

Financial Statements

Bates College

June 30, 2024 and 2023



BATES COLLEGE

Financial Statements

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Independent Auditors' Report

The Board of Trustees
Bates College
Lewiston, Maine

Opinion

We have audited the financial statements of Bates College (the "College"), which comprise the statements of financial position as of June 30, 2024 and 2023, and the related statements of activities, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the College as of June 30, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

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Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

CBIZ CPAs P.C.¹

Boston, Massachusetts
October 26, 2024

¹In certain jurisdictions, CBIZ CPAs P.C. operates under its previous name, Mayer Hoffman McCann P.C.

BATES COLLEGE

STATEMENTS OF FINANCIAL POSITION
June 30, 2024 and 2023

	2024	2023
ASSETS		
Cash and cash equivalents	\$ 16,377,127	\$ 12,101,447
Accounts receivable	1,057,305	1,262,798
Inventories and prepaid expenses	3,689,195	4,260,689
Contributions receivable, net	38,019,213	50,933,835
Student loans receivable	440,791	702,091
Deposits with bond trustees	1,791,936	1,761,731
Investments	540,283,172	527,841,948
Beneficial interest in perpetual trusts	6,556,881	6,202,975
Contributions receivable from remainder trusts	8,227,865	9,314,734
Land, buildings and equipment, net	<u>270,933,428</u>	<u>266,102,670</u>
TOTAL ASSETS	<u><u>\$ 887,376,913</u></u>	<u><u>\$ 880,484,918</u></u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 20,015,821	\$ 19,366,873
Student deposits and deferred items	1,945,947	2,396,812
Asset retirement obligations	6,853,191	6,991,098
Split interest and annuity obligations	8,991,398	8,602,735
Federal student loan funds repayable	618,354	872,341
Bonds payable	<u>164,866,632</u>	<u>170,576,243</u>
TOTAL LIABILITIES	<u><u>\$ 203,291,343</u></u>	<u><u>\$ 208,806,102</u></u>
COMMITMENTS AND CONTINGENCIES		
NET ASSETS		
Without donor restrictions	\$ 206,346,918	\$ 195,891,593
With donor restrictions	<u>477,738,652</u>	<u>475,787,223</u>
TOTAL NET ASSETS	<u><u>\$ 684,085,570</u></u>	<u><u>\$ 671,678,816</u></u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 887,376,913</u></u>	<u><u>\$ 880,484,918</u></u>

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

BATES COLLEGE

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2024**

WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2023

	2024			2023
	Without Donor Restrictions	With Donor Restrictions	Total	
OPERATING ACTIVITIES				
Revenues and gains				
Single fee revenue (net of scholarship aid of \$42,341,190)	\$ 100,046,740		\$ 100,046,740	\$ 100,038,120
Other educational program revenues	505,600		505,600	323,862
	<u>100,552,340</u>		<u>100,552,340</u>	<u>100,361,982</u>
Contributions and private grants	6,617,300	\$ 2,562,245	9,179,545	11,740,320
Government grants	1,625,794		1,625,794	2,347,417
Endowment return used in accordance with spending policy	2,389,856	18,200,100	20,589,956	19,884,112
Other income	8,738,664	308,069	9,046,733	6,693,219
Net assets released from restrictions	24,311,635	(24,311,635)		
	<u>144,235,589</u>	<u>(3,241,221)</u>	<u>140,994,368</u>	<u>141,027,050</u>
Expenses				
Educational and general				
Instructional	47,923,663		47,923,663	46,021,054
Research	1,905,140		1,905,140	2,036,897
Academic support	22,369,025		22,369,025	21,846,227
Student services	25,276,484		25,276,484	23,360,742
Institutional support	21,165,641		21,165,641	20,973,716
Total educational and general	<u>118,639,953</u>		<u>118,639,953</u>	<u>114,238,636</u>
Auxiliary enterprises	24,035,720		24,035,720	23,123,682
	<u>142,675,673</u>		<u>142,675,673</u>	<u>137,362,318</u>
CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES	<u>1,559,916</u>	<u>(3,241,221)</u>	<u>(1,681,305)</u>	<u>3,664,732</u>
NONOPERATING ACTIVITIES				
Revenues and gains				
Contributions, net	41,903	1,864,826	1,906,729	17,474,913
Total endowment return	3,088,871	25,905,555	28,994,426	13,887,708
Endowment return used in accordance with spending policy	(2,389,856)	(18,200,100)	(20,589,956)	(19,884,112)
Other investment return including change in value of split interest agreements	2,051,714	1,725,146	3,776,860	2,681,969
Net assets released from restrictions	6,102,777	(6,102,777)		
	<u>8,895,409</u>	<u>5,192,650</u>	<u>14,088,059</u>	<u>14,160,478</u>
CHANGE IN NET ASSETS FROM NONOPERATING ACTIVITIES	<u>8,895,409</u>	<u>5,192,650</u>	<u>14,088,059</u>	<u>14,160,478</u>
CHANGE IN NET ASSETS	<u>10,455,325</u>	<u>1,951,429</u>	<u>12,406,754</u>	<u>17,825,210</u>
NET ASSETS - BEGINNING OF YEAR	<u>195,891,593</u>	<u>475,787,223</u>	<u>671,678,816</u>	<u>653,853,606</u>
NET ASSETS - END OF YEAR	<u>\$ 206,346,918</u>	<u>\$ 477,738,652</u>	<u>\$ 684,085,570</u>	<u>\$ 671,678,816</u>

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

BATES COLLEGE

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023**

	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING ACTIVITIES			
Revenues and gains			
Single fee revenue (net of scholarship aid of \$38,528,287)	\$ 100,038,120		\$ 100,038,120
Other educational program revenues	323,862		323,862
	100,361,982		100,361,982
Contributions and private grants	6,742,267	\$ 4,998,053	11,740,320
Government grants	2,347,417		2,347,417
Endowment return used in accordance with spending policy	2,391,432	17,492,680	19,884,112
Other income	6,536,883	156,336	6,693,219
Net assets released from restrictions	22,311,369	(22,311,369)	
	140,691,350	335,700	141,027,050
Expenses			
Educational and general			
Instructional	46,021,054		46,021,054
Research	2,036,897		2,036,897
Academic support	21,846,227		21,846,227
Student services	23,360,742		23,360,742
Institutional support	20,973,716		20,973,716
Total educational and general	114,238,636		114,238,636
Auxiliary enterprises	23,123,682		23,123,682
	137,362,318		137,362,318
CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES	3,329,032	335,700	3,664,732
NONOPERATING ACTIVITIES			
Revenues and gains			
Contributions, net		17,474,913	17,474,913
Total endowment return	1,540,794	12,346,914	13,887,708
Endowment return used in accordance with spending policy	(2,391,432)	(17,492,680)	(19,884,112)
Other investment return including change in value of split interest agreements	553,490	2,128,479	2,681,969
Net assets released from restrictions	12,618,341	(12,618,341)	
	12,321,193	1,839,285	14,160,478
CHANGE IN NET ASSETS FROM NONOPERATING ACTIVITIES	12,321,193	1,839,285	14,160,478
CHANGE IN NET ASSETS	15,650,225	2,174,985	17,825,210
NET ASSETS - BEGINNING OF YEAR	180,241,368	473,612,238	653,853,606
NET ASSETS - END OF YEAR	\$ 195,891,593	\$ 475,787,223	\$ 671,678,816

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

BATES COLLEGE

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2024 and 2023**

	2024	2023
Cash flows from operating activities:		
Change in net assets	\$ 12,406,754	\$ 17,825,210
Adjustments to reconcile the change in net assets to net used in operating activities:		
Depreciation	10,866,685	9,698,372
Contributions receivable allowance for uncollectibles	12,657,326	(545,650)
Asset retirement accretion, net of abatements	(137,907)	26,637
Amortization of bond origination costs and bond premiums	17,389	15,255
Loss from early extinguishment of debt	-	104,100
Net unrealized and realized gains on investments	(26,343,495)	(10,691,999)
Other investment return including change in value of split interest agreements	(3,776,860)	(2,681,969)
Contributions received for endowment or other long-term uses	(6,161,805)	(8,585,891)
Contributions received from gifts of securities for operating purposes	(514,724)	(586,507)
Proceeds from sale of gifts of securities for operating purposes	514,724	586,507
(Increase) decrease in operating assets:		
Accounts receivable	205,493	918,553
Inventories and prepaid expenses	571,494	(360,392)
Contributions receivable from current year pledges	(8,402,250)	(8,343,372)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	1,395,208	(1,746,153)
Student deposits and deferred items	(450,865)	(308,602)
Total adjustments	<u>(19,559,587)</u>	<u>(22,501,111)</u>
Net cash used in operating activities	<u>(7,152,833)</u>	<u>(4,675,901)</u>
Cash flows from investing activities:		
Purchases of plant and equipment	(16,443,703)	(28,943,270)
Purchases of investments	(37,370,190)	(55,074,252)
Proceeds from sales and maturities of investments	56,170,947	66,990,224
Repayments of loans to students	261,300	292,964
Decrease (increase) in deposits with bond trustees	(30,205)	1,232,291
Net cash provided by (used in) investing activities	<u>2,588,149</u>	<u>(15,502,043)</u>
Cash flows from financing activities:		
Repayments of principal on bonds payable	(5,727,000)	(2,563,000)
Cash contributions received for endowment or other long-term purposes	6,022,864	8,355,156
Proceeds from gifts of securities for long-term purposes	1,722,856	1,619,483
Cash received on contributions receivable for long-term purposes	7,075,631	9,677,599
Payments of refundable loan funds	(253,987)	(333,077)
Net cash provided by financing activities	<u>8,840,364</u>	<u>16,756,161</u>
Net increase (decrease) in cash and cash equivalents	4,275,680	(3,421,783)
Cash and cash equivalents at beginning of year	<u>12,101,447</u>	<u>15,523,230</u>
Cash and cash equivalents at end of year	<u>\$ 16,377,127</u>	<u>\$ 12,101,447</u>
Supplemental data		
Contributions of securities and other noncash assets	\$ 2,237,580	\$ 2,205,990
Accrued construction costs	3,393,488	4,139,748
Interest paid including amounts capitalized	4,188,816	6,475,089
Noncash refinancing of bonds payable	-	52,300,000

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

BATES COLLEGE

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of the Entity

Bates College (the “college”) is a private, coeducational, liberal arts college located in Lewiston, Maine. The college provides academic, residential and other services to a diverse student population of approximately 1,800 from across the United States of America and internationally. The college is accredited by the New England Commission of Higher Education, Inc.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting and in accordance with accounting principles generally accepted in the United States of America.

Classification of Activities and Net Assets

The college displays its activities and net assets based on two classes of net assets: without donor restrictions and with donor restrictions. These classes are defined as follows:

Without Donor Restrictions - This classification includes all net assets that are not subject to donor-imposed restrictions. All operating expenses are reported as decreases in net assets without donor restrictions since the use of restricted contributions require the release of restrictions. Revenues with donor-imposed restrictions that are met within the same reporting period are reported as net assets without donor restrictions. This classification includes land, buildings and equipment, and designations by the Board of Trustees of net assets for endowment.

With Donor Restrictions - This classification includes net assets subject to donor-imposed stipulations or legal restrictions that specify their use for specific purposes that may or will be met either by actions of the college or the passage of time. This classification also includes net assets subject to donor-imposed stipulations that they be maintained permanently by the college. Donor-imposed restrictions that are temporary in nature include gifts for capital projects, split interest and annuity obligations, and contributions receivable, and totaled \$172,593,310 and \$177,933,440 as of June 30, 2024 and 2023, respectively. Donor-imposed restrictions that are perpetual in nature include endowment funds, beneficial interest in perpetual trusts, and split interest and annuity obligations and contributions receivable that, upon receipt or maturity, will be added to the endowment. Net assets with perpetual donor-imposed restrictions totaled \$305,145,342 and \$297,853,783 as of June 30, 2024 and 2023, respectively.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Realized and unrealized gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or law.

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions received that are designated for future periods or restricted by the donor for specific purposes are reported as net assets with donor restrictions. When a qualifying expenditure occurs or a time restriction expires, net assets with donor restrictions are recognized as released from restrictions in the statement of activities and included in net assets without donor restrictions.

Estimates

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

Cash and Cash Equivalents

The college considers all highly liquid debt instruments with maturities, when purchased, of three months or less to be cash equivalents. Cash and cash equivalents at June 30, 2024 and 2023 included \$285,025 and \$322,127, respectively, of monies held for the Federal Perkins Loan Program. Cash and cash equivalents held by investment managers is considered part of investments given its expected use for those purposes. The college maintains its cash balances at several financial institutions, which at times may exceed federally insured limits. The college monitors its exposure associated with cash and cash equivalents and has not experienced any losses in such accounts.

BATES COLLEGE

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Contributions Receivable

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their expected future cash flows. The discounts on those amounts are computed using rates indicative of the market and credit risk associated with the contribution. Amortization of the discounts is included in contribution revenue. Contributions receivable included a concentration of unconditional promises to give from two donors of 69% and 70% at June 30, 2024 and 2023, respectively.

Investments

Investments are stated at fair value in accordance with fair value measurement standards. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The fair value measurement standards also provide for a practical expedient of fair value allowing for the use of net asset value (NAV) per share when certain requirements are met.

The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used by the college for financial instruments measured at fair value on a recurring basis.

The three levels of inputs are as follows:

Level 1 - Quoted prices in active markets for identical assets or liabilities.

Level 2 - Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the same term of the assets or liabilities.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The college's interests in alternative investments are reported at the NAV reported by the investment managers. The college reviews and evaluates the NAVs provided by the investment managers including, but not limited to, managers' compliance with Fair Value Measurement standards, price transparency and valuation procedures in place, and the ability to redeem at NAV at the measurement date. The college believes that these valuations are a reasonable estimate of fair value as of June 30, 2024 and 2023 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; such differences could be material. The NAV is used as a practical expedient to estimate the fair value of these investments unless it is probable that all or a portion of the investment will be sold for an amount different from NAV. As of June 30, 2024, the college had no plans or intentions to sell investments at amounts different from NAV.

The amount of gain or loss associated with these investments is reflected in the accompanying financial statements. Investment returns are allocated ratably based on the source of the funds providing for such investment. Investments include funds designated by the Board of Trustees and permanent endowment assets that are held in perpetuity. The college may have exposure to derivative financial instruments through its investments in various limited liability funds.

Due to the level of risk associated with certain investment securities and level of uncertainty related to the changes in value of these investments, it is at least reasonably possible that changes in value in the near term could materially impact the amounts reported as the fair market value of these investments at June 30, 2024 and 2023. It is also possible that redemption rights may be restricted or eliminated by investment managers in the future in accordance with the underlying fund agreements.

BATES COLLEGE

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Split Interest Agreements

The college is party to various split interest agreements with regards to irrevocable trusts and other agreements. These agreements include perpetual trusts, charitable remainder trusts, charitable gift annuities, pooled income funds and pooled growth funds.

When the college is the trustee for the trust fund, the assets held are included in investments. When a donor makes a contribution to these funds, contribution revenue is recognized net of a liability for the present value of the estimated future payments to the donors and other beneficiaries. Split interest and annuity obligations are based upon actuarial estimates and assumptions regarding the duration of the agreement and the rates used to discount the liabilities. Circumstances affecting these assumptions can change the estimate of the liabilities in future periods. Discount rates ranged from 2.7% to 8% at June 30, 2024 and 2023.

Assets for split interest agreements included in investments were \$17,119,608 and \$15,782,380 for the years ended June 30, 2024 and 2023, respectively. Assets held by outside trustees are classified as beneficial interest in perpetual trusts or as contributions receivable from remainder trusts. These assets represent the college's share of the fair market value of the trust assets as of the balance sheet date, net of a liability for the present value of estimated future payments to the donors or other beneficiaries. Distributions of income from the trusts to the college are recorded as revenue and the carrying value of the assets is adjusted for changes in the estimates of future receipts.

Land, Buildings and Equipment

Land, buildings and equipment are capitalized when amounts meet or exceed established capitalization thresholds, and are stated at cost at date of acquisition or at fair value at date of donation in the case of gifts. Repairs and maintenance of buildings, grounds, equipment and furnishings as well as insignificant replacements of furnishings and equipment are expensed as incurred.

Land improvements, buildings and equipment are depreciated on the straight-line method over the estimated service lives of respective assets. Estimated service lives are as follows:

Land and building improvements	10 to 15 years
Buildings (masonry)	60 years
Buildings (wooden)	25 years
Equipment	5 to 10 years

When assets are retired or disposed of, the associated cost and accumulated depreciation are removed from the accounts, and gains or losses are included in other income in the statement of activities.

Collections

The college's policy is not to capitalize collections, primarily art objects, as they are held for educational, research, and curatorial purposes. Each of the items is catalogued, preserved and cared for, and activities verifying their existence and assessing their condition are performed continuously. Any proceeds from the sale of collection items are used to acquire other items for the collection.

Deposits With Bond Trustees

Deposits with Bond Trustees consist of amounts required under certain loan agreements at June 30, 2024 and 2023, for debt service; these amounts were held in cash and invested in United States Government obligations valued at cost.

Asset Retirement Obligations

In accordance with standards on Accounting for Asset Retirement Obligations, the college recognizes the fair value of a liability for legal obligations associated with asset retirements in the period in which the obligation is incurred. When the liability is initially recorded, the cost of the asset retirement obligation is capitalized by increasing the carrying amount of the related long-lived asset. The liability is accreted to its present value each period, and the capitalized cost associated with the retirement obligation is depreciated over the useful life of the related asset. Upon settlement of the obligation, any difference between the cost to settle the asset retirement obligation and the liability recorded is recognized as a gain or loss in the statement of activities.

BATES COLLEGE

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Investment Return / Spending Policy

The college's endowment represents part of the investment portfolio and consists of approximately 1,450 individually named funds that are invested and administered in accordance with donor stipulation or board designation. The college has interpreted the Maine Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the historic dollar value of the original gift as of the gift date of donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the college classifies as net assets with donor restrictions: (a) the original value of the 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.

The Maine (UPMIFA) provides that unless explicitly stated otherwise by the donor, appreciation on investments of donor designated endowment funds must be classified as net assets with donor restrictions until appropriated pursuant to proper governing board action, taking into account the standards of prudence prescribed by UPMIFA.

The investment time horizon for the endowment is long-term, consistent with its expected perpetual life. The financial goals for the endowment are (a) to achieve investment returns, net of all costs of management, over full market cycles at least equal to the sum of the rate of inflation (Higher Education Price Index) and the spending rate, and (b) to provide a predictable and stable flow of funds for the operating budget of the college.

To achieve its long-term return objectives, the college 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). The college targets a diversified asset allocation that places greater emphasis on equity based investments to achieve an expected average real return of approximately 5% annually (actual returns in any given year may vary from this amount).

The college's endowment spending policy is also based upon the "total return" concept. The portion to be spent is determined by a budgetary process whereby the objective of the governing board is that the actual spending does not exceed 5% of the estimated average fair market value of the endowment investments. Accordingly, over the long term, the college expects its endowment to grow at the rate of inflation annually, consistent with the financial goals of the endowment.

The college uses a 13-quarter moving average to determine spending from endowment which reduces the volatility of the spending distribution, allowing for a more reliable flow of funds to support the college. Annual distributions are expended in accordance with the terms or restrictions of the individual funds. The spending policy is reviewed annually by the Investment Committee in conjunction with the Budget and Finance Committee in recognition of the interdependent relationship of investment policy and the financial needs of the college.

Nonoperating Activities

Nonoperating activities include contributions and transactions related to capital activities, strategic and liquidity proceeds, endowments, split interest agreements, and investment return net of amounts appropriated for operating activities in accordance with the college's endowment spending policy.

Single Fee Revenue

Single fee revenue is recognized in the fiscal year for which educational services are provided; the relevant cycles of educational services are aligned to be fully provided within each fiscal year. Tuition discounts in the form of scholarships and financial aid grants are reported as a reduction of single fee revenue. Students may withdraw from programs of study within certain time limits under the college's refund policy by semester. The refund policy allows for up to a 100% refund prior to the start of classes declining to no refund after 50 days from the start of classes.

Contributions and Private Grants

Contributions, including unconditional promises to give, are recognized as revenues in the period in which they are unconditionally committed. Contributions with donor-imposed restrictions that are not met in the same year as received are reported as net assets with donor restrictions and are reclassified to net assets without donor restrictions when the donor-imposed restrictions are satisfied. Conditional promises to give are not recognized until the conditions are substantially met. Conditions can include items such as incurring specified allowable expenses in accordance with a framework of allowable costs, meeting a matching provision, or other performance-related barriers.

BATES COLLEGE

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Government Grants

Revenues associated with federal and state government grants and contracts are considered conditional contributions with measurable performance-related barriers and are recognized as the related costs are incurred. The college records reimbursement of indirect costs relating to government grants and contracts at predetermined negotiated rates for each year.

Allocation of Certain Expenses

The statement of activities presents expenses by functional classification. Operation and maintenance of plant is allocated to program and supporting activities based principally upon square footage of facilities. Depreciation of plant assets is allocated based on the specific use of the asset. Interest expense is allocated to the functional classifications that benefited from the use of the proceeds of the debt.

Income Taxes and Tax Status

The college qualifies under the provisions of Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes on all of the college's program related income. Certain activities may be subject to Federal and State taxation as unrelated business income.

Subsequent Events

The college evaluated subsequent events through October 26, 2024, the date the financial statements were made available, and determined that there have been no subsequent events for the period after June 30, 2024 that would require recognition in the financial statements or disclosure in the notes of the financial statements.

Reclassifications

Certain amounts in the prior year's financial statement notes have been reclassified to conform to the 2024 presentation. The reclassifications had no impact on total assets, total changes in net assets, and the statement of financial position. The prior year statement of cash flows was updated to reflect changes in contributions receivable allowance for uncollectibles, and investment proceeds and purchases, net of transactions within the investment pool.

NOTE 2 - LIQUIDITY AND AVAILABILITY

As of June 30, 2024 and 2023, the college's financial assets and liquidity resources available within one year for general expenditures, such as operating expenses, scheduled interest and principal payments on debt, capital construction costs not financed by debt, and programs supported by donor restricted funds were as follows:

	2024	2023
Financial assets:		
Cash and cash equivalents, net of restricted cash	\$ 16,092,102	\$ 11,779,320
Accounts receivable, net	1,057,305	1,262,798
Contributions receivable for operations and constructions costs	2,107,105	1,060,381
Investments available for general expenditures	67,815,527	75,889,157
Deposits with bond trustees	1,791,936	1,761,731
Board designations:		
Subsequent year's endowment return in accordance with spending policy	21,758,976	20,589,956
Financial assets available for general expenditures within one year	110,622,951	112,343,343
Liquidity resources:		
Line of credit (Note 6)	15,000,000	15,000,000
Total financial assets and liquidity resources available within one year	\$ 125,622,951	\$ 127,343,343

BATES COLLEGE

NOTES TO FINANCIAL STATEMENTS

NOTE 2 - LIQUIDITY AND AVAILABILITY - CONTINUED

The college's cash flows have seasonal variations during the year attributable to tuition billing and a concentration of contributions received at calendar and fiscal year-end. The college regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds.

In addition to financial assets available to meet general expenditures within one year, the college operates a balanced budget and anticipates collecting sufficient revenue to cover general expenditures. The college's endowment funds consist of donor restricted funds and board designated funds functioning as endowment. The college's funds functioning as endowment as of June 30, 2024 and 2023 totaled \$46,645,089 and \$45,904,171, respectively. Although the college does not intend to spend from its funds functioning as endowment other than amounts distributed in accordance with the spending policy of approximately \$2.3 million and \$2.2 million included in subsequent year Board designations above for the years ended June 30, 2024 and 2023, respectively, the remaining amount of funds functioning as endowment could be made available with Board approval.

NOTE 3 - CONTRIBUTIONS RECEIVABLE

Included in contributions receivable are the following unconditional promises to give at June 30:

	2024	2023
Capital	\$ 21,778,692	\$ 25,444,142
Endowment	11,601,864	16,082,696
Other	21,059,196	14,788,701
Unconditional promises to give before unamortized discount and allowance for uncollectibles	54,439,752	56,315,539
Less: Unamortized discount	1,879,382	3,497,873
	52,560,370	52,817,666
Less: Allowance for uncollectibles	14,541,157	1,883,831
Contributions receivable, net	\$ 38,019,213	\$ 50,933,835
Amounts due in:		
Less than one year	\$ 31,411,940	\$ 13,163,455
One to five years	23,012,812	43,129,584
Six to ten years	15,000	22,500
	\$ 54,439,752	\$ 56,315,539

Discount rates on unconditional promises to give ranged from 1.50% to 5.3% at June 30, 2024 and 2023, except as follows. Conditional promises to give at June 30, 2024 and 2023 were \$6.3 million and \$6.4 million, respectively, from grants and contracts, conditional upon incurring grant related costs; and a matching contribution challenge grant of \$13.1 million and \$32.6 million at June 30, 2024 and 2023, respectively, for which fund raising for matching contributions has been suspended and for which a \$12.2 million or 64% allowance for the related uncollectible unconditional contributions receivable has been established at June 30, 2024. Realization of the challenge grant conditional promise to give is dependent on reestablishing the fund raising and the donor's ability to execute on the match. Net contributions receivable that, upon fulfillment, are required to be added to the endowment to be maintained in perpetuity were \$9,843,467 and \$14,257,823 as of June 30, 2024 and 2023, respectively.

BATES COLLEGE

NOTES TO FINANCIAL STATEMENTS

NOTE 4 - INVESTMENTS

Fair value of investments and other items as of June 30, 2024 including investments measured at net asset value as a practical expedient:

	Total	Level 1	Level 2	Level 3	NAV Measurement
Investments					
Cash and cash equivalents	\$ 12,135,383	\$ 12,135,383			
Equity securities and funds	169,994,699	77,530,654			\$ 92,464,045
Venture capital partnerships	55,347,548				55,347,548
Private equity partnerships	59,266,383				59,266,383
Hedge funds	101,698,778				101,698,778
Fixed income securities and funds	107,009,932	107,009,932			
Real estate and real estate funds	29,131,840	6,409,457			22,722,383
Commodity and other funds	5,698,609				5,698,609
Investments total	540,283,172	203,085,426			337,197,746
Other assets					
Beneficial interest in perpetual trusts	6,556,881			\$ 6,556,881	
Contributions receivable from remainder trusts	8,227,865			8,227,865	
Total assets at fair value	\$ 555,067,918	\$ 203,085,426		\$ 14,784,746	\$ 337,197,746

Fair value of investments and other items as of June 30, 2023 including investments measured at net asset value as a practical expedient:

	Total	Level 1	Level 2	Level 3	NAV Measurement
Investments					
Cash and cash equivalents	\$ 25,086,752	\$ 25,086,752			
Equity securities and funds	155,373,074	66,456,307			\$ 88,916,767
Venture capital partnerships	57,605,762				57,605,762
Private equity partnerships	58,164,833				58,164,833
Hedge funds	89,813,601				89,813,601
Fixed income securities and funds	107,098,005	107,098,005			
Real estate and real estate funds	26,306,895	5,763,228			20,543,667
Commodity and other funds	8,393,026				8,393,026
Investments total	527,841,948	204,404,292			323,437,656
Other assets					
Beneficial interest in perpetual trusts	6,202,975			\$ 6,202,975	
Contributions receivable from remainder trusts	9,314,734			9,314,734	
Total assets at fair value	\$ 543,359,657	\$ 204,404,292		\$ 15,517,709	\$ 323,437,656

Net redemptions of Level 3 investments were \$1,585,635 and \$107,661 for the years ended June 30, 2024 and 2023, respectively.

Redemption terms for investments measured at NAV as of June 30:

	2024	2023
Quarterly	\$ 50,862,071	\$ 48,000,232
Semi-Annually	29,159,502	27,581,357
Annually & biannually	43,690,231	40,640,522
1 - 5 years	52,040,940	47,794,455
6 - 10 years and thereafter	161,445,002	159,421,090
	\$ 337,197,746	\$ 323,437,656

BATES COLLEGE

NOTES TO FINANCIAL STATEMENTS

NOTE 4 - INVESTMENTS - CONTINUED

Investment Commitments:

Certain of the college's investments in partnerships involve future cash commitments. These future cash commitments represent venture capital and private equity partnership commitments and amount to approximately \$56 million and \$58 million at June 30, 2024 and 2023, respectively.

NOTE 5 - LAND, BUILDINGS AND EQUIPMENT

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

	2024	2023
Land and improvements	\$ 6,194,086	\$ 6,010,855
Buildings	390,068,094	363,169,385
Equipment	21,428,683	21,756,978
Construction in progress	7,220,523	19,639,133
	424,911,386	410,576,351
Less: Accumulated depreciation	153,977,958	144,473,681
	\$ 270,933,428	\$ 266,102,670

NOTE 6 - LINE OF CREDIT

The college has a \$15,000,000 unsecured line of credit with interest at the monthly Federal Funds Rate plus 1.15% with a minimum floor of 1.15% renewable on March 31, 2025. At June 30, 2024 and 2023, there was no balance outstanding on this line and there were no draws during fiscal years 2024 and 2023. The college intends to renew this line of credit on similar terms prior to its expiration.

NOTE 7 - BONDS PAYABLE

The college has a number of bonds outstanding with maturities at various dates through 2051. All bonds carry fixed rates ranging from 1.89% to 5% depending on the duration of the tranche that underlied the various bonds comprising the offering. Bonds are generally used to finance capital expenditures or to refinance prior issues at lower cost except as noted. The college has granted a security interest in all of its gross receipts and a negative pledge on the college's central facilities.

Series	Rate	Due	Original Par Value	2024 Bonds Payable	2023 Bonds Payable
Obligations to Maine Health and Higher Educational Facilities Authority (MHHEFA):					
2015 Revenue Bonds, Bates College Issue	3% - 5%	2020 - 2036	\$ 26,790,000	\$ 21,940,000	\$ 23,225,000
2019 Revenue Bonds, Bates College Issue, private placement	1.89%	2020 - 2029	50,000,000	46,000,000	50,000,000
2020 Revenue Bonds, Bates College Issue, private placement, mandatory tender in 2030	2.00%	2020 - 2040	10,325,000	9,026,000	9,468,000
2023 Revenue Bonds, Bates College Issue, private placement	2.89%	2023-2043	52,300,000	52,300,000	52,300,000
Other Bonds Payable:					
2020 Series A, Senior Secured Notes	3.30%	2050	18,000,000	18,000,000	18,000,000
2021 Series B, Senior Secured Notes	3.30%	2051	18,000,000	18,000,000	18,000,000
Unamortized original issue premiums and costs of issuance, net				(399,368)	(416,757)
				\$ 164,866,632	\$ 170,576,243

BATES COLLEGE

NOTES TO FINANCIAL STATEMENTS

NOTE 7 - BONDS PAYABLE - CONTINUED

Total interest expense was \$4,622,086 and \$5,278,152 for the years ended June 30, 2024 and 2023, respectively.

The approximate maturities of these bonds are as follows at June 30, 2024:

2025	\$ 6,940,000
2026	6,839,000
2027	6,929,000
2028	8,537,000
2029	31,628,000
Thereafter	104,393,000
Unamortized original issue premiums and costs of issuance, net	<u>(399,368)</u>
Total	<u>\$ 164,866,632</u>

On April 4, 2023, the college issued tax exempt MHHEFA Series 2023 Revenue Bonds, Bates College Issue, in the principal amount of \$52,300,000 with an interest rate of 2.89%. Proceeds were used for the refunding and defeasance of the MHHEFA Series 2013 Revenue Bonds, Bates College Issue.

NOTE 8 - NET ASSETS

Net assets at year end are composed of the following general classes of uses, purposes, and board designations:

	2024		2023	
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions
Undesignated and reserves	\$ 30,619,061		\$ 28,488,778	
Net investment in land, buildings and equipment	129,157,792		123,625,381	
Endowment, income to support				
Scholarships	5,010,356	\$ 200,190,699	4,893,930	\$ 187,201,841
Professorships	125,211	60,502,068	123,333	59,257,228
Library and other academic support	6,720,973	17,326,019	6,620,163	16,833,499
Other purposes	4,539,301	43,796,152	4,471,215	42,178,507
Any operation of the college	30,249,248	78,344,780	29,795,530	77,119,881
Contributions receivable		38,019,213		50,933,835
Beneficial interest in perpetual trusts		6,556,881		6,202,975
Life income funds		16,332,309		16,472,437
Capital and other purposes	(75,024)	16,670,531	(2,126,737)	19,587,020
	<u>\$ 206,346,918</u>	<u>\$ 477,738,652</u>	<u>\$ 195,891,593</u>	<u>\$ 475,787,223</u>

Endowment funds with donor restrictions include donor gifts and donor required additions to be maintained in perpetuity of \$275,089,573 and \$263,365,948 as of June 30, 2024 and 2023, respectively. Life income funds that, upon maturity, are required to be added to the endowment to be maintained in perpetuity were \$13,655,420 and \$14,027,038 as of June 30, 2024 and 2023, respectively.

Changes in endowment net assets:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, June 30, 2023	\$ 45,904,171	\$ 382,590,956	\$ 428,495,127
Investment income	276,749	2,374,182	2,650,931
Net realized and unrealized gains	2,812,122	23,531,373	26,343,495
Gifts and maturities	41,903	9,863,307	9,905,210
Endowment return used in accordance with spending policy	(2,389,856)	(18,200,100)	(20,589,956)
Endowment net assets, June 30, 2024	<u>\$ 46,645,089</u>	<u>\$ 400,159,718</u>	<u>\$ 446,804,807</u>

BATES COLLEGE

NOTES TO FINANCIAL STATEMENTS

NOTE 8 - NET ASSETS - CONTINUED

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, June 30, 2022	\$ 46,754,809	\$ 371,789,121	\$ 418,543,930
Investment income	342,352	2,853,357	3,195,709
Net realized and unrealized gains	1,198,442	9,493,557	10,691,999
Gifts and maturities	-	15,947,601	15,947,601
Endowment return used in accordance with spending policy	(2,391,432)	(17,492,680)	(19,884,112)
Endowment net assets, June 30, 2023	<u>\$ 45,904,171</u>	<u>\$ 382,590,956</u>	<u>\$ 428,495,127</u>

The Maine UPMIFA does not preclude the college from spending below the original gift value, plus donor required additions, of endowment with donor restrictions. From time to time, individual endowment funds may temporarily have a fair value that is less than the original gift value, plus donor required additions, that are required to be maintained in perpetuity. Deficiencies of this nature are in net assets with donor restrictions.

As of June 30, 2024, funds that were below their individual perpetual fund balance of \$28,026,549 had accumulated losses of \$1,236,891 and a total fair value of \$26,789,658. As of June 30, 2023, funds that were below their individual perpetual fund balance of \$44,317,894 had accumulated losses of \$1,749,891 and a total fair value of \$42,568,003. These losses resulted from unfavorable market fluctuations that occurred shortly after the investment of newly established endowments, and authorized spending in accordance with UPMIFA and the endowment spending policy.

NOTE 9 - FUNCTIONAL EXPENSES

The college's primary program service is academic instruction and research. Expenses reported as academic and student services are incurred in support of this primary program activity. Natural expenses attributable to more than one functional expense category including depreciation, interest expense, insurance, information technology and plant operation and maintenance are allocated using cost allocation techniques including square footage, time and effort, headcount, and specific identification.

	Academic Instruction and Research	Institutional Support	Auxiliary Enterprises	Total
For the year ended June 30, 2024, functional expenses within operating activities consisted of the following:				
Salaries and wages	\$ 49,982,732	\$ 11,119,754	\$ 7,862,564	\$ 68,965,050
Employee benefits	15,918,008	3,042,849	2,560,691	21,521,548
Depreciation	6,949,569	330,510	3,586,606	10,866,685
Interest	1,159,353	1,188,508	2,274,225	4,622,086
Supplies, services and other	23,464,651	5,484,019	7,751,634	36,700,304
	<u>\$ 97,474,313</u>	<u>\$ 21,165,640</u>	<u>\$ 24,035,720</u>	<u>\$ 142,675,673</u>

For the year ended June 30, 2023, functional expenses within operating activities consisted of the following:

Salaries and wages	\$ 49,132,315	\$ 9,817,830	\$ 7,573,841	\$ 66,523,986
Employee benefits	14,967,021	3,005,128	2,433,409	20,405,558
Depreciation	5,984,761	339,143	3,374,468	9,698,372
Interest	1,194,426	1,131,501	2,952,225	5,278,152
Supplies, services and other	21,986,397	6,680,114	6,789,739	35,456,250
	<u>\$ 93,264,920</u>	<u>\$ 20,973,716</u>	<u>\$ 23,123,682</u>	<u>\$ 137,362,318</u>

BATES COLLEGE

NOTES TO FINANCIAL STATEMENTS

NOTE 10 - PENSION PLANS

All college employees meeting the eligibility requirements under the respective plans are eligible to receive employer contributions of up to 12% of wages. Eligible employees covered under the Bates College Retirement Plan which is a 401(a) money purchase plan, receive employer contributions of 9% of wages. Eligible employees participating in the Bates College 403(b) Retirement Plan receive a 50% matching employer contribution based on the participant's salary reduction contribution up to a maximum of 6% of the participant's compensation (or 3% employer match).

The college's contributions to these plans were \$6,474,804 and \$6,029,452 for the years ended June 30, 2024 and 2023, respectively.

Additionally, certain highly paid employees are eligible to participate in the college's Supplemental Savings Plan and Deferred Compensation Plan. Assets and liabilities for the Supplemental Savings Plan were \$5,515,395 and \$4,762,987 at June 30, 2024 and 2023, respectively, and are included in investments and accounts payable and accrued expenses. Contributions to the Supplemental Savings Plan are by employees only. Under all plans, retirement benefits are individually funded and vested.

The college currently has an Early Retirement Plan offered to tenured faculty which provides certain incentives to retire. This plan resulted in a liability of \$1,198,513 and \$1,812,366, and an expense of \$895,814 and \$1,097,277 for the years ended June 30, 2024 and 2023, respectively.

NOTE 11 - COMMITMENTS, CONTINGENCIES, RISKS AND UNCERTAINTIES

Commitments for Construction and Other

The college has entered into contracts for capital construction projects and other commitments with a combined total balance of approximately \$6,164,000 and \$6,113,000 at June 30, 2024 and 2023, respectively.

Contingencies

The college is subject to certain legal proceedings and claims which arise in the ordinary course of conducting its activities. In the opinion of management, the college has defensible positions and any ultimate liabilities will not materially affect the financial position of the college.