

ST. OLAF COLLEGE

Northfield, Minnesota

FINANCIAL STATEMENTS
Including Independent Auditors' Report

As of and for the Years Ended May 31, 2018 and 2017

ST. OLAF COLLEGE

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ST. OLAF COLLEGE

HIGHLIGHTS (Unaudited)
For the Years Ended May 31, 2018 and 2017

FISCAL YEAR ENDING: MAY 31 ACADEMIC YEAR	FY 2018 2017-18	FY 2017 2016-17
ENROLLMENT, RETENTION, GRADUATION		
Undergraduate FTE (Fall)	3,003	3,007
Undergraduate Headcount (Fall)	3,035	3,040
% Men / Women	42 / 58	44 / 56
% Who Are In-State / Out-of-State	43 / 57	42 / 58
% White / Domestic Minority / International	71 / 19 / 10	73 / 18 / 9
1st Year to Sophomore	92.1%	92.3%
Sophomore to Junior	86.9%	88.8%
Junior to Senior	85.6%	86.8%
Four-Year Graduation Rate	80.5%	81.9%
Five-Year Graduation Rate	86.0%	88.1%
Number of Seniors (May)	683	681
Number of Declared Majors	922	905
Top five Majors		
1st	Biology 11.2%	Biology 10.4%
2nd	Mathematics 9.9%	Economics 8.9%
3rd	Economics 9.0%	Psychology 6.9%
4th	Psychology 6.8%	Mathematics 6.5%
5th	Music 6.3%	Music 6.4%
Post-graduation Activities	Class of 2017	Class of 2016
Responses / Response Rate	596 / 92%	701 / 93%
Activates:		
Working (Full or Part-Time) / percent	384 / 64%	486 / 69%
Service Programs / percent	49 / 8%	53 / 8%
Furthering Education / percent	137 / 23%	132 / 19%
Other Activities / percent	26 / 5%	30 / 4%
NEW STUDENT ADMISSIONS (Fall)		
Applications (1st Year / Transfer)	5949 / 109	6046 / 129
Acceptances (1st Year / Transfer)	2571 / 51	2704 / 55
Acceptance Rate (1st Year / Transfer)	43% / 47%	45% / 43%
Matriculates (1st Year / Transfer)	786 / 25	824 / 23
Yield Rate (1st Year / Transfer)	31% / 49%	31% / 42%
% 1st Year Men/Women	39 / 61	45 / 55
% 1st Year In-State/Out-of-State	42 / 58	42 / 58
% 1st Year 1st Generation to College	18	18
Median ACT - 1st Year	29	29
Median SAT - 1st Year	1270	1260
FACULTY AND STAFF EMPLOYED (Fall)		
Faculty / Staff / Total - FTE	271 / 406 / 677	276 / 401 / 677
Faculty / Staff / Total - Full-time Headcount	242 / 358 / 600	245 / 356 / 601
Faculty / Staff / Total - Part-time Headcount	88 / 143 / 231	94 / 136 / 230
TUITION AND FEES PER STUDENT		
Tuition	\$ 46,000	\$ 44,180
Room & Board	10,430	10,080
Total Comprehensive Fee	<u>\$ 56,430</u>	<u>\$ 54,260</u>
FINANCIAL AID - SCHOLARSHIPS & GRANTS		
Federal Grants	\$ 2,948,310	\$ 2,647,705
State Grants	2,398,904	1,932,756
Institutional Scholarships & Grants	77,626,398	68,814,841
Outside Scholarships & Grant	2,375,478	2,681,838
Total	<u>\$ 85,349,090</u>	<u>\$ 76,077,140</u>
Total Per Student FTE	\$ 28,421	\$ 25,300
ENDOWMENT		
Market Value at Fiscal Year End	\$ 536,053,533	\$ 498,709,974
Market Value per FTE Student	\$ 178,506	\$ 165,850
Total Return on Investments	9.3%	12.6%

INDEPENDENT AUDITORS' REPORT

To the Board of Regents
St. Olaf College
Northfield, Minnesota

We have audited the accompanying financial statements of St. Olaf College (the "College"), which comprise the statements of financial position as of May 31, 2018 and 2017, and the related statements of activities and change in net assets and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of St. Olaf College as of May 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter*Change in Accounting Principle*

As discussed in Note 1 to the financial statements, the College changed its method of accounting for contributions restricted by donors to acquire long-lived assets, including gifts of cash restricted for those acquisitions. Previously, the College implied a time restriction on the contributions that expired over the estimated useful life of the long-lived assets. Under the new policy, the restrictions expire when the long-lived assets are placed in service. Our opinion is not modified with respect to that matter.

Other Matters*Report on Other Information*

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The "Highlights" on page 1, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.

Baker Tilly Virchow Krause, LLP

Minneapolis, Minnesota
October 10, 2018

ST. OLAF COLLEGE

STATEMENTS OF FINANCIAL POSITION

As of May 31, 2018 and 2017

ASSETS		(Restated)
	2018	2017
Cash and cash equivalents	\$ 18,867,938	\$ 16,002,555
Receivables		
Accounts, net (Note 4)	1,663,058	1,259,942
Contributions, net (Note 5)	7,283,233	7,949,405
Student loans, net (Note 6)	6,673,080	6,792,854
Note, net (Note 1)	750,000	750,000
Investments (Note 7)	562,976,629	520,207,245
Other assets	1,176,052	1,862,793
Deposits held by trustee (Note 7)	1,800,302	1,839,053
Beneficial interest in trusts held by others, held at fair value (Note 7)	1,800,919	1,683,268
Beneficial interest in trusts held by others, held at cost (Note 1)	491,350	491,350
Property, plant and equipment, net (Note 9)	<u>244,853,535</u>	<u>247,085,137</u>
TOTAL ASSETS	<u>\$ 848,336,096</u>	<u>\$ 805,923,602</u>
 LIABILITIES AND NET ASSETS 		
LIABILITIES		
Accounts payable	\$ 4,667,136	\$ 3,650,554
Accrued and other liabilities (Note 10)	15,254,936	15,850,679
Deferred revenue	4,026,795	3,510,633
Annuities payable (Note 17)	12,795,080	13,336,999
Long-term debt (Note 14)	81,980,292	85,252,405
U.S. government grants refundable	4,991,793	5,446,640
Deposits held in trust for others	<u>1,751,251</u>	<u>1,876,399</u>
Total Liabilities	<u>125,467,283</u>	<u>128,924,309</u>
 NET ASSETS		
Unrestricted (Note 2)	350,214,057	332,504,112
Temporarily restricted (Note 2)	150,755,746	131,155,965
Permanently restricted (Note 2)	<u>221,899,010</u>	<u>213,339,216</u>
Total Net Assets	<u>722,868,813</u>	<u>676,999,293</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 848,336,096</u>	<u>\$ 805,923,602</u>

ST. OLAF COLLEGE

STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
For the Year Ended May 31, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
OPERATING REVENUES, GAINS AND OTHER SUPPORT				
Tuition	\$ 136,930,929			\$ 136,930,929
Less: Unfunded scholarships and grants	(67,874,112)			(67,874,112)
Funded scholarships and grants	(9,923,324)			(9,923,324)
Net tuition	59,133,493			59,133,493
Other tuition and fees	4,027,837			4,027,837
Government grants	2,844,081			2,844,081
Private gifts and grants	3,092,095	\$ 6,699,316		9,791,411
Long-term investment income and gains allocated for operations	5,940,826	12,272,881		18,213,707
Other sources	3,050,918	47,322		3,098,240
Investment income	277,030	43,405		320,435
Net losses on investments and capital assets	(642,142)			(642,142)
Capital gifts allocated	1,940,643			1,940,643
Auxiliary enterprises - sales and services	31,335,412			31,335,412
	111,000,193	19,062,924		130,063,117
Net assets released from restrictions (Notes 1 and 3)	16,676,491	(16,676,491)		
Total Operating Revenues, Gains and Other Support	127,676,684	2,386,433		130,063,117
OPERATING EXPENSES				
Program expenses				
Instruction	54,619,722			54,619,722
Research	1,493,623			1,493,623
Public service	667,288			667,288
Academic support	11,405,565			11,405,565
Student services	18,649,030			18,649,030
Auxiliary enterprises	20,332,923			20,332,923
Support expenses				
Institutional support	10,532,360			10,532,360
Fundraising	4,585,170			4,585,170
Total Operating Expenses (Note 16)	122,285,681			122,285,681
Change in Net Assets from Operating Activities	5,391,003	2,386,433		7,777,436
NONOPERATING ACTIVITIES				
Long-term investment activities				
Investment income	1,337,408	2,099,143	\$ 22,687	3,459,238
Net gains on investments	16,339,457	25,597,482	276,851	42,213,790
Total long-term investment income	17,676,865	27,696,625	299,538	45,673,028
Less: Long-term investment income and gains allocated for operations	(5,940,826)	(12,272,881)		(18,213,707)
	11,736,039	15,423,744	299,538	27,459,321
Student loan income net of expenses	(5,506)		56,405	50,899
Deferred giving activities - gifts	606	4,508	57,615	62,729
Capital giving activities - gifts and grants	397,846	3,483,001	7,169,660	11,050,507
Capital related gifts released from restrictions (Notes 1 and 3)	1,794,482	(1,794,482)		
Capital gifts allocated to operations	(1,940,643)			(1,940,643)
Adjustment to actuarial liability for annuities payable	182,956	96,577	976,576	1,256,109
Adjustment to prior service cost and actuarial liability for retiree health plan	153,162	-	-	153,162
Change in Net Assets from Nonoperating Activities	12,318,942	17,213,348	8,559,794	38,092,084
Change in Net Assets	17,709,945	19,599,781	8,559,794	45,869,520
Net Assets - Beginning of Year (Restated)	332,504,112	131,155,965	213,339,216	676,999,293
NET ASSETS - END OF YEAR	\$ 350,214,057	\$ 150,755,746	\$ 221,899,010	\$ 722,868,813

ST. OLAF COLLEGE

STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
For the Year Ended May 31, 2017 (Restated)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
OPERATING REVENUES, GAINS AND OTHER SUPPORT				
Tuition	\$ 130,934,888			\$ 130,934,888
Less: Unfunded scholarships and grants	(60,738,686)			(60,738,686)
Funded scholarships and grants	<u>(8,561,438)</u>			<u>(8,561,438)</u>
Net tuition	61,634,764			61,634,764
Other tuition and fees	3,248,823			3,248,823
Government grants	3,002,532			3,002,532
Private gifts and grants	3,287,397	\$ 6,373,678		9,661,075
Long-term investment income and gains allocated for operations	6,082,233	11,148,298		17,230,531
Other sources	2,679,284	61,871		2,741,155
Investment income	227,692	29,351		257,043
Net losses on investments and capital assets	(49,054)			(49,054)
Capital gifts allocated	1,886,328			1,886,328
Auxiliary enterprises - sales and services	<u>29,936,012</u>			<u>29,936,012</u>
	111,936,011	17,613,198		129,549,209
Net assets released from restrictions (Notes 1 and 3)	<u>15,020,591</u>	<u>(15,020,591)</u>		
Total Operating Revenues, Gains and Other Support	<u>126,956,602</u>	<u>2,592,607</u>		<u>129,549,209</u>
OPERATING EXPENSES				
Program expenses				
Instruction	54,846,415			54,846,415
Research	1,734,463			1,734,463
Public service	593,019			593,019
Academic support	12,088,655			12,088,655
Student services	18,799,976			18,799,976
Auxiliary enterprises	20,736,226			20,736,226
Support expenses				
Institutional support	9,996,151			9,996,151
Fundraising	<u>4,783,567</u>			<u>4,783,567</u>
Total Operating Expenses (Note 16)	<u>123,578,472</u>			<u>123,578,472</u>
Change in Net Assets from Operating Activities	<u>3,378,130</u>	<u>2,592,607</u>		<u>5,970,737</u>
NONOPERATING ACTIVITIES				
Long-term investment activities				
Investment income	1,883,185	2,946,604	\$ 41,812	4,871,601
Net gains on investments	<u>20,738,895</u>	<u>29,661,552</u>	<u>436,322</u>	<u>50,836,769</u>
Total long-term investment income	22,622,080	32,608,156	478,134	55,708,370
Less: Long-term investment income and gains allocated for operations	<u>(6,082,233)</u>	<u>(11,148,298)</u>		<u>(17,230,531)</u>
	16,539,847	21,459,858	478,134	38,477,839
Student loan income net of expenses	23,208		50,366	73,574
Capital giving activities - gifts and grants	309,710	2,310,718	9,207,509	11,827,937
Deferred giving activities - gifts	58,936		53,911	112,847
Capital gifts allocated to operations	(1,886,328)			(1,886,328)
Adjustment to actuarial liability for annuities payable	149,320	140,199	1,273,600	1,563,119
Adjustment to prior service cost and actuarial liability for retiree health plan	(586,668)			(586,668)
Loss due to refinancing	<u>(1,306,705)</u>			<u>(1,306,705)</u>
Change in Net Assets from Nonoperating Activities	<u>13,301,320</u>	<u>23,910,775</u>	<u>11,063,520</u>	<u>48,275,615</u>
Change in Net Assets	16,679,450	26,503,382	11,063,520	54,246,352
Net Assets - Beginning of Year as Originally Stated	264,095,592	156,381,653	202,275,696	622,752,941
Cumulative Effect of Change in Accounting Principle	<u>51,729,070</u>	<u>(51,729,070)</u>		
Net Assets - Beginning of Year, as Adjusted	<u>315,824,662</u>	<u>104,652,583</u>	<u>202,275,696</u>	<u>622,752,941</u>
NET ASSETS - END OF YEAR	<u>\$ 332,504,112</u>	<u>\$ 131,155,965</u>	<u>\$ 213,339,216</u>	<u>\$ 676,999,293</u>

ST. OLAF COLLEGE

STATEMENTS OF CASH FLOWS
For the Years Ended May 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 45,869,520	\$ 54,246,352
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation, amortization and accretion expense	12,693,668	12,198,390
Net gains on investments	(43,638,065)	(53,430,489)
Change in allowance for uncollectible student loans		(230,000)
Loss from early extinguishment of debt		1,306,705
Loss on dispositions of property, plant and equipment	642,118	8,292
Actuarial adjustment of annuities payable	877,234	1,656,049
Adjustment to prior service cost and actuarial liability for retiree health plan	(153,162)	586,668
Gifts of property, plant and equipment	(130,082)	(98,605)
Change in:		
Accounts receivable	(403,116)	901,269
Contributions receivable for operations	(1,019)	(967,584)
Other assets	686,741	(610,885)
Funds held in trust by others	(117,651)	(100,798)
Change in:		
Accounts payable	1,740,233	(1,899,074)
Accrued and other liabilities	(569,374)	(195,432)
Deferred revenue	516,162	713,585
Change in deposits held in trust for others	(125,148)	123,761
Gifts and grants received for long-term investment and plant, net	(11,113,236)	(11,940,784)
Nonoperating investment income	<u>(3,459,238)</u>	<u>(4,871,601)</u>
Net Cash Flows from Operating Activities	<u>3,315,585</u>	<u>(2,604,181)</u>
CASH FLOWS USED BY INVESTING ACTIVITIES		
Purchases of property, plant and equipment	(12,286,232)	(25,374,640)
Purchases of investments	(434,879,157)	(65,426,637)
Proceeds from sales of investments	435,747,838	69,893,202
Proceeds from sale of property, plant and equipment	158,159	44,250
Disbursements of loans to students	(1,048,247)	(1,209,844)
Repayments of loans by students	1,168,021	1,098,798
Disbursement of loan to LLC		<u>(750,000)</u>
Net Cash Flows Used by Investing Activities	<u>(11,139,618)</u>	<u>(21,724,871)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal repayments of indebtedness	(2,715,000)	(11,295,000)
Gifts and grants received for long-term investment and plant, net	11,113,236	11,940,784
Change in nonoperating contributions receivable	667,191	1,916,670
Change in U.S. government grants refundable, net	(454,847)	9,153
Increase in annuities payable from new gifts	62,729	112,847
Payments to annuitants	(1,481,882)	(1,505,734)
Nonoperating investment income	3,459,238	4,871,601
Change in deposits with trustee, net	<u>38,751</u>	<u>19,884,428</u>
Net Cash Flows from Financing Activities	<u>10,689,416</u>	<u>25,934,749</u>
Net Change in Cash and Cash Equivalents	2,865,383	1,605,697
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>16,002,555</u>	<u>14,396,858</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 18,867,938</u>	<u>\$ 16,002,555</u>

ST. OLAF COLLEGE

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended May 31, 2018 and 2017

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

Organization - Founded in 1874, St. Olaf College (the "College") is a private, four year, residential, liberal arts college located in Northfield, Minnesota. Affiliated with the Evangelical Lutheran Church in America, the College is coeducational and enrolls approximately 3,000 students. The College confers the degrees of Bachelor of Arts and Bachelor of Music.

Basis of Financial Statements - The accounting policies of the College reflect practices common to universities and colleges and the financial statements are prepared in accordance with accounting principles generally accepted in the United States of America. The more significant accounting policies are summarized below:

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

Unrestricted Net Assets - Net assets that are not subject to donor-imposed restrictions. (See Note 2)

Temporarily Restricted Net Assets - Net assets subject to donor-imposed restrictions that will be met by action of the College and/or the passage of time. (See Note 2)

Permanently Restricted Net Assets - Net assets subject to donor-imposed restrictions that the assets be maintained permanently by the College. Generally, the donors of these assets permit the College to use all or part of the income earned on related investments for general or specific purposes. (See Note 2)

Releases from Restrictions - Expirations of temporary restrictions on net assets (i.e., the donor-imposed purpose has been fulfilled and/or the stipulated time period has elapsed) are reported on the statement of activities as net assets released from restrictions. (See Note 3) Occasionally donor restrictions related to net assets may be clarified or changed, at which time they are reflected as a reclassification of prior year net assets on the statement of activities.

Revenue Recognition - The timing and classification of revenue are summarized below:

Tuition and Fees and Auxiliary Revenue - Revenues from tuition and auxiliary enterprises are recognized in the period the goods or services are provided as increases in unrestricted net assets. Financial assistance in the form of scholarships and grants that cover a portion of tuition, living and other costs is reflected as a reduction of tuition and fees revenues.

ST. OLAF COLLEGE

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended May 31, 2018 and 2017

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contribution Revenue - Contributions are recognized as revenues when the donor's commitments are received, as increases in unrestricted net assets unless their use is limited by donor-imposed restrictions or time. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. During the year ended May 31, 2016, the College received a conditional promise to give up to \$15,000,000 to create an endowment to support a new program. The contribution is conditional upon the amount of other donations received for the program through 2025. Based on the terms of the agreement, the contribution will not be recognized as revenue until the end of the agreement. As of May 31, 2018, \$4,400,000 million of other donations have been received for the program.

Gifts of assets other than cash are recorded at their estimated fair value at the date of gift.

Contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenues of the temporarily restricted net asset class, and a release to unrestricted net assets is made to reflect the expiration of such restrictions.

Contributions of exhaustible long-lived assets, or of cash and other assets to be used to acquire them, without donor stipulations concerning the use of such long-lived assets are reported as revenues of the temporarily restricted net asset class. Effective June 1, 2016, gifts received for long-lived assets are released from temporarily restricted net assets when the assets are placed in service.

Investment Gains and Losses - Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

Income and net gains on investments of endowment and similar funds are reported in the statement of activities as follows:

- > as increases in unrestricted net assets for board-designated endowment funds and to restore donor-restricted endowment funds with deficiencies;
- > as increases in permanently restricted net assets if the terms of the gift that gave rise to the investment require that they be added to the principal of a permanent endowment fund;
- > as increases in temporarily restricted net assets in all other cases.

Losses from investments on donor-restricted endowment funds are reported as decreases in permanently or temporarily restricted net assets to the extent of the prior accumulated earnings of each individual endowment fund, with the remainder reflected as reductions to unrestricted net assets. Losses from investments on board designated endowment funds are reported as decreases in unrestricted net assets.

Cash and Cash Equivalents - The College considers all highly liquid investments, except for those held for long-term investment, with a maturity of three months or less when purchased to be cash equivalents. Certain cash held by the College is restricted for the Perkins Loan Fund.

Receivables - Accounts and loans receivable are carried at cost, less an allowance for doubtful accounts. (See Notes 4 and 6). During the year ended May 31, 2017, the College entered into a subordinated promissory note agreement with Northfield Hotel Properties LLC for \$750,000. The loan is to be paid back in 2027 with 5.5% interest to be paid quarterly.

ST. OLAF COLLEGE

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended May 31, 2018 and 2017

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments - Investments in publicly traded securities are stated at quoted market value. Other investments, for which no such quoted market values or valuations are readily available, are carried at fair value as estimated by management using values provided by external investment managers. Changes in fair value are recorded as unrealized gains or losses in the period of change. (See Note 7)

Other Assets - Prepaid expenses and inventories are included in other assets. Inventories are valued at the lower of cost or market. During the year ended May 31, 2018, the bookstore operations were outsourced to Barnes and Noble. Previously, bookstore inventories were valued at a percentage of retail value that approximated cost and not in excess of market.

Deposits Held by Trustee - Cash, short-term investments and government securities held by the trustee include amounts restricted for debt service as required by the related trust indentures.

Beneficial Interest in Trusts Held by Others - The beneficial interest in trusts held by others and related contribution revenue are recognized at the date the trusts are established for the present value of estimated future payments to be received. Fair market value is not readily determinable for certain farmland held in trust by others in the deferred gift pool, and as such is held at cost value of \$491,350 at both May 31, 2018 and 2017.

Property, Plant and Equipment - Physical plant assets are stated at cost at the date of acquisition or market value if donated, less accumulated depreciation. The College typically depreciates its assets on the straight-line basis over estimated useful lives ranging from 15 to 50 years for buildings and improvements and 5 to 15 years for furnishings, library materials and equipment. The College has developed a schedule of the estimated funding required for significant repairs and maintenance of its facilities based on a forty-year life cycle. Normal repair and maintenance expenses are charged to operations as incurred. Certain property and equipment purchased with government grant funds are subject to certain requirements and limitations. Generally, the College capitalizes physical plant additions and equipment in excess of \$5,000. (See Note 9)

Deferred Revenue - Certain revenue related to summer and fall courses and programs is deferred and recognized as revenue in the same period expenses are recognized. Students are generally billed for courses and programs prior to the start of the course or program.

Annuities Payable - Annuities payable represent the College's liability under annuity contracts with donors and irrevocable charitable remainder trusts for which the College serves as the trustee. Assets held under these agreements are included in investments. (See Note 17)

ST. OLAF COLLEGE

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended May 31, 2018 and 2017

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

U.S. Government Grants Refundable - Funds provided by the United States Government under the Federal Perkins Loan Program are loaned to qualified students and may be reloaned after collections. These funds are ultimately refundable to the government and are included as liabilities on the statements of financial position. Revenues from other government grants are recognized as they are earned in accordance with the agreement. Any funding received before it is earned is recorded as a refundable advance. Expenses incurred before cash is received are shown as a reduction in the government grants refundable liability on the statement of financial position.

Deposits Held in Trust for Others - The College acts as trustee for funds transferred from various organizations for investment management and administrative purposes. The funds are to be distributed back to these organizations as they request them. The College recognizes the funds as a liability in the accompanying statement of financial position.

Advertising Expenses - Advertising costs are expensed when incurred.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Tax Status - 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. The College is also exempt from state income taxes. However, any unrelated business income may be subject to taxation.

The College follows the accounting standards for contingencies in evaluating uncertain tax positions. This guidance prescribes recognition threshold principles for the financial statement recognition of tax positions taken or expected to be taken on a tax return that are not certain to be realized. No liability has been recognized by the College for uncertain tax positions as of May 31, 2018 and 2017. The College's tax returns are subject to review and examination by federal and state authorities.

New Pronouncements - In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers*. This new accounting guidance outlines a single comprehensive model for entities to use in accounting for revenue from contracts with customers. ASU 2014-09 is effective for fiscal years beginning after December 15, 2017 (fiscal year 2019). The College is assessing the impact this new standard will have on its financial statements.

In February 2016, FASB issued ASU No. 2016-02, *Leases*. ASU 2016-02 was issued to increase transparency and comparability among entities. Lessees will need to recognize nearly all lease transactions (other than leases that meet the definition of a short-term lease) on the statement of financial position as a lease liability and a right-of-use asset (as defined). Lessor accounting under the new guidance will be similar to the current model. ASU 2016-02 is effective for fiscal years beginning after December 15, 2018 (fiscal year 2020). Early application is permitted. Upon adoption, lessees and lessors will be required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach, which includes a number of optional practical expedients that entities may elect to apply. The College is assessing the impact this standard will have on its financial statements.

ST. OLAF COLLEGE

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended May 31, 2018 and 2017

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Pronouncements (continued) - In August 2016, FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The new guidance improves and simplifies the current net asset classification requirements and information presented in financial statements and notes that is useful in assessing a not-for-profit's liquidity, financial performance and cash flows. ASU 2016-14 is effective for fiscal years beginning after December 15, 2017 (fiscal year 2019). ASU 2016-14 is to be applied retroactively with transition provisions. The College is assessing the impact this standard will have on its financial statements.

In November 2016, FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. The amendments in this update require that a statement of cash flows explain the change during the period in the total of cash, cash equivalents and amounts generally described as restricted cash or restricted cash equivalents. Amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period amounts shown on the combining statement of cash flows. ASU 2016-18 is effective for the fiscal year beginning after December 15, 2018 (fiscal year 2020), with early adoption permitted. ASU 2016-18 is to be applied retroactively with transition provisions. The College is assessing the impact this standard will have on its financial statements.

During June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The new guidance is intended to clarify and improve accounting guidance for contributions received and contributions made. The amendments in this ASU should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. For not-for-profit entities that have conduit debt, ASU 2018-08 is effective for fiscal years beginning after June 15, 2018. The College is currently assessing the impact that this standard will have on its financial statements.

Reclassifications - Certain amounts appearing in the 2017 financial statements have been reclassified to conform with the 2018 presentation. The reclassifications have no effect on the reported amounts of total net assets or change in total net assets.

Change in Accounting Principle - During the year ended May 31, 2018, the College changed its method of accounting for contributions restricted by donors to acquire long-lived assets, including gifts of cash restricted for those acquisitions. Previously, the College implied a time restriction on the contributions that expired over the estimated useful life of the long-lived assets. Under the new policy, the restrictions will expire when the long-lived assets are placed in service. The College made this change in advance of implementing ASU 2016-14, which will no longer allow the use of the released over time approach. The cumulative effect of the change in accounting principle on each class of net assets has been presented in the 2017 Statement of Activities as of the beginning of the year. The effect of this change in accounting principle is as follows:

- > Unrestricted net assets increased and temporarily restricted net assets decreased by \$51,729,070 As of June 1, 2016.
- > The 2017 change in unrestricted net assets decreased and the change in temporarily restricted net assets increased by \$1,886,328.
- > Unrestricted net assets increased and temporarily restricted net assets decreased by \$49,842,742 as of May 31, 2017.

The total change in net assets for the years ended May 31, 2018 and 2017 did not change as a result of this change in accounting principle.

ST. OLAF COLLEGE

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended May 31, 2018 and 2017

NOTE 2 - RESTRICTIONS AND LIMITATIONS ON NET ASSET BALANCES

At May 31, 2018 and 2017, the College's unrestricted net assets were allocated as follows:

	<u>2018</u>	<u>(Restated) 2017</u>
Operations and plant	\$ 146,456,549	\$ 140,943,046
Endowment funds:		
Donor restricted endowment funds (underwater)	(31,423)	(50,223)
Board designated endowment	<u>199,097,461</u>	<u>187,046,271</u>
Total endowment funds	199,066,038	186,996,048
Deferred gifts	3,889,621	3,690,264
Student loan programs - matching federal government	<u>801,849</u>	<u>874,754</u>
	<u>\$ 350,214,057</u>	<u>\$ 332,504,112</u>

Temporarily restricted net assets consist of the following at May 31, 2018 and 2017:

Gifts and other unexpended revenues and gains available for:		
Scholarships, instruction and other support	\$ 12,676,447	\$ 10,824,153
Acquisition of buildings and equipment	<u>3,460,255</u>	<u>2,721,452</u>
	<u>16,136,702</u>	<u>13,545,605</u>
Endowment funds:		
Endowment funds temporarily restricted by donor	23,240,113	20,650,100
Earnings not yet appropriated for spending	<u>109,904,487</u>	<u>95,570,755</u>
Total endowment funds	133,144,600	116,220,855
Deferred gifts	<u>1,474,444</u>	<u>1,389,505</u>
	<u>\$ 150,755,746</u>	<u>\$ 131,155,965</u>

Permanently restricted net assets consist of the following at May 31, 2018 and 2017:

Endowment funds	\$ 203,842,895	\$ 195,493,071
Deferred gifts	15,279,388	15,143,265
Student loan funds	<u>2,776,727</u>	<u>2,702,880</u>
	<u>\$ 221,899,010</u>	<u>\$ 213,339,216</u>

Total net assets consist of the following at May 31, 2018 and 2017:

Operations and plant	\$ 162,593,251	\$ 154,488,651
Endowment funds (Note 8)	536,053,533	498,709,974
Deferred gifts (Note 17)	20,643,453	20,223,034
Student loan funds	<u>3,578,576</u>	<u>3,577,634</u>
	<u>\$ 722,868,813</u>	<u>\$ 676,999,293</u>

ST. OLAF COLLEGE

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended May 31, 2018 and 2017

NOTE 3 - NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released to unrestricted operating net assets from temporary donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of events specified by the donors as follows for the years ended May 31, 2018 and 2017:

	2018	2017
Capital related gifts for projects placed in service	\$ 1,794,482	\$ -
Scholarships, instruction and other departmental support	16,676,491	15,020,591
	\$ 18,470,973	\$ 15,020,591

NOTE 4 - ACCOUNTS RECEIVABLE

Accounts receivable, and the related allowance for doubtful accounts, was as follows at May 31, 2018 and 2017:

	2018			2017		
	Receivable	Allowance	Net	Receivable	Allowance	Net
Student accounts	\$ 749,550	\$ 250,000	\$ 499,550	\$ 707,694	\$ 250,000	\$ 457,694
Other accounts	1,963,437	799,929	1,163,508	1,545,119	742,871	802,248
Total accounts receivable	\$ 2,712,987	\$ 1,049,929	\$ 1,663,058	\$ 2,252,813	\$ 992,871	\$ 1,259,942

An allowance for doubtful accounts is recorded annually based on historical experience and management's evaluation of receivables at the end of each year. Bad debts are written-off when deemed uncollectible. Receivables are generally unsecured.

NOTE 5 - CONTRIBUTIONS RECEIVABLE

Contributions receivable include the following unconditional promises to give at May 31, 2018 and 2017:

	2018	2017
Unconditional promises expected to be collected in:		
Less than one year	\$ 2,615,210	\$ 3,174,870
One to five years	5,492,688	6,209,980
Over five years	1,002,100	1,001,200
Gross unconditional promises to give	9,109,998	10,386,050
Less: Unamortized discount	(317,541)	(300,808)
Allowance for uncollectible promises	(1,509,224)	(2,135,837)
	\$ 7,283,233	\$ 7,949,405

Contributions receivable due within one year are not discounted. Contributions receivable expected to be collected in more than one year have been discounted using historic rates, ranging from 1% to 6%. As of May 31, 2018, net contributions receivable consisted of \$5,520,846 for endowments and \$1,762,387 for operations. As of May 31, 2017, net contributions receivable consisted of \$6,188,037 for endowments and \$1,761,368 for operations.

ST. OLAF COLLEGE

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended May 31, 2018 and 2017

NOTE 6 - CREDIT QUALITY OF STUDENT LOANS RECEIVABLE

The College issues uncollateralized loans to students based on financial need. Loans to students are funded through Federal government loan programs or institutional resources. Allowances for doubtful accounts are established based on prior collection experience and current economic factors which, in management's judgment, could influence the ability of loan recipients to repay the amounts per the loan terms. Interest income on student loan receivables is recognized when received, and fees and costs are recognized when incurred. Government student loan program receivables (Perkins) that become uncollectible can be assigned to the federal government. At May 31, 2018 and 2017, student loans receivable represented 0.79% and 0.84% of total assets, respectively.

At May 31, 2018 and 2017 student loans receivable consisted of the following:

	2018	2017
Federal government programs	\$ 5,351,686	\$ 5,703,253
Institutional programs	1,753,194	1,521,401
	7,104,880	7,224,654
Less allowance for doubtful accounts:		
Beginning of year	(431,800)	(661,800)
Decreases (increases) to allowance	(10,037)	194,222
Write-off recoveries	(532)	(10)
Write-offs	10,569	35,788
End of year	(431,800)	(431,800)
Student loans receivable, net	\$ 6,673,080	\$ 6,792,854

Funds advanced by the Federal government of \$5,143,886 and \$5,601,835 at May 31, 2018 and 2017, respectively, are ultimately refundable to the government and are classified as liabilities in the statement of financial position. These amounts are partially offset by related receivables from the Federal government.

At May 31, 2018 and 2017, the past due and current amounts under student loan programs were as follows:

	2018	2017
Past due student loans receivable:		
0 - 240 days past due	\$ 328,269	\$ 168,778
240 days - 2 years past due	97,752	64,719
2 - 5 years past due	97,852	98,518
5+ years past due	116,891	145,444
Total past due	640,764	477,459
Current student loans receivable	6,464,116	6,747,195
Total student loans receivable, gross	\$ 7,104,880	\$ 7,224,654

ST. OLAF COLLEGE

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended May 31, 2018 and 2017

NOTE 7 - INVESTMENTS AND FAIR VALUE MEASUREMENTS

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

Financial instruments measured and reported at fair value are classified and disclosed in one of the following three categories.

- Level 1 - Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity can access at the measurement date.
- Level 2 - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. This includes quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, or market-corroborated inputs.
- Level 3 - Inputs are unobservable for the asset or liability. Unobservable inputs reflect the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk) using the best information available in the circumstances, which may include using the reporting entity's own data.

Valuation Techniques and Inputs

Level 1 - Level 1 assets include:

- > Investments in cash and short-term investments (consisting primarily of money market funds), mutual funds, stocks, bonds, and deposits held by trustee (consisting primarily of money market funds and other short-term investments) for which quoted prices are readily available.

Level 2 - Level 2 assets include:

- > Investments in treasury inflation-protected securities for which quoted prices are not readily available. The fair values are estimated using Level 2 inputs based on multiple sources of information, which may include market data and/or quoted market prices from either markets that are not active or are for the same or similar assets in active markets.

ST. OLAF COLLEGE

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended May 31, 2018 and 2017

NOTE 7 - INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

Level 3 - Level 3 assets include:

- > Investments in real estate for which fair value is based on inputs such as appraisals and the county assessed value.
- > Other investments, which represent ownership interests in insurance contracts. The fair value has been estimated based on information provided by the insurance companies.
- > Beneficial interest in trusts held by others for which quoted prices are not readily available. The fair values are estimated using an income approach by calculating the present value of the future distributions expected to be received based on a combination of Level 2 inputs (interest rates and yield curves) and significant unobservable inputs (entity specific estimates of cash flows).

Certain mutual funds and alternative investments are measured at fair value using the net asset value (NAV) per share (or its equivalent) of such investment funds as a practical expedient for fair value. The College has estimated the fair value of these funds by using the net asset value provided by the investee.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

There have been no changes in the techniques and inputs used as of May 31, 2018 and 2017.

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

ST. OLAF COLLEGE

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended May 31, 2018 and 2017

NOTE 7 - INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

The following table presents information about the College's assets measured at fair value on a recurring basis as of May 31, 2018:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
ASSETS				
Investments				
Cash and short-term investments	\$ 45,812,776	\$ 45,812,776		
Marketable securities				
Mutual funds				
Fixed income - domestic	18,437,713	18,437,713		
Fixed income - international	1,434,261	1,434,261		
Equity funds - domestic	22,363,394	22,363,394		
Equity funds - international	6,120,530	6,120,530		
Equity funds - global	11,115,340	11,115,340		
Real asset funds	10,923,463	10,923,463		
Stocks	44,317,065	44,317,065		
Bonds	9,504,389	437,233	\$ 9,067,156	
Real estate	1,713,849			\$ 1,713,849
Other investments	1,753,253			1,753,253
Subtotal investments	<u>173,496,033</u>	<u>160,961,775</u>	<u>9,067,156</u>	<u>3,467,102</u>
Deposits held by trustee	1,800,302	1,800,302		
Beneficial interest in trusts held by others	<u>1,800,919</u>			<u>1,800,919</u>
Subtotal by valuation hierarchy	<u>177,097,254</u>	<u>\$ 162,762,077</u>	<u>\$ 9,067,156</u>	<u>\$ 5,268,021</u>
Investments measured using NAV				
Hedge funds	135,772,970			
Private equity funds	63,835,550			
Global equity funds	130,081,743			
Real estate funds	19,328,158			
Commodity funds	<u>40,462,175</u>			
Subtotal investments by NAV	<u>389,480,596</u>			
Total assets at fair value	<u>\$ 566,577,850</u>			
Investments by valuation hierarchy	\$ 173,496,033			
Investments by NAV	<u>389,480,596</u>			
Total investments	<u>\$ 562,976,629</u>			

ST. OLAF COLLEGE

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended May 31, 2018 and 2017

NOTE 7 - INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

The following table presents information about the College's assets measured at fair value on a recurring basis as of May 31, 2017:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
ASSETS				
Investments				
Cash and short-term investments	\$ 2,719,862	\$ 2,719,862		
Marketable securities				
Mutual funds				
Fixed income - domestic	36,334,211	36,334,211		
Fixed income - international	1,338,299	1,338,299		
Fixed income - global	9,902,319	9,902,319		
Equity funds - domestic	57,479,382	57,479,382		
Equity funds - international	69,386,826	69,386,826		
Real asset funds	17,723,175	17,723,175		
Stocks	29,411,464	29,411,464		
Bonds	484,923	484,923		
Treasury inflation-protected securities (TIPS)	8,598,760		\$ 8,598,760	
Real estate	2,024,600			\$ 2,024,600
Other investments	1,718,161			1,718,161
Subtotal investments	<u>237,121,982</u>	<u>224,780,461</u>	<u>8,598,760</u>	<u>3,742,761</u>
Deposits held by trustee	1,839,053	1,839,053		
Beneficial interest in trusts held by others	<u>1,683,268</u>			<u>1,683,268</u>
Subtotal by valuation hierarchy	<u>240,644,303</u>	<u>\$ 226,619,514</u>	<u>\$ 8,598,760</u>	<u>\$ 5,426,029</u>
Investments measured using NAV				
Hedge funds	92,055,671			
Private equity funds	57,579,384			
Global equity funds	64,821,715			
Global bond funds	22,836,636			
Real estate funds	19,385,118			
Commodity funds	<u>26,406,739</u>			
Subtotal investments by NAV	<u>283,085,263</u>			
Total assets at fair value	<u>\$ 523,729,566</u>			
Investments by valuation hierarchy	\$ 237,121,982			
Investments by NAV	<u>283,085,263</u>			
Total investments	<u>\$ 520,207,245</u>			

ST. OLAF COLLEGE

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended May 31, 2018 and 2017

NOTE 7 - INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

The following table presents a reconciliation of the statement of financial position amounts for assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended May 31, 2018:

	Balances May 31, 2017	Net realized and unrealized gains (losses)	Purchases	Sales	Net transfers in (out) of Level 3	Balances May 31, 2018
Assets						
Real estate	\$ 2,024,600	\$ (58,860)	\$	\$ (251,891)		\$ 1,713,849
Other investments	1,718,161	35,092				1,753,253
Beneficial interest in trusts held by others	<u>1,683,268</u>	<u>117,651</u>				<u>1,800,919</u>
Total	<u>\$ 5,426,029</u>	<u>\$ 93,883</u>	<u>\$ -</u>	<u>\$ (251,891)</u>	<u>\$ -</u>	<u>\$ 5,268,021</u>

The amount of total gains for the period included in change in net assets attributable to the change in unrealized gains or losses relating to assets measured at fair value still held at May 31, 2018. \$ 144,493

The following table presents a reconciliation of the statement of financial position amounts for assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended May 31, 2017:

	Balances May 31, 2016	Net realized and unrealized gains (losses)	Purchases	Sales	Net transfers in (out) of Level 3	Balances May 31, 2017
Assets						
Real estate	\$ 2,322,049	\$ (119,425)	\$ 58,000	\$ (236,024)		\$ 2,024,600
Other investments	1,755,668	(37,507)				1,718,161
Beneficial interest in trusts held by others	<u>1,582,470</u>	<u>117,643</u>		<u>(16,845)</u>		<u>1,683,268</u>
Total	<u>\$ 5,660,187</u>	<u>\$ (39,289)</u>	<u>\$ 58,000</u>	<u>\$ (252,869)</u>	<u>\$ -</u>	<u>\$ 5,426,029</u>

The amount of total gains (losses) for the period included in change in net assets attributable to the change in unrealized gains or losses relating to assets measured at fair value still held at May 31, 2017. \$ (39,289)

Investment income and gains (losses) for the investments without readily determinable fair values totaled \$23,304,358 and \$32,455,058 for the years ended May 31, 2018 and 2017, respectively.

ST. OLAF COLLEGE

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended May 31, 2018 and 2017

NOTE 7 - INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

The College uses the NAV as a practical expedient to determine fair value of all underlying investments which (a) do not have a readily determinable fair value; and (b) prepare their financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company.

The following table lists the alternative investments in which NAV was utilized as the practical expedient for estimating fair value by major category as of May 31, 2018 and 2017:

Investment Type	Unfunded Commitments	Fair Value May 31, 2018	Fair Value May 31, 2017	Redemption Frequency	Redemption Notice Period	Estimated Remaining Life
Alternative Investments						
Hedge funds (a)		\$ 135,772,970	\$ 92,055,671	Quarterly to 2 years	45-90 days	N/A (a)
Private equity funds (b)	\$ 35,823,016	63,835,550	57,579,384	Not redeemable Monthly to 3 years	N/A	1-15 years
Global equity funds (c)		130,081,743	64,821,715	Monthly	8-90 days	N/A
Global bond funds (d)			22,836,636	Monthly	10 days	N/A
Real estate funds (e)	13,398,019	19,328,158	19,385,118	Not redeemable	N/A	1-12 years
Commodity funds (f)	31,363,583	40,462,175	26,406,739	Not redeemable	N/A	1-12 years
Total	\$ 80,584,618	\$ 389,480,596	\$ 283,085,263			

- (a) Comprised of various hedge funds which primarily focus on absolute return, security selection, and hedging. A portion of the investments in this category cannot be redeemed currently because the investments include restrictions that do not allow for redemption in the first 12 to 36 months after acquisition.
- (b) Comprised of various private equity funds with a broad range of investment objectives which include diversified fund of funds focused on venture, buyout, and special situations, as well as smaller direct funds that have more specific niche strategies. These investments are generally not redeemable. Instead, distributions are received through the liquidation of the underlying assets of the fund.
- (c) Comprised of limited partnership investments both holding long-only domestic and international equities.
- (d) Comprised of two limited partnership investments at the statement of financial position date; the funds invest in international long-only fixed income securities.
- (e) Includes funds having diversified investment objectives that focus on domestic commercial properties to apartments and office holdings. The other investments cannot be redeemed, but distributions from each fund will be received as the underlying investments in the funds are liquidated.
- (f) Includes fund of funds investments that focus on natural resources and/or energy.

ST. OLAF COLLEGE

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended May 31, 2018 and 2017

NOTE 8 - ENDOWMENT

The College's endowment consists of approximately 1,800 individual funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the Board of Regents to function as endowments. As required by U.S. generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Regents as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law - The College's Board of Regents has interpreted the Minnesota enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as allowing the College to appropriate for expenditure or accumulate so much of an endowment fund as the College determines is prudent for the uses, benefits, purposes and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift instrument. The College's Board of Regents has determined it is prudent to preserve the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. The College classifies as permanently restricted net assets (a) the original value of the gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of a donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the College through the Board of Regent's approval of the annual budget, which is inclusive of the spending rate for its endowment funds established pursuant to the College's spending policy. See Note 1 for further information on net asset classifications.

Endowment net asset composition by type of fund consists of the following as of May 31, 2018:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ (31,423)	\$ 133,144,600	\$ 203,842,895	\$ 336,956,072
Board-designated endowment funds	<u>199,097,461</u>			<u>199,097,461</u>
Total endowment net assets	<u>\$ 199,066,038</u>	<u>\$ 133,144,600</u>	<u>\$ 203,842,895</u>	<u>\$ 536,053,533</u>

Endowment net asset composition by type of fund consists of the following as of May 31, 2017:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ (50,223)	\$ 116,220,855	\$ 195,493,071	\$ 311,663,703
Board-designated endowment funds	<u>187,046,271</u>			<u>187,046,271</u>
Total endowment net assets	<u>\$ 186,996,048</u>	<u>\$ 116,220,855</u>	<u>\$ 195,493,071</u>	<u>\$ 498,709,974</u>

ST. OLAF COLLEGE

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended May 31, 2018 and 2017

NOTE 8 - ENDOWMENT (CONTINUED)

Changes in endowment net assets for the year ended May 31, 2018 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, May 31, 2017	\$ 186,996,048	\$ 116,220,855	\$ 195,493,071	\$ 498,709,974
Total investment return	17,676,865	27,696,625	299,538	45,673,028
Contributions	381,130	1,500,001	7,169,660	9,050,791
Appropriation of endowment assets for:				
Operating expenditures	(5,940,826)	(12,272,881)		(18,213,707)
Non-operating expenditures	(48,102)		(17,442)	(65,544)
Other changes:				
Matured deferred gifts	<u>923</u>		<u>898,068</u>	<u>898,991</u>
Endowment net assets, May 31, 2018	<u>\$ 199,066,038</u>	<u>\$ 133,144,600</u>	<u>\$ 203,842,895</u>	<u>\$ 536,053,533</u>

Changes in endowment net assets for the year ended May 31, 2017 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, May 31, 2016	\$ 167,504,995	\$ 94,759,996	\$ 185,436,148	\$ 447,701,139
Total investment return	22,622,080	32,608,156	478,134	55,708,370
Contributions	309,710	1,001	9,207,509	9,518,220
Appropriation of endowment assets for:				
Operating expenditures	(6,082,233)	(11,148,298)		(17,230,531)
Non-operating expenditures	(47,392)		(17,185)	(64,577)
Other changes:				
Transfers	2,600,000			2,600,000
Matured deferred gifts	<u>88,888</u>		<u>388,465</u>	<u>477,353</u>
Endowment net assets, May 31, 2017	<u>\$ 186,996,048</u>	<u>\$ 116,220,855</u>	<u>\$ 195,493,071</u>	<u>\$ 498,709,974</u>

Funds with Deficiencies - From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the original value of the gifts contributed to each endowment fund. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets were \$31,423 and \$50,223 as of May 31, 2018 and 2017, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred after the investment of new permanently restricted contributions and continued appropriation for certain programs that was deemed prudent by the Board of Regents. Subsequent gains that restore the fair value of the assets of the endowment fund to the required level will be classified as an increase in unrestricted net assets.

ST. OLAF COLLEGE

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended May 31, 2018 and 2017

NOTE 8 - ENDOWMENT (CONTINUED)

Return Objectives and Risk Parameters - The College has adopted investment and spending policies for endowment assets that strive to provide a source of income for spending that is reasonably stable and predictable from year-to-year, while seeking to preserve capital, maintain the purchasing power of the endowment assets, and prudently earn the highest possible rate of return consistent with the College's ability to accommodate risk. Endowment assets include those assets of donor-restricted funds that the College must hold indefinitely or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board of Regents, the endowment assets are invested in a manner that is intended to produce results that outperform the appropriate benchmark for each asset class and to outperform a simple benchmark of the broad market mix represented by a 70 percent S&P 500 and 30 percent Barclays Aggregate allocation. The College expects its endowment funds, over time, to provide an average real total return of 6 percent, net of fees. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives - To satisfy its long-term rate-of-return objectives, the College relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The College targets a diversified asset allocation including asset classes such as public equities, fixed income and alternative assets in order to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy - The Board of Regents designates only a portion of the College's cumulative investment return for support of current operations; the remainder is retained to support operations of future years and to offset potential market declines. In developing its spending policy, the College considers certain of the following factors which it determines relevant:

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 possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the College
7. The investment policies of the College.

The Board has adopted a policy to appropriate for distribution during each fiscal year an amount per endowment unit calculated at a rate of 4.7% of the average endowment market value per endowment unit from the preceding 16 quarters established as of the end of the calendar year prior to the beginning of the fiscal year.

ST. OLAF COLLEGE

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended May 31, 2018 and 2017

NOTE 9 - PROPERTY, PLANT AND EQUIPMENT

At May 31, 2018 and 2017, property, plant and equipment consisted of the following:

	<u>2018</u>	<u>2017</u>
Land	\$ 1,277,890	\$ 1,232,890
Improvements other than buildings	27,334,608	26,020,129
Buildings	307,152,627	293,856,810
Equipment	56,387,498	54,755,144
Library materials	16,375,025	17,264,654
Art collection	1,731,700	1,681,000
Construction in progress	4,019,442	15,555,561
	<u>414,278,790</u>	<u>410,366,188</u>
Less: Accumulated depreciation	<u>(169,425,255)</u>	<u>(163,281,051)</u>
	<u>\$ 244,853,535</u>	<u>\$ 247,085,137</u>

The majority of the costs included in construction in progress as of May 31, 2018 were for construction of an ice arena, totaling approximately \$2,160,000 and renovations to a residence hall, totaling approximately \$1,046,000. These projects are expected to be completed during fiscal 2019 and will be funded by gifts and operations.

NOTE 10 - ACCRUED AND OTHER LIABILITIES

At May 31, 2018 and 2017, accrued and other liabilities consisted of the following:

	<u>2018</u>	<u>2017</u>
Payroll	\$ 8,765,685	\$ 8,940,748
Self-insurance reserve (Note 11)	357,000	472,000
Post-retirement benefit obligations (Note 12)	1,966,749	2,365,755
Interest	1,354,701	1,403,109
Asset retirement obligations (Note 13)	2,654,819	2,535,856
Other	<u>155,982</u>	<u>133,211</u>
	<u>\$ 15,254,936</u>	<u>\$ 15,850,679</u>

NOTE 11 - SELF-INSURANCE

The College provides medical benefits through a self-insurance plan, which is available to all employees of the College who meet the eligibility requirements for certain medical expenses. Accrued and other liabilities include an incurred but not reported reserve of approximately \$357,000 and \$472,000 at May 31, 2018 and 2017, respectively, an estimate of amounts due and payable on existing claims for which the College is self-insured and which are expected to be settled currently. The College is self-insured for the first \$225,000 per claim with an aggregate stop loss of approximately \$9,436,000. As of May 31, 2018 and 2017, the College had unrestricted net assets of \$969,227 and \$239,743, respectively, designated for health insurance benefits, which consists of the cumulative amount that employee and college contributions towards health premiums have exceeded expenses over the life of the plan.

ST. OLAF COLLEGE

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended May 31, 2018 and 2017

NOTE 12 - RETIREMENT PLANS AND POSTRETIREMENT BENEFIT PLAN

The College has certain defined contribution retirement plans for employees. All employees are eligible to participate after meeting certain eligibility requirements. College contributions are based upon a percentage of salaries. The College's contributions to the retirement plans approximated \$3,882,000 and 3,902,000 for the years ended May 31, 2018 and 2017, respectively.

The College also provides postretirement health care benefits for current or retired employees and covered dependents, which are recorded on the accrual basis. Two voluntary employee benefit association (VEBA) trusts were established in fiscal year 2006. The Employee After-Tax-Contributions VEBA Trust (funded solely by employee after tax contributions) and the Employer Contribution VEBA Trust (funded solely by employer pre-tax contributions) were established to provide employee welfare benefit plans providing certain insured and/or self-insured health and life benefits for eligible retired employees and their eligible spouses and dependents. The trusts are managed by a trustee, who invests in money market and mutual funds (Level 1 assets). The trusts are exempt from taxation to the extent permitted under section 501(c)(9) and 512 of the Internal Revenue Code of 1986.

The following tables set forth the postretirement health care benefit plan's status with amounts reported in the College's financial statements at May 31, 2018 and 2017:

	2018	2017
<i>Change in benefit obligation</i>		
Benefit obligation at beginning of year	\$ 11,904,899	\$ 10,244,051
Service cost	109,033	95,380
Interest cost	400,819	329,160
Plan participants' VEBA contributions	20,803	15,545
Employer VEBA contributions	794,133	858,486
Actuarial (gain)/loss	373,323	1,364,656
Benefits paid	(741,747)	(1,002,379)
Benefit obligation at end of year	\$ 12,861,263	\$ 11,904,899
<i>Change in plan assets</i>		
Fair value of plan assets at beginning of year	\$ 9,539,144	\$ 7,969,226
Actual return on plan assets	1,137,040	1,327,696
Employer contributions	939,274	1,229,056
Plan participants' contributions	20,803	15,545
Benefits paid	(741,747)	(1,002,379)
Fair value of plan assets at end of year	\$ 10,894,514	\$ 9,539,144
<i>Funded status</i>		
Funded status at end of year	\$ (1,966,749)	\$ (2,365,755)
<i>Amounts recognized in the statement of financial position consist of:</i>		
Current liabilities	\$ (233,000)	\$ (232,000)
Noncurrent liabilities	(1,733,749)	(2,133,755)
Net amount recognized (Note 10)	\$ (1,966,749)	\$ (2,365,755)

ST. OLAF COLLEGE

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended May 31, 2018 and 2017

NOTE 12 - RETIREMENT PLANS AND POSTRETIREMENT BENEFIT PLAN (CONTINUED)

	<u>2018</u>	<u>2017</u>
Amounts recognized in change in net assets consist of:		
Prior service cost	\$ -	\$ (133,598)
(Gain)/loss	(27,692)	259,068
Accumulated change in net assets	<u>\$ (27,692)</u>	<u>\$ 125,470</u>
Weighted-average assumptions used to determine benefit obligations at May 31		
Discount rate	3.75%	3.40%
Expected return on plan assets	5.00%	5.00%
Rate of compensation increase	0.00%	0.00%
Components of net periodic benefit cost		
Service cost	\$ 109,033	\$ 95,380
Interest cost	400,819	329,160
Expected return on plan assets	(476,957)	(398,461)
Amortization of prior service cost	(133,598)	(151,248)
Net periodic postretirement benefit cost	<u>\$ (100,703)</u>	<u>\$ (125,169)</u>
Changes in net assets		
Net (gain)/loss	\$ (286,760)	\$ 435,420
Amortization of prior service cost	133,598	151,248
Total amount (gain)/loss recognized in change in net assets	<u>\$ (153,162)</u>	<u>\$ 586,668</u>
Total amount recognized in net periodic benefit cost and change in net assets	<u>\$ (253,865)</u>	<u>\$ 461,499</u>
Weighted-average assumptions used to determine net periodic benefit cost as of June 1		
Discount rate	3.40%	3.25%
Expected return on plan assets	5.00%	5.00%
Rate of compensation increase	0.00%	0.00%
Assumed health care cost trend rates at May 31		
Health care cost trend rate assumed for next year	8.50% - Post 65 8.50% - Pre 65	7.50% - Post 65 7.50% - Pre 65
Rate to which the cost trend rate is assumed to decline (the ultimate trend)	5.00%	5.00%
Year that the rate reaches the ultimate rate	2024	2022

Plan assets are invested primarily in mutual funds, which are classified as Level 1 in the fair value hierarchy, as of May 31, 2018 and 2017.

ST. OLAF COLLEGE

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended May 31, 2018 and 2017

NOTE 12 - RETIREMENT PLANS AND POSTRETIREMENT BENEFIT PLAN (CONTINUED)

During the year ending May 31, 2019, the College expects to contribute approximately \$233,000 in benefit payments for the postretirement medical plan, which includes the liability for post-65 retiree VEBA and the present value of the projected future liability for the pre-65 retiree health plan. The College also expects to contribute approximately \$638,000 to the VEBA for current employees during the year ending May 31, 2019.

The following estimated benefit payments for the postretirement medical plan, which reflect expected future service, as appropriate, are expected to be paid during the years ending May 31:

2019	\$	233,000
2020		219,000
2021		185,000
2022		182,000
2023		171,000
2024 – 2028		615,000

It is reasonably possible that changes in these estimates could occur in the near term and that actual results could differ from these estimates and could have a material impact on the financial statements.

NOTE 13 - ASSET RETIREMENT OBLIGATIONS

The College owns certain buildings that contain encapsulated asbestos material and as such records a liability for the reasonably estimated fair value of the conditional asset retirement obligation.

The following shows the activity in the College's asset retirement obligation liability at May 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Balance at beginning of the year	\$ 2,535,856	\$ 1,974,313
Abatement costs	(7,830)	(309,642)
Accretion expense	126,793	98,716
Adjustments to estimates	<u>-</u>	<u>772,469</u>
Balance at end of the year (Note 10)	<u>\$ 2,654,819</u>	<u>\$ 2,535,856</u>

ST. OLAF COLLEGE

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended May 31, 2018 and 2017

NOTE 14 - LONG-TERM DEBT

Long-term debt at May 31, 2018 and 2017 consisted of the following bonds issued by the Minnesota Higher Education Facilities Authority (MHEFA) on behalf of the College:

	Interest	Principal Payment	Year of Maturity	Outstanding Balance	
				2018	2017
MHEFA Revenue Bonds, Series Seven-F, issued to refinance variable debt	Bonds bear rates from 2.50% to 5.00%	Annual payments range from \$520,000 to \$555,000	2021	\$ 1,610,000	\$ 2,115,000
MHEFA Revenue Bonds, Series Eight-G, issued to finance construction and advance refunding	Bonds bear rates from 3.25% to 5.00%	Annual payments range from \$2,295,000 to \$4,495,000	2033	49,390,000	51,600,000
MHEFA Revenue Bonds, Series Eight-N, issued to advance refund previous issuance	Bonds bear rates from 2.25% to 4.00%	Annual payments range from \$370,000 to \$5,760,000	2036	22,845,000	22,845,000
Principal outstanding on bonds				73,845,000	76,560,000
Plus: Unamortized premium - Series Seven-F Revenue Bonds				39,598	69,297
Unamortized premium - Series Eight-G Revenue Bonds				5,939,463	6,349,081
Unamortized premium - Series Eight-N Revenue Bonds				2,450,528	2,591,905
Less: Unamortized debt issue costs				(294,297)	(317,878)
Total Long-Term Debt				\$ 81,980,292	\$ 85,252,405

On August 10, 2016, the College issued \$22,845,000 in tax-exempt bonds, Series Eight-N, through the Minnesota Higher Education Facilities Authority (MHEFA). A portion of the Series Seven-F Revenue Bonds \$(24,465,000) was legally defeased by proceeds from the Series Eight-N Revenue Bonds, as well as a portion of the debt service reserve fund on Series Seven-F (\$1,866,000). The proceeds of the Series Eight-N Revenue Bonds related to the defeasance were placed in an escrow until October 1, 2019, at which time, the refunded bonds are callable and will be paid off. At May 31, 2018, the balance outstanding on the bonds to be refunded was \$22,285,000 and the balance in the escrow account was \$22,913,224.

Revenue Bonds Series Seven-F, Eight-G and Eight-N are secured by a pledge of loan repayment from the College and require that certain covenants be maintained.

ST. OLAF COLLEGE

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended May 31, 2018 and 2017

NOTE 14 - LONG-TERM DEBT (CONTINUED)

The College maintains short-term investments and U.S. government securities held by a trustee for retirement of indebtedness that totaled \$1,800,302 and \$1,839,053 as of May 31, 2018 and 2017, respectively. These funds are intended to satisfy the reserve requirements of the Series Seven-F issue.

Anticipated principal payments on long-term debt are as follows:

Year Ending May 31:		
2019	\$	2,815,000
2020		2,945,000
2021		3,460,000
2022		3,045,000
2023		3,190,000
Thereafter		<u>58,390,000</u>
Total	\$	<u>73,845,000</u>

NOTE 15 - SHORT-TERM CREDIT ARRANGEMENT

The College has an unsecured \$5,000,000 line of credit through Wells Fargo Bank. Borrowings under this line of credit bear interest at an annual rate of 50 basis points below the Bank's base (prime) rate. Interest is payable on the last day of each month. Principal, and any unpaid interest, is due on February 28, 2019. In addition, the agreement requires the College to comply with certain financial covenants. At May 31, 2018 and 2017, there were no outstanding borrowings under this arrangement.

NOTE 16 - EXPENSES BY OBJECT

Expenses reported by function on the statement of activities and change in net assets are summarized below by object for the years ended May 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Compensation	\$ 67,772,720	\$ 68,769,071
Depreciation, amortization, and accretion	12,693,668	12,198,390
General operating expenses	9,464,048	9,319,447
Food services	8,900,820	9,055,309
Travel and meals	8,185,100	6,558,271
Contract, professional services, insurance, and taxes	6,461,688	7,762,638
Facilities - repairs, maintenance, utilities, fuel	5,425,401	6,203,484
Interest	<u>3,382,236</u>	<u>3,711,862</u>
Total	<u>\$ 122,285,681</u>	<u>\$ 123,578,472</u>

ST. OLAF COLLEGE

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended May 31, 2018 and 2017

NOTE 17 - DEFERRED GIFT (SPLIT-INTEREST) AGREEMENTS

The College has arrangements with donors classified as charitable lead trusts, charitable remainder trusts, charitable gift annuities and pooled life income funds. In general, under these arrangements the College receives a gift from a donor in which it has an interest and agrees to pay the donor stipulated amounts. The arrangement may cover one or more lives. The College invests and administers the related assets and makes distributions to the beneficiaries as required. When the agreement reaches the end of its term, remaining assets are retained by the College as unrestricted, temporarily restricted or permanently restricted net assets, or in some instances, distributed to third-party beneficiaries.

When a gift is received under one of these arrangements, it is split into the amount representing the actuarial present value of future distributions back to the donor and the remaining gift value to be retained for the benefit of the College or third-party beneficiaries. The actuarial liability is adjusted annually using actuarial tables appropriate for the type of arrangement, number of lives covered and age and gender characteristics of the beneficiary. The College used historical discount rates ranging from 1.2% to 11.6% for the years ended May 31, 2018 and 2017 in making the actuarial and gift calculations. In some cases, there can be a time delay in the recording of the asset because of the time needed for discovery, verification of the College's rights, and the determination of the valuation of future payments.

Information pertaining to the College's deferred gift agreements for the years ended May 31, 2018 and 2017 is as follows:

	<u>2018</u>	<u>2017</u>
Cash and investments	\$ 31,176,410	\$ 31,479,610
Interfund receivable	154,922	141,986
Beneficial interest in trusts held by others, fair value	1,800,919	1,683,268
Beneficial interest in trusts held by others, cost	491,350	491,350
Deposits held in trust for others	(185,068)	(236,181)
Annuities payable	<u>(12,795,080)</u>	<u>(13,336,999)</u>
	<u>\$ 20,643,453</u>	<u>\$ 20,223,034</u>
Net Assets		
Unrestricted	\$ 3,889,621	\$ 3,690,264
Temporarily restricted	1,474,444	1,389,505
Permanently restricted	<u>15,279,388</u>	<u>15,143,265</u>
	<u>\$ 20,643,453</u>	<u>\$ 20,223,034</u>

ST. OLAF COLLEGE

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended May 31, 2018 and 2017

NOTE 18 - CONCENTRATIONS

Financial instruments that potentially subject the College to concentrations of credit risk consist principally of cash and cash equivalents, investments, accounts receivable, notes receivable and derivatives. Cash, cash equivalents and investment holdings are concentrated in a limited number of financial institutions and amounts in excess of FDIC and similar coverage are subject to the usual risks of balances in excess of those limits. Investments are diversified in order to reduce credit risk. Student loans, student receivables and other receivables are due from a variety of sources concentrated primarily in the Midwestern United States. In addition, the College's students receive a substantial amount of support from state and federal student financial assistance programs which are subject to audit by governmental agencies. A significant reduction in the level of this support, if this were to occur, could have an adverse effect on the College's programs and activities.

NOTE 19 - RELATED PARTY TRANSACTIONS

The College has various signed contracts with a construction company owned by a former member of the Board of Regents. The contracts were approved unanimously by the Board of Regents in accordance with the College's conflict of interest policy. Amounts payable to the construction company totaled approximately \$615,000 and \$1,247,000 as of May 31, 2018 and 2017, respectively. Total payments to this construction company were approximately \$6,423,000 and \$17,246,000 for the years ended May 31, 2018 and 2017, respectively.

As of May 31, 2018 and 2017, approximately \$2,300,000 and \$2,671,000, respectively, of contributions receivable were due from members of the Board of Regents. Contribution revenue from members of the Board of Regents totaled approximately \$3,191,000 and \$6,068,000 for the years ending May 31, 2018 and 2017, respectively. Board members are not compensated.

The College has invested in various private equity investments, in which members of the Investment Committee and Board of Regents have an affiliation. The individuals fully disclosed their interests in these investments when they were discussed, did not receive a commission or referral fee, and did not participate in the voting regarding these investments. As of May 31, 2018 and 2017, the College's total value of these funds was approximately \$9,137,000 and \$14,016,000, respectively. The College's cumulative contributions, net of distributions, to these investments as of May 31, 2018 totaled approximately \$2,295,000. The College's cumulative contributions, net of distributions, to these investments as of May 31, 2017 totaled approximately \$1,873,000. The College's outstanding future commitments to these investments totaled approximately \$1,955,000 and \$2,423,000 at May 31, 2018 and 2017, respectively.

ST. OLAF COLLEGE

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended May 31, 2018 and 2017

NOTE 20 - SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	<u>2018</u>	<u>2017</u>
Interest paid	\$ 3,430,644	\$ 3,842,790
Noncash Investing and Financing Activities		
Capital related items included in accounts payable	887,541	1,611,192
Summary of Bond Issuance		
Proceeds of bond issue	\$ -	\$ 22,845,000
Prior debt service reserve funds	-	1,866,000
Net original issue premium	-	<u>2,783,247</u>
	-	27,494,247
Amount deposited to refunding account	-	(27,226,506)
Amount deposited to bond and interest sinking account	-	(2,468)
Amount deposited to College account	-	(27,736)
Deferred debt acquisition costs and underwriter's discounts	-	<u>(237,537)</u>
	<u>\$ -</u>	<u>\$ -</u>

NOTE 22 - SUBSEQUENT EVENTS

The College has evaluated subsequent events through October 10, 2018, which is the date that the financial statements were issued.