

Financial Statements

Bates College

June 30, 2023 and 2022



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, 2023 and 2022, 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, 2023 and 2022, 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.



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.

Mayer Hoffman McCann P.C.

Boston, Massachusetts
October 28, 2023

BATES COLLEGE

STATEMENTS OF FINANCIAL POSITION

June 30, 2023 and 2022

	2023	2022
ASSETS		
Cash and cash equivalents	\$ 12,101,447	\$ 15,523,230
Accounts receivable (net of allowance of \$586,163 for 2023 and \$660,542 for 2022)	1,262,798	2,181,351
Inventories and prepaid expenses	4,260,689	3,900,297
Contributions receivable - net	50,933,835	53,111,160
Student loans receivable	702,091	995,055
Deposits with bond trustees	1,761,731	2,994,022
Investments	527,841,948	528,308,448
Beneficial interest in perpetual trusts	6,202,975	5,894,750
Contributions receivable from remainder trusts	9,314,734	8,817,984
Land, buildings and equipment - net	<u>266,102,670</u>	<u>251,448,372</u>
TOTAL ASSETS	<u><u>\$ 880,484,918</u></u>	<u><u>\$ 873,174,669</u></u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 19,366,873	\$ 25,703,626
Student deposits and deferred items	2,396,812	2,705,414
Asset retirement obligations	6,991,098	6,964,461
Split interest and annuity obligations	8,602,735	9,722,256
Federal student loan funds repayable	872,341	1,205,418
Bonds payable	<u>170,576,243</u>	<u>173,019,888</u>
TOTAL LIABILITIES	<u><u>\$ 208,806,102</u></u>	<u><u>\$ 219,321,063</u></u>
COMMITMENTS AND CONTINGENCIES		
NET ASSETS		
Without donor restrictions	\$ 195,891,593	\$ 180,241,368
With donor restrictions	<u>475,787,223</u>	<u>473,612,238</u>
TOTAL NET ASSETS	<u><u>\$ 671,678,816</u></u>	<u><u>\$ 653,853,606</u></u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 880,484,918</u></u>	<u><u>\$ 873,174,669</u></u>

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

BATES COLLEGE

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

WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2022

	2023			2022
	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	\$ 100,060,424
Other educational program revenues	323,862		323,862	-
	<u>100,361,982</u>		<u>100,361,982</u>	<u>100,060,424</u>
Contributions and private grants	6,742,267	\$ 4,998,053	11,740,320	10,548,845
Government grants	2,347,417		2,347,417	6,996,559
Endowment return used in accordance with spending policy	2,391,432	17,492,680	19,884,112	16,754,370
Other income and losses	6,536,883	156,336	6,693,219	2,086,791
Net assets released from restrictions	22,311,369	(22,311,369)		
	<u>140,691,350</u>	<u>335,700</u>	<u>141,027,050</u>	<u>136,446,989</u>
Expenses				
Educational and general				
Instructional	46,021,054		46,021,054	44,066,935
Research	2,036,897		2,036,897	2,397,648
Academic support	21,846,227		21,846,227	21,039,252
Student services	23,360,742		23,360,742	23,516,555
Institutional support	20,973,716		20,973,716	18,763,548
Total educational and general	<u>114,238,636</u>		<u>114,238,636</u>	<u>109,783,938</u>
Auxiliary enterprises	23,123,682		23,123,682	23,028,408
	<u>137,362,318</u>		<u>137,362,318</u>	<u>132,812,346</u>
CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES	<u>3,329,032</u>	<u>335,700</u>	<u>3,664,732</u>	<u>3,634,643</u>
NONOPERATING ACTIVITIES				
Revenues and gains				
Contributions		17,474,913	17,474,913	39,055,752
Total endowment return	1,540,794	12,346,914	13,887,708	(48,210,850)
Endowment return used in accordance with spending policy	(2,391,432)	(17,492,680)	(19,884,112)	(16,754,370)
Other investment return including change in value of split interest agreements	553,490	2,128,479	2,681,969	(7,258,279)
Net assets released from restrictions	12,618,341	(12,618,341)		
	<u>12,321,193</u>	<u>1,839,285</u>	<u>14,160,478</u>	<u>(33,167,747)</u>
CHANGE IN NET ASSETS FROM NONOPERATING ACTIVITIES	<u>12,321,193</u>	<u>1,839,285</u>	<u>14,160,478</u>	<u>(33,167,747)</u>
CHANGE IN NET ASSETS	<u>15,650,225</u>	<u>2,174,985</u>	<u>17,825,210</u>	<u>(29,533,104)</u>
NET ASSETS - BEGINNING OF YEAR	<u>180,241,368</u>	<u>473,612,238</u>	<u>653,853,606</u>	<u>683,386,710</u>
NET ASSETS - END OF YEAR	<u>\$ 195,891,593</u>	<u>\$ 475,787,223</u>	<u>\$ 671,678,816</u>	<u>\$ 653,853,606</u>

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

BATES COLLEGE

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022**

	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING ACTIVITIES			
Revenues and gains			
Single fee revenue (net of scholarship aid of \$36,564,664)	\$ 100,060,424		\$ 100,060,424
Other educational program revenues	-		-
	<u>100,060,424</u>		<u>100,060,424</u>
Contributions and private grants	6,426,389	\$ 4,122,456	10,548,845
Government grants	6,996,559		6,996,559
Endowment return used in accordance with spending policy	2,044,988	14,709,382	16,754,370
Other income	2,383,289	(296,498)	2,086,791
Net assets released from restrictions	18,785,111	(18,785,111)	
	<u>136,696,760</u>	<u>(249,771)</u>	<u>136,446,989</u>
Expenses			
Educational and general			
Instructional	44,066,935		44,066,935
Research	2,397,648		2,397,648
Academic support	21,039,252		21,039,252
Student services	23,516,555		23,516,555
Institutional support	18,763,548		18,763,548
Total educational and general	<u>109,783,938</u>		<u>109,783,938</u>
Auxiliary enterprises	23,028,408		23,028,408
	<u>132,812,346</u>		<u>132,812,346</u>
CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES	<u>3,884,414</u>	<u>(249,771)</u>	<u>3,634,643</u>
NONOPERATING ACTIVITIES			
Revenues and gains			
Contributions		39,055,752	39,055,752
Total endowment return	(5,627,360)	(42,583,490)	(48,210,850)
Endowment return used in accordance with spending policy	(2,044,988)	(14,709,382)	(16,754,370)
Other investment return including change in value of split interest agreements	(2,680,227)	(4,578,052)	(7,258,279)
Net assets released from restrictions	9,191,773	(9,191,773)	
	<u>(1,160,802)</u>	<u>(32,006,945)</u>	<u>(33,167,747)</u>
CHANGE IN NET ASSETS FROM NONOPERATING ACTIVITIES	<u>(1,160,802)</u>	<u>(32,006,945)</u>	<u>(33,167,747)</u>
CHANGE IN NET ASSETS	<u>2,723,612</u>	<u>(32,256,716)</u>	<u>(29,533,104)</u>
NET ASSETS - BEGINNING OF YEAR	<u>177,517,756</u>	<u>505,868,954</u>	<u>683,386,710</u>
NET ASSETS - END OF YEAR	<u>\$ 180,241,368</u>	<u>\$ 473,612,238</u>	<u>\$ 653,853,606</u>

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

BATES COLLEGE

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2023 and 2022**

	2023	2022
Cash flows from operating activities:		
Change in net assets	\$ 17,825,210	\$ (29,533,104)
Adjustments to reconcile the change in net assets to net cash provided by (used in) operating activities:		
Depreciation	9,698,372	9,151,021
Asset retirement accretion, net of abatements	26,637	424,212
Amortization of bond origination costs and bond premiums	15,255	(2,186)
Loss from early extinguishment of debt	104,100	-
Net unrealized and realized (gains) losses on investments	(10,691,999)	52,007,446
Other investment return including change in value of split-interest agreements	(2,681,969)	7,258,279
Contributions received for endowment or other long-term uses	(8,585,891)	(14,405,509)
Contributions received from gifts of securities for operating purposes	(586,507)	(2,367,285)
Proceeds from sale of gifts of securities for operating purposes	586,507	2,367,285
(Increase) decrease in operating assets:		
Accounts receivable	918,553	58,380
Inventories and prepaid expenses	(360,392)	94,739
Contributions receivable from current year pledges	(8,889,022)	(24,650,243)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(1,746,153)	(348,918)
Student deposits and deferred items	(308,602)	169,960
Total adjustments	<u>(22,501,111)</u>	<u>29,757,181</u>
Net cash provided by (used in) operating activities	<u>(4,675,901)</u>	<u>224,077</u>
Cash flows from investing activities:		
Purchases of plant and equipment	(28,943,270)	(28,536,097)
Purchases of investments	(102,065,121)	(106,353,298)
Proceeds from sales and maturities of investments	113,981,093	76,602,584
Repayments of loans to students	292,964	389,918
Decrease (increase) in deposits with bond trustees	1,232,291	(10,937)
Use of bond proceeds deposited with trustees	-	13,289,714
Net cash used in investing activities	<u>(15,502,043)</u>	<u>(44,618,116)</u>
Cash flows from financing activities:		
Repayments of principal on bonds payable	(2,563,000)	(1,609,000)
Proceeds from issuance of bonds	-	18,000,000
Cash contributions received for endowment or other long-term purposes	8,355,156	11,059,183
Proceeds from gifts of securities for long-term purposes	1,619,483	3,569,365
Cash received on contributions receivable for long-term purposes	9,677,599	6,695,451
Payments of refundable loan funds	(333,077)	(511,051)
Net cash provided by financing activities	<u>16,756,161</u>	<u>37,203,948</u>
Net decrease in cash and cash equivalents	(3,421,783)	(7,190,091)
Cash and cash equivalents at beginning of year	<u>15,523,230</u>	<u>22,713,321</u>
Cash and cash equivalents at end of year	<u>\$ 12,101,447</u>	<u>\$ 15,523,230</u>
Supplemental data		
Contributions of securities and other noncash assets	\$ 2,205,990	\$ 5,936,650
Accrued construction costs	4,139,748	8,730,348
Interest paid including amounts capitalized	6,475,089	5,774,496
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 \$177,933,440 and \$190,069,091 as of June 30, 2023 and 2022, 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 \$297,853,783 and \$283,543,147 as of June 30, 2023 and 2022, 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, 2023 and 2022 included \$322,127 and \$420,179, respectively, of monies held for the Federal Perkins Loan Program and \$1,046,000 held at June 30, 2022, to secure an interest rate lock agreement included in Note 7 and subject to forfeiture if the college elects to terminate the agreement. Cash and cash equivalents held by investment managers is considered part of investments given its expected use for those purposes.

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 70% and 64% at June 30, 2023 and 2022, 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, 2023 and 2022 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, 2023, 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, 2023 and 2022. 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, 2023 and 2022.

Assets for split interest agreements included in investments were \$15,782,380 and \$17,377,858 for the years ended June 30, 2023 and 2022, 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, 2023 and 2022, of \$1,761,731 and \$2,994,022, respectively, for debt service; these amounts were 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 1,440 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. The college received federal government grant funds related to the COVID-19 pandemic for the year ended June 30, 2022 of \$4,405,754 included in operating activity. The college also elected to defer employer payroll taxes of \$1,202,141 at June 30, 2022. There were no federal government grant funds or deferred employer payroll taxes for COVID-19 for the year ended June 30, 2023.

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. Expenses related to COVID-19 are included for the year ended June 30, 2022 and allocated to the functions that they enabled which are Academic Support and Student Services.

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 28, 2023, the date the financial statements were made available, and determined that there have been no subsequent events for the period after June 30, 2023 that would require recognition in the financial statements or disclosure in the notes of the financial statements.

Reclassifications

Deposits with bond trustees of \$33,399,334 in the June 30, 2022 financial statements have been reclassified to Investments to conform to the 2023 presentation.

NOTE 2 - LIQUIDITY AND AVAILABILITY

As of June 30, 2023 and 2022, 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:

	2023	2022
Financial assets:		
Cash and cash equivalents, net of restricted cash	\$ 11,779,320	\$ 12,699,901
Accounts receivable, net	1,262,798	2,181,351
Contributions receivable for operations and constructions costs	1,060,381	1,320,216
Investments available for general expenditures	75,889,157	77,540,876
Deposits with bond trustees	1,761,731	2,994,022
Board designations:		
Subsequent year's endowment return in accordance with spending policy	20,589,956	19,884,112
Financial assets available for general expenditures within one year	112,343,343	116,620,478
Liquidity resources:		
Line of credit (Note 6)	15,000,000	15,000,000
Total financial assets and liquidity resources available within one year	<u>\$ 127,343,343</u>	<u>\$ 131,620,478</u>

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, 2023 and 2022 totaled \$45,904,171 and \$46,754,809, 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 \$2.2 million included in subsequent year Board designations above for the years ended June 30, 2023 and 2022, 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:

	2023	2022
Capital	\$ 25,444,142	\$ 29,734,000
Endowment	16,082,696	21,057,801
Other	14,788,701	9,054,246
Unconditional promises to give before unamortized discount and allowance for uncollectibles	56,315,539	59,846,047
Less: Unamortized discount	3,497,873	4,305,406
	52,817,666	55,540,641
Less: Allowance for uncollectibles	1,883,831	2,429,481
Contributions receivable, net	\$ 50,933,835	\$ 53,111,160
Amounts due in:		
Less than one year	\$ 13,163,455	\$ 14,352,798
One to five years	43,129,584	45,493,249
Six to ten years	22,500	-
	\$ 56,315,539	\$ 59,846,047

Discount rates on unconditional promises to give ranged from 1.50% to 4.7% at June 30, 2023 and 2022. Conditional promises to give at June 30, 2023 and 2022 were \$6,366,643 and \$7,153,156, respectively, from grants and contracts, conditional upon incurring grant related costs, and a challenge grant of \$32.6 million and \$40.4 million at June 30, 2023 and 2022, respectively, conditional upon fund raising matching contributions. Net pledges receivable that, upon fulfillment, are required to be added to the endowment to be maintained in perpetuity were \$14,257,823 and \$17,946,653 as of June 30, 2023 and 2022, respectively.

BATES COLLEGE

NOTES TO FINANCIAL STATEMENTS

NOTE 4 - INVESTMENTS

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	<u>\$ 543,359,657</u>	<u>\$ 204,404,292</u>		<u>\$ 15,517,709</u>	<u>\$ 323,437,656</u>

Fair value of investments and other items as of June 30, 2022 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	\$ 8,487,961	\$ 8,487,961			
Equity securities and funds	147,863,315	65,005,912			\$ 82,857,403
Venture capital partnerships	61,132,129				61,132,129
Private equity partnerships	54,436,673				54,436,673
Hedge funds	100,079,127				100,079,127
Fixed income securities and funds	123,855,805	123,855,805			
Real estate and real estate funds	22,178,855	6,116,748			16,062,107
Commodity and other funds	10,274,583				10,274,583
Investments total	528,308,448	203,466,426			324,842,022
Other assets					
Beneficial interest in perpetual trusts	5,894,750			\$ 5,894,750	
Contributions receivable from remainder trusts	8,817,984			8,817,984	
Total assets at fair value	<u>\$ 543,021,182</u>	<u>\$ 203,466,426</u>		<u>\$ 14,712,734</u>	<u>\$ 324,842,022</u>

Net redemptions of Level 3 investments were \$107,661 and \$100,000 for the years ended June 30, 2023 and 2022, respectively.

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

	2023	2022
Quarterly	\$ 48,000,232	\$ 47,163,890
Semi-Annually	27,581,357	22,988,500
Annually & biannually	40,640,522	53,634,913
1 - 5 years	47,794,455	44,651,999
6 - 10 years and thereafter	159,421,090	156,402,720
	<u>\$ 323,437,656</u>	<u>\$ 324,842,022</u>

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 \$58 million and \$68 million at June 30, 2023 and 2022, respectively.

NOTE 5 - LAND, BUILDINGS AND EQUIPMENT

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

	2023	2022
Land and improvements	\$ 6,010,855	\$ 6,010,855
Buildings	363,169,385	338,906,281
Equipment	21,756,978	20,418,614
Construction in progress	19,639,133	22,469,198
	<u>410,576,351</u>	<u>387,804,948</u>
Less: Accumulated depreciation	144,473,681	136,356,576
	<u>\$ 266,102,670</u>	<u>\$ 251,448,372</u>

NOTE 6 - LINE OF CREDIT

The college has a \$15,000,000 unsecured line of credit with interest at monthly Federal Funds Rate plus 1.15% with a minimum floor of 1.15% renewable on March 31, 2025. At June 30, 2023 and 2022, there was no balance outstanding on this line and there were no draws during fiscal years 2023 and 2022. 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 2050. 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	2023 Bonds Payable	2022 Bonds Payable
Obligations to Maine Health and Higher Educational Facilities Authority (MHHEFA):					
2013 Revenue Bonds, Bates College Issue	3.125% - 5%	2023 - 2043	\$ 52,990,000	\$ -	\$ 52,990,000
2015 Revenue Bonds, Bates College Issue	3% - 5%	2020 - 2036	26,790,000	23,225,000	24,455,000
2019 Revenue Bonds, Bates College Issue, private placement	1.89%	2020 - 2029	50,000,000	50,000,000	50,000,000
2020 Revenue Bonds, Bates College Issue, private placement, 10-year mandatory tender	2.00%	2020 - 2040	10,325,000	9,468,000	9,901,000
2023 Revenue Bonds, Bates College Issue, private placement	2.89%	2023-2043	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				<u>(416,757)</u>	<u>(326,112)</u>
				<u>\$ 170,576,243</u>	<u>\$ 173,019,888</u>

BATES COLLEGE
NOTES TO FINANCIAL STATEMENTS

NOTE 7 - BONDS PAYABLE - CONTINUED

Total interest expense was \$5,278,152 and \$5,746,533 for the years ended June 30, 2023 and 2022, respectively. Capitalized interest for the year ended June 30, 2023 was \$258,580.

The approximate maturities of these bonds are as follows at June 30, 2023:

2024	\$ 5,727,000
2025	6,940,000
2026	6,839,000
2027	6,929,000
2028	8,537,000
Thereafter	136,021,000
Unamortized original issue premiums and costs of issuance, net	(416,757)
Total	<u>\$ 170,576,243</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:

	2023		2022	
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions
Undesignated and reserves	\$ 28,488,778		\$ 26,332,373	
Net investment in land, buildings and equipment	123,625,381		109,834,414	
Endowment, income to support				
Scholarships	4,893,930	\$ 187,201,841	4,984,619	\$ 180,518,484
Professorships	123,333	59,257,228	125,619	59,804,204
Library and other academic support	6,620,163	16,833,499	6,742,840	16,245,515
Other purposes	4,471,215	42,178,507	4,554,070	39,384,239
Any operation of the college	29,795,530	77,119,881	30,347,661	75,836,679
Contributions receivable		50,933,835		53,111,160
Beneficial interest in perpetual trusts		6,202,975		5,894,750
Life income funds		16,472,437		16,439,221
Capital and other purposes	(2,126,737)	19,587,020	(2,680,228)	26,377,986
	<u>\$ 195,891,593</u>	<u>\$ 475,787,223</u>	<u>\$ 180,241,368</u>	<u>\$ 473,612,238</u>

Endowment funds with donor restrictions include donor gifts and donor required additions to be maintained in perpetuity of \$263,365,948 and \$245,818,120 as of June 30, 2023 and 2022, respectively. Life income funds that, upon maturity, are required to be added to the endowment to be maintained in perpetuity were \$13,183,292 and \$13,883,624 as of June 30, 2023 and 2022, respectively.

Changes in endowment net assets:

	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>

BATES COLLEGE

NOTES TO FINANCIAL STATEMENTS

NOTE 8 - NET ASSETS - CONTINUED

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, June 30, 2021	\$ 54,427,157	\$ 411,589,131	\$ 466,016,288
Investment income	424,111	3,372,485	3,796,596
Net realized and unrealized losses	(6,051,471)	(45,955,975)	(52,007,446)
Gifts and maturities	-	17,492,862	17,492,862
Endowment return used in accordance with spending policy	(2,044,988)	(14,709,382)	(16,754,370)
Endowment net assets, June 30, 2022	<u>\$ 46,754,809</u>	<u>\$ 371,789,121</u>	<u>\$ 418,543,930</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, 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. As of June 30, 2022, funds that were below their individual perpetual fund balance of \$19,493,042 had accumulated losses of \$1,162,872 and a total fair value of \$18,330,170.

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, 2023, functional expenses within operating activities consisted of the following:				
Salaries and wages	\$ 51,748,865	\$ 9,830,051	\$ 4,945,071	\$ 66,523,987
Employee benefits	15,820,621	3,009,115	1,575,823	20,405,559
Depreciation	5,984,761	339,143	3,374,468	9,698,372
Interest	1,189,643	1,136,284	2,952,225	5,278,152
Supplies, services and other	18,521,030	6,659,123	10,276,095	35,456,248
	<u>\$ 93,264,920</u>	<u>\$ 20,973,716</u>	<u>\$ 23,123,682</u>	<u>\$ 137,362,318</u>

For the year ended June 30, 2022, functional expenses within operating activities consisted of the following:

Salaries and wages	\$ 48,998,749	\$ 9,958,897	\$ 4,608,521	\$ 63,566,167
Employee benefits	15,252,933	2,603,084	1,485,044	19,341,061
Depreciation	5,598,243	334,061	3,218,717	9,151,021
Interest	1,273,921	1,089,674	3,382,938	5,746,533
Supplies, services and other	19,896,543	4,777,833	10,333,188	35,007,564
	<u>\$ 91,020,389</u>	<u>\$ 18,763,549</u>	<u>\$ 23,028,408</u>	<u>\$ 132,812,346</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 \$6,029,452 and \$5,881,977 for the years ended June 30, 2023 and 2022, 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 \$4,762,987 and \$4,613,143 at June 30, 2023 and 2022, 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 an expense of \$1,097,277 and \$925,174 for the years ended June 30, 2023 and 2022, 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 \$6,113,000 and \$23,592,000 at June 30, 2023 and 2022, 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.

NOTE 12 - RELATED PARTY TRANSACTIONS

Members of the Board of Trustees and senior management may, from time to time, be associated, either directly or indirectly with companies doing business with the college. The college has a written conflict of interest policy that requires annual reporting by each Board member and the college's senior management. When such relationships exist, measures are taken to mitigate any actual or perceived conflict to protect the best interests of the college. The college had no material related party transactions for the years ended June 30, 2023 and 2022.