

# College of the Holy Cross

## Financial Summary

### 2019-2020

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During fiscal 2020, the College demonstrated strong financial performance despite the profound challenges brought about by the COVID-19 pandemic. The pandemic affected the College's finances during the final quarter of fiscal 2020, causing both revenue losses and decreased expenditures related to reducing campus activity and moving quickly to remote work and learning in mid-March to protect the health and safety of our community.

Prudent management of College resources provides us with reserves to absorb a significant portion of COVID-related fiscal pressures without compromising Holy Cross' capacity to sustain its mission. However, we must continue to be disciplined and cautious with our approach to ongoing fiscal managements given the uncertainty surrounding the duration and depth of the pandemic and the economic trajectory affecting the performance of our endowment.

#### **Total Assets, Liabilities, and Net Assets**

The College's **total assets** at June 30, 2020 were \$1,320.2 million, which was \$62.8 million or 5.0% higher than at the end of the previous fiscal year. The increase was largely attributable to proceeds from the College's \$60 million debt issue as well as \$38.7 million of additional property, plant, and equipment capitalized primarily to construct the Joanne Chouinard-Luth Recreation and Wellness Center and the Prior Center for the Performing Arts. These additional assets were partially offset by a \$25.8 million reduction in the value of the College's long-term investments, nearly all of which is represented by the College's endowment. **Total liabilities** amounted to \$297.8 million at June 30, 2020, an increase of \$77.5 million, which was primarily due to the above-mentioned bonds issued in December 2019 and an increase of \$11.3 million in the liability associated with the defined benefit pension plan for the College's hourly employees.

The resulting **total net assets**, which is the difference between the College's assets and its liabilities and the equivalent of its net worth, totaled \$1,022.3 million as of June 30, 2020, a decline of 1.4% during the fiscal year. Since approximately three-quarters of the College's total net assets are comprised of the investment portfolio, increases or decreases in the investment value at year-end typically account for most of the annual change in total net assets.

#### **Endowment**

The endowment totaled \$760.3 million on June 30, 2020 and represented 74% of the College's total net assets. The endowment declined \$25.6 million during the year, which was due primarily to distributions of \$30.4 million used to support operations in fiscal 2020. Investment markets were extremely volatile during the fiscal year. After investment management expenses, the Holy Cross endowment investment return is flat for fiscal 2020. The endowment also benefited from contributions and transfers totaling \$4.6 million during the fiscal year.

#### **Operating Results**

Operating margin is the difference between operating revenues and operating expenses. Since it excludes non-operating items such as investment gains or losses, contributions toward capital projects and the

endowment, and certain pension adjustments, operating margin is a measure of how the College manages its day-to-day operations. In fiscal 2020, the College generated an operating margin of \$3.4 million, which represented 1.7% of total operating revenues. The margin for fiscal 2020 was \$4.2 million less than the previous year, when it represented 3.8% of operating revenues.

Fiscal 2020 results reflect the significant negative impact that the pandemic had on the campus. Holy Cross suspended nearly all campus operations and arranged for students, including those studying abroad, to immediately return home near the midpoint of the spring semester. Consequently, the College provided dining and residential fee refunds to families, net of financial aid, that resulted in \$7.1 million of reduced revenue. The College also acquired the technology to rapidly pivot to an online teaching and learning format for the balance of the semester. To offset a portion of the unplanned costs associated with responding to the pandemic, Holy Cross received \$1.7 million in federal aid from the CARES act, half of which was distributed to students.

### **Operating Revenues:**

Like most colleges, Holy Cross' operating support depends significantly on **net student fees**. In fiscal 2020, 69% of the College's operating revenues, or \$133.6 million, was generated from tuition, required fees, and room and board charges, net of financial aid. This was \$2.6 million less than the previous year.

The second largest source of operating support (16%) is distributions from the College's **endowment** that totaled \$30.4 million in fiscal 2020. Slightly more than half of that support (51%) in fiscal 2020 was unrestricted and used for general college operations, 29% was targeted to support financial aid, and the rest was directed to faculty support (10%), academic programming (6%), mission (2%), facilities support (1%), and athletics (1%).

**Contributions** to the College's annual fund provided \$8.9 million of support, which is nearly identical to the previous year, and represented 5% of total operating revenues. Despite economic disruption from the pandemic, annual giving in fiscal 2020 met the budgeted goal through continued support from alumni, parents, and friends.

Supplemental revenues outside of tuition and room and board are considered **auxiliary enterprises** and primarily include areas such as the bookstore, conference services, retail dining, rentals, athletics, and the College's printing services. These revenues generated \$7.9 million in fiscal 2020, about \$2.9 million less than the previous year due to COVID-19-related disruptions.

The College often receives funds for designated purposes that are used in operations one or more years after they are received. Once those restrictions have been satisfied, the use of those funds are referred to as **restricted and designated net assets used in operations**. In fiscal 2020, these funds totaled \$6.3 million.

### **Operating Expenses:**

The College's operating expenses totaled \$190 million in fiscal 2020, \$3.1 million less than fiscal 2019. The largest single expense component for the College is **salaries and wages** that totaled \$85.9 million in fiscal 2020; when combined with associated fringe benefits such as retirement contributions, health insurance, social security contributions, tuition benefits, and others, the combined cost of salaries, wages and benefits represented nearly 61% of total operating expenses in fiscal 2020. **Employee benefits** in fiscal 2020 of \$29.2 million reflected a reduction in the College's vacation liability of \$1.3 million as well as the receipt of a \$0.9 million federal retention credit because Holy Cross continued to pay employees through June 30, 2020 despite the campus closure created by COVID-19.

**Supplies, services, and other expenses** consist of a broad array of expenditures, including utilities, equipment, professional and contracted services, the cost of goods sold in the College's bookstore and various dining venues, study away programs, travel, insurance, as well as others. These expenses totaled \$50.7 million in fiscal 2020, \$4.7 million or 8.5% less than last year because COVID-19 caused nearly all campus operations to cease in the last quarter of fiscal 2020.

**Depreciation** expense totaled \$17.8 million, about \$0.3 million more than the previous year. Depreciation expense becomes the basis for the renewal and replacement portion of the capital budget; these funds help assure that there is ongoing investment in the College's campus infrastructure.

**Borrowing costs** associated with the College's long-term debt totaled \$6.4 million in fiscal 2020 and represented 3.4% of total operating expenses. These expenses were \$0.9 million higher than fiscal 2019 and reflected the additional interest expense associated with the \$60 million bond that was issued in December 2019.