COLLEGE OF THE HOLY CROSS

Financial Statements

June 30, 2020 and 2019

(With Independent Auditors’ Report Thereon)

COLLEGE OF THE HOLY CROSS

Financial Statements

June 30, 2020 and 2019

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KPMG LLP
515 Broadway
Albany, NY 12207-2974

Independent Auditors' Report

The Board of Trustees
College of the Holy Cross:

We have audited the accompanying financial statements of College of the Holy Cross, which comprise the balance sheets as of June 30, 2020 and 2019, and the related statements of activities and cash flows for the years 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 audits. We conducted our audits 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 entity'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 entity'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 College of the Holy Cross as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

KPMG LLP

September 18, 2020

COLLEGE OF THE HOLY CROSS

Balance Sheets

June 30, 2020 and 2019

(In thousands)

Assets		**2020**	**2019**
Cash and cash equivalents	$	125,945	41,491
Short-term investments		—	26,063
Contributions receivable, net		65,066	74,404
Accounts and loans receivable, net		8,021	7,116
Long-term investments		767,567	793,377
Land, buildings and equipment, net		346,692	307,957
Other assets		6,891	6,963
Total assets	$	1,320,182	1,257,371
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued expenses	$	40,038	30,993
Deferred revenue and student deposits		6,364	3,463
U.S. Government refundable advances		5,042	4,970
Split-interest obligations		3,807	3,871
Accrued pension obligation		20,335	9,075
Interest rate swap		10,833	8,181
Long-term debt		211,428	159,825
Total liabilities		297,847	220,378
Net assets:			
Without donor restrictions		498,848	506,039
With donor restrictions		523,487	530,954
Total net assets		1,022,335	1,036,993
Total liabilities and net assets	$	1,320,182	1,257,371

See accompanying notes to financial statements.

COLLEGE OF THE HOLY CROSS

Statement of Activities

Year ended June 30, 2020

(In thousands)

	Without donor restrictions	With donor restrictions	Total
Operating revenues:			
Tuition and fees, net of financial aid of $65,887	$ 106,520	—	106,520
Residence and dining fees, net of financial aid of $1,662	27,087	—	27,087
Student revenue	133,607	—	133,607
Contributions – annual fund	8,898	—	8,898
Other auxiliary enterprises	7,927	—	7,927
Other revenues	6,274	—	6,274
Operating revenues before nonoperating net assets used in operations	156,706	—	156,706
Nonoperating net assets used in operations:			
Long-term investment income used in operations	30,405	—	30,405
Restricted and designated net assets used in operations	6,289	—	6,289
Total operating revenues	193,400	—	193,400
Operating expenses:			
Salaries and wages	85,946	—	85,946
Employee benefits	29,246	—	29,246
Supplies, services and other	50,703	—	50,703
Depreciation	17,758	—	17,758
Borrowing costs	6,377	—	6,377
Total operating expenses	190,030	—	190,030
Increase in net assets from operations	3,370	—	3,370
Nonoperating:			
Contributions	19,696	11,287	30,983
Net loss on long-term investments	—	(280)	(280)
Net loss on interest rate swap	(2,652)	—	(2,652)
Nonoperating net assets used in operations	(36,694)	—	(36,694)
Net assets released from restrictions	18,636	(18,636)	—
Pension related changes, other than net periodic benefit cost	(10,907)	—	(10,907)
Other components of net periodic pension cost	916	—	916
Other changes, net	444	162	606
Decrease in net assets from nonoperating activities	(10,561)	(7,467)	(18,028)
Decrease in net assets	(7,191)	(7,467)	(14,658)
Net assets, beginning of year	506,039	530,954	1,036,993
Net assets, end of year	$ 498,848	523,487	1,022,335

See accompanying notes to financial statements.

COLLEGE OF THE HOLY CROSS

Statement of Activities

Year ended June 30, 2019

(In thousands)

		Without donor restrictions	With donor restrictions	Total
Operating revenues:				
Tuition and fees, net of financial aid of $63,778	$	100,601	—	100,601
Residence and dining fees, net of financial aid of $2,332		35,625	—	35,625
Student revenue		136,226	—	136,226
Contributions – annual fund		8,926	—	8,926
Other auxiliary enterprises		10,800	—	10,800
Other revenues		4,870	—	4,870
Operating revenues before nonoperating net assets used in operations		160,822	—	160,822
Nonoperating net assets used in operations:				
Long-term investment income used in operations		30,414	—	30,414
Restricted and designated net assets used in operations		9,437	—	9,437
Total operating revenues		200,673	—	200,673
Operating expenses:				
Salaries and wages		84,400	—	84,400
Employee benefits		30,377	—	30,377
Supplies, services and other		55,406	—	55,406
Depreciation		17,441	—	17,441
Borrowing costs		5,472	—	5,472
Total operating expenses		193,096	—	193,096
Increase in net assets from operations		7,577	—	7,577
Nonoperating:				
Contributions		688	24,615	25,303
Net return on long-term investments		12,018	13,846	25,864
Net loss on interest rate swap		(1,851)	—	(1,851)
Nonoperating net assets used in operations		(39,851)	—	(39,851)
Net assets released from restrictions		22,329	(22,329)	—
Pension related changes, other than net periodic benefit cost		(8,887)	—	(8,887)
Other components of net periodic pension cost		1,367	—	1,367
Other changes, net		596	355	951
Increase (decrease) in net assets from nonoperating activities		(13,591)	16,487	2,896
Increase (decrease) in net assets		(6,014)	16,487	10,473
Net assets, beginning of year		512,053	514,467	1,026,520
Net assets, end of year	$	506,039	530,954	1,036,993

See accompanying notes to financial statements.

COLLEGE OF THE HOLY CROSS

Statements of Cash Flows

Years ended June 30, 2020 and 2019

(In thousands)

		2020	2019
Cash flows from operating activities:			
Change in net assets	$	(14,658)	10,473
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:			
Depreciation and accretion		16,515	16,119
Net realized and unrealized gains on investments		(133)	(26,492)
Contributions for long-term investment and facilities		(7,009)	(18,193)
Net loss on interest rate swap		2,652	1,851
Pension related changes, other than net periodic benefit cost		10,907	8,887
Other components of net periodic pension cost		(916)	(1,367)
Decrease in operating assets, net		447	3,376
Increase in operating liabilities, net		6,459	2,367
Net cash provided by (used in) operating activities		14,264	(2,979)
Cash flows from investing activities:			
Net loans repaid by students and others		170	281
Purchase of land, buildings, and equipment, net of construction cost payable		(49,903)	(23,754)
Proceeds from sale of short-term investments		37,739	26,591
Purchase of short-term investments		(11,263)	(26,640)
Proceeds from sale of long-term investments		279,003	319,631
Purchase of long-term investments		(253,473)	(296,060)
Net cash provided by investing activities		2,273	49
Cash flows from financing activities:			
Payments on long-term debt		(6,720)	(6,705)
Proceeds from long-term debt		60,000	—
Proceeds from commercial borrowing		—	13,000
Payment of debt issuance costs		(434)	—
Decrease in deposits with bond trustee		8	—
Increase in U.S. Government refundable advances		72	78
Proceeds from contributions for long-term investment		4,770	6,063
Proceeds from contributions for facilities		10,221	12,594
Net cash provided by financing activities		67,917	25,030
Net increase in cash and cash equivalents		84,454	22,100
Cash and cash equivalents, beginning of year		41,491	19,391
Cash and cash equivalents, end of year	$	125,945	41,491
Supplemental data:			
Change in accounts payable for land, buildings and equipment	$	6,592	(3,046)
Interest paid		6,780	6,178

See accompanying notes to financial statements.

(1) Background

The College of the Holy Cross (the College or Holy Cross), founded in 1843 by the second bishop of Boston, Benedict Joseph Fenwick, S.J., is a not-for-profit educational institution committed to educating men and women for others. As a Jesuit college, Holy Cross takes its place in a long tradition of Catholic education that has distinguished itself for intellectual rigor, high academic standards and education of the whole person. As a liberal arts college, Holy Cross pursues excellence in teaching, learning, and research. Highly ranked nationally, Holy Cross has a community of approximately 3,100 students, situated on a 174-acre campus in Worcester, Massachusetts.

(2) Summary of Significant Accounting Policies

(a) Basis of Statement Presentation

The accompanying financial statements, which are presented on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (GAAP), 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.

(b) Classification of Net Assets

The College classifies resources into two net asset categories, without donor restrictions or with donor restrictions, based on the absence or existence of donor-imposed restrictions.

Without donor restrictions – Net assets not subject to donor-imposed stipulations and 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.

With donor restrictions – Net assets subject to donor-imposed stipulations that will be met either by actions of the College or the passage of time. Items that affect this net asset category include gifts or unconditional pledges and the related investment returns on donor-restricted endowment funds, gifts or grants for capital assets not yet placed in service, and annuity and life income funds.

The College classifies the following portions of donor-restricted endowment funds as net assets with donor restrictions: (a) the original value of assets contributed to endowment funds, (b) subsequent contributions to such funds valued at the date of contribution, (c) investment return available for appropriation and (d) reinvested earnings on endowment when specified by the donor.

(c) Statements of Activities

The statements of activities report the changes in net assets from operating and nonoperating activities. Operating revenues consist of those items attributable to the College’s undergraduate education program, grants for research conducted by academic departments, auxiliary enterprise activities, and contributions to the annual fund. Nonoperating net assets used in operations include endowment income appropriated by the College to support operating activities, amortization of contributions used to acquire or construct long-lived assets and other nonoperating contributions expended in support of operations or made available for operations by virtue of the expiration of a time restriction.

Nonoperating activities include contributions received other than for the annual fund, investment return on short-term and long-term investments, contributions and grant income to fund long-lived assets, any gains or losses on debt-related derivative instruments, pension adjustments other than service cost, and miscellaneous items not related to the College's academic or research activities. To the extent nonoperating contributions, including amortization of contributions used for the acquisition or construction of long-lived assets, or long-term investment income are used in operations, they are reclassified as nonoperating net assets used in operations on the statements of activities.

Revenues are reported as increases in net assets without donor restrictions unless their use is limited by donor-imposed restrictions as follows:

- Student revenue from education, residence and dining services are reflected net of institutional student aid and recognized as services are provided. To the extent such aid exceeds a student's tuition and fees, it is applied against residence and dining charges. Revenue from other exchange transactions, including from athletics and certain retail operations, is recognized when goods or services are transferred to customers.
- Contributions, including unconditional promises to give reported as contributions receivable, are recognized as revenues in the period received. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted at the appropriate rate commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue in accordance with the donor-imposed restrictions, if any, on the contributions. Expirations of restrictions on net assets, that is, the donor-imposed stipulated purpose has been accomplished and/or the stipulated time period has elapsed, are reported as net assets released from restrictions on the statement of activities. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met.
- Contributions of land, buildings, or equipment are reported as nonoperating support without donor restrictions unless the donor places restrictions on their use. Contributions of cash or other assets that must be used to acquire or construct long-lived assets are reported as a donor restricted gift until the related asset is placed in service, at which time the contribution is released from net assets with donor restrictions to net assets without donor restrictions. These contributions are subsequently amortized into operations over the estimated useful life of the acquired or constructed assets. This amortization, which amounted to $2,395 in fiscal years 2020 and 2019, is recorded in nonoperating net assets used in operations in the statements of activities.
- Other auxiliary service enterprise revenues include college retail operations, cash dining, catering, intercollegiate athletics and graphic arts.
- Dividends, interest, and net gains on investments of endowment funds are reported as increases in net assets with donor restrictions if the terms of the gift require that they be added to the principal of an endowment fund or impose restrictions on the current use of the income or net gains; and as increases in net assets without donor restrictions in all other cases.

(d) Cash Equivalents

The College considers investments with maturities at date of purchase of three months or less to be cash equivalents, except that any such investments that are part of the endowment are classified as long-term investments.

(e) Fair Value Measurements

Short-term and long-term investments, deposits with bond trustee, investments held in a nonqualified deferred compensation plan and the interest rate swap are reported at their respective fair values. 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. Except for investments reported at net asset value or its equivalent (NAV) as a practical expedient to estimate fair value, the College uses a three-tiered hierarchy to categorize those assets and liabilities carried at fair value based on the valuation methodologies employed. The hierarchy is defined as follows:

Level 1 – Valuation based on quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities;

Level 2 – Valuations based on inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly; and

Level 3 – Valuations based on unobservable inputs are used in situations in which 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. The College utilizes valuation techniques that maximize the use of observable inputs and minimizes the use of unobservable inputs to the extent possible. Transfers between categories occur when there is an event that changes the inputs used to measure the fair value of an asset or liability. Transfers between fair value categories are recognized at the end of the reporting period.

(f) Accounts and Loans Receivable

Accounts and loans receivable include amounts due from students and employees, as well as reimbursements due from sponsors of externally funded research.

(g) Land, Buildings and Equipment

Constructed and purchased property and equipment are initially recorded at cost while property and equipment acquired by gift are initially recorded at estimated fair value. Expenditures for library books are charged to operations in the period acquired. Long-lived fixed assets, with the exception of land and artwork, are depreciated using the straight-line method over the assets' estimated useful lives.

(h) Other Assets

Other assets consist of prepaid expenses, inventories and investments held in a nonqualified deferred compensation plan. Investments held in a nonqualified deferred compensation plan total $4,641 and $4,190 at June 30, 2020 and 2019, respectively, are considered Level 1 in the fair value hierarchy.

(i) Deferred Revenue and Student Deposits

Deferred revenue and student deposits are advance payments and enrollment deposits for the fall academic term. Deferred revenue is recognized ratably as revenue over the fall term beginning in August and ending in December as performance obligations are met.

(j) U.S. Government Refundable Advances

The College holds certain amounts advanced by the U.S. Government under the Federal Perkins Loan Program (the Program). Prior to June 30, 2018, such amounts were loaned to students and re-loaned by the College after collection. Congressional authorization for this program ended in September 2017. The lack of renewal requires the federal share of amounts collected to be returned to the Department of Education as loans are repaid beginning in 2020.

(k) Split-Interest Obligations

The College's split-interest obligations consist principally of charitable gift annuities and irrevocable charitable remainder trusts for which the College serves as trustee. Contribution revenue is recognized at the date a gift annuity or trust is established after recording a liability at the present value of the estimated future payments to be made to the beneficiaries. Liabilities are adjusted during the terms of the agreements to reflect payments to beneficiaries, returns on trust assets, accretion of discounts and other considerations that affect the estimates of future payments.

(l) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(m) Tax Status

The College is a tax-exempt organization as described in Section 501(c)(3) of the Internal Revenue Code and is generally exempt from federal and state income taxes under Section 501(a) of the Code and applicable state laws. The College believes it has taken no significant uncertain tax positions.

(n) Recent Accounting Pronouncements

Accounting Standards Update (ASU) 2017-07, *Compensation – Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*, was issued by the Financial Accounting Standards Board (FASB) in March 2017 to improve the presentation of defined benefit pension costs and postretirement benefit costs (net benefit cost) to reflect the employer's financial arrangements and the cost of benefits provided to employees. This ASU, effective for periods beginning after December 15, 2018, requires the service cost component to be reported in employee benefits within operating expenses and other components of net benefit cost to be reported outside of the operating measure. The College's adoption of this standard in fiscal year 2020 required $1,367 in other components of net periodic pension cost to be reclassified from operating to nonoperating expenses for the year ended June 30, 2019.

(Continued)

(In thousands)

ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*, issued by the FASB in November 2016, provides specific guidance on the cash flow classification and presentation of changes in restricted cash and cash equivalents on the statement of cash flows. This ASU became effective for the College for the year ended June 30, 2020. The College's adoption did not have a material effect on the College's financial statements.

(o) Risks and Uncertainties

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) emerged globally, and in March 2020, the World Health Organization recognized COVID-19 as a pandemic. Although it is not possible to reliably estimate the length or severity of this outbreak and hence its financial impact, the College could be materially and possibly adversely affected by the risks, or the public perception of the risks, related to the outbreak of COVID-19. As a result of the pandemic, during the year ended June 30, 2020, the College experienced disruption to its ability to provide in-person education to its students, with the most significant financial statement impact being associated with the refunding of residence and dining revenues. The pandemic may continue to materially affect the ability of the College to conduct its operations and the cost of its operations. Other adverse consequences may include, but are not limited to, decline in enrollment, decline in demand for campus housing or programs involving travel or international connections, volatility in financial markets with the potential for declines in the fair value of the College's endowment, and declines in philanthropic donations. The full extent of the impact of COVID-19 on the College will depend on future developments, including the duration and spread of the outbreak.

(p) Reclassifications

Certain reclassifications have been made to prior year amounts in order to conform to the current year presentation.

(3) Financial Assets and Liquidity Resources

As of June 30, 2020 and 2019, financial assets and liquidity resources available within one year for general expenditures, such as operating expenses, scheduled principal payments on debt, and capital construction costs not financed with debt or contributions, were as follows:

		2020	2019
Financial assets:			
Cash and cash equivalents	$	50,157	12,155
Short-term investments		—	15,291
Contributions receivable		905	1,085
Accounts receivable		1,562	487
Board-appropriated endowment spending		36,557	31,433
Total financial assets available within one year	$	89,181	60,451

(In thousands)

The College's working capital and cash flows have seasonal variations during the year attributable to the timing of student billings and related collections and a concentration of contributions received at calendar and fiscal year end. To manage liquidity, the College actively manages its resources using a combination of short- and long-term investment and borrowing strategies to align its cash inflows with anticipated outflows in accordance with policies approved by the Board of Trustees. Other resources available include lines of credit totaling $15,000 for working capital needs and $347,610 in funds designated by the Board of Trustees to function as endowment which can be made available for general expenditure with approval from the Board of Trustees, subject to investment liquidity provisions, as well as $18,174 in cash and cash equivalents subject to donor restrictions. Funds subject to donor restrictions are an available resource provided those restrictions are met by actions of the College or the passage of time.

Liquidity resources for construction, in addition to those described above, include $17,508 in cash and cash equivalents from contributions subject to donor restrictions, $40,106 in taxable bond proceeds, and scheduled pledge payments of $28,741. Additional liquidity resources available in July 2020 include a second line of credit of $15,000 and $26,500 available for borrowing under an existing taxable term loan agreement.

(4) Contributions Receivable

Contributions receivable consist of the following at June 30:

		2020	2019
Unconditional promises expected to be collected in:			
Less than one year	$	28,741	19,450
One to five years		42,283	59,170
Thereafter		242	2,503
		71,266	81,123
Less allowances for uncollectible pledges and pledge discounts (0.16%–2.81%)		(6,200)	(6,719)
	$	65,066	74,404

(In thousands)

(5) Accounts and Loans Receivable

Accounts and loans receivable consist of the following at June 30:

	2020			2019		
	Gross receivable	Allowance for doubtful accounts	Net receivable	Gross receivable	Allowance for doubtful accounts	Net receivable
Federal Perkins Loan program	$ 4,755	(300)	4,455	5,878	(300)	5,578
Institutional loans	1,939	(75)	1,864	966	(75)	891
Accounts receivable	1,692	(130)	1,562	617	(130)	487
Other receivables	140	—	140	160	—	160
	$ 8,526	(505)	8,021	7,621	(505)	7,116

Accounts and loans receivable are carried at estimated net realizable value. Management regularly assesses the adequacy of the allowance for doubtful accounts and balances are written off when deemed uncollectible.

The College makes uncollateralized loans to students based on financial need. These loans were funded by the Federal Perkins Loans Program through June 30, 2018.

(6) Investments

(a) Strategy

The investment objective of the College is to invest its assets in a prudent manner to achieve a long-term rate of return sufficient to fund a portion of its spending and to increase investment value after inflation. The College's investment strategy incorporates a diversified asset allocation approach that maintains, within defined limits, exposure to global equity, fixed income, real estate, commodities and private equity markets. Global equities cover the U.S. as well as both developed and emerging markets overseas and long/short hedge funds. Absolute return and marketable alternative funds invest in a broad range of investments that are less correlated with broad equities markets. This includes credit-oriented strategies, multi-strategy funds where the manager has a broad mandate to invest opportunistically and event driven funds where managers seek opportunity in various forms of arbitrage strategies as well as in corporate activities such as mergers and acquisitions. These funds may employ the use of leverage and derivatives to achieve their return. Private equity strategies include distressed investments which includes entities involved in financial reorganizations or workout situations, buyout and venture capital, as well as fund of funds vehicles used to more broadly diversify the pool of investments. The real asset classification includes investments in public and private real estate, energy and commodities.

The majority of the College’s investments are managed in a pooled fund that consists primarily of endowment assets. Other investments are managed separately from the pool. These investments consist primarily of fixed income securities, principally government securities and money market funds held for the College’s working capital needs, and various fixed income, equity and real asset holdings associated with split-interest agreements and short-term investments.

(b) Reporting Basis

Investments are reported at estimated fair value. The values of publicly traded fixed income and equity securities are based upon quoted market prices at the close of business on the last day of the fiscal year. Investments in units of nonpublic traded pooled funds are valued at the unit value determined by the fund’s administrator based on quoted market values of the underlying securities.

Investments whose fair values are estimated using net asset value or its equivalent (NAV) as the practical expedient include shares or units in nonregistered investment funds as opposed to direct interests in the funds’ underlying securities, which may be readily marketable or not difficult to value. In addition, investments in marketable alternatives, absolute return, private equities and real assets, and certain equity and fixed income investments are valued using current estimates of fair value based upon the NAV of the fund as determined by the general partner or investment manager of the respective fund. These general partner valuations consider variables such as financial performance of investments, including comparison of comparable companies’ earnings multiples, cash flow analysis, recent sales prices of investments and other pertinent information.

The inputs or methodologies used for valuing or classifying investments for financial reporting purposes are not necessarily an indication of the risks associated with those investments or a reflection of the liquidity of each fund’s underlying assets or liabilities. Because of the inherent uncertainties of valuation, these estimated fair values may differ significantly from values that would have been used had a ready market existed and the differences could be material. The College has assessed the values provided by the external managers and believes the amounts reported represent reasonable estimates of fair value. The following table summarizes the valuation of investments as of June 30, 2020:

(In thousands)

	NAV	Level 1	Level 2	Level 3	Total
Long-term investments:					
Cash equivalents	$ —	19,516	—	—	19,516
Fixed income	—	21,076	—	—	21,076
Equities:					
Domestic	131,383	—	—	—	131,383
Emerging markets	49,845	—	—	—	49,845
Global	125,526	24,765	—	—	150,291
Absolute return:					
Global long/short	63,755	—	—	—	63,755
Opportunistic and other	132,689	—	—	—	132,689
Alternative investments:					
Private equity	153,073	—	—	—	153,073
Real assets	37,267	—	—	—	37,267
Other investments	—	619	—	785	1,404
Split-interest agreements	—	4,159	1,602	1,507	7,268
Total long-term investments	$ 693,538	70,135	1,602	2,292	767,567

The following table summarizes the valuation of investments as of June 30, 2019:

	NAV	Level 1	Level 2	Level 3	Total
Short-term investments	$ —	26,063	—	—	26,063
Long-term investments:					
Cash equivalents	—	5,665	—	—	5,665
Fixed income	—	20,755	—	—	20,755
Equities:					
Domestic	119,530	16	—	—	119,546
Emerging markets	49,333	—	—	—	49,333
Global	155,294	23,748	—	—	179,042
Absolute return:					
Global long/short	61,757	—	—	—	61,757
Opportunistic and other	166,675	—	—	—	166,675
Alternative investments:					
Private equity	126,635	—	—	—	126,635
Real assets	55,418	—	—	—	55,418
Other investments	—	619	—	407	1,026
Split-interest agreements	—	4,526	1,492	1,507	7,525
Total long-term investments	734,642	55,329	1,492	1,914	793,377
Total	$ 734,642	81,392	1,492	1,914	819,440

(Continued)

(In thousands)

(c) Commitments

Private equity and real asset investments are generally made through limited partnerships. Under the terms of these agreements, the College is obligated to remit additional funding periodically as capital or liquidity calls are exercised by the manager. These partnerships have a limited existence, generally between ten and fifteen years, and provide for annual one year extensions for the purpose of disposing portfolio positions and returning capital to the investors. However, depending on market conditions, the inability to execute the fund’s strategy and other factors, a manager may extend the terms of a fund beyond its originally anticipated existence or may wind the fund down prematurely. As a result, the timing and amount of future capital or liquidity calls expected to be exercised in any particular future year is uncertain. The aggregate amount of unfunded commitments associated with private equity and real asset investments is approximately $118,000 as of June 30, 2020.

(d) Liquidity

Absolute return and certain global equity and fixed income investments are redeemable at NAV under the terms of the subscription and/or partnership agreements. Investments with daily liquidity generally do not require any notice prior to withdrawal. Investments with monthly, quarterly or annual redemption frequency typically require notice periods ranging from 30 to 180 days. The fair values of long-term investments as of June 30, 2020 are categorized based on redemption frequency as follows:

	Daily	Monthly	Quarterly	Annual	Illiquid	Total
Cash equivalents	$ 19,516	—	—	—	—	19,516
Fixed income	21,076	—	—	—	—	21,076
Equities	24,765	91,283	157,966	57,131	374	331,519
Absolute return	—	—	41,460	131,794	23,190	196,444
Alternative investments	—	—	—	—	190,340	190,340
Other investments	—	—	—	—	1,404	1,404
Split-interest agreements	—	—	—	—	7,268	7,268
Total	$ 65,357	91,283	199,426	188,925	222,576	767,567

Investments that are illiquid include lock-ups with definite expiration dates, restricted shares, side pockets, gates or funds in liquidation which have suspended normal liquidity terms, as well as private equity and real assets funds where the College has no liquidity terms until the investments are sold by the fund manager. The College has in liquidation $107 of such investments at June 30, 2020 for which it has not received cash. Investments associated with split-interest agreements have been categorized as illiquid because they are not available to support operations. Investments totaling $133,365 are subject to redemption lock-ups which will expire in April 2021.

(7) Endowment

The College’s endowment consists of approximately 850 individual funds established for a variety of purposes, including both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowment. Net assets associated with endowment funds, including funds designated by the

Board of Trustees to function as endowment, are classified and reported based on the existence or absence of donor-imposed restrictions.

(a) Relevant Law

The Massachusetts Uniform Prudent Management of Institutional Funds Act (UPMIFA) permits the Board of Trustees to exercise its discretion in determining the appropriate level of expenditure from a donor-restricted endowment fund in accordance with a set of guidelines about what constitutes prudent spending. Under UPMIFA, the Board is permitted to determine and continue a prudent payout amount, even if the market value of the fund is below historic dollar value. UPMIFA permits the College to appropriate for expenditure or accumulate so much of an endowment fund as the College determines to be prudent for the uses, benefits, purposes and duration for which the endowment fund is established. Seven criteria are to be used to guide the College in its yearly expenditure decisions: 1) duration and preservation of the endowment fund; 2) the purposes of the College and the endowment fund; 3) general economic conditions; 4) effect of inflation or deflation; 5) the expected total return from income and the appreciation of investments; 6) other resources of the College; and 7) the investment policy of the College.

Although UPMIFA offers short-term spending flexibility, the explicit consideration of the preservation of funds among factors for prudent spending suggests that a donor-restricted endowment fund is still perpetual in nature. In accordance with appropriate accounting standards, the College classifies as net assets with donor restrictions (a) the original value of gifts donated as an endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Also included in net assets with donor restrictions is accumulated appreciation on donor restricted endowment funds which is available for expenditure until appropriated for spending by the Board of Trustees.

(b) Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires to be retained as a fund of perpetual duration. Deficiencies of this nature are reported in net assets with donor restrictions. There were no material deficiencies of this nature as of June 30, 2020 and 2019.

(c) Return Objectives and Risk Parameters

The College has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the College must hold in perpetuity or for a donor-specified period as well as board-designated funds. The primary investment objective of the endowment fund is to maintain and grow the fund’s real value by generating average annual real returns that meet or exceed the spending rate, after inflation, management fees and administrative costs. Consistent with this goal, the Board of Trustees and the Investment Committee, a standing Committee of the Board of Trustees, intend that the endowment fund be managed with an intention to maximize total returns consistent with prudent levels of risk and to reduce portfolio risk through asset allocation and diversification.

(Continued)

(In thousands)

(d) Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the College relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Investment Committee of the College's Board of Trustees (the Committee) is responsible for establishing an asset allocation policy. The asset allocation policy is designed to attempt to achieve diversity among capital markets and within capital markets, by investment discipline and management style. The Committee designs a policy portfolio in light of the endowment's needs for liquidity, preservation of purchasing power and risk tolerances.

The College targets a diversified asset allocation that places emphasis on investments in global equities, fixed income, real assets, private equity and absolute return strategies to achieve its long-term return objectives within prudent risk constraints. The Committee reviews the policy portfolio asset allocation, exposures and risk profile on an ongoing basis.

(e) Spending Policy and How the Investment Objectives Relate to Spending Policy

The College's spending policy is 4.5% of the endowment's fair value applied to a three-year moving average with a one year lag. The amount appropriated for operations is $30,405 and $30,414 for the years ended June 30, 2020 and 2019, respectively.

In establishing these policies, the College considers the expected return on its endowment and its programming needs. Accordingly, the College expects the current spending policy to allow its endowment to maintain its purchasing power and to provide a predictable and stable source of revenue to the annual operating budget. Additional real growth will be provided through new gifts, excess investment return or additions designated by the Board of Trustees.

Changes in endowment net assets and net asset composition, not including pledges, consist of the following at June 30:

		2020		
		Without donor restrictions	**With donor restrictions**	**Total**
Endowment net assets, June 30, 2019	$	362,238	423,614	785,852
Investment return		419	(182)	237
Contributions		—	4,144	4,144
Transfers designated by board		471	—	471
Appropriated for expenditure		(15,518)	(14,887)	(30,405)
Endowment net assets, June 30, 2020	$	347,610	412,689	760,299
Composition of endowment net assets:				
Donor-restricted endowment funds	$	—	412,689	412,689
Board-designated endowment funds		347,610	—	347,610
Total endowment net assets	$	347,610	412,689	760,299

(In thousands)

		2019		
		Without donor restrictions	**With donor restrictions**	**Total**
Endowment net assets, June 30, 2018	$	363,906	419,301	783,207
Investment return		12,192	14,023	26,215
Contributions		—	5,343	5,343
Transfers designated by board		1,501	—	1,501
Appropriated for expenditure		(15,361)	(15,053)	(30,414)
Endowment net assets, June 30, 2019	$	362,238	423,614	785,852
Composition of endowment net assets:				
Donor-restricted endowment funds	$	—	423,614	423,614
Board-designated endowment funds		362,238	—	362,238
Total endowment net assets	$	362,238	423,614	785,852

The portion of the endowment net assets with donor restrictions that include (a) the original value of assets contributed to endowment funds, (b) subsequent contributions to such funds valued at the date of contribution, and (c) reinvested earnings on endowment funds when specified by the donor totaled $213,173 and $209,041 at June 30, 2020 and 2019, respectively. Net assets with donor restrictions available for appropriation include $199,516 and $214,573 for the years ended June 30, 2020 and 2019.

(8) Land, Buildings and Equipment

The following is a summary of the College's land, buildings, and equipment as of June 30:

	Estimated lives		**2020**	**2019**
Land	—	$	5,862	5,862
Land improvements	20–30		48,775	48,438
Buildings	5–55		464,459	456,131
Equipment and furniture	5–20		74,001	71,024
Construction in progress	—		65,154	21,154
Artwork	—		1,306	1,306
			659,557	603,915
Less accumulated depreciation			(312,865)	(295,958)
		$	346,692	307,957

(In thousands)

(9) Retirement Plans

The College's contributory retirement plan covers exempt employees. Participating employees contribute a minimum of 2% to a maximum of 5% of their base salary. The College makes a matching contribution equal to 10% of compensation up to the taxable wage base and 12% of compensation in excess of the taxable wage base. The College contributed $5,956 and $5,783, for the years ended June 30, 2020 and 2019, respectively.

The College's noncontributory defined benefit retirement plan covers nonexempt employees. The College recognizes the funded status, the difference between the fair value of the plan assets and the projected benefit obligation, as an asset or liability in its balance sheet and recognizes the change in that funded status in the year in which the change occurred through changes in nonoperating net assets without donor restrictions.

The benefit obligation is determined by using a cash flow matching methodology that determines a single rate based on discounted projected cash flows for the plan. Each year the projected cash flow is discounted at a spot rate that is appropriate for that maturity; the discount rate is the single equivalent rate that produces the same discounted present value.

The following table sets forth the defined benefit pension plan's obligations, fair value of plan assets and funded status for the years ended June 30:

		2020	2019
Change in benefit obligation:			
Benefit obligation at beginning of year	$	79,528	70,008
Service cost		2,269	1,975
Interest cost		2,894	2,977
Benefits paid		(2,743)	(2,602)
Actuarial loss		8,472	7,170
Benefit obligation at end of year		90,420	79,528
Change in plan assets:			
Fair value of plan assets at beginning of year		70,453	69,428
Actual return on plan assets		1,375	2,627
Employer contribution		1,000	1,000
Benefits paid		(2,743)	(2,602)
Fair value of plan assets at end of year		70,085	70,453
Funded status – net obligation recognized in the balance sheets	$	(20,335)	(9,075)

(In thousands)

	2020	2019
The measurement date used to determine pension assets and benefit obligations was June 30, 2020.		
Weighted average assumptions used to determine benefit obligations at June 30:		
Discount rate	2.90 %	3.70 %
Rate of compensation increase	3.50	3.50
Weighted average assumptions used to determine net periodic benefit cost for year ending June 30:		
Discount rate	3.70	4.32
Expected long-term rate of return on plan assets	6.75	6.75
Rate of compensation increase	3.50	3.50

The accumulated benefit obligation was $84,591 at June 30, 2020 and $74,609 at June 30, 2019. The benefits expected to be paid after June 30, 2020 are as follows: $3,150 in 2021, $3,299 in 2022, $3,463 in 2023, $3,630 in 2024, $3,777 in 2025 and aggregate benefits for years 2026 through 2030 are expected to be $21,745. The College does not plan to make a nonmandatory employer contribution for fiscal year 2021.

The following table sets forth the components of net periodic benefit cost and the nonoperating charge (credit) reported in the statements of activities for the years ended June 30:

		2020	2019
Components of net periodic benefit cost:			
Service cost – benefits earned	$	2,269	1,975
Interest cost on projected benefit obligation		2,894	2,977
Expected return on plan assets		(4,677)	(4,616)
Amortization of prior service credit		(197)	(197)
Recognized actuarial loss		1,064	469
Net periodic benefit cost		1,353	608
Changes recognized in nonoperating activities:			
Net loss arising during the year		11,774	9,159
Amortization of prior service credit		197	197
Recognized actuarial loss		(1,064)	(469)
Total recognized as nonoperating activities		10,907	8,887
Total recognized in the statements of activities	$	12,260	9,495

The components of net periodic benefit cost other than the service cost component are included in line item “other components of net period pension cost” in nonoperating activities in the statement of activities.

(In thousands)

Amounts not yet reflected in net periodic benefit cost and included in the balance sheets are as follows:

		2020	2019
Accumulated net loss	$	(31,784)	(21,074)
Prior service credit		1,682	1,879
Accumulated other nonoperating loss		(30,102)	(19,195)
Accumulated contributions in excess of net periodic benefit cost		9,767	10,120
Net obligation recognized in the balance sheets	$	(20,335)	(9,075)

The estimated amounts that will be amortized into net periodic benefit cost in 2021 aggregate to an accumulated net loss of $1,820 and prior service credit of $197.

The noncontributory defined benefit retirement plan's investment policy includes the following asset allocation guidelines:

Cash and fixed income	20–45%
Domestic equities	7.5–35%
International equities	5–25%
Hedge funds	5–20%
Real assets	5–15%
Multi-asset	5–20%

The investment strategy of the noncontributory defined benefit retirement plan is to allocate assets among investment classes that will provide for stability and growth of plan assets in varying market environments. To that end, the plan has adopted policies that require each asset class to be diversified and that multiple managers with differing styles of management are employed. On a quarterly basis the plan reviews progress toward achieving its and individual managers' performance objectives. The fair value of the College's defined benefit retirement plan assets by asset class are as follows at June 30:

		2020		
		Level 1	NAV	Total
Cash and fixed income	$	19,817	—	19,817
Domestic equities		17,744	—	17,744
International equities		1,264	13,202	14,466
Hedge funds		—	9,671	9,671
Real assets		2,768	813	3,581
Multi-asset		4,806	—	4,806
	$	46,399	23,686	70,085

(In thousands)

	2019		
	Level 1	**NAV**	**Total**
Cash and fixed income	$ 14,617	—	14,617
Domestic equities	17,036	—	17,036
International equities	1,268	14,739	16,007
Hedge funds	—	9,674	9,674
Real assets	1,446	6,996	8,442
Multi-asset	4,677	—	4,677
	$ 39,044	31,409	70,453

The nonexchange traded investments above are valued using NAV and have monthly or quarterly liquidity with one to thirty day notice requirements.

(10) Long-Term Debt

Long-term debt consists of the following at June 30:

	2020	**2019**
Tax-exempt bonds:		
Massachusetts Development Finance Agency Revenue Bonds:		
5.25%, 2002 Issue, maturing in 2032	$ 26,175	26,175
Floating Rate Revenue Bonds, 2008 Issue, Series A maturing serially through 2037	33,425	34,645
5%, 2016 Issue, Series A maturing serially beginning in 2019 through 2046	34,400	35,520
3–5%, 2017 Issue, Series A maturing serially beginning in 2018 through 2023	8,900	10,870
4–5%, 2018 Issue, Series A maturing serially beginning in 2019 through 2026	19,130	21,540
Taxable bonds and loans:		
Variable rate amortizing monthly beginning in 2020 with final payment due in 2026	22,500	22,500
3.433%, 2019 Issue, maturing in 2049	60,000	—
	204,530	151,250
Unamortized premium and issue cost, net	6,898	8,575
	$ 211,428	159,825

(In thousands)

Maturities of long-term debt for the fiscal years after June 30, 2020 are as follows:

2021	$	7,758
2022		8,332
2023		8,709
2024		9,118
2025		7,038
Thereafter		163,575
	$	204,530

Interest expense charged to operations was $7,406 and $6,489 in 2020 and 2019, respectively. Cost of borrowing including interest, commitment fees, premium and bond issue cost amortization was $6,377 and $5,472 in 2020 and 2019, respectively.

The Massachusetts Development Finance Agency Revenue Bonds are tax-exempt issues and are general obligations of the College. The floating or variable rate for the 2008 Issue, Series A is determined on a daily basis by the Remarketing Agent for each rate period to be the lowest rate which in its judgment would permit the sale of the bonds. In the event that the variable rate for the immediately preceding day was not determined by the Remarketing Agent, or in the event that the variable rate determined by the Remarketing Agent shall be held to be invalid or unenforceable by a court of law, then the interest rate for such day shall be equal to the Securities Industry and Financial Markets Association (SIFMA) Index made available for the week preceding the date of determination, or if such index is no longer available, or no such index was so made available for the week preceding the date of determination, 75% of the interest rate on 30-day high grade unsecured commercial paper notes sold through dealers by major corporations as reported in The Wall Street Journal. The interest rate on the 2008 Issue, Series A bonds may be converted to a fixed rate at the election of the College and upon the satisfaction of certain requirements. The average interest rate was 0.87% and 1.43% in 2020 and 2019, respectively.

In the event that the College receives notice of any optional tender on its variable rate bonds, or if the bonds become subject to mandatory tender, the purchase price of the bonds will be paid from the remarketing of such bonds. However, if the remarketing proceeds are insufficient, the College will have a general obligation to purchase the bonds tendered. The College maintains a direct-pay letter of credit with a commercial bank to provide alternative liquidity to support the repurchase of tendered variable rate bonds in the event that the bonds are unable to be remarketed. Financing obtained through a letter of credit facility to fund the repurchase of the bonds would bear interest rates different from those associated with the original bond issues. The credit facility in effect at June 30, 2020 expires in October 2021.

The College has one interest rate swap agreement related to the 2008 Issue, Series A bonds with a current notional amount of $33,425 that reduces at approximately the same rate as the outstanding principal amount of the bonds. The swap provides for the College to pay a fixed rate of 3.881% in exchange for the financial institution paying a variable rate equal to 68% of 1-month USD-LIBOR on the notional amount. Neither party has an obligation to post collateral with respect to the swap. However, in the event the College's credit ratings were downgraded below a specified level, the counterparty could elect to terminate the swap which could require a termination payment to the counterparty. The fair value of the liability associated with the swap was $10,833 and $8,181 as of June 30, 2020 and 2019, respectively. Because the swap fair value is based predominantly on observable inputs that are corroborated by market data, it is categorized as Level 2 for purposes of valuation disclosure.

(In thousands)

In May 2019, the College amended its taxable term loan agreement with a commercial bank to allow the College to draw up to $49,000 to fund (i) capital costs in connection with a retreat/contemplative center, (ii) renovation and expansion of athletic facilities, (iii) renovation of existing facilities into a recreation and wellness complex, including fitness facilities, locker rooms and office space and (iv) construction, furnishing and equipping of a performing arts center. The termination date for draws under this term loan is September 2020. Commencing in September 2020, the outstanding principal amount of the term loan shall amortize monthly, based on a 180 month mortgage-style amortization schedule, assuming an interest rate of three percent (3%). The maturity date of the term loan is May 2026. The outstanding balance as of June 30, 2020 and 2019 was $22,500. During the draw period of the term loan the applicable interest rate is Daily London Inter-Bank Offered Rate (LIBOR) plus 0.49% and thereafter Monthly LIBOR plus 0.49%. The average interest rate was 2.06% and 2.84% in 2020 and 2019, respectively.

Issued in December 2019, the Trustees of the College of the Holy Cross Bonds are a taxable issue and are general obligations of the College. The bonds have a par call option beginning on September 1, 2029. Proceeds of the bonds will be used to finance various capital projects and to pay for the cost of issuing the bonds. Interest for the 2019 Series is payable semiannually.

At June 30, 2020, the College has an unsecured line of credit in the amount of $15,000 with a commercial bank primarily for working capital purposes. The interest rate is 1% plus Daily LIBOR. The line of credit was not utilized during the years ended June 30, 2020 or 2019, and has no outstanding balance as of June 30, 2020 or 2019. The College entered into a second line of credit on July 1, 2020 in the amount of $15,000 with the same commercial bank. The interest rate is 2% plus Daily LIBOR. The lines of credit expire in one year and may be renewed.

(11) Composition of Net Assets

The College’s net assets consist of the following at June 30:

		2020		2019	
		Without donor restrictions	With donor restrictions	Without donor restrictions	With donor restrictions
Undesignated, capital, and other	$	148,478	42,494	141,650	29,782
Contributions receivable		—	65,066	—	74,404
Student loan funds		2,485	50	1,503	50
Endowment funds		347,610	412,689	362,238	423,614
Annuity and life income funds		275	3,188	648	3,104
Total net assets	$	498,848	523,487	506,039	530,954

Endowment funds without donor restrictions is comprised of amounts designated by the Board of Trustees to function as an endowment. Net assets with donor restrictions at June 30, 2020 and 2019 include $199,516 and $214,573, respectively, of appreciation on donor-restricted endowment funds, with approximately 60% available to support scholarships, 30% to support instruction costs, and the remainder available to support other purposes.

(12) Related Parties

Members of the College's Board of Trustees and senior management may, from time to time, be associated, either directly or indirectly, with companies doing business with the College. The College's conflict of interest policy requires, among other things, that no member of the Board of Trustees or its committees can participate in any decision in which he or she (or an immediate family member) has a material financial interest. For members of the Board of Trustees and senior management, the College requires an annual disclosure of significant financial interests in, or employment or consulting relationships with, entities doing business with the College. When such relationships exist, measures are taken to address the actual or perceived conflict to protect the best interests of the College and ensure compliance with relevant conflict of interest laws or policy.

The College has investments in funds where members of the Board of Trustees serve as a manager, director or partner. These investments include limited partnerships that provide investment management services for a portion of the College's absolute return portfolio and several funds for cash and cash equivalents. These investments were made in compliance with the College's conflict of interest policy. As of June 30, 2020, the College held $65,053 in these funds, which are included in the College's long-term investment portfolio. The College has an outstanding commitment of $10,925 to contribute or invest additional funds to these investments. The College took measures to mitigate any actual or perceived conflict, including requiring that these transactions be conducted at arm's length, for good and sufficient consideration, based on terms that are fair and reasonable to and in the best interest of the College and in accordance with applicable conflict of interest laws.

(13) Expenses by Natural and Functional Classification

The College's primary program service is undergraduate instruction. Expenses reported as academic support, student services, institutional support and auxiliary enterprises are incurred in support of this primary program activity. Expenses associated with the operation and maintenance of the College's plant assets and depreciation are allocated to functional categories based on square footage. Borrowing costs are allocated based on usage of debt-financed space.

Expenses associated with fundraising activities of the College were $8,333 and $9,457 in 2020 and 2019, respectively, and are included in institutional support.

(In thousands)

Expenses by functional classification for years ended June 30 consist of the following:

2020		Instruction	Academic support	Student services	Institutional support	Auxiliary services	Operation and maintenance of plant	Total expenses
Salaries and wages	$	36,132	4,210	15,441	15,488	7,274	7,401	85,946
Employee benefits		12,607	1,336	5,190	5,477	2,027	2,609	29,246
Supplies, services and other		8,643	6,939	9,344	8,826	8,382	8,569	50,703
Depreciation		4,650	697	5,397	1,475	5,539	—	17,758
Borrowing costs		2,430	45	2,106	485	1,311	—	6,377
Operation and maintenance of plant		4,138	975	3,858	935	8,673	(18,579)	—
Total operating expenses	$	68,600	14,202	41,336	32,686	33,206	—	190,030

2019		Instruction	Academic support	Student services	Institutional support	Auxiliary services	Operation and maintenance of plant	Total expenses
Salaries and wages	$	35,462	4,050	14,791	15,390	7,335	7,372	84,400
Employee benefits		12,960	1,349	5,208	5,897	2,188	2,775	30,377
Supplies, services and other		10,146	6,989	8,576	8,281	10,111	11,303	55,406
Depreciation		4,707	699	5,319	1,359	5,357	—	17,441
Borrowing costs		1,887	52	1,873	297	1,363	—	5,472
Operation and maintenance of plant		4,793	1,133	4,511	850	10,163	(21,450)	—
Total operating expenses	$	69,955	14,272	40,278	32,074	36,517	—	193,096

Supplies, services, and other expenses include utilities and facility costs, professional services, meals and travel, food service, study abroad program costs, library and technology services, and other operating expenses.

(14) Subsequent Events

In July 2020, the College borrowed $26,500 on its commercial taxable borrowing facility for a total outstanding principal amount of $49,000, as described in note 10.

For purposes of determining the effects of subsequent events on these financial statements, management has evaluated events subsequent to June 30, 2020 and through September 18, 2020, the date on which the financial statements were issued.