KPMG

MIDDLEBURY

Consolidated Financial Statements

June 30, 2022
(with summarized comparative information as of and
for the year ended June 30, 2021)

(With Independent Auditors' Report Thereon)

MIDDLEBURY

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KPMG LLP
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Independent Auditors' Report

The President and Fellows of
Middlebury College:

Opinion

We have audited the consolidated financial statements of Middlebury College (the College), which comprise the consolidated statement of financial position as of June 30, 2022, and the related consolidated statements of activities, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the College as of June 30, 2022, and the changes in their net assets and their cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

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

Responsibilities of Management for the Consolidated Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Report of Summarized Comparative Information

We previously audited the College's 2021 consolidated financial statements, and we expressed an unmodified opinion on those audited consolidated financial statements in our report dated October 28, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

KPMG LLP

Colchester, Vermont
October 27, 2022

MIDDLEBURY

Consolidated Statements of Financial Position

June 30, 2022 and 2021

(Amounts in thousands)

Assets		2022	2021
Cash and cash equivalents	$	20,371	20,347
Restricted cash		1,393	10,000
Accounts receivable, net		7,178	4,595
Prepaid expenses, inventories and other assets		7,048	8,004
Contributions receivable, net		26,385	13,333
Student loans receivable, net		8,248	8,546
Investments		1,489,881	1,535,106
Beneficial interest in perpetual trusts		29,304	35,767
Finance lease right of use asset		45,346	—
Land, buildings, and equipment, net		365,317	358,653
Total assets	$	2,000,471	1,994,351
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued expenses	$	44,022	44,105
Deferred revenues		20,357	15,310
Funds held for others		9,381	8,763
Annuities and other split-interest obligations		26,091	30,010
Refundable government loan funds		3,369	3,965
Operating lease obligations		2,738	4,132
Finance lease obligations		46,234	—
Long-term debt, net		294,407	300,526
Total liabilities		446,599	406,811
Net assets:			
Without donor restrictions		204,601	220,852
With donor restrictions		1,349,271	1,366,688
Total net assets		1,553,872	1,587,540
Total liabilities and net assets	$	2,000,471	1,994,351

See accompanying notes to consolidated financial statements.

MIDDLEBURY

Consolidated Statement of Activities

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

(Amounts in thousands)

	Without donor restrictions	With donor restrictions	Total 2022	Total 2021
Operating revenues and other support:				
Net comprehensive and other student fees	$ 171,528	—	171,528	140,597
Contributions	8,318	21,249	29,567	16,826
Sponsored activities	20,954	—	20,954	16,519
Investment return, net:				
Endowment distribution and investment income	8,935	48,305	57,240	59,424
Other sources	13,687	—	13,687	9,386
Net assets released from restrictions	62,788	(62,788)	—	—
Total operating revenues and other support	286,210	6,766	292,976	242,752
Operating expenses:				
Salaries	133,848	—	133,848	121,785
Benefits	49,182	—	49,182	46,483
Building and maintenance	16,387	—	16,387	14,918
Fees for services	18,875	—	18,875	15,554
Equipment and supplies	9,827	—	9,827	8,345
Travel and entertainment	5,258	—	5,258	949
Other expenses	25,285	—	25,285	20,667
Interest expense	10,382	—	10,382	9,214
Depreciation and amortization	21,717	—	21,717	21,239
Total operating expenses	290,761	—	290,761	259,154
Change in net assets from operations	(4,551)	6,766	2,215	(16,402)
Nonoperating activities:				
Endowment return, net of distribution	(9,485)	(56,586)	(66,071)	364,741
Other investment income, net	1,101	(10,405)	(9,304)	18,796
Contributions, net	—	37,743	37,743	9,395
Change in value of deferred gifts	(35)	3,960	3,925	(4,677)
Other	(3,281)	1,105	(2,176)	1,226
Total nonoperating activities, net	(11,700)	(24,183)	(35,883)	389,481
Change in total net assets	(16,251)	(17,417)	(33,668)	373,079
Net assets, beginning of year	220,852	1,366,688	1,587,540	1,214,461
Net assets, end of year	$ 204,601	1,349,271	1,553,872	1,587,540

See accompanying notes to consolidated financial statements.

MIDDLEBURY

Consolidated Statements of Cash Flows

Years ended June 30, 2022 and 2021

(Amounts in thousands)

		2022	2021
Cash flows from operating activities:			
Change in total net assets	$	(33,668)	373,079
Adjustments to reconcile change in net assets to net cash used in operating activities:			
Depreciation and amortization		21,717	21,239
Contributions restricted for long-term investments		(22,806)	(15,917)
Real property and other in-kind contributions		—	(59)
Amortization of bond issuance costs and bond premium		(1,737)	(1,715)
Gain on defeasement of debt		—	(2,898)
Loss on disposal of buildings and equipment		551	514
Contributions receivable bad debt allowance		170	4,948
Accounts receivable bad debt allowance		394	—
Change in value of split interest agreements		(3,919)	2,825
Realized and unrealized loss (gain) on investments		21,575	(444,090)
Unrealized (gain) loss on contributions receivable from remainder trusts		455	(776)
Unrealized (gain) loss on beneficial interest in perpetual trusts		6,463	(6,817)
Changes in operating assets and liabilities:			
Accounts receivable, net		(2,189)	(1,544)
Contributions receivable		(13,337)	1,874
Prepaid expenses, inventories and other assets		(445)	(258)
Accounts payable and accrued expenses		(253)	(594)
Deferred revenues		5,047	3,816
Funds held for others		618	(10)
Other		(597)	(1,134)
Operating lease liability		(1,394)	—
Net cash used in operating activities		(23,355)	(67,517)
Cash flows from investing activities:			
Proceeds from sales of investments		255,884	287,322
Purchases of investments		(233,834)	(241,574)
Purchases of property and equipment		(25,790)	(15,661)
Student loans granted		(857)	(807)
Student loans repaid		1,310	1,587
Net cash (used in) provided by investing activities		(3,287)	30,867
Cash flows from financing activities:			
Contributions restricted for long-term investment		22,806	15,917
Proceeds from issuance of long-term debt		—	118,183
Bond premium on new debt		—	19,814
Payments on bonds and notes payable		(4,340)	(101,523)
Payments of finance lease liability		(407)	—
Advance from line of credit		7,500	65,000
Payment of advance from line of credit		(7,500)	(65,000)
Net cash provided by financing activities		18,059	52,391
Net change in cash and cash equivalents		(8,583)	15,741
Cash, cash equivalents and restricted cash:			
Beginning of year		30,347	14,606
End of year	$	21,764	30,347
Supplemental data:			
Cash and cash equivalents as shown in the Statements of Financial Position	$	20,371	20,347
Restricted cash as shown in the Statements of Financial Position		1,393	10,000
Interest paid		12,119	10,928
Change in amounts accrued for purchase of property and equipment		(170)	307

See accompanying notes to consolidated financial statements.

(1) Organization

The President and Fellows of Middlebury College (Middlebury) was founded in 1800 as a liberal arts college. The undergraduate institution, Middlebury College (the College), is a leading liberal arts college with an emphasis on literature, sciences, languages, international studies and environmental studies. The College has approximately 2,500 undergraduate students from all 50 states and 70 countries. Approximately 70% of the students are from outside of New England. Over one-half of the students spend at least one semester off campus, primarily outside of the United States of America. In addition to the Middlebury campus, the College has schools located in Argentina, Brazil, Cameroon, Chile, China, France, Germany, India, Italy, Japan, Jordan, Morocco, Russia, Spain, the United Kingdom, and Uruguay.

The Middlebury Schools are comprised of Schools Abroad, Language Schools, School of the Environment, and Bread Loaf Programs. The Schools enroll more than 2,800 students and offer undergraduate and graduate programs in a variety of programs.

- The Schools Abroad Program provides undergraduate and graduate programs in 16 countries. Students take courses in most subjects, often with host country students, intern or engage in volunteer work, and live with a family or local students. The participants in the Middlebury Schools Abroad Program have a commitment to language and cultural immersion.
- The Language Schools, which began operations in 1915 focus on educating undergraduate and graduate language students from many disciplines at two sites in the United States and two sites abroad. There are programs in Abenaki, Arabic, Chinese, English, French, German, Hebrew, Italian, Japanese, Korean, Portuguese, Russian, and Spanish with a goal to improve languages and intercultural skills. The Language Schools provide access to language education through an interactive, immersion environment by incorporating linguistics, literature, culture, and area studies.
- The School of the Environment is a six-week undergraduate program held in the Yunnan province, China offering leadership training, lab and field work, and interdisciplinary courses.
- Middlebury offers two Bread Loaf Programs, the Bread Loaf School of English and the Bread Loaf Writers' Conference. Beginning in 1920, the Bread Loaf School of English has offered graduate courses in literature, the teaching of writing, creative writing, and theater arts to students from across the United States and the world. The Bread Loaf School of English offers summer sessions in Vermont, California and at Oxford in the United Kingdom. The Bread Loaf Writers' Conference is the oldest writers' conference in America, held each summer in June and August at Middlebury's Bread Loaf Mountain campus amid the Green Mountain National Forest in Ripton, Vermont, and in September in Erice, Italy.

The Middlebury graduate school, the Middlebury Institute of International Studies at Monterey, (the Institute), is located in Monterey, California. The Institute enrolls approximately 700 students and provides higher education in translation, interpretation and language education and international policy management. In addition, there are four research centers at the Institute, the James Martin Center for Nonproliferation Studies, the Center for the Blue Economy, the Center for Conflict Studies in Monterey and the Vienna Center for Disarmament and Nonproliferation in Vienna, Austria.

Delineation Corporation, an affiliated entity of Middlebury, is a nonprofit organization founded to hold certain property. Middlebury advances funds to Delineation Corporation for expenses incurred for maintenance of real property.

Tax-Exempt Status

Middlebury and its affiliates are tax-exempt organizations as described in Section 501(c)(3) of the Internal Revenue Code and they recognize the effect of income tax positions only if those positions are more likely than not of being sustained by a taxing authority. Middlebury and its affiliates believes they have no significant uncertain tax positions.

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

The consolidated financial statements include Middlebury and its affiliated entities. All inter-entity transactions have been eliminated in consolidation.

(b) Basis of Accounting

The consolidated financial statements are prepared in accordance with U.S. generally accepted accounting principles (GAAP), on the accrual basis of accounting and present net assets, revenues, gains and losses based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Without Donor Restrictions: Net assets not subject to donor-imposed stipulations. Net assets, without donor restrictions may be designated for specific purposes by the Board of Trustees.

With Donor Restrictions: Net assets subject to donor-imposed stipulations that expire through the passage of time or can be fulfilled by actions pursuant to the stipulations, or which may be perpetual.

Revenues are reported as increases in net assets without donor restrictions unless use of the related asset is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless restricted by donor or by law. Expirations in subsequent years of restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as releases from restrictions between the applicable classes of net assets.

Nonoperating activities include net return on investments, less amounts distributed for operating purposes, contributions for long-term investment such as endowment and capital, and the change in value of deferred gifts.

(Continued)

For comparison purposes, the 2022 statement of activities has been presented with 2021 summarized comparative information in total but not by net asset class. This summarized 2021 information is not intended to and does not include sufficient detail to constitute a complete presentation of changes in net assets in conformity with GAAP. Accordingly, such information should be read in conjunction with the Middlebury's financial statements for the year ended June 30, 2021, from which the summarized information was derived.

(c) Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

(d) Student Tuition and Fee Revenue

The College charges undergraduate students attending the Vermont campus a comprehensive fee which includes the cost of tuition, room and board, and fees. The Institute charges its graduate students tuition and related fees.

Tuition, fees and auxiliary student revenues are presented in the statement of activities at the transaction price, (i.e., net of any institutional student aid). Revenue from student education, residence and dining services are recognized as the services are provided over the academic year, which generally aligns with Middlebury's fiscal year. For fiscal year 2022, comprehensive student fees were $258,887 and financial aid was $87,359. For fiscal year 2021, comprehensive student fees were $214,561 and financial aid was $73,964.

Auxiliary enterprises include the operations of the dining services, residential halls, bookstores, Snow Bowl, Carroll and Jane Rikert Nordic Center, and the Ralph Myhre Golf Course. Revenues from auxiliary enterprises, except for the revenue from residential and dining halls, are included in other sources of operating revenues in the statement of activities. The revenues derived from residential and dining halls are included in net comprehensive and other student fees.

(e) Cash and Cash Equivalents

Cash and cash equivalents include interest-bearing money market accounts not held for investment purposes. Cash equivalents have original maturities of three months or less. Cash equivalents held for investment purposes are not considered cash and cash equivalents on the statement of cash flows.

(f) Contributions

Contributions, including interests in perpetual trusts held by others, unconditional promises to give and noncash assets, are recognized as revenue in the period received at fair value on the date of the contribution. A contribution is conditional if the agreement includes both a barrier that must be overcome for the recipient to be entitled to the assets transferred and a right of return for the transferred assets or a right of release of the promisor's obligation to the transferred assets. Conditional promises to give are not recognized until they become unconditional, that is, when the barriers on which they depend are met.

Contributions of land, buildings, and equipment without donor stipulations are reported as nonoperating revenue. Contributions of cash or other assets which a donor has stipulated be used to acquire land, buildings, and equipment are reported as restricted nonoperating revenue. The restrictions are considered to be released when assets are placed in service.

(g) Contributions Receivable

Contributions receivable include pledges that are recorded at their present value using discount rates at the date of the contribution that range from 1.0% to 5.5%. The present value is calculated using a risk-free rate of return adjusted for the credit risk. An allowance is made for potentially uncollectible contributions based upon management's past collection experience and other relevant factors.

(h) Fair Value

The fair value accounting standard defines fair value and establishes a framework for measuring fair value. The framework provides a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement). The three levels of the fair value hierarchy under this principle are as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that Middlebury has the ability to access.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Middlebury utilizes the net asset value (NAV) as a practical expedient to estimate the fair value of those funds whose values are determined by the appropriate manager or general partner. Such NAV-measured funds are not categorized in the fair value hierarchy.

Investments reported at NAV consist of shares or units in funds as opposed to direct interests in the funds' underlying securities, which may be readily marketable and not difficult to value. The majority of these fund managers are registered as required by the Securities and Exchange Commission.

Certain investments in funds contain lock-up provisions. Under such provisions, share classes of the investment are available for redemption at various times in accordance with the management agreement with the fund.

The fair value measurement level of the asset or liability within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

These valuations may produce a fair value that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although Middlebury believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Because of the inherent uncertainty of valuations, the estimated values as determined by the appropriate manager or general partners may differ significantly from the values that would have been used had a ready market for the investments existed, and the differences could be material.

(i) Derivatives

Middlebury records all derivatives, except those qualifying for the normal purchase/normal sale exception, at fair value. Fair value is determined using a valuation model utilizing market observable inputs.

(j) Beneficial Interest in Perpetual Trusts

Beneficial interest in perpetual trusts includes irrevocable trusts established for the benefit of Middlebury whereby the principal is held in perpetuity by others and the earnings are remitted to Middlebury. The interest in perpetual trusts is recorded at fair value, which is estimated to equal the fair value of the trust assets.

(k) Land, Buildings, and Equipment

Land, buildings, equipment, arts and antiques are recorded at cost at the date of acquisition or fair value at the date of gift. Depreciation is computed utilizing the straight-line method over the estimated lives of the depreciable assets, as follows (in years):

	Estimated useful lives
Category:	
Land improvements	20–30
Buildings and improvements	20–60
Equipment	4–10

Arts and antiques are maintained as collections and, accordingly, are not depreciated.

(l) Asset Retirement Obligation

An asset retirement obligation (ARO) is a legal obligation associated with the retirement of long-lived assets. These liabilities are initially recorded at fair value and the related asset retirement costs are capitalized by increasing the carrying amount of the related assets by the same amount as the liability. Asset retirement costs are subsequently depreciated over the useful lives of the related assets. Subsequent to initial recognition, Middlebury records period-to-period changes in the ARO liability resulting from the passage of time and revisions to either the timing or the amount of the original estimate of undiscounted cash flows. Middlebury ARO liabilities are reduced when the related obligation is settled. Middlebury has recorded an ARO liability in accrued expenses of $5,533 and $5,265 at June 30, 2022 and 2021, respectively.

(m) Deferred Revenues

Deferred revenues consist primarily of student fees related to Middlebury and its language schools, primarily related to payments for services that have not yet been rendered. This liability account also consists of the multi-year prepayment plan, summer school billing (net of financial aid), and sponsored activity. Deferred revenues are typically recognized as revenue within the subsequent fiscal year.

(n) Funds Held for Others

Middlebury acts as a custodian or fiscal agent for student organizations, certain long-term faculty professional development funds, and certain endowment funds for various organizations. These endowment funds are not included the endowment assets.

(o) Annuities and Other Split-Interest Obligations

Donors have made contributions with the stipulation that their contributions be invested and all or a portion of the resulting income be paid to beneficiaries during their lifetimes. Upon the death of the named beneficiaries, the assets become the property of Middlebury. These contributions are recorded in revenue at fair value with corresponding estimated liabilities for future amounts payable to other beneficiaries recorded in annuities and other split interest obligations. The liabilities associated with these gifts are adjusted to fair value at each reporting period using the terms of the related gift instrument.

(p) Refundable Government Loan Funds

Refundable government loan funds represent Perkins loan funds provided to students by the federal government through Middlebury. Middlebury is required to collect the loans on behalf of the federal government. The amounts due from the students are reported in the financial statements as student loans receivable. The amount due to the federal government, upon full liquidation of the program, is reported as refundable government loan fund on the statement of financial position. The Perkins Loan Extension Act of 2015 (the Act) ended the authority of participating institutions to make new Perkins Loans to students on September 30, 2017. The Act also requires each participating institution to refund to the federal government an amount calculated annually based on remaining outstanding loans and other factors.

(q) Sponsored Activities

Sponsored activities include various research and instructional programs funded by external parties including the federal government, foreign and state governments, and private foundations.

(r) Subsequent Events

Middlebury considers events or transactions that occur after the statement of financial position date but before the financial statements are issued to provide for additional evidence relative to certain estimate or to identify matters that require additional disclosure. These financial statements were issued on October 27, 2022, and subsequent events have been evaluated through that date.

In August 2022, the College issued $61,290 of the Vermont Educational and Health Buildings Financing Agency (VEHBFA) Revenue Bonds (Middlebury College Project), Series 2022 (the Series 2022 Bonds) in a tax-exempt financing. The proceeds from this issuance were used to refund the VEHBFA Series 2012A Bonds, provide $20,000 for new capital projects, and to pay certain costs of issuance of the Bonds. The Series 2022 Bonds bear interest of 3.22% per annum and have a final maturity of August 1, 2042.

(3) Recent Accounting Pronouncements

ASU 2016-02, Leases (Topic 842), as amended, requires, among other things, a lessee to recognize a right-of-use asset representing an entity's right to use the underlying asset for the lease term and a liability for lease payments on the statement of financial position, regardless of classification of a lease as an operating or finance lease. As permitted by the ASU, for leases with a term of twelve months or less as a lessee, Middlebury has elected not to recognize lease assets and liabilities and account for the lease similar to existing guidance for operating leases. Additional disclosures are also required under this guidance. Middlebury elected the package of practical expedients to adopt these changes which permits not reassessing 1) the lease classification for existing or expired leases, 2) the identification of existing or expired contracts as leases, and 3) any initial direct costs for existing or expired leases as of the effective date.

Middlebury adopted ASU 2016-02 as of July 1, 2020 resulting in right-of-use assets and related lease obligations of $5,399 being recognized in the statement of financial position. The guidance did not materially impact Middlebury's results of operations.

During fiscal year 2022, Middlebury recognized a new finance lease obligation and right of use asset of $46,641 related to a student housing facility in Monterey.

Middlebury determines if an arrangement is a lease at inception. Finance and operating leases are included in right of use assets, and the related lease obligations on the balance sheet. Lease right-of-use assets represent Middlebury's right to use an underlying asset for the lease term. Lease obligations represent Middlebury's liability to make lease payments arising from the lease. Operating and finance lease right-of-use assets and related obligations are recognized at commencement date based on the present value of lease payments over the lease term discounted using an appropriate incremental borrowing rate. The incremental borrowing rate is based on the information available at commencement date in determining the present value of lease payments.

Middlebury is committed to minimum annual rent payments under several long-term non-cancellable operating and finance leases for student residential and office space through fiscal year 2051.

The components of lease expense are as follows, in thousands of dollars:

		2022	2021
Lease cost:			
Finance lease expense	$	2,462	—
Interest on lease liabilities		1,166	—
Amortization of right-of-use assets		1,296	—
Operating lease expense		1,523	1,523
Total lease expense	$	6,447	1,523

Other information related to leases as of June 30 was as follows:

		2022	2021
Supplemental cash flow information:			
Cash paid for amounts included in the measurement of lease liabilities:			
Operating cash flow from operating leases	$	1,591	1,486
Operating cash flow from finance leases		1,166	—
Financing cash flow from finance leases		407	—
ROU assets obtained in exchange for lease obligations:			
Finance leases		45,346	—
Reductions to ROU assets resulting from reductions to lease obligations:			
Operating leases		1,401	4,096
Finance leases		1,296	—
Weighted average remaining lease term:			
Operating leases		1.9 years	2.9 years
Finance leases		29.0 years	—
Weighted average discount rate:			
Operating leases		5.0 %	5.0 %
Finance leases		3.0 %	—

Payments due include options to extend leases that are reasonably certain through fiscal year 2051, in thousands of dollars, and are summarized below as of June 30, 2022:

		Operating	Finance
Fiscal year:			
2023	$	1,538	1,771
2024		1,194	1,828
2025		52	1,888
2026		—	1,949
2027		—	1,993
Thereafter		—	63,703
Less amounts representing interest		(46)	(26,898)
Total	$	2,738	46,234

(4) Liquidity and availability

Resources available to Middlebury to fund general expenditures, including debt service payments and construction projects not financed with debt, have seasonal variations related to the timing of tuition and comprehensive fee payments, receipt of gifts and pledges, and transfers from the endowment. Middlebury actively monitors and manages these resources utilizing a combination of short and long term investment strategies to align cash inflows and expected outflows in accordance with policy. At June 30, 2022 and 2021, existing financial assets and liquidity resources available within one year were as follows:

		2022	2021
Financial assets available for general expenditure within one year:			
Cash and cash equivalents	$	20,371	20,347
Accounts receivable, net		7,178	4,595
Fiscal 2023 and 2022 budgeted endowment appropriation		62,590	55,318
	$	90,139	80,260

Additionally, Middlebury has $225,346 as of June 30, 2022, in board-designated endowment without donor restrictions and a line of credit of $50,000 as referenced in note 9. Although Middlebury does not intend to spend from its board-designated endowment funds, other than amounts appropriated for operations, amounts could be made available if necessary subject to liquidity as outlined in note 6.

(5) Receivables

(a) Accounts Receivable

Accounts receivable consists of receivables for annual comprehensive fees, graduate school tuition, schools abroad tuition, and summer school room, board, and tuition. The provision for uncollectible amounts was $581 and $185 as of June 30, 2022 and 2021, respectively.

(In thousands of dollars)

(b) Contributions Receivable

Contributions receivable consists of the following at June 30, 2022 and 2021:

		2022	2021
Due less than one year	$	8,565	5,853
One to five years		16,722	4,264
		25,287	10,117
Less discount and allowance		(1,957)	(294)
		23,330	9,823
Contributions receivable from remainder trusts		3,055	3,510
	$	26,385	13,333

(6) Investments

Middlebury has developed a diversified endowment investment portfolio with a strong orientation to equity investments and to strategies designed to take advantage of market inefficiencies. The investment objectives guide the asset allocation policy and are achieved in partnership with external investment managers operating through a variety of vehicles, including separate accounts, limited partnerships, and commingled funds. Investments in real estate and mortgages include investment in real estate partnerships.

Alternative equity managers seek to generate high returns regardless of the direction of the overall stock market and may use derivatives to exploit inefficiencies in securities markets. Accordingly, derivatives in the investment portfolio may include currency forward contracts, interest rate and currency swaps, call and put options, debt and equity futures contracts, equity swaps, and other vehicles that may be appropriate in certain circumstances. The risk in alternative equity funds is limited to the amount it currently has invested in the funds. The risk in private equity partnerships is limited to the amount it currently has invested in the funds, legally obligated uncalled capital commitments to the funds, and certain distributions previously received.

As of June 30, 2022 and 2021, Middlebury had outstanding commitments of $319,744 and $428,534, respectively, to fund private partnerships (private equity, hedge and other) over a multi-year period. These capital calls are expected to be funded with cash on hand or using proceeds of liquidated securities.

Middlebury has $333,447 and $393,973 of the investment portfolio at June 30, 2022 and 2021, respectively, invested in funds which invest in international securities. These investments are subject to the additional risk of currency fluctuations. Also included in investments are $49,354 and $60,865 at June 30, 2022 and 2021, respectively, for split-interest agreements.

(In thousands of dollars)

The components of total investment return from all sources consist of the following for the years ended.

	2022	2021
Interest, dividends, and other income, net	$ 3,888	(692)
Realized gains	125,761	112,238
Unrealized (loss) gain, net	(147,336)	331,852
	$ (17,687)	443,398

Direct external investment management fees were $8,431 and $10,122 in 2022 and 2021, respectively, and are netted against interest, dividends, and other income in the table above. Purchase and sale transactions are recorded on a trade date basis.

The following table represents financial assets and liabilities by fair value hierarchy category as of June 30, 2022:

	Level 1	Level 2	Level 3	NAV and other valuation methods	Total
Investments at fair value:					
Money market funds	$ 29,608	—	—	—	29,608
Equity securities	65,022	—	—	—	65,022
Debt securities	104,952	—	—	—	104,952
Real estate and mortgages	7,160	—	8,838	—	15,998
Private equity	—	—	8,967	—	8,967
Other investments	61	—	49	—	110
Total investments at fair value	206,803	—	17,854	—	224,657
Investments measured at net asset value:					
Equity securities	—	—	—	181,481	181,481
Alternative equities	—	—	—	345,212	345,212
Real estate and mortgages	—	—	—	171	171
Private equity partnerships	—	—	—	737,818	737,818
Total investments at net asset value	—	—	—	1,264,682	1,264,682
Investments valued using other methods	—	—	—	542	542
Total investments	$ 206,803	—	17,854	1,265,224	1,489,881

(In thousands of dollars)

		Level 1	Level 2	Level 3	NAV and other valuation methods	Total
Other assets:						
Remainder trusts	$	—	—	3,055	—	3,055
Perpetual trusts		—	—	29,304	—	29,304
Total other assets	$	—	—	32,359	—	32,359

The following table represents financial assets and liabilities by fair value measurements as of June 30, 2021:

		Level 1	Level 2	Level 3	NAV and other valuation methods	Total
Investments at fair value:						
Money market funds	$	17,711	—	—	—	17,711
Equity securities		89,390	—	—	—	89,390
Debt securities		92,431	—	—	—	92,431
Real estate and mortgages		8,062	—	8,000	—	16,062
Private equity		—	—	9,267	—	9,267
Other investments		137	—	49	—	186
Total investments at fair value		207,731	—	17,316	—	225,047
Investments measured at net asset value:						
Equity securities		—	—	—	307,588	307,588
Alternative equities		—	—	—	397,082	397,082
Real estate and mortgages		—	—	—	922	922
Private equity partnerships		—	—	—	603,721	603,721
Total investments at net asset value		—	—	—	1,309,313	1,309,313
Investments valued using other methods		—	—	—	746	746
Total investments	$	207,731	—	17,316	1,310,059	1,535,106

(In thousands of dollars)

	Level 1	Level 2	Level 3	NAV and other valuation methods	Total
Other assets:					
Remainder trusts	$ —	—	3,510	—	3,510
Perpetual trusts	—	—	35,767	—	35,767
Total other assets	$ —	—	39,277	—	39,277

Detailed liquidity of Middlebury's investments as of June 30, 2022 and June 30, 2021 is as follows:

	June 30, 2022					
	Daily	Monthly	Quarterly	Annually	Illiquid	Total
Money market funds	$ 29,608	—	—	—	—	29,608
Equity securities	65,022	79,785	101,696	—	—	246,503
Alternative equities	—	—	345,212	—	—	345,212
Debt securities	104,952	—	—	—	—	104,952
Real estate and mortgages	7,160	—	—	—	8,838	15,998
Private equity	—	—	—	—	746,784	746,784
Other investments	61	—	—	—	763	824
Total	$ 206,803	79,785	446,908	—	756,385	1,489,881

	June 30, 2021					
	Daily	Monthly	Quarterly	Annually	Illiquid	Total
Money market funds	$ 17,711	—	—	—	—	17,711
Equity securities	89,390	193,843	113,745	—	—	396,978
Alternative equities	—	—	397,082	—	—	397,082
Debt securities	92,431	—	—	—	—	92,431
Real estate and mortgages	8,062	—	—	—	8,665	16,727
Private equity	—	—	—	—	612,988	612,988
Other investments	137	—	—	—	1,052	1,189
Total	$ 207,731	193,843	510,827	—	622,705	1,535,106

Middlebury enters into derivative instruments such as futures for trading purposes. Middlebury may enter into U.S. Treasury, equity or index option and futures contracts to enhance liquidity and maintain market exposure.

(In thousands of dollars)

Contracts in a net asset position are included in investments on the statement of financial position, and contracts in a net liability position are included in liabilities associated with investments on the statement of financial position. At June 30, 2022 Middlebury held certain index future contracts in a net asset position of $0. At June 30, 2021 Middlebury held certain index future contracts in a net asset position of $113. Middlebury posted collateral on the index futures contracts of $0 and $382 at June 30, 2022 and June 30, 2021, respectively. The long notional amounts of the index futures contracts were $0 and $8,148 at June 30, 2022 and June 30, 2021, respectively.

The following table summarizes the Level 3 activity for the year ended June 30, 2022:

	Beginning balance at June 30, 2021	Realized gains	Change in unrealized gains (losses)	Additions	Deductions	Ending balance at June 30, 2022
Level 3 assets:						
Real estate and mortgages	$ 8,000	—	838	—	—	8,838
Private equity	9,267	—	(300)	—	—	8,967
Other investments	49	—	—	—	—	49
Total investments	17,316	—	538	—	—	17,854
Remainder trusts	3,510	—	(455)	—	—	3,055
Perpetual trusts	35,767	—	(6,463)	—	—	29,304
Total investments and other assets	$ 56,593	—	(6,380)	—	—	50,213

The following table summarizes the Level 3 activity for the year ended June 30, 2021:

	Beginning balance at June 30, 2020	Realized gains	Change in unrealized gains (losses)	Additions	Deductions	Ending balance at June 30, 2021
Level 3 assets:						
Real estate and mortgages	$ 8,000	—	—	—	—	8,000
Private equity	5,967	—	3,300	—	—	9,267
Other investments	346	454	(297)	—	(454)	49
Total investments	14,313	454	3,003	—	(454)	17,316
Remainder trusts	2,734	—	776	—	—	3,510
Perpetual trusts	28,950	—	6,817	—	—	35,767
Total investments and other assets	$ 45,997	454	10,596	—	(454)	56,593

There were no transfers between the fair value hierarchy levels in 2022 or 2021.

(In thousands of dollars)

(7) Endowment

The endowment consists of donor-restricted endowment funds and board-designated funds to function as endowment for a variety of purposes. The net assets associated with endowment funds are classified and reported based on the existence or absence of donor – imposed restrictions. Middlebury classifies as net assets with donor restrictions, (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund, and (d) unspent, appreciation on the permanent endowment. The unspent appreciation is classified in net assets with donor restrictions until those amounts are appropriated for expenditure by Middlebury in a manner consistent with the standard of prudence prescribed by the Uniform Prudent Management of Institutional Funds Act (both Vermont and California) UPMIFA statutes.

In accordance with the UPMIFA statutes, Middlebury considers the following factors in making a determination to appropriate or accumulate endowment funds:

(1) The duration and preservation of the fund

(2) The purposes of Middlebury and the donor-restricted endowment fund

(3) General economic conditions

(4) The possible effect of inflation and deflation

(5) The expected total return from income and the appreciation of investments

(6) Other resources of Middlebury

(7) The investment policies of Middlebury

The endowment for the years ended June 30, 2022 and 2021, delineated by net asset class and donor-restricted versus Board-designated funds were as follows:

		June 30, 2022		
		Without donor restrictions	**With donor restrictions**	**Total**
Donor-restricted endowment funds	$	—	1,241,862	1,241,862
Board-designated endowment funds		225,346	—	225,346
Total endowment funds June 30, 2022	$	225,346	1,241,862	1,467,208

(In thousands of dollars)

	June 30, 2021		
	Without donor restrictions	**With donor restrictions**	**Total**
Donor-restricted endowment funds	$ —	1,276,253	1,276,253
Board-designated endowment funds	234,748	—	234,748
Total endowment funds June 30, 2021	$ 234,748	1,276,253	1,511,001

(a) Changes in Endowment

Changes to the endowment for the year ended June 30, 2022 were as follows:

	Without donor restrictions	**With donor restrictions**	**Total**
Endowment net assets at beginning of year	$ 234,748	1,276,253	1,511,001
Total investment return, net	(550)	(8,281)	(8,831)
Contributions	1	22,805	22,806
Appropriation of endowment assets for spending distribution	(8,935)	(48,305)	(57,240)
Transfer to/from designated endowment funds	82	(610)	(528)
Endowment net assets at end of year	$ 225,346	1,241,862	1,467,208

Changes to the endowment for the year ended June 30, 2021 were as follows:

	Without donor restrictions	**With donor restrictions**	**Total**
Endowment net assets at beginning of year	$ 181,862	951,782	1,133,644
Total investment return, net	67,656	356,509	424,165
Contributions	—	15,917	15,917
Appropriation of endowment assets for spending distribution	(8,822)	(46,421)	(55,243)
Appropriation of working capital assets and other for spending distribution	(6,002)	—	(6,002)
Transfer to/from designated endowment funds	54	(1,534)	(1,480)
Endowment net assets at end of year	$ 234,748	1,276,253	1,511,001

(In thousands of dollars)

(b) Underwater Endowment Funds

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the value of the initial and subsequent donor gift amounts (deficit). These deficits result from unfavorable market fluctuations that occur after the investment of endowment funds or from spending deemed prudent.

When donor-restricted endowment deficits exist, they are classified as a reduction of donor-restricted net assets. Deficits of this nature were $412 and $0 as June 30, 2022 and 2021, respectively.

		2022	2021
Aggregate amount by which funds are underwater	$	(412)	—
Aggregate of original gift amount		13,942	—
Fair value of underwater endowments		13,530	—

(c) Distribution Policy

The Board of Trustees approves a distribution of investment return based on the average per share market value of the pooled investments over the 12 calendar quarters preceding the previous calendar year. Calculations are performed for individual endowment funds at a rate of 5.00%. The corresponding calculated spending allocations are distributed monthly from the current net total or accumulated net total investment returns for individual endowment funds. Working capital reserves are classified as endowment and are included as an endowment distribution. The reserve distributions were $0 and $6,002 during the years ended, June 30, 2022 and 2021, respectively.

(d) Return Objectives and Risk Parameters

Middlebury has adopted endowment investment and spending policies that provide for a predictable stream of funding to programs supported by its endowment while seeking to maintain the permanent nature of endowment assets. Under this policy, the return objective for the endowment assets, measured over a full market cycle, shall be to maximize the return against a blended index, based on the overall investment portfolio’s target allocation applied to the appropriate individual benchmarks. Middlebury expects its endowment funds, over time, to generate an average rate of return sufficient to provide for its spending needs plus the rate of growth in expenses, which reflects inflation pressures as well as real growth in Middlebury programs.

(e) Strategies Employed for Achieving Investment Objectives

To achieve its long-term rate of return objectives, Middlebury relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized gains) and current yield (interest and dividends). Middlebury targets a diversified asset allocation that places greater emphasis on equity-based investments to achieve its long-term objectives within prudent risk constraints.

(In thousands of dollars)

(8) Land, Buildings, and Equipment

Land, buildings, and equipment at June 30, 2022 and 2021 consist of the following:

		2022	2021
Land and land improvements	$	59,921	58,926
Buildings		642,228	622,208
Equipment		135,921	129,762
Art and antiques		22,248	21,801
Construction in progress		6,517	8,527
		866,835	841,224
Less accumulated depreciation		(501,518)	(482,571)
Land, buildings, and equipment, net		365,317	358,653
Operating lease right of use asset		2,695	4,096
Finance lease right of use asset		45,346	—
Total	$	413,358	362,749

Depreciation and amortization expense in 2022 and 2021 was $21,717 and $21,239, respectively.

(In thousands of dollars)

(9) Long-Term Debt

Long-term debt is comprised of the following at June 30, 2022 and 2021:

		2022	2021
VEHBFA Series 2012A serial bonds $46,150 original principal (uncollateralized) with annual principal payments increasing from $2,485 in 2018 to $5,130 in 2033, interest ranging from 2.50% to 5.0%	$	39,960	39,960
VEHBFA Series 2012B serial bonds $11,885 original principal (uncollateralized) with annual principal payments ranging from $1,560 in 2020 to $1,435 in 2024, interest at 5.00%		4,550	7,510
VEHBFA Series 2016 term bonds $33,055 original principal (uncollateralized) due on November 1, 2046, issued at a premium, interest at 4.00%		33,055	33,055
2016 direct placement term loan $21,840 original principal, (uncollateralized) with annual principal payments ranging from $1,180 in 2018 to $2,045 in 2031, with interest at 2.34%		15,465	16,845
VEHBFA Series 2019 term bonds $49,840 original principal, (uncollateralized) due on November 1, 2038, issued at a premium, interest at 5.00%		49,840	49,840
VEHBFA Series 2020 revenue bonds $88,295 original principal, (uncollateralized) due on November 1, 2050, issued at a premium, interest ranging from 4.00% to 5.00%		88,295	88,295
2021 direct placement term loan $30,000 original principal, (uncollateralized) due November 1, 2027, with interest of 1.45%		30,000	30,000
		261,165	265,505
Less unamortized bond issuance costs		(2,006)	(2,090)
Plus unamortized premium		35,248	37,111
	$	294,407	300,526

In August 2020, the College issued $88,295 of Vermont Educational and Health Buildings Financing Agency (VEHBFA) Revenue Bonds (Middlebury College Project), Series 2020 (the Series 2020 Bonds) in a tax-exempt financing. The proceeds for this issuance were used to refund the VEHBFA Revenue Refunding Bonds (Middlebury College Project) Series 2010 and to pay certain costs of issuance of Bonds. The Series 2020 Bonds bear interest at the range ranging of 4.00% to 5.00% per annum and have a final maturity of November 1, 2050.

(In thousands of dollars)

(a) Debt Maturities

Annual principal requirements under all long-term debt obligations as of June 30, 2022 are as follows:

2023	$	6,480
2024		12,230
2025		14,985
2026		15,520
2027		16,070
Thereafter		195,880
	$	261,165

(b) Credit Lines

As of June 30, 2022, Middlebury had a $50,000 line of credit with a variable interest rate set with reference to the Secured Overnight Financing Rate (SOFR) or a similar benchmark rate. The maturity date for the line of credit is March 31, 2025.

For the years ended June 30, 2022 and 2021, there were no outstanding balances on these lines. The proceeds of the borrowings are to be used for short-term working capital needs, pre-funding capital projects prior to a bond issuance, or providing temporary liquidity for investment transactions.

(10) Retirement Plans

Retirement benefits for benefits eligible employees of Middlebury, are individually funded and vested under a defined contribution program with the Teachers Insurance and Annuity Association and the College Retirement Equities Fund (TIAA-CREF). Under this plan, Middlebury makes contributions into the employee accounts based upon investment allocations exercised by the employee or defaulted into the Lifecycle mutual funds. Retirement contributions for the years ended June 30, 2022 and 2021 were $13,604 and $13,051, respectively.

(11) Composition of Net Assets

Net assets without donor restriction are comprised of the following:

		2022	2021
Board-designated endowment funds	$	225,346	234,748
Net investment in plant		103,605	92,223
Other		(124,350)	(106,119)
	$	204,601	220,852

(Continued)

(In thousands of dollars)

Composition of net assets with donor restrictions are comprised of the following:

	2022		
	Total	**Restricted in perpetuity**	**Accumulated gains on restricted endowments**
Endowment funds:			
Restricted for program support	$ 384,954	175,491	209,463
Restricted for general operating	85,096	16,337	68,759
Restricted for scholarship and prizes	382,901	164,524	218,377
Restricted for instruction	300,895	78,371	222,524
Restricted for library	79,618	9,323	70,295
Restricted for other student benefit	8,398	716	7,682
	1,241,862	$ 444,762	797,100
Other restricted funds:			
Restricted for scholarships, loan funds and other specific purposes	60,647		
Restricted contributions receivable, net	23,330		
Restricted annuity and life income gifts	23,432		
	$ 1,349,271		

(In thousands of dollars)

	2021		
	Total	**Restricted in perpetuity**	**Accumulated gains on restricted endowments**
Endowment funds:			
Restricted for program support	$ 401,552	177,876	223,676
Restricted for general operating	87,592	15,435	72,157
Restricted for scholarship and prizes	388,457	154,333	234,124
Restricted for instruction	306,949	71,952	234,997
Restricted for library	82,955	9,340	73,615
Restricted for other student benefit	8,748	638	8,110
	1,276,253	$ 429,574	846,679
Other restricted funds:			
Restricted for scholarships, loan funds and other specific purposes	51,267		
Restricted contributions receivable, net	9,822		
Restricted annuity and life income gifts	29,346		
	$ 1,366,688		

(12) Commitments and Contingencies

Middlebury has claims arising in the normal course of its operations. Middlebury believes that the outcome of these claims will not have a material adverse effect on the financial position, activities, or cash flows of Middlebury.

Middlebury has made a commitment to assist the Town of Middlebury (the Town) to finance the bridge construction project and has agreed to pay the Town the sum of $300 twice per year starting in fiscal year 2011 and continuing until thirty years thereafter. Middlebury has recorded a commitment payable of $7,067 and $7,305 as of June 30, 2022 and 2021, respectively. The original commitment was for $18,000 and was discounted at a rate of 5.00%.

Middlebury has made a commitment to assist the Town in financing the construction of a municipal office building and a gymnasium/recreation facility. This pertains to an agreement between Middlebury and the Town regarding the transfer of certain parcels of land and buildings. Middlebury will pay the Town approximately $350 over two installments per year until 2034. The full commitment was for $6,159 and was discounted at 3.25%. Middlebury has recorded a payable of $3,004 and $3,232 as of June 30, 2022 and 2021, respectively.

(In thousands of dollars)

(13) Operating Expenses

The consolidated statements of activities present expenses by natural classification. Middlebury also summarizes expenses by functional classification. The primary program service is academic instruction and research. Expenses reported as student services and auxiliary enterprises are incurred in support of the primary program activity.

Natural class expenses are allocated to functional areas based predominantly on department-level expenses. Depreciation expense and interest expense are allocated to departments based on the purpose of associated buildings.

Operating expenses for the year ended June 30, 2022 are as follows:

		Instruction	Academic support	Student services	Institutional and auxiliary	Sponsored activities	Total
Salaries and wages	$	58,528	14,598	19,589	36,742	4,391	133,848
Employee benefits		21,555	5,376	7,214	13,531	1,506	49,182
Building and maintenance		2,766	1,363	1,900	10,084	274	16,387
Fees for services		2,850	2,886	2,798	7,581	2,760	18,875
Equipment and supplies		965	1,115	1,686	5,681	380	9,827
Travel and entertainment		945	898	2,480	502	433	5,258
Other expenses		4,885	3,359	3,177	10,036	3,828	25,285
Interest expense		2,616	1,537	1,142	5,087	—	10,382
Depreciation expense		5,629	2,815	3,132	10,141	—	21,717
June 30, 2022	$	100,739	33,947	43,118	99,385	13,572	290,761

Operating expenses for the year ended June 30, 2021 are as follows:

		Instruction	Academic support	Student services	Institutional and auxiliary	Sponsored activities	Total
Salaries and wages	$	53,262	12,715	17,573	33,668	4,567	121,785
Employee benefits		20,375	4,864	6,723	12,910	1,611	46,483
Building and maintenance		2,002	943	1,891	9,866	216	14,918
Fees for services		1,246	1,353	4,783	6,611	1,561	15,554
Equipment and supplies		999	1,411	2,625	3,243	67	8,345
Travel and entertainment		110	268	563	(117)	125	949
Other expenses		4,340	2,007	2,441	9,647	2,232	20,667
Interest expense		2,322	1,364	1,014	4,514	—	9,214
Depreciation expense		5,505	2,753	3,063	9,918	—	21,239
June 30, 2021	$	90,161	27,678	40,676	90,260	10,379	259,154

(Continued)

(14) Risk and Uncertainties amid Coronavirus Pandemic (COVID-19)

In March 2020, the World Health Organization declared the novel coronavirus (COVID-19) a pandemic. The outbreak of the disease has affected travel, commerce and financial markets globally, including in the United States. The continued spread of COVID-19 and its impact on social interaction, travel, economies and financial markets may adversely affect operations and financial condition, including, among other things, (i) the ability of Middlebury to conduct its operations and/or the cost of operations, (ii) governmental and non-governmental funding, and (iii) financial markets impacting investments valuation and interest rates.

While the financial impact on Middlebury's future operations cannot be quantified at this time, the pandemic may have a material adverse effect on the current and future financial profile and operating performance of the College. The College continues to monitor the course of the pandemic and is prepared to take additional measures to protect the health of the College community and promote the continuity of its academic mission.

(15) Related Parties

Members of the College's Board of Trustees and Officers may, from time to time, be associated, either directly or indirectly, with companies doing business with the College. The College's conflict of interest policy requires, among other things, that no member of the Board of Trustees or Officer may participate in any decision in which they (or an immediate family member) have a material financial interest. For the Board of Trustees and Officers, the College requires an annual disclosure of significant financial interests in, family relationships, significant management function, or substantial business with entities doing business with the College. When such relationships exist, measures are taken to address the actual or perceived conflict to protect the best interests of the College and ensure compliance with relevant conflict of interest laws or policy.

Middlebury College contracts with the Green Mountain Higher Education Consortium, a related party, to provide Middlebury College with accounts payable processing, benefits administration, and payroll processing services. The Middlebury College management team, or Board of Trustee members may from time to time serve as either officers or Board of Directors for the Green Mountain Higher Education Consortium.