Boston College

Consolidated Financial Statements

May 31, 2022 and 2021

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Report of Independent Auditors

To the Trustees of Boston College:

Opinion

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, 2022 and 2021, and the related consolidated statements of activities for the year ended May 31, 2022 and of cash flows for the years ended May 31, 2022 and 2021, including the related notes (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the University as of May 31, 2022 and 2021, the changes in its net assets for the year ended May 31, 2022 and its cash flows for the years ended May 31, 2022 and 2021 in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the University 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.

Other Matter

We previously audited the consolidated statement of financial position as of May 31, 2021, 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 24, 2021, we expressed an unmodified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying summarized financial information for the year ended May 31, 2021 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Responsibilities of Management 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, and for 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.

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 University's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

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Auditors' Responsibilities for the Audit of the Consolidated 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 US 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 US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated financial statements.
- Obtain an understanding of internal control relevant to the University 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 University'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 evaluating the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the University'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.

PricewaterhouseCoopers LLP

Boston, Massachusetts
September 30, 2022

Boston College
Consolidated Statements of Financial Position
As of May 31, 2022 and 2021

(in thousands)	2022	2021
Assets		
Cash and cash equivalents	$ 24,015	$ 20,091
Accounts receivable, net (Note B)	59,500	51,716
Contributions receivable, net (Note C)	227,188	179,559
Notes and other receivables, net (Note B)	22,608	26,443
Investments (Note E)	4,271,552	4,182,832
Funds held by trustees (Note E)	8,771	5,949
Other assets	10,058	6,584
Property, plant and equipment, net (Note G)	2,043,951	1,964,389
Total assets	$ 6,667,643	$ 6,437,563
Liabilities		
Accounts payable	$ 8,626	$ 7,449
Accrued liabilities	239,149	259,498
Deposits payable and deferred revenues	37,130	32,841
Bonds and mortgages payable, net (Note H)	1,542,137	1,279,346
U.S. Government loan advances	6,357	9,196
Total liabilities	1,833,399	1,588,330
Net Assets		
Without donor restrictions (Note I)	2,183,853	2,163,110
With donor restrictions (Note I)	2,650,391	2,686,123
Total net assets	4,834,244	4,849,233
Total liabilities and net assets	$ 6,667,643	$ 6,437,563

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

Boston College
Consolidated Statement of Activities
Year Ended May 31, 2022
(With Summarized Financial Information for the Year Ended May 31, 2021)

(in thousands)	Without Donor Restrictions	With Donor Restrictions	2022 Total	2021 Total
Operating				
Revenues and other support				
Tuition and fees	$ 542,261	$ -	$ 542,261	$ 507,632
Auxiliary enterprises	185,592	-	185,592	153,744
Sponsored research and other programs	73,337	-	73,337	68,265
Government financial aid programs	14,527	-	14,527	13,003
Sales and services	5,536	-	5,536	5,253
Other revenues	15,720	-	15,720	9,267
Nonoperating assets utilized or released from restrictions for operations	119,700	-	119,700	132,680
Total revenues and other support	956,673	-	956,673	889,844
Expenses				
Instruction	335,038	-	335,038	315,249
Academic support	116,549	-	116,549	101,009
Research	50,541	-	50,541	48,647
Student services	81,520	-	81,520	73,877
Public service	3,984	-	3,984	3,995
General administration	145,493	-	145,493	139,980
Auxiliary enterprises	223,384	-	223,384	206,927
Total expenses	956,509	-	956,509	889,684
Increase in net assets from operating activities	164	-	164	160
Nonoperating				
Contributions	5,650	222,055	227,705	151,634
Investment return, net	(59,518)	(87,354)	(146,872)	1,131,586
Other gains (losses), net	24,980	(1,266)	23,714	1,531
Inherent contribution from acquisition	-	-	-	122,202
Nonoperating assets utilized or released from restrictions for operations	-	(119,700)	(119,700)	(132,680)
Net assets reclassified or released from restrictions	49,467	(49,467)	-	-
Increase (decrease) in net assets from nonoperating activities	20,579	(35,732)	(15,153)	1,274,273
Total increase (decrease) in net assets	20,743	(35,732)	(14,989)	1,274,433
Net assets				
Beginning of year	2,163,110	2,686,123	4,849,233	3,574,800
End of year	$ 2,183,853	$ 2,650,391	$ 4,834,244	$ 4,849,233

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

Boston College
Consolidated Statements of Cash Flows
Years Ended May 31, 2022 and 2021

(in thousands)	2022	2021
Cash flows from operating activities		
Total (decrease) increase in net assets	$ (14,989)	$ 1,274,433
Adjustments to reconcile change in net assets to cash, cash equivalents, and restricted cash provided by operating activities		
Depreciation, amortization and accretion	101,563	94,598
Allowance for uncollectible contributions	13,758	(19,405)
Discount on contributions	10,389	318
Net gain on retirement or disposal of property, plant and equipment	(17)	(28)
Contributions of property and equipment	(22,018)	(948)
Inherent contribution from acquisition	-	(122,202)
Loan cancellations	870	687
Contributed securities	(28,267)	(29,348)
Proceeds from sale of contributed securities	7,044	4,958
Realized and unrealized investment losses (gains), net	163,928	(1,108,873)
Changes in assets and liabilities		
Accounts receivable, net	(7,784)	(5,642)
Notes and other receivables	470	447
Contributions receivable	(71,776)	(240)
Accounts payable and accrued liabilities	(21,107)	5,935
Deposits payable and deferred revenue	4,289	(10,483)
Other assets	(3,474)	992
Contributions to be used for long-term investment	(94,236)	(82,738)
Net cash, cash equivalents, and restricted cash provided by operating activities	38,643	2,461
Cash flows from investing activities		
Proceeds from sales of investments	1,439,328	2,491,698
Purchases of investments	(1,689,780)	(2,439,268)
Student loans granted	(282)	(332)
Student loans collected	2,777	3,900
Purchases of property, plant and equipment	(161,880)	(163,196)
Proceeds from sale of property, plant and equipment	23	14
Cash contribution from acquisition	-	368
Change in funds held by trustees	(2,822)	28
Net cash, cash equivalents, and restricted cash used in investing activities	(412,636)	(106,788)
Cash flows from financing activities		
Proceeds from issuance of debt	236,960	-
Cash premium received upon issuance of bonds	63,044	-
Debt issuance costs	(1,821)	-
Payment of bonds and mortgages payable	(30,690)	(31,535)
Repayment of PMC bonds and notes payable	-	(8,526)
Change in U.S. Government loan advances	(2,839)	(3,105)
Payments to beneficiaries of split interest agreements	(2,360)	(1,551)
Proceeds from sale of contributed securities	21,223	24,390
Contributions to be used for long-term investment	94,236	82,738
Net cash, cash equivalents, and restricted cash provided by financing activities	377,753	62,411
Net increase (decrease) in cash, cash equivalents, and restricted cash	3,760	(41,916)
Cash, cash equivalents, and restricted cash		
Beginning of year	23,442	65,358
End of year	$ 27,202	$ 23,442
Supplemental data		
Interest paid, net of amounts capitalized	$ 53,628	$ 47,028
Change in asset retirement obligations recognized	4,291	(135)

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

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, and Pine Manor College (“PMC”) (Note N).

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, athletics, and dining services. Residential life, athletics, and dining services revenues are all captured within auxiliary enterprises on the consolidated statement of activities.

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 revenues are recognized ratably on a 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 $234,296,000 and $233,237,000 was applied against published tuition and fees rates in the years ended May 31, 2022 and 2021, respectively. Student aid of $11,295,000 and $6,971,000 was applied against auxiliary revenues in the years ended May 31, 2022 and 2021, 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 $84,042,000 and $57,914,000 as of May 31, 2022 and May 31, 2021, respectively, are not recorded in the consolidated financial statements.

Nonoperating Activity

Nonoperating activity consists primarily of contributions, investment return, inherent contribution from acquisition, and other gains and losses on: postretirement healthcare benefits, life income adjustments, unfulfilled promises to give, foreign currency translation, sale or disposal of property, 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.

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.

(in thousands)	**2022**	**2021**
Cash and cash equivalents	$ 24,015	$ 20,091
Cash and restricted cash included in investments	3,187	3,351
Total cash, cash equivalents, and restricted cash shown in the consolidated statements of cash flows	$ 27,202	$ 23,442

Amounts included in cash and restricted cash included in investments relate to student loans.

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 $46,525,000 and $52,679,000 as of May 31, 2022 and 2021, 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 0.4% to 9.6%. The liability of $15,989,000 and $18,347,000 as of May 31, 2022 and 2021, respectively, is adjusted during the term of the agreements for changes in actuarial assumptions.

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, 2021, from which the summarized information was derived.

Subsequent Events
The University has assessed the impact of subsequent events through September 30, 2022, 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 or disclosure in the notes to the audited consolidated financial statements.

Recent Accounting Pronouncements
In August 2018, the FASB issued ASU 2018-14, *Compensation—Retirement Benefits— Defined Benefit Plans—General*, which modifies the disclosure requirements for employers that sponsored defined benefit pension or other postretirement plans. This amendment removed the requirement to disclose the amounts expected to be recognized as components of net periodic benefit cost over the next fiscal year or the effects of a one-percentage-point change in assumed health care cost trend rates on the (a) aggregate of the service and interest cost components of net period benefit costs and (b) benefit obligation for postretirement health care benefits. The University is required to provide an explanation of the reasons for significant gains and losses related to changes in the benefit obligation for the period. The University adopted ASU 2018-14 retrospectively in the University's 2022 fiscal year. There was no material impact to the consolidated financial statements as a result of adoption.

In August 2018, the FASB issued ASU No. 2018-15, *Intangibles — Goodwill and Other — Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract.* This standard aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software or software licenses. The University adopted ASU 2018-15 prospectively in the University's 2022 fiscal year. There was no material impact to the consolidated financial statements as a result of adoption.

In September 2020, the FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This amendment requires contributed nonfinancial assets to be presented as a separate line item within the statement of activities and enhanced disclosure requirements for contributed nonfinancial assets, such as donor-imposed restrictions, fair value measurement, and qualitative information if the contributed nonfinancial assets were utilized or sold. The amendment is effective for fiscal year 2023. The University is evaluating the impact of the new guidance on the consolidated financial statements.

B. Accounts, Notes and Other Receivables

Accounts receivable and notes receivable are stated net of allowances for doubtful accounts. As of May 31, 2022 and 2021, the allowance related to accounts receivable is $3,295,000 and $3,330,000, 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, 2022 and 2021, the amount due under the loan programs is $9,413,000 and $12,778,000, 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, 2022 and 2021, the allowance related to student notes receivable is $1,140,000.

C. Contributions Receivable

Contributions receivable are summarized as follows as of May 31:

(in thousands)	**2022**	**2021**
Unconditional promises scheduled to be collected in		
Less than one year	$ 90,818	$ 74,628
Between one year and five years	133,541	105,080
More than five years	47,299	20,174
Less: Discount and allowance for unfulfilled promises to give	(44,470)	(20,323)
Contributions receivable, net	$ 227,188	$ 179,559

A present value discount of $23,113,000 and $12,724,000 as of May 31, 2022 and 2021, 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 2022 and 2021 at fair value as determined in accordance with fair value accounting guidance.

Conditional promises from donors of $45,660,000 and $49,140,000 as of May 31, 2022 and 2021, respectively, are not recorded in the consolidated financial statements.

D. Financial Assets and Liquidity Resources

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

(in thousands)	**2022**	**2021**
Financial assets		
Cash and cash equivalents	$ 24,015	$ 20,091
Accounts receivable, net	35,313	32,772
Contributions receivable	9,974	9,841
Short-term investments	636,349	429,249
Estimated endowment distribution	182,298	131,773
Total financial assets available within one year	887,949	623,726
Liquidity resources		
Line of credit	75,000	75,000
Total financial assets and liquidity resources available within one year	$ 962,949	$ 698,726

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, 2022 and 2021, 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:

	2022		**2021**	
(in thousands)	**Cost**	**Fair Value**	**Cost**	**Fair Value**
Equities	$ 2,200,268	$ 3,220,588	$ 1,794,683	$ 3,284,453
Fixed income	907,114	902,999	766,880	775,470
Real assets	138,144	156,736	141,961	128,858
	$ 3,245,526	$ 4,280,323	$ 2,703,524	$ 4,188,781

Equities include common stock, mutual funds, commingled funds, and limited partnership interests. Fixed income includes money market funds, commingled funds, limited partnership interests, and 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, 2022, the University's investments include $673,766,000 of Level I equities, $890,001,000 of Level I fixed income securities, $8,722,000 of Level II fixed income securities and $4,276,000 of Level III fixed income securities. Excluded from the fair value hierarchy at May 31, 2022 are $2,546,822,000 of equities and $125,809,000 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, 2022 are $30,927,000 of real estate investments valued at cost.

As of May 31, 2021, the University's investments include $809,189,000 of Level I equities, $760,178,000 of Level I fixed income securities, $10,464,000 of Level II fixed income securities and $4,828,000 of Level III fixed income securities. Excluded from the fair value hierarchy at May 31, 2021 are $2,475,264,000 of equities and $96,927,000 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, 2021 are $31,931,000 of real estate investments valued at cost.

As of May 31, 2022, $33,527,000, $8,722,000 and $4,276,000 of split interest agreements are included in Level I, Level II, and Level III, respectively. As of May 31, 2021, $37,387,000, $10,464,000 and $4,828,000 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:

	2022			
(in thousands)	**Equities**	**Fixed Income**	**Real Assets**	**Total**
Redemption terms				
Within 30 days	$ 277,186	$ -	$ -	$ 277,186
Quarterly				
30-90 days prior written notice	547,538	-	-	547,538
Semi-annually, annually				
30-180 days prior written notice	267,797	-	-	267,797
Greater than 1 year	1,454,301	-	125,809	1,580,110
	2,546,822	-	125,809	2,672,631
Level I securities	673,766	890,001	-	1,563,767
Other investments	-	12,998	30,927	43,925
Total investments	$ 3,220,588	$ 902,999	$ 156,736	$ 4,280,323

	2021			
(in thousands)	**Equities**	**Fixed Income**	**Real Assets**	**Total**
Redemption terms				
Within 30 days	$ 338,144	$ -	$ -	$ 338,144
Quarterly				
30-90 days prior written notice	517,868	-	-	517,868
Semi-annually, annually				
30-180 days prior written notice	435,541	-	-	435,541
Greater than 1 year	1,183,711	-	96,927	1,280,638
	2,475,264	-	96,927	2,572,191
Level I securities	809,189	760,178	-	1,569,367
Other investments	-	15,292	31,931	47,223
Total investments	$ 3,284,453	$ 775,470	$ 128,858	$ 4,188,781

The University is committed to invest up to an additional amount of $596,900,000 and $362,700,000 as of May 31, 2022 and 2021, 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.

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, 2022 and 2021, there were 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 in the case of contributions appraised value on the date of donation. Physical plant assets consist of the following as of May 31:

(in thousands)	2022	2021
Land and improvements	$ 474,602	$ 459,809
Buildings	2,211,124	2,009,870
Equipment	287,980	276,574
Library books	251,006	240,934
Rare book and art collections	55,676	33,361
Purchase options	2,855	2,855
Plant under construction	59,728	141,486
Property, plant and equipment, gross	3,342,971	3,164,889
Accumulated depreciation	(1,299,020)	(1,200,500)
Property, plant and equipment, net	$ 2,043,951	$ 1,964,389

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, 2022 and 2021 amounted to $105,788,000 and $96,715,000, 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 $7,099,000 and $3,454,000 in gross plant assets for the years ended May 31, 2022 and 2021, respectively.

Property, plant and equipment additions of $14,158,000 and $17,219,000 are included in accrued liabilities on the consolidated statements of financial position for the years ended May 31, 2022 and 2021, respectively.

The University recognized $714,000 and $678,000 of operating expenses relating to the accretion of liabilities associated with the retirement of long-lived assets for the years ended May 31, 2022 and 2021, respectively. Conditional asset retirement obligations of $18,735,000 and $13,730,000 as of May 31, 2022 and 2021, respectively, are included in accrued liabilities.

The University has commitments of $72,579,000 and $59,281,000 to complete various capital projects as of May 31, 2022 and 2021, respectively.

H. Bonds and Mortgages Payable

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

(in thousands)	**2022**	**2021**
Massachusetts Health and Educational Facilities Authority (MHEFA)		
Boston College Issues (fixed rate)		
Series M, 5.00 - 5.50%, due 2023 - 2035	$ 129,360	$ 129,360
Massachusetts Development Finance Agency (MDFA)		
Boston College Issues (fixed rate)		
Series S, 4.12 - 5.00%, due 2022-2038	88,645	95,100
Series T, 3.37 - 5.00%, due 2033-2042	129,305	129,305
Series U, 5.00%, due 2022-2040	138,260	148,820
Series V, 5.00%, due 2053-2055	101,960	-
Trustees of Boston College (fixed rate)		
Taxable bonds, Series 2013, 3.76 - 5.09%, due 2022-2043	142,040	147,600
Taxable bonds, Series 2017, 2.65 - 3.99%, due 2022-2047	265,345	272,745
Taxable bonds, Series 2019, 3.13%, due 2049-2053	300,000	300,000
Taxable bonds, Series 2021, 3.04%, due 2055-2057	135,000	-
Department of Education (fixed rate)		
Library building bonds, 3.41%, due 2022	745	1,460
Bonds and mortgages payable, par	1,430,660	1,224,390
Unamortized original bond issue premium	119,309	61,300
Unamortized issuance cost on bonds	(7,832)	(6,344)
Bonds and mortgages payable, net	$ 1,542,137	$ 1,279,346

As of May 31, 2022, principal payments due on all long-term bonds and mortgages payable are as follows: $32,355,000 in 2023, $33,750,000 in 2024, $37,610,000 in 2025, $36,295,000 in 2026, $36,570,000 in 2027, and $1,254,080,000 thereafter.

Interest expense for the years ended May 31, 2022 and 2021 amounted to $51,776,000 and $45,831,000, respectively. The University capitalized interest of $2,697,000 and $3,887,000 for the years ended May 31, 2022 and 2021, respectively.

The University has an agreement for a $75,000,000 unsecured line of credit. As of May 31, 2022 and 2021, there was no balance outstanding on the line of credit.

In June 2021, the University issued $101,960,000 of MDFA Series V Revenue Bonds (“Series V”) and $135,000,000 of Trustees of Boston College Taxable Bonds Series 2021 (“Series 2021”). Series V was issued with an original issue premium of $63,044,000, which will be amortized over the life of the bonds. The proceeds from Series V were used to finance certain capital needs, including the construction of 245 Beacon, which is the site of the Schiller Institute for Integrated Science and Society, the demolition and offload of Cushing Hall, Central Heating Plant upgrades, and the demolition and reclamation of the Flynn Recreation Complex. The proceeds from Series 2021 are expected to be used to finance certain capital needs, including the construction, renovation, and improvement of University facilities. The University incurred costs of $1,821,000 associated with the issuance of Series V and Series 2021, which were capitalized and will be amortized over the life of the bonds.

I. Net Assets

Net assets consist of the following as of May 31:

(in thousands)	Without Donor Restrictions 2022	Without Donor Restrictions 2021	With Donor Restrictions 2022	With Donor Restrictions 2021
Endowment net assets, beginning of year				
Board designated	$ 1,387,571	$ 918,371	$ -	$ -
Donor restricted	-	-	2,387,995	1,661,091
Contributions	-	-	132,479	93,734
Investment return, net	(56,933)	412,964	(87,412)	715,798
Appropriation of endowed assets for expenditure	(58,672)	(46,314)	(91,621)	(78,715)
Net assets reclassified or released from restrictions	97,955	103,871	4,386	(1,823)
Other losses	(139)	(1,321)	(197)	(2,090)
Endowment net assets, end of year				
Board designated	1,369,782	1,387,571	-	-
Donor restricted	-	-	2,345,630	2,387,995
Designated for specific purposes	195,476	174,911	-	-
Net investment in plant	618,595	600,628	-	-
Program support	-	-	112,428	97,720
Contributions for plant assets	-	-	80,015	88,090
Inherent contribution from acquisition	-	-	111,529	111,529
Student loans	-	-	789	789
Total net assets	$ 2,183,853	$ 2,163,110	$ 2,650,391	$ 2,686,123

Included in net assets with donor restrictions on the consolidated statements of financial position as of May 31, 2022 and 2021 are $1,344,660,000 and $1,216,068,000 of perpetually restricted funds and $1,305,731,000 and $1,470,055,000 of funds restricted for time or purpose, respectively.

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

(in thousands)	2022	2021
Scholarships and fellowships	$ 1,056,074	$ 939,274
Educational purposes	975,589	1,166,959
Professorships	391,540	400,331
Contributions receivable, net	227,188	179,559
Total	$ 2,650,391	$ 2,686,123

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:

	2022					
(in thousands)	**Salaries and Benefits**	**Operating Expenses**	**Depreciation/ Amortization**	**Interest**	**Operations and Maintenance of Facilities**	**Total**
Educational activities	$ 307,129	$ 52,122	$ 39,745	$ 20,809	$ 35,766	$ 455,571
Research	33,282	15,768	1,491	-	-	50,541
Student services	39,379	12,806	14,913	7,613	6,809	81,520
General administration	97,064	31,083	7,604	3,815	5,927	145,493
Auxiliary enterprises	66,292	65,901	39,309	17,552	34,330	223,384
Operations and maintenance of facilities	49,155	28,505	3,185	1,987	(82,832)	-
Total	$ 592,301	$ 206,185	$ 106,247	$ 51,776	$ -	$ 956,509

	2021					
(in thousands)	**Salaries and Benefits**	**Operating Expenses**	**Depreciation/ Amortization**	**Interest**	**Operations and Maintenance of Facilities**	**Total**
Educational activities	$ 297,278	$ 40,014	$ 36,369	$ 14,576	$ 32,016	$ 420,253
Research	30,665	16,540	1,442	-	-	48,647
Student services	37,419	9,874	12,096	7,676	6,812	73,877
General administration	94,938	27,837	7,736	3,915	5,554	139,980
Auxiliary enterprises	62,222	60,005	36,697	17,787	30,216	206,927
Operations and maintenance of facilities	46,947	23,092	2,682	1,877	(74,598)	-
Total	$ 569,469	$ 177,362	$ 97,022	$ 45,831	$ -	$ 889,684

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 $28,296,000 and $23,391,000 for the years ended May 31, 2022 and 2021, respectively.

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, 2022 and 2021, the University's contributions to the retirement program are $29,200,000 and $28,569,000, 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:

(in thousands)	**2022**	**2021**
Service cost	$ 3,753	$ 3,846
Net periodic postretirement benefit cost	3,753	3,846
Net gain	(29,162)	(9,943)
Interest cost	3,149	3,184
Other changes in plan assets and benefit obligation	(26,013)	(6,759)
Total recognized in net periodic benefit cost and net assets without donor restrictions	$ (22,260)	$ (2,913)

For measurement purposes, the assumed annual rates of increase for measuring the obligation at May 31, 2021 and the cost for the year ending May 31, 2022 were 5.25% in the per capita cost of covered health care benefits for post-65 benefits and 6.00% in the per capita cost of covered health care benefits for pre-65 benefits. Rates were assumed to decrease gradually to 5.00% in 2023 for post-65 benefits and to 5.00% in 2027 for pre-65 benefits and to remain at those levels thereafter. The assumed annual rates of increase for measuring the obligation at May 31, 2022 and the cost for the year ending May 31, 2022 were 5.25% in the per capita cost of covered health care benefits for post-65 benefits and 6.00% in the per capita cost of covered health care benefits for pre-65 benefits. Rates were assumed to decrease gradually to 4.00% in 2028 for post-65 benefits and to 4.50% in 2028 for pre-65 benefits and to remain at those levels thereafter.

The discount rate used to determine the accumulated benefit obligation is 4.50% as of May 31, 2022 and 3.00% as of May 31, 2021. The discount rate used to determine the net periodic postretirement benefit cost is 3.00% as of May 31, 2022 and May 31, 2021.

The long-term interest crediting rate on Retiree Medical Savings Accounts used to determine the accumulated benefit obligation is 5.00% as of May 31, 2022 and May 31, 2021. The long-term interest crediting rate on Retiree Medical Savings Accounts used to determine the net periodic postretirement benefit cost is 5.00% as of May 31, 2022 and May 31, 2021.

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

(in thousands)	**2022**	**2021**
Reconciliation of accumulated postretirement benefit obligation		
Benefit obligation, beginning of year	$ 109,661	$ 115,524
Service cost	3,753	3,846
Interest cost	3,149	3,184
Plan participant contributions	1,533	1,384
Benefits paid	(4,945)	(4,334)
Actuarial gain	(29,162)	(9,943)
Benefit obligation, end of year	$ 83,989	$ 109,661
Amounts not yet recognized as a component of net periodic benefit cost		
Net actuarial (gain) loss	$ (16,405)	$ 12,757
	$ (16,405)	$ 12,757

The significant gains related to changes in the benefit obligation for the period ending May 31, 2022 were primarily due to changes in the discount rate, the age-grading, and the healthcare cost trend rate assumption. The significant gains related to changes in the benefit obligation for the period ending May 31, 2021 were primarily due to claims experience.

As of May 31, 2022 and 2021, 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: $3,560,000 in 2023, $3,830,000 in 2024, $4,190,000 in 2025, $4,500,000 in 2026, $4,860,000 in 2027, and $29,710,000 in the five fiscal years thereafter.

L. Related Party

The University has mortgages, loans, and notes due from various related parties of $22,754,000 and $22,884,000 as of May 31, 2022 and 2021, 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.

N. Pine Manor College Integration

In June 2020, the University entered into an Integration Agreement with Pine Manor College. 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 integration with Pine Manor College was accounted for under *ASC 958-805, Not-for-Profit Entities: Mergers and Acquisitions*, which defines a combination of one or more not-for-profit activities as either a merger or an acquisition. The transaction was treated as an acquisition for accounting purposes.

Assets received in the transaction totaled $134,316,000, primarily consisting of endowment investments, land, and buildings. Liabilities assumed totaled $12,114,000, including bonds and notes payable of $8,010,000 which were retired by the University subsequent to the integration. An inherent contribution was recognized by the University in the consolidated statement of activities for $122,202,000 to represent the excess of the fair value of assets over liabilities assumed. The University is required to complete a teach out period and operate and oversee the PMC campus until the second anniversary of the integration on June 30, 2022. Accordingly, the inherent contribution was classified as net assets with donor restrictions.