

RHODES COLLEGE

CONSOLIDATED FINANCIAL STATEMENTS

As of and for the Years Ended June 30, 2024 and 2023

And Report of Independent Auditor

RHODES COLLEGE
TABLE OF CONTENTS

REPORT OF INDEPENDENT AUDITOR..... 1-2

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Statements of Financial Position.....3

Consolidated Statements of Activities..... 4-5

Consolidated Statements of Cash Flows6

Notes to the Consolidated Financial Statements 7-26

Report of Independent Auditor

To the Board of Trustees
Rhodes College
Memphis, Tennessee

Opinion

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are required to be independent of the College and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our 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 Consolidated Financial Statements

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

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

Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2024, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and on compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Cherry Bekaert LLP

Orlando, Florida
October 15, 2024

RHODES COLLEGE
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2024 AND 2023

	2024	2023
ASSETS		
Cash and cash equivalents	\$ 4,140,190	\$ 9,955,868
Contributions receivable, net	4,270,726	4,346,572
Student receivables, net	991,988	850,930
Other receivables, net	753,380	426,343
Investments	395,859,471	373,658,110
Investments held in charitable remainder trusts	9,836,142	9,572,197
Assets held in trust by others	65,230,768	61,505,431
Other assets	1,870,531	1,990,639
Property and equipment, net	173,585,626	178,720,018
Total Assets	\$ 656,538,822	\$ 641,026,108
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 13,037,707	\$ 12,628,900
Due to annuitants	4,804,127	4,261,934
Unearned income	361,973	1,050,344
Amounts held in custody for others	67,386	64,799
Accrued postretirement benefits	16,033,000	13,914,000
Long-term debt	74,539,744	80,483,168
Total Liabilities	108,843,937	112,403,145
Net Assets:		
Without donor restrictions	190,562,447	197,026,470
With donor restrictions	357,132,438	331,596,493
Total Net Assets	547,694,885	528,622,963
Total Liabilities and Net Assets	\$ 656,538,822	\$ 641,026,108

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

RHODES COLLEGE
CONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2024 (WITH SUMMARIZED TOTALS FOR 2023)

	Without Donor Restrictions	With Donor Restrictions	2024 Total	2023 Total
Operating:				
Revenues:				
Net tuition and fees	\$ 38,123,475	\$ -	\$ 38,123,475	\$ 36,934,612
Gifts and grants	2,445,953	6,055,902	8,501,855	8,936,635
Endowment income and gains distributed	9,014,907	10,643,579	19,658,486	17,666,590
Investment return on short and intermediate term investments	739,904	44,183	784,087	786,055
Income from auxiliary enterprises	20,146,115	-	20,146,115	18,625,782
Other income	963,440	2,754,261	3,717,701	2,806,566
Net assets released from restrictions	20,238,631	(20,238,631)	-	-
Total Revenues	91,672,425	(740,706)	90,931,719	85,756,240
Expenses:				
Program Expenses:				
Academic instruction	34,398,236	-	34,398,236	33,848,074
Academic support	13,044,640	-	13,044,640	10,367,617
Student services	20,965,205	-	20,965,205	20,494,495
Auxiliary enterprises	16,825,544	-	16,825,544	15,424,958
Total Program Expenses	85,233,625	-	85,233,625	80,135,144
Management and General Expenses:				
Institutional support	13,489,543	-	13,489,543	12,491,723
Total Expenses	98,723,168	-	98,723,168	92,626,867
Change in net assets from operating activities	(7,050,743)	(740,706)	(7,791,449)	(6,870,627)
Nonoperating:				
Gifts and grants	315,117	1,865,927	2,181,044	3,752,316
Endowment income and gains distributed	(9,014,907)	(10,643,579)	(19,658,486)	(17,666,590)
Investment return, net	11,097,205	35,978,190	47,075,395	28,448,891
Other	(168,368)	-	(168,368)	-
Net assets released from restrictions	485,673	(485,673)	-	-
Change in value of charitable remainder trust agreements	-	(438,214)	(438,214)	69,017
Actuarial loss on postretirement benefit obligation	(2,128,000)	-	(2,128,000)	(117,000)
Change in net assets from nonoperating activities	586,720	26,276,651	26,863,371	14,486,634
Change in net assets	(6,464,023)	25,535,945	19,071,922	7,616,007
Net assets at beginning of year	197,026,470	331,596,493	528,622,963	521,006,956
Net assets at end of year	\$ 190,562,447	\$ 357,132,438	\$ 547,694,885	\$ 528,622,963

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

RHODES COLLEGE
CONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2023

	Without Donor Restrictions	With Donor Restrictions	2023 Total
Operating:			
Revenues:			
Net tuition and fees	\$ 36,934,612	\$ -	\$ 36,934,612
Gifts and grants	2,578,072	6,358,563	8,936,635
Endowment income and gains distributed	7,637,049	10,029,541	17,666,590
Investment return on short and intermediate term investments	789,939	(3,884)	786,055
Income from auxiliary enterprises	18,625,782	-	18,625,782
Other income	599,827	2,206,739	2,806,566
Net assets released from restrictions	19,471,804	(19,471,804)	-
Total Revenues	<u>86,637,085</u>	<u>(880,845)</u>	<u>85,756,240</u>
Expenses:			
Program Expenses:			
Academic instruction	33,848,074	-	33,848,074
Academic support	10,367,617	-	10,367,617
Student services	20,494,495	-	20,494,495
Auxiliary enterprises	15,424,958	-	15,424,958
Total Program Expenses	80,135,144	-	80,135,144
Management and General Expenses:			
Institutional support	12,491,723	-	12,491,723
Total Expenses	<u>92,626,867</u>	<u>-</u>	<u>92,626,867</u>
Change in net assets from operating activities	<u>(5,989,782)</u>	<u>(880,845)</u>	<u>(6,870,627)</u>
Nonoperating:			
Gifts and grants	297,848	3,454,468	3,752,316
Endowment income and gains distributed	(7,637,049)	(10,029,541)	(17,666,590)
Investment return, net	7,361,238	21,087,653	28,448,891
Net assets released from restrictions	457,800	(457,800)	-
Change in value of charitable remainder trust agreements	-	69,017	69,017
Actuarial loss on postretirement benefit obligation	(117,000)	-	(117,000)
Change in net assets from nonoperating activities	<u>362,837</u>	<u>14,123,797</u>	<u>14,486,634</u>
Change in net assets	(5,626,945)	13,242,952	7,616,007
Net assets at beginning of year	<u>202,653,415</u>	<u>318,353,541</u>	<u>521,006,956</u>
Net assets at end of year	<u>\$ 197,026,470</u>	<u>\$ 331,596,493</u>	<u>\$ 528,622,963</u>

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

RHODES COLLEGE
CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2024 AND 2023

	2024	2023
Cash flows from operating activities:		
Change in net assets	\$ 19,071,922	\$ 7,616,007
Adjustments to reconcile change in net assets to net cash from operating activities:		
Net realized and unrealized gains	(44,298,697)	(24,095,133)
Depreciation	9,745,175	8,522,187
Gifts for restricted purposes	(2,086,654)	(2,859,219)
Income restricted for long-term investment	(51,160)	(39,608)
Change in value of charitable remainder trust agreements	438,214	(69,017)
Provision for postretirement benefits	(8,000)	(169,000)
Actuarial loss on postretirement benefit obligation	2,127,000	117,000
Amortization of bond premium	(650,144)	(675,092)
Changes in operating assets and liabilities:		
Contributions receivable, net	75,846	(630,717)
Student receivables, net	(141,058)	(385,412)
Other receivables, net	(327,037)	216,458
Accounts payable and accrued expenses	1,231,412	(2,351,178)
Unearned income	(688,371)	(652,997)
Other	871,198	496,198
Net cash flows from operating activities	<u>(14,690,354)</u>	<u>(14,959,523)</u>
Cash flows from investing activities:		
Purchases of property and equipment	(5,440,825)	(15,427,617)
Purchases of investments	(63,128,559)	(61,800,833)
Proceeds from sales of investments	76,131,277	86,289,821
Net change in assets held in trust	<u>5,105,336</u>	<u>(339,573)</u>
Net cash flows from investing activities	<u>12,667,229</u>	<u>8,721,798</u>
Cash flows from financing activities:		
Gifts for restricted purposes	2,086,654	2,859,219
Income restricted for long-term investment	51,160	39,608
Payments on long-term debt	(5,340,542)	(2,158,987)
Payments to annuitants	<u>(589,825)</u>	<u>(663,137)</u>
Net cash flows from financing activities	<u>(3,792,553)</u>	<u>76,703</u>
Net decrease in cash and cash equivalents	(5,815,678)	(6,161,022)
Cash and cash equivalents at beginning of year	<u>9,955,868</u>	<u>16,116,890</u>
Cash and cash equivalents at end of year	<u>\$ 4,140,190</u>	<u>\$ 9,955,868</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	<u>\$ 3,039,305</u>	<u>\$ 3,202,541</u>
Noncash investing activities:		
Change in construction payables	<u>\$ (822,605)</u>	<u>\$ (13,823)</u>

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

RHODES COLLEGE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

Note 1—Nature of activities

Rhodes College (the “College”), founded in 1848, is a private, not-for-profit, coeducational institution located in Memphis, Tennessee with an enrollment of approximately 2,000 students. The primary mission of the College is to provide a liberal arts education at the undergraduate level. The College derives revenue primarily from tuition, room and board charges to students, gifts received from donors, and income earned on investments.

The consolidated financial statements include the accounts of Lynxco, LLC (“Lynxco”), a wholly-owned subsidiary of the College. Lynxco was formed solely for the purpose of acquiring, holding, operating, and maintaining certain land, building, and equipment (the “Property”) and to assume the seller’s outstanding note payable and perform the obligations thereunder. Lynxco is not engaged in any business unrelated to the acquisition, ownership, management, or operating of the Property. The College eliminates all material intercompany accounts and transactions in consolidation. The College dissolved Lynxco during the year ended June 30, 2024.

Note 2—Summary of significant accounting policies

Basis of Presentation – The College’s consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). Based on the existence or absence of donor-imposed restrictions, the College classifies resources into two categories: without donor restrictions and with donor restrictions.

Without Donor Restrictions – Net assets without donor restrictions are free of donor-imposed restrictions. All revenues, gains, and losses that are not restricted by donors are included in this classification. All expenditures are reported in the without donor restrictions class of net assets, including expenditures funded by restricted contributions. Expenditures funded by restricted contributions are reported in the without donor restrictions net asset class because the use of restricted contributions in accordance with donors’ stipulations results in the release of such restrictions.

With Donor Restrictions – Net assets with donor restrictions are limited as to use by donor-imposed stipulations that may expire with the passage of time or that may be satisfied by action of the College. Net assets with donor restrictions are designated by donors for specific purposes, and include unconditional contributions receivable, split-interest agreements, interests in trusts held by others, and accumulated appreciation on donor-restricted endowments which have not been appropriated by the Board of Trustees (the “Board”) for distribution. Some net assets with donor restrictions are required by donors to be held in perpetuity. The donors of substantially all net assets to be held in perpetuity permit the College to use a portion of the income earned on the related investments for specified purposes.

Expirations of restrictions on net assets as the result of the passage of time and/or fulfilling donor-imposed stipulations are reported as net assets released from restrictions between the applicable classes of net assets in the consolidated statements of activities.

Cash and Cash Equivalents – Cash and cash equivalents, reported at fair value, include cash and all highly liquid investments with a maturity of three months or less when purchased.

Student Receivables – Student receivables consist of amounts billed to students for tuition, fees, and auxiliary charges. Student accounts receivables are presented net of an allowance for credit losses, which is an estimate of amounts that may not be collectible. The College separates student accounts receivable into risk pools based on their aging. In determining the amount of the allowance, the College develops a loss rate for each risk pool. The loss rate is based on management’s expectations about current and future economic conditions.

RHODES COLLEGE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

Note 2—Summary of significant accounting policies (continued)

Student receivables as of June 30 were as follows:

	2024	2023
Student accounts receivable	\$ 1,801,257	\$ 1,405,512
Less allowance for credit losses	(809,269)	(554,582)
	<u>\$ 991,988</u>	<u>\$ 850,930</u>

Changes in the allowance for credit losses for the year ended June 30, 2024 were as follows:

	2024
Beginning balance	\$ 554,582
Provision	255,116
Write-offs	(429)
Ending balance	<u>\$ 809,269</u>

Contributions Receivable and Revenue – Contributions, including contributions receivable, are recognized as revenue in the period received. Revenues from contributions may be subject to conditions, in the form of both a barrier to entitlement and refund of amounts paid (or a release from obligation to make future payments). Conditional promises to give are not recognized until donor stipulations are met. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give, with payments due to the College beyond one year, are recorded as net assets with donor restrictions at the estimated present value of the expected future cash flows, using credit risk adjusted rates applicable to the years in which the promises are expected to be received. Amortization of the discounts is recorded as contribution revenue in the appropriate net asset class.

An allowance for uncollectible contributions receivable is provided based upon management's judgment of such factors as prior collection history, type of contribution, and other relevant factors.

Investments – Investments, investments held in charitable remainder trusts, and assets held in trust by others are recorded at fair value and include investments in debt and equity securities and alternative investments. Fair value for these investments is based on quoted prices in active markets, if available. If the market is inactive, fair value is determined by underlying managers and reviewed by the College after considering the sources of information.

Alternative investments consist primarily of investments in pooled investment vehicles and direct investment manager allocations and are included in investments and assets held in trust by others in the consolidated statements of financial position. The investments include investments in publicly traded equity securities, long/short-hedged equity, private equity companies, private debt, private real estate, commodities, timber, and pooled vehicles that employ a variety of trading styles or strategies, including, but not limited to, merger arbitrage, event driven investing, fixed income relative value, and other market neutral strategies. The underlying assets are reflected at estimated fair value. Depending on the underlying asset, the estimated fair value is determined by the investment manager utilizing the net asset valuations provided by the underlying asset's manager or through national exchange prices for securities with a readily determinable value. Due to the inherent uncertainty of these estimates, these values may differ from the values that would have been used had a ready market for these investments existed and the differences could be material.

Donated investments are recorded at fair value at the date of the gift to the College. In addition, all investment income, expenses, gains, and losses are reported as investment return in the consolidated statements of activities.

RHODES COLLEGE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

Note 2—Summary of significant accounting policies (continued)

The Board designates only a portion of the College's cumulative endowment investment return for support of current operations; the remainder is retained to support operations of future years and to offset potential market declines. The College utilizes a spending rate policy to determine the amount of cumulative endowment investment return available to support current operations. Investment return from short and intermediate-term investments is also used to support current operations.

Fair Value of Financial Instruments – Investments, investments held in charitable remainder trusts, and assets held in trust by others, which are substantially comprised of debt and equity securities, are carried at fair value. The carrying amounts of cash and cash equivalents, receivables, accounts payable, due to annuitants, amounts held in custody for others, and long-term debt with variable interest rates approximate fair value at June 30, 2024 and 2023.

The fair value of long-term debt with fixed interest rates is based on recent trading activity and on rates assumed to be currently available for bond issues with similar terms, average maturities, and credit quality as determined by independent debt rating agencies.

Assets Held in Trust by Others – Assets held in trust by others represent resources that are intended to benefit the College's endowment fund but which are held and administered by outside fiscal agents. The College records these assets because it has legally enforceable rights or claims related to the assets or the income therefrom. The College's share of these assets is recorded at fair value. Assets held in trust by others are restricted in perpetuity by donors and, accordingly, is reflected as net assets with donor restrictions.

Charitable Remainder Trust Agreements – The College receives gifts under charitable remainder-trust agreements whereby the College will pay the donor a certain amount for a specified time, normally until the death of the donor. At the donor's death or upon fulfillment of a specified condition, the College obtains the right to utilize the remaining assets of each trust based on the terms of the agreement. The College reflects these gifts, net of amounts due to annuitants, as net assets with donor restrictions. Due to annuitants is recorded at the net present value of estimated future cash payments to beneficiaries specified in the charitable remainder trust agreements. The weighted average discount rate used to determine the amount due to annuitants was 6.99% and 7.14% at June 30, 2024 and 2023, respectively. Beneficiary life expectancy assumptions were determined from the 2001 Commissioners Standard Ordinary Mortality Table.

Property and Equipment – Property and equipment is recorded at cost at the date of acquisition or fair value at the date of gift. The College capitalizes assets that are greater than \$1,000 and have a useful life of at least 3 years. The cost of repairs and maintenance is generally charged to expense in the year incurred. Depreciation of buildings is recorded using the straight-line method over their estimated useful lives of 50 years. Depreciation of furniture, fixtures, equipment, and library books is recorded using the straight-line method over their estimated useful lives of 3 to 20 years.

Concentration of Credit Risk – The College places its cash and cash equivalents on deposit with financial institutions. The Federal Deposit Insurance Corporation insures substantially all depository accounts up to \$250,000. The College typically has amounts on deposit in excess of the insured limits. At June 30, 2024, the College had approximately \$1,774,000 in excess of the insured amounts.

Fundraising Costs – Fundraising expense for the years ended June 30, 2024 and 2023 was approximately \$3,205,000 and \$3,071,000, respectively, and is reported as institutional support in the consolidated statements of activities.

RHODES COLLEGE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

Note 2—Summary of significant accounting policies (continued)

Income Taxes – The Internal Revenue Service has determined that the College is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (“IRC”). As a qualified tax-exempt organization, the College must operate in conformity with the IRC in order to maintain its tax-exempt status. The College is also exempt from state corporate income tax.

The College follows the guidance contained in Accounting Standard Codification (“ASC”) Topic 740-10-25, *Accounting for Uncertainty in Income Taxes*. ASC Topic 740-10-25 prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken. Based upon its evaluation, the College concluded that there are no significant uncertain tax positions requiring recognition in its consolidated financial statements. The College is subject to audit by taxing jurisdictions; however, there are currently no audits in progress for any tax periods.

Use of Estimates – The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Costs of Borrowing – Interest costs incurred on borrowed funds during the construction of capital assets, net of investment return on proceeds of borrowings, are capitalized as a component of the cost acquiring the assets. Bond premiums and issuance costs are amortized over the term of the bonds.

Operating Activities – Changes in net assets from operating activities in the consolidated statements of activities excludes non-operating activities. Nonoperating activities include contributions added to endowment; contributions supporting major capital purchases; contributions and other activity related to charitable remainder trusts; and endowment investment return, net of amounts distributed to support operations in accordance with the spending policy; and actuarial gain (loss) on postretirement benefit obligations. Additionally, investment return related to contributions supporting major capital purchases and charitable-remainder trusts are included in nonoperating activities.

Revenue Recognition – The College’s revenue recognition policies are as follows:

Net Tuition and Fees – Student tuition and fees are recorded as revenue in the fiscal year that the related academic services are rendered. Financial aid provided by the College is reflected as a reduction of tuition and fees. Gross tuition and fees revenue and student financial aid for the years ended June 30 are as follows:

	2024	2023
Tuition and fees	\$ 105,154,966	\$ 102,074,658
Less student financial aid	(67,031,491)	(65,140,046)
Net tuition and fees	<u>\$ 38,123,475</u>	<u>\$ 36,934,612</u>

Auxiliary Enterprises – Auxiliary enterprises furnish services primarily to students and are comprised predominantly of residence halls and food service. Income from auxiliary enterprises is recorded as revenue in the fiscal year that the related services are rendered.

Deferred Revenue – Deferred revenue primarily relates to payments received by the College from students for tuition and other costs for future academic terms. Additionally, deferred revenue includes enrollment deposits, housing deposits, and excess payments made by students for prior academic terms. Total deferred revenue at June 30, 2024 and 2023 was \$251,431 and \$386,706, respectively, and is reported as unearned income in the consolidated statements of financial position.

RHODES COLLEGE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

Note 2—Summary of significant accounting policies (continued)

Recently Issued Accounting Pronouncement Adopted – In June 2016, the Financial Accounting Standards Board issued Accounting Standards Update (“ASU”) 2016-13, *Financial Instruments - Credit Losses (Topic 326)* and subsequently related amendments (ASU 2018-19, ASU 2019-04, ASU 2019-05, ASU 2019-10, ASU 2019-11, and ASU 2022-02). This guidance replaces the existing incurred loss impairment guidance and establishes a single allowance framework for financial assets carried at amortized cost based on expected credit losses. The estimate of expected credit losses requires the incorporation of historical information, current conditions, and reasonable and supportable forecasts. The College adopted this new accounting standard effective July 1, 2023. There was no significant impact to the College’s operating results for the current period due to this standard update.

Subsequent Events – The College has evaluated subsequent events for potential recognition and/or disclosure through October 15, 2024, the date the consolidated financial statements were available to be issued.

Note 3—Contributions receivable

Contributions receivable are recorded at the net present value (based on a weighted average imputed interest rate of 3.75% and 3.20% at June 30, 2024 and 2023, respectively) of the estimated future cash flows from the contributions. Most unconditional promises are restricted by donors for scholarships, support of academic instruction, and property and equipment purchases and are due as follows:

	2024	2023
Less than one year	\$ 1,928,268	\$ 1,712,509
One to five years	2,600,062	2,833,548
Thereafter	71,500	80,000
	4,599,830	4,626,057
Less present value discount	(175,184)	(173,507)
Less allowance for uncollectible contributions	(153,920)	(105,978)
	<u>\$ 4,270,726</u>	<u>\$ 4,346,572</u>

Promises to give from one donor comprises approximately 57% and 56% of undiscounted contributions receivable at June 30, 2024 and 2023, respectively. Contributions receivable from Board members amounted to approximately \$1,215,000 and \$1,443,000 at June 30, 2024 and 2023, respectively.

Note 4—Fair value measurements

ASC 820 establishes a three-level hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the assets or liabilities fall within different levels of the hierarchy, the classification is based on the lowest level input that is significant to the fair value measurement of the asset or liability. Classification of assets and liabilities within the hierarchy considers the markets in which the assets and liabilities are traded and the reliability and transparency of the assumptions used to determine fair value. The hierarchy requires the use of observable market data when available.

RHODES COLLEGE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

Note 4—Fair value measurements (continued)

The levels of the hierarchy are defined as follows:

Level 1 – Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities traded in active markets.

Level 2 – Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 – Inputs to the valuation methodology are unobservable for the asset or liability and are significant to the fair value measurement.

In determining fair value, the College uses various methods, including the market, income, and cost approaches. The College uses valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs.

The College has evaluated the various types of securities and investment funds in its investment portfolio to determine an appropriate fair value hierarchy level based upon trading activity and observable market inputs. Level 1 investments include those traded on an active exchange, such as the New York Stock Exchange. Level 2 investments include municipal bonds and corporate debt securities. The College has estimated the fair value of Level 2 investments on the basis of quoted bond prices provided by investment managers. Because of the significance of unobservable inputs required in measuring the fair value of alternative investments, which consist primarily of investments in fund of funds, they are valued at net asset value (“NAV”) or its equivalent and are separately disclosed in Note 5.

Level 3 fair value measurements also include assets held in trust by others. The College has estimated the fair value of these assets based on its proportionate share of the fair value of the underlying investments.

As of June 30, 2024, there were no financial assets or liabilities measured at fair value on a nonrecurring basis.

During fiscal years ended June 30, 2024 and 2023, there were no transfers of investments between levels and there were no purchases of Level 3 investments.

RHODES COLLEGE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

Note 4—Fair value measurements (continued)

The following table presents the balances of assets measured at fair value on a recurring basis as of June 30, 2024, by level within the fair value hierarchy:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Equity securities:				
Domestic equity	\$43,109,114	\$ 55,650	\$ -	\$ 43,164,764
Foreign equity	5,438,673	-	-	5,438,673
Debt securities:				
U.S. Treasury securities	5,918,881	-	-	5,918,881
U.S. government agencies and sponsored entities	2,314,434	4,272,624	-	6,587,058
Corporate bonds	-	5,433,020	-	5,433,020
Real assets	486,798	49,601	-	536,399
Other investments	19,280,894	-	-	19,280,894
Subtotal of investments, at fair value	<u>\$76,548,794</u>	<u>\$9,810,895</u>	<u>\$ -</u>	<u>86,359,689</u>
Investments measured using NAV				<u>309,499,782</u>
Total investments				<u>\$395,859,471</u>
Investments held in charitable remainder trusts:				
Equity securities:				
Domestic equity	\$ 6,743,926	\$ -	\$ -	\$ 6,743,926
Debt securities:				
U.S. Treasury securities	2,958,631	-	-	2,958,631
Other investments	133,585	-	-	133,585
Total investments held in charitable remainder trusts	<u>\$ 9,836,142</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,836,142</u>
Assets held in trust by others	<u>\$ -</u>	<u>\$ -</u>	<u>\$65,230,768</u>	<u>\$ 65,230,768</u>

RHODES COLLEGE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

Note 4—Fair value measurements (continued)

The following table presents the balances of assets measured at fair value on a recurring basis as of June 30, 2023, by level within the fair value hierarchy:

	Level 1	Level 2	Level 3	Total
Investments:				
Equity securities:				
Domestic equity	\$45,010,667	\$ 55,650	\$ -	\$ 45,066,317
Foreign equity	3,399,427	-	-	3,399,427
Debt securities:				
U.S. Treasury securities	7,708,542	-	-	7,708,542
U.S. government agencies and sponsored entities	2,347,998	3,711,345	-	6,059,343
Corporate bonds	-	4,749,706	-	4,749,706
Real assets	385,248	94,169	-	479,417
Other investments	15,281,171	-	-	15,281,171
Subtotal of investments, at fair value	\$74,133,053	\$8,610,870	\$ -	82,743,923
Investments measured using NAV				290,914,187
Total investments				\$373,658,110
Investments held in charitable remainder trusts:				
Equity securities:				
Domestic equity	\$ 6,537,399	\$ -	\$ -	\$ 6,537,399
Debt securities:				
U.S. Treasury securities	3,014,712	-	-	3,014,712
Other investments	20,086	-	-	20,086
Total investments held in charitable remainder trusts	\$ 9,068,393	\$ -	\$ -	\$ 9,572,197
Assets held in trust by others	\$ -	\$ -	\$61,505,431	\$ 61,505,431

RHODES COLLEGE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

Note 5—Investments carried at net asset value

The tables below set forth a summary of investments that are valued using NAV at June 30.

June 30, 2024	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Global equity funds (a)	\$ 112,954,318	\$ -	Quarterly - Annually	60-90 days
Long/short hedged equity (b)	36,361,448	-	Quarterly - Annually	45-90 days
Absolute return (c)	33,540,021	-	Quarterly	95 days
Private equity (d)	56,051,788	43,817,830	N/A	N/A
Private real assets (e)	44,154,430	13,546,513	N/A	N/A
Private debt (f)	26,437,777	6,709,890	N/A	N/A
Total assets measured at NAV	\$ 309,499,782			

June 30, 2023	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Global equity funds (a)	\$ 103,274,118	\$ -	Quarterly - Annually	60-90 days
Long/short hedged equity (b)	38,291,940	-	Quarterly - Annually	45-90 days
Absolute return (c)	38,560,446	-	Quarterly	95 days
Private equity (d)	49,376,156	37,001,028	N/A	N/A
Private real assets (e)	44,882,167	12,493,644	N/A	N/A
Private debt (f)	16,529,360	11,698,681	N/A	N/A
Total assets measured at NAV	\$ 290,914,187			

This category includes the following types of investments:

- (a) Investments in global equity funds and pooled investment vehicles that invest in long domestic and non-U.S. equities.
- (b) Equities held in both long and short positions in the global market.
- (c) Investments in various strategies including quantitative and fundamental equity market neutral, merger arbitrage, event driven investing, and fixed income and credit relative value.
- (d) Investments in private equity fund of funds investment vehicles that invest in private investment funds operated by private equity investment managers specializing in distressed, special situations, traditional buyouts, secondary funds, and venture capital.
- (e) Investment funds consisting of diversified real assets of real estate, oil and gas, minerals, timber, farmland, and other commodities.
- (f) Investments in funds that invest in specialist lending primarily in the healthcare and technology industries, corporate lending, and other uncorrelated strategies including litigation financing.

RHODES COLLEGE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

Note 6—Property and equipment, net

Major classes of property and equipment consist of the following at June 30:

	2024	2023
Land	\$ 1,409,026	\$ 1,409,026
Buildings and improvements	289,032,959	259,217,218
Furniture, fixtures, and equipment	38,364,575	30,748,106
Library books	14,706,183	14,688,376
Construction in progress	1,813,476	35,948,597
	<u>345,326,219</u>	<u>342,011,323</u>
Less accumulated depreciation	<u>(171,740,593)</u>	<u>(163,291,305)</u>
	<u><u>\$ 173,585,626</u></u>	<u><u>\$ 178,720,018</u></u>

For the years ended June 30, 2024 and 2023, depreciation expense totaled \$9,745,175 and \$8,522,187, respectively. The College did not have any losses on disposals of assets during the aforementioned years.

Note 7—Endowment funds

ASC 958 provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (“UPMIFA”) and requires additional disclosures about an organization’s endowment funds. The College’s endowment consists of approximately 600 individual funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the Board to function as 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 has interpreted UPMIFA as the prudent preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the College classifies as net assets with donor restrictions: (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund, and (d) the remaining portion of the donor-restricted endowment until those amounts are appropriated for expenditure by the College in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the College considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- a. The duration and preservation of the fund
- b. The purposes of the College and the donor-restricted endowment fund
- c. General economic conditions
- d. The possible effect of inflation and deflation
- e. The expected total return from income and the appreciation of investments
- f. Other resources of the College
- g. The College’s investment policies

RHODES COLLEGE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

Note 7—Endowment funds (continued)

Changes in endowment net assets for the fiscal year ended June 30, 2024 consist of the following:

		With Donor Restrictions		
	Without Donor Restrictions	Purpose/Time Restrictions	Perpetual in Nature	Total
Endowment net assets, beginning of year	\$ 90,006,645	\$ 106,835,481	\$ 208,918,836	\$ 405,760,962
Investment return, net	11,202,700	30,963,917	3,729,628	45,896,245
Contributions	84,244	-	1,351,363	1,435,607
Appropriation of endowment assets for expenditure	(9,014,907)	(10,643,579)	-	(19,658,486)
Other changes	(670,675)	(1,888,963)	708,762	(1,850,876)
Endowment net assets, end of year	<u>\$ 91,608,007</u>	<u>\$ 125,266,856</u>	<u>\$ 214,708,589</u>	<u>\$ 431,583,452</u>

Changes in endowment net assets for the fiscal year ended June 30, 2023 consist of the following:

		With Donor Restrictions		
	Without Donor Restrictions	Purpose/Time Restrictions	Perpetual in Nature	Total
Endowment net assets, beginning of year	\$ 90,132,568	\$ 96,852,356	\$ 207,352,444	\$ 394,337,368
Investment return, net	7,392,453	19,751,641	1,491,505	28,635,599
Contributions	120	-	2,353,177	2,353,297
Appropriation of endowment assets for expenditure	(7,637,049)	(10,029,541)	-	(17,666,590)
Other changes	118,553	261,025	(2,278,290)	(1,898,712)
Endowment net assets, end of year	<u>\$ 90,006,645</u>	<u>\$ 106,835,481</u>	<u>\$ 208,918,836</u>	<u>\$ 405,760,962</u>

Endowment net assets without donor restrictions identified in the tables above represent Board-designated net assets. The College's Board has not designated net assets without donor restrictions for purposes other than quasi-endowment.

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 or UPMIFA requires the College to retain as a fund of perpetual duration. There were no material deficiencies of this nature as of June 30, 2024 and 2023.

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's asset allocation policy is to provide a diversified strategic mix of asset classes that places emphasis on investments in equity securities and funds, fixed-income securities and funds, and real assets to achieve its long-term return objective within a prudent risk framework.

RHODES COLLEGE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

Note 7—Endowment funds (continued)

Return Objectives and Risk Parameters – Endowment assets include those assets of donor-restricted funds that the College must hold in perpetuity or for a donor-specified period as well as Board-designated funds. The College has adopted investment and spending policies for endowment assets that attempt to maintain the purchasing power of the endowment assets in perpetuity and achieve investment returns sufficient to sustain the level of spending necessary to support ongoing College operations. Under the College's investment policy, as approved by the Board, the endowment assets are invested in a manner that is intended to produce an average annual real return, net of inflation and investment management costs, of at least 5% over the long term. Actual returns in any given year may vary from this amount. A secondary investment objective of the fund is to constrain the volatility of the total fund through a program of broad diversification. In practice, the fund should have a standard deviation of less than ten over rolling three and five-year time frames. Central to the achievement of this goal is the concept of investing in asset classes and investment strategies that demonstrate relatively low correlation to one another.

Spending Policy – The College's spending policy was developed with the objectives of meeting the current operating needs of the College, providing year-to-year budget stability, and protecting the future purchasing power of the endowment assets against the impact of inflation. The College has determined that it may spend a prudent portion of its endowment regardless of underwater conditions provided it does so in accordance with the College's Board-approved spending policy.

Under the College's spending rate policy, the amount of endowment fund investments appropriated to support current operations is increased by 4% from the previous year provided that the resulting amount does not exceed 5.3% of the average fair value of endowment assets for the three prior fiscal years and is not less than 4.3% of the average fair value of endowment assets for the three prior fiscal years. For the year ended June 30, 2024, the College's Board of Trustees authorized management to appropriate a supplemental endowment allocation of 0.5% of the average fair value of endowment assets for the three prior fiscal years to support operations.

The Board of Trustees adopted a new spending rate policy for future years. Beginning July 1, 2024 and continuing for a period not to exceed five years, the amount of endowment fund investments appropriated to support current operations is six percent of the average fair value of endowment assets at the end for the three prior fiscal years.

Note 8—Long-term debt

Educational Facilities Revenue Bonds, Series 2021 ("2021 Bonds") (with final payment due in August 2051) in the amount of \$18,920,000 were issued to finance the construction of a new residence hall. The 2021 Bonds were sold at a premium of \$3,984,604, which will be amortized over the period that the bonds are outstanding. The 2021 Bonds bear interest rates ranging from 2.00% to 5.00%. The 2021 Bonds are not secured by any assets of the College. The outstanding balance of the 2021 Bonds at June 30, 2024 and 2023 was \$21,411,220 and \$22,010,316, respectively, including unamortized premium of \$3,201,220 and \$3,440,316, respectively.

Educational Facilities Revenue Refunding Bonds, Series 2017 ("2017 Bonds") (with final payment due in August 2040) in the amount of \$31,075,000 were issued to advance refund \$30,685,000 of 2011 Bonds. The 2017 Bonds were sold at a premium of \$4,106,362, which will be amortized over the period that the bonds are outstanding. The 2017 Bonds bear interest at rates ranging from 3.00% to 5.00%. The 2017 Bonds are not secured by any assets of the College. The outstanding balance of the 2017 Bonds at June 30, 2024 and 2023 was \$32,643,567 and \$33,116,261, respectively, including unamortized premium of \$2,043,567 and \$2,351,261, respectively.

RHODES COLLEGE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

Note 8—Long-term debt (continued)

Educational Facilities Revenue Bonds, Series 2015 (“2015 Bonds”) (with final payment due in August 2045) in the amount of \$21,350,000 were issued to finance the construction of a new academic building. The 2015 Bonds bear interest at rates ranging from 3.00% to 5.00%. The 2015 Bonds are not secured by any assets of the College. The outstanding balance of the 2015 bonds at June 30, 2024 and 2023 was \$19,005,144 and \$19,603,498, respectively, including unamortized premium of \$1,120,144 and \$1,223,498, respectively.

Educational Facilities Revenue Bonds, Series 2000 (“2000 Bonds”) (with final payment due in August 2025) bear interest at a rate necessary to enable the bonds to be sold at par; the rate is determined weekly by the remarketing agent. The interest rate on the 2000 Bonds was 4.13% and 4.11% at June 30, 2024 and 2023, respectively. The 2000 Bonds are not secured by any assets of the College. The principal balance outstanding was \$2,230,000 and \$3,360,000 at June 30, 2024 and 2023, respectively.

The College’s outstanding bond issues contain certain covenants and restrictions including maintenance of specified financial ratios. The College is in compliance with all covenants and restrictions at June 30, 2024 and 2023.

Upon its formation, Lynxco purchased land and a building for a total purchase price of \$6,100,000, which included assumption of the seller’s outstanding note payable related to the property in the amount of \$3,759,046. The note payable bore interest at a fixed rate of 5.40% and required monthly debt service payments continuing through October 2023, with a balloon payment due at maturity, November 2023, at which time the note was retired. The outstanding balance of the note payable was \$-0- and \$3,190,542 at June 30, 2024 and 2023, respectively.

The scheduled maturities of long-term debt for the next five fiscal years and in total are as follows:

2025	\$ 2,225,000
2026	2,315,000
2027	2,385,000
2028	2,490,000
2029	2,595,000
Thereafter	<u>56,915,000</u>
Par amount of long-term debt	68,925,000
Unamortized bond premium	<u>6,364,931</u>
Subtotal long-term debt	75,289,931
Unamortized deferred bond expense	<u>(750,187)</u>
Total long-term debt	<u>\$ 74,539,744</u>

The College capitalizes interest cost incurred on funds used to construct property and equipment. The capitalized interest is recorded as part of the asset to which it relates and is amortized over the asset’s estimated useful life. \$-0- and \$781,125 interest was capitalized during the years ended June 30, 2024 and 2023, respectively.

Total interest cost incurred, inclusive of capitalized interest, was \$3,021,743 and \$3,190,749 during the years ended June 30, 2024 and 2023, respectively.

RHODES COLLEGE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

Note 8—Long-term debt (continued)

The fair value of all outstanding long-term debt at June 30, 2024 and 2023 was \$69,969,449 and \$76,254,434, respectively.

During the year ended June 30, 2024, the College entered into a line of credit facility (the “Facility”) with a financial institution that permits the College to borrow up to \$10,000,000 through November 30, 2024. The Facility bears interest at a rate equal to the Term Secured Overnight Financing Rate for 30 days plus 2.00%. The Facility includes a fee of 0.15% annually on the unused portion. There were no outstanding amounts on the line of credit as of June 30, 2024.

Note 9—Retirement plans

Employees with more than two years of service are eligible to participate in contributory pension plans wherein benefits are provided solely through individually owned, fully funded, and vested annuity contracts. For the year ended June 30, 2020, the College contributed 4% of eligible employees’ salaries. Effective July 1, 2021, the College executed a plan amendment to increase the contribution to 6% of eligible employees’ salaries and, effective January 1, 2022, executed a plan amendment to increase the contribution to 8% of eligible employees’ salaries. Effective July 1, 2023, the College executed a plan amendment to increase the contribution to 9% of eligible employees’ salaries. Total pension expense recognized and funded by the College for the years ended June 30, 2024 and 2023, was approximately \$2,883,000 and \$2,494,000, respectively.

The College also sponsors a postretirement medical and life insurance plan for full-time employees hired prior to January 1, 1995, who have ten consecutive years of service with the College subsequent to the age of 50. The plan is contributory, with contributions adjusted annually, and contains other cost-sharing features such as deductibles and coinsurance.

The following table sets forth the change in the College’s accumulated postretirement benefit obligation related to the plan, as determined by consulting actuaries, for the years ended June 30:

	2024	2023
Benefit obligation, beginning of year	\$ 13,914,000	\$ 13,966,000
Service cost	60,000	87,000
Interest cost	826,000	662,000
Actuarial loss	2,127,000	117,000
Benefits paid	(894,000)	(918,000)
Benefit obligation, end of year	<u>\$ 16,033,000</u>	<u>\$ 13,914,000</u>

The large actuarial loss during the year ended June 30, 2024 is because the annual assumed rate of increase in the per capita cost of covered benefits (i.e., healthcare cost trend rate) used to determine the accumulated postretirement benefit obligation was increased from 6.37% for 2023 to 8.86% for 2024.

RHODES COLLEGE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

Note 9—Retirement plans (continued)

Net periodic postretirement benefit cost includes the following components, as determined by consulting actuaries, for the years ended June 30:

	<u>2024</u>	<u>2023</u>
Service cost	\$ 60,000	\$ 87,000
Interest cost	826,000	662,000
Net periodic postretirement benefit cost	<u>\$ 886,000</u>	<u>\$ 749,000</u>

The healthcare cost trend rate is 8.86% for 2024 and is assumed to decrease at varying amounts until it reaches 4.00% for 2048 and remain at that level thereafter.

The weighted-average discount rate used to determine the accumulated postretirement benefit obligation was 5.44% and 5.13% at June 30, 2024 and 2023, respectively.

Estimated Future Benefit Payments – The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid, as determined by consulting actuaries:

2025	\$ 1,013,951
2026	1,087,648
2027	1,130,485
2028	1,178,989
2029	1,213,013
2030-2034	6,271,571

RHODES COLLEGE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

Note 10—Nature and amount of net assets with donor restrictions

Net assets with donor restrictions are available for the following purposes at June 30:

	2024	2023
Subject to expenditure for specified purpose:		
Student financial aid	\$ 75,777,296	\$ 64,912,472
Academic instruction	47,028,337	40,327,848
Academic support	1,045,232	859,796
Student services	1,625,760	1,490,342
Institutional support	3,385,151	2,720,073
Plant operations	3,328,195	3,131,396
Purchases of property and equipment	521,967	652,543
Other	9,840,213	8,672,604
	<u>142,552,151</u>	<u>122,767,074</u>
Subject to the spending policy and appropriation:		
Restricted in perpetuity, income from which is expendable to support:		
Student financial aid	154,191,550	148,855,518
Academic instruction	51,720,344	51,516,489
Academic support	1,752,988	1,752,988
Student services	2,243,454	2,022,254
Institutional support	2,562	17,782
Plant operations	3,197,611	3,197,611
Other	1,471,778	1,466,777
	<u>214,580,287</u>	<u>208,829,419</u>
	<u><u>\$ 357,132,438</u></u>	<u><u>\$ 331,596,493</u></u>

RHODES COLLEGE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

Note 10—Nature and amount of net assets with donor restrictions (continued)

The College released net assets with donor restrictions for the following purposes during the years ended June 30:

	2024	2023
Student financial aid	\$ 4,428,065	\$ 4,035,079
Academic instruction	1,825,327	2,930,628
Academic support	684,382	253,375
Student services	2,032,454	1,702,982
Institutional support	624,824	520,199
Endowment distributions	10,643,579	10,029,541
Purchases of property and equipment	485,673	457,800
	<u>20,724,304</u>	<u>19,929,604</u>
Released for operating activities	<u>20,238,631</u>	<u>19,471,804</u>
Released for nonoperating activities	<u>\$ 485,673</u>	<u>\$ 457,800</u>

Note 11—Expenses

Expenses by function and nature consist of the following for the year ended June 30, 2024:

	Academic Instruction	Academic Support	Student Services	Auxiliary Enterprises	Institutional Support	Nonoperating Other	Total
Salaries and wages	\$ 20,229,066	\$ 4,279,530	\$ 9,516,468	\$ 1,665,191	\$ 6,283,703	\$ -	\$ 41,973,958
Fringe benefits	6,807,425	1,407,499	3,113,580	544,690	2,114,800	-	13,987,994
Operation and maintenance							
of plant	1,285,330	459,046	688,570	1,973,899	183,619	-	4,590,464
Depreciation	2,311,656	2,188,256	2,048,753	2,286,033	910,477	-	9,745,175
Interest	829,657	296,306	444,459	1,332,799	118,522	-	3,021,743
Food service	-	-	-	7,452,598	-	-	7,452,598
Other non-compensation							
expenses	2,935,102	4,414,003	5,153,375	1,570,334	3,878,422	168,368	18,119,604
	<u>\$ 34,398,236</u>	<u>\$ 13,044,640</u>	<u>\$ 20,965,205</u>	<u>\$ 16,825,544</u>	<u>\$ 13,489,543</u>	<u>\$ 168,368</u>	<u>\$ 98,891,536</u>

RHODES COLLEGE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

Note 11—Expenses (continued)

Expenses by function and nature consist of the following for the year ended June 30, 2023:

	Academic Instruction	Academic Support	Student Services	Auxiliary Enterprises	Institutional Support	Nonoperating Other	Total
Salaries and wages	\$ 19,575,956	\$ 4,033,753	\$ 9,203,986	\$ 1,442,736	\$ 6,172,157	\$ -	\$ 40,428,588
Fringe benefits	6,387,330	1,283,388	2,930,719	453,031	2,014,760	-	13,069,228
Operation and maintenance							
of plant	1,117,795	439,134	678,661	1,596,849	159,685	-	3,992,124
Depreciation	2,304,851	1,903,290	2,010,128	1,731,986	571,932	-	8,522,187
Interest	625,115	245,581	379,534	1,070,092	89,302	-	2,409,624
Food service	-	-	-	7,245,894	-	-	7,245,894
Other non-compensation							
expenses	3,837,027	2,462,471	5,291,467	1,884,370	3,483,887	-	16,959,222
	<u>\$ 33,848,074</u>	<u>\$ 10,367,617</u>	<u>\$ 20,494,495</u>	<u>\$ 15,424,958</u>	<u>\$ 12,491,723</u>	<u>\$ -</u>	<u>\$ 92,626,867</u>

The consolidated financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation, interest, and plant operations and maintenance which are allocated on a square-footage basis.

Note 12—Liquidity

The following table reflects the College's financial assets as of June 30, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the consolidated statement of financial position date:

	2024	2023
Cash and cash equivalents	\$ 4,140,190	\$ 9,955,868
Contributions receivable, net	4,270,726	4,346,572
Student receivables, net	991,988	850,930
Other receivables, net	753,380	426,343
Investments, at fair value	395,859,471	373,658,110
Investments held in charitable remainder trusts	9,836,142	9,572,197
Assets held in trust by others	65,230,768	61,505,431
Financial assets at end of year	481,082,665	460,315,451
Less assets unavailable for general expenditures within one year:		
Restricted for future capital projects	(6,886)	(6,886)
Restricted by donors with purpose restrictions	(5,363,238)	(5,313,171)
Subject to appropriation and satisfaction of donor restrictions	(352,446,683)	(331,983,277)
Investments held in charitable-remainder trusts	(9,836,142)	(9,572,197)
Assets held in trust by others	(65,230,768)	(61,505,431)
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 48,198,948</u>	<u>\$ 51,934,489</u>

RHODES COLLEGE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

Note 12—Liquidity (continued)

For purposes of analyzing resources available to meet general expenditures within one year, the College considers all expenditures related to its ongoing activities of academic instruction and related services to be general expenditures. Endowment funds consist of donor-restricted endowments and funds designated by the Board as endowments. Income from donor-restricted endowments is restricted for specific purposes and is not available for general expenditure. Board-designated endowment of \$91,608,007 and \$90,006,645 at June 30, 2024 and 2023, respectively, is subject to the College's spending policy as described in Note 7. The College does not intend to spend from the Board-designated endowment other than amounts appropriated for general expenditure in accordance with the spending policy and has deducted the funds from financial assets available in the table above. However, these amounts could be made available, if necessary. As part of the College's liquidity management plan, it structures its financial assets to be available as its obligations come due. Cash is held in interest-bearing bank accounts and is invested in short and intermediate-term fixed income investments, certificates of deposit, and money market funds.

Note 13—Commitments and contingencies

Contingencies – On August 9, 2017, the Trustees (the "Foundation Trustees") of the Foundation filed a lawsuit in Probate Court of Mobile County, Alabama against Rhodes College, Huntingdon College, and Stillman College (the "College Beneficiaries"). The Foundation, established by Walter Bellingrath in 1950, names the College Beneficiaries as beneficiaries of the Foundation and provides that the Foundation will operate the Bellingrath Gardens and Home (the "Gardens"). The lawsuit initiated by the Foundation Trustees sought, among other things, to avoid the limitations on funding the Gardens established by an Agreement between the Foundation Trustees and the College Beneficiaries that was approved by an August 1, 2003 Judgment of the Circuit Court of Mobile County, Alabama in Civil Action Number CV-2003-1755 (the "2003 Judgment") and redirect a portion of the Foundation's financial support from the College Beneficiaries to the Gardens in amounts to be determined annually at the Trustees' discretion.

On October 5, 2018, the Probate Court issued an interlocutory partial summary judgment ruling in favor of the Foundation Trustees. On November 16, 2018, Huntingdon College filed a petition seeking Writ of Mandamus in the Supreme Court of Alabama challenging a number of issues including the jurisdictional authority of the Probate Court. On March 27, 2020, the Supreme Court released an opinion granting a Writ of Mandamus directing the Probate Court to dismiss the Foundation Trustees' lawsuit. Following the release of the Supreme Court's opinion, the Foundation Trustees initiated proceedings against the College Beneficiaries in the Circuit Court of Mobile County, Alabama both in case number CV-2003-1755 and in a new action, CV-2020-901361.

On November 23, 2022, the Circuit Court issued a ruling in favor of the Foundation Trustees in case CV-2003-1755. On January 4, 2023, the College Beneficiaries filed a petition seeking Writ of Mandamus in the Supreme Court of Alabama challenging a number of issues in the Circuit Court's ruling. On May 26, 2023, the Supreme Court released an opinion granting a Writ of Mandamus directing the Circuit Court to vacate its ruling in case number CV-2003-1755. The Circuit Court subsequently denied the Trustees' petition in case number CV-2003-1755. Case number CV-2020-901361 remains outstanding.

By these actions the Foundation Trustees seek, among other things, to obtain relief from the 2003 Judgment and obtain authority to redirect a portion of the Foundation's financial support from the College Beneficiaries to the Gardens in amounts to be determined annually at the Trustees' discretion. The likelihood of a negative outcome in this matter and the financial impact of an ultimate adverse determination are unknown at this time, however, the impact of an adverse resolution could be material.

The College is engaged in various other legal actions occurring in the normal course of activities. While the final outcomes cannot be determined at this time, management is of the opinion that the resolution of these matters will not have a material, adverse effect on the College's financial position.

RHODES COLLEGE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

Note 14—Related party transactions

During the years ended June 30, 2024 and 2023, the College received gift payments from board of trustee members and their affiliated organizations totaling \$1,229,894 and \$1,063,958, respectively. Of those amounts, \$743,815 and \$138,144 were payment on pledges made in prior years.

During the years ended June 30, 2024 and 2023, the College's primary depository banking relationship was with a financial institution whose Tennessee Regional President is a member of the College's Board of Trustees. Cash balances held at June 30, 2024 and 2023, were \$3,159,380 and \$7,899,843, respectively. Additionally, the College's line of credit is with this financial institution.

During the years ended June 30, 2024 and 2023, the College had an account with an investment firm whose Chief Investment Officer is a member of the College's Board of Trustees. The account had a balance of \$6,509,916 and \$6,175,316, respectively, as of June 30, 2024 and 2023.