



COLLEGE OF THE HOLY CROSS

Financial Statements

June 30, 2023 and 2022

(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, 2023 and 2022, 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, 2023 and 2022, 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 16, 2023

COLLEGE OF THE HOLY CROSS

Balance Sheets

June 30, 2023 and 2022

(In thousands)

Assets	2023	2022
Cash, cash equivalents, and restricted cash	\$ 68,977	104,080
Contributions receivable, net	28,169	46,609
Accounts and loans receivable, net	5,188	6,128
Pension assets, net	5,291	—
Long-term investments	1,050,312	1,000,345
Land, buildings, and equipment, net	439,808	412,789
Other assets	12,210	12,277
Total assets	<u>\$ 1,609,955</u>	<u>1,582,228</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 38,376	48,447
Deferred revenue and student deposits	5,312	2,880
U.S. government refundable advances	2,256	3,166
Split-interest obligations	3,047	3,176
Accrued pension obligation	—	347
Interest rate swap	2,565	4,150
Long-term debt	236,056	247,052
Total liabilities	<u>287,612</u>	<u>309,218</u>
Net assets:		
Without donor restrictions	687,713	612,562
With donor restrictions	634,630	660,448
Total net assets	<u>1,322,343</u>	<u>1,273,010</u>
Total liabilities and net assets	<u>\$ 1,609,955</u>	<u>1,582,228</u>

See accompanying notes to financial statements.

COLLEGE OF THE HOLY CROSS

Statement of Activities

Year ended June 30, 2023

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

(In thousands)

	Without donor restrictions	With donor restrictions	Totals	
			2023	2022
Operating revenues:				
Tuition and fees, net	\$ 116,182	—	116,182	108,146
Residence and dining fees, net	40,416	—	40,416	38,121
Student revenue	156,598	—	156,598	146,267
Contributions – annual fund	9,865	—	9,865	9,472
Other auxiliary enterprises	10,505	—	10,505	8,940
Other revenues	9,853	—	9,853	14,768
Operating revenues before nonoperating net assets used in operations	186,821	—	186,821	179,447
Nonoperating net assets used in operations:				
Long-term investment income used in operations	39,832	—	39,832	35,048
Restricted and designated net assets used in operations	12,414	—	12,414	10,840
Total operating revenues	239,067	—	239,067	225,335
Operating expenses:				
Salaries and wages	97,687	—	97,687	94,739
Employee benefits	34,148	—	34,148	37,944
Supplies, services, and other	67,035	—	67,035	65,605
Depreciation	20,904	—	20,904	18,927
Borrowing costs	9,303	—	9,303	6,959
Total operating expenses	229,077	—	229,077	224,174
Increase in net assets from operations	9,990	—	9,990	1,161
Nonoperating:				
Contributions	1,543	9,373	10,916	21,378
Net gain (loss) on long-term investments	31,499	41,556	73,055	(32,924)
Net gain on interest rate swap	1,585	—	1,585	4,003
Nonoperating net assets used in operations	(52,246)	—	(52,246)	(45,888)
Net assets released from restrictions	76,037	(76,037)	—	—
Pension-related changes, other than net periodic benefit cost	5,244	—	5,244	8,110
Other components of net periodic pension credit	1,181	—	1,181	1,957
Other changes, net	318	(710)	(392)	721
Increase (decrease) in net assets from nonoperating activities	65,161	(25,818)	39,343	(42,643)
Increase (decrease) in net assets	75,151	(25,818)	49,333	(41,482)
Net assets, beginning of year	612,562	660,448	1,273,010	1,314,492
Net assets, end of year	\$ 687,713	634,630	1,322,343	1,273,010

See accompanying notes to financial statements.

COLLEGE OF THE HOLY CROSS

Statement of Activities

Year ended June 30, 2022

(In thousands)

	Without donor restrictions	With donor restrictions	Total
Operating revenues:			
Tuition and fees, net	\$ 108,146	—	108,146
Residence and dining fees, net	<u>38,121</u>	<u>—</u>	<u>38,121</u>
Student revenue	146,267	—	146,267
Contributions – annual fund	9,472	—	9,472
Other auxiliary enterprises	8,940	—	8,940
Other revenues	<u>14,768</u>	<u>—</u>	<u>14,768</u>
Operating revenues before nonoperating net assets used in operations	179,447	—	179,447
Nonoperating net assets used in operations:			
Long-term investment income used in operations	35,048	—	35,048
Restricted and designated net assets used in operations	<u>10,840</u>	<u>—</u>	<u>10,840</u>
Total operating revenues	<u>225,335</u>	<u>—</u>	<u>225,335</u>
Operating expenses:			
Salaries and wages	94,739	—	94,739
Employee benefits	37,944	—	37,944
Supplies, services, and other	65,605	—	65,605
Depreciation	18,927	—	18,927
Borrowing costs	<u>6,959</u>	<u>—</u>	<u>6,959</u>
Total operating expenses	<u>224,174</u>	<u>—</u>	<u>224,174</u>
Increase in net assets from operations	<u>1,161</u>	<u>—</u>	<u>1,161</u>
Nonoperating:			
Contributions	1,967	19,411	21,378
Net assets reclassified, donor-imposed restrictions	(14,084)	14,084	—
Net loss on long-term investments	(14,135)	(18,789)	(32,924)
Net gain on interest rate swap	4,003	—	4,003
Nonoperating net assets used in operations	(45,888)	—	(45,888)
Net assets released from restrictions	24,576	(24,576)	—
Pension-related changes, other than net periodic benefit cost	8,110	—	8,110
Other components of net periodic pension cost	1,957	—	1,957
Other changes, net	<u>254</u>	<u>467</u>	<u>721</u>
Decrease in net assets from nonoperating activities	<u>(33,240)</u>	<u>(9,403)</u>	<u>(42,643)</u>
Decrease in net assets	(32,079)	(9,403)	(41,482)
Net assets, beginning of year	<u>644,641</u>	<u>669,851</u>	<u>1,314,492</u>
Net assets, end of year	<u>\$ 612,562</u>	<u>660,448</u>	<u>1,273,010</u>

See accompanying notes to financial statements.

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Statements of Cash Flows

Years ended June 30, 2023 and 2022

(In thousands)

	2023	2022
Cash flows from operating activities:		
Change in net assets	\$ 49,333	(41,482)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and accretion	20,118	17,980
Net realized and unrealized losses (gains) on investments	(73,055)	32,924
Contributions for long-term investment and facilities	(4,051)	(14,052)
Net gain on interest rate swap	(1,585)	(4,003)
Pension-related changes, other than net periodic benefit cost	(5,244)	(8,110)
Other components of net periodic pension cost	(1,181)	(1,957)
Decrease (increase) in operating assets, net	1,185	(4,204)
Increase (decrease) in operating liabilities, net	(255)	986
Net cash used in operating activities	(14,735)	(21,918)
Cash flows from investing activities:		
Net loans repaid by students and others	684	765
Purchase of land, buildings, and equipment	(54,787)	(43,057)
Proceeds from maturities and sale of long-term investments	348,794	437,956
Purchase of long-term investments	(325,708)	(418,801)
Net cash used in investing activities	(31,017)	(23,137)
Cash flows from financing activities:		
Payments on long-term debt	(10,210)	(9,788)
Proceeds from commercial borrowing	—	30,000
Payment of debt issuance costs	—	(99)
Decrease in U.S. government refundable advances	(910)	(939)
Proceeds from contributions for long-term investment	16,525	15,856
Proceeds from contributions for facilities	5,244	7,511
Net cash provided by financing activities	10,649	42,541
Net decrease in cash and cash equivalents	(35,103)	(2,514)
Cash, cash equivalents, and restricted cash, beginning of year	104,080	106,594
Cash, cash equivalents, and restricted cash, end of year	\$ 68,977	104,080
Supplemental data:		
Change in accounts payable for land, buildings, and equipment	\$ (6,724)	(21)
Interest paid	9,989	7,730

See accompanying notes to financial statements.

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Notes to Financial Statements

June 30, 2023 and 2022

(In thousands)

(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 people 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 3,200 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.

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Notes to Financial Statements

June 30, 2023 and 2022

(In thousands)

Nonoperating activities include contributions received other than for the annual fund, return on 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 \$71,045 and \$68,162 was applied against published tuition and fees in fiscal years 2023 and 2022, respectively. Student aid of \$3,668 and \$3,274 was applied against resident and dining fees in fiscal years 2023 and 2022, 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 \$4,336 and \$3,104 in fiscal years 2023 and 2022, 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.

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Notes to Financial Statements

June 30, 2023 and 2022

(In thousands)

- 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 is held in a money market account that the College is contractually obligated to use for the construction of a new residence hall and other capital projects. Restricted cash totaled \$16,239 and \$29,928 at June 30, 2023 and 2022, respectively.

(f) Fair Value Measurements

Long term investments, deposits with bond trustee, investments held in a nonqualified deferred compensation plan, investments held in the College's noncontributory defined benefit retirement 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.

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Notes to Financial Statements

June 30, 2023 and 2022

(In thousands)

(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 \$6,157 and \$5,736 at June 30, 2023 and 2022, 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.

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Notes to Financial Statements

June 30, 2023 and 2022

(In thousands)

(3) Financial Assets and Liquidity Resources

As of June 30, 2023 and 2022, 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:

	<u>2023</u>	<u>2022</u>
Financial assets:		
Cash and cash equivalents	\$ 29,823	36,965
Contributions receivable	756	926
Accounts receivable	802	1,058
Board-appropriated endowment spending	<u>43,105</u>	<u>41,700</u>
Total financial assets available within one year	<u>\$ 74,486</u>	<u>80,649</u>

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, 2023 include a line of credit totaling \$30,000 for working capital needs and \$440,260 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 \$16,968 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, 2023, in addition to those described above, include \$5,712 in cash and cash equivalents from contributions subject to donor restrictions, \$235 in taxable bond proceeds, and \$16,239 in restricted cash contractually obligated for the construction of a new residence hall and other capital projects.

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Notes to Financial Statements

June 30, 2023 and 2022

(In thousands)

(4) Contributions Receivable

Contributions receivable consist of the following at June 30:

	<u>2023</u>	<u>2022</u>
Unconditional promises expected to be collected in:		
Less than one year	\$ 31,315	28,497
One to five years	<u>17,966</u>	<u>27,224</u>
	49,281	55,721
Less allowances for uncollectible pledges and pledge discounts (0.07%–3.04%)	<u>(21,112)</u>	<u>(9,112)</u>
	<u>\$ 28,169</u>	<u>46,609</u>

(5) Accounts and Loans Receivable

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

	<u>2023</u>			<u>2022</u>		
	<u>Gross receivable</u>	<u>Allowance for doubtful accounts</u>	<u>Net receivable</u>	<u>Gross receivable</u>	<u>Allowance for doubtful accounts</u>	<u>Net receivable</u>
Federal Perkins Loan program	\$ 1,988	(300)	1,688	2,764	(300)	2,464
Institutional loans	2,591	(75)	2,516	2,488	(75)	2,413
Accounts receivable	891	(89)	802	1,166	(108)	1,058
Other receivables	<u>182</u>	<u>—</u>	<u>182</u>	<u>193</u>	<u>—</u>	<u>193</u>
	<u>\$ 5,652</u>	<u>(464)</u>	<u>5,188</u>	<u>6,611</u>	<u>(483)</u>	<u>6,128</u>

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.

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Notes to Financial Statements

June 30, 2023 and 2022

(In thousands)

(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

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Notes to Financial Statements

June 30, 2023 and 2022

(In thousands)

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, 2023:

	<u>NAV</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Long-term investments:					
Cash equivalents	\$ —	33,271	—	—	33,271
Fixed income	21,120	58,652	—	—	79,772
Equities:					
U.S.	126,976	1,237	—	—	128,213
Global Ex-U.S.	114,966	18,287	—	—	133,253
Global	32,089	14,732	—	—	46,821
Alternatives:					
Hedge funds	272,984	—	—	—	272,984
Private equity	311,915	—	—	—	311,915
Real assets:					
Real estate	36,602	—	—	—	36,602
Other investments	—	—	—	1,056	1,056
Split-interest agreements	—	4,121	1,320	984	6,425
Total long-term investments	\$ <u>916,652</u>	<u>130,300</u>	<u>1,320</u>	<u>2,040</u>	<u>1,050,312</u>

The following table summarizes the valuation of investments as of June 30, 2022:

	<u>NAV</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
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	\$ <u>906,349</u>	<u>90,206</u>	<u>1,339</u>	<u>2,451</u>	<u>1,000,345</u>

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(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 \$164,223 as of June 30, 2023.

(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, 2023 are categorized based on redemption frequency as follows:

	<u>Daily</u>	<u>Monthly</u>	<u>Quarterly</u>	<u>Annual</u>	<u>Illiquid</u>	<u>Total</u>
Cash equivalents	\$ 33,271	—	—	—	—	33,271
Fixed income	58,652	—	21,120	—	—	79,772
Equities	34,256	124,210	143,753	6,068	—	308,287
Alternatives	—	27,474	155,489	89,973	311,963	584,899
Real assets	—	—	—	—	36,602	36,602
Other investments	—	—	—	—	1,056	1,056
Split-interest agreements	—	—	—	—	6,425	6,425
Total	<u>\$ 126,179</u>	<u>151,684</u>	<u>320,362</u>	<u>96,041</u>	<u>356,046</u>	<u>1,050,312</u>

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 5.1 and 3.9 years, respectively. The College has in liquidation \$10,799 of such investments at June 30, 2023 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

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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. There were no material deficiencies of this nature as of June 30, 2023. As a result of market declines, the fair value of certain permanently restricted endowment funds with a value of \$17,997 was less than the historic dollar value of \$19,031 by \$1,034 as of June 30, 2022.

(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

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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 expenditure is \$40,367 for the year ended June 30, 2023, of which \$39,832 was used in operations. The amount appropriated for expenditure was \$35,048 for the year ended June 30, 2022, of which all was used in operations.

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:

	2023		
	Without donor restrictions	With donor restrictions	Total
Endowment net assets, June 30, 2022	\$ 427,222	565,405	992,627
Investment gain	31,453	41,499	72,952
Contributions	—	17,075	17,075
Transfers designated by board	1,024	—	1,024
Appropriated for expenditure	(19,439)	(20,928)	(40,367)
Endowment net assets, June 30, 2023	<u>\$ 440,260</u>	<u>603,051</u>	<u>1,043,311</u>

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	2023		
	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Composition of endowment net assets:			
Donor-restricted endowment funds	\$ —	603,051	603,051
Board-designated endowment funds	440,260	—	440,260
Total endowment net assets	<u>\$ 440,260</u>	<u>603,051</u>	<u>1,043,311</u>
	2022		
	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
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	<u>\$ 427,222</u>	<u>565,405</u>	<u>992,627</u>
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	<u>\$ 427,222</u>	<u>565,405</u>	<u>992,627</u>

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(8) Land, Buildings, and Equipment

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

	Estimated lives		2023	2022
Land	—	\$	6,531	6,531
Land improvements	20–30		54,565	53,064
Buildings	5–55		612,081	502,704
Equipment and furniture	5–20		86,071	78,728
Construction in progress	—		42,800	113,843
Artwork	—		2,036	1,678
			<u>804,084</u>	<u>756,548</u>
Less accumulated depreciation			<u>(364,276)</u>	<u>(343,759)</u>
		\$	<u><u>439,808</u></u>	<u><u>412,789</u></u>

(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 \$6,520 and \$10,574, for the years ended June 30, 2023 and 2022, respectively. Contributions include matching contributions totaling \$6,520 and \$6,229, and discretionary contributions totaling \$0 and \$4,345, for the years ended June 30, 2023 and 2022, 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.

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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:

	<u>2023</u>	<u>2022</u>
Change in benefit obligation:		
Benefit obligation at beginning of year	\$ 72,735	93,272
Service cost	1,787	2,517
Interest cost	3,408	2,562
Benefits paid	(3,173)	(3,175)
Actuarial gain	<u>(4,064)</u>	<u>(22,441)</u>
Benefit obligation at end of year	<u>70,693</u>	<u>72,735</u>
Change in plan assets:		
Fair value of plan assets at beginning of year	72,388	84,375
Actual return on plan assets	5,769	(9,812)
Employer contribution	1,000	1,000
Benefits paid	<u>(3,173)</u>	<u>(3,175)</u>
Fair value of plan assets at end of year	<u>75,984</u>	<u>72,388</u>
Funded status – net asset (obligation) recognized in the balance sheets	\$ <u>5,291</u>	<u>(347)</u>
Weighted average assumptions used to determine benefit obligations at June 30:		
Discount rate	5.30 %	4.74 %
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	4.74 %	2.82 %
Expected long-term rate of return on plan assets	6.50	6.00
Rate of compensation increase	3.50	3.50

The actuarial gain for the year ended June 30, 2023 and 2022 was due to an increase in the discount rate. The accumulated benefit obligation was \$67,446 and \$69,063 at June 30, 2023 and 2022, respectively. The benefits expected to be paid after June 30, 2023 are as follows: \$3,760 in 2024, \$3,918 in 2025, \$4,140 in 2026, \$4,351 in 2027, \$4,513 in 2028, and aggregate benefits for years 2029 through 2033 are expected to be \$24,714. The College plans to make a nonmandatory employer contribution of \$1,000 for fiscal year 2024.

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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:

	<u>2023</u>	<u>2022</u>
Operating:		
Service cost – benefits earned	\$ 1,787	2,517
Total operating, included in employee benefit costs	<u>1,787</u>	<u>2,517</u>
Nonoperating:		
Interest cost on projected benefit obligation	3,407	2,562
Expected return on plan assets	(4,641)	(5,009)
Amortization of prior service credit	(197)	(197)
Recognized actuarial loss	250	687
Total other components of net periodic pension credit	<u>(1,181)</u>	<u>(1,957)</u>
Net periodic benefit cost	<u>606</u>	<u>560</u>
Changes recognized in nonoperating activities:		
Net gain arising during the year	(5,191)	(7,620)
Amortization of prior service credit	197	197
Recognized actuarial loss	(250)	(687)
Total recognized as nonoperating activities	<u>(5,244)</u>	<u>(8,110)</u>
Total recognized in the statements of activities	\$ <u><u>(4,638)</u></u>	\$ <u><u>(7,550)</u></u>

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

	<u>2023</u>	<u>2022</u>
Accumulated net loss	\$ (3,909)	(9,350)
Prior service credit	1,093	1,290
Accumulated other nonoperating loss	(2,816)	(8,060)
Accumulated contributions in excess of net periodic benefit cost	8,107	7,713
Net asset (obligation) recognized in the balance sheets	\$ <u><u>5,291</u></u>	\$ <u><u>(347)</u></u>

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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:

	2023		
	Level 1	NAV	Total
Cash and fixed income	\$ 15,815	—	15,815
Domestic equities	14,618	—	14,618
International equities	7,130	16,874	24,004
Hedge funds	—	9,561	9,561
Real assets	6,797	—	6,797
Multiasset	5,189	—	5,189
	\$ 49,549	26,435	75,984

	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

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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:

	<u>2023</u>	<u>2022</u>
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	29,450	30,825
5%, 2016 Issue, Series A maturing serially beginning in 2019 through 2046	30,970	32,170
3–5%, 2017 Issue, Series A maturing serially beginning in 2018 through 2023	2,390	4,665
4–5%, 2018 Issue, Series A maturing serially beginning in 2019 through 2026	11,760	14,345
Taxable bonds and loans:		
Variable rate amortizing monthly beginning in 2020 with final payment due in 2026	41,349	44,124
3.433%, 2019 Issue, maturing in 2049	60,000	60,000
3.610%, 2022 Issue, maturing in 2042	30,000	30,000
	<u>232,094</u>	<u>242,304</u>
Unamortized premium and issue cost, net	<u>3,962</u>	<u>4,748</u>
	<u>\$ 236,056</u>	<u>247,052</u>

Maturities of long-term debt for the fiscal years after June 30, 2023 are as follows:

2024	\$ 10,665
2025	8,631
2026	41,633
2027	6,990
2028	3,189
Thereafter	<u>160,986</u>
	<u>\$ 232,094</u>

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Interest expense charged to operations was \$9,888 and \$7,724 in 2023 and 2022, respectively. Cost of borrowing including interest, commitment fees, premium, and bond issue cost amortization was \$9,303 and \$6,959 in 2023 and 2022, 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 2.27% and 0.15% in 2023 and 2022, 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, 2023 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 London Interbank Offered Rate 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 \$2,565 and \$4,150 as of June 30, 2023 and 2022, 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

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balance as of June 30, 2023 and 2022 was \$41,349 and \$44,124, respectively. During the draw period of the term loan, which ended in September 2020, the applicable interest rate was Daily London Interbank Offered Rate (LIBOR) plus 0.49% and thereafter monthly LIBOR plus 0.49% until December 2022. In December 2022, the term loan was amended to replace the applicable interest rate from LIBOR plus 0.49% to the Bloomberg Short-Term Bank Yield (BSBY) plus 0.49%. The average interest rate was 4.38% and 0.76% in 2023 and 2022, 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.

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, 2023, 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 0.65% plus daily BSBY. The line of credit was not utilized during the year ended June 30, 2023 or 2022, and has no outstanding balance as of June 30, 2023 or 2022. 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:

	2023		2022	
	Without donor restrictions	With donor restrictions	Without donor restrictions	With donor restrictions
Undesignated, capital, and other	\$ 246,770	715	184,853	44,965
Contributions receivable	—	28,169	—	46,609
Endowment funds	440,260	603,051	427,222	565,405
Annuity and life income funds	683	2,695	487	3,469
Total net assets	\$ 687,713	634,630	612,562	660,448

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, 2023 and 2022 include \$322,422 and \$301,428, 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

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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, 2023, the College held \$45,971 in these funds, which are included in the College's long-term investment portfolio. The College has an outstanding commitment of \$2,414 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 \$9,154 and \$10,086 in 2023 and 2022, respectively, and are included in institutional support.

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

	2023						
	Instruction	Academic support	Student services	Institutional support	Auxiliary services	Operation and maintenance of plant	Total expenses
Salaries and wages	\$ 39,964	5,045	18,122	17,991	8,546	8,019	97,687
Employee benefits	14,309	1,611	6,279	6,664	2,369	2,916	34,148
Supplies, services, and other	10,077	9,640	12,733	10,420	12,742	11,423	67,035
Depreciation	5,389	1,229	6,745	1,815	5,726	—	20,904
Borrowing costs	3,835	37	2,183	725	2,523	—	9,303
Operation and maintenance of plant	5,065	1,278	4,603	1,034	10,378	(22,358)	—
Total operating expenses	<u>\$ 78,639</u>	<u>18,840</u>	<u>50,665</u>	<u>38,649</u>	<u>42,284</u>	<u>—</u>	<u>229,077</u>

COLLEGE OF THE HOLY CROSS

Notes to Financial Statements

June 30, 2023 and 2022

(In thousands)

	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	\$ <u>75,267</u>	<u>17,239</u>	<u>49,444</u>	<u>44,293</u>	<u>37,931</u>	<u>—</u>	<u>224,174</u>

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, 2023 and through October 16, 2023, the date on which the financial statements were issued.