COLLEGE OF THE HOLY CROSS

Financial Statements

June 30, 2022 and 2021

(With Independent Auditors' Report Thereon)

COLLEGE OF THE HOLY CROSS

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KPMG LLP
515 Broadway
Albany, NY 12207-2974

Independent Auditors' Report

The Board of Trustees
College of the Holy Cross:

Opinion

We have audited the financial statements of the College of the Holy Cross (the College), which comprise the balance sheets as of June 30, 2022 and 2021, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the College as of June 30, 2022 and 2021, 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.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

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

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

KPMG LLP

Albany, New York
October 21, 2022

COLLEGE OF THE HOLY CROSS

Balance Sheets

June 30, 2022 and 2021

(In thousands)

Assets		**2022**	**2021**
Cash, cash equivalents, and restricted cash	$	104,080	106,594
Contributions receivable, net		46,609	56,111
Accounts and loans receivable, net		6,128	6,327
Long-term investments		1,000,345	1,051,837
Land, buildings, and equipment, net		412,789	389,214
Other assets		12,277	7,918
Total assets	$	1,582,228	1,618,001
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued expenses	$	48,447	44,900
Deferred revenue and student deposits		2,880	5,715
U.S. government refundable advances		3,166	4,105
Split-interest obligations		3,176	3,853
Accrued pension obligation		347	8,897
Interest rate swap		4,150	8,153
Long-term debt		247,052	227,886
Total liabilities		309,218	303,509
Net assets:			
Without donor restrictions		612,562	644,641
With donor restrictions		660,448	669,851
Total net assets		1,273,010	1,314,492
Total liabilities and net assets	$	1,582,228	1,618,001

See accompanying notes to financial statements.

COLLEGE OF THE HOLY CROSS

Statement of Activities

Year ended June 30, 2022
(With summarized information for the year ended June 30, 2021)

(In thousands)

	Without donor restrictions	With donor restrictions	Totals 2022	Totals 2021
Operating revenues:				
Tuition and fees, net	$ 108,146	—	108,146	99,827
Residence and dining fees, net	38,121	—	38,121	14,266
Student revenue	146,267	—	146,267	114,093
Contributions – annual fund	9,472	—	9,472	9,931
Other auxiliary enterprises	8,940	—	8,940	4,107
Other revenues	14,768	—	14,768	5,781
Operating revenues before nonoperating net assets used in operations	179,447	—	179,447	133,912
Nonoperating net assets used in operations:				
Long-term investment income used in operations	35,048	—	35,048	34,611
Restricted and designated net assets used in operations	10,840	—	10,840	9,355
Total operating revenues	225,335	—	225,335	177,878
Operating expenses:				
Salaries and wages	94,739	—	94,739	81,832
Employee benefits	37,944	—	37,944	26,215
Supplies, services, and other	65,605	—	65,605	41,654
Depreciation	18,927	—	18,927	18,370
Borrowing costs	6,959	—	6,959	6,969
Total operating expenses	224,174	—	224,174	175,040
Increase in net assets from operations	1,161	—	1,161	2,838
Nonoperating:				
Contributions	1,967	19,411	21,378	29,514
Net assets reclassified, donor-imposed restrictions	(14,084)	14,084	—	—
Net (loss) gain on long-term investments	(14,135)	(18,789)	(32,924)	286,460
Net gain on interest rate swap	4,003	—	4,003	2,680
Nonoperating net assets used in operations	(45,888)	—	(45,888)	(43,966)
Net assets released from restrictions	24,576	(24,576)	—	—
Pension-related changes, other than net periodic benefit cost	8,110	—	8,110	13,932
Other components of net periodic pension cost	1,957	—	1,957	191
Other changes, net	254	467	721	508
(Decrease) increase in net assets from nonoperating activities	(33,240)	(9,403)	(42,643)	289,319
(Decrease) increase in net assets	(32,079)	(9,403)	(41,482)	292,157
Net assets, beginning of year	644,641	669,851	1,314,492	1,022,335
Net assets, end of year	$ 612,562	660,448	1,273,010	1,314,492

See accompanying notes to financial statements.

COLLEGE OF THE HOLY CROSS

Statement of Activities

Year ended June 30, 2021

(In thousands)

	Without donor restrictions	With donor restrictions	Total
Operating revenues:			
Tuition and fees, net	$ 99,827	—	99,827
Residence and dining fees, net	14,266	—	14,266
Student revenue	114,093	—	114,093
Contributions – annual fund	9,931	—	9,931
Other auxiliary enterprises	4,107	—	4,107
Other revenues	5,781	—	5,781
Operating revenues before nonoperating net assets used in operations	133,912	—	133,912
Nonoperating net assets used in operations:			
Long-term investment income used in operations	34,611	—	34,611
Restricted and designated net assets used in operations	9,355	—	9,355
Total operating revenues	177,878	—	177,878
Operating expenses:			
Salaries and wages	81,832	—	81,832
Employee benefits	26,215	—	26,215
Supplies, services, and other	41,654	—	41,654
Depreciation	18,370	—	18,370
Borrowing costs	6,969	—	6,969
Total operating expenses	175,040	—	175,040
Increase in net assets from operations	2,838	—	2,838
Nonoperating:			
Contributions	6,211	23,303	29,514
Net assets reclassified, donor-imposed restrictions	(12,093)	12,093	—
Net gain on long-term investments	131,755	154,705	286,460
Net gain on interest rate swap	2,680	—	2,680
Nonoperating net assets used in operations	(43,966)	—	(43,966)
Net assets released from restrictions	43,595	(43,595)	—
Pension-related changes, other than net periodic benefit cost	13,932	—	13,932
Other components of net periodic pension cost	191	—	191
Other changes, net	650	(142)	508
Increase in net assets from nonoperating activities	142,955	146,364	289,319
Increase in net assets	145,793	146,364	292,157
Net assets, beginning of year	498,848	523,487	1,022,335
Net assets, end of year	$ 644,641	669,851	1,314,492

See accompanying notes to financial statements.

COLLEGE OF THE HOLY CROSS

Statements of Cash Flows

Years ended June 30, 2022 and 2021

(In thousands)

		2022	2021
Cash flows from operating activities:			
Change in net assets	$	(41,482)	292,157
Adjustments to reconcile change in net assets to net cash used in operating activities:			
Depreciation and accretion		17,980	17,266
Net realized and unrealized losses (gains) on investments		32,924	(286,460)
Contributions for long-term investment and facilities		(14,052)	(23,691)
Net gain on interest rate swap		(4,003)	(2,680)
Pension-related changes, other than net periodic benefit cost		(8,110)	(13,932)
Other components of net periodic pension cost		(1,957)	(191)
(Increase) decrease in operating assets, net		(4,204)	1,004
Increase in operating liabilities, net		986	8,144
Net cash used in operating activities		(21,918)	(8,383)
Cash flows from investing activities:			
Net loans repaid by students and others		765	624
Purchase of land, buildings, and equipment		(43,057)	(62,200)
Proceeds from maturities and sale of long-term investments		437,956	571,861
Purchase of long-term investments		(418,801)	(569,671)
Net cash used in investing activities		(23,137)	(59,386)
Cash flows from financing activities:			
Payments on long-term debt		(9,788)	(8,938)
Proceeds from commercial borrowing		30,000	26,500
Payment of debt issuance costs		(99)	—
Decrease in U.S. government refundable advances		(939)	(937)
Proceeds from contributions for long-term investment		15,856	16,426
Proceeds from contributions for facilities		7,511	15,367
Net cash provided by financing activities		42,541	48,418
Net decrease in cash and cash equivalents		(2,514)	(19,351)
Cash, cash equivalents, and restricted cash, beginning of year		106,594	125,945
Cash, cash equivalents, and restricted cash, end of year	$	104,080	106,594
Supplemental data:			
Change in accounts payable for land, buildings, and equipment	$	(21)	(1,200)
Interest paid		7,730	7,988

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 and with 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 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. Donor-imposed restrictions on net assets previously without restriction are reported in nonoperating activities as net assets reclassified, donor-imposed restrictions.

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. Student aid of $68,162 and $62,489 was applied against published tuition and fees in fiscal years 2022 and 2021, respectively. Student aid of $3,274 and $1,738 was applied against resident and dining fees in fiscal years 2022 and 2021, respectively. 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 $3,104 and $2,777 in fiscal years 2022 and 2021, respectively, 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) Restricted Cash

The College's restricted cash as of June 30, 2022 consists of $29,928 held in a money market account that the College is contractually obligated to use for the construction of a new residence hall. The College had no restricted cash as of June 30, 2021.

(f) Fair Value Measurements

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 (NAV) or its equivalent 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

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.

(g) 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.

(h) 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.

(i) 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 $5,736 and $6,017 at June 30, 2022 and 2021, respectively, are considered Level 1 in the fair value hierarchy.

(j) 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.

(k) U.S. Government Refundable Advances

The College holds certain amounts advanced by the U.S. Government under the Federal Perkins Loan Program (the Program). 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.

(l) 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.

(m) 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.

(n) Tax Status

The College is a tax-exempt organization as described in Section 501(c)(3) of the Internal Revenue Code (the 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.

(Continued)

(In thousands)

(o) Recent Accounting Pronouncements

Accounting Standards Update (ASU) No. 2020-07, *Presentation and Disclosures for Contributed Nonfinancial Assets*, issued by the Financial Accounting Standards Board (FASB), requires contributed nonfinancial assets (gifts in kind) to be presented separately under other contributions on the statement of activities. Effective July 1, 2021, the College adopted this ASU. The College's adoption on did not have a material effect on the College's financial statements.

(3) Financial Assets and Liquidity Resources

As of June 30, 2022 and 2021, 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:

		2022	2021
Financial assets:			
Cash and cash equivalents	$	36,965	45,721
Contributions receivable		926	816
Accounts receivable		1,058	491
Board-appropriated endowment spending		41,700	36,685
Total financial assets available within one year	$	80,649	83,713

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 at June 30, 2022 include a line of credit totaling $30,000 for working capital needs and $427,222 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 $18,552 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 at June 30, 2022, in addition to those described above, include $861 in cash and cash equivalents from contributions subject to donor restrictions, $17,774 in taxable bond proceeds, $29,928 in restricted cash contractually obligated for the construction of a new residence hall, and scheduled pledge payments of $24,260.

(In thousands)

(4) Contributions Receivable

Contributions receivable consist of the following at June 30:

		2022	2021
Unconditional promises expected to be collected in:			
Less than one year	$	28,497	25,973
One to five years		27,224	35,552
Thereafter		—	142
		55,721	61,667
Less allowances for uncollectible pledges and pledge discounts (0.07%–3.04%)		(9,112)	(5,556)
	$	46,609	56,111

(5) Accounts and Loans Receivable

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

		2022			2021		
		Gross receivable	Allowance for doubtful accounts	Net receivable	Gross receivable	Allowance for doubtful accounts	Net receivable
Federal Perkins Loan program	$	2,764	(300)	2,464	3,688	(300)	3,388
Institutional loans		2,488	(75)	2,413	2,318	(75)	2,243
Accounts receivable		1,166	(108)	1,058	599	(108)	491
Other receivables		193	—	193	205	—	205
	$	6,611	(483)	6,128	6,810	(483)	6,327

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.

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

(Continued)

(6) Investments

(a) Strategy

The investment objective of the College is to invest its assets prudently 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 equities, fixed income, real assets, and alternatives. Equities cover the U.S.; Global Ex-U.S., which includes both developed and emerging markets overseas; and Global, which includes U.S., developed, and emerging markets. Alternatives include both hedge funds and private equities. Hedge funds invest in a broad range of investments that are less correlated with broad equities markets. This includes long/short equity strategies, credit-oriented strategies, multistrategy 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, and 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.

(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 NAV or its equivalent 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, 2022:

(In thousands)

	NAV	Level 1	Level 2	Level 3	Total
Long-term investments:					
Cash equivalents	$ —	1,823	—	—	1,823
Fixed income	19,760	49,702	—	—	69,462
Equities:					
U.S.	111,121	5,519	—	—	116,640
Global Ex-U.S.	118,293	15,985	—	—	134,278
Global	49,250	12,273	—	—	61,523
Alternatives:					
Hedge funds	267,839	—	—	—	267,839
Private equity	313,187	—	—	—	313,187
Real assets:					
Real estate	26,899	—	—	—	26,899
Other investments	—	619	—	944	1,563
Split-interest agreements	—	4,285	1,339	1,507	7,131
Total long-term investments	$ 906,349	90,206	1,339	2,451	1,000,345

The following table summarizes the valuation of investments as of June 30, 2021:

	NAV	Level 1	Level 2	Level 3	Total
Long-term investments:					
Cash equivalents	$ —	85,359	—	—	85,359
Fixed income	27,293	39,015	—	—	66,308
Equities:					
U.S.	163,547	—	—	—	163,547
Global Ex-U.S.	152,518	—	—	—	152,518
Global	64,080	5,896	—	—	69,976
Alternatives:					
Hedge funds	192,198	—	—	—	192,198
Private equity	284,515	—	—	—	284,515
Real assets:					
Real estate	27,343	—	—	—	27,343
Other investments	—	619	—	906	1,525
Split-interest agreements	—	5,539	1,502	1,507	8,548
Total long-term investments	$ 911,494	136,428	1,502	2,413	1,051,837

(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 $146,691 as of June 30, 2022.

(d) Liquidity

Hedge funds 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, 2022 are categorized based on redemption frequency as follows:

		Daily	Monthly	Quarterly	Annual	Illiquid	Total
Cash equivalents	$	1,823	—	—	—	—	1,823
Fixed income		49,702	—	19,760	—	—	69,462
Equities		33,777	148,420	124,742	5,502	—	312,441
Alternatives		—	22,854	148,775	96,157	313,240	581,026
Real assets		—	—	—	—	26,899	26,899
Other investments		—	—	—	—	1,563	1,563
Split-interest agreements		—	—	—	—	7,131	7,131
Total	$	85,302	171,274	293,277	101,659	348,833	1,000,345

Investments that are illiquid include restricted shares, side pockets, gates, or funds in liquidation, which have suspended normal liquidity terms, as well as private equity and real asset funds where the College has no liquidity terms until the investments are sold by the fund manager. The private equity and real asset funds have initial terms between ten and fifteen years and have an average remaining expected life of 4.8 and 3.8 years, respectively. The College has in liquidation $11,195 of such investments at June 30, 2022 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.

(7) Endowment

The College's endowment consists of approximately 975 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

(Continued)

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. The Board, following UPMIFA, determines 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 are 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. As a result of market declines, the fair value of certain permanently restricted endowment funds with a current value of $17,997 is less than the historic dollar value of $19,031 by $1,034 as of June 30, 2022. There were no material deficiencies of this nature as of June 30, 2021.

(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

 (Continued)

(In thousands)

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.

(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 up to 5.0% of the endowment's fair value applied to a three-year moving average with a one-year lag. The amount appropriated for operations is $35,048 and $34,611 for the years ended June 30, 2022 and 2021, 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:

		2022		
		Without donor restrictions	With donor restrictions	Total
Endowment net assets, June 30, 2021	$	470,614	572,674	1,043,288
Investment loss		(13,347)	(18,375)	(31,722)
Contributions		—	14,223	14,223
Transfers designated by board		1,886	—	1,886
Net assets reclassified, donor-imposed restrictions		(14,084)	14,084	—
Appropriated for expenditure		(17,847)	(17,201)	(35,048)
Endowment net assets, June 30, 2022	$	427,222	565,405	992,627

(In thousands)

		2022		
		Without donor restrictions	**With donor restrictions**	**Total**
Composition of endowment net assets:				
Donor-restricted endowment funds	$	—	565,405	565,405
Board-designated endowment funds		427,222	—	427,222
Total endowment net assets	$	427,222	565,405	992,627

		2021		
		Without donor restrictions	**With donor restrictions**	**Total**
Endowment net assets, June 30, 2020	$	347,610	412,689	760,299
Investment return		130,959	154,201	285,160
Contributions		—	10,353	10,353
Transfers designated by board		22,087	—	22,087
Net assets reclassified, donor-imposed restrictions		(12,093)	12,093	—
Appropriated for expenditure		(17,949)	(16,662)	(34,611)
Endowment net assets, June 30, 2021	$	470,614	572,674	1,043,288
Composition of endowment net assets:				
Donor-restricted endowment funds	$	—	572,674	572,674
Board-designated endowment funds		470,614	—	470,614
Total endowment net assets	$	470,614	572,674	1,043,288

(Continued)

(In thousands)

(8) Land, Buildings, and Equipment

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

	Estimated lives		2022	2021
Land	—	$	6,531	5,862
Land improvements	20–30		53,064	50,955
Buildings	5–55		502,704	495,586
Equipment and furniture	5–20		78,728	73,342
Construction in progress	—		113,843	87,643
Artwork	—		1,678	1,306
			756,548	714,694
Less accumulated depreciation			(343,759)	(325,480)
		$	412,789	389,214

(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 $10,574 and $1,454, for the years ended June 30, 2022 and 2021, respectively. Contributions for the year ended June 30, 2022 include matching contributions totaling $6,229 and discretionary contributions totaling $4,345. As part of its response to the COVID-19 pandemic, the College temporarily suspended matching contributions for nine months in fiscal year 2021.

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.

(Continued)

(In thousands)

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:

		2022	2021
Change in benefit obligation:			
Benefit obligation at beginning of year	$	93,272	90,420
Service cost		2,517	2,685
Interest cost		2,562	2,584
Benefits paid		(3,175)	(2,817)
Actuarial (gain) loss		(22,441)	400
Benefit obligation at end of year		72,735	93,272
Change in plan assets:			
Fair value of plan assets at beginning of year		84,375	70,085
Actual return on plan assets		(9,812)	17,107
Employer contribution		1,000	—
Benefits paid		(3,175)	(2,817)
Fair value of plan assets at end of year		72,388	84,375
Funded status – net obligation recognized in the balance sheets	$	(347)	(8,897)
Weighted average assumptions used to determine benefit obligations at June 30:			
Discount rate		4.74 %	2.82 %
Rate of compensation increase		3.50	3.50
Weighted average assumptions used to determine net periodic benefit cost for year ended June 30:			
Discount rate		2.82 %	2.90 %
Expected long-term rate of return on plan assets		6.00	6.50
Rate of compensation increase		3.50	3.50

The actuarial gain for the period ended June 30, 2022 was due to a significant increase in the discount rate. The accumulated benefit obligation was $69,063 and $87,079 at June 30, 2022 and 2021, respectively. The benefits expected to be paid after June 30, 2022 are as follows: $3,481 in 2023, $3,661 in 2024, $3,821 in 2025, $4,038 in 2026, $4,245 in 2027, and aggregate benefits for years 2028 through 2032 are expected to be $23,602. The College plans to make a nonmandatory employer contribution of $1,000 for fiscal year 2023.

(In thousands)

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:

		2022	2021
Operating:			
Service cost – benefits earned	$	2,517	2,685
Total operating, included in employee benefit costs		2,517	2,685
Nonoperating:			
Interest cost on projected benefit obligation		2,562	2,584
Expected return on plan assets		(5,009)	(4,475)
Amortization of prior service credit		(197)	(197)
Recognized actuarial loss		687	1,897
Total other components of net periodic pension cost		(1,957)	(191)
Net periodic benefit cost		560	2,494
Changes recognized in nonoperating activities:			
Net gain arising during the year		(7,620)	(12,232)
Amortization of prior service credit		197	197
Recognized actuarial loss		(687)	(1,897)
Total recognized as nonoperating activities		(8,110)	(13,932)
Total recognized in the statements of activities	$	(7,550)	(11,438)

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

		2022	2021
Accumulated net loss	$	(9,350)	(17,655)
Prior service credit		1,290	1,485
Accumulated other nonoperating loss		(8,060)	(16,170)
Accumulated contributions in excess of net periodic benefit cost		7,713	7,273
Net obligation recognized in the balance sheets	$	(347)	(8,897)

(In thousands)

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%
Multiasset	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:

	2022		
	Level 1	**NAV**	**Total**
Cash and fixed income	$ 16,591	—	16,591
Domestic equities	12,644	—	12,644
International equities	6,176	15,481	21,657
Hedge funds	—	9,300	9,300
Real assets	6,961	—	6,961
Multiasset	5,235	—	5,235
	$ 47,607	24,781	72,388

	2021		
	Level 1	**NAV**	**Total**
Cash and fixed income	$ 17,110	—	17,110
Domestic equities	20,933	—	20,933
International equities	2,864	17,653	20,517
Hedge funds	—	12,427	12,427
Real assets	8,176	—	8,176
Multiasset	5,212	—	5,212
	$ 54,295	30,080	84,375

(In thousands)

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:

	2022	2021
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	30,825	32,150
5%, 2016 Issue, Series A maturing serially beginning in 2019 through 2046	32,170	33,315
3–5%, 2017 Issue, Series A maturing serially beginning in 2018 through 2023	4,665	6,835
4–5%, 2018 Issue, Series A maturing serially beginning in 2019 through 2026	14,345	16,800
Taxable bonds and loans:		
Variable rate amortizing monthly beginning in 2020 with final payment due in 2026	44,124	46,817
3.433%, 2019 Issue, maturing in 2049	60,000	60,000
3.610%, 2022 Issue, maturing in 2042	30,000	—
	242,304	222,092
Unamortized premium and issue cost, net	4,748	5,794
	$ 247,052	227,886

Maturities of long-term debt for the fiscal years after June 30, 2022 are as follows:

2023	$ 10,210
2024	10,665
2025	8,631
2026	41,633
2027	6,990
Thereafter	164,175
	$ 242,304

Interest expense charged to operations was $7,724 and $7,872 in 2022 and 2021, respectively. Cost of borrowing including interest, commitment fees, premium, and bond issue cost amortization was $6,959 and $6,969 in 2022 and 2021, 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 0.15% and 0.05% in 2022 and 2021, 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, 2022 expires in October 2024.

The College has one interest rate swap agreement related to the 2008 Issue, Series A bonds with a current notional amount of $30,825 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 one-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 $4,150 and $8,153 as of June 30, 2022 and 2021, 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 July 2020, the College borrowed $26,500 on its commercial taxable borrowing facility for a total draw of $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. Commencing in September 2020, the outstanding principal amount of the term loan amortizes 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, 2022 and 2021 was $44,124 and $46,817, respectively. During the draw period of the term loan, which ended in September 2020, the applicable interest rate is Daily London Interbank Offered Rate (LIBOR) plus 0.49% and thereafter monthly LIBOR plus 0.49%. The average interest rate was 0.76% and 0.64% in 2022 and 2021, respectively.

(In thousands)

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.

In May 2022, the College borrowed $30,000 for the construction of a new residence hall. Proceeds are held in restricted cash and are available monthly for advancement to assist in the financing of the project. Interest is payable monthly at a fixed interest rate of 3.61%, with principal payments commencing in fiscal year 2026 based on a 26-year amortization schedule, and with final maturity in 2042.

At June 30, 2022, the College has an unsecured line of credit in the amount of $30,000 with a commercial bank primarily for working capital purposes. The interest rate is 0.60% plus daily LIBOR. The line of credit was not utilized during the year ended June 30, 2022 or 2021, and has no outstanding balance as of June 30, 2022 or 2021. The line of credit expires in one year and may be renewed.

(11) Composition of Net Assets

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

		2022		2021	
		Without donor restrictions	With donor restrictions	Without donor restrictions	With donor restrictions
Undesignated, capital, and other	$	184,853	44,965	172,891	37,507
Contributions receivable		—	46,609	—	56,111
Endowment funds		427,222	565,405	470,614	572,674
Annuity and life income funds		487	3,469	1,136	3,559
Total net assets	$	612,562	660,448	644,641	669,851

Endowment funds without donor restrictions comprise amounts designated by the Board of Trustees to function as an endowment. Net assets with donor restrictions at June 30, 2022 and 2021 include $301,428 and $337,080, respectively, of appreciation on donor-restricted endowment funds, with approximately 55% available to support scholarships, 33% 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.

(In thousands)

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, 2022, the College held $61,354 in these funds, which are included in the College's long-term investment portfolio. The College has an outstanding commitment of $5,712 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 $10,086 and $7,298 in 2022 and 2021, respectively, and are included in institutional support.

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

	2022						
	Instruction	Academic support	Student services	Institutional support	Auxiliary services	Operation and maintenance of plant	Total expenses
Salaries and wages	$ 38,910	4,890	17,013	18,879	7,485	7,562	94,739
Employee benefits	15,784	1,830	6,688	7,929	2,484	3,229	37,944
Supplies, services, and other	8,002	8,600	12,959	14,626	10,458	10,960	65,605
Depreciation	4,623	718	6,603	1,269	5,714	—	18,927
Borrowing costs	3,126	44	1,546	740	1,503	—	6,959
Operation and maintenance of plant	4,822	1,157	4,635	850	10,287	(21,751)	—
Total operating expenses	$ 75,267	17,239	49,444	44,293	37,931	—	224,174

(Continued)

(In thousands)

				2021				
		Instruction	**Academic support**	**Student services**	**Institutional support**	**Auxiliary services**	**Operation and maintenance of plant**	**Total expenses**
Salaries and wages	$	36,124	3,786	14,529	15,549	4,904	6,940	81,832
Employee benefits		11,254	1,173	4,625	4,999	1,552	2,612	26,215
Supplies, services, and other		2,752	6,352	7,621	12,733	4,249	7,947	41,654
Depreciation		4,565	725	6,053	1,391	5,636	—	18,370
Borrowing costs		3,190	49	1,570	753	1,407	—	6,969
Operation and maintenance of plant		3,914	939	3,643	661	8,342	(17,499)	—
Total operating expenses	$	61,799	13,024	38,041	36,086	26,090	—	175,040

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

For purposes of determining the effects of subsequent events on these financial statements, management has evaluated events subsequent to June 30, 2022 and through October 21, 2022, the date on which the financial statements were issued.