contributions to these plans were reduced for the period September 1, 2020 through January 31, 2021.

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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, 2022 and 2021 is as follows (in thousands):

	<u>2022</u>	<u>2021</u>
Change in benefit obligation:		
APBO, beginning of year	\$ 21,033	21,325
Service costs	994	1,012
Interest costs	508	469
Plan participant contributions	96	66
Actuarial gain	(2,975)	(761)
Benefits paid	<u>(2,023)</u>	<u>(1,078)</u>
APBO and funded status, end of year	<u>\$ 17,633</u>	<u>21,033</u>
Change in plan assets:		
Fair value of plan assets at beginning of year	\$ —	—
Employer contributions	1,927	1,012
Plan participant contributions	96	66
Benefits paid	<u>(2,023)</u>	<u>(1,078)</u>
Fair value of plan assets at end of year	<u>\$ —</u>	<u>—</u>

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 4.31% in 2022 and 2.48% in 2021 based on prevailing interest rates. The weighted average health care cost trend rate used in measuring the APBO and benefit cost is 6.5% in 2022, gradually declining to 5.0% in 2025. As of June 30, 2022 and 2021, the College has internally funded a portion of this obligation through the establishment of a Board-designated endowment fund, which had a balance of \$12,925,000 and \$14,372,000, respectively.

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(with summarized comparative information for June 30, 2021)

Net Periodic Postretirement Benefit Cost

The discount rate used to value the net periodic postretirement benefit cost was 2.48% in 2022 and 2.26% in 2021. The net periodic postretirement benefit cost for the years ended June 30, 2022 and 2021 is as follows (in thousands):

	<u>2022</u>	<u>2021</u>
Postretirement benefits earned during the year (service cost)	\$ 994	1,012
Interest cost on accumulated postretirement benefit obligation	507	470
Amortization of prior service cost and actuarial loss	<u>291</u>	<u>364</u>
Net periodic postretirement benefit cost other than service cost	<u>798</u>	<u>834</u>
Total net periodic postretirement benefit cost	<u>\$ 1,792</u>	<u>1,846</u>

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):

	<u>Estimated benefit payments, net</u>
Year ending June 30:	
2023	\$ 1,186
2024	1,167
2025	1,214
2026	1,224
2027	1,220
2028–2032	6,611

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(with summarized comparative information for June 30, 2021)

(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, 2022 (in thousands):

	<u>2022</u>	<u>2021</u>
Obligations to Maine Health and Higher Education Facilities Authority (MHHEFA):		
Series 2008, variable rate (0.97% at June 30, 2022), due 2032-2037, par value \$20,700	\$ 20,506	20,484
Series 2009B, taxable, 6.667%, due 2035 – 2039, par value \$19,750	19,653	19,648
Series 2017, 5.000%, due 2035 – 2039, par value \$30,435	34,502	34,741
Series 2018, 4.000% – 5.000%, due 2021 – 2048, par value \$27,885	<u>30,485</u>	<u>31,142</u>
Total MHHEFA	105,146	106,015
Series 2012, taxable, 4.693%, due 2112, par value \$128,500	127,116	127,100
Series 2017, taxable, 4.061%, due 2047, par value \$45,000	44,565	44,548
Series 2021, taxable, 1.477%-2.930%, due 2025-2034, 2040-2051, par value \$65,000	<u>64,516</u>	<u>—</u>
Bonds payable, net	341,343	277,663
Line of credit facilities	7,500	4,000
Other notes payable	<u>—</u>	<u>284</u>
Bonds and notes payable	<u>\$ 348,843</u>	<u>281,947</u>

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 \$6,579,000 and \$6,580,000 at June 30, 2022 and 2021, 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, 2022 was \$12,884,000, net of amounts capitalized of \$448,000. Total interest expense incurred for the year ended June 30, 2021 was \$11,980,000, net of amounts capitalized of \$492,000.

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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, 2022 and 2021 (in thousands):

Counterparty	Expiration date	Remaining notional balance	Swap fixed/ floating rates	Fair value of liability at June 30	
				2022	2021
JPMorgan	July 1, 2037	\$ 20,500	Pay 3.89%/Receive 67% Fed Funds rate	\$ (4,017)	(7,267)

The terms and conditions of the swap include two-way collateral posting requirements for either counterparty in a liability position. As of June 30, 2022, 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, 2022 and 2021. The College has the right to terminate the interest rate swap agreement at any time at the prevailing market rate.

On July 1, 2019, the loan and tax regulatory agreements associated with the Series 2008 bonds were amended for the purpose of converting the bond interest rate from a LIBOR based variable rate to a variable rate based on the federal funds rate. The interest rate swap agreement was also amended to convert the variable interest rate it receives from the counterparty from a LIBOR based variable rate to a variable rate based on the federal funds rate.

The College recognized a realized loss related to swap settlements of \$723,000 and \$748,000 for the years ended June 30, 2022 and 2021, respectively. The College recognized an unrealized gain of \$3,250,000 and \$2,342,000 for the years ended June 30, 2022 and 2021, 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 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 \$7,500,000 and \$4,000,000 at June 30, 2022 and 2021, respectively.

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(with summarized comparative information for June 30, 2021)

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, 2022 (in thousands):

2023	\$	8,314
2024		550
2025		570
2026		3,330
2027		3,390
Thereafter		<u>328,900</u>
	\$	<u><u>345,054</u></u>

(9) Financial Assets and Liquidity Resources

As of June 30, 2022, 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	\$	2,818
Accounts receivable		2,096
Contributions receivable available for operations		3,272
Funds held by bond trustee for debt service		6,044
Operating reserves and working capital investments		149,617
Fiscal 2023 board-approved endowment distribution		<u>92,200</u>
Total financial assets available within one year	\$	<u><u>256,047</u></u>

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, 2022 was \$192,500,000.

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, 2022, the College had an additional \$208,251,000 of board designated endowment that is available to support general operations with Board approval.

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(with summarized comparative information for June 30, 2021)

(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.

Expenses by both natural and functional classification for the years ended June 30, 2022 and 2021, are presented below (in thousands):

	Program activities				Institutional support	Total expenses
	Instruction and research	Academic support	Student services	Auxiliary enterprises		
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
2021:						
Salaries and wages	\$ 35,987	7,116	16,261	8,668	12,672	80,704
Employee benefits	11,166	2,209	5,002	2,696	4,103	25,176
Depreciation and amortization	5,566	1,242	2,939	4,188	1,029	14,964
Interest expense	4,047	271	2,812	4,060	790	11,980
Other operating expenses	13,720	5,574	8,062	6,728	8,340	42,424
Total operating expenses	70,486	16,412	35,076	26,340	26,934	175,248
Net periodic postretirement benefit cost other than service cost	—	—	—	—	834	834
Loss on swap settlements	—	—	—	—	748	748
Total expenses by function	\$ 70,486	16,412	35,076	26,340	28,516	176,830

(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.

BOWDOIN COLLEGE

Notes to Financial Statements

Year ended June 30, 2022

(with summarized comparative information for June 30, 2021)

(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 \$226,955,000 and \$212,227,000 at June 30, 2022 and 2021, 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 17, 2022, and subsequent events have been evaluated through that date.