KPMG

BOWDOIN COLLEGE

Financial Statements

Year ended June 30, 2020
(with summarized comparative information for June 30, 2019)

(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, 2020, 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, 2020, 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.

Report on Summarized Comparative Information

We have previously audited the College's 2019 financial statements, and we expressed an unmodified opinion on those financial statements in our report dated October 18, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

KPMG LLP

October 16, 2020

BOWDOIN COLLEGE
Statement of Financial Position
June 30, 2020
(with comparative information as of June 30, 2019)
(In thousands)

Assets		2020	2019
Cash and cash equivalents	$	3,293	905
Accounts receivable		2,133	1,928
Other assets		5,667	5,393
Contributions receivable, net		62,003	29,701
Student loans receivable, net		2,118	2,706
Investments		1,936,521	1,936,405
Beneficial interest in trusts		10,319	10,632
Funds held by bond trustee		9,138	97,044
Property and equipment, net		326,957	295,920
Total assets	$	2,358,149	2,380,634
Liabilities			
Accounts payable and accrued liabilities	$	23,524	29,917
Split-interest obligations		14,689	15,388
Liability for postretirement benefits		21,325	19,158
Bonds and notes payable		300,207	384,126
Other long-term obligations		16,868	12,135
Total liabilities		376,613	460,724
Net Assets			
Without donor restriction		246,539	255,634
With donor restriction		1,734,997	1,664,276
Total net assets		1,981,536	1,919,910
Total liabilities and net assets	$	2,358,149	2,380,634

See accompanying notes to financial statements.

BOWDOIN COLLEGE

Statement of Activities

Year ended June 30, 2020

(with summarized comparative information for the year ended June 30, 2019)

(In thousands)

	Without donor restriction	With donor restriction	2020 Total	2019 Total
Operating activity:				
Revenue:				
Net student charges	$ 76,118	—	76,118	79,834
Auxiliary enterprises	3,960	—	3,960	4,932
Contributions	10,006	10,985	20,991	13,327
Endowment return appropriated	5,929	66,427	72,356	67,652
Designated net assets appropriated	1,524	—	1,524	299
Other investment income	1,574	10	1,584	5,792
Grants and contracts	5,062	—	5,062	3,677
Other income	1,789	129	1,918	2,408
Net assets released from restrictions	67,563	(67,563)	—	—
Total operating revenue	173,525	9,988	183,513	177,921
Expenses:				
Salaries and wages	81,527	—	81,527	80,783
Employee benefits	27,232	—	27,232	25,482
Depreciation and amortization	13,610	—	13,610	13,071
Interest expense	11,756	—	11,756	14,820
Other operating expenses	42,133	—	42,133	45,275
Total operating expenses	176,258	—	176,258	179,431
(Decrease) increase in net assets from operating activity	(2,733)	9,988	7,255	(1,510)
Nonoperating activity:				
Contributions	392	44,674	45,066	29,450
Investment return, net of endowment return appropriated	3,720	17,076	20,796	95,131
Designated net assets appropriated	(1,524)	—	(1,524)	(299)
Net assets released from restrictions	639	(639)	—	—
Other changes	(9,589)	(378)	(9,967)	(5,967)
(Decrease) increase in net assets from nonoperating activity	(6,362)	60,733	54,371	118,315
Total change in net assets	(9,095)	70,721	61,626	116,805
Net assets, beginning of year	255,634	1,664,276	1,919,910	1,803,105
Net assets, end of year	$ 246,539	1,734,997	1,981,536	1,919,910

See accompanying notes to financial statements.

BOWDOIN COLLEGE

Statement of Cash Flows

Year ended June 30, 2020

(with comparative information for the year ended June 30, 2019)

(In thousands)

		2020	2019
Cash flows from operating activities:			
Change in net assets	$	61,626	116,805
Adjustments to reconcile change in net assets to net cash used in operating activities:			
Depreciation and amortization		13,610	13,071
(Gain) loss on disposal of property and equipment		(40)	420
Net realized and unrealized gains on investments and trusts		(96,129)	(170,018)
Change in fair value of interest rate swap		2,848	1,710
Cash paid for settlements under interest rate swap		581	437
Change in contributions receivable, net		(32,302)	(10,219)
Contributions for endowment and other long-term purposes		(12,417)	(18,371)
Change in other assets, net		(687)	420
Change in other liabilities, net		(859)	6,913
Net cash used in operating activities		(63,769)	(58,832)
Cash flows from investing activities:			
Purchases of investments		(453,821)	(407,682)
Sales of investments		550,355	524,079
Cash paid for property and equipment		(46,321)	(39,308)
Repayment of U.S. government loan advances		(793)	—
Decrease (increase) in funds held by trustee for construction		21,861	(24,426)
Change in student loans receivable, net		588	638
Net cash provided by investing activities		71,869	53,301
Cash flows from financing activities:			
Borrowings on bonds payable		—	32,389
Repayments on bonds payable		(63,746)	—
Borrowings on notes payable		21,899	41,437
Repayments on notes payable		(41,746)	(23,578)
Bond issuance costs		—	(377)
Decrease (increase) in funds held by trustee for debt service		66,045	(65,553)
Cash paid for settlements under interest rate swap		(581)	(437)
Contributions for endowment and other long-term purposes		12,417	18,371
Net cash (used in) provided by financing activities		(5,712)	2,252
Net change in cash and cash equivalents		2,388	(3,279)
Cash and cash equivalents, beginning of year		905	4,184
Cash and cash equivalents, end of year	$	3,293	905

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 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 2020, Bowdoin enrolled 1,800 full-time equivalent (FTE) students, not including 161 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, 2019, from which the summarized information was derived.

New Accounting Pronouncements

In fiscal year 2020, the College retrospectively adopted the provisions of ASU 2016-18, *Restricted Cash*, which requires that a statement of cash flows explain the changes during the period in total cash, cash equivalents and amounts generally described as restricted cash or restricted cash equivalents. The adoption of ASU 2016-18 did not have a material impact on the Statement of Cash Flows.

Statement of Financial Position

Net Assets

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

Net Assets With Donor Restriction

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

Net Assets Without Donor Restriction

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

Cash and Cash Equivalents

Cash and cash equivalents consist of money market funds and investments with original maturities of three months or less and are carried at cost, which approximates fair value. Cash and cash equivalents held for investment purposes are classified as Investments and Funds held by bond trustee.

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 2.4% to 7.0%.

Property and Equipment

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

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

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

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

(Continued)

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, 2020 and 2019 is categorized in Level 2 of the fair value hierarchy.

Bonds Payable

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

Statement of Activities

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

- The statement of activities reflects the change in net assets for two net asset categories: with donor restriction and without donor restriction.
- Revenues are reported as increases in net assets without donor restriction unless use of the related assets is limited by donor-imposed restrictions, in which case they are reported as increases in net assets with donor restriction.
- 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 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):

		2020	2019
Tuition and fees	$	101,459	97,417
Room and board		19,461	24,886
Gross student charges		120,920	122,303
Less scholarships		(44,802)	(42,469)
Net student charges	$	76,118	79,834

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 $8,431,000 and $7,347,000 for the years ended June 30, 2020 and 2019, respectively.

Use of Estimates

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

Taxes

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

(Continued)

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. Estimated excise tax expense of $670,000 and $1,100,000 for the fiscal years ended June 30, 2020 and 2019, respectively are 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 $4,100,000. 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.

Reclassifications

Certain 2019 balances have been reclassified to conform with the 2020 presentation.

Risks and Uncertainties – COVID-19 Pandemic

In March 2020, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on higher education, businesses, and communities. As a result of COVID-19, the College’s campus closed in March 2020, and the remainder of the spring semester education was delivered through online learning. The College refunded approximately 50% of room and board charges for the spring semester.

COVID-19 may continue to impact various parts of the College’s operations and financial results, including, but not limited to fluctuations in enrollment, loss of auxiliary revenues, and cost increases in technology and health and safety supplies. Management believes the College is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events are still developing.

(2) Net Assets

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

		2020	2019
Net assets without donor restriction:			
Board designated endowment	$	146,100	144,083
Net investment in plant		93,016	93,890
Reserves and working capital		38,357	43,580
Postretirement benefit obligations		(21,325)	(19,158)
Interest rate swap agreement		(9,609)	(6,761)
	$	246,539	255,634
Net assets with donor restriction:			
Purpose restricted endowment	$	1,634,870	1,599,588
Contributions receivable and split interest agreements		75,409	43,632
Other net assets held in perpetuity		4,883	4,250
Other spendable net assets		19,835	16,806
	$	1,734,997	1,664,276

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

		Held in perpetuity	Subject to endowment appropriation	Available for specified purpose	Subject to passage of time	Total
2020:						
Capital projects	$	—	—	830	4,737	5,567
Instruction		47,224	95,548	13,896	3,490	160,158
Library and museums		23,488	50,751	10,848	1,322	86,409
Operations		52,960	227,493	1,846	2,850	285,149
Other purposes		16,436	19,545	10,259	22,977	69,217
Professorships		56,737	135,086	537	34	192,394
Scholarships and other assistance		319,006	507,519	1,344	39,999	867,868
Technology		23,199	45,036	—	—	68,235
	$	539,050	1,080,978	39,560	75,409	1,734,997

		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	50,012	10,118	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	1,063,167	30,996	43,632	1,664,276

(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, 2020, the College had no plans or intentions to sell investments at amounts different from NAV.

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

The following tables summarize the College's investments by strategy and, as applicable, categorization in the fair value hierarchy as of June 30, 2020 and 2019 (in thousands):

	Investments measured at NAV	Investments categorized in the fair value hierarchy			Total fair value
		Level 1	Level 2	Level 3	
2020:					
Cash and cash equivalents	$ —	20,920	—	—	20,920
Fixed income	6	53,387	5,232	—	58,625
Equities:					
Domestic	167,794	8,745	—	—	176,539
Emerging markets	102,388	848	—	—	103,236
Global	164,813	8,181	—	—	172,994
Absolute return:					
Global macro	191,411	—	—	—	191,411
Global long/short	232,747	—	—	—	232,747
Opportunistic and other	123,934	—	—	—	123,934
Alternative investments:					
Private equity	673,790	—	—	—	673,790
Real assets	180,660	—	—	1,665	182,325
	$ 1,837,543	92,081	5,232	1,665	1,936,521

	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 and 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

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, 2020 and 2019.

Liquidity

Investment liquidity as of June 30, 2020 and 2019 is aggregated in the tables below based on redemption or sale period (in thousands):

		Daily	Monthly	Quarterly	Semi-annually	Annual/ longer	Illiquid	Total
2020:								
Cash and cash equivalents	$	20,520	—	—	—	—	400	20,920
Fixed income		50,107	—	—	—	—	8,518	58,625
Equities		37,553	30,275	293,867	—	59,851	31,223	452,769
Absolute return		—	95,537	397,989	11,392	10,093	33,081	548,092
Alternative investments		—	—	—	—	—	856,115	856,115
	$	108,180	125,812	691,856	11,392	69,944	929,337	1,936,521

		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

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, 2020 was $348,124,081. Of this amount, 14.1% 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 1,637 individual donor-restricted endowment funds and 138 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, 2020 and 2019 is as follows (in thousands):

		Without donor restriction	With donor restriction	Total
2020:				
Donor-restricted endowment funds	$	—	1,623,468	1,623,468
Board-designated endowment funds		146,100	11,402	157,502
Total endowment funds	$	146,100	1,634,870	1,780,970

		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

(Continued)

Changes in endowment net assets for the years ended June 30, 2020 and 2019 are as follows (in thousands):

		Without donor restriction	With donor restriction	Total
2020:				
Endowment net assets, beginning of year	$	144,083	1,599,588	1,743,671
Investment return		7,395	83,283	90,678
Appropriation of endowment assets for expenditure		(5,929)	(66,427)	(72,356)
New gifts, other additions and transfers between restriction categories		551	18,426	18,977
Endowment net assets, end of year	$	146,100	1,634,870	1,780,970

		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

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.

(Continued)

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, 2020 and 2019 was 5%. The annual distribution amounted to $71,756,000 in 2020 and $67,652,000 in 2019. In 2020, a supplemental draw of $600,000 was distributed from the accumulated gains of a donor-restricted endowment fund for academic support programs. The total fiscal year 2020 distribution of $72,356,000 was 4.2% of the endowment market value as of June 30, 2019. 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, 2020 and 2019.

(4) Contributions Receivable

Contributions receivable consist of the following at June 30, 2020 and 2019 (in thousands):

		2020	2019
Pledges receivable	$	54,274	28,467
Contributions receivable held in outside trusts		16,410	9,455
Total contributions receivable		70,684	37,922
Less allowance for uncollectibles		(1,500)	(1,250)
Less unamortized discount (rates ranging from 1.0% to 5.3%)		(7,181)	(6,971)
Contributions receivable, net	$	62,003	29,701
Amounts due in:			
Less than one year	$	20,637	8,250
One to five years		33,637	20,217
More than five years		16,410	9,455
Gross amount due	$	70,684	37,922

As of June 30, 2020, 52% of the gross pledges receivable balance is due from eight 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 $4,088,000 and $3,900,000 at June 30, 2020 and 2019, respectively.

(5) Property and Equipment

A summary of property and equipment at June 30, 2020 and 2019 is as follows (in thousands):

		2020	2019
Land	$	7,131	6,831
Land improvements		15,744	14,879
Buildings		410,952	383,173
Furniture and fixtures		7,935	6,269
Instructional and computer equipment		11,351	10,822
Machinery and vehicles		3,565	3,353
Operational equipment		29,395	29,043
Construction in progress		36,898	23,923
		522,971	478,293
Accumulated depreciation		(196,014)	(182,373)
Land, buildings and equipment, net	$	326,957	295,920

The construction in progress balance at June 30, 2020 relates principally to construction of new student housing and expansion of coastal studies research facilities.

(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 $8,625,000 and $8,165,000 in 2020 and 2019, 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, 2020 and 2019 is as follows (in thousands):

		2020	2019
Change in benefit obligation:			
APBO, beginning of year	$	19,158	16,749
Service costs		870	992
Interest costs		595	635
Plan participant contributions		192	310
Actuarial loss		1,921	148
Amendments		—	1,768
Benefits paid		(1,411)	(1,444)
APBO and funded status, end of year	$	21,325	19,158
Change in plan assets:			
Fair value of plan assets at beginning of year	$	—	—
Employer contributions		1,219	1,134
Plan participant contributions		192	310
Benefits paid		(1,411)	(1,444)
Fair value of plan assets at end of year	$	—	—

Effective January 1, 2020, Medicare ceased new enrollments in Medicare Supplement Plan F. As a result, the College eliminated its self-insured Medicare Supplement Plan F coverage for retirees over the age of 65. Effective January 1, 2020, the College began providing eligible post-age 65 retirees access to a private individual Medicare marketplace, and a funded health reimbursement account with which they can pay eligible premiums and/or medical expenses. The effect of this plan change on the APBO was an increase of $1,768,000 for the year ended June 30, 2019, and was reported in Other changes in the statement of activities.

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 2.26% in 2020 and 3.20% in 2019 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 2020, gradually declining to 5.0% in 2025. As of June 30, 2020 and 2019, the College has internally funded a portion of this obligation through the establishment of a Board-designated endowment fund, which had a balance of $9,504,000 and $9,410,000, respectively.

Net Periodic Postretirement Benefit Cost

The discount rate used to value the net periodic postretirement benefit cost was 3.20% in 2020 and 3.89% in 2019. The net periodic postretirement benefit cost for the years ended June 30, 2020 and 2019 is as follows (in thousands):

		2020	2019
Postretirement benefits earned during the year (service cost)	$	870	992
Interest cost on accumulated postretirement benefit obligation		595	635
Amortization of prior service cost and actuarial loss		225	27
Net periodic postretirement benefit cost other than service cost		820	662
Total net periodic postretirement benefit cost	$	1,690	1,654

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. The prior service cost that will be recognized as net periodic benefit cost in 2021 is $209,000.

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

		Estimated benefit payments, net
Year ending June 30:		
2021	$	1,117
2022		1,119
2023		1,185
2024		1,166
2025		1,213
2026–2029		6,209

The College expects to make employer contributions of $1,117,000 for the year ending June 30, 2020.

(7) 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, 2020 (in thousands):

Obligations to Maine Health and Higher Education Facilities Authority (MHHEFA):		
Series 2008, variable rate (0.53% at June 30, 2020), due 2032-2037, par value $20,700	$	20,463
Series 2009B, taxable, 6.667%, due 2035 – 2039, par value $19,750		19,642
Series 2017, 5.000%, due 2035 – 2039, par value $30,435		34,981
Series 2018, 4.000% – 5.000%, due 2020 – 2048, par value $28,885		31,779
Total MHHEFA		106,865
Series 2012, taxable, 4.693%, due 2112, par value $128,500		127,085
Series 2017, taxable, 4.061%, due 2047, par value $45,000		44,530
Bonds payable, net		278,480
Line of credit facilities		21,132
Capital leases		595
Bonds and notes payable	$	300,207

Bonds Payable

The College administers a refunding escrow originating from a portion of the Series 2012 Taxable Bond proceeds for the purpose of paying debt service and financing capital projects. In May 2019, the College issued an unconditional redemption notice for the remaining Series 2009A Revenue Bonds, and transferred $64,790,000 to the bond trustee. On July 1, 2019, the College redeemed the bonds in full. The remaining balance held in the escrow was $30,484,000 at June 30, 2020, and has been internally designated 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, at June 30, 2019, 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 $9,138,000 and $97,044,000 at June 30, 2020 and 2019, 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, 2020 was $11,756,000, net of amounts capitalized of $769,000. Total interest expense incurred for the year ended June 30, 2019 was $14,820,000, net of amounts capitalized of $446,000.

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, 2020 and 2019:

					Fair value of liability at June 30	
Counterparty	Expiration date		Remaining notional balance	Swap fixed/ floating rates	2020	2019
JPMorgan	July 1, 2037	$	20,500,000	Pay 3.84%/Receive 67% Fed Funds rate	$ (9,609,000)	(6,761,000)

The terms and conditions of the swap include two-way collateral posting requirements for either counterparty in a liability position. As of June 30, 2020, 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, 2020 and 2019. 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 $581,000 and $437,000 for the years ended June 30, 2020 and 2019, respectively. The College recognized an unrealized loss of $2,848,000 for the year ended June 30, 2020 and an unrealized loss of $1,710,000 for the year ended June 30, 2019. The activity is included in Other changes in the statement of activities.

Other Debt Obligations

The College has $100,000,000 available under two uncollateralized, revolving lines of credit with financial institutions expiring in March 2022, with interest payable monthly on outstanding advances at variable rates based on a federal funds rate. The balance outstanding on these lines of credit was $21,132,000 and $41,437,000 at June 30, 2020 and 2019, respectively.

During the year ended June 30, 2020, 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 $595,000 and $137,000 at June 30, 2020 and 2019, 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, 2020 (in thousands):

2021	$	21,933
2022		794
2023		530
2024		550
2025		570
Thereafter		270,620
	$	294,997

(8) Financial Assets and Liquidity Resources

As of June 30, 2020, 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 and cash equivalents	$	3,293
Accounts receivable		2,133
Pledge payments available for operations		3,361
Funds held by bond trustee for debt service		6,075
Operating reserves and working capital investments		110,099
Fiscal 2021 board-approved endowment distribution		77,096
Total financial assets available within one year	$	202,057

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 $100,000,000 via two lines of credit with financial institutions that are drawn upon as needed to manage both operating and endowment cash flow. The balance available at June 30, 2020 was $78,868,000.

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 and internally designated resources. In light of the global pandemic, in March 2020 the College suspended the start of new projects under its previously announced capital improvement plan, making available approximately $50,000,000 in internally designated funds, included in Operating reserves and working capital investments in the table above. In addition, as of June 30, 2020, the College had an additional $146,100,000 of board designated endowment that is available to support general operations with Board approval.

(Continued)

(9) 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 year ended June 30, 2020, and summarized information for the year ended June 30, 2019, are presented below (in thousands):

	Program activities					
	Instruction and research	Academic support	Student services	Auxiliary enterprises	Institutional support	Total expenses
2020:						
Salaries and wages	$ 35,752	7,495	16,332	9,514	12,434	81,527
Employee benefits	12,045	2,422	5,333	3,069	4,363	27,232
Depreciation and amortization	4,812	1,223	2,983	3,433	1,159	13,610
Interest expense	3,835	268	1,844	4,906	903	11,756
Other operating expenses	9,472	6,430	9,714	7,964	8,553	42,133
Total operating expenses	65,916	17,838	36,206	28,886	27,412	176,258
Net periodic postretirement benefit cost other than service cost	—	—	—	—	820	820
Loss on swap settlements	—	—	—	—	581	581
Total expenses by function	$ 65,916	17,838	36,206	28,886	28,813	177,659
2019:						
Salaries and wages	$ 35,447	7,391	16,175	9,346	12,424	80,783
Employee benefits	11,395	2,261	4,951	2,781	4,094	25,482
Depreciation and amortization	4,528	1,122	2,755	3,151	1,515	13,071
Interest expense	4,128	408	1,807	7,755	722	14,820
Other operating expenses	10,778	6,850	10,325	9,700	7,622	45,275
Total operating expenses	66,276	18,032	36,013	32,733	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	36,013	32,733	27,476	180,530

(Continued)

(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 $169,395,000 and $179,427,000 at June 30, 2020 and 2019, 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):

		2020	2019
Cash paid for interest	$	14,866	15,111
Noncash activities:			
(Decrease) Increase in accrued liabilities from construction of buildings and purchase of equipment	$	(1,418)	2,774
(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 16, 2020, and subsequent events have been evaluated through that date.