

Boston College
Consolidated Financial Statements
May 31, 2020 and 2019

Boston College
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May 31, 2020 and 2019

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Report of Independent Auditors

To the Trustees of Boston College:

We have audited the accompanying consolidated financial statements of Boston College and its subsidiaries ("the University"), which comprise the consolidated statements of financial position as of May 31, 2020 and 2019, and the related consolidated statements of activities for the year ended May 31, 2020 and of cash flows for the years ended May 31, 2020 and 2019.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the University's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Boston College and its subsidiaries as of May 31, 2020 and 2019, and the changes in their net assets for the year ended May 31, 2020 and their cash flows for the years ended in May 31, 2020 and 2019 in accordance with accounting principles generally accepted in the United States of America.

Other Matter

We previously audited the consolidated statement of financial position as of May 31, 2019, and the related consolidated statements of activities and of cash flows for the year then ended (the statement of activities is not presented herein), and in our report dated September 27, 2019, we expressed an unmodified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying summarized financial information as of May 31, 2019 and for the year then ended is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

PricewaterhouseCoopers LLP

Boston, Massachusetts
September 25, 2020

Boston College
Consolidated Statements of Financial Position
As of May 31, 2020 and 2019

<i>(in thousands)</i>	2020	2019
Assets		
Cash and cash equivalents	\$ 21,412	\$ 10,558
Accounts receivable, net (Note B)	45,384	41,407
Contributions receivable, net (Note C)	159,946	157,993
Notes and other receivables, net (Note B)	31,145	36,261
Investments (Note E)	3,155,299	2,795,575
Funds held by trustees (Note E)	5,977	5,918
Other assets	7,406	8,036
Property, plant and equipment, net (Note G)	<u>1,774,703</u>	<u>1,716,085</u>
Total assets	<u>\$ 5,201,272</u>	<u>\$ 4,771,833</u>
Liabilities		
Accounts payable	\$ 4,732	\$ 6,825
Accrued liabilities	252,433	236,061
Deposits payable and deferred revenues	43,069	30,501
Bonds and mortgages payable, net (Note H)	1,313,937	1,061,623
U.S. Government loan advances	<u>12,301</u>	<u>18,823</u>
Total liabilities	<u>1,626,472</u>	<u>1,353,833</u>
Net Assets		
Without donor restrictions (Note I)	1,736,888	1,679,424
With donor restrictions (Note I)	<u>1,837,912</u>	<u>1,738,576</u>
Total net assets	<u>3,574,800</u>	<u>3,418,000</u>
Total liabilities and net assets	<u>\$ 5,201,272</u>	<u>\$ 4,771,833</u>

The accompanying notes are an integral part of these consolidated financial statements.

Boston College
Consolidated Statement of Activities
Year Ended May 31, 2020
(With Summarized Financial Information for the Year Ended May 31, 2019)

<i>(in thousands)</i>	Without Donor Restrictions	With Donor Restrictions	2020 Total	2019 Total
Operating				
Revenues and other support				
Tuition and fees	\$ 484,272	\$ -	\$ 484,272	\$ 464,261
Auxiliary enterprises	149,823	-	149,823	172,788
Sponsored research and other programs	57,736	-	57,736	57,074
Government financial aid programs	4,362	-	4,362	4,422
Sales and services	5,028	-	5,028	5,380
Other revenues	13,258	-	13,258	12,351
Nonoperating assets utilized or released from restrictions for operations	155,414	-	155,414	149,208
Total revenues and other support	<u>869,893</u>	<u>-</u>	<u>869,893</u>	<u>865,484</u>
Expenses				
Instruction	314,540	-	314,540	315,140
Academic support	99,962	-	99,962	99,781
Research	47,758	-	47,758	47,221
Student services	72,522	-	72,522	65,845
Public service	4,358	-	4,358	4,997
General administration	134,159	-	134,159	138,874
Auxiliary enterprises	196,440	-	196,440	193,478
Total expenses	<u>869,739</u>	<u>-</u>	<u>869,739</u>	<u>865,336</u>
Increase in net assets from operating activities	<u>154</u>	<u>-</u>	<u>154</u>	<u>148</u>
Nonoperating				
Contributions	4,677	169,656	174,333	109,549
Investment return, net	61,279	75,910	137,189	(8,589)
Other gains (losses), net	2,171	(1,633)	538	6,711
Nonoperating assets utilized or released from restrictions for operations	(51,888)	(103,526)	(155,414)	(149,208)
Net assets reclassified or released from restrictions	41,071	(41,071)	-	-
Increase (decrease) in net assets from nonoperating activities	<u>57,310</u>	<u>99,336</u>	<u>156,646</u>	<u>(41,537)</u>
Total increase (decrease) in net assets	<u>57,464</u>	<u>99,336</u>	<u>156,800</u>	<u>(41,389)</u>
Net assets				
Beginning of year	1,679,424	1,738,576	3,418,000	3,459,389
End of year	<u>\$ 1,736,888</u>	<u>\$ 1,837,912</u>	<u>\$ 3,574,800</u>	<u>\$ 3,418,000</u>

The accompanying notes are an integral part of these consolidated financial statements.

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Consolidated Statements of Cash Flows

Years Ended May 31, 2020 and 2019

<i>(in thousands)</i>	2020	2019
Cash flows from operating activities		
Total increase (decrease) in net assets	\$ 156,800	\$ (41,389)
Adjustments to reconcile change in net assets to cash, cash equivalents, and restricted cash used in operating activities		
Depreciation, amortization and accretion	88,514	83,196
Allowance for uncollectible contributions	3,477	277
Discount on contributions	(2,529)	1,124
Net loss on retirement or disposal of property, plant and equipment	(3,232)	(647)
(Gain) loss on recognition of asset retirement obligation	(794)	1,231
Contributions of property and equipment	(2,183)	(2,621)
Loan cancellations	776	933
Contributed securities	(44,960)	(20,639)
Proceeds from sale of contributed securities	6,414	4,649
Realized and unrealized investment (gains) losses, net	(121,018)	23,509
Gain from partial debt refunding	(15,498)	-
Changes in assets and liabilities		
Accounts receivable, net	(3,977)	(2,981)
Notes and other receivables	425	404
Contributions receivable	(2,901)	15,123
Accounts payable and accrued liabilities	23,402	(2,760)
Deposits payable and deferred revenue	12,568	(1,775)
Other assets	630	(902)
Contributions to be used for long-term investment	(120,573)	(74,288)
Net cash, cash equivalents, and restricted cash used in operating activities	<u>(24,659)</u>	<u>(17,556)</u>
Cash flows from investing activities		
Proceeds from sales of investments	2,968,211	1,830,876
Purchases of investments	(3,175,845)	(1,671,790)
Student loans granted	(334)	(619)
Student loans collected	4,249	5,300
Purchases of property, plant and equipment	(165,443)	(198,007)
Proceeds from sale of property, plant and equipment	15,238	60
Change in funds held by trustees	(59)	(116)
Net cash, cash equivalents, and restricted cash used in investing activities	<u>(353,983)</u>	<u>(34,296)</u>
Cash flows from financing activities		
Proceeds from issuance of debt	298,446	-
Payment of bonds and mortgages payable	(30,475)	(28,580)
Change in U.S. Government loan advances	(6,522)	(329)
Payments to beneficiaries of split interest agreements	(1,531)	(1,841)
Proceeds from sale of contributed securities	38,546	15,990
Contributions to be used for long-term investment	120,573	74,288
Net cash, cash equivalents, and restricted cash provided by financing activities	<u>419,037</u>	<u>59,528</u>
Net increase in cash, cash equivalents, and restricted cash	40,395	7,676
Cash, cash equivalents, and restricted cash		
Beginning of year	<u>24,963</u>	<u>17,287</u>
End of year	<u>\$ 65,358</u>	<u>\$ 24,963</u>
Supplemental data		
Interest paid, net of amounts capitalized	\$ 46,018	\$ 42,007
Change in asset retirement obligations recognized	(2,737)	584
Proceeds from issuance of debt	189,123	-
Use of proceeds to refund debt	(189,123)	-

The accompanying notes are an integral part of these consolidated financial statements.

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Notes to Consolidated Financial Statements

May 31, 2020 and 2019

A. Accounting Policies

The accompanying consolidated financial statements include certain other entities under the financial control of Boston College, including Boston College Ireland, Ltd. ("BCI") which is a non-profit entity established as an institute of education in the Republic of Ireland.

Boston College and entities included herein are referred to individually and collectively as the "University."

The significant accounting policies followed by the University are set forth below and in other sections of these notes.

Basis of Presentation

The accompanying consolidated financial statements have been prepared on the accrual basis with net assets, revenues, expenses, gains, and losses classified into two categories based on the existence or absence of externally imposed restrictions. The net assets of the University are classified and defined as follows:

Without Donor Restrictions

Net assets that are not subject to donor-imposed stipulations. Net assets without donor restrictions may be designated for specific purposes by action of the Board of Trustees.

With Donor Restrictions

Net assets where use is limited by law or donor-imposed stipulations that will either expire with the passage of time or be fulfilled or removed by actions of the University.

Net assets with donor restrictions also reflects the historical value of contributions (and in certain circumstances investment returns from those contributions), subject to donor-imposed stipulations, which require the corpus to be invested in perpetuity to produce income for general or specific purposes.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Operating expenses are reported as decreases in net assets without donor restrictions. Investment return, which includes realized and unrealized gains and losses on investments and investment income, net of investment fees, is reported as an increase or decrease in net assets without donor restrictions unless its use is restricted by explicit donor stipulation or by law.

Revenue Recognition

The University recognizes revenue through the five-step model prescribed by the Financial Accounting Standards Board ("FASB") in the Accounting Standards Codification ("ASC"), *Revenue from Contracts with Customers*: (1) identification of the contract with a customer; (2) identification of the performance obligations in the contract; (3) determination of the transaction price; (4) allocation of the transaction price to the performance obligations in the contract; and (5) recognition of revenue when a performance obligation is met. The University applies the practical expedient in ASC 606-10-50-14 and, therefore, does not disclose information about remaining performance obligations that have original expected durations of one year or less.

The University's most significant operating revenue streams are tuition and fees, residential life, sponsored research, athletic, and dining services. Residential life, athletic, and dining services revenues are all captured within auxiliary enterprises on the consolidated statement of activities.

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The University recognizes revenue as performance obligations are satisfied over time during the course of an academic semester or academic year, typically within one fiscal year. Tuition and fees, residential life, and dining are recognized ratably on straight-line basis over each academic semester.

The University's athletics revenue, which consists primarily of individual and season ticket sales as well as conference revenue sharing, is recognized as events occur over the course of each sports season or academic year.

The University reflects tuition and fees as well as auxiliary revenue net of student aid on the consolidated statement of activities. Student aid of \$214,633,000 and \$204,069,000 was applied against published tuition and fees rates in the years ended May 31, 2020 and 2019, respectively. Student aid of \$6,283,000 and \$6,403,000 was applied against auxiliary revenues in the years ended May 31, 2020 and 2019, respectively.

Revenues associated with nonexchange research and other contracts and grants are recognized when related costs are incurred. Facilities and administrative cost recovery on U.S. Government contracts and grants is based upon a predetermined negotiated rate and is recorded as revenue without donor restrictions.

Conditional promises related to sponsored research of \$68,577,000 and \$82,311,000 as of May 31, 2020 and May 31, 2019, respectively, are not recorded in the consolidated financial statements.

Nonoperating Activity

Nonoperating activity consists primarily of contributions, unfulfilled promises to give, life income adjustments, investment return, and other gains and losses on: postretirement healthcare benefits, foreign currency translation, sale or disposal of property, gains on partial debt refundings, and the recognition of asset retirement obligations. All other activity is classified as operating revenue or expense.

To the extent contributions, investment income, and gains are used for operations, they are reclassified as nonoperating assets utilized or released from restrictions for operations.

Expirations of time and purpose restrictions on net assets or other clarifications from donors are presented as net assets reclassified or released from restrictions.

Contributions

Contributions, including unconditional promises to give, are recognized as revenues in the appropriate net asset category in the year received. Contributions receivable are recorded at the present value of expected future cash flows, net of an allowance for estimated unfulfilled promises to give. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions of noncash assets are recorded at fair market value.

Contributions and investment return with donor-imposed restrictions, which are reported as revenues with donor restrictions, are released to net assets without donor restrictions when an expense is incurred that satisfies the restriction.

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Contributions restricted for the purchase of property, plant and equipment are reported as nonoperating revenues with donor restrictions and are released to net assets without donor restrictions upon acquisition, when the asset is placed into service, or earlier, based on explicit donor stipulations.

Contributions received for which the designation is pending by the donor are classified as net assets with donor restrictions. Once a designation is made by the donor, the contributions are reclassified to the appropriate net asset category as part of net assets reclassified or released from restrictions.

Contribution and sponsored research revenue with donor restrictions for which the restriction is met in the same period as the contribution or grant is received is recorded as revenue without donor restrictions.

Cash and Cash Equivalents, Restricted Cash, and Investments

Cash and cash equivalents consists of operating funds deposited in cash management accounts and other investments with maturities at the time of purchase of 90 days or less and are carried at market value. Cash and short-term investments held in the investment portfolio are included in investments.

Investment transactions are recorded on the trade date and dividend income is recorded on the ex-dividend date.

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the consolidated statements of financial position that sums to the amounts shown in the consolidated statements of cash flows.

<i>(in thousands)</i>	2020	2019
Cash and cash equivalents	\$ 21,412	\$ 10,558
Cash and restricted cash included in investments	<u>43,946</u>	<u>14,405</u>
Total cash, cash equivalents, and restricted cash shown in the consolidated statements of cash flows	<u>\$ 65,358</u>	<u>\$ 24,963</u>

Amounts included in cash and restricted cash included in investments relate to the endowment and student loans, respectively.

Split-Interest Agreements

The University has split-interest agreements consisting primarily of charitable gift annuities, pooled income funds, charitable remainder trusts, and charitable lead trusts. Split-interest agreements which are included in investments amount to \$38,358,000 and \$32,739,000 as of May 31, 2020 and 2019, respectively. Contributions are recognized at the date the trusts are established net of a liability for the present value of the estimated future cash outflows to beneficiaries. The present value of payments is discounted with rates that range from 1.2% to 9.6%. The liability of \$16,188,000 and \$13,953,000 as of May 31, 2020 and 2019, respectively, is adjusted during the term of the agreements for changes in actuarial assumptions.

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Notes to Consolidated Financial Statements

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Use of Estimates

The preparation of consolidated financial statements in accordance with generally accepted accounting principles (“GAAP”) in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

Income Taxes

The University is a qualified tax-exempt organization under section 501(c) (3) of the Internal Revenue Code.

Prior Year Summarized Information

The consolidated financial statements include certain prior year summarized comparative information, but do not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the University’s audited financial statements for the year ended May 31, 2019, from which the summarized information was derived.

Subsequent Events (unaudited)

In June 2020, the University entered into an Integration Agreement with Pine Manor College (“PMC”). Effective June 30, 2020, the University became the sole member of a reorganized and reconstituted PMC (the “New PMC”). As the sole corporate member, the University assumed responsibility for the management of New PMC and its assets and liabilities.

The University has assessed the impact of subsequent events through September 25, 2020, the date the audited consolidated financial statements were issued, and concluded there were no such events that require adjustment to the audited consolidated financial statements.

Recent Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. The new lease guidance establishes a model under which lessees record a right-of-use asset and a lease liability for all leases with terms longer than 12 months. The ASU is effective for the University’s 2021 fiscal year. The University is evaluating the impact of ASU No. 2016-02 on the consolidated financial statements.

In November 2016, the FASB issued ASU No. 2016-18, *Statement of Cash Flows (Topic 230) Restricted Cash*. This standard requires that the consolidated statement of cash flows explain the change during the period in total of cash, cash equivalents, and restricted cash. Additionally, a disclosure describing the nature of the restrictions and a reconciliation of cash, cash equivalents, and restricted cash to the amounts of cash and cash equivalents presented on the consolidated statements of financial position is required. The University adopted ASU No. 2016-18 in the University’s 2020 fiscal year using a retrospective approach. There was no material impact to the financial statements as a result of adoption.

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In March 2017, the FASB issued ASU No 2017-07, *Compensation- Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*. The guidance requires the service cost component of net periodic benefit cost for pension and other postretirement benefits be presented as a component of employee benefit expenses. The other components of net periodic benefit cost, such as interest, expected return on plan assets, and amortization of actuarially determined amounts, are required to be presented as a nonoperating change in net assets without restrictions. The University adopted ASU No. 2017-07 in the University's 2020 fiscal year using the retrospective approach. There was no material impact to the financial statements as a result of adoption.

B. Accounts, Notes and Other Receivables

Accounts receivable and notes receivable are stated net of allowances for doubtful accounts. As of May 31, 2020 and 2019, the allowance related to accounts receivable is \$3,293,000 and \$3,322,000, respectively.

Notes and other receivables consist of amounts due from students under U.S. Government and University sponsored loan programs and from the Weston Jesuit Community, Inc. under a ground lease agreement. As of May 31, 2020 and 2019, the amount due under the loan programs is \$17,033,000 and \$21,724,000, respectively. The notes receivable due from students under loan programs are subject to significant restrictions and, accordingly, it is not practicable to determine the fair value of such amounts. As of May 31, 2020 and 2019, the allowance related to student notes receivable is \$1,140,000.

C. Contributions Receivable

Contributions receivable are summarized as follows as of May 31:

<i>(in thousands)</i>	2020	2019
Unconditional promises scheduled to be collected in		
Less than one year	\$ 102,908	\$ 85,467
Between one year and five years	76,401	86,383
More than five years	20,047	24,604
Less: Discount and allowance for unfulfilled promises to give	<u>(39,410)</u>	<u>(38,461)</u>
Contributions receivable, net	<u>\$ 159,946</u>	<u>\$ 157,993</u>

A present value discount of \$12,406,000 and \$14,935,000 as of May 31, 2020 and 2019, respectively, has been calculated using discount factors that approximate the risk and expected timing of future contribution payments.

The University has reflected contributions received during Fiscal 2020 and 2019 at fair value as determined in accordance with fair value accounting guidance.

Conditional promises of \$51,620,000 and \$68,696,000 as of May 31, 2020 and 2019, respectively, are not recorded in the consolidated financial statements.

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D. Financial Assets and Liquidity Resources

Financial assets and liquidity resources available within one year consist of the following as of May 31:

<i>(in thousands)</i>	2020	2019
Financial assets		
Cash and cash equivalents	\$ 21,412	\$ 10,558
Accounts receivable, net	26,571	19,857
Contributions receivable	8,678	8,875
Short-term investments	585,231	312,830
Estimated endowment distribution	<u>119,592</u>	<u>119,865</u>
Total financial assets available within one year	761,484	471,985
Liquidity resources		
Line of credit	<u>75,000</u>	<u>75,000</u>
Total financial assets and liquidity resources available within one year	<u>\$ 836,484</u>	<u>\$ 546,985</u>

The University structures financial assets to be available as general expenditures and other obligations come due and invests cash in excess of daily requirements in short-term investments.

The University does not intend to spend from board-designated endowment funds (Note I) other than amounts appropriated for general expenditure as part of the annual budget approval and appropriation process. Amounts from the board-designated endowment could be made available if necessary, subject to the lock-up provisions in Note E.

E. Investments

Investments are stated at fair value and include accrued income. The value of publicly traded securities is based upon quoted market prices and net asset values. Other securities, for which no such quotations or valuations are readily available, are carried at fair value as estimated by management using values provided by external investment managers or appraisers. Management has established procedures in place to evaluate and monitor third party valuations, including regular communication with fund managers, the review of partnership financial statements and monthly performance metrics, prior to investment and on a regular basis going forward. The University believes that these valuations are a reasonable estimate of fair value as of May 31, 2020 and 2019, but are subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for the investments existed.

Investments, including funds held by trustees, consist of the following as of May 31:

<i>(in thousands)</i>	2020		2019	
	Cost	Fair Value	Cost	Fair Value
Equities	\$ 1,593,749	\$ 2,240,479	\$ 1,481,572	\$ 2,059,994
Fixed income	805,756	807,790	599,343	601,045
Real assets	<u>138,515</u>	<u>113,007</u>	<u>140,083</u>	<u>140,454</u>
	<u>\$ 2,538,020</u>	<u>\$ 3,161,276</u>	<u>\$ 2,220,998</u>	<u>\$ 2,801,493</u>

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Equities include common stock, mutual funds, commingled funds, and limited partnership interests. Fixed income includes money market funds, commingled funds, limited partnership interests, treasury and agency securities. Real assets include limited partnership interests and real estate.

A three level hierarchy of valuation inputs has been established based on the extent to which the inputs are observable in the marketplace. Level I is considered observable based on inputs such as quoted prices in active markets. Level II is considered observable based on inputs other than quoted prices in active markets, and Level III is considered unobservable.

As of May 31, 2020, the University's investments include \$659,732,000 of Level I equities, \$674,366,000 of Level I fixed income securities, \$8,379,000 of Level II fixed income securities and \$3,982,000 of Level III fixed income securities. Excluded from the fair value hierarchy at May 31, 2020 are \$1,580,747,000 of equities, \$121,063,000 of fixed income securities, and \$80,576,000 of real assets, for which fair value is measured at net asset value per share using the practical expedient. Also excluded from the fair value hierarchy at May 31, 2020 are \$32,431,000 of real estate investments valued at cost.

As of May 31, 2019, the University's investments include \$843,402,000 of Level I equities, \$513,950,000 of Level I fixed income securities, \$8,789,000 of Level II fixed income securities and \$3,938,000 of Level III fixed income securities. Excluded from the fair value hierarchy at May 31, 2019 are \$1,216,592,000 of equities, \$74,368,000 of fixed income securities, and \$107,572,000 of real assets, for which fair value is measured at net asset value per share using the practical expedient. Also excluded from the fair value hierarchy at May 31, 2019 are \$32,882,000 of real estate investments valued at cost.

As of May 31, 2020, \$25,997,000, \$8,379,000 and \$3,982,000 of split interest agreements are included in Level I, Level II, and Level III, respectively. As of May 31, 2019, \$20,011,000, \$8,789,000 and \$3,939,000 of split interest agreements are included in Level I, Level II, and Level III, respectively.

The fair values of limited partnerships are represented by the net asset value of each partnership. The objective of these investments is to generate long-term returns significantly higher than public equity markets on a risk adjusted basis. Redemption terms for those investments valued at net asset value consist of the following as of May 31:

<i>(in thousands)</i>	2020			
	Equities	Fixed Income	Real Assets	Total
Redemption terms				
Within 30 days	\$ 226,655	\$ 121,063	\$ -	\$ 347,718
Quarterly				
30-90 days prior written notice	258,325	-	-	258,325
Semi-annually, annually				
30-180 days prior written notice	389,887	-	-	389,887
Greater than 1 year	705,880	-	80,576	786,456
	<u>1,580,747</u>	<u>121,063</u>	<u>80,576</u>	<u>1,782,386</u>
Level I securities	659,732	674,366	-	1,334,098
Other investments	-	12,361	32,431	44,792
Total investments	<u>\$ 2,240,479</u>	<u>\$ 807,790</u>	<u>\$ 113,007</u>	<u>\$ 3,161,276</u>

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<i>(in thousands)</i>	2019			
	Equities	Fixed Income	Real Assets	Total
Redemption terms				
Within 30 days	\$ 237,100	\$ 72,586	\$ -	\$ 309,686
Quarterly				
30-90 days prior written notice	133,995	-	-	133,995
Semi-annually, annually				
30-180 days prior written notice	372,889	1,782	-	374,671
Greater than 1 year	472,608	-	107,572	580,180
	<u>1,216,592</u>	<u>74,368</u>	<u>107,572</u>	<u>1,398,532</u>
Level I securities	843,402	513,950	-	1,357,352
Other investments	-	12,727	32,882	45,609
Total investments	<u>\$ 2,059,994</u>	<u>\$ 601,045</u>	<u>\$ 140,454</u>	<u>\$ 2,801,493</u>

The University is committed to invest up to an additional amount of \$328,700,000 and \$333,200,000 as of May 31, 2020 and 2019, respectively.

F. Endowment

The net assets associated with the University's endowment funds are classified in accordance with relevant state law as interpreted by the Board of Trustees. These classifications are without donor restrictions and with donor restrictions based on the existence or absence of donor-imposed restrictions. Net assets without donor restrictions include board-designated funds and any accumulated income and appreciation thereon. Net assets with donor restrictions include contributions not yet designated by donors and accumulated appreciation on funds classified as with donor restrictions. Net assets with donor restrictions also includes contributions designated by donors to be invested in perpetuity to produce income for general or specific purposes.

The long-term performance objective of the endowment portfolio is to attain an average annual total return that exceeds the University's spending rate plus inflation within acceptable levels of risk over a full market cycle. To achieve its long-term rate of return objectives, the University relies on a total return strategy in which investment returns are achieved through both capital appreciation and current yield.

The University is subject to the Massachusetts Uniform Prudent Management of Institutional Funds Act of 2009 ("UPMIFA"), under which donor-restricted endowment funds may be appropriated for expenditure by the Board of Trustees of the University in accordance with the standard of prudence prescribed by UPMIFA.

The University has a spending policy for its donor restricted endowment, as approved by the University's Board of Trustees, that aims to provide a stable and predictable source of funding for the University's academic and strategic initiatives and also to protect the real value of the endowment over time. Under this policy the amount that can be expended for current operations is a weighted average based on two components: prior year spending adjusted for an inflationary factor and 5% of a twelve quarter moving average of market values.

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The University does not distribute from funds with market values less than historical value. To the extent that the fair value of a donor restricted endowment fund falls below its historic dollar value it is reported as a reduction of net assets with donor restrictions. As of May 31, 2020 and 2019, there are no endowment funds with a market value less than historical value.

G. Property, Plant and Equipment

The physical plant assets of the University are stated at cost on the date of acquisition or at fair market or appraised value on the date of donation in the case of contributions. Physical plant assets consist of the following as of May 31:

<i>(in thousands)</i>	2020	2019
Land and improvements	\$ 339,080	\$ 337,309
Buildings	1,924,796	1,733,906
Equipment	249,009	246,434
Library books	231,912	222,950
Rare book and art collections	32,504	30,146
Purchase options	2,855	2,855
Plant under construction	101,429	199,133
Property, plant and equipment, gross	2,881,585	2,772,733
Accumulated depreciation	(1,106,882)	(1,056,648)
Property, plant and equipment, net	\$ 1,774,703	\$ 1,716,085

Annual provisions for depreciation of physical plant assets are computed on a straight-line basis over the expected useful lives of the individual assets, averaging 20 years for land improvements, 25-60 years for buildings, 2-15 years for equipment, and 10 or 50 years for library books. Rare book and art collections are reflected at historical cost and are not depreciated. Depreciation for the years ended May 31, 2020 and 2019 amounted to \$90,186,000 and \$84,910,000, respectively.

Maintenance and repairs are expensed as incurred, and improvements are capitalized. When assets are retired or disposed of, the cost and accumulated depreciation thereon are removed from the accounts and gains or losses are included in the consolidated statement of activities. The University retired or disposed of \$53,093,000 and \$13,771,000 in gross plant assets for the years ended May 31, 2020 and 2019, respectively.

Property, plant and equipment additions of \$17,247,000 and \$22,136,000 are included in accrued liabilities on the consolidated statements of financial position for the years ended May 31, 2020 and 2019, respectively.

The University recognized \$760,000 and \$695,000 of operating expenses relating to the accretion of liabilities associated with the retirement of long-lived assets for the years ended May 31, 2020 and 2019, respectively. Conditional asset retirement obligations of \$12,965,000 and \$14,943,000 as of May 31, 2020 and 2019, respectively, are included in accrued liabilities.

The University has commitments of \$145,550,000 to complete various capital projects as of May 31, 2020.

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H. Bonds and Mortgages Payable

Bonds and mortgages payable consist of the following as of May 31:

<i>(in thousands)</i>	2020	2019
Massachusetts Health and Educational Facilities Authority (MHEFA)		
Boston College Issues (fixed rate)		
Series M, 5.00 - 5.50%, due 2023 - 2035	\$ 129,360	\$ 134,285
Massachusetts Development Finance Agency (MDFA)		
Boston College Issues (fixed rate)		
Series Q, 4.25 - 5.00%, due 2020-2029	7,245	55,205
Series R, 4.00 - 5.00%, due 2020-2040	5,695	147,805
Series S, 4.12 - 5.00%, due 2020-2038	100,390	104,290
Series T, 3.37 - 5.00%, due 2033-2042	129,305	129,305
Series U, 5.00%, due 2021-2040	148,820	-
Trustees of Boston College (fixed rate)		
Taxable bonds, Series 2013, 2.82 - 5.09%, due 2020-2043	152,975	159,335
Taxable bonds, Series 2017, 1.70 - 3.99%, due 2020-2047	279,985	287,110
Taxable bonds, Series 2019, 3.13%, due 2049-2053	300,000	-
Department of Education (fixed rate)		
Library building bonds, 3.41%, due 2020-2022	2,150	2,810
Bonds and mortgages payable, par	1,255,925	1,020,145
Unamortized original bond issue premium	64,643	47,011
Unamortized issuance cost on bonds	(6,631)	(5,533)
Bonds and mortgages payable, net	<u>\$ 1,313,937</u>	<u>\$ 1,061,623</u>

As of May 31, 2020, principal payments due on all long-term bonds and mortgages payable are as follows: \$31,535,000 in 2021, \$30,690,000 in 2022, \$32,355,000 in 2023, \$33,750,000 in 2024, \$37,610,000 in 2025, and \$1,089,985,000 thereafter.

Interest expense for the years ended May 31, 2020 and 2019 amounted to \$43,644,000 and \$38,904,000, respectively. The University capitalized interest of \$4,263,000 and \$5,372,000 for the years ended May 31, 2020 and 2019, respectively.

The University has an agreement for a \$75,000,000 unsecured line of credit. As of May 31, 2020 and 2019, there was no balance outstanding on the line of credit.

In October 2019, the University issued \$300,000,000 of Trustees of Boston College Taxable Bonds Series 2019 ("Series 2019"). The proceeds from Series 2019 will be used to finance certain capital needs including the construction, renovation, and improvement of University facilities. The University incurred costs of \$1,554,000 associated with this issue, which will be capitalized and amortized over the life of the bonds.

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In March 2020, the University issued \$148,820,000 of MDFA Series U Revenue Bonds (“Series U”). The Series U was issued with an original issue premium of \$38,645,000, which will be amortized over the life of the bonds. The entire net proceeds from Series U, \$186,408,000, were used to refund a portion of existing Series M, Series Q, and Series R bonds. The retirement of Series M was comprised of \$4,925,000 repayment of par value and \$105,000 interest prepayment. The retirement of Series Q was comprised of \$41,660,000 of par value and \$565,000 of interest prepayment. The retirement of Series R was comprised of \$135,980,000 of par value and \$3,361,000 of interest prepayment. The University incurred costs of \$1,162,000 associated with the issuance of Series U, which were capitalized and will be amortized over the life of the bonds, and recognized a net gain of \$15,498,000 on the partial refunding, which was recorded within other gains (losses), net in the consolidated statement of activities.

I. Net Assets

Net assets consist of the following as of May 31:

<i>(in thousands)</i>	Without Donor Restrictions		With Donor Restrictions	
	2020	2019	2020	2019
Endowment net assets, beginning of year				
Board designated	\$ 912,464	\$ 959,540	\$ -	\$ -
Donor restricted	-	-	1,561,669	1,607,867
Contributions	-	-	91,815	41,383
Investment return, net	45,629	(7,751)	75,855	(12,187)
Appropriation of endowed assets for expenditure	(43,345)	(45,715)	(71,088)	(72,989)
Net assets reclassified or released from restrictions	3,775	6,706	3,761	(979)
Other losses	(152)	(316)	(921)	(1,426)
Endowment net assets, end of year				
Board designated	918,371	912,464		
Donor restricted	-	-	1,661,091	1,561,669
Designated for specific purposes	233,490	100,385	-	-
Net investment in plant	585,027	666,575	-	-
Program support	-	-	80,996	67,577
Contributions for plant assets	-	-	95,018	108,496
Student loans	-	-	807	834
Total net assets	\$ 1,736,888	\$ 1,679,424	\$ 1,837,912	\$ 1,738,576

Included in net assets with donor restrictions on the consolidated statements of financial position as of May 31, 2020 and 2019 are \$1,139,915,000 and \$1,055,013,000 of perpetually restricted funds, and \$697,997,000 and \$683,563,000 of funds restricted for time or purpose, respectively.

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Net assets with donor restrictions consist of the following as of May 31:

<i>(in thousands)</i>	2020	2019
Scholarships and fellowships	\$ 763,586	\$ 732,508
Educational purposes	639,830	582,191
Professorships	274,550	265,884
Contributions receivable, net	<u>159,946</u>	<u>157,993</u>
Total	<u>\$ 1,837,912</u>	<u>\$ 1,738,576</u>

J. Classification of Expenses

Expenses are presented by functional classification in accordance with the overall service mission of the University. Each functional classification displays all expenses related to the underlying operations by natural classification. Depreciation expense is allocated based on square footage occupancy. Interest expense on external debt is allocated to the functional categories which have benefited from the proceeds of the external debt. Expenses associated with the operations and maintenance of facilities are allocated to the appropriate functional classifications based on square footage calculations and each functional area's corresponding use of those services.

Expenses by functional classification for the year ended May 31 consist of the following:

<i>(in thousands)</i>	2020					
	Salaries and Benefits	Operating Expenses	Depreciation/Amortization	Interest	Operations and Maintenance of Facilities	Total
Educational activities	\$ 291,269	\$ 49,394	\$ 34,419	\$ 13,591	\$ 30,187	\$ 418,860
Research	28,863	17,562	1,333	-	-	47,758
Student services	36,639	12,497	9,535	7,410	6,441	72,522
General administration	93,244	24,852	7,181	3,768	5,114	134,159
Auxiliary enterprises	60,780	54,703	35,485	17,440	28,032	196,440
Operations and maintenance of facilities	45,518	20,293	2,528	1,435	(69,774)	-
Total	<u>\$ 556,313</u>	<u>\$ 179,301</u>	<u>\$ 90,481</u>	<u>\$ 43,644</u>	<u>\$ -</u>	<u>\$ 869,739</u>

<i>(in thousands)</i>	2019					
	Salaries and Benefits	Operating Expenses	Depreciation/Amortization	Interest	Operations and Maintenance of Facilities	Total
Educational activities	\$ 286,142	\$ 54,203	\$ 35,214	\$ 14,367	\$ 29,992	\$ 419,918
Research	27,161	18,550	1,510	-	-	47,221
Student services	36,143	15,286	5,693	2,534	6,189	65,845
General administration	93,480	29,971	6,661	3,751	5,011	138,874
Auxiliary enterprises	58,914	57,192	34,237	17,163	25,972	193,478
Operations and maintenance of facilities	44,776	19,436	1,863	1,089	(67,164)	-
Total	<u>\$ 546,616</u>	<u>\$ 194,638</u>	<u>\$ 85,178</u>	<u>\$ 38,904</u>	<u>\$ -</u>	<u>\$ 865,336</u>

Included in the general administration expense category on the consolidated statement of activities are expenses incurred in carrying out the fundraising activities of the University, which amounted to \$26,869,000 and \$28,173,000 for the years ended May 31, 2020 and 2019, respectively.

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K. Retirement Programs

All eligible full-time personnel may elect to participate in a defined contribution retirement program. Under the program, the University makes contributions, currently limited to 8-10% of the annual wages of participants, up to defined limits. Voluntary contributions by participants are made subject to IRS limitations. The limitation applicable to University contributions is on a combined plan basis. For the years ended May 31, 2020 and 2019, the University's contributions to the retirement program are \$28,170,000 and \$27,642,000, respectively.

The University provides certain health care benefits for retired employees through either a defined benefit retirement medical program or a Retirement Medical Savings Account depending upon certain age and service requirements. Employees will become eligible for this benefit if they reach retirement while employed by the University. The plan does not hold assets and is funded as benefits are paid. The estimated future cost of providing postretirement health care benefits is recognized on an accrual basis over the period of service during which benefits are earned.

The net periodic postretirement health care benefit cost and other changes in plan assets and benefit obligation recognized in net assets without donor restrictions are determined as follows for the years ended May 31:

<i>(in thousands)</i>	2020	2019
Service cost	\$ 3,258	\$ 3,170
Net periodic postretirement benefit cost	<u>3,258</u>	<u>3,170</u>
Net loss (gain)	11,802	(11,188)
Interest cost	<u>3,962</u>	<u>3,759</u>
Other changes in plan assets and benefit obligation	<u>15,764</u>	<u>(7,429)</u>
Total recognized in net periodic benefit cost and net assets without donor restrictions	<u>\$ 19,022</u>	<u>\$ (4,259)</u>

In Fiscal 2021, an unrecognized net loss of \$1,130,000 is expected to be amortized as a component of net periodic postretirement benefit cost.

For measurement purposes, the assumed annual rates of increase for measuring the obligation at May 31, 2019 and the cost for the year ending May 31, 2020 were: 5.75% in the per capita cost of covered health care benefits for post-65 benefits and 7.00% in the per capita cost of covered health care benefits for pre-65 benefits. Rates were assumed to decrease gradually to 5.00% in 2027 for pre-65 benefits and to 5.00% in 2023 for post-65 benefits and remain at those levels thereafter. The assumed annual rates of increase for measuring the obligation at May 31, 2020 and the cost for the year ending May 31, 2021 were: 5.50% in the per capita cost of covered health care benefits for post-65 benefits and 6.50% in the per capita cost of covered health care benefits for pre-65 benefits. Rates were assumed to decrease gradually to 5.00% in 2027 for pre-65 benefits and to 5.00% in 2023 for post-65 benefits and remain at those levels thereafter.

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A one percentage point change in the assumed health care cost trend rates would have the following effect:

<i>(in thousands)</i>	Increase	Decrease
Effect on total of service and interest cost components	\$ 716	\$ (586)
Effect on postretirement benefit obligation	13,580	(11,342)

The discount rate used to determine the accumulated benefit obligation is 3.00% as of May 31, 2020 and 4.00% as of May 31, 2019. The discount rate used to determine the net periodic postretirement benefit cost is 4.00% as of May 31, 2020 and 4.25% as of May 31, 2019.

A reconciliation of the accumulated postretirement benefit obligation and plan assets are as follows as of May 31:

<i>(in thousands)</i>	2020	2019
Reconciliation of accumulated postretirement benefit obligation		
Benefit obligation, beginning of year	\$ 99,340	\$ 106,528
Service cost	3,258	3,170
Interest cost	3,962	3,759
Plan participant contributions	1,193	1,083
Benefits paid	(4,031)	(4,012)
Actuarial loss (gain)	11,802	(11,188)
Benefit obligation, end of year	<u>\$ 115,524</u>	<u>\$ 99,340</u>
Amounts not yet recognized as a component of net periodic benefit cost		
Net actuarial loss	<u>\$ 23,140</u>	<u>\$ 11,652</u>
	<u>\$ 23,140</u>	<u>\$ 11,652</u>

As of May 31, 2020 and 2019, the benefit obligation is reflected in accrued liabilities on the consolidated statements of financial position.

Expected benefit payments, net of participant contributions, are as follows: \$3,370,000 in 2021, \$3,690,000 in 2022, \$4,010,000 in 2023, \$4,330,000 in 2024, \$4,710,000 in 2025, and \$29,610,000 the five fiscal years thereafter.

L. Related Party

The University has mortgages, loans and notes due from various related parties of \$23,906,000 and \$23,587,000 as of May 31, 2020 and 2019, respectively.

M. Commitments and Contingencies

The University has several legal cases pending that have arisen in the normal course of its operations. The University believes that the outcome of these cases will have no material adverse effect on the financial position of the University.