



# **Financial Statements**

## **Bates College**

**June 30, 2019 and 2018**



# **BATES COLLEGE**

## ***Financial Statements***

### ***Table of Contents***

#### ***Financial Statements:***

Independent Auditors' Report	1-2
Statements of Financial Position	3
Statements of Activities	4-5
Statements of Cash Flows	6
Notes to Financial Statements	7-19



**Mayer Hoffman McCann P.C.**  
500 Boylston Street ■ Boston, MA 02116  
Main: 617.761.0600 ■ Fax: 617.761.0601  
[www.cbiz.com/newengland](http://www.cbiz.com/newengland)

## *Independent Auditors' Report*

The Board of Trustees  
Bates College  
Lewiston, Maine

We have audited the accompanying financial statements of Bates College (the "College"), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the College as of June 30, 2019 and 2018, 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.

***Emphasis of Matters***

As discussed in Note 1 to the financial statements, in 2019, the College adopted Accounting Standards Update (“ASU”) No. 2016-14, *Not-for-Profit Entities: Presentation of Financial Statements of Not-for-Profit Entities*, ASU No. 2014-09, *Revenue from Contracts with Customers*, and ASU No. 2018-08, *Not for Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to these matters.

*Maye Hoxman McCann P.C.*

October 25, 2019  
Boston, Massachusetts

**BATES COLLEGE**

**STATEMENTS OF FINANCIAL POSITION**

**June 30, 2019 and 2018**

	<b>2019</b>	<b>2018</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 11,556,306	\$ 7,151,746
Accounts receivable (net of allowance of \$456,105 for 2019 and \$374,146 for 2018)	2,035,190	1,713,044
Inventories and prepaid expenses	2,820,404	2,530,163
Contributions receivable - net	63,003,706	65,124,015
Student loans receivable	2,638,161	3,546,624
Investments	383,582,463	371,897,525
Beneficial interest in perpetual trusts	6,094,146	6,118,571
Contributions receivable from remainder trusts	7,730,794	7,149,501
Land, buildings and equipment - net	192,495,633	184,571,749
Deposits with bond trustees	2,347,528	5,943,335
<b>TOTAL ASSETS</b>	<u>\$ 674,304,331</u>	<u>\$ 655,746,273</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 17,070,362	\$ 14,689,125
Student deposits and deferred items	2,402,579	2,856,121
Asset retirement obligations	6,286,701	6,101,824
Split interest and annuity obligations	14,606,719	15,269,680
Federal student loan funds repayable	3,526,497	3,486,193
Bonds payable	90,737,721	94,469,467
<b>TOTAL LIABILITIES</b>	<u>\$ 134,630,579</u>	<u>\$ 136,872,410</u>
<b>COMMITMENTS AND CONTINGENCIES</b>		
<b>NET ASSETS</b>		
Without donor restrictions	\$ 143,745,997	\$ 138,155,224
With donor restrictions	395,927,755	380,718,639
<b>TOTAL NET ASSETS</b>	<u>\$ 539,673,752</u>	<u>\$ 518,873,863</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 674,304,331</u>	<u>\$ 655,746,273</u>

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

**BATES COLLEGE**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2019**

**WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2018**

	<b>2019</b>			<b>2018</b>
	Without Donor Restrictions	With Donor Restrictions	Total	
<b>OPERATING ACTIVITIES</b>				
Revenues and gains				
Single fee revenue (net of scholarship aid of \$36,123,214)	\$ 87,719,931		\$ 87,719,931	\$ 83,837,036
Other educational program revenues	741,427		741,427	837,433
	<u>\$ 88,461,358</u>		<u>\$ 88,461,358</u>	<u>\$ 84,674,469</u>
Contributions and private grants	6,420,776	\$ 3,407,508	9,828,284	10,576,564
Government grants	2,540,414		2,540,414	2,039,969
Endowment return used in accordance with spending policy	1,725,479	11,921,291	13,646,770	12,658,943
Other income	6,960,382	304,859	7,265,241	6,371,923
Net assets released from restrictions	15,253,094	(15,253,094)	-	-
	<u>\$ 121,361,503</u>	<u>\$ 380,564</u>	<u>\$ 121,742,067</u>	<u>\$ 116,321,868</u>
Expenses				
Educational and general				
Instructional	\$ 44,513,298		\$ 44,513,298	\$ 42,108,715
Research	2,094,432		2,094,432	1,432,107
Public service	-		-	194,533
Academic support	16,064,623		16,064,623	15,610,545
Student services	19,235,206		19,235,206	17,958,143
Institutional support	17,178,894		17,178,894	18,172,243
Total educational and general	<u>\$ 99,086,453</u>		<u>\$ 99,086,453</u>	<u>\$ 95,476,286</u>
Auxiliary enterprises	20,766,423		20,766,423	19,876,564
	<u>\$ 119,852,876</u>		<u>\$ 119,852,876</u>	<u>\$ 115,352,850</u>
<b>CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES</b>	<u>\$ 1,508,627</u>	<u>\$ 380,564</u>	<u>\$ 1,889,191</u>	<u>\$ 969,018</u>
<b>NONOPERATING ACTIVITIES</b>				
Revenues and gains				
Contributions	\$ 355,000	\$ 15,961,604	\$ 16,316,604	\$ 10,197,508
Total endowment return	1,831,065	13,179,237	15,010,302	20,493,526
Endowment return used in accordance with spending policy	(1,725,479)	(11,921,291)	(13,646,770)	(12,658,943)
Other investment return including change in value of split interest agreements	-	1,230,562	1,230,562	1,524,120
Net assets released from restrictions	3,621,560	(3,621,560)	-	-
	<u>\$ 4,082,146</u>	<u>\$ 14,828,552</u>	<u>\$ 18,910,698</u>	<u>\$ 19,556,211</u>
<b>CHANGE IN NET ASSETS FROM NONOPERATING ACTIVITIES</b>	<u>\$ 4,082,146</u>	<u>\$ 14,828,552</u>	<u>\$ 18,910,698</u>	<u>\$ 19,556,211</u>
<b>INCREASE IN NET ASSETS</b>	<u>\$ 5,590,773</u>	<u>\$ 15,209,116</u>	<u>\$ 20,799,889</u>	<u>\$ 20,525,229</u>
<b>NET ASSETS - BEGINNING OF YEAR</b>	<u>\$ 138,155,224</u>	<u>\$ 380,718,639</u>	<u>\$ 518,873,863</u>	<u>\$ 498,348,634</u>
<b>NET ASSETS - END OF YEAR</b>	<u><u>\$ 143,745,997</u></u>	<u><u>\$ 395,927,755</u></u>	<u><u>\$ 539,673,752</u></u>	<u><u>\$ 518,873,863</u></u>

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

**BATES COLLEGE**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2018**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>OPERATING ACTIVITIES</b>			
Revenues and gains			
Single fee revenue (net of scholarship aid of \$34,268,150)	\$ 83,837,036		\$ 83,837,036
Other educational program revenues	837,433		837,433
	\$ 84,674,469		\$ 84,674,469
Contributions and private grants	7,209,809	\$ 3,366,755	10,576,564
Government grants	2,039,969		2,039,969
Endowment return used in accordance with spending policy	1,745,778	10,913,165	12,658,943
Other income	6,222,260	149,663	6,371,923
Net assets released from restrictions	15,377,103	(15,377,103)	-
	\$ 117,269,388	\$ (947,520)	\$ 116,321,868
Expenses			
Educational and general			
Instructional	\$ 42,108,715		\$ 42,108,715
Research	1,432,107		1,432,107
Public service	194,533		194,533
Academic support	15,610,545		15,610,545
Student services	17,958,143		17,958,143
Institutional support	18,172,243		18,172,243
Total educational and general	\$ 95,476,286		\$ 95,476,286
Auxiliary enterprises	19,876,564		19,876,564
	\$ 115,352,850		\$ 115,352,850
<b>CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES</b>	<b>\$ 1,916,538</b>	<b>\$ (947,520)</b>	<b>\$ 969,018</b>
<b>NONOPERATING ACTIVITIES</b>			
Revenues and gains			
Contributions	\$ 130	\$ 10,197,378	\$ 10,197,508
Total endowment return	2,665,728	17,827,798	20,493,526
Endowment return used in accordance with spending policy	(1,745,778)	(10,913,165)	(12,658,943)
Other investment return including change in value of split interest agreements	-	1,524,120	1,524,120
Net assets released from restrictions	2,241,581	(2,241,581)	-
	\$ 3,161,661	\$ 16,394,550	\$ 19,556,211
<b>CHANGE IN NET ASSETS FROM NONOPERATING ACTIVITIES</b>	<b>\$ 3,161,661</b>	<b>\$ 16,394,550</b>	<b>\$ 19,556,211</b>
<b>INCREASE IN NET ASSETS</b>	<b>\$ 5,078,199</b>	<b>\$ 15,447,030</b>	<b>\$ 20,525,229</b>
<b>NET ASSETS - BEGINNING OF YEAR</b>	<b>\$ 133,077,025</b>	<b>\$ 365,271,609</b>	<b>\$ 498,348,634</b>
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 138,155,224</b>	<b>\$ 380,718,639</b>	<b>\$ 518,873,863</b>

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

**BATES COLLEGE**

**STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2019 and 2018**

	<b>2019</b>	<b>2018</b>
Cash flows from operating activities:		
Increase in net assets	\$ 20,799,889	\$ 20,525,229
Adjustments to reconcile the change in net assets to net cash provided by operating activities:		
Depreciation	\$ 7,906,150	\$ 7,876,498
Asset retirement accretion, net of abatements	184,877	76,242
Amortization of bond origination costs and bond premiums	(584)	(39,324)
Net unrealized and realized gains on investments	(11,158,339)	(16,715,732)
Other investment return including change in value of split-interest agreements	(1,230,562)	(1,524,120)
Contributions received for endowment or other long-term uses	(5,507,310)	(5,146,870)
Contributions received from gifts of securities for operating purposes	(522,179)	(1,122,394)
Proceeds from sale of gifts of securities for operating purposes	522,179	1,122,394
(Increase) decrease in operating assets:		
Accounts receivable	(322,146)	29,191
Inventories and prepaid expenses	(290,241)	317,248
Contributions receivable from current year pledges	(10,809,294)	(5,050,638)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	1,758,143	1,072,820
Student deposits and deferred items	(453,542)	(390,567)
Total adjustments	<u>\$ (19,922,848)</u>	<u>\$ (19,495,252)</u>
Net cash provided by operating activities	<u>\$ 877,041</u>	<u>\$ 1,029,977</u>
Cash flows from investing activities:		
Purchases of plant and equipment	\$ (15,206,940)	\$ (8,256,437)
Purchases of investments	(93,834,030)	(64,134,028)
Proceeds from sales and maturities of investments	93,318,164	55,005,096
Disbursements of loans to students	-	(3,501)
Repayments of loans from students	908,463	1,093,220
(Increase) decrease in escrow deposits with bond trustees	3,550,998	(1,797,980)
Use of bond proceeds deposited with trustees	44,809	1,051,407
Net cash used in investing activities	<u>\$ (11,218,536)</u>	<u>\$ (17,042,223)</u>
Cash flows from financing activities:		
Repayments of principal on bonds payable	\$ (3,731,163)	\$ (1,885,000)
Cash contributions received for endowment or other long-term purposes	4,207,432	2,738,479
Proceeds from gifts of securities for long-term purposes	4,933,790	4,289,601
Cash received on contributions receivable for long-term purposes	9,295,691	9,647,517
Earnings (payments) of refundable loan funds	40,305	(2,114,901)
Net cash provided by financing activities	<u>\$ 14,746,055</u>	<u>\$ 12,675,696</u>
Net increase (decrease) in cash and cash equivalents	\$ 4,404,560	\$ (3,336,550)
Cash and cash equivalents at beginning of year	<u>7,151,746</u>	<u>10,488,296</u>
Cash and cash equivalents at end of year	<u><u>\$ 11,556,306</u></u>	<u><u>\$ 7,151,746</u></u>
Supplemental data		
Contributions of securities and other noncash assets	\$ 5,455,970	\$ 5,438,376
Accrued construction costs	2,692,610	2,069,516
Interest paid	4,286,544	4,465,719

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.

#### New Accounting Pronouncements

The College adopted Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The standard provides for additional disclosures about the composition of net assets, liquidity, and expenses by both functional and natural classification, and modifies net asset reporting. The standard requires the College to reclassify its net assets (formerly unrestricted, temporarily restricted, and permanently restricted) into two categories: net assets without donor restrictions and net assets with donor restrictions, and to reclassify the accumulated losses on underwater endowments. The effects of these reclassifications on the presentation of net assets at June 30, 2018, were as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Net assets, June 30, 2018:			
Unrestricted	\$ 137,610,297	\$ -	\$ 137,610,297
Temporarily restricted	-	154,925,405	154,925,405
Permanently restricted	-	226,338,161	226,338,161
Cumulative effect of accounting standard adoption			
Reclassification of endowment	544,927	(544,927)	-
Net assets, June 30, 2018, as restated	<u>\$ 138,155,224</u>	<u>\$ 380,718,639</u>	<u>\$ 518,873,863</u>

In 2019, the College adopted ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, and ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. These financial statement standards improve the financial reporting requirements for revenue from contracts with customers by setting forth a framework designed to appropriately reflect the consideration to which the College is entitled, in exchange for goods and services, by allocating transaction price to identified performance obligations and recognizing revenue as performance obligations are satisfied. The guidance also aims to assist in evaluating whether transactions should be accounted for as contributions or exchange transactions and in determining whether a contribution is conditional. The adoption of these standards did not have a material impact on the College's financial statements.

#### 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 restriction since the use of restricted contributions require the release of restriction. Revenues with donor-imposed restrictions which are met within the same reporting period are reported as net assets without donor restrictions. This classification includes 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. 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.

## BATES COLLEGE

### NOTES TO FINANCIAL STATEMENTS

#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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. Significant estimates include the valuation of certain investments, split interest and annuity obligations, receivables, estimated service lives of buildings and equipment, asset retirement obligations, and the allocation of common expenses over program functions. 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, 2019 and 2018 included \$1,503,121 and \$547,339 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.

#### 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 include a concentration of an unconditional promise to give from a single donor at June 30, 2019 and 2018, 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.

**BATES COLLEGE**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

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, 2019 and 2018 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, 2019, 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. Investments include funds designated by the Board of Trustees and permanent endowment assets which are held in perpetuity. The College may have exposure to derivative financial instruments through its investments in various limited liability funds.

The College uses the unit market value method for the assignment of income and asset appreciation and depreciation for the investments it pools within the endowment and trust fund categories. Under this method each individual fund subscribes to, or disposes of, units on the basis of the market value per unit. Income, including capital appreciation or depreciation earned by the pool, is assigned to each individual fund on the basis of the number of units the individual fund owns.

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, 2019 and 2018, respectively. 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.

**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 and a liability for the present value of the estimated future payments to the donors and/or other beneficiaries is recorded as split interest and annuity obligations. 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 8.0% to 3.2% at June 30, 2019 and 2018, respectively.

Assets held by an outside trustee 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 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.

## BATES COLLEGE

### NOTES TO FINANCIAL STATEMENTS

#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

##### 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 principally of investments in United States Government obligations and have been deposited with Trustees as required under certain loan agreements. Amounts at June 30, 2019 and 2018 consist of \$2,347,528 and \$3,844,914, respectively, for debt service; and \$2,098,421 for bond redemption as of June 30, 2018.

##### 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.

##### Investment Return / Spending Policy

The College's endowment represents part of the investment portfolio and consists of over 1,300 individually named funds which are invested and administered in accordance with donor stipulation or board designation. The College has interpreted the Maine Uniform Prudent Management of Institutional Funds (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. The endowment distributions for spending of \$13,646,770 and \$12,658,943 for fiscal years 2019 and 2018, respectively, were 4.32% and 4.31% of the endowment market value as of the beginning of the respective fiscal years. 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.

## BATES COLLEGE

### NOTES TO FINANCIAL STATEMENTS

#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

##### **Nonoperating Activities**

Nonoperating activities include transactions related to capital activities, 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. Tuition discounts in the form of scholarships and financial aid grants are reported as a reduction of single fee revenue.

##### **Contributions and Private Grants**

Contributions including unconditional promises to give, are recognized as revenues in the period received. 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.

##### **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 25, 2019, the date the financial statements were issued, and determined that there have been no subsequent events for the period after June 30, 2019 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 statements have been reclassified to conform to the 2019 presentation. The reclassifications had no impact on total net assets, total change in net assets, the statement of financial position or the statement of cash flows. See *New Accounting Pronouncements* above for details.

**BATES COLLEGE**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 2 - LIQUIDITY AND AVAILABILITY**

As of June 30, 2019 and 2018, 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:

	2019	2018
<b>Financial assets:</b>		
Cash and cash equivalents, net of restricted cash	\$ 10,053,185	\$ 6,604,407
Accounts receivable, net	2,035,190	1,713,044
Contributions receivable for operations and constructions costs	5,028,784	5,744,057
Investments available for general expenditures	17,482,896	17,129,039
Deposits with bond trustees	2,347,528	5,943,335
<b>Board designations:</b>		
Subsequent year's endowment return in accordance with spending policy	14,648,953	13,646,770
<b>Liquidity resources:</b>		
Line of credit (Note 6)	5,000,000	5,000,000
<b>Total financial assets and liquidity resources available within one year</b>	<b>\$ 56,596,536</b>	<b>\$ 55,780,652</b>

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, 2019 and 2018 totaled \$39,509,513 and \$39,403,927, respectively. Although the College does not intend to spend from its funds functioning as endowment other than amounts distributed as part of the annual budget approval process, in accordance with the spending policy, of approximately \$1.8 million included above, 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:

	2019	2018
Capital	\$ 40,070,000	\$ 43,511,000
Endowment	25,469,102	25,981,302
Other	5,585,417	5,546,198
<b>Unconditional promises to give before unamortized discount and allowance for uncollectibles</b>		
	<b>\$ 71,124,519</b>	<b>\$ 75,038,500</b>
Less: Unamortized discount	6,931,646	8,471,914
	<b>\$ 64,192,873</b>	<b>\$ 66,566,586</b>
Less: Allowance for uncollectibles	1,189,167	1,442,571
<b>Contributions receivable, net</b>	<b>\$ 63,003,706</b>	<b>\$ 65,124,015</b>
<b>Amounts due in:</b>		
Less than one year	\$ 18,213,056	\$ 12,348,139
One to five years	36,911,463	42,190,361
Six to ten years	16,000,000	20,500,000
	<b>\$ 71,124,519</b>	<b>\$ 75,038,500</b>

Discount rates on unconditional promises to give ranged from 2.4% to 3.6% at June 30, 2019 and from 2.4% to 3.4% at June 30, 2018. Conditional promises to give at June 30, 2019 and 2018 were \$7,972,865 and \$6,640,000 from federal grants and contracts, respectively, and \$2,246,164 from non-federal promises to give at June 30, 2018.

**BATES COLLEGE**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 4 - INVESTMENTS**

Fair value of investments and other items as of June 30, 2019 including investments measured at net asset value as a practical expedient:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>NAV Measurement</u>
<b>Investments</b>					
Cash and cash equivalents	\$ 10,744,346	\$ 10,744,346	\$ -	\$ -	\$ -
Equity securities and funds	147,202,762	62,619,879	-	-	84,582,883
Venture capital partnerships	14,330,739	-	-	-	14,330,739
Private equity partnerships	27,617,286	-	-	-	27,617,286
Hedge funds	108,434,673	-	-	-	108,434,673
Fixed income securities and funds	61,060,569	61,060,569	-	-	-
Real estate and real estate funds	8,794,229	3,788,160	-	-	5,006,069
Commodity and other funds	5,397,859	-	-	-	5,397,859
<b>Investment total</b>	<b>\$ 383,582,463</b>	<b>\$ 138,212,954</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 245,369,509</b>
<b>Other assets</b>					
Beneficial interest in perpetual trusts	6,094,146	-	-	6,094,146	-
Contributions receivable from remainder trusts	7,730,794	-	-	7,730,794	-
<b>Total assets at fair value</b>	<b>\$ 397,407,403</b>	<b>\$ 138,212,954</b>	<b>\$ -</b>	<b>\$ 13,824,940</b>	<b>\$ 245,369,509</b>

Fair value of investments and other items as of June 30, 2018 including investments measured at net asset value as a practical expedient:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>NAV Measurement</u>
<b>Investments</b>					
Cash and cash equivalents	\$ 16,389,486	\$ 16,389,486	\$ -	\$ -	\$ -
Equity securities and funds	146,556,078	64,954,252	-	-	81,601,826
Venture capital partnerships	12,570,112	-	-	-	12,570,112
Private equity partnerships	23,527,106	-	-	-	23,527,106
Hedge funds	102,121,252	-	-	-	102,121,252
Fixed income securities and funds	59,038,238	59,038,238	-	-	-
Real estate and real estate funds	7,402,537	3,701,803	-	-	3,700,734
Commodity and other funds	4,292,716	-	-	-	4,292,716
<b>Investment total</b>	<b>\$ 371,897,525</b>	<b>\$ 144,083,779</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 227,813,746</b>
<b>Other assets</b>					
Beneficial interest in perpetual trusts	6,118,571	-	-	6,118,571	-
Contributions receivable from remainder trusts	7,149,501	-	-	7,149,501	-
<b>Total assets at fair value</b>	<b>\$ 385,165,597</b>	<b>\$ 144,083,779</b>	<b>\$ -</b>	<b>\$ 13,268,072</b>	<b>\$ 227,813,746</b>

**BATES COLLEGE**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 4 - INVESTMENTS - CONTINUED**

The following schedule summarizes the total endowment return and other investment return, net of investment fees, including the change in value of split interest agreements and its classification in the statements of activities for the years ended June 30:

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividends	\$ 461,465	\$ 3,390,498	\$ 3,851,963
Net unrealized and realized gains	1,369,600	11,019,301	12,388,901
Total investment return	\$ 1,831,065	\$ 14,409,799	\$ 16,240,864
Less: Investment return appropriated for current operations	1,725,479	11,921,291	13,646,770
Investment return, net of amounts appropriated, and return for pooled funds and other funds	\$ 105,586	\$ 2,488,508	\$ 2,594,094

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividends	\$ 471,704	\$ 3,306,090	\$ 3,777,794
Net unrealized and realized gains	2,194,024	16,045,828	18,239,852
Total investment return	\$ 2,665,728	\$ 19,351,918	\$ 22,017,646
Less: Investment return appropriated for current operations	1,745,778	10,913,165	12,658,943
Investment return, net of amounts appropriated, and return for pooled funds and other funds	\$ 919,950	\$ 8,438,753	\$ 9,358,703

**Significant Investment Strategies**

**Equity Securities and Funds:**

The Equities category is globally diversified across public markets including domestic and international developed and emerging market equities. This includes investments in separate accounts, mutual funds and partnerships.

**Venture Capital and Private Equity Partnerships:**

The Private Equities category includes investments in limited partnerships that invest primarily in unlisted, non-public U.S. and non-U.S. domiciled companies. Private Equity includes venture capital (early-stage) and buyout (later-stage) investments. These investments are generally illiquid, with some partnership commitment terms of up to ten years.

**Hedge Funds:**

The Hedge Fund category includes investments in funds that invest primarily in the equity, debt, and derivative securities of U.S. and non-U.S. domiciled corporations. Fund managers hold long and short portfolio capital assets. Investments in hedged strategies are made in sub-strategies including event driven, distressed/credit, relative value, long/short equity and multi-strategy funds.

**Real Assets, Commodities and Other Funds:**

This category includes investments in limited partnerships that invest primarily in unlisted, non-public U.S. and non-U.S. real estate and investments in commingled vehicles that invest in natural resource assets and the equities of natural resource companies.



**BATES COLLEGE**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 4 - INVESTMENTS - CONTINUED**

**Roll forward of Investments Classified as Level 3:**

	Value at June 30, 2018	Realized/Unrealized Gains/(Losses)	Purchases	Sales	Value at June 30, 2019
Beneficial interest in perpetual trusts	\$ 6,118,571	\$ (24,425)	\$ -	\$ -	\$ 6,094,146
Contributions receivable from remainder trusts	7,149,501	548,384	32,909	-	7,730,794
<b>Total assets classified as level 3</b>	<b>\$ 13,268,072</b>	<b>\$ 523,959</b>	<b>\$ 32,909</b>	<b>\$ -</b>	<b>\$ 13,824,940</b>

	Value at June 30, 2017	Realized/Unrealized Gains/(Losses)	Purchases	Sales	Value at June 30, 2018
Beneficial interest in perpetual trusts	\$ 5,970,254	\$ 148,317	\$ -	\$ -	\$ 6,118,571
Contributions receivable from remainder trusts	6,613,153	536,348	-	-	7,149,501
<b>Total assets classified as level 3</b>	<b>\$ 12,583,407</b>	<b>\$ 684,665</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 13,268,072</b>

There were no transfers between levels during 2019 and 2018, respectively.

**Redemption terms for investments measured at NAV as of June 30, 2019:**

<u>Redemption Terms</u>	Equity Securities and Funds	Venture Capital and Private Equity Partnerships	Hedge Funds	Real Estate, Commodity and Other Funds	Total
Monthly (10 days notice)	\$ 10,874,199	\$ -	\$ -	\$ -	\$ 10,874,199
Quarterly (30-90 days notice)	10,479,966	-	22,725,617	-	33,205,583
Semi-Annually (30-60 days notice)	14,533,380	-	8,369,551	-	22,902,931
Annually & Biannually (45-90 days notice)	29,450,279	-	46,805,411	-	76,255,690
1 - 5 years	16,037,391	1,287,464	21,970,008	184,258	39,479,121
6 - 10 years and thereafter	3,207,668	40,660,561	8,564,086	10,219,670	62,651,985
	<b>\$ 84,582,883</b>	<b>\$ 41,948,025</b>	<b>\$ 108,434,673</b>	<b>\$ 10,403,928</b>	<b>\$ 245,369,509</b>

**Redemption terms for investments measured at NAV as of June 30, 2018:**

<u>Redemption Terms</u>	Equity Securities and Funds	Venture Capital and Private Equity Partnerships	Hedge Funds	Real Estate, Commodity and Other Funds	Total
Monthly (10-120 days notice)	\$ 25,955,298	\$ -	\$ -	\$ -	\$ 25,955,298
Quarterly (30-90 days notice)	-	-	32,833,008	-	32,833,008
Semi-Annually (30 days notice)	5,026,026	-	-	-	5,026,026
Annually & Biannually (45-90 days notice)	36,742,234	-	61,005,501	-	97,747,735
1 - 5 years	11,263,191	3,001,051	613,093	159,986	15,037,321
6 - 10 years and thereafter	2,615,077	33,096,167	7,669,650	7,833,464	51,214,358
	<b>\$ 81,601,826</b>	<b>\$ 36,097,218</b>	<b>\$ 102,121,252</b>	<b>\$ 7,993,450</b>	<b>\$ 227,813,746</b>

**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 \$55 million and \$54 million at June 30, 2019 and 2018, respectively.

**NOTE 5 - LAND, BUILDINGS AND EQUIPMENT**

Land, buildings and equipment consist of the following:

	2019	2018
Land and improvements	\$ 5,346,377	\$ 4,923,383
Buildings	271,464,311	260,554,507
Equipment	19,940,253	19,325,623
Construction in progress	10,127,418	6,316,093
	\$ 306,878,359	\$ 291,119,606
Less: Accumulated depreciation	114,382,726	106,547,857
	\$ 192,495,633	\$ 184,571,749

**NOTE 6 - LINE OF CREDIT**

The College has a \$5,000,000 unsecured line of credit with interest at monthly LIBOR plus 1.75% with a minimum floor of 2.5% renewable on March 31, 2020. At June 30, 2019 and 2018, there was no balance outstanding on this line and there were no draws during fiscal years 2019 and 2018. 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 2043. All bonds carry fixed rates ranging from 3% to 5.25% 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. The College has given a security interest in all its gross receipts and a negative pledge on the College's central facilities. The terms of the various bonds include certain financial covenants.

The following is a summary of bonds outstanding at June 30, 2019 and 2018, respectively, net of unamortized premiums, issuance costs, and required reserve funds:

Series	Rate	Due	Par Value	2019 Bonds Payable, net	2018 Bonds Payable, net
Obligations to Maine Health and Higher Educational Facilities Authority (MHHEFA):					
2008D Revenue Bonds	4.5% - 5.125%	Redeemed 7/1/18		\$ -	\$ 3,383,603
2010A Revenue Bonds	4.0% - 5.25%	2019 - 2040	\$ 11,535,000	10,651,371	10,955,468
2013 Revenue Bonds, Bates College Issue	3.125% - 5%	2023 - 2043	52,990,000	53,142,094	53,157,492
2015 Revenue Bonds, Bates College Issue	3% - 5%	2020 - 2036	26,790,000	26,944,256	26,972,904
				\$ 90,737,721	\$ 94,469,467

Total interest expense was \$4,150,844 and \$4,422,244 for the years ended June 30, 2019 and 2018 respectively.

**BATES COLLEGE**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 7 - BONDS PAYABLE - CONTINUED**

The approximate maturities of these bonds are as follows at June 30, 2019:

2020		\$ 230,000
2021		1,470,000
2022		1,525,000
2023		1,585,000
2024		2,555,000
Thereafter		83,055,444
Unamortized original issue premiums and costs of issuance, net		<u>317,277</u>
Total		<u><u>\$ 90,737,721</u></u>

On July 1, 2018, the College early redeemed the Series 2008D Revenue Bonds of \$3,383,603, net of a bond reserve fund of \$1,788,838.

**NOTE 8 - NET ASSETS**

Net assets at year end are composed of the following general classes of uses or purposes:

	2019		2018	
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions
Undesignated and reserves	\$ 11,603,078		\$ 11,623,774	
Net investment in land, buildings and equipment	92,633,406		87,127,523	
Endowment, income to support				
Scholarships	4,525,491	131,398,937	4,513,397	\$ 125,483,121
Professorships	114,048	50,695,370	113,743	47,148,813
Library and other academic support	6,121,764	14,563,397	6,105,404	14,479,970
Other purposes	4,056,608	30,673,523	4,045,767	28,786,457
Any operation of the College	24,691,602	62,882,048	24,625,616	60,276,714
Contributions Receivable		63,003,706		65,124,015
Beneficial interest in perpetual trusts		6,094,146		6,118,571
Life income funds		20,392,534		19,906,636
Capital and other purposes		16,224,094		13,394,342
	<u>\$ 143,745,997</u>	<u>\$ 395,927,755</u>	<u>\$ 138,155,224</u>	<u>\$ 380,718,639</u>

Endowment funds with donor restrictions include donor gifts and donor required additions to be maintained in perpetuity of \$193,143,962 and \$179,858,029 as of June 30, 2019 and 2018, respectively. Life income funds that, upon maturity, are required to be added to the endowment to be maintained in perpetuity were \$17,194,945 and \$16,800,986 as of June 30, 2019 and 2018, respectively.

**Changes in endowment net assets:**

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, June 30, 2018	\$ 39,403,927	\$ 276,175,075	\$ 315,579,002
Investment income	461,465	3,390,498	3,851,963
Net realized and unrealized gains	1,369,600	9,788,739	11,158,339
Gifts and maturities	-	12,780,254	12,780,254
Endowment return used in accordance with spending policy	(1,725,479)	(11,921,291)	(13,646,770)
Endowment net assets, June 30, 2019	<u>\$ 39,509,513</u>	<u>\$ 290,213,275</u>	<u>\$ 329,722,788</u>

**BATES COLLEGE**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 8 - NET ASSETS - CONTINUED**

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, June 30, 2017	\$ 38,483,848	\$ 255,348,838	\$ 293,832,686
Investment income	471,704	3,306,090	3,777,794
Net realized and unrealized gains	2,194,024	14,521,708	16,715,732
Gifts and maturities	129	13,911,604	13,911,733
Endowment return used in accordance with spending policy	(1,745,778)	(10,913,165)	(12,658,943)
Endowment net assets, June 30, 2018	<u>\$ 39,403,927</u>	<u>\$ 276,175,075</u>	<u>\$ 315,579,002</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, 2019, funds that were below their individual perpetual fund balance of \$13,206,050 had accumulated losses of \$510,555 and a total fair value of \$12,695,495. As of June 30, 2018, funds that were below their individual perpetual fund balance of \$13,535,768 had accumulated losses of \$544,927 and a total fair value of \$12,990,841. 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, and plant operation and maintenance are allocated using cost allocation techniques including square footage, time and effort, and specific identification.

For the year ended June 30, 2019, functional expenses consist of the following:

	Academic instruction and research	Institutional support	Auxiliary enterprises	Total
Operating activities:				
Salaries and wages	\$ 46,589,776	\$ 8,685,711	\$ 3,954,174	\$ 59,229,661
Employee benefits	14,914,191	2,656,186	1,240,200	18,810,577
Depreciation	4,663,875	232,101	3,010,174	7,906,150
Interest	660,194	25,812	3,464,838	4,150,844
Supplies, services and other	15,079,523	5,579,084	9,097,037	29,755,644
	<u>\$ 81,907,559</u>	<u>\$ 17,178,894</u>	<u>\$ 20,766,423</u>	<u>\$ 119,852,876</u>

**NOTE 10 - PENSION PLANS**

All eligible College employees are covered under the Bates College Retirement Plan which is a 401(a) money purchase plan. Contributions to this plan are by the employer only and were 9% of wages for fiscal years 2019 and 2018. All eligible employees may also participate in the Bates College 403(b) Retirement Plan and may receive a 50% matching employer contribution to the plan, based on the participant's salary reduction contribution up to a maximum of 6% of the participant's compensation.

The College's contributions to these plans were \$5,421,893 and \$5,221,925 for the years ended June 30, 2019 and 2018, respectively.

Additionally, certain highly paid employees are eligible to participate in the College's Supplemental Savings Plan and Deferred Compensation Plan. 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 an expense of \$1,232,394 and \$732,006 for the years ended June 30, 2019 and 2018, respectively.

**BATES COLLEGE**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 11 - COMMITMENTS AND CONTINGENCIES**

**Commitments for Construction**

The College has entered into contracts for capital construction projects with a combined total balance of approximately \$44,367,000 and \$9,358,000 at June 30, 2019 and 2018, 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.