BOWDOIN COLLEGE

Financial Statements

Year ended June 30, 2019
(with summarized comparative information for June 30, 2018)

(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:

We have audited the accompanying financial statements of Bowdoin College (the College), which comprise the statement of financial position as of June 30, 2019, the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization's preparation and fair presentation of the financial statements 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 organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Bowdoin College as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended, in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

As discussed in Note 1 to the financial statements, in 2019, the College adopted Financial Accounting Standards Board Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statement of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited the College's 2018 financial statements, and we expressed an unmodified opinion on those financial statements in our report dated October 12, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived before the adjustments to adopt ASU 2016-14. As part of our audit of the 2019 financial statements, we also audited the adjustments described in Note 1 that were applied to adopt ASU 2016-14 retrospectively in the 2018 financial statements. In our opinion, such adjustments are appropriate and have been properly applied.

KPMG LLP

October 18, 2019

BOWDOIN COLLEGE

Statement of Financial Position
June 30, 2019
(with comparative information as of June 30, 2018)
(In thousands)

Assets		**2019**	**2018**
Cash and cash equivalents	$	905	4,184
Student and other receivables		1,928	1,899
Other assets		5,393	6,018
Contributions receivable, net		29,701	19,482
Student loans receivable, net		2,706	3,344
Investments		1,936,405	1,882,718
Beneficial interest in trusts		10,632	10,522
Funds held by bond trustee		97,044	7,065
Property and equipment, net		295,920	267,511
Total assets	$	2,380,634	2,202,743
Liabilities			
Accounts payable and accrued liabilities	$	29,917	23,960
Split-interest obligations		15,388	15,517
Liability for postretirement benefits		19,158	16,749
Bonds and notes payable		384,126	334,468
Other long-term obligations		12,135	8,944
Total liabilities		460,724	399,638
Net Assets			
Without donor restriction		255,634	257,557
With donor restriction		1,664,276	1,545,548
Total net assets		1,919,910	1,803,105
Total liabilities and net assets	$	2,380,634	2,202,743

See accompanying notes to financial statements.

BOWDOIN COLLEGE
Statement of Activities
Year ended June 30, 2019
(with summarized comparative information for the year ended June 30, 2018)
(In thousands)

	Without donor restriction	With donor restriction	2019 Total	2018 Total
Operating activity:				
Revenue:				
Net student charges	79,834	—	79,834	79,008
Auxiliary enterprises	4,932	—	4,932	4,851
Contributions	9,091	4,236	13,327	17,924
Endowment return appropriated	5,632	62,020	67,652	63,241
Designated net assets appropriated	299	—	299	—
Other investment income	5,781	11	5,792	5,382
Grants and contracts	3,394	283	3,677	3,281
Other income	2,229	179	2,408	2,518
Net assets released from restrictions	64,848	(64,848)	—	—
Total operating revenue	176,040	1,881	177,921	176,205
Expenses:				
Salaries and wages	80,783	—	80,783	75,234
Employee benefits	25,482	—	25,482	23,771
Depreciation and amortization	13,071	—	13,071	12,763
Interest expense	14,820	—	14,820	14,237
Other operating expenses	45,275	—	45,275	41,451
Total operating expenses	179,431	—	179,431	167,456
(Decrease) increase in net assets from operating activity	(3,391)	1,881	(1,510)	8,749
Nonoperating activity:				
Contributions	1,087	28,363	29,450	6,242
Investment return, net of endowment return appropriated	4,328	90,803	95,131	161,444
Designated net assets appropriated	(299)	—	(299)	—
Net assets released from restrictions	2,920	(2,920)	—	—
Other changes	(6,568)	601	(5,967)	(2,189)
Increase in net assets from nonoperating activity	1,468	116,847	118,315	165,497
Total change in net assets	(1,923)	118,728	116,805	174,246
Net assets, beginning of year, restated	257,557	1,545,548	1,803,105	1,628,859
Net assets, end of year	$ 255,634	1,664,276	1,919,910	1,803,105

See accompanying notes to financial statements.

BOWDOIN COLLEGE
Statement of Cash Flows
Year ended June 30, 2019
(with comparative information for the year ended June 30, 2018)
(In thousands)

		2019	2018
Cash flows from operating activities:			
Change in net assets	$	116,805	174,246
Adjustments to reconcile change in net assets to net cash used in operating activities:			
Depreciation and amortization		13,071	12,763
Loss on extinguishment of debt		—	1,609
Loss on disposal of property and equipment		420	306
Net realized and unrealized gains on investments and trusts		(170,018)	(229,419)
Change in fair value of interest rate swap		1,710	(1,471)
Cash paid for settlements under interest rate swap		437	550
Change in contributions receivable, net		(10,219)	8,297
Contributions for endowment and other long-term purposes		(18,371)	(13,979)
Change in other assets, net		420	(558)
Change in other liabilities, net		6,913	576
Net cash used in operating activities		(58,832)	(47,080)
Cash flows from investing activities:			
Purchases of investments		(407,682)	(368,639)
Sales of investments		524,079	436,109
Cash paid for property and equipment		(39,308)	(23,133)
Repayment of U.S. government loan advances		—	(482)
Increase in funds held by trustee for construction		(24,426)	—
Change in student loans receivable, net		638	422
Net cash provided by investing activities		53,301	44,277
Cash flows from financing activities:			
Borrowings on bonds payable		32,389	35,979
Repayments on bonds payable		—	(34,980)
Borrowings on notes payable		41,437	23,295
Repayments on notes payable		(23,578)	(32,555)
Bond issuance costs		(377)	(400)
Increase in funds held by trustee for debt service		(65,553)	(379)
Cash paid for settlements under interest rate swap		(437)	(550)
Contributions for endowment and other long-term purposes		18,371	13,979
Net cash provided by financing activities		2,252	4,389
Net change in cash and cash equivalents		(3,279)	1,586
Cash and cash equivalents, beginning of year		4,184	2,598
Cash and cash equivalents, end of year	$	905	4,184

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 approximately 1,800 students of distinction from across America and around the world. Accredited by the New England Association of Schools and Colleges, 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 2019, Bowdoin enrolled 1808 full-time equivalent (FTE) students, not including 154 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, 2018, from which the summarized information was derived.

New Accounting Pronouncements

In fiscal year 2019, the College retrospectively adopted the provisions of ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 reduces the number of net asset categories from three (unrestricted, temporarily restricted, and permanently restricted) to two: net assets without donor restriction, and net assets with donor restriction. In addition, the ASU increases the quantitative and qualitative disclosures regarding liquidity and availability of resources, and requires expenses to be reported by both their natural and functional classification in one location.

As a result of the adoption of ASU 2016-14, net assets as of June 30, 2018 were reclassified as follows (in thousands):

	ASU 2016-14 Classifications		
As previously presented:	**Without donor restriction**	**With donor restriction**	**Total net assets**
Unrestricted	$ 257,557	—	257,557
Temporarily restricted	—	1,014,430	1,014,430
Permanently restricted	—	531,118	531,118
Total net assets	$ 257,557	1,545,548	1,803,105

In fiscal year 2019, the College adopted the provisions of ASU 2014-09, *Revenue from Contracts with Customers (Topic 606),* as amended, on a modified retrospective basis. The College's adoption of ASU 2014-09 did not materially change the timing or amount of revenue recognized by the College. However, the ASU requires that revenue from tuition and fees, student housing, and student meal plans be presented in the statement of activities at the transaction price, which is net of student aid. Previously, such revenues were presented gross (i.e., at published rates), followed by a reduction for institutional student aid. Accordingly, the College's 2018 statement of activities has been revised to conform to the 2019 presentation.

In fiscal year 2019, the College adopted the provisions of ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* on a modified prospective basis. Under ASU 2018-08, grants and contracts awarded by federal agencies and other sponsors are generally considered non-exchange transactions restricted by sponsors for certain purposes, and are recognized as revenue when qualifying expenditures are incurred. Previously, such awards were deemed to be exchange transactions, though revenue was similarly recognized when qualifying expenditures were incurred. The College has elected the simultaneous release policy for federal and other reimbursement-based grants available under ASU 2018-08, which allows a not-for-profit organization to recognize a restricted contribution directly in net assets without donor restriction if the restriction is met in the same period that the revenue is recognized. As such, the timing, amount, and presentation of revenue from federal grants and contracts has not materially changed as a result of adopting the provisions of ASU 2018-08.

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 Equivalents

For purposes of the statement of cash flows, cash equivalents, except for those held for investment, consist of money market funds and investments with original maturities of three months or less and are carried at cost, which approximates fair value.

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.

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 3.2% to 7.0%.

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. 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, 2019 and 2018 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 discounts, are capitalized and amortized over the lives of the respective debt issues. Bonds payable are presented net of unamortized issue costs and discounts.

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.

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., long-term investment).

Operations

The statement of activities reflects a subtotal for the change in net assets from operations. This subtotal reflects revenues the College received for 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.

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):

		2019	2018
Tuition and fees	$	97,417	93,342
Room and board		24,886	23,757
Gross student charges		122,303	117,099
Less: scholarships		(42,469)	(38,091)
Net student charges	$	79,834	79,008

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 substantially met.

Fundraising Costs

All fundraising costs including incremental costs incurred for major capital campaigns are expensed as incurred. Total fundraising expenses were $7,347,000 and $6,778,000 for the years ended June 30, 2019 and 2018, 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.

Effective in fiscal year 2019, 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. Excise tax expense of

$1,100,000 for the fiscal year ended June 30, 2019 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 $1,500,000. 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.

(2) Net Assets

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

		2019	2018
Net assets without donor restriction:			
Board designated endowment	$	144,083	135,556
Net investment in plant		71,707	71,265
Reserves and working capital		39,844	50,736
	$	255,634	257,557
Net assets with donor restriction:			
Purpose restricted endowment	$	1,599,588	1,492,609
Contributions receivable & split interest agreements		43,632	34,363
Other net assets held in perpetuity		4,250	4,000
Other spendable net assets		16,806	14,576
	$	1,664,276	1,545,548

Net assets with donor restriction are subject to the following time and purposes restrictions:

		Held in perpetuity	Subject to endowment appropriation	Available for specified purpose	Subject to passage of time	Total
2019:						
Capital projects	$	—	—	5,036	4,040	9,076
Instruction		45,926	94,020	8,178	2,819	150,943
Library and museums		22,917	53,350	6,780	90	83,137
Operations		52,613	224,696	1,295	3,638	282,242
Other purposes		15,996	19,160	4,263	6,780	46,199
Professorships		56,498	132,014	887	30	189,429
Scholarships and other assistance		309,332	498,902	1,219	26,235	835,688
Technology		23,199	44,363	—	—	67,562
	$	526,481	1,066,505	27,658	43,632	1,664,276

	Held in perpetuity	Subject to endowment appropriation	Available for specified purpose	Subject to passage of time	Total
2018:					
Capital projects	$ —	—	4,641	7,198	11,839
Instruction	44,981	86,137	7,927	2,304	141,349
Library and museums	22,722	48,535	6,780	93	78,130
Operations	51,796	209,219	1,004	3,231	265,250
Other purposes	14,457	17,216	2,654	3,264	37,591
Professorships	53,367	121,223	922	29	175,541
Scholarships and other assistance	298,971	453,743	1,098	18,244	772,056
Technology	23,198	40,594	—	—	63,792
	$ 509,492	976,667	25,026	34,363	1,545,548

(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, 2019, 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

(Continued)

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, 2019 and 2018 (in thousands):

	Investments measured at NAV	Investments categorized in the fair value hierarchy			Total fair value
		Level 1	Level 2	Level 3	
2019:					
Cash and cash equivalents	$ —	20,380	—	—	20,380
Fixed income	1,243	41,851	10,647	—	53,741
Equities:					
Domestic	164,750	13,770	—	—	178,520
Emerging markets	99,144	878	—	—	100,022
Global	174,907	7,505	—	—	182,412
Absolute return:					
Global macro	198,146	—	—	—	198,146
Global long/short	195,100	—	—	—	195,100
Opportunistic & other	191,059	—	—	—	191,059
Alternative investments:					
Private equity	614,224	—	—	—	614,224
Real assets	200,484	—	—	2,317	202,801
	$ 1,839,057	84,384	10,647	2,317	1,936,405

	Investments measured at NAV	Investments categorized in the fair value hierarchy			Total fair value
		Level 1	Level 2	Level 3	
2018:					
Cash and cash equivalents	$ —	25,412	—	—	25,412
Fixed income	22,842	54,913	15,101	—	92,856
Equities:					
Domestic	159,596	10,866	—	—	170,462
Emerging markets	96,260	434	—	—	96,694
Global	149,641	3,995	—	—	153,636
Absolute return:					
Global macro	190,911	—	—	—	190,911
Global long/short	212,709	—	—	—	212,709
Opportunistic & other	235,022	—	—	—	235,022
Alternative investments:					
Private equity	513,468	—	—	—	513,468
Real assets	185,198	—	—	6,350	191,548
	$ 1,765,647	95,620	15,101	6,350	1,882,718

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.

Transfers between categories occur when there is an event that changes the inputs used to measure the fair value of an asset or liability. There were no transfers between Levels 1, 2 or 3 during the years ended June 30, 2019 and 2018.

Liquidity

Investment liquidity as of June 30, 2019 and 2018 is aggregated in the tables below based on redemption or sale period (in thousands):

		Daily	Monthly	Quarterly	Semi-annually	Annual/ longer	Illiquid	Total
2019:								
Cash and cash equivalents	$	20,057	—	—	—	—	323	20,380
Fixed income		43,654	—	1,243	—	—	8,844	53,741
Equities		45,751	47,630	293,637	—	59,765	14,171	460,954
Absolute return		—	86,753	417,409	15,368	33,627	31,148	584,305
Alternative investments		—	—	—	—	—	817,025	817,025
	$	109,462	134,383	712,289	15,368	93,392	871,511	1,936,405

		Daily	Monthly	Quarterly	Semi-annually	Annual/ longer	Illiquid	Total
2018:								
Cash and cash equivalents	$	25,398	—	—	—	—	14	25,412
Fixed income		60,959	—	22,842	—	—	9,055	92,856
Equities		41,790	53,389	231,157	12,514	66,815	15,127	420,792
Absolute return		—	82,424	464,167	19,691	38,301	34,059	638,642
Alternative investments		—	—	—	—	—	705,016	705,016
	$	128,147	135,813	718,166	32,205	105,116	763,271	1,882,718

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, 2019 was $338,327,802. Of this amount, 14.2% 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 1,613 individual donor-restricted endowment funds and 137 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, 2019 and 2018 is as follows (in thousands):

		Without donor restriction	With donor restriction	Total
2019:				
Donor-restricted endowment funds	$	—	1,593,299	1,593,299
Board-designated endowment funds		144,083	6,289	150,372
Total endowment funds	$	144,083	1,599,588	1,743,671

		Without donor restriction	With donor restriction	Total
2018:				
Donor-restricted endowment funds	$	—	1,486,671	1,486,671
Board-designated endowment funds		135,556	5,938	141,494
Total endowment funds	$	135,556	1,492,609	1,628,165

(Continued)

Changes in endowment net assets for the years ended June 30, 2019 and 2018 are as follows (in thousands):

		Without donor restriction	With donor restriction	Total
2019:				
Endowment net assets, beginning of year	$	135,556	1,492,609	1,628,165
Investment return		13,665	151,683	165,348
Appropriation of endowment assets for expenditure		(5,632)	(62,020)	(67,652)
New gifts, other additions and transfers between restriction categories		494	17,316	17,810
Endowment net assets, end of year	$	144,083	1,599,588	1,743,671

		Without donor restrictions	With donor restrictions	Total
2018:				
Endowment net assets, beginning of year	$	120,421	1,335,488	1,455,909
Investment return		18,158	200,806	218,964
Appropriation of endowment assets for expenditure		(5,230)	(58,011)	(63,241)
New gifts, other additions and transfers between restriction categories		2,207	14,326	16,533
Endowment net assets, end of year	$	135,556	1,492,609	1,628,165

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 each of the years ended June 30, 2019 and 2018 was 5%. The annual distribution amounted to $67,652,000 in 2019 and $63,241,000 in 2018. The fiscal year 2019 distribution of $67,652,000 was 4.2% of the endowment market value as of June 30, 2018. 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. Deficiencies of this nature are reported in net assets with donor restriction. There were no funds with deficiencies at June 30, 2019 and 2018.

(4) Contributions Receivable

Contributions receivable consist of the following at June 30, 2019 and 2018 (in thousands):

		2019	2018
Pledges receivable	$	28,467	17,384
Contributions receivable held in outside trusts		9,455	9,764
Total contributions receivable		37,922	27,148
Less allowance for uncollectibles		(1,250)	(1,000)
Less unamortized discount (rates ranging from 1.3% to 5.3%)		(6,971)	(6,666)
Contributions receivable, net	$	29,701	19,482
Amounts due in:			
Less than one year	$	8,250	6,376
One to five years		20,217	11,008
More than five years		9,455	9,764
Gross amount due	$	37,922	27,148

As of June 30, 2019, 40% of the gross pledges receivable balance is due from four 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 amount of total unrecognized federal grant awards was approximately $3,900,000 at June 30, 2019.

(5) Property and Equipment

A summary of property and equipment at June 30, 2019 and 2018 is as follows (in thousands):

		2019	2018
Land	$	6,831	5,650
Land improvements		14,879	14,156
Buildings		383,173	356,635
Furniture and fixtures		6,269	5,491
Instructional and computer equipment		10,822	10,438
Machinery and vehicles		3,353	3,453
Operational equipment		29,043	28,040
Construction in progress		23,923	14,777
		478,293	438,640
Accumulated depreciation		(182,373)	(171,129)
Land, buildings and equipment, net	$	295,920	267,511

The construction in progress balance at June 30, 2019 relates principally to construction of new student housing, expansion of coastal studies research facilities, and renovations to new warehouse space.

(6) 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 $8,165,000 and $7,796,000 in 2019 and 2018, 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, 2019 and 2018 is as follows (in thousands):

		2019	2018
Change in benefit obligation:			
APBO, beginning of year	$	16,749	16,428
Service costs		992	959
Interest costs		635	584
Plan participant contributions		310	280
Actuarial loss		148	92
Amendments		1,768	—
Benefits paid		(1,444)	(1,594)
APBO and funded status, end of year	$	19,158	16,749
Change in plan assets:			
Fair value of plan assets at beginning of year	$	—	—
Employer contributions		1,134	1,314
Plan participant contributions		310	280
Benefits paid		(1,444)	(1,594)
Fair value of plan assets at end of year	$	—	—

Effective January 1, 2020, Medicare will no longer permit new enrollments in Medicare Supplement Plan F. As a result, during fiscal year 2019, the College announced plans to eliminate its self-insured Medicare Supplement Plan F coverage for retirees over the age of 65 effective December 31, 2019. Effective January 1, 2020, the College will provide 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 effect of this plan change on the APBO is an increase of $1,768,000, and is reported in Other changes in the Statement of Activities.

The College uses the RP-2014 mortality tables issued by the Society of Actuaries to value the APBO. The discount rate used to value the APBO was 3.20% in 2019 and 3.89% in 2018 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 2019, gradually declining to 5.0% in 2025. As of June 30, 2019 and 2018, the College has internally funded a portion of this obligation through the establishment of a Board-designated endowment fund, which had a balance of $9,078,000 and $8,885,000, respectively.

Net Periodic Postretirement Benefit Cost

The discount rate used to value the net periodic postretirement benefit cost was 3.89% in 2019 and 3.43% in 2018. The net periodic postretirement benefit cost for the years ended June 30, 2019 and 2018 is as follows (in thousands):

		2019	2018
Postretirement benefits earned during the year (service cost)	$	992	959
Interest cost on accumulated postretirement benefit obligation		635	584
Amortization of prior service cost and actuarial loss		27	67
Net periodic postretirement benefit cost other than service cost		662	651
Total net periodic postretirement benefit cost	$	1,654	1,610

In the statement of activities, service cost has been allocated to expenses by function in operating activity, and net periodic benefit cost other than service cost is included in Other changes in nonoperating activity. The prior service cost that will be recognized as net periodic benefit cost in 2020 is $209,000.

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

		Estimated benefit payments, net
Year ending June 30:		
2020	$	1,137
2021		1,119
2022		1,123
2023		1,193
2024		1,175
2025–2029		6,220

The College expects to make employer contributions of $1,137,000 for the year ending June 30, 2020.

(7) Bonds and Other Debt Obligations

Bonds Payable

The following is a summary of bonds outstanding at June 30, 2019, net of unamortized discounts and issuance costs (in thousands):

Obligations to Maine Health and Higher Education Facilities Authority (MHHEFA):		
Series 2008, variable rate (2.38% at June 30, 2019), due 2032-2037, par value $20,700	$	20,442
Series 2009A, 5.000% – 5.125%, due 2035 – 2039, par value $64,790		63,746
Series 2009B, taxable, 6.667%, due 2035 – 2039, par value $19,750		19,636
Series 2017, 5.000%, due 2035 – 2039, par value $30,435		35,220
Series 2018, 4.000% - 5.000%, due 2020 – 2048, par value $28,885		31,926
Total MHHEFA		170,970
Series 2012, taxable, 4.693%, due 2112, par value $128,500		127,069
Series 2017, taxable, 4.061%, due 2047, par value $45,000		44,513
Bonds payable, net	$	342,552

On November 29, 2018, the College issued $28,885,000 Series 2018 Revenue Bonds through MHHEFA. The bonds bear interest at rates of 4.000% and 5.000%, payable semi-annually to bondholders.

The College administers a refunding escrow originating from a portion of the Series 2012 Taxable Bond proceeds for the purpose of paying debt service, including the redemption price of all or a portion of the $64,790,000 remaining Series 2009A Revenue Bonds at their first optional call date of July 1, 2019. In May 2019, the College issued an unconditional redemption notice for these bonds, and transferred $64,790,000 to the bond trustee. The balance held in the escrow was $30,415,000 at June 30, 2019, and is available to finance capital projects. Certain securities held in the escrow and with the bond trustee do not meet the definition of permitted investments for the purpose of legally defeasing the Series 2009A Revenue Bonds. Therefore, both the escrow investment assets and the Series 2009A Revenue Bond debt are included in the statement of financial position, reported in Investments and Bonds and notes payable, respectively.

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 $97,044,000 and $7,065,000 at June 30, 2019 and 2018, 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, 2019 was $14,820,000, net of amounts capitalized of $446,000. Total interest expense incurred for the year ended June 30, 2018 was $14,237,000, net of amounts capitalized of $182,000.

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, 2019 and 2018:

Counterparty	Expiration date	Remaining notional balance	Swap fixed/ floating rates	Fair value of liability at June 30 2019	Fair value of liability at June 30 2018
JPMorgan	July 1, 2037	$ 20,500,000	Pay 3.84%/Receive 67% 3-month LIBOR	$ (6,761,000)	(5,051,000)

The terms and conditions of the swap include two-way collateral posting requirements for either counterparty in a liability position. As of June 30, 2019, 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, 2019 and 2018. 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 $437,000 and $550,000 for the years ended June 30, 2019 and 2018, respectively. The College recognized an unrealized loss of $1,710,000 for the year ended June 30, 2019 and an unrealized gain of $1,471,000 for the year ended June 30, 2018. The activity is included in Other changes in the statement of activities.

Other Debt Obligations

The College has $70,000,000 available under an uncollateralized, revolving line of credit with a financial institution expiring in March 2020, with interest payable monthly on outstanding advances at variable rates based upon LIBOR and/or a federal funds rate, as selected by the College on the date of the advance. The balance outstanding on the line of credit was $41,437,000 and $23,295,000 at June 30, 2019 and 2018, respectively.

During the year ended June 30, 2019, the College was obligated under two capital leases for the purchase of fitness equipment and network infrastructure licensing and maintenance. The lease terms range from 36 to 60 months. Interest is computed using incremental borrowing rates that range from interest-free to 3.29%. The principal outstanding was $137,000 and $420,000 at June 30, 2019 and 2018, 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, 2019 (in thousands):

2020	$	106,280
2021		545
2022		539
2023		530
2024		550
Thereafter		271,190
	$	379,634

(8) Financial Assets and Liquidity Resources

As of June 30, 2019, financial assets and liquidity resources available within one year for operating expenditures, including salaries and wages, employee benefits, debt service, facilities maintenance, and other operating expenses were as follows (in thousands):

Financial assets:		
Cash	$	905
Student and other receivables		1,928
Pledge payments available for operations		1,380
Funds held by bond trustee for debt service		7,818
Operating reserves and working capital investments		63,490
Fiscal 2020 board-approved endowment distribution		71,800
Total financial assets available within one year	$	147,321

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 maintains a $70,000,000 line of credit with a financial institution that is drawn upon as needed to manage both operating and endowment cash flow. The balance available at June 30, 2019 was $28,563,000.

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, 2019, the College had an additional $144,083,000 of board designated endowment that is available to support general operations with Board approval.

(9) Expenses by Function and Natural Classification

The statement of activities presents operating expenses by natural classification (e.g. salaries and wages, depreciation). ASU 2016-14 requires the College to also report 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 year ended June 30, 2019, and summarized information for the year ended June 30, 2018, are presented below (in thousands):

		Program activities					
		Instruction and research	Academic support	Student services	Auxiliary enterprises	Institutional support	Total expenses
2019:							
Salaries and wages	$	35,447	7,391	22,380	3,141	12,424	80,783
Employee benefits		11,395	2,261	6,848	884	4,094	25,482
Depreciation and amortization		4,528	1,122	5,699	207	1,515	13,071
Interest expense		4,128	408	9,048	514	722	14,820
Other operating expenses		10,778	6,850	16,962	3,063	7,622	45,275
Total operating expenses		66,276	18,032	60,937	7,809	26,377	179,431
Net periodic postretirement benefit cost other than service cost		—	—	—	—	662	662
Loss on swap settlements		—	—	—	—	437	437
Total expenses by function	$	66,276	18,032	60,937	7,809	27,476	180,530
2018 (summarized):							
Total operating expenses	$	61,833	17,067	57,104	6,954	24,498	167,456
Net periodic postretirement benefit cost other than service cost		—	—	—	—	651	651
Loss on swap settlements		—	—	—	—	550	550
Total expenses by function	$	61,833	17,067	57,104	6,954	25,699	168,657

(10) 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.

(11) Related Party Transactions

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 $179,427,000 and $166,376,000 at June 30, 2019 and 2018, 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.

(12) Supplemental Disclosure of Cash Flow Information

Supplemental disclosure of cash flow information is as follows (in thousands):

		2019	2018
Cash paid for interest	$	15,111	14,394
Noncash activities:			
Increase in accrued liabilities from construction of buildings and purchase of equipment		2,774	494
(Decrease) in net fixed asset recognized related to asset retirement obligation		(3)	(3)

(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 18, 2019 and subsequent events have been evaluated through that date.