Kalamazoo College

Financial Report
with Supplemental Information
June 30, 2024

Kalamazoo College

Contents

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Independent Auditor's Report

To the Board of Trustees
Kalamazoo College

Report on the Audits of the Financial Statements

Opinion

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the College as of June 30, 2024 and 2023 and the results of its operations 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) 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 Financial Statements* section of our report. We are required to be independent of the College and to meet our 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.

Emphasis of Matter

As described in Note 4 to the financial statements, the financial statements include investments of $69,756,804 and $65,533,801, or 18 and 19 percent of net assets, at June 30, 2024 and 2023, respectively, which have been estimated by management. Management's estimates are based on information provided by the fund managers or the general partners. Our opinion is not modified with respect to this matter.

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.

To the Board of Trustees
Kalamazoo College

Auditor's Responsibilities for the Audits 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 audits conducted in accordance with GAAS 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 financial statements.

In performing an audit in accordance with GAAS 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 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 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, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's 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.

Plante & Moran, PLLC

October 18, 2024

Statement of Financial Position

	June 30 2024	June 30 2023
Assets		
Cash and cash equivalents	$ 14,325,470	$ 10,018,208
Accounts receivable - Net (Note 13)	1,828,616	7,440,684
Prepaid expenses and other assets	1,414,617	1,054,050
Contributions receivable - Net (Note 5)	35,765,268	23,502,598
Loans receivable - Net	1,359,746	1,984,460
Investments (Note 3)	287,260,617	267,739,637
Investments held in trust (Note 8)	12,244,064	11,394,655
Property and equipment - Net (Note 6)	96,107,512	90,605,880
Total assets	**$ 450,305,910**	**$ 413,740,172**
Liabilities and Net Assets		
Liabilities		
Accounts payable	$ 1,863,034	$ 1,309,263
Accrued expenses	2,620,424	2,814,657
Deferred revenue	204,455	227,966
Deposits and other liabilities	265,353	317,098
Debt (Note 7)	41,908,813	42,878,764
Advances from government for student loans	1,815,901	2,625,914
Annuities and trusts payable (Note 8)	1,301,213	1,387,397
Postretirement benefit liability (Note 12)	10,691,903	11,660,287
Total liabilities	60,671,096	63,221,346
Net Assets		
Without donor restriction	127,851,242	100,003,129
With donor restriction	261,783,572	250,515,697
Total net assets	389,634,814	350,518,826
Total liabilities and net assets	**$ 450,305,910**	**$ 413,740,172**

See Notes to Financial Statements.

Statement of Activities

	Year Ended June 30, 2024		
	Without Donor Restriction	With Donor Restriction	Total
Revenue, Gains, and Other Support			
Educational and general:			
Student tuition and fees	$ 80,389,318	$ -	$ 80,389,318
Less financial aid	(58,122,448)	-	(58,122,448)
Net student tuition and fees	22,266,870	-	22,266,870
Gifts and grants of financial assets	31,649,701	7,876,985	39,526,686
Funds received from trusts held by others	271,653	2,230,045	2,501,698
Investment return designated for operations (Note 3):			
Endowment income spending distribution	16,625,137	4,850,953	21,476,090
Other investment income and gains	1,367,728	-	1,367,728
Other income	3,630,780	89,406	3,720,186
Total educational and general revenue	75,811,869	15,047,389	90,859,258
Auxiliary enterprises	9,403,860	-	9,403,860
Net assets released from restrictions	22,315,659	(22,315,659)	-
Total revenue, gains, and other support	107,531,388	(7,268,270)	100,263,118
Expenses			
Educational and general:			
Instruction and research	28,374,093	-	28,374,093
Public service	661,148	-	661,148
Academic support	3,563,524	-	3,563,524
Student services	13,827,504	-	13,827,504
Institutional support	11,261,825	-	11,261,825
Total educational and general expenses	57,688,094	-	57,688,094
Other expenses:			
Auxiliary enterprises	7,086,026	-	7,086,026
Administrative and other expenses	4,801,330	-	4,801,330
Total other expenses	11,887,356	-	11,887,356
Total expenses	69,575,450	-	69,575,450
Change in Net Assets Before Nonoperating Activities	37,955,938	(7,268,270)	30,687,668
Nonoperating Activities			
Investment return less amounts designated for operations (Note 3)	(11,076,209)	18,282,708	7,206,499
Change in value of split-interest agreements	-	253,437	253,437
Gain on disposal of fixed assets	-	-	-
Change in postretirement benefit liability	968,384	-	968,384
Change in Net Assets	27,848,113	11,267,875	39,115,988
Net Assets - Beginning of year	100,003,129	250,515,697	350,518,826
Net Assets - End of year	**$ 127,851,242**	**$ 261,783,572**	**$ 389,634,814**

See Notes to Financial Statements.

Kalamazoo College

Statement of Activities (Continued)

	Year Ended June 30, 2023		
	Without Donor Restriction	With Donor Restriction	Total
Revenue, Gains, and Other Support			
Educational and general:			
Student tuition and fees	$ 76,006,723	$ -	$ 76,006,723
Less financial aid	(54,042,530)	-	(54,042,530)
Net student tuition and fees	21,964,193	-	21,964,193
Gifts and grants of financial assets	3,908,117	9,027,324	12,935,441
Funds received from trusts held by others	288,121	2,293,630	2,581,751
Investment return designated for operations (Note 3):			
Endowment income spending distribution	9,420,227	4,668,650	14,088,877
Other investment income and gains	663,924	-	663,924
Other income (Note 13)	5,818,611	197,045	6,015,656
Total educational and general revenue	42,063,193	16,186,649	58,249,842
Auxiliary enterprises	9,155,660		9,155,660
Net assets released from restrictions	23,819,751	(23,819,751)	-
Total revenue, gains, and other support	75,038,604	(7,633,102)	67,405,502
Expenses			
Educational and general:			
Instruction and research	26,683,840	-	26,683,840
Public service	443,658	-	443,658
Academic support	3,122,687	-	3,122,687
Student services	13,724,764	-	13,724,764
Institutional support	11,874,863	-	11,874,863
Total educational and general expenses	55,849,812	-	55,849,812
Other expenses:			
Auxiliary enterprises	6,675,087	-	6,675,087
Administrative and other expenses	2,260,273	-	2,260,273
Total other expenses	8,935,360	-	8,935,360
Total expenses	64,785,172	-	64,785,172
Change in Net Assets Before Nonoperating Activities	10,253,432	(7,633,102)	2,620,330
Nonoperating Activities			
Investment return less amounts designated for operations (Note 3)	(3,372,856)	16,512,526	13,139,670
Change in value of split-interest agreements	-	(228,298)	(228,298)
Gain on disposal of fixed assets	9,095	-	9,095
Change in postretirement benefit liability	991,264	-	991,264
Change in Net Assets	7,880,935	8,651,126	16,532,061
Net Assets - Beginning of year	92,122,194	241,864,571	333,986,765
Net Assets - End of year	**$ 100,003,129**	**$ 250,515,697**	**$ 350,518,826**

See Notes to Financial Statements.

Kalamazoo College

Statement of Cash Flows

	Year Ended June 30 2024	Year Ended June 30 2023
Cash Flows from Operating Activities		
Change in net assets	$ 39,115,988	$ 16,532,061
Cash flows provided by (used in) operating activities:		
Net realized and unrealized gains on investments	(29,593,935)	(28,081,045)
Depreciation	3,354,331	3,764,612
Amortization of bond issuance costs	13,772	13,772
Amortization of bond premium	(113,723)	(113,723)
Gain on sale of assets	-	(9,095)
Obligations under split-interest agreements	(253,437)	228,298
Postretirement benefit liability	(968,384)	(991,264)
Contributions and investment income received restricted for long-term investment	(5,915,493)	(5,065,300)
Changes in:		
Accounts, loans, and contributions receivable	(6,585,990)	(5,142,854)
Prepaid expenses and other assets	(360,567)	130,489
Accounts payable and accrued expenses	336,027	242,610
Advances from government for student loans	(810,013)	(765,440)
Deposits and other liabilities	(51,745)	(82,820)
Net cash used in operating activities	(1,833,169)	(19,339,699)
Cash Flows from Investing Activities		
Purchase of property and equipment	(8,855,963)	(2,589,282)
Proceeds from sale of property and equipment	-	9,095
Collections on student loans	560,102	744,000
Proceeds from sale and maturity of investments - Net of purchases	9,541,598	13,731,904
Net cash provided by investing activities	1,245,737	11,895,717
Cash Flows from Financing Activities		
Contributions and investment income received restricted for long-term investment	5,915,493	5,065,300
Payments on obligations under split-interest agreements	(150,799)	(128,366)
Principal payments on debt	(870,000)	(830,000)
Net cash provided by financing activities	4,894,694	4,106,934
Net Increase (Decrease) in Cash and Cash Equivalents	4,307,262	(3,337,048)
Cash and Cash Equivalents - Beginning of year	10,018,208	13,355,256
Cash and Cash Equivalents - End of year	**$ 14,325,470**	**$ 10,018,208**
Supplemental Cash Flow Information - Interest paid	**$ 1,686,823**	**$ 1,729,615**

See Notes to Financial Statements.

Note 1 - Nature of Organization and Significant Accounting Policies

Nature of Operations - Kalamazoo College (the "College") is a private tax-exempt, nonprofit educational institution located in Kalamazoo, Michigan. The College was founded in 1833 and is an institute of higher education which offers undergraduate programs designed to meet the needs of the student body. The College's primary sources of revenue are from tuition and auxiliary services from students and gifts and private grants.

The mission of Kalamazoo College is to prepare its graduates to better understand, live successfully within, and provide enlightened leadership to a richly diverse and increasingly complex world. As a highly selective and nationally distinctive four-year college of arts and sciences, Kalamazoo College has developed a tradition of excellence in the fulfillment of this mission.

Basis of Presentation - The financial statements of the College have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America (US GAAP).

Measure of Operations - The College's measure of operations as presented in the statement of activities includes revenue from tuition (net of certain scholarships and fellowships) and fees, grants and contracts, auxiliary activities (room and board), contributions for operating programs, the allocation of endowment spending for operations and other revenues. Operating expenses are reported on the statement of activities by functional classification.

The College's non-operating activity within the statement of activities includes endowment investment returns less amounts designated for operations, actuarial changes in split-interest agreements, gains and losses on asset disposals, and changes in post-retirement benefit liabilities.

Use of Estimates - The preparation of financial statements in conformity with US 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 revenue, expenses, gains, losses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash Equivalents - The College considers all liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2024 and 2023, cash equivalents consisted primarily of money market funds. Cash equivalents related to uninvested cash are considered part of investments in the accompanying financial statements. At June 30, 2024 and 2023, the College's cash accounts exceeded federally insured limits by $14,025,485 and $9,712,382, respectively. The College evaluates the financial stability of the financial institutions with which it deposits funds; however, it is not practical to insure all cash deposits.

Investments and Investment Return - Investments in equity securities having a readily determinable fair value and all debt securities are carried at fair value. The following methods and assumptions were used by the College in estimating fair value for other investments:

Investments in private equity or limited partnerships are recorded at estimated fair value based on the College's capital balance in each partnership, which is calculated by the general partner of each limited partnership.

Note 1 - Nature of Organization and Significant Accounting Policies (Continued)

Investments in various types of hedge funds, including those employing long/short equity, long/short sector specific, and absolute return strategies are recorded at estimated fair value based on information provided by the fund manager and generally represent the College's estimated capital balance in each fund.

Investment return includes dividend, interest, and other investment income, and realized and unrealized gains and losses on investments carried at fair value. Investment returns that are initially restricted by donor stipulation and for which the restriction will be satisfied in the same year are included in unrestricted net assets. Other investment returns are reflected in the statement of activities based upon the existence and nature of any donor- or legally-imposed restrictions.

The College maintains pooled investment accounts for its endowments. Investment income and realized and unrealized gains and losses from securities in the pooled investment accounts are allocated quarterly to the individual endowments based on the relationship of the fair value of the interest of each endowment to the total fair value of the pooled investment accounts, as adjusted for additions to or deductions from those accounts.

The Board of Trustees designates only a portion of the College's cumulative investment return of the endowment fund for support of current operations. The remainder is retained to support operations of future years and to offset potential market declines. The payout amount computed under the endowment spending policy of the investment pool is used to support current operations.

Loans Receivable - Loans receivable consist of amounts due under the Federal Perkins Loan Program and are stated at their outstanding principal amount, net of an allowance for credit losses. Loans were made to students based on demonstrated financial need and satisfaction of federal eligibility and institutional requirements. Principal and interest payments on loans generally did not commence until after the borrower graduates or otherwise ceases enrollment. The College provides an allowance for credit losses, which is based upon a review of outstanding loans, historical collection information, existing economic conditions and supportable forecasts. The allowance for doubtful accounts was $38,000 and $74,350 at June 30, 2024 and 2023, respectively. Loans that are delinquent continue to accrue interest. Loans that are past due for at least one payment are considered delinquent. Delinquent loans are written off based on individual credit evaluation and specific circumstances of the student. The amount of loans delinquent greater than 90 days and accruing interest was $58,772 and $151,168 at June 30, 2024 and 2023, respectfully.

The Federal Perkins Loan Program expired on September 30, 2017 with final disbursements permissible through June 30, 2018. As of June 30, 2024, the College has made $336,009 in institutional capital contributions, which are reflected as part of the College's net assets. Under current guidance issued by the Department of Education, at the time the College liquidates the loan portfolio and assigns the student loans to the Department of Education, the College will be forgoing its institutional capital contribution not yet received back through loan collections.

Land, Buildings, and Equipment - Property and equipment are recorded at cost and depreciated on a straight-line basis over the estimated useful life of each asset, which is 10 years for equipment and vehicles, 25 years for stadiums and athletic fields, and 50 years for buildings. Donated property and equipment are recorded at fair market value when received.

Note 1 - Nature of Organization and Significant Accounting Policies (Continued)

Classification of Net Assets - The College is required to report information regarding its financial position and activities according to the following net asset classifications:

Net Assets without Donor Restrictions - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the College. These net assets may be used at the discretion of the College's management and the board of trustees. Net assets without donor restrictions also include board-designated funds functioning as endowment.

Net Assets with Donor Restrictions - Net assets 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 whereby the donor has stipulated that the funds be maintained in perpetuity.

Net assets with and without donor restrictions for the years ended June 30, 2024 and 2023:

	2024	2023
Without Donor Restrictions		
Undesignated	$ 48,520,429	$ 45,134,954
Board Designated	79,330,813	54,868,175
	127,851,242	100,003,129
With Donor Restrictions		
Endowment fund	246,119,305	231,901,600
Funds restricted for specific purposes	12,486,880	14,925,222
Unexpended property and equipment fund	1,575,541	2,340,466
Life income annuities and charitable remainder trusts	1,601,846	1,348,409
	261,783,572	250,515,697
Total net assets	$ 389,634,814	$ 350,518,826

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of the passage of time or other events specified by donors.

	2024	2023
Appropriation of accumulated earnings on donor restricted endowment assets	$ 9,991,826	$ 5,360,153
Purpose restrictions accomplished:		
Educational program expenses	11,513,400	17,520,664
Expended property and equipment	810,433	938,934
	12,323,833	18,459,598
Total net assets released from restrictions	$ 22,315,659	$ 23,819,751

Note 1 - Nature of Organization and Significant Accounting Policies (Continued)

Contribution Revenue - Contributions of cash and other assets, including unconditional promises to give in the future, are reported as revenue when received, measured at fair value. Donor promises to give in the future are recorded at the present value of estimated future cash flows. Contributions resulting from split-interest agreements, measured at the time the agreements are entered into, are based on the difference between the fair value of the assets received or promised and the present value of the obligation to the third-party recipient under the contract. The College has adopted the policy of recording donor-restricted contributions as if they were without donor restriction if the restriction is met and released in the same accounting period.

Gifts of land, buildings, equipment, and other long-lived assets are reported as revenue without donor restriction and net assets unless explicit donor stipulations specify how such assets must be used, in which case the gifts are reported as donor restricted revenue and net assets. Absent explicit donor stipulations for the time long-lived assets must be held, expirations of restrictions resulting in reclassification of donor restricted net assets to net assets without donor restrictions are reported when the long-lived assets are placed in service.

Unconditional gifts, expected to be collected within one year, are reported at their net realizable value. Unconditional gifts expected to be collected in future years are reported at the present value of estimated future cash flows. The resulting discount is amortized using the level-yield method and is reported as contribution revenue. An allowance for uncollectible contributions is estimated based on past collection experience with contributions.

Government Grants - Support funded by grants is recognized as the College performs the contracted services or incurs outlays eligible for reimbursement under the grant agreements. Grant activities and outlays are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required. There were no significant federal award grants available for which conditions have not yet been met as of June 30, 2024 and 2023.

Revenue Recognition - Revenue for tuition, room, and board is generally recognized ratably over the applicable academic quarter. The nature, amount, timing, and uncertainty of the College's tuition and room and board revenue vary depending on the following factors:

- Enrollment status (i.e. part-time vs. full-time)
- Program of study (i.e. on-campus or study abroad/study away program)
- Courses selected
- Tuition discounts
- Housing assignment
- Meal plan option selected

The College recognized room and board revenue from students of $8,368,730 and $8,076,856 included in auxiliary enterprises for the fiscal years ending June 30, 2024 and 2023, respectively.

The transaction price of a contract with a student is the amount of consideration to which the College expects to be entitled in exchange for transferring promised services to the student.

Note 1 - Nature of Organization and Significant Accounting Policies (Continued)

To determine the transaction price of a contract, the College considers its customary business practices as well as the terms of the contract. For the purpose of determining transaction prices, the College assumes that the services will be transferred to the student as promised in accordance with existing contracts and that the contracts will not be cancelled, renewed, or modified. For tuition and fees, the amount of consideration to which the College will be entitled is variable as long as a student can withdraw from the semester and receive a refund. The College excludes estimated refunds from the transaction price (and from the disclosure of the amounts of transaction prices allocated to remaining performance obligations).

Services that the College transfers to students are performed by the College. The College typically satisfies its performance obligations over time, as services are rendered, because students typically obtain the benefits of such services as the services are performed. In no case does the College act as an agent; i.e., the College does not provide a service of arranging for another party to transfer services to students.

Tuition discounts are the difference between the stated charge for services provided by the College and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants and other federal, state, or nongovernmental programs are recorded as operating revenue in the College's financial statements. To the extent that revenue from such programs is used to satisfy tuition and fees and other student charges, the College has recorded a tuition discount for federal and nongovernmental programs.

Accounts receivable are stated at the amount billed to the students less applied or tuition discounts and loan proceeds. The College provides an allowance for credit losses, which is based upon a review of outstanding receivables, historical collection information, existing economic conditions and supportable forecasts. Tuition is generally due at the beginning of the quarter unless the student participates in a tuition payment plan, where payments are due as outlined in the applicable payment plan. As of June 30, 2024, the closing balances of the College's student accounts receivable and unearned revenue were $273,740 and $204,455, respectively. As of June 30, 2023, the closing balances of the College's student accounts receivable and unearned revenue were $403,834 and $226,216, respectively. The opening balance as of July 1, 2022 of the College's student accounts receivable and unearned revenue were $628,196 and $388,651, respectively. All unearned revenue is recognized in the following fiscal year. Accounts that are unpaid after the due date incur a late fee of 1.5 percent per month. Accounts past due more than 120 days are considered delinquent. Delinquent accounts are written off based on individual credit evaluation and specific circumstances of the student. The allowance for credit losses was $18,100 and $33,900 at June 30, 2024 and 2023, respectively.

Income Taxes - The College is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and a similar provision of state law.

Investments - The College invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying statement of financial position.

Fair Value Option - The College measures many financial instruments and certain other items at fair value. The fair value option may be applied instrument by instrument, is irrevocable, and is applied only to entire instruments and not to a portion of instruments. The College has elected the fair value option election with respect to liabilities on annuity contracts and trusts.

Note 1 - Nature of Organization and Significant Accounting Policies (Continued)

Functional Allocation of Expenses - The costs of providing various programs and other activities have been summarized on a functional basis in the notes to the financial statements. Certain expenses have been allocated among the program activities and supporting activities. Those expenses include depreciation, debt service interest, amortization of bond issuance costs, , facilities operations, and maintenance. Depreciation was allocated based on actual deprecation calculated for each asset. Debt service interest and amortization of bond issuance costs were allocated based on the assets used by the various activities and funded by the related debt. Facilities and operations and maintenance costs were allocated based on square footage of facilities used by the various activities.

Functional expenses by natural classification as of June 30, 2024:

	Program Activities			Supporting Activities			
	Academic and Student Programs	Public Service	Auxiliary	Administrative Support	Fundraising	Facilities Operation and Maintenance	Total Expenses
Compensation	$ 25,669,972	$ 162,522	$ 359,784	$ 5,277,047	$ 3,098,154	$ 3,190,200	$ 37,757,679
Services	6,109,554	163,650	2,027,135	2,474,449	162,262	1,439,195	12,376,245
Depreciation	3,224,501	2,516	29,018	98,296	-	-	3,354,331
Interest	1,556,895	1,701	122,868	19,132	-	-	1,700,596
Other expenses	4,073,635	299,759	2,307,443	4,404,875	180,187	3,120,701	14,386,600
Total	40,634,557	630,148	4,846,248	12,273,799	3,440,603	7,750,096	69,575,451
Facilities operation and maintenance	5,130,564	31,000	2,239,778	348,754	-	(7,750,096)	-
Total expenses	$ 45,765,121	$ 661,148	$ 7,086,026	$ 12,622,553	$ 3,440,603	$ -	$ 69,575,451

Functional expenses by natural classification as of June 30, 2023:

	Program Activities			Supporting Activities			
	Academic and Student Programs	Public Service	Auxiliary	Administrative Support	Fundraising	Facilities Operation and Maintenance	Total Expenses
Compensation	$ 25,556,129	$ 129,362	$ 326,353	$ 5,436,466	$ 3,092,700	$ 2,956,750	$ 37,497,760
Services	5,046,678	154,836	2,347,885	2,618,246	237,175	1,262,458	11,667,278
Depreciation	3,325,540	1,797	252,346	184,929	-	-	3,764,612
Interest	1,594,925	-	130,732	17,431	-	-	1,743,088
Other expenses	4,719,496	157,662	2,122,988	2,161,486	187,399	763,403	10,112,434
Total	40,242,768	443,657	5,180,304	10,418,558	3,517,274	4,982,611	64,785,172
Facilities operation and maintenance	3,288,523	-	1,494,783	149,478	49,826	(4,982,611)	$ -
Total expenses	$ 43,531,291	$ 443,657	$ 6,675,087	$ 10,568,036	$ 3,567,100	$ -	$ 64,785,172

Significant Concentrations

Contributions - Approximately 22 percent of all contributions were received from two donors in 2024 and 2023. Approximately 66 percent and 62 percent of contributions receivable were due from two donors at June 30, 2024 and 2023, respectively.

Subsequent Events - Subsequent events have been evaluated through October 18, 2024, which is the date the financial statements were issued.

Note 2 - Liquidity and Availability of Resources

The College's financial assets available within one year of the balance sheet date for general expenditure are as follows:

	2024	2023
Cash and cash equivalents	$ 14,325,470	$ 10,018,208
Accounts receivable	1,828,616	7,440,684
Contributions without donor restriction due within 1 year	840,045	331,660
Short-term investments without donor restrictions	13,393,695	13,064,154
Endowment payout within 1 year	14,974,086	14,474,361
Total financial assets available for general expenditures within one year	$ 45,361,912	$ 45,329,067

The College's cash flows have seasonal variations during the year attributable to tuition billing and concentration of contributions received at calendar and fiscal year end. The College has a goal to maintain financial assets on hand to meet 60 days of normal operating expenses, which are, on average, approximately $9,000,000. The College invests cash in excess of daily requirements in short-term investment-grade mutual funds. Additionally, the College has board-designated funds of approximately $79,000,000 and $55,000,000 as of June 30, 2024 and 2023, respectively. Although the College does not intend to spend from its board-designated funds other than amounts appropriated as part of its internal designation and annual endowment spending processes, amounts from board-designated funds could be made available for general expenditure, if necessary.

Note 3 - Investments

The following summarizes the College's securities by type at June 30, 2024:

	2024 Fair Value
Cash and cash equivalents	$ 18,323,926
Mutual funds	55,628,275
Pooled funds	131,223,153
Private equity funds	27,178,067
Natural resources	12,328,459
Hedge funds	42,578,737
Total securities	$ 287,260,617

Note 3 - Investments (Continued)

The following summarizes the College's securities by type at June 30, 2023:

		Fair Value
Cash and cash equivalents	$	15,696,555
Corporate debt securities		160,000
Mutual funds		53,509,381
Pooled funds		113,897,733
Private equity funds		15,821,007
Natural resources		18,942,167
Hedge funds		49,712,794
Total securities	$	267,739,637

Investment income included in the accompanying statement of activities is as follows:

		2024		2023
Dividends, interest, and rent	$	456,382	$	(188,574)
Realized gains		6,236,656		16,306,663
Unrealized gains		23,357,279		11,774,382
Total return on investments		30,050,317		27,892,471
Investment return designated for current operations		22,843,818		14,752,801
Investment return not designated for current operations	$	7,206,499	$	13,139,670

Note 4 - Fair Value Measurements

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provide a framework for establishing that value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

The following tables present information about the College's assets and liabilities measured at fair value on a recurring basis at June 30, 2024 and 2023 and the valuation techniques used by the College to determine those fair values.

> **Level 1** - In general, fair values determined by Level 1 inputs use quoted prices in active markets for identical assets or liabilities that the College has the ability to access.
>
> **Level 2** - Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets and liabilities in active markets and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.
>
> **Level 3** - Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset or liability. These Level 3 fair value measurements are based primarily on management's own estimates using the net asset value (or its equivalent) provided by the fund as a practical expedient, or similar techniques taking into account the characteristics of the asset or liability.

Note 4 - Fair Value Measurements (Continued)

In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The College's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

Assets and Liabilities Measured at Fair Value on a Recurring Basis at June 30, 2024

	Fair Value	Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Measured at Net Asset Value (Not Leveled)
Assets					
Cash equivalents - Money market mutual funds	$ 14,325,470	$ 14,325,470	$ -	$ -	$ -
Investments:					
Cash equivalents	$ 18,323,926	$ 18,323,926	$ -	$ -	$ -
Mutual funds - U.S.	155,592	155,592	-	-	-
Mutual funds - Foreign/Global	55,472,683	55,472,683	-	-	-
Pooled funds - U.S. equities	65,209,905		65,209,905	-	-
Pooled funds - Foreign/Global	34,728,184	-	34,728,184	-	-
Pooled funds - Fixed income	31,285,064	-	31,285,064	-	-
Natural resources	12,328,459	-	12,328,458	-	-
Private equity funds	27,178,067	-		-	27,178,067
Hedge funds	42,578,737	-	-	-	42,578,737
Total investments	$ 287,260,617	$ 73,952,201	$ 143,551,611	$ -	$ 69,756,804
Investments held in trust:					
Mutual funds	$ 2,601,814	$ 2,601,814	$ -	$ -	$ -
Beneficial interests in trusts	9,642,250	-	-	9,642,250	-
Total investments held in trust	$ 12,244,064	$ 2,601,814	$ -	$ 9,642,250	$ -
Liabilities - Liabilities on annuities and trusts payable	$ 1,301,213	$ -	$ -	$ 1,301,213	$ -

Note 4 - Fair Value Measurements (Continued)

Assets and Liabilities Measured at Fair Value on a Recurring Basis at June 30, 2023

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Measured at Net Asset Value (Not Leveled)
Cash equivalents - Money market mutual funds	$ 10,018,208	$ 10,018,208	$ -	$ -	$ -
Investments:					
Cash Equivalents	$ 15,696,555	$ 15,696,555	$ -	$ -	$ -
Corporate debt securities	160,000	-	160,000	-	-
Mutual funds - U.S.	135,591	135,591	-	-	-
Mutual funds - Foreign/Global	53,373,790	53,373,790	-	-	-
Pooled funds - U.S. equities	58,128,181	-	58,128,181	-	-
Pooled funds - Foreign/Global	24,742,012	-	24,742,012	-	-
Pooled funds - Fixed income	31,027,540	-	31,027,540	-	-
Natural resources	18,942,167	-	18,942,167	-	-
Private equity funds	15,821,007	-	-	-	15,821,007
Hedge funds	49,712,794	-	-	-	49,712,794
Total investments	$ 267,739,637	$ 69,205,936	$ 132,999,900	$ -	$ 65,533,801
Investments held in trust:					
Mutual funds	$ 2,436,263	$ 2,436,263	$ -	$ -	$ -
Beneficial interests in trusts	8,958,392	-	-	8,958,392	-
Total investments held in trust	$ 11,394,655	$ 2,436,263	$ -	$ 8,958,392	$ -
Liabilities - Liabilities on annuities and trusts payable	$ 1,387,397	$ -	$ -	$ 1,387,397	$ -

Beneficial interests in trusts categorized as Level 3 consist of perpetual trusts. Assets held within the perpetual trusts are all Level 1 investments and the College is named as 100 percent beneficiary of future distributions. Liabilities on annuities and trusts characterized as Level 3 liabilities consist primarily of charitable remainder trust agreements. The College estimates the fair value of these contributions based upon the present value of the expected future cash flows using management's best estimates of key assumptions including life expectancies of annuitants, payment periods, and a discount rate commensurate with the current market and other risks involved.

Both observable and unobservable inputs may be used to determine the fair value of positions classified as Level 3 assets and liabilities. As a result, the unrealized gains and losses for these assets and liabilities presented in the tables below may include changes in fair value that were attributable to both observable and unobservable inputs.

Note 4 - Fair Value Measurements (Continued)

Quantitative Information About Level 3 Fair Value Measurements

The following table summarizes the valuation methods and inputs used to determine fair value at June 30, 2024 and 2023 for assets and liabilities measured at fair value on a recurring basis using unobservable inputs (Level 3 inputs):

	Fair Value at June 30, 2024	Fair Value at June 30, 2023	Valuation Technique	Significant Unobservable Inputs Used	Range (Weighted Average)
Assets - Assets held in trusts - Beneficial interests in trusts	$ 9,642,250	$ 8,958,392	Discounted cash flow	Market value of trust assets - Percentage beneficiary	100%
Liabilities - Liabilities on annuity contracts and trusts	$ 1,301,213	$ 1,387,397	Discounted cash flow	Life expectancy of beneficiaries based on published IRS tables	3.6 - 33.33 years
				IRS discount rate	1.2% - 2024 and 2023

Investments in Entities that Calculate Net Asset Value per Share

The College holds shares or interests in investment companies at year end whereby the fair value of the investment held is estimated based on the net asset value per share (or its equivalent) of the investment company.

The following table presents information regarding the nature and significant terms of the College's private equity, hedge funds, and pooled investment funds at June 30, 2024 and 2023:

	June 30, 2024			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Private equity funds (A)	$ 27,178,067	$ 31,322,317	None	N/A
Hedge funds (B)	$ 42,578,737	$ -	Quarterly to Annually	45 - 90 days

	June 30, 2023			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Private equity funds (A)	$ 15,821,007	$ 24,952,091	None	N/A
Hedge funds (B)	$ 49,712,794	$ -	Quarterly to Annually	45 - 90 days

(A) This category includes several private equity funds that invest in early stage, high-growth private companies, growth equity financing, leverage buyouts, securities, and other obligations of distressed businesses and financially troubled companies. These investments can never be redeemed with the funds. Instead, the nature of the investments in this category is that distributions are received through the liquidation for the underlying assets of the funds. These investments are planned to be held and it is estimated that the underlying assets of the funds will be liquidated in approximately 10 years.

(B) This category includes investments in hedge funds that invest primarily in other hedge funds, limited partnerships, and investment companies. Management of these funds employs a variety of strategies and has the ability to shift investments based on market, economic, political, and government-driven events. The fair values of the investments in this category have been estimated using the net asset value per share of the investments. These investments can be redeemed and, currently, there are no restrictions.

Note 5 - Contributions Receivable

Contributions receivable are recorded at their net present value using a discount rate equal to the average of the six-month and three-year Treasury Bond rates on June 30 of the year in which the gift was received, ranging from 0.18 percent to 4.98 percent for years ending June 30, 2024 and 2023. The contributions have been made primarily for capital and operating purposes and are expected to be received as follows:

	2024	2023
Expected to be collected in:		
Less than one year	$ 9,898,659	$ 9,749,448
Greater than one year	30,879,012	17,249,329
Total	40,777,671	26,998,777
Less unamortized discount	(2,685,959)	(2,011,658)
Net	38,091,712	24,987,119
Less allowance for uncollectible pledges	(2,326,444)	(1,484,521)
Net	$ 35,765,268	$ 23,502,598

The College has received verbal and other informal indications that certain potential donors intend to remember the College in their wills or through future donations. However, the College has insufficient verifiable evidence to quantify the amount and timing of such potential donations. Therefore, no contributions receivable have been recorded for these potential donations or are estimable in order to be disclosed. It is the College's policy to record donors' promises to contribute when formal written or other verifiable documentation is received and when the amount is estimable.

Related party activity

Contributions receivable from related parties before unamortized discount and allowance for uncollectible pledges totaled $35,848,288 and $15,535,282 as of June 30, 2024 and 2023, respectively. Contributions from related parties totaled $31,620,115 and $583,122 as of June 30, 2024 and 2023, respectively.

Note 6 - Land, Buildings, and Equipment

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

	2024	2023
Land	$ 2,472,866	$ 2,472,866
Real estate held for expansion	36,584	36,584
Stadiums and athletic fields	10,615,751	10,615,751
Buildings	131,597,717	130,154,617
Furniture, fixtures, and equipment	29,258,353	28,401,639
Automobiles and trucks	854,821	1,067,251
Construction in progress	7,337,606	711,617
Total	182,173,698	173,460,325
Less accumulated depreciation	(86,066,186)	(82,854,445)
Net	$ 96,107,512	$ 90,605,880

Note 6 - Land, Buildings, and Equipment (Continued)

Depreciation expense was $3,354,331 and $3,764,612 for the years ended June 30, 2024 and 2023, respectively. As of June 30, 2024, the College has a contract for campus electrical upgrades with a remaining commitment of $2,564,881.

Note 7 - Notes Payable and Long-term Debt

Debt at June 30 consisted of the following:

	2024	2023
Michigan Finance Authority Higher Education Facilities Limited Obligation Revenue and Revenue Refunding Bonds (Kalamazoo College Project), Series 2018	$ 39,510,000	$ 40,380,000
Bond premium	2,729,340	2,843,063
Less unamortized debt issuance costs	(330,527)	(344,299)
Net	$ 41,908,813	$ 42,878,764

Aggregate annual maturities of debt at June 30, 2024 are as follows:

	Principal
2025	$ 915,000
2026	965,000
2027	1,015,000
2028	1,065,000
2029	1,120,000
2030 and thereafter	34,430,000
Total	$ 39,510,000

The Michigan Finance Authority Higher Education Facilities Limited Obligation Revenue and Revenue Refunding Bonds (Kalamazoo College Project), Series 2018 totaling $44,315,000 were issued on July 11, 2018. The Series 2018 bonds carry fixed interest rates ranging from 3.0 percent to 5.0 percent and require annual principal payments ranging from $725,000 to $2,625,000 through 2047. Proceeds of the bond issue were used to refinance the 2011A bonds and the $1,000,000 PNC note and the additional proceeds were used to construct a new natatorium and make other campus infrastructure improvements. With the issuance of the Series 2018 bonds, the 2011A bonds were paid in full.

Note 8 - Beneficial Interests and Obligations Under Split-interest Agreements

The College has been the recipient of several gift annuities which require future payments to the donor or their named beneficiaries. The assets received from the donor are recorded at fair value. The College has recorded a liability at June 30, 2024 and 2023 of $990,187 and $1,046,638, respectively, which represents the present value of the future annuity obligations. The liability has been determined using a discount rate of 0.6 percent based on the normal life expectancy of the beneficiaries. The beneficial interests (market value of invested assets) related to these gift annuities total $1,581,092 and $1,494,140 at June 30, 2024 and 2023, respectively, and are included in investments held in trusts on the statement of financial position.

Note 8 - Beneficial Interests and Obligations Under Split-interest Agreements (Continued)

The College administers various charitable remainder trusts. A charitable remainder trust provides for the payment of distributions to the grantor or other designated beneficiaries over the trust's term (usually the designated beneficiary's lifetime). At the end of the trust's term, the remaining assets are available for the College's use. The portion of the trust attributable to the future interest of the College is recorded in the statement of activities as donor restricted contributions in the period the trust is established. Assets held in the charitable remainder trusts are recorded at fair value in the College's statement of financial position. On an annual basis, the College revalues the liability to make distributions to the designated beneficiaries based on actuarial assumptions. The College has recorded a liability at June 30, 2024 and 2023 of $311,026 and $340,760, respectively, which represents the present value of the future obligations related to these trusts. The liability has been determined using a discount rate of 2 percent based on the normal life expectancy of the beneficiaries. The beneficial interests (market value of invested assets) related to these trusts total $1,020,722 and $942,125 at June 30, 2024 and 2023, respectively, and are included in investments held in trusts on the statement of financial position.

The College is the beneficiary of certain funds held in trust by others, which represent resources neither in the possession nor under the control of the College, but held in perpetuity and administered by outside trustees, with the College deriving income from a portion of the assets held in such trusts.

The College's interest in perpetual trusts is recorded at the fair market value of the College's interest in the trust. The College's interest was $9,642,250 and $8,958,392 as of June 30, 2024 and 2023, respectively.

Cash distributions received by the College from these perpetual trusts are reported as funds received from trusts held by others in the accompanying statement of activities and are reported as increases to net assets based upon the existence of donor-imposed restrictions.

Investment income and changes in the fair market value of the College's portion of the funds held in perpetual trusts are reported in the accompanying statement of activities as a net unrealized gain in net assets with donor restrictions.

Note 9 - Funds Held in Trust by Others

The financial statements do not reflect the assets of the F.W. Heyl and Elsie L. Heyl Science Scholarship Fund (Heyl Fund), a public foundation administered by an outside fiscal agent. Each year, qualifying students are awarded scholarships from the Heyl Fund, which are then distributed to the College and recognized in its financial statements. These scholarships are determined on a discretionary basis each year by designated members of the Heyl Fund.

In addition, the College is a direct beneficiary of $2,000 of the Heyl Fund's current income. This amount is included in unrestricted net assets in the statement of activities.

Financial data of the Heyl Fund is as follows:

	2024	2023
Market value	$ 55,956,381	$ 51,654,166
Heyl Fund distributions to College for scholarships	$ 2,123,657	$ 2,148,360

Note 10 - Donor-restricted and Board-designated Endowments

The College's endowment includes both donor-restricted endowment funds and funds designated by the governing body to function as endowments (board-designated endowment funds). As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with endowment funds, including board-designated endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The College is subject to the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the board of trustees appropriates such amounts for expenditure. Most of those net assets are also subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The board of trustees of the College has interpreted UPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment fund, the College considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of the initial and subsequent gift amounts donated to the funds and (b) any accumulations to the fund that are required to be maintenance in perpetuity in accordance with the direction of the applicable donor gift instrument. The College has interpreted UPMIFA to permit spending from underwater funds 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:

(1) The duration and preservation of the fund
(2) The purposes of the College and the donor-restricted endowment fund
(3) General economic conditions
(4) The expected total return from income and the appreciation of investments
(5) Other resources of the College
(6) The investment policies of the College
(7) Possible effect of inflation and deflation

The composition of net assets by type of endowment fund at June 30, 2024 and 2023 was as follows:

	2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	$ 58,175,386	$ -	$ 58,175,386
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	161,548,975	161,548,975
Accumulated investment gains	-	84,570,330	84,570,330
Total endowment funds	$ 58,175,386	$ 246,119,305	$ 304,294,691

Note 10 - Donor-restricted and Board-designated Endowments (Continued)

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	$ 54,868,175	$ -	$ 54,868,175
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	155,623,347	155,623,347
Accumulated investment gains	-	76,278,253	76,278,253
Total endowment funds	$ 54,868,175	$ 231,901,600	$ 286,769,775

Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets - Beginning of year	$ 54,868,175	$ 231,901,600	$ 286,769,775
Investment return - Investment income, net	(121,126)	(509,527)	(630,653)
Net appreciation (realized and unrealized)	5,810,653	23,654,518	29,465,171
Total investment return	5,689,527	23,144,991	28,834,518
Contributions	4,250,996	5,915,493	10,166,489
Appropriation of endowment assets for expenditure	(6,633,312)	(14,842,779)	(21,476,091)
Endowment net assets - End of year	$ 58,175,386	$ 246,119,305	$ 304,294,691

Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets - Beginning of year	$ 52,058,446	$ 214,972,959	$ 267,031,405
Investment return - Investment income, net	(51,919)	(193,308)	(245,227)
Net depreciation (realized and unrealized)	5,827,876	22,948,180	28,776,056
Total investment return	5,775,957	22,754,872	28,530,829
Contributions	2,004	5,287,705	5,289,709
Appropriation of endowment assets for expenditure	(2,956,194)	(11,132,599)	(14,088,793)
Other changes	(12,038)	18,663	6,625
Endowment net assets - End of year	$ 54,868,175	$ 231,901,600	$ 286,769,775

Note 10 - Donor-restricted and Board-designated Endowments (Continued)

Underwater Endowment Funds

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. For June 30, 2024, deficiencies of this nature total $1,412,272 with an original gift value of $17,740,661 and a current fair value of $16,328,388. For June 30, 2023, deficiencies of this nature total $1,875,001 with an original gift value of $20,871,451 and a current fair value of $18,996,450.

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 and other items supported by its endowment while seeking to maintain the purchasing power of the endowment. Endowment assets include those assets of donor-restricted endowment funds the College must hold in perpetuity or for donor-specified periods, as well as those of board-designated endowment funds. Under the College's policies, endowment assets are invested in a manner that is intended to produce results that exceed the S&P 500 index while assuming a moderate level of investment risk. The College expects its endowment funds to provide an average rate of return to cover appropriations. Actual returns in any given year may vary from this amount.

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 current yield (investment income such as dividends and interest) and capital appreciation (both realized and unrealized). 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.

The College has a policy (the spending policy) of appropriating for expenditure each year 5 percent of its endowment fund's average fair value over the prior 12 quarters through the year end preceding the year in which the expenditure is planned, with the exception of certain underwater endowments which distribute 2.5 percent. The board of trustees may authorize additional spending from the endowment as it deems appropriate. These authorizations resulted in a total spending rate of 5.75 percent and 5.65 percent for the years ended June 30, 2024 and 2023, respectively. 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 grow. This is consistent with the College's objective to maintain the purchasing power of endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

Note 11 - Self-insured Medical Plan

Effective January 1, 2019, the College established a self-insured medical plan covering all of its eligible employees. The College's individual excess risk benefit level per member for the years ended June 30, 2024 and 2023 was $100,000 for the first member, with $100,000 for each member thereafter. The total exposure limit is $5,369,375. Claims paid and amounts expensed by the College under the plan were $5,772,092 and $5,982,428 for the years ended June 30, 2024 and 2023, respectively. The College has recorded an accrual of $644,550 and $757,774 at June 30, 2024 and 2023, respectively, for known claims and estimated claims incurred but not reported.

Note 12 - Postretirement and Other Retirement Obligations

Defined Contribution Retirement Plan - The College contributes to defined contribution retirement plans administered by the Teachers Insurance and Annuity Association and College Retirement Equity Funds Company for the benefit of eligible employees. The plans cover substantially all employees. The College is required to contribute 5 percent to the plans based on participants' annual income. In addition, the College matches from 1 to 5 percent of participant contributions to the plans. During 2024 and 2023, 100% of the contribution match was contributed to the plans. Contribution expenses to these plans were $2,011,337 and $1.919,589 for the years ended June 30, 2024 and 2023, respectively.

Postretirement Healthcare Benefit Plan - The College provides a defined benefit postretirement healthcare benefit plan with a minimum retirement age of 55 and a minimum of 10 years of service. The College makes defined contributions to the plan on behalf of eligible employees who are 35 years of age or older. For employees hired on or after October 1, 2001, the College's contributions cease upon the employee's separation from employment. Employees in this category can receive 5.0 retiree health insurance but will be required to pay 100 percent of the monthly premiums. The College contributed $103,851 and $104,709 into the plan for active employees for the years ended June 30, 2024 and 2023, respectively. For the years ended June 30, 2024 and 2023, the College utilized $59,928 and $115,872, respectively, of funds forfeited by employees separated from the College prior to retirement to apply to the current year plan contributions. For employees hired before October 1, 2001, the College provides a contributory defined benefit postretirement healthcare benefit plan. Effective January 1, 2018, the College's contributions are based on the retiree's Medicare eligibility. Prior to this, the College's contributions were based on salary level at retirement, age and years of service. The College utilizes the immediate recognition method for liability gains and losses.

The College uses a June 30 measurement date for the postretirement healthcare plan. The following table summarizes the liability recognized in the statement of financial position and changes in such amounts relating to obligations of the plan:

	2024	2023
Accumulated benefit obligation at beginning of year	$ 11,660,287	$ 12,651,551
Service cost	38,402	39,597
Interest cost	548,393	538,212
Actuarial and experience gain	(1,038,559)	(1,040,850)
Benefit payments	(516,620)	(528,223)
Accumulated benefit obligation at end of year	$ 10,691,903	$ 11,660,287

Note 12 - Postretirement and Other Retirement Obligations (Continued)

The following table represents the postretirement benefit expense recognized in the statement of activities:

	2024	2023
Operating expense:		
Service cost	$ 38,402	$ 39,597
Total operating expense	38,402	39,597
Nonoperating expense:		
Interest cost	548,393	538,212
Actuarial and experience gain	(1,038,559)	(1,040,850)
Total nonoperating gain	(490,166)	(502,638)
Total postretirement benefit gain	$ (451,764)	$ (463,041)

At June 30, 2024 and 2023, the College used a discount rate of 5.25 and 5.0 percent, respectively, in accounting for the postretirement benefit obligation.

For measurement purposes, a 3.0 percent annual rate of increase in the per-capita cost of covered healthcare benefits was assumed for 2024 and 2023.

Assumed healthcare cost trend rates have a significant effect on the amounts reported for the healthcare plans. A one percentage point change in assumed healthcare cost trend rates would have the following effects:

	One Percentage Point Increase	One Percentage Point Decrease
Increase (decrease) on total of service and interest cost components for 2024	$ 90,697.00	$ (60,953.00)
Increase (decrease) on postretirement benefit obligation at June 30, 2024	$ 1,232,784.00	$ (1,041,203.00)

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid as of June 30:

2025	$ 677,598
2026	687,793
2027	701,306
2028	705,623
2029	707,715
2030-2034	3,596,847

Note 13 - Employee Retention Credit

The Coronavirus Aid, Relief, and Economic Security (CARES) Act of 2020 introduced the Employee Retention Credit (ERC) as pandemic relief for eligible organizations. The ERC is a refundable credit against certain employment taxes and qualifies as a government grant. Under generally accepted accounting principles, government grants are recognized as revenue in the period in which an organization substantially overcomes all measurable barriers to be entitled to the funding. Management has determined that the measurable barriers that must be overcome for entitlement to the ERC funding are qualifying for the credits based on meeting the threshold for gross receipts decline in 2021 compared to 2019 and incurring eligible payroll expenses. For the year ended June 30, 2023, the College determined these conditions have been met and recognized $5,685,102 of ERC revenue within other income on the statement of activities and changes in net assets and recognized a corresponding receivable within accounts receivable on the statement of financial position. These amounts were collected in full during 2024.

The College’s ERC claim is subject to review by the Internal Revenue Service (IRS) within the applicable statute of limitations. If a portion or all of the ERC is determined to be ineligible upon IRS review, the College would be required to return the ineligible portion on demand and could potentially be subject to penalties and interest on unpaid employment taxes.

Supplemental Information

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Independent Auditor's Report on Supplemental Information

To the Board of Trustees
Kalamazoo College

We have audited the financial statements of Kalamazoo College as of and for the years ended June 30, 2024 and 2023 and have issued our report thereon dated October 18, 2024, which contained an unmodified opinion on those financial statements. Our audits were performed for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of selected donor restricted programs is presented for the purpose of additional analysis and is not a required part of the financial statements. The accompanying financial responsibility supplemental schedule is presented for the purpose of additional analysis, as required by Title 34 U.S. Code of Federal Regulations (CFR) Section 668.172, *Financial Ratios*. 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 information has been subjected to the auditing procedures applied in the audits 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. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Plante & Moran, PLLC

October 18, 2024

A summary of operating activity for the years ended June 30, 2024 and 2023 of the S. Rudolph Light Restricted Fund supporting the Foreign Study Program (pursuant to the S. Rudolph Light Trust dated May 28, 1952 and the S. Rudolph Light Trust dated June 5, 1958) is as follows:

	2024	2023
Restricted net asset balance at beginning of year	$ 865,892	$ 865,893
Income from the S. Rudolph Light Endowment Fund	407,549	412,380
Total	1,273,441	1,278,273
Excess of Foreign Study Program expenditures over student tuition and fees, limited to the extent of income from the S. Rudolph Light Endowment Fund - Expenditures:		
Salaries and fringes	635,928	684,975
Student tuition, fees, and room and board	3,911,434	2,904,819
Other expenditures	438,054	189,175
Scholarships granted	4,954,111	4,229,145
Total	9,939,527	8,008,114
Less tuition and fees charged to participating students	(9,101,978)	(7,595,733)
Net	837,549	412,381
Restricted net asset balance at end of year	**$ 435,892**	**$ 865,892**

The cost of the fund's units included in the endowment fund's donor restricted common investment pool at June 30, 2024 and 2023 was $2,576,926. The market value of the units totaled $8,904,152 and $8,500,888 at June 30, 2024 and 2023, respectively.

Schedule of Selected Donor Restricted Programs (Continued)
Years Ended June 30, 2024 and 2023

Summaries of the activity of the Kalamazoo College Endowed Chairs in Asian Studies, Chinese, Classics, and Japanese for the years ended June 30, 2024 and 2023 are as follows:

	Beginning Balance	Endowment Income	Expenditures	Ending Balance
Year Ended June 30, 2024:				
Chen Asian Studies Chair	$ 49,547	$ 75,182	$ (58,649)	$ 66,080
Chinese Chair	(1,307)	109,415	(94,291)	13,816
Classics Chair	71,738	225,092	(193,600)	103,230
Japanese Chair	51,529	119,615	(93,346)	77,798
Year Ended June 30, 2023:				
Chen Asian Studies Chair	$ 18,304	$ 76,056	$ (44,813)	$ 49,547
Chinese Chair	(17,930)	110,712	(94,089)	(1,307)
Classics Chair	36,024	227,760	(192,046)	71,738
Japanese Chair	29,224	121,033	(98,728)	51,529

The ending balances at June 30, 2024 and 2023 reflect the accumulated unexpended earnings of the fund.

The market value and cost of the fund's units included in the endowment fund's donor restricted common investment pool are as follows:

	2024		2023	
	Market Value	Cost	Market Value	Cost
Chen Asian Studies Chair	$ 1,641,821	$ 822,824	$ 1,568,183	$ 822,324
Chinese Chair	2,389,083	975,000	2,282,245	975,000
Classics Chair	4,914,898	2,490,020	4,695,107	2,490,020
Japanese Chair	2,611,799	1,125,000	2,495,001	1,125,000

Kalamazoo College

Financial Responsibility Supplemental Schedule
Year Ended June 30, 2024

Ratio and Financial Element	Cross-reference to the financial statement line or note disclosure	Gross Amounts	Net Amounts
Primary Reserve Ratio:			
Expendable Net Assets:			
Net assets without donor restrictions	Statement of Financial Position	$ -	$ 127,851,242
Net assets with donor restrictions	Statement of Financial Position	-	261,783,572
Secured and Unsecured related party receivable	Footnote 5	-	35,848,288
Unsecured related party receivable	Footnote 5	-	35,848,288
Property, plant, and equipment, gross (including construction in progress)	Statement of Financial Position	96,107,512	
Property, plant, and equipment, net - Pre-implementation less any construction in progress	Supplemental Schedule Footnotes	-	65,484,944
Property, plant, and equipment, net - Post-implementation less any construction in progress with outstanding debt for original purchase	Supplemental Schedule Footnotes	-	15,571,441
Property, plant, and equipment, net - Post-implementation less any construction in progress without outstanding debt for original purchase	Supplemental Schedule Footnotes	-	7,713,521
Construction in progress	Supplemental Schedule Footnotes	-	7,337,606
Lease right-of-use asset, net	N/A		
Lease right-of-use asset - Pre-implementation	N/A		
Lease right-of-use asset - Post-implementation	N/A		
Intangible assets	N/A		
Post-employment and defined pension plan liabilities	Statement of Financial Position	-	10,691,903
Long-term debt - For long-term purposes and construction in process debt	Statement of Financial Position	41,908,813	-
Long-term debt for long-term purposes - Pre-implementation	Statement of Financial Position	-	41,908,813
Qualified long-term debt for long-term purposes - Post-implementation for purchase of property, plant, and equipment	N/A	-	-
Line of credit for construction in process	N/A	-	-
Lease right-of-use asset liability	N/A	-	-
Pre-implementation right-of-use asset liability	N/A	-	-
Post-implementation right-of-use asset liability	N/A	-	-
Annuities with donor restrictions	N/A	-	-
Term endowments with donor restrictions	N/A	-	-
Life income funds with donor restrictions	N/A	-	-
Net assets with donor restrictions: restricted in perpetuity	Financial Statement Footnote 10	-	246,119,305
Total Expenses and Losses:			
Total expenses without donor restrictions	Statement of Activities	-	69,575,450
Non-operating and net investment (loss)	Statement of Activities	-	-
Net investment losses	Statement of Activities	-	-
Pension-related changes other than net periodic costs	Statement of Activities	-	968,384

Kalamazoo College

Financial Responsibility Supplemental Schedule (Continued)
Years Ended June 30, 2024

Ratio and Financial Element	Cross-reference to the financial statement line or note disclosure	Gross Amounts	Net Amounts
Equity Ratio:			
Modified Net Assets:			
Net assets without donor restrictions	Statement of Financial Position	$ -	$ 127,851,242
Net assets with donor restrictions	Statement of Financial Position	-	261,783,572
Intangible assets	N/A	-	-
Secured and Unsecured related party receivable	Footnote 5	-	35,848,288
Unsecured related party receivable	Footnote 5	-	35,848,288
Modified Assets:			
Total assets	Statement of Financial Position	-	450,305,910
Lease right-of-use asset - Pre-implementation	N/A	-	-
Pre-implementation right-of-use liability	N/A	-	-
Intangible assets	N/A	-	-
Secured and Unsecured related party receivable	Footnote 5	-	10,170,371
Unsecured related party receivable	Footnote 5	-	10,170,371
Net Income Ratio:			
Change in net assets without donor restrictions	Statement of Activities	-	27,848,113
Total revenues and gains	Statement of Activities	-	107,531,388

The accompanying Financial Responsibility Supplemental Schedule (the "Schedule") includes the information necessary to calculate the financial responsibility score required by the Department of Education and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of 34 CFR 668.172 Department of Education Financial Ratios. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in, the preparation of the basic consolidated financial statements.

The Department of Education modified the calculation of the financial responsibility ratio that is required to be computed by all schools that receive Title IV funding. This modification requires schools to disclose certain pre and post amounts relating to long-term debt, property plant and equipment and right of use leases.

Property, Plant, and Equipment, net	
1 Pre-implementation property, plant, and equipment, net (PP&E, net)	
a. Beginning pre-implementation property, plant and equipment, net as of beginning of year	$ 68,261,277
b. Less subsequent depreciation and amortization	(2,306,587)
c. Less subsequent disposals	(469,746)
d. Ending pre-implementation property, plant, and equipment, net as of end of year	65,484,944
2 Post-implementation property, plant, and equipment, net acquired without debt:	
a. Beginning post-implementation property, plant, and equipment, net as of beginning of year	5,367,284
b. Long-lived assets acquired without use of debt	2,553,902
d. Transfer of post-implementation construction in progress placed into service (4c below)	
e. Less subsequent depreciation and disposals	(207,665)
f. Ending post-implementation property, plant, and equipment, net as of end of year	7,713,521
3 Post-implementation property, plant, and equipment, net acquired with debt:	
a. Beginning post-implementation property, plant, and equipment, net as of beginning of year	16,265,702
b. Long-lived assets acquired without use of debt	-
d. Transfer of post-implementation construction in progress placed into service (5c below)	-
e. Less subsequent depreciation and disposals	(694,261)
f. Ending post-implementation property, plant, and equipment, net as of end of year	15,571,441
4 Post-implementation construction in progress, acquired without debt:	
a. Beginning post-implementation construction in progress as of beginning of year	711,617
b. Construction in progress acquired without use of debt	6,625,989
c. Transfer construction in progress put into service (2d above)	-
d. Ending post-implementation construction in progress as of end of year	7,337,606
5 Post-implementation construction in progress, acquired with debt:	
a. Beginning post-implementation construction in progress as of beginning of year	-
b. Construction in progress acquired with use of debt	-
c. Transfer construction in progress put into service (3d above)	-
d. Ending post-implementation construction in progress as of end of year	-
6 Total construction in progress end of year	$ 7,337,606
7 Total property, plant, and equipment, net as of end of year	$ 96,107,512