

Beloit College and Subsidiaries

Consolidated Financial Report
June 30, 2024

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Independent Auditor's Report

Audit and Risk Management Committee
Beloit College

Opinion

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

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

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's 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 within one year after the date that the financial statements are issued or available to be issued.

Auditor's 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 auditor's 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.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The consolidating and other supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The consolidating and other supplementary information, exception for the portion marked "unaudited", has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. The information marked "unaudited" has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it. In our opinion, the information, except for that portion marked "unaudited", is fairly stated in all material respects in relation to the financial statements as a whole.

RSM US LLP

Chicago, Illinois
February 7, 2025

Beloit College and Subsidiaries

Consolidated Statements of Financial Position June 30, 2024 and 2023

	2024	2023
Assets		
Cash and cash equivalents	\$ 8,855,741	\$ 8,845,824
Accounts receivable, net	3,535,843	3,814,127
Contributions receivable, net	1,467,687	2,983,399
Student loans receivable, net	7,821,870	7,755,321
Other assets	1,408,054	1,112,890
Investments	68,397,978	70,863,736
Property, plant and equipment, net	105,115,785	99,491,890
Operating right-of-use lease asset	112,545	160,446
Funds held in trust by others	1,074,139	1,061,286
Beneficial interest in perpetual trusts	3,338,632	3,125,778
Total assets	\$ 201,128,274	\$ 199,214,697
Liabilities and Net Assets		
Liabilities:		
Accounts payable and other accrued liabilities	\$ 2,657,515	\$ 2,493,456
Deferred revenue	1,146,268	532,349
Student deposits	318,849	293,413
Other liabilities	118,746	117,043
Refundable advance from U.S. government	-	418,514
Annuities payable	3,356,960	3,212,092
New market tax credit obligation	4,863,300	4,863,300
Long-term debt, net	10,584,622	10,944,811
Operating right-of-use lease liability	112,071	160,490
Historic tax credit obligation	6,338,985	6,544,574
Total liabilities	29,497,316	29,580,042
Net assets:		
Net assets without donor restrictions	47,357,478	45,306,115
Noncontrolling interest in net assets without donor restrictions	518,229	308,723
Total net assets without donor restrictions	47,875,707	45,614,838
Net assets with donor restrictions	123,755,251	124,019,817
Total net assets	171,630,958	169,634,655
Total liabilities and net assets	\$ 201,128,274	\$ 199,214,697

See notes to consolidated financial statements.

Beloit College and Subsidiaries

Consolidated Statement of Activities Year Ended June 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Operating revenues:			
Student tuition and fees	\$ 49,764,159	\$ -	\$ 49,764,159
Less:			
Funded student financial assistance	(3,543,063)	-	(3,543,063)
Unfunded student financial assistance	(33,431,793)	-	(33,431,793)
Net student tuition and fees	12,789,303	-	12,789,303
Auxiliary enterprises	7,987,550	-	7,987,550
Financial contributions	4,282,409	2,151,866	6,434,275
Nonfinancial contributions	17,531	-	17,531
Government contracts and grants	9,496,479	-	9,496,479
Investment return allocated for operations	1,105,104	7,494,723	8,599,827
Other income	1,277,143	-	1,277,143
Net assets released from restrictions	10,332,657	(10,332,657)	-
Total operating revenues	47,288,176	(686,068)	46,602,108
Operating expenses:			
Salaries	17,609,408	-	17,609,408
Benefits	5,835,599	-	5,835,599
Student employment	994,050	-	994,050
Supplies	1,731,261	-	1,731,261
Services	12,081,057	-	12,081,057
Travel and meals	1,765,172	-	1,765,172
Utilities	1,496,901	-	1,496,901
Interest	580,033	-	580,033
Depreciation	5,054,437	-	5,054,437
Other	1,434,404	-	1,434,404
Total operating expenses	48,582,322	-	48,582,322
Net decrease from operations	(1,294,146)	(686,068)	(1,980,214)
Nonoperating activities:			
Investment income:			
Interest income	373,592	710,903	1,084,495
Net gain on investments	50,063	6,214,251	6,264,314
Total investment gain	423,655	6,925,154	7,348,809
Investment return allocated for operations	(1,105,104)	(7,494,723)	(8,599,827)
	(681,449)	(569,569)	(1,251,018)
Interest income on cash and cash equivalents	320,883	232,906	553,789
Endowment gifts	5,286	3,023,925	3,029,211
Capital gifts and grants	-	222,393	222,393
Changes in value of split-interest agreements	(4,664)	231,892	227,228
Net assets released due to change in donor intent	3,696,843	(3,696,843)	-
Other nonoperating activities	218,116	976,798	1,194,914
Total nonoperating activities	3,555,015	421,502	3,976,517
Change in net assets	2,260,869	(264,566)	1,996,303
Net assets at beginning of period	45,614,838	124,019,817	169,634,655
Net assets at end of period	\$ 47,875,707	\$ 123,755,251	\$ 171,630,958

See notes to consolidated financial statements.

Beloit College and Subsidiaries

Consolidated Statement of Activities Year Ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Operating revenues:			
Student tuition and fees	\$ 48,853,807	\$ -	\$ 48,853,807
Less:			
Funded student financial assistance	(3,173,734)	-	(3,173,734)
Unfunded student financial assistance	(32,863,174)	-	(32,863,174)
Net student tuition and fees	12,816,899	-	12,816,899
Auxiliary enterprises	7,880,554	-	7,880,554
Financial contributions	10,016,989	4,818,444	14,835,433
Nonfinancial contributions	277,216	-	277,216
Government contracts and grants	1,914,604	-	1,914,604
Investment return allocated for operations	1,317,369	5,353,517	6,670,886
Other income	1,083,288	-	1,083,288
Net assets released from restrictions	10,506,572	(10,506,572)	-
Total operating revenues	45,813,491	(334,611)	45,478,880
Operating expenses:			
Salaries	17,618,463	-	17,618,463
Benefits	6,107,534	-	6,107,534
Student employment	1,049,821	-	1,049,821
Supplies	1,556,084	-	1,556,084
Services	11,547,548	-	11,547,548
Travel and meals	1,921,956	-	1,921,956
Utilities	1,479,772	-	1,479,772
Interest	471,218	-	471,218
Depreciation	5,026,664	-	5,026,664
Other	1,501,822	-	1,501,822
Total operating expenses	48,280,882	-	48,280,882
Net (decrease) increase from operations	(2,467,391)	(334,611)	(2,802,002)
Nonoperating activities:			
Investment income (loss):			
Interest income	220,568	527,418	747,986
Net loss on investments	270,814	4,256,839	4,527,653
Total investment loss	491,382	4,784,257	5,275,639
Investment return allocated for operations	(1,317,369)	(5,353,517)	(6,670,886)
	(825,987)	(569,260)	(1,395,247)
Interest income on cash and cash equivalents	199,551	160,333	359,884
Endowment gifts	720,584	449,640	1,170,224
Capital gifts and grants	-	120,783	120,783
Changes in value of split-interest agreements	1,106	408,915	410,021
Other nonoperating activities	(170,872)	1,748,610	1,577,738
Total nonoperating activities	(75,618)	2,319,021	2,243,403
Change in net assets	(2,543,009)	1,984,410	(558,599)
Net assets at beginning of period	48,157,847	122,035,407	170,193,254
Net assets at end of period	\$ 45,614,838	\$ 124,019,817	\$ 169,634,655

See notes to consolidated financial statements.

Beloit College and Subsidiaries

Consolidated Statement of Changes in Net Assets Year Ended June 30, 2024

	Beloit College and Subsidiaries			Noncontrolling Interest in Net Assets Without Donor Restrictions	Total
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Subtotal		
Net assets, June 30, 2023	\$ 45,306,115	\$ 124,019,817	\$ 169,325,932	\$ 308,723	\$ 169,634,655
Change in net assets	1,661,574	(264,566)	1,397,008	599,295	1,996,303
Net assets, June 30, 2024	<u>\$ 46,967,689</u>	<u>\$ 123,755,251</u>	<u>\$ 170,722,940</u>	<u>\$ 908,018</u>	<u>\$ 171,630,958</u>

See notes to consolidated financial statements.

Beloit College and Subsidiaries

Consolidated Statements of Cash Flows Years Ended June 30, 2024 and 2023

	2024	2023
Cash flows from operating activities:		
Change in net assets	\$ 1,996,303	\$ (558,599)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	5,054,437	5,026,664
Write off of debt issuance costs	55,404	-
Amortization of debt issuance costs	11,809	7,760
Amortization of bond premiums	(4,167)	(4,168)
Gain on sale of equipment	(94,789)	-
Amortization of lease liability	(518)	(388)
Contribution revenue for investment in endowment and capital	(3,251,604)	(1,291,007)
(Increase) decrease in beneficial interests in perpetual trusts	(212,854)	(117,317)
Allowance for doubtful accounts	(39,175)	366,918
Net unrealized and realized (gains) loss on investments	(6,264,314)	(4,527,653)
Change in value of split-interest agreements	(227,228)	(410,047)
Increase (decrease) from changes in:		
Receivables	257,898	(461,945)
Other assets	(295,164)	21,061
Accounts payable	164,059	(390,085)
Deferred revenues	613,919	(1,770,617)
Student deposits and deferred grant revenue	25,436	(45,159)
Other liabilities	1,703	25,000
Net cash used in operating activities	(2,208,845)	(4,129,582)
Cash flows from investing activities:		
Purchases of property, plant and equipment	(10,743,887)	(1,807,559)
Proceeds from sale of equipment	160,344	-
Purchases of investments	(8,432,724)	(6,240,078)
Proceeds from sales of investments	17,522,039	7,445,321
Disbursements of loans to students	(1,093,995)	(992,280)
Repayments of loans by students	1,087,007	456,994
Net cash used in investing activities	(1,501,216)	(1,137,602)
Cash flows from financing activities:		
Payment of principal on long-term debt	(423,235)	(401,303)
Payments of historic and new market tax credit obligation	(205,589)	(405,788)
Contributions received for investment in endowment and capital	4,767,316	3,766,469
Decrease in U.S. government grants refundable, net	(418,514)	(290,311)
Net cash provided by financing activities	3,719,978	2,669,067
Net increase (decrease) in cash and cash equivalents	9,917	(2,598,117)

(Continued)

Beloit College and Subsidiaries**Consolidated Statements of Cash Flows (Continued)**
Years Ended June 30, 2024 and 2023

	2024	2023
Cash and cash equivalents:		
Beginning	<u>\$ 8,845,824</u>	<u>\$ 11,443,941</u>
Ending	<u><u>\$ 8,855,741</u></u>	<u><u>\$ 8,845,824</u></u>
Supplemental disclosures of cash flow information:		
Cash paid during the year for interest:		
Expensed	<u>\$ 580,033</u>	<u>\$ 471,218</u>
Right-of-use asset and liability obtained through operating lease	<u>\$ 47,309</u>	<u>\$ -</u>
Supplemental schedules of noncash investing and financing activities:		
Purchases of property and equipment with debt	\$ -	\$ 2,794,209
Purchases of property and equipment in accounts payable	\$ 176,654	-

See notes to consolidated financial statements.

Beloit College and Subsidiaries

Notes to Consolidated Financial Statements

Note 1. Summary of Significant Accounting Policies

Beloit College is a four-year, independent, residential liberal arts college in Beloit, Wisconsin, founded in 1846 by a group of Yale graduates. Beloit College is a member of the Associated Colleges of the Midwest (ACM). The College has more than 50 fields of study in 19 departments and offers several degrees and majors including: Bachelor of Arts, Bachelor of Science, cooperative programs in business, engineering, forestry and social work, plus five preprofessional programs. The accounting policies of Beloit College reflect practices common to colleges and universities and conform to accounting principles generally accepted in the United States of America (U.S. GAAP).

Principles of consolidation: The consolidated financial statements include the accounts and transactions of Beloit College and its subsidiaries (collectively referred to as the College), including the following:

- Beloit Powerhouse Foundation, Inc. was established in December 2017. In April 2018, the articles of incorporation of Beloit Powerhouse Foundation, Inc. were amended to change the name of the organization to Beloit Powerhouse Holdings, Inc. (Holdings, Inc.) and to change the purpose.
- Beloit Powerhouse Holdings II, LLC (Holdings II) was established in March 2018.
- Beloit Powerhouse, LLC (Powerhouse) was established in March 2017.

Effective June 18, 2018, Powerhouse closed on a New Market Tax Credit (NMTC) and Historic Tax Credit (HTC) financing transaction. In connection with this transaction, the following variable interest entities (VIEs) for which Powerhouse is the primary beneficiary, are also consolidated with the accounts and transactions of Powerhouse:

- Chase NMTC Beloit Powerhouse Investment Fund, LLC (Investment Fund)—an entity owned 100% by Chase Community Equity, LLC (CCE)
- BH New Markets Sub-CDE 18, LLC, Brownfield Revitalization 48, LLC, and CNMC Sub-CDE 165, LLC (collectively referred to as the Sub-CDEs)—entities owned 99.99% by Investment Fund and .01% by separate Community Development Entities
- Powerhouse Master Tenant, LLC (Master Tenant)—an entity owned 99% by CCE and 1% by Holdings II.

Holdings, Inc. and Holdings II are wholly owned by the College. Powerhouse is owned 94.99% by Holdings II, 5.00% by Holdings, Inc. and 0.01% by the College.

The subsidiaries were created to finance the decommissioning and renovation of the Blackhawk Generating Station, which was contributed to the College and converted into a 130,000-square-foot student center.

All intercompany balances and transactions have been eliminated in consolidation. Refer to Note 16 of these consolidated financial statements for a description of the VIEs included in the consolidated financial statements.

Beloit College and Subsidiaries

Notes to Consolidated Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Significant accounting policies of the College are summarized below:

Cash and cash equivalents: Cash and cash equivalents represent demand deposits and other investments with original purchased maturities of 90 days or less excluding restricted bond proceeds.

Accounts receivable: Accounts receivable are carried at the unpaid balance of the original amount billed to students. The receivables are net of an estimate made for doubtful accounts of \$553,040 and \$532,654 at June 30, 2024 and 2023, respectively, based on a review of all outstanding amounts. Management maintains the allowance for doubtful accounts based on past collection history, current conditions, and reasonable and supportable forecasts and risks among uncollectible accounts. Recoveries of student accounts receivable previously written-off are recorded when received. Receivables are generally unsecured. The College does not charge interest or late fees on delinquent accounts but charges a one-time per term late payment penalty if the appropriate amount is not paid by the designated due date.

Contributions receivable: Unconditional promises to give (pledges) 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 estimated future cash flows. Amortization of the discounts is included in contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. Allowance is made for doubtful contributions receivable based upon management's judgment and analysis of the credit worthiness of the donors, past collection experience and other relevant factors. The allowance for doubtful pledges is \$77,247 and \$157,021 at June 30, 2024 and 2023, respectively. Promises to give are written-off when they become uncollectible. The policy for determining past due contributions is assessed on an individual basis.

Student loans receivable: Student loans receivable, which include Perkins governmental loans and institutional loans, are carried at unpaid principal balances, less the allowance for credit losses of \$1,203,963 and \$1,263,524 at June 30, 2024 and 2023, respectively. Management maintains the allowance for credit losses based on past collection history, current conditions, and reasonable and supportable forecasts and risks among uncollectible accounts. Loans receivable are considered to be past due if a payment is not made within 30 days of the payment due date. Interest income is recorded monthly as payments are received. Interest on a past-due loan is recognized or accrued until cash payments are received.

Investments: Investments are recorded at fair value. Investment income and investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value with gains and losses included in the nonoperating activities in the consolidated statements of activities when earned. The College annually appropriates 4.5% of the endowment fund's average fair value for the prior three years for operations and reclassifies these earnings to operations.

Split-interest agreements and funds held in trust by others: The College's split-interest agreements with donors consist of charitable remainder annuity trusts, charitable remainder unitrust contracts, pooled life income funds, charitable annuity lead trusts and charitable gift annuities for which the College is either the remainder beneficiary or both the trustee and remainder beneficiary.

Beloit College and Subsidiaries

Notes to Consolidated Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Assets held under these agreements for which the College serves as trustee are included in investments. Contributions of split-interest agreements, net of related liabilities, increase net assets with donor restrictions. Liabilities associated with charitable gift annuities and charitable trusts represent the present value of the expected payments to the beneficiaries based on the terms of the agreements. Pooled income funds are recognized at the net present value of the assets expected at a future date. Annuities payable is calculated using the 2012 IAR Mortality Tables, the IRS discount rate for each gift, and assumed rate of return from 0.60% to 7.60%. Gains or losses resulting from changes in fair value, changes in assumptions and amortization of discount are recorded as changes in value of split-interest agreements in the appropriate restriction categories in the nonoperating section of the consolidated statements of activities.

Assets held in trust for which the College does not serve as trustee are reported as funds held in trust by others. Contribution revenue and a receivable are recorded at the date the trusts are established for the present value of estimated future payments to be received.

The College is an income beneficiary of various irrevocable trusts, reported as beneficial interest in perpetual trusts. The College has recognized its interest in the estimate future cash flows as net assets with donor restrictions based on the fair value of the assets held in the trusts. Changes in the fair value of the trusts are recognized as gains and losses in net assets with donor restrictions.

Property, plant and equipment: Physical plant and equipment are stated at cost at the date of acquisition or fair value at the date of donation in the case of gifts. Depreciation of property and equipment is provided on the straight-line method over the estimated useful lives of the respective assets. The College uses the following depreciable lives:

- Buildings—40 years
- Dormitory and commons—30 years
- Residential rental properties—30 years
- Building improvements—20 years
- Leasehold improvements—10 years
- Land improvements—20 years
- Works of art—20 years
- Books—20 years
- Equipment and furnishings—5 to 10 years

The College capitalizes property, plant and equipment additions of \$10,000 or more. Normal repairs and maintenance expenses are charged to operations as incurred. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets in accordance with Accounting Standards Codification (ASC) Topic 835-20, Capitalization of Interest.

Collections: The Logan Museum of Anthropology (LMA) is a teaching museum that engages the Beloit community by sharing stories about humanity. The LMA collections are worldwide in scope with strengths in the areas of the Great Lakes, Plains, Southwest, Mesoamerica, South America, Oceania, and the European and North African Stone Age. The LMA maintains a permanent collection and three special collections: education, documentary, and ethnobotany. The Curator and Director provide collections care and management for these collections. As a teaching museum, the mission of the Wright Museum of Art (WMA) is to advance the educational goals of the College. Its principal purpose is to provide the College and local community with diverse opportunities to appreciate, interact with, and understand the visual arts through exhibitions, collections, and programming. The WMA will only facilitate acquisitions that help to develop the existing strengths of the permanent collection and education collections.

Beloit College and Subsidiaries

Notes to Consolidated Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

These strengths include European and American graphics, European and American paintings, and contemporary sculptural works, as well as Asian (primarily Chinese and Japanese) decorative arts. The Collections Manager is directly responsible for the management and care of the permanent and education collections. This responsibility includes preservation, acquisition, accession and registration, deaccession, loan of, and access to the Wright Museum of Art's collections.

Museum collections (historical treasures and similar treasures held as part of museum collections) that were acquired through purchases or contributions since the College's inception are not reflected in the consolidated statements of financial position. Purchases of collection items are recorded as decreases in net assets without donor restrictions in the year in which the items are acquired, or as decreases in net assets with donor restrictions if the assets used to purchase the items were restricted by donors. Proceeds from deaccessions or insurance recoveries are reflected as increases in the appropriate net asset classes. These museum collections are insured at a value of approximately \$10,500,000 as of June 30, 2024 and 2023. Proceeds from the disposal of collection items are used to acquire new collection items or in the direct care of existing collections. The College defines direct care as an expenditure that makes physical or immediate impact on an object that increases or restores its cultural or scientific value, thus prolonging its life and usefulness, and is not normally part of the operating budget, as defined by the American Alliance of Museums. There were no deaccessions made during the years ended June 30, 2024 and 2023.

Deferred revenue: Certain revenue related to summer courses and programs is deferred and recognized as revenue over time as the courses are offered. Students are generally billed for courses and programs prior to the start of the course or program with revenue recognized over time as the classes are in session. In addition, the College accounts for refundable advances received under certain contracts as deferred revenue.

Refundable advances from U.S. Government: Funds provided by the Henry Strong Foundation Loan Fund and United States Government, under the Perkins loan program, are loaned to qualified students and may be re-loaned after collection. These funds are ultimately refundable to the Henry Strong Foundation Loan Fund and the government and are included as liabilities in the consolidated statements of financial position. Revenues from other government grants are recognized as they are earned in accordance with the agreement. Expenses incurred before cash is received are recorded as receivables.

The Federal Perkins Loan Program expired September 30, 2017, and the College could not disburse Perkins loans to any student on or after October 1, 2017, except for subsequent disbursements of loans first disbursed between June 30, 2017 and September 30, 2017. The College will be liquidating its Federal Perkins Loan Program at the direction of the Department of Education. The liquidation will likely involve the College assigning all eligible outstanding loans to the Department of Education and the remittance of federal share of remaining Perkins cash assets to the Department of Education.

Net asset classifications: For the purposes of financial reporting, the College classifies resources into two net asset categories pursuant to any donor-imposed restrictions and applicable law. Accordingly, the net assets of the College are classified in the accompanying financial statements in the categories that follow:

Net assets with donor restrictions: Net assets are subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the College or by the passage of time. Other donor restrictions are perpetual in nature, including beneficial interests in perpetual trusts and split-interest annuity agreements, whereby the donor has stipulated the funds be maintained in perpetuity.

Beloit College and Subsidiaries

Notes to Consolidated Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Net assets without donor restrictions: Net assets are not subject to donor-imposed restrictions, including those expendable resources designated for special use by the Board of Trustees. The designated endowment funds, received without donor restrictions, were set aside for future instruction, scholarships, academic support, and other purposes as determined by the Board.

Revenue recognition: The College recognizes revenue from contracts with customers primarily from tuition and fees, and room and board based on the satisfaction of performance obligations. Performance obligations are the goods or services promised in the contract.

Tuition and fees revenue is recognized for the delivery of the academic program throughout the period stated in the contract. This includes student services, use of research space and study areas, including access to reference materials. Auxiliary enterprise revenue consists primarily of room revenue and board revenue. Room revenue is recognized for providing living space throughout the stated contract term. Board revenue is recognized for providing meals to students throughout the stated contract term.

Each of the above revenue sources are considered separate and distinct contracts with their own performance obligation and are recorded at the amount of consideration the College expects to be entitled to in exchange for transferring promised goods or services to the students. The College believes this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Payment for tuition and student fees is due in full two weeks prior to the start of classes unless other payment arrangements are made. The College has a tuition refund policy that allows the students to withdraw and receive full or partial refunds, based on the number of days the student attended school through the 33rd day of the semester. Consideration is considered variable until the refund period expires. The College uses the most likely amount method to determine the variable consideration based on historical experience. No constraints to variable consideration are considered necessary due to the duration of refund period.

The College offers grants/scholarships to attract and retain students and reduce the amount of tuition revenue recognized. The College offers institutional grants/scholarships to students in the form of merit-based and need-based grants. Institutional grants/scholarships of \$36,974,856 and \$36,036,908 for the years ended June 30, 2024 and 2023, respectively, were recognized as a reduction of tuition and student fees on the consolidated statements of activities. The College also offers institutional loans to students; however, the loans are not significant to the consolidated financial statements.

The College offers courses with various study abroad components in which the student receives services from a third party; however, the student pays the College for these services. In these instances, the College is responsible for the performance of the services, and should the third-party institution not perform, the College would be required to perform the required services; therefore, the College records the revenue in tuition and fees.

The College records accounts receivable when it has the unconditional right to bill students and receive payment, regardless of whether revenue has been recognized. When consideration is received and revenue has not yet been recognized, a contract liability (deferred revenue) also is recorded. The College does not recognize revenue in advance of the right to invoice and therefore has not recorded a contract asset. Opening balances as of July 1, 2022, were as follows:

	Opening Balance
Accounts receivable, net of allowance for doubtful accounts	\$ 3,408,419
Student loans receivable, net of allowance for credit losses	7,530,716
Deferred revenue	2,302,959

Beloit College and Subsidiaries

Notes to Consolidated Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

The College elected the practical expedient to not adjust the promised amount of consideration from students for the effects of a significant financing component due to the College's expectation that the period between the time the service is provided to students and the time the student pays for the service will be one year or less.

Contributions, including unconditional promises to give, are recognized as revenue in the period the contribution or promise is received and are reported as increases in the appropriate categories of net assets in accordance with donor restrictions. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenues without donor restrictions. Contributions of property and equipment without donor stipulations concerning the use of such long-lived assets are reported as revenues without donor restrictions.

Contributions of cash or other assets to be used to acquire property and equipment are reported as revenues with donor restrictions; the restrictions are considered to be released when the long-lived assets are placed in service. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved.

Gains and investment income, other than on endowment investments or other assets, received with donor-imposed restrictions that are met in the same year as received are reported as revenues without donor restrictions. Gains and losses on investments of endowment funds created by a board designation of unrestricted funds are recorded as changes in net assets without donor restrictions.

Grant revenue, following contribution revenue guidance, is recognized when the award notification is received and when barriers have been substantially met (generally when qualifying expenses have been incurred and all other grant requirements have been met).

Donated goods and services: The College reports the fair value of donated goods and services over which it has control (i.e., variance power) as nonfinancial contributions, without donor restrictions, and immediately thereafter, as expense when donated to the College. The College did not monetize any contributed nonfinancial assets and unless otherwise noted, contributed nonfinancial assets did not have donor restrictions.

Noncontrolling interest: Noncontrolling interest represents the portion of net assets in any subsidiary that is not attributable, directly or indirectly, to Beloit College. The profit or loss derived from the performance of subsidiaries is allocated to the noncontrolling interest in the consolidated statements of activities based on the terms of the operating agreements of the subsidiaries.

Operating activities: The College's operating revenues and operating expenses include all operating revenues and expenses that are an integral part of its programs and supporting activities and transfers from nonoperating funds to support current operating activities. The measure of operations includes support for operating activities from net assets without donor restrictions and net assets with donor restrictions according to the College's spending policy, which is detailed in Note 15. The measure of operations excludes investment return in excess of (less than) amounts made available for current support, interest income on cash and cash equivalents, changes in fair value of split-interest agreements and other various items not associated with operations of the College.

Fundraising expenses: The College follows the policy of expensing the costs of fundraising when incurred.

Beloit College and Subsidiaries

Notes to Consolidated Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Functional allocation of expenses: The costs of providing the various programs and other activities have been summarized on a natural basis in the consolidated statements of activities. See Note 17 for expenses summarized on a functional and natural basis of classification.

Income taxes: Beloit College qualifies as a Section 501(c)(3) not-for-profit educational institution under the Internal Revenue Code (the Code) and, therefore, is exempt from federal income taxes pursuant to section 501(a) of the Code. Beloit College is, however, subject to federal income taxes on any unrelated business income under the provisions of section 511 of the Code. Beloit College is exempt from state income taxes under Section 71.26 of Wisconsin Statutes.

Holdings II, Powerhouse, Master Tenant, the Investment Fund and the Sub-CDEs are organized as limited liability companies. Powerhouse and Master Tenant are taxed as partnerships for income tax purposes. The Investment Fund and Sub-CDEs are disregarded entities for tax purposes. Income or losses are passed through to their members. Accordingly, all profits and losses of the companies are recognized by each member on their respective tax returns. Holdings II and Holdings, Inc. are taxed as corporations and have elected pursuant to Section 168(h)(6)(F)(ii) of the Code not to be treated as tax-exempt entities for purposes of Section 168(h)(5) and (6). Accordingly, any gain recognized by Beloit College on the disposition of an interest in Holdings II and Holdings, Inc. shall be treated as unrelated business taxable income.

Concentration of credit risk: Financial instruments that potentially subject the College to concentrations of credit risk consist principally of cash, investments, and accounts receivable. The College has placed much of its cash and liquid investments with one financial institution. Also, cash balances may periodically exceed federally insured limits. Marketable securities, consisting of both debt and equity instruments, are held in a variety of managed funds administered by different investment managers in order to limit credit risk. Student receivables and other receivables are due from a variety of sources concentrated primarily in the Midwestern United States. In addition, the College's students receive a substantial amount of support from state and federal student financial assistance programs which are subject to audit by governmental agencies. A significant reduction in the level of this support, if this were to occur, could have an adverse effect on the College's programs and activities.

Newly adopted accounting pronouncement: In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which replaces the current incurred loss impairment methodology for financial assets reported at amortized cost, such as receivables, with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The College adopted ASU 2016-13 on July 1, 2023. The adoption did not have a significant effect on the consolidated financial statements.

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

Beloit College and Subsidiaries

Notes to Consolidated Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Subsequent events: The College has evaluated subsequent events through February 7, 2025, which is the date the consolidated financial statements were issued. Management identified Executive Orders that have been released which could impact the operations of the College related to federal funding. The College had \$7,634,924 of federal funding for the year ended June 30, 2024. Of that amount, \$6,371,404 relates to the Student Financial Assistance Cluster, for which a significant portion is not recorded as revenues in government contracts and grants in the consolidated statement of activities. Management is currently evaluating the impact of the Executive Orders on the College's operations and federally funded programs.

Note 2. Accounts Receivable, Net

Accounts receivable consist of the following at June 30, 2024 and 2023:

	2024	2023
Tuition and fees	\$ 2,274,645	\$ 2,122,932
Government grants and contracts receivable	491,400	943,390
Other	1,322,838	1,280,459
Gross accounts receivable	4,088,883	4,346,781
Less allowance for doubtful accounts	(553,040)	(532,654)
Accounts receivable, net	\$ 3,535,843	\$ 3,814,127

Note 3. Contributions Receivable, Net

Contributions have been discounted using rates ranging from 0.46% to 5.50%. Contributions receivable as of June 30, 2024 and 2023, are composed of and are to be used for the following:

	2024	2023
Capital funds	\$ 97,500	\$ 135,266
Operations	1,584,410	3,223,175
Endowment	8,095	58,095
Gross contributions receivable	1,690,005	3,416,536
Less discount	(145,071)	(276,116)
Less allowance for uncollectible contributions	(77,247)	(157,021)
Net contributions receivable	\$ 1,467,687	\$ 2,983,399

Contributions receivables are expected to be collected from donors over the following periods:

	2024	2023
Less than one year	\$ 530,988	\$ 1,481,253
One to five years	1,159,017	1,862,366
More than five years	-	72,917
Totals	\$ 1,690,005	\$ 3,416,536

Beloit College and Subsidiaries

Notes to Consolidated Financial Statements

Note 4. Student Loans Receivable, Net

The College issues uncollateralized loans to students based on financial need. Student loans are funded through Federal government loan programs or institutional resources.

At June 30, 2024 and 2023, student loans consisted of the following:

	2024	2023
Federal government programs	\$ 180,574	\$ 722,064
Institutional programs	8,845,259	8,296,781
Gross loans receivable	9,025,833	9,018,845
Less allowance for credit losses	(1,203,963)	(1,263,524)
Student loans receivable, net	<u>\$ 7,821,870</u>	<u>\$ 7,755,321</u>

Funds advanced/(due) by the federal government of (\$144,722) and \$418,514 at June 30, 2024 and 2023, respectively, are ultimately refundable to the government and are classified as other assets and liabilities, respectively, in the consolidated statements of financial position.

After a student is no longer enrolled in an institution of higher education and after a grace period, interest is charged on student loans receivable and is recognized as it is received. Student loans receivable through the loan programs are considered to be past due if a payment is not made within 30 days of the payment due date, at which time, late charges are assessed and recognized. The Federal Perkins Loan Program receivables may be assigned to the U.S. Department of Education. Students may be granted a deferment, forbearance or cancellation of their student loan receivable based on eligibility requirements defined by the U.S. Department of Education.

At June 30, 2024 and 2023, the following amounts were past due under student loan programs:

	Amount Past Due				
	Less than 240 Days	240 Days to 2 Years	2 to 5 Years	5+ Years	Total
June 30, 2024	\$ 41,100	\$ 218,200	\$ 346,700	\$ 667,200	\$ 1,273,200
June 30, 2023	15,000	440,200	273,700	643,000	1,371,900

Beloit College and Subsidiaries

Notes to Consolidated Financial Statements

Note 5. Investments

The following summarizes the College's investments as of June 30, 2024 and 2023:

	2024	2023
Money market funds	\$ 101,475	\$ 43,090
Mutual funds—bonds:		
U.S. bonds	11,826,072	16,555,919
Non-U.S. bonds	2,805,452	2,629,911
Mutual funds—equities:		
U.S. equities	39,815,910	23,973,427
Non-U.S. equities	666,638	14,002,170
Alternative investments:		
Private equity funds	2,560,200	3,236,825
Investment companies	10,600,847	10,401,585
Real estate investment	16,300	16,300
Accrued interest and pending investment trades	5,084	4,509
Totals	<u>\$ 68,397,978</u>	<u>\$ 70,863,736</u>

Investments, in general, are subject to various risks, including credit, interest and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the consolidated financial statements.

Investment income for the years ended June 30, 2024 and 2023, consists of the following:

	2024	2023
Interest and dividends, net	\$ 1,084,495	\$ 747,986
Realized gains on investments	1,268,639	294,065
Unrealized gain on investments	4,995,675	4,233,588
Totals	<u>\$ 7,348,809</u>	<u>\$ 5,275,639</u>

Beloit College and Subsidiaries

Notes to Consolidated Financial Statements

Note 6. Available Resources and Liquidity

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. The College has various sources of liquidity at its disposal, including cash and cash equivalents, marketable debt, and equity securities.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the College considers all expenditures related to its ongoing activities of instruction, academic support, student services as well as the conduct of services undertaken to support those activities to be general expenditures. Student loans receivable are not included in the analysis as principal and interest on these loans are used solely to make new loans and are, therefore, not available to meet current operating needs.

In addition to financial assets available to meet general expenditures over the next 12 months, the College strives to operate with a balanced budget concept and aims to collect sufficient revenue to cover general expenditures not covered by donor-restricted resources. In the fiscal years where the college cannot achieve a balanced budget, the College relies on the use of the board-designated endowment to cover general expenditures.

The College's governing board has designated a portion of its resources to function as an endowment, designated for future instruction, scholarships, academic support, and other purposes as determined by the Board. Those amounts are included in cash and cash equivalents and investments in the table below. These resources are invested for long-term appreciation and current income and may be spent at the discretion and approval of the Board of Trustees.

The College does not foresee issues with available resources or liquidity. For the year ended June 30, 2024, the College implemented a five-year financial plan to improve its financial position. The financial plan includes the Board of Trustees appropriating additional funds from the unrestricted designated endowment to support operations, continuing implementation of the College's Deficit Reduction Plan to reduce costs, and an extraordinary fundraising campaign to provide annual budgetary relief to the college's operating budget in the amount of \$30.0 million over the next five years.

Beloit College and Subsidiaries

Notes to Consolidated Financial Statements

Note 6. Available Resources and Liquidity (Continued)

	2024	2023
Cash and cash equivalents	\$ 8,855,741	\$ 8,845,824
Accounts receivable	3,535,843	3,814,127
Contributions receivable, net	1,467,687	2,983,399
Investments	68,397,978	70,863,736
Funds held in trust by others, restricted	1,074,139	1,061,286
Beneficial interest in perpetual trusts, restricted	3,338,632	3,125,778
Total financial assets as of June 30	<u>86,670,020</u>	<u>90,694,150</u>
Less amounts not available to meet cash needs for general expenditures within one year:		
Contributions receivable, not due in one year	1,006,211	1,689,855
Contractual or donor restrictions:		
Endowments and perpetual trusts	82,664,613	81,903,134
Restricted by time or purpose, net of financial assets spent for long-term assets of \$11,813,488 and \$3,411,849 not placed in service as of June 30, 2024 and 2023, respectively, endowment loan of \$13,740,350 and \$15,367,439 as of June 30, 2024 and 2023, respectively, contributions receivable not due in one year of \$1,006,211 and \$1,685,855 as of June 30, 2024 and 2023, respectively, and \$5,325,617 \$5,295,244 of funds appropriated for general expenditures by June 30, 2024 and 2023, respectively	9,204,972	16,352,296
Board-designated funds, net of quasi-endowment payable of \$2,811,384 and \$307,195 for June 30, 2024 and 2023, respectively, and \$1,105,104 and \$1,134,691 of funds appropriated for general expenditures by June 30, 2024 and 2023, respectively	4,950,262	10,156,485
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ (11,156,038)</u>	<u>\$ (19,407,620)</u>

Beloit College and Subsidiaries

Notes to Consolidated Financial Statements

Note 7. Property, Plant and Equipment, Net

A summary of property, plant and equipment as of June 30, 2024 and 2023, is as follows:

	2024	2023
Land and land improvements	\$ 10,328,402	\$ 10,328,402
Buildings	122,061,463	122,193,755
Building improvements	18,346,100	16,576,997
Equipment and furnishings	14,310,789	13,766,731
Dormitory and commons	26,093,619	26,152,480
Residential rental properties	891,740	891,740
Works of art	791,279	768,029
Books	1,124,419	1,125,851
	<u>193,947,811</u>	<u>191,803,985</u>
Less accumulated depreciation	(100,645,514)	(95,723,944)
	<u>93,302,297</u>	<u>96,080,041</u>
Construction in process	11,813,488	3,411,849
Property, plant and equipment, net	<u>\$ 105,115,785</u>	<u>\$ 99,491,890</u>

Note 8. Long-Term Debt

On September 14, 2016, Wisconsin Health and Educational Facilities Authority (WHEFA) issued \$23,080,000 of Revenue Bonds on behalf of the College. The Series 2016 bonds require semiannual interest payments at fixed interest rates ranging from 3.0% to 5.0% and have maturity dates from 2023 to 2033. The proceeds of the Series 2016 bonds were used to generate the needed escrow account. During the year ended June 30, 2019, the College repurchased \$21,635,000 and during the year ended June 30, 2021, the College repurchased \$830,000 of the Series 2016 bonds and continues to hold the bonds as an investment. In accordance with U.S. GAAP, reacquisition by the College of its outstanding Series 2016 bonds requires derecognition of the debt and no related recognition of the investment in the series 2016 bond securities. The bond series 2016 bonds have not been defeased.

The College has entered into a food services agreement with a vendor effective through May 31, 2032, with options to renew on an annual basis subsequent to that date. In addition to managing the food service program on campus on an exclusive basis, the vendor is also funding an investment in the College's dining service program to fund capital improvements. The investment is amortized on a straight-line basis through June 2032. The amortization expense was \$199,551 and \$199,550 for the years ended June 30, 2024 and 2023, respectively, and is classified within services in the consolidated statements of activities.

Beloit College and Subsidiaries

Notes to Consolidated Financial Statements

Note 8. Long-Term Debt (Continued)

In September 2021, the College entered into a payment performance contract (Contingent Payment Performance Liability) with a financing company. The contracted amount, \$6,250,000, was used to pay for fixed assets acquired as a part of a large construction in progress project to replace the College's old boilers and chillers. Interest is due and payable quarterly on outstanding balances at a rate equal to the 6%. The contingent payment performance liability has a maturity date of July 1, 2042. The liability is collateralized by a first priority security interest in all equipment installed within the project scope.

In January 2023, the College entered into an equipment finance agreement with a financing company. The contracted amount, \$2,850,093, was used to pay for fixed assets acquired as a part of a large construction in progress project to replace the College's old boilers and chillers. Interest is due and payable monthly on outstanding balances at a rate equal to the 7.14%. equipment finance agreement has a maturity date of February 1, 2033. The liability is collateralized by a first priority security interest in all equipment installed within the project scope.

Effective April 2021, the debt service coverage ratio was deleted in its entirety from the Master Indenture.

A summary of outstanding long-term debt at June 30, 2024 and 2023, is as follows:

	2024	2023
Series 2016 Bonds	\$ 565,000	\$ 615,000
Contingent Payment Performance Liability	5,894,437	6,048,247
Equipment Finance Agreement	2,830,220	2,850,093
Vendor Note	1,412,994	1,612,545
	<u>10,702,651</u>	<u>11,125,885</u>
Bond premiums	62,510	66,676
Less bond issuance costs, net of amortization	(180,539)	(247,750)
	<u>\$ 10,584,622</u>	<u>\$ 10,944,811</u>

Future principal payments on the long-term debt as of June 30, 2024, are due as follows:

Years ending June 30:	
2025	\$ 492,354
2026	616,688
2027	650,088
2028	685,846
2029	724,128
Thereafter	<u>7,533,547</u>
	<u>\$ 10,702,651</u>

The Series 2016 bonds are collateralized by a mortgage on the property and buildings of the College. The bank loan agreements are secured by substantially all assets of the College.

The total interest cost incurred during the years ended June 30, 2024 and 2023, was \$580,033 and \$471,218, respectively.

Beloit College and Subsidiaries

Notes to Consolidated Financial Statements

Note 9. Leases and Rent Expense

The College determines if a contract is or contains a lease at inception, which is the date on which the terms of the contract are agreed to and the agreement creates enforceable rights and obligations. A contract is or contains a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Lease right-of-use (ROU) assets and lease liabilities are recognized based on the present value of lease payments over the lease term at commencement. The College has elected to use the risk-free rate, specifically the U.S. Treasury bill rate, to discount the lease payments for leases that do not have a readily determinable implicit rate.

Under ASC 842, the College has elected to not apply the recognition requirements to leases of less than 12 months. These leases are expensed on a straight-line basis and are not included within the College's lease ROU asset or lease liability. The College has made an accounting policy election to account for lease and nonlease components in its contracts as a single lease component for its real estate, vehicle, and equipment asset classes. The nonlease components typically represent additional services transferred to the College, such as maintenance and supplies for equipment asset class, which are variable in nature and recorded in variable lease expense in the period incurred. The College has lease transactions with related parties and has eliminated all intercompany transactions.

The components of lease expense and supplemental cash flow and consolidated statements of financial position information related to leases for the years ended June 30 are as follows:

	2024	2023
Lease cost:		
Operating lease cost	\$ 98,804	\$ 154,589
Variable lease cost	-	32,780
Other information:		
Cash paid for amounts included in the measurement of lease liabilities—operating leases	\$ 99,322	\$ 153,894
Operating weighted-average remaining lease term (in years)	3.03	2.21
Operating weighted-average discount rate	4.17 %	2.62 %

Beloit College and Subsidiaries

Notes to Consolidated Financial Statements

Note 9. Leases and Rent Expense (Continued)

The approximate future minimum lease payments under operating leases at June 30, 2024, are as follows:

Years ending:	
2025	\$ 51,817
2026	29,842
2027	20,757
2028	10,416
2029	6,944
Total lease payments	119,776
Less imputed interest	(7,705)
Total present value of lease liabilities	<u>\$ 112,071</u>

Note 10. Net Assets

Net assets without donor restrictions are those that are not subject to donor-imposed restrictions. Certain net assets classified as without donor restrictions are designated for specific purposes or uses by the Board of Trustees. As of June 30, 2024 and 2023, the College's net assets without donor restrictions which are Board designated for investment in the endowment totaled \$6,656,542 and \$9,328,989, respectively.

Net assets were released for the following purposes during the years ended June 30, 2024 and 2023:

	2024	2023
Scholarships	\$ 3,064,394	\$ 4,805,670
Academic support	1,082,313	1,584,018
Instruction	1,703,358	1,681,594
Student loans	7,469	5,573
Capital expenditure	1,524,635	660,890
Other	6,647,331	1,768,827
	<u>\$ 14,029,500</u>	<u>\$ 10,506,572</u>

Beloit College and Subsidiaries

Notes to Consolidated Financial Statements

Note 10. Net Assets (Continued)

As of June 30, 2024 and 2023, the College's net assets with donor restrictions totaled \$123,755,251 and \$124,019,817. Donor-restricted assets in perpetuity were \$77,356,929 and \$76,309,421 as of June 30, 2024 and 2023, respectively. Net assets with donor restrictions consist of the following at June 30, 2024 and 2023:

	2024	2023
Subject to expenditure for the following specified purposes:		
Capital expenditures	\$ 14,428,275	\$ 13,821,676
Student loans	777,428	665,153
Academic support	5,564,799	5,631,164
Instruction	5,372,726	5,057,412
Scholarships	8,677,659	10,080,405
Other	2,017,023	2,546,170
Contributions receivable, investment earnings/losses, and other	4,252,728	4,314,703
	<u>41,090,638</u>	<u>42,116,683</u>
Endowments and perpetual trusts, the income from which is expendable for the following:		
Scholarships	31,719,386	29,274,301
Instruction	29,959,978	30,415,718
Academic support	12,854,978	13,029,108
Other	2,210,292	3,590,294
Beneficial interest in perpetual trusts	3,338,632	3,125,778
Split-interest annuity agreements	1,616,131	1,504,598
Revolving student loan funds	965,216	963,337
	<u>82,664,613</u>	<u>81,903,134</u>
Total net assets with donor restrictions	<u>\$ 123,755,251</u>	<u>\$ 124,019,817</u>

Note 11. Retirement Plan

On October 2, 2015, the Board of Trustees of the College approved a resolution to freeze the 401(a) and amend the existing 403(b) retirement plans as of December 31, 2015. This change was done to incorporate all active employees into one retirement plan to gain efficiencies. Benefits provided under the plans remained the same for employees.

Employees working over 1,000 hours are eligible to participate in individual annuity retirement programs provided through Teachers Insurance Annuity Association and the College Retirement Equities Fund.

Total expenses relating to contributions to all of these plans were approximately \$885,000 and \$899,000 for the years ended June 30, 2023 and 2022, respectively.

Note 12. Self-Insurance

The College provides medical benefits through a self-insurance plan which provides benefits to eligible employees of the College and their eligible dependents. Provisions of the plan require that the College be self-insured to the extent of the first \$130,000 in annual major medical benefits per participant.

Beloit College and Subsidiaries

Notes to Consolidated Financial Statements

Note 12. Self-Insurance (Continued)

The plan had insurance contracts to provide stop-loss coverage for benefit payments in excess of the self-insured amounts. Contributions to the plan are based upon the number of participants and the types of coverage elected. Employees are responsible for 33.3% of the plan's required contributions and the College is responsible for the remaining required contributions. Accounts payable and other accrued expenses include an incurred but not reported reserve of approximately \$250,000 and \$280,000 as of June 30, 2024 and 2023, respectively. These are estimates of amounts due and payable on existing claims for which the College is self-insured and which are expected to be settled currently.

Note 13. Letters of Credit

The College is self-insured for unemployment compensation claims. As a result, the College has a \$252,771 bank letter of credit that was issued in favor of the Treasurer of the Wisconsin Unemployment Reserve Fund in order to assure payment of unemployment compensation. During December 2023, the College extended the expiration date of the bank letter of credit to December 31, 2027.

The College obtained an additional letter of credit for \$2,906,700 on April 22, 2024, which expires on March 31, 2025. The purpose of the letter of credit was to address a Financial Protection Alternative set by the Department of Education in order to assure the College has met financial responsibility standards to participate in Title IV, HEA programs.

Note 14. Endowment

The College's endowment includes more than 500 individual funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as quasi-endowments. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of relevant law: The College follows the guidance relative to the Wisconsin enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA). UPMIFA requires the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent any explicit donor stipulations to the contrary. As a result of this interpretation, the College classified as net assets with donor restrictions (a) the original value of the gifts donated to the perpetual endowment, (b) the original value of subsequent gifts to the perpetual endowment and (c) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

In accordance with UPMIFA, the College considers the following factors in deciding to appropriate or accumulate earnings on donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purpose of the College and the endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the College
7. The investment policies of the College

Beloit College and Subsidiaries

Notes to Consolidated Financial Statements

Note 14. Endowment (Continued)

Endowment asset composition by type of fund consists of the following as of June 30, 2024 and 2023:

	2024			2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 77,356,929	\$ 77,356,929	\$ -	\$ 76,309,421	\$ 76,309,421
Board-designated endowment funds	6,656,542	-	6,656,542	9,328,989	-	9,328,989
Total endowment assets	\$ 6,656,542	\$ 77,356,929	\$ 84,013,471	\$ 9,328,989	\$ 76,309,421	\$ 85,638,410

Changes in endowment assets for June 30, 2024 and 2023, are as follows:

	2024			2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Endowment assets, beginning	\$ 9,328,989	\$ 76,309,421	\$ 85,638,410	\$ 9,679,194	\$ 73,862,274	\$ 83,541,468
Investment return	441,857	7,152,490	7,594,347	262,405	4,938,955	5,201,360
Contributions and other additions	5,286	3,023,925	3,029,211	720,584	449,640	1,170,224
Appropriation of endowment assets	(1,105,104)	(7,494,723)	(8,599,827)	(1,317,369)	(5,353,517)	(6,670,886)
Repayment of appropriated bond fund	-	640,000	640,000	-	660,000	660,000
Other	(2,014,486)	1,422,659	(591,827)	(15,825)	1,752,069	1,736,244
Net asset release due to change in donor intent	-	(3,696,843)	(3,696,843)	-	-	-
Endowment assets, ending	\$ 6,656,542	\$ 77,356,929	\$ 84,013,471	\$ 9,328,989	\$ 76,309,421	\$ 85,638,410

Through resolutions, the Board of Trustees approved loans, with interest at 5%, from the endowment fund to supplement the College's operating activities. See Note 8 for further details regarding the buyback of the Series 2016 bonds. The endowment assets consist of the following at June 30:

	2024			2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Cash and investments	\$ 3,845,158	\$ 63,616,579	\$ 67,461,737	\$ 9,021,794	\$ 60,941,982	\$ 69,963,776
Endowment loan (payable) receivable	2,811,384	13,740,350	16,551,734	307,195	15,367,439	15,674,634
Endowment assets	\$ 6,656,542	\$ 77,356,929	\$ 84,013,471	\$ 9,328,989	\$ 76,309,421	\$ 85,638,410

Funds with deficiencies: From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the College to retain as a fund of perpetual duration. For the year ended June 30, 2024, deficiencies of this nature, reported in net assets with donor restrictions, had an original gift value of approximately \$16,626,000, a current fair market value of approximately \$13,716,000 and a deficiency of approximately \$2,910,000. For the year ended June 30, 2023, deficiencies of this nature, reported in net assets with donor restrictions, had an original gift value of approximately \$22,244,000, a current fair market value of approximately \$20,463,000 and a deficiency of approximately \$1,781,000. The deficiencies resulted from unfavorable market fluctuations that occurred after the investment of new net assets with donor restrictions and the continued distributions for certain programs that were deemed prudent by the Board of Trustees. Subsequent gains that restore the fair value of the assets of the endowment fund to the required level will be classified as an increase in net assets with donor restrictions.

Beloit College and Subsidiaries

Notes to Consolidated Financial Statements

Note 14. Endowment (Continued)

Return objectives and risk parameters: The College has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the College must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of various indices appropriate to the investment asset class while assuming a moderate level of investment risk. The College's investment objectives and policies are designed to meet the spending policy of the fund while also growing the assets of the fund at least equal to the long-term rate of inflation. Actual returns in any given year may vary from this amount.

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

Spending policy and how the investment objectives relate to spending policy: The College has a policy of appropriating for distribution each year approximately 4.5% of its endowment fund's average fair market value over the prior three years. In establishing this policy, the College considered the long-term expected return on its endowment. Accordingly, over the long term, the College expects the current spending policy to allow its endowment to maintain its purchasing power.

Note 15. New Markets Tax Credit and Historic Tax Credit Entities

New markets tax credit (NMTC) entities: On June 18, 2018, the College entered into a financing transaction with CCE related to a decommissioning and renovation project at the Blackhawk Power Station in Beloit, Wisconsin, to serve as the College's student and recreation center. CCE made a capital contribution, and the College made a loan to the Investment Fund under a qualified NMTC program. The NMTC program was provided for in the Community Renewal Tax Relief Act of 2000 (the Act) and is intended to induce capital investment in qualified low-income communities. The Act permits taxpayers to claim credits against their federal income taxes for up to 39% of qualified investments in the equity of community development entities (CDEs). CDEs are privately managed investment institutions that are required to make qualified low-income community investments.

In connection with the financing transaction, the College loaned \$10,111,700 to the Investment Fund in exchange for a 1% note due March 2048. The Investment Fund then contributed the loan proceeds along with other funds, to the Sub-CDEs, which in turn loaned the funds on similar terms to Powerhouse, as partial financing for the decommissioning and renovation project. The proceeds of the loan from the Sub-CDEs, including loans representing the capital contribution made by CCE are available only for use on the decommissioning and renovation project.

Simultaneously, CCE contributed \$4,863,300 to the Investment Fund and, as such, CCE is entitled to substantially all of the benefits derived from the NMTCs. The CCE contribution has been included in the College's consolidated statements of financial position and is presented separately as a liability. This transaction also includes a put provision whereby the College may be obligated to repurchase CCE's interest in the investment fund for \$1,000. If the put provision is not exercised by CCE, the College may choose to repurchase the equity interest of CCE for an amount equal to the fair market value (call option). The College believes that CCE will exercise the put option in June 2025 at the end of the recapture period. The value attributed to the put is de minimis. Additionally, the NMTC is subject to 100% recapture for a period of seven years as provided in the IRC.

Beloit College and Subsidiaries

Notes to Consolidated Financial Statements

Note 15. New Markets Tax Credit and Historic Tax Credit Entities (Continued)

Powerhouse is required to comply with various regulations and contractual provisions that apply to the NMTC arrangement during the recapture period. Noncompliance with applicable requirements could result in projected tax benefits not being realized and, therefore, require Powerhouse, together with the College to indemnify CCE's sole member for any loss or recapture of NMTCs related to the financing until such time as Powerhouse's obligation to deliver tax benefits is relieved. The College does not anticipate that any credit recaptures will be required in connection with this arrangement.

Powerhouse has determined that the financing arrangement established through the creation of the Investment Fund, together with the put and call agreements and indemnification agreement resulted in a variable interest in Investment Fund. In addition, Powerhouse has determined that the Investment Fund is a VIE. The ongoing activities of the VIE—collecting and remitting interest and fees and NMTC compliance—were all considered in the initial design and are not expected to significantly affect economic performance throughout the life of the VIE. Management considered the contractual arrangements that obligate Powerhouse to deliver tax benefits and provide various other guarantees to the structure, CCE's lack of a material interest in the underlying economics of the project and the fact that Powerhouse is obligated to absorb losses of the VIE. The College concluded that Powerhouse was the primary beneficiary and consolidated the VIE in accordance with the accounting guidance for consolidation. Incremental costs to maintain the structure during the compliance period will be recognized as incurred.

Historic tax credit (HTC) entities: On June 18, 2018, the College entered into an additional financial transaction with CCE relating to the renovation project discussed above. CCE and Holdings II made initial capital contributions of \$1,623,414 and \$16,398, respectively to Master Tenant. The Federal Historic Preservation Tax Incentive Program (Federal HTC) is administered by the Department of Interior's National Park Service in partnership with the Internal Revenue Services. The Federal HTC program provides funding for developers that rehabilitate certified historic landmarks and buildings into income generating properties that create jobs and promote economic revitalization.

In connection with the financing above, Master Tenant will loan certain capital contributions to Powerhouse in exchange for a 3.05% note due June 2048. As of June 30, 2024 and 2023, \$6,735,548 and \$6,760,548, respectively, was advanced under the note. In addition, capital contributions will be utilized for the purchase of certain furniture and equipment necessary to furnish the building when completed. The proceeds of the loan was used by Powerhouse for the renovation project. Total expected capital contributions from CCE and Holdings II are \$6,559,248, \$1,000,000 of which is for furniture and up to \$5,554,248 is available under the note agreement.

The CCE contributions through June 30, 2024 and 2023, of \$6,735,548 and \$6,760,548, respectively, have been included in the College's consolidated statements of financial position as a liability. Pursuant to the Master Tenant operating agreement, CCE has entered into a separate put option agreement. This agreement provides CCE with the option to put their membership interests in Master Tenant to Holdings II in exchange for the lesser of fair market value of the membership interest, and the sum of CCE's capital contributions times 5%, plus any accrued unpaid amounts and any past-due amounts. The put option begins 61 months after the building is placed in service and expires six months later. In addition, the Master Tenant operating agreement requires that a priority return be accrued annually for distribution to CCE in an amount equal to 3% of the CCE's capital contributions.

Powerhouse is required to comply with various regulations and contractual provisions that apply to the HTC arrangement during the recapture period. Noncompliance with applicable requirements could result in projected tax benefits not being realized and, therefore, require Powerhouse, together with the College, to guarantee payment to CCE for any recapture adjustments as well as other payments until such time as Powerhouse's obligation to deliver tax benefits is relieved. Powerhouse does not anticipate that any credit recaptures will be required in connection with this arrangement.

Beloit College and Subsidiaries

Notes to Consolidated Financial Statements

Note 15. New Markets Tax Credit and Historic Tax Credit Entities (Continued)

Powerhouse has determined that the financing arrangement established through the creation of the Master Tenant, together with the put option agreement and guarantee agreement resulted in a variable interest in Master Tenant. In addition, Powerhouse has determined that the Master Tenant is a VIE. The ongoing activities of the VIE—intercompany leasing arrangements, collecting and remitting interest and fees and HTC compliance—were all considered in the initial design and are not expected to significantly affect economic performance throughout the life of the VIE. Management considered the contractual arrangements that obligate Powerhouse to deliver tax benefits and provide various other guarantees to the structure, CCE's lack of a material interest in the underlying economics of the project and the fact that Powerhouse is obligated to absorb losses of the VIE. The College concluded that Powerhouse was the primary beneficiary and consolidated the VIE in accordance with the accounting guidance for consolidation. Incremental costs to maintain the structure during the compliance period will be recognized as incurred.

On June 18, 2018, the College and Powerhouse entered into a separate agreement with U.S. Bank National Association (U.S. Bank) for the sale of certain State Historic Tax Credits.

With respect to the rehabilitation of the building discussed above, Powerhouse has received certification from the Wisconsin Economic Development Corporation (WEDC) that the building is eligible for a maximum of \$7,500,938 of Wisconsin Historic Preservation Tax Credits for a Qualified Rehabilitated Building. Pursuant to this separate agreement, Powerhouse and the College agreed to transfer and assign to U.S. Bank these State Historic Tax Credits in exchange for an amount up to \$6,976,000. The tax credits were sold to U.S. Bank during the year ended June 30, 2020.

Note 16. Fair Value Measurements

Fair value is defined as the exchange price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the assets or liability in an orderly transaction between market participants at the measurement date. A three-level hierarchy is used for fair value measurements, which are based on the transparency of information, such as the pricing source, used in the valuation of an asset or liability as of the measurement date.

Financial instruments received and reported at fair value are classified and disclosed in one of the following three levels. There have been no changes in the techniques and inputs used at June 30, 2023 and 2022.

Level 1: Inputs are quoted prices unadjusted in active markets for identical assets or liabilities that the reporting entity can access at the measurement date.

Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. This includes quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, or market corroborated inputs.

Level 3: Inputs are unobservable for the asset or liability. Unobservable inputs reflect the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk, using the best information available in the circumstances.

Valuation techniques and inputs: Investments in mutual funds are traded on nationally recognized exchanges. Fair value is based on quoted market prices which are readily available.

Beloit College and Subsidiaries

Notes to Consolidated Financial Statements

Note 16. Fair Value Measurements (Continued)

The fair value of the College's alternative investments, including real estate investments, private equity funds and investment companies for which quoted market prices are not readily available, are estimated using the net asset value (NAV) as a practical expedient.

The fair value of funds held in trust by others for which quoted prices are not readily available are based on a combination of observable inputs (interest rates and yield curves) and significant unobservable inputs (entity specific estimates of cash flows). The fair values are measured at the present value of the future distributions the College expects to receive over the term of the agreements.

The fair value of investments in beneficial interest in perpetual trusts are estimated using an income approach by calculating the present value of the future distributions expected to be received based on a combination of observable inputs (interest rates and yield curves) and significant unobservable inputs (entity-specific estimates of cash flows).

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls has been determined based on the lowest level input that is significant to the fair value measurement in its entirety. The assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

While the College believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

The following table presents information about the College's assets and liabilities measured at fair value on a recurring basis as of June 30, 2024, based upon the three-tier hierarchy:

	Total	Level 1	Level 2	Level 3
Assets:				
Investments:				
Mutual funds—bonds:				
U.S. bonds	\$ 11,826,072	\$ 11,826,072	\$ -	\$ -
Non-U.S. bonds	2,805,452	2,805,452	-	-
Mutual funds—equities:				
U.S. equities	39,815,910	39,815,910	-	-
Non-U.S. equities	666,638	666,638	-	-
Real estate investment	16,300	-	-	16,300
	<u>55,130,372</u>	<u>\$ 55,114,072</u>	<u>\$ -</u>	<u>\$ 16,300</u>
Investments in funds measured at NAV:				
Investment companies	10,600,847			
Private equity funds	2,560,200			
Investments not recorded at fair value:				
Money market funds	101,475			
Accrued interest and dividends	5,084			
Total investments	<u>\$ 68,397,978</u>			
Funds held in trust by others	<u>\$ 1,074,139</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,074,139</u>
Beneficial interest in perpetual trusts	<u>\$ 3,338,632</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,338,632</u>

Beloit College and Subsidiaries

Notes to Consolidated Financial Statements

Note 16. Fair Value Measurements (Continued)

The following table presents information about the College's assets and liabilities measured at fair value on a recurring basis as of June 30, 2023, based upon the three-tier hierarchy:

	Total	Level 1	Level 2	Level 3
Assets:				
Investments:				
Mutual funds—bonds:				
U.S. bonds	\$ 16,555,919	\$ 16,555,919	\$ -	\$ -
Non-U.S. bonds	2,629,911	2,629,911	-	-
Mutual funds—equities:				
U.S. equities	23,973,427	23,973,427	-	-
Non-U.S. equities	14,002,170	14,002,170	-	-
Real estate investment	16,300	-	-	16,300
	<u>57,177,727</u>	<u>\$ 57,161,427</u>	<u>\$ -</u>	<u>\$ 16,300</u>
Investments in funds measured at NAV:				
Investment companies	10,401,585			
Private equity funds	3,236,825			
Investments not recorded at fair value:				
Money market funds	43,090			
Accrued interest and dividends	4,509			
Total investments	<u>\$ 70,863,736</u>			
Funds held in trust by others	\$ 1,061,286	\$ -	\$ -	\$ 1,061,286
Beneficial interest in perpetual trusts	\$ 3,125,778	\$ -	\$ -	\$ 3,125,778

The following table presents a reconciliation of financial instruments measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended June 30, 2024 and 2023:

	Real Estate Investment	Funds Held in Trust for Others	Beneficial Interest in Perpetual Trust
Balance June 30, 2022	\$ 16,300	\$ 776,278	\$ 3,008,461
Change in value	-	285,008	117,317
Balance June 30, 2023	16,300	1,061,286	3,125,778
Change in value	-	12,853	212,854
Balance June 30, 2024	<u>\$ 16,300</u>	<u>\$ 1,074,139</u>	<u>\$ 3,338,632</u>

The College uses the NAV as a practical expedient to determine fair value. The NAV is based on the underlying investments of the funds. Investments valued using NAV as a practical expedient are not included in the levels within the fair value hierarchy.

Beloit College and Subsidiaries

Notes to Consolidated Financial Statements

Note 16. Fair Value Measurements (Continued)

The following table sets forth additional disclosures of the College's private equity alternative investments whose fair value was estimated using NAV as a practical expedient as of June 30:

	Fair Value		Unfunded Commitments as of June 30, 2024
	2024	2023	
Abbott Capital VI	\$ 1,320,581	\$ 1,640,133	\$ 25,000
Rockwood	1,134,362	1,446,943	55,168
Crow	42,447	103,339	257,507
Other	62,810	46,410	-
	<u>\$ 2,560,200</u>	<u>\$ 3,236,825</u>	<u>\$ 337,675</u>

The private equity funds listed above have fixed termination dates and the College may not redeem prior to those dates. The term for these agreements is within 10 to 12 years from the initial investment.

The alternative investments seek to take long and short positions primarily in equity securities of publicly traded companies. The funds' principal objective is to deliver risk-adjusted returns with low correlations to market indices.

The following table summarizes the College's investments in investment companies by strategy, which are valued using the practical expedient as of June 30, 2024 and 2023:

Investment Strategy	Fair Value		Redemptions Permitted	Redemption Notice Period in Days
	2024	2023		
Multistrategy	\$ 9,460,119	\$ 9,043,954	Quarterly	65
Education, health care and storage real estate	1,140,728	1,302,643	N/A	N/A
Global real estate	-	54,988	N/A	N/A
	<u>\$ 10,600,847</u>	<u>\$ 10,401,585</u>		

Beloit College and Subsidiaries

Notes to Consolidated Financial Statements

Note 17. Functional Expenses

The College's expenses have been classified according to their function and natural expenses as follows for the years ended June 30, 2024 and 2023:

2024						
	Instructional	Student Services	Academic Support	Auxiliary Enterprises	General and Administrative	Total
Salaries	\$ 6,789,707	\$ 3,477,361	\$ 1,492,318	\$ 864,194	\$ 4,985,828	\$ 17,609,408
Benefits	1,992,206	960,674	455,982	284,753	2,141,984	5,835,599
Student employment	128,086	390,513	184,866	154,752	135,833	994,050
Supplies	224,763	877,200	136,840	193,774	298,684	1,731,261
Services	1,490,984	1,786,617	992,964	3,744,612	4,065,880	12,081,057
Travel/meals	296,298	699,596	362,027	8,033	399,218	1,765,172
Utilities	372,742	345,150	131,918	548,317	98,774	1,496,901
Interest	12,221	-	-	15,695	552,117	580,033
Depreciation	571,951	593,481	380,408	1,247,194	2,261,403	5,054,437
Other	194,559	(3,571)	465,777	(7,325)	784,964	1,434,404
Total	\$ 12,073,517	\$ 9,127,021	\$ 4,603,100	\$ 7,053,999	\$ 15,724,685	\$ 48,582,322

2023						
	Instructional	Student Services	Academic Support	Auxiliary Enterprises	General and Administrative	Total
Salaries	\$ 6,914,038	\$ 3,731,213	\$ 1,586,593	\$ 840,015	\$ 4,546,604	\$ 17,618,463
Benefits	2,059,111	1,034,122	472,838	301,090	2,240,373	6,107,534
Student employment	132,189	378,311	201,130	196,802	141,389	1,049,821
Supplies	240,767	481,298	124,596	226,910	482,513	1,556,084
Services	1,168,491	1,348,678	860,829	3,656,589	4,512,961	11,547,548
Travel/meals	315,598	735,462	370,515	6,125	494,256	1,921,956
Utilities	374,382	346,267	131,700	550,475	76,948	1,479,772
Interest	12,622	-	-	16,210	442,386	471,218
Depreciation	575,456	589,790	353,210	1,331,523	2,176,685	5,026,664
Other	191,218	93,923	839,893	145,824	230,964	1,501,822
Total	\$ 11,983,872	\$ 8,739,064	\$ 4,941,304	\$ 7,271,563	\$ 15,345,079	\$ 48,280,882

The consolidated financial statements present certain expenses that are attributable to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Costs not directly attributable to a function include plant maintenance, depreciation, amortization, and other occupancy costs and are allocated based on square footage and tuition remission which is allocated based on total salaries. Salaries and benefits are allocated based on time and effort in each program.

Note 18. Contingencies

The College has certain claims and pending legal proceedings that generally involve employment issues. These proceedings are, in the opinion of management, ordinary routine matters incidental to the normal business conducted by the College. In the opinion of management, the ultimate disposition of such proceedings are not expected to have a material adverse effect on the College's financial position, consolidated statements of activities, or cash flows.

Beloit College and Subsidiaries

Notes to Consolidated Financial Statements

Note 19. Nonfinancial Contributions

The College receives in-kind contributions in the form of artwork, books and other media, which are included in the accompanying consolidated statements of activities as nonfinancial contributions. Tangible gifts will be credited to the donor at full fair market value at the time of the gift, contingent upon the College's acceptance of the gift. Gifts may not have restrictions or limiting conditions, such as requirements concerning sale of the items, for College to accept. The College did not monetize any contributed nonfinancial assets. Unless otherwise noted, contributed nonfinancial assets did not have donor restrictions.

Donated goods for the years ended June 30, 2024 and 2023, were as follows:

	Valuation Techniques and Inputs	Utilization in Programs/Activities	2024	2023
Works of art and photography	Fair value is estimated using an independent appraisal for gifts valued at \$5,000 or more and by College's qualified expert for gifts under \$5,000.	Wright Museum Permanent Collection, Archives, Wright Museum campus art, Logan Museum Education Collection	\$ 17,025	\$ 271,095
Books and written publications	Fair value is estimated based on wholesale value that would be received selling similar product in the United States.	Library collection, Sustainable Shelves program, Logan Museum Education Collection, Archives	135	1,099
Media productions	Fair value is estimated based on wholesale value that would be received selling similar product in the United States.	Archives, CELEB educational program	-	2,022
Supplies and other	Fair value is estimated based on wholesale value that would be received selling similar product in the United States.	Education and student lessons	371	3,000
			<u>\$ 17,531</u>	<u>\$ 277,216</u>

Note 20. Related Parties

Contributions from trustees, officers, and employees totaled \$1,802,391 and \$2,389,206 during the years ended June 30, 2024 and 2023, respectively. As of June 30, 2024 and 2023, the College had \$644,339 and \$1,351,103, respectively, of gross contributions receivable from board members and employees.

Supplementary Information

Beloit College and Subsidiaries

Consolidating Statement of Financial Position June 30, 2024

	Beloit College	Beloit Powerhouse Holdings, Inc.	Beloit Powerhouse Holdings II, LLC	Beloit Powerhouse, LLC and Affiliates	Eliminations	Total
Assets						
Cash and cash equivalents	\$ 7,222,643	\$ -	\$ -	\$ 1,633,098	\$ -	\$ 8,855,741
Accounts receivable, net	6,563,693	-	-	2,580,576	(5,608,426)	3,535,843
Contributions receivable, net	1,467,687	-	-	-	-	1,467,687
Student loans receivable, net	7,821,870	-	-	-	-	7,821,870
Other assets	1,388,054	-	-	20,000	-	1,408,054
Investments	68,397,978	-	-	-	-	68,397,978
Property, plant and equipment, net	66,534,505	-	-	41,421,110	(2,839,830)	105,115,785
Operating right-of-use lease asset	10,550,757	-	-	-	(10,438,212)	112,545
Funds held in trust by others	1,074,139	-	-	-	-	1,074,139
Beneficial interest in perpetual trusts	3,338,632	-	-	-	-	3,338,632
Note receivable, affiliate	10,111,700	-	-	-	(10,111,700)	-
Investment in subsidiaries	25,126,046	969,935	18,676,356	-	(44,772,337)	-
Total assets	\$ 209,597,704	\$ 969,935	\$ 18,676,356	\$ 45,654,784	\$ (73,770,505)	\$ 201,128,274
Liabilities and Net Assets						
Liabilities:						
Accounts payable and other accrued liabilities	\$ 3,169,384	\$ -	\$ -	\$ 3,363,994	\$ (3,875,863)	\$ 2,657,515
Deferred revenue	1,146,268	-	-	-	-	1,146,268
Student deposits	318,849	-	-	-	-	318,849
Other liabilities	118,746	-	-	-	-	118,746
Refundable advance from U.S. government	-	-	-	-	-	-
Annuities payable	3,356,960	-	-	-	-	3,356,960
New market tax credit obligation	-	-	-	4,863,300	-	4,863,300
Long-term debt	10,765,161	-	-	-	(180,539)	10,584,622
Operating right-of-use lease liability	12,352,484	-	-	-	(12,240,413)	112,071
Historic tax credit obligation	-	-	-	6,338,985	-	6,338,985
Notes payable, affiliates	-	-	-	9,931,161	(9,931,161)	-
Total liabilities	31,227,852	-	-	24,497,440	(26,227,976)	29,497,316
Net assets:						
Net assets without donor restrictions	54,614,601	969,935	18,676,356	20,639,115	(47,542,529)	47,357,478
Net assets with donor restrictions	123,755,251	-	-	-	-	123,755,251
Noncontrolling interest in net assets without donor restrictions	-	-	-	518,229	-	518,229
Total net assets	178,369,852	969,935	18,676,356	21,157,344	(47,542,529)	171,630,958
Total liabilities and net assets	\$ 209,597,704	\$ 969,935	\$ 18,676,356	\$ 45,654,784	\$ (73,770,505)	\$ 201,128,274

Beloit College and Subsidiaries

Consolidating Statement of Activities Year Ended June 30, 2024

	Net Assets Without Donor Restrictions					Net Assets With Donor Restrictions		
	Beloit College	Beloit Powerhouse Holdings, Inc.	Beloit Powerhouse Holdings II, LLC	Beloit Powerhouse, LLC and Affiliates	Eliminations	Total	Beloit College	Total
Operating revenues:								
Student tuition and fees	\$ 49,764,159	\$ -	\$ -	\$ -	\$ -	\$ 49,764,159	\$ -	\$ 49,764,159
Less:								
Funded student financial assistance	(3,543,063)	-	-	-	-	(3,543,063)	-	(3,543,063)
Unfunded student financial assistance	(33,431,793)	-	-	-	-	(33,431,793)	-	(33,431,793)
Net student tuition and fees	12,789,303	-	-	-	-	12,789,303	-	12,789,303
Auxiliary enterprises	7,987,550	-	-	-	-	7,987,550	-	7,987,550
Financial contributions	4,282,409	-	-	-	-	4,282,409	2,151,866	6,434,275
Nonfinancial contributions	17,531	-	-	-	-	17,531	-	17,531
Government contracts and grants	9,496,479	-	-	-	-	9,496,479	-	9,496,479
Investment return allocated for operations	1,105,104	-	-	-	-	1,105,104	7,494,723	8,599,827
Other income	1,123,440	-	-	1,403,192	(1,249,489)	1,277,143	-	1,277,143
Net assets released from restrictions	10,332,657	-	-	-	-	10,332,657	(10,332,657)	-
Total operating revenues	47,134,473	-	-	1,403,192	(1,249,489)	47,288,176	(686,068)	46,602,108
Operating expenses:								
Salaries	17,609,408	-	-	-	-	17,609,408	-	17,609,408
Benefits	5,835,599	-	-	-	-	5,835,599	-	5,835,599
Student employment	994,050	-	-	-	-	994,050	-	994,050
Supplies	1,731,261	-	-	-	-	1,731,261	-	1,731,261
Services	13,320,552	-	-	10,000	(1,249,495)	12,081,057	-	12,081,057
Travel and meals	1,765,172	-	-	-	-	1,765,172	-	1,765,172
Utilities	1,496,901	-	-	-	-	1,496,901	-	1,496,901
Interest	580,033	-	-	-	-	580,033	-	580,033
Depreciation	3,873,413	-	-	1,291,438	(110,414)	5,054,437	-	5,054,437
Other	1,229,732	-	-	204,672	-	1,434,404	-	1,434,404
Total operating expenses	48,436,121	-	-	1,506,110	(1,359,909)	48,582,322	-	48,582,322
Net (decrease) increase from operations	(1,301,648)	-	-	(102,918)	110,420	(1,294,146)	(686,068)	(1,980,214)
Nonoperating activities:								
Investment income:								
Interest income	373,592	-	-	-	-	373,592	710,903	1,084,495
Net gain on investments	50,063	-	-	-	-	50,063	6,214,251	6,264,314
Total investment gain	423,655	-	-	-	-	423,655	6,925,154	7,348,809
Investment return allocated for operations	(1,105,104)	-	-	-	-	(1,105,104)	(7,494,723)	(8,599,827)
	(681,449)	-	-	-	-	(681,449)	(569,569)	(1,251,018)
Interest income on cash and cash equivalents	320,883	-	-	-	-	320,883	232,906	553,789
Endowment gifts	5,286	-	-	-	-	5,286	3,023,925	3,029,211
Capital gifts and grants	-	-	-	-	-	-	222,393	222,393
Changes in value of split-interest agreements	(4,664)	-	-	-	-	(4,664)	231,892	227,228
Loss from subsidiaries	(256,045)	(17,543)	(238,469)	-	512,057	-	-	-
Net assets released due to change in donor intent	3,696,843	-	-	-	-	3,696,843	(3,696,843)	-
Other nonoperating activities	218,116	-	-	-	-	218,116	976,798	1,194,914
Total nonoperating activities	3,298,970	(17,543)	(238,469)	-	512,057	3,555,015	421,502	3,976,517
Change in net assets	1,997,322	(17,543)	(238,469)	(102,918)	622,477	2,260,869	(264,566)	1,996,303
Net assets at beginning of period	52,617,279	987,478	18,914,825	21,260,262	(48,165,006)	45,614,838	124,019,817	169,634,655
Net assets at end of period	\$ 54,614,601	\$ 969,935	\$ 18,676,356	\$ 21,157,344	\$ (47,542,529)	\$ 47,875,707	\$ 123,755,251	\$ 171,630,958

Beloit Powerhouse, LLC and Affiliates

Consolidating Statement of Financial Position June 30, 2024

	Beloit Powerhouse, LLC	Powerhouse Master Tenant, LLC	Chase NMTC Beloit Powerhouse Investment Fund, LLC	Sub-CDEs*	Eliminations	Total
Assets						
Cash and cash equivalents	\$ 560,282	\$ 167,447	\$ -	\$ 905,369	\$ -	\$ 1,633,098
Accounts receivable, net	2,789,772	2,816,195	-	-	(3,025,391)	2,580,576
Other assets	10,000	10,000	-	-	-	20,000
Property, plant and equipment, net	40,869,373	551,737	-	-	-	41,421,110
Notes receivable, affiliate	-	6,735,548	-	14,310,000	(21,045,548)	-
Operating right-of-use lease asset	-	7,354,974	-	-	(7,354,974)	-
Investment in subsidiaries	-	-	15,213,847	-	(15,213,847)	-
Total assets	\$ 44,229,427	\$ 17,635,901	\$ 15,213,847	\$ 15,215,369	\$ (46,639,760)	\$ 45,654,784
Liabilities and Equity						
Liabilities:						
Accounts payable and other accrued liabilities	\$ 2,323,106	\$ 3,454,867	\$ 168,303	\$ -	\$ (2,582,282)	\$ 3,363,994
Notes payable, affiliates	20,865,009	-	10,111,700	-	(21,045,548)	9,931,161
Operating right-of-use lease liability	-	9,336,746	-	-	(9,336,746)	-
New market tax credit obligation	-	-	4,863,300	-	-	4,863,300
Historic tax credit obligation	-	6,338,985	-	-	-	6,338,985
Total liabilities	23,188,115	19,130,598	15,143,303	-	(32,964,576)	24,497,440
Equity:						
Beloit Powerhouse, LLC members' equity	21,041,312	(1,494,697)	-	-	1,092,500	20,639,115
Noncontrolling interest	-	-	70,544	15,215,369	(14,767,684)	518,229
Total equity	21,041,312	(1,494,697)	70,544	15,215,369	(13,675,184)	21,157,344
Total liabilities and equity	\$ 44,229,427	\$ 17,635,901	\$ 15,213,847	\$ 15,215,369	\$ (46,639,760)	\$ 45,654,784

*The Sub-CDE column includes the activity of BH New Markets Sub-CDE 18, LLC, Brownfield Revitalization 48, LLC and CNMC Sub-CDE 165, LLC, which are variable interest entities of Beloit Powerhouse, LLC.

Beloit Powerhouse, LLC and Affiliates

Consolidating Statement of Income Year Ended June 30, 2024

	Beloit Powerhouse, LLC	Powerhouse Master Tenant, LLC	Chase NMTC Beloit Powerhouse Investment Fund, LLC	Sub-CDEs*	Eliminations	Total
Operating revenues:						
Other income	\$ 1,251,679	\$ 1,455,954	\$ -	\$ 153,132	\$ (1,457,573)	\$ 1,403,192
Income from subsidiaries	-	-	153,116	-	(153,116)	-
Total operating revenues	1,251,679	1,455,954	153,116	153,132	(1,610,689)	1,403,192
Operating expenses:						
Other operating expenses	1,602,571	1,807,275	-	-	(1,903,736)	1,506,110
Total operating expenses	1,602,571	1,807,275	-	-	(1,903,736)	1,506,110
Nonoperating activities	-	-	-	-	-	-
Net (loss) income	\$ (350,892)	\$ (351,321)	\$ 153,116	\$ 153,132	\$ 293,047	\$ (102,918)

*The Sub-CDE column includes the activity of BH New Markets Sub-CDE 18, LLC, Brownfield Revitalization 48, LLC and CNMC Sub-CDE 165, LLC, which are variable interest entities of Beloit Powerhouse, LLC.

Beloit College**Schedule of Investments Held
June 30, 2024 (Unaudited)**

	Cost	Market	Unrealized Gain (Loss)
Equities:			
U.S. equities	\$ 33,543,348	\$ 39,815,910	\$ 6,272,562
Non-U.S. equities	603,375	666,638	63,263
Total equities	34,146,723	40,482,548	6,335,825
Fixed income:			
U.S. bonds	12,888,955	11,826,072	(1,062,883)
Non-U.S. bonds	3,159,793	2,805,452	(354,341)
Total equities	16,048,748	14,631,524	(1,417,224)
Other funds:			
Money market	101,475	101,475	-
Equity REITS	16,300	16,300	-
Investment companies	9,846,816	10,600,847	754,031
Private equity funds	3,733,338	2,560,200	(1,173,138)
Total other funds	13,697,929	13,278,822	(419,107)
Accrued interest and pending trades	5,084	5,084	-
Total	\$ 63,898,484	\$ 68,397,978	\$ 4,499,494