

St. Olaf College

Financial Statements

May 31, 2021 and 2020

St. Olaf College

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St. Olaf College

Highlights (Unaudited)

Years Ended May 31, 2021 and 2020

Fiscal Year Ending May 31: Academic Year

Enrollment, Retention, Graduation

	FY 2021 2020-21	FY 2020 2019-20
Undergraduate Full Time (Fall)	2,916	3,050
Undergraduate FTE (Fall)	2,928	3,057
Undergraduate Headcount (Fall)	2,953	3,072
% Men/Women	41/59	42/58
% Who Are In-State/Out-of-State	44/56	43/57
% White/Domestic Minority/International	67/23/10	68/21/11
1st Year to Sophomore	90.9%	90.7%
Sophomore to Junior	83.6%	85.6%
Junior to Senior	83.5%	85.1%
Four-Year Graduation Rate	80.9%	80.6%
Five-Year Graduation Rate	84.2%	84.6%
Number of Seniors (May)	697	722
Number of Declared Majors	1,000	979
Top Five Majors		
1st	Biology 10.1%	Biology 11.6%
2nd	Economics 8.9%	Economics 11.0%
3rd	Psychology 7.4%	Music 7.3%
4th	Mathematics 7.0%	Mathematics 6.8%
5th	Music 7.0%	Psychology 6.2%

Post-Graduation Activities

	Class of 2020	Class of 2019
Responses/Response Rate	664/92%	606/89%
Activities:		
Working (Full or Part-Time)/percent	486/73%	463/76%
Furthering Education/percent	143/22%	112/19%
Other Activities/percent	35/5%	31/5%

New Student Admissions (Fall)

Applications (1st Year/Transfer)	5,231/125	5,694/156
Acceptances (1st Year/Transfer)	2,658/70	2,705/55
Acceptance Rate (1st Year/Transfer)	51%/56%	48%/35%
Matriculants (1st Year/Transfer)	729/23	806/22
Yield Rate (1st Year/Transfer)	27%/18%	30%/40%
% 1st Year Men/Women	44/56	42/58
% 1st Year In-State/Out-of-State	43/57	44/56
% 1st Year 1st Generation to College	20	18
Median ACT - 1st Year	28	29
Median SAT - 1st Year	1260	1320

Faculty and Staff Employed (Fall)

Faculty/Staff/Total - FTE	241/419/660	256/400/656
Faculty/Staff/Total - Full-time Headcount	211/370/581	224/349/573
Faculty/Staff/Total - Part-time Headcount	91/147/238	96/152/248

Tuition and Fees Per Student

Tuition	\$ 51,450	\$ 49,710
Room & Board	11,660	11,270
Total comprehensive fee	<u>\$ 63,110</u>	<u>\$ 60,980</u>

Financial Aid, Scholarships & Grants

Federal Grants	\$ 3,381,253	\$ 3,301,647
State Grants	2,906,445	2,796,319
Institutional Scholarships & Grants	93,365,279	91,494,623
Outside Scholarships & Grants	2,640,959	2,805,190
Total	<u>\$ 102,293,936</u>	<u>\$ 100,397,779</u>
Total per student FTE	<u>\$ 34,936</u>	<u>\$ 32,842</u>

Endowment

Market Value at Fiscal Year End	\$ 701,716,031	\$ 516,330,591
Market Value per Full Time Student	\$ 240,643	\$ 169,289
Market Value per FTE Student	\$ 239,657	\$ 168,901
Total return on investments	35.2%	-2.6%

Independent Auditors' Report

To the Board of Regents of
St. Olaf College

We have audited the accompanying financial statements of St. Olaf College (the College), which comprise the statements of financial position as of May 31, 2021 and 2020 and the related statements of activities and changes in net assets, functional expenses 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, 2021 and 2020 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.

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 US, LLP

Minneapolis, Minnesota
October 13, 2021

St. Olaf College

Statements of Financial Position

May 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Assets		
Cash and cash equivalents	\$ 23,171,824	\$ 14,787,998
Receivables		
Accounts, net (Note 4)	429,581	965,774
Contributions, net (Note 5)	7,523,638	9,668,851
Student loans, net (Note 6)	4,374,161	5,142,730
Notes receivable (Note 1)	750,000	750,000
Investments (Note 7)	726,768,147	534,121,613
Other assets	1,170,114	666,364
Deposits held by trustee (Note 7)	62,935,876	1,082,022
Beneficial interest in trusts held by others (Note 7)	2,298,817	1,797,503
Property, plant and equipment, net (Note 10)	242,768,430	243,997,314
	<u>\$ 1,072,190,588</u>	<u>\$ 812,980,169</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 6,227,671	\$ 2,723,063
Accrued and other liabilities (Note 11)	14,649,940	14,694,177
Deferred revenue	2,033,264	5,426,522
Annuities payable (Note 17)	11,103,674	10,383,168
Long-term debt (Note 15)	138,523,336	74,567,367
U.S. government grants refundable	2,679,808	3,540,391
Deposits held in trust for others	359,537	568,888
	<u>175,577,230</u>	<u>111,903,576</u>
Net Assets		
Without donor restrictions (Note 2)	411,548,422	333,754,638
With donor restrictions (Note 2)	485,064,936	367,321,955
	<u>896,613,358</u>	<u>701,076,593</u>
Total net assets	<u>896,613,358</u>	<u>701,076,593</u>
Total liabilities and net assets	<u>\$ 1,072,190,588</u>	<u>\$ 812,980,169</u>

See notes to financial statements

St. Olaf College

Statement of Activities and Change in Net Assets
Year Ended May 31, 2021 (With comparative totals for 2020)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>2020</u>
Operating Revenues, Gains and Other Support				
Tuition, room and board, net of scholarships (Note 1)	\$ 82,753,581		\$ 82,753,581	\$ 81,011,926
Other tuition and fees	472,409		472,409	2,994,470
Government grants	6,818,613		6,818,613	4,986,304
Private gifts and grants	3,382,882	\$ 7,327,029	10,709,911	7,454,662
Long-term investment income and gains allocated for operations	8,828,240	15,201,464	24,029,704	20,815,697
Other sources	1,202,004	43,258	1,245,262	3,606,635
Investment income	76,390	29,294	105,684	287,372
Net losses on investments and capital assets	(66,230)		(66,230)	(20,451)
Capital gifts allocated	2,217,570		2,217,570	2,209,004
Auxiliary enterprises, sales and services	365,861		365,861	1,358,469
	<u>106,051,320</u>	<u>22,601,045</u>	<u>128,652,365</u>	<u>124,704,088</u>
Net assets released from restrictions (Notes 1 and 3)	<u>18,292,821</u>	<u>(18,292,821)</u>		
Total operating revenues, gains and other support	<u>124,344,141</u>	<u>4,308,224</u>	<u>128,652,365</u>	<u>124,704,088</u>
Operating Expenses				
Program expenses	101,615,288		101,615,288	107,964,438
Support expenses	16,069,417		16,069,417	15,138,525
Total operating expenses	<u>117,684,705</u>		<u>117,684,705</u>	<u>123,102,963</u>
Change in net assets from operating activities	<u>6,659,436</u>	<u>4,308,224</u>	<u>10,967,660</u>	<u>1,601,125</u>
Nonoperating Activities				
Long-term investment activities	66,579,966	115,349,926	181,929,892	(13,616,857)
Less long-term investment income and gains allocated for operations	<u>(8,828,240)</u>	<u>(15,201,464)</u>	<u>(24,029,704)</u>	<u>(20,815,697)</u>
	57,751,726	100,148,462	157,900,188	(34,432,554)
Student loan income net of expenses	2,131	67,654	69,785	85,297
Deferred giving activities, gifts	606	98,228	98,834	48,906
Capital giving activities, gifts and grants	13,143,252	9,856,210	22,999,462	6,174,523
Capital related gifts released from restrictions (Notes 1 and 3)	1,700,198	(1,700,198)		
Capital gifts allocated to operations	(2,217,570)		(2,217,570)	(2,209,004)
Adjustment to actuarial liability for annuities payable	1,064,875	4,978,547	6,043,422	185,680
Adjustment to prior service cost and actuarial liability for retiree health plan	(325,016)		(325,016)	(115,345)
Gain from sale of asset				1,258,591
Change in net assets from nonoperating activities	<u>71,120,202</u>	<u>113,448,903</u>	<u>184,569,105</u>	<u>(29,003,906)</u>
Change in net assets before reclassification of net assets	77,779,638	117,757,127	195,536,765	(27,402,781)
Reclassification of Prior Year Net Assets	<u>14,146</u>	<u>(14,146)</u>		
Change in net assets	<u>77,793,784</u>	<u>117,742,981</u>	<u>195,536,765</u>	<u>(27,402,781)</u>
Net Assets, Beginning	<u>333,754,638</u>	<u>367,321,955</u>	<u>701,076,593</u>	<u>728,479,374</u>
Net Assets, Ending	<u>\$ 411,548,422</u>	<u>\$ 485,064,936</u>	<u>\$ 896,613,358</u>	<u>\$ 701,076,593</u>

See notes to financial statements

St. Olaf College

Statement of Activities and Change in Net Assets
Year Ended May 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenues, Gains and Other Support			
Tuition, room and board, net of scholarships (Note 1)	\$ 81,011,926		\$ 81,011,926
Other tuition and fees	2,994,470		2,994,470
Government grants	4,986,304		4,986,304
Private gifts and grants	3,018,621	\$ 4,436,041	7,454,662
Long-term investment income and gains allocated for operations	6,325,196	14,490,501	20,815,697
Other sources	3,575,625	31,010	3,606,635
Investment income	250,142	37,230	287,372
Net losses on investments and capital assets	(20,451)		(20,451)
Capital gifts allocated	2,209,004		2,209,004
Auxiliary enterprises, sales and services	1,358,469		1,358,469
	<u>105,709,306</u>	<u>18,994,782</u>	<u>124,704,088</u>
Net assets released from restrictions (Notes 1 and 3)	<u>20,218,783</u>	<u>(20,218,783)</u>	
Total operating revenues, gains and other support	<u>125,928,089</u>	<u>(1,224,001)</u>	<u>124,704,088</u>
Operating Expenses			
Program expenses	107,964,438		107,964,438
Support expenses	15,138,525		15,138,525
Total operating expenses	<u>123,102,963</u>		<u>123,102,963</u>
Change in net assets from operating activities	<u>2,825,126</u>	<u>(1,224,001)</u>	<u>1,601,125</u>
Nonoperating Activities			
Long-term investment activities	(4,100,197)	(9,516,660)	(13,616,857)
Less long-term investment income and gains allocated for operations	<u>(6,325,196)</u>	<u>(14,490,501)</u>	<u>(20,815,697)</u>
	(10,425,393)	(24,007,161)	(34,432,554)
Student loan income net of expenses	(12)	85,309	85,297
Deferred giving activities, gifts	606	48,300	48,906
Capital giving activities, gifts and grants	319,515	5,855,008	6,174,523
Capital related gifts released from restrictions (Notes 1 and 3)	103,210	(103,210)	
Capital gifts allocated to operations	(2,209,004)		(2,209,004)
Adjustment to actuarial liability for annuities payable	(42,760)	228,440	185,680
Adjustment to prior service cost and actuarial liability for retiree health plan	(115,345)		(115,345)
Gain from sale of asset	1,258,591		1,258,591
Change in net assets from nonoperating activities	<u>(11,110,592)</u>	<u>(17,893,314)</u>	<u>(29,003,906)</u>
Change in net assets before reclassification of net assets	(8,285,466)	(19,117,315)	(27,402,781)
Reclassification of Prior Year Net Assets	<u>30,003</u>	<u>(30,003)</u>	
Change in net assets	(8,255,463)	(19,147,318)	(27,402,781)
Net Assets, Beginning	<u>342,010,101</u>	<u>386,469,273</u>	<u>728,479,374</u>
Net Assets, Ending	<u>\$ 333,754,638</u>	<u>\$ 367,321,955</u>	<u>\$ 701,076,593</u>

See notes to financial statements

St. Olaf College

Statements of Functional Expenses
Years Ended May 31, 2021 and 2020

	May 31, 2021										
	Program Expenses						Support Expenses				
	Instruction	Research	Public Service	Academic Support	Student Services	Auxiliary Enterprises	Total Program	Institutional Support	Fundraising	Total Support	Total
Compensation	\$ 37,868,419	\$ 617,812	\$ 57,074	\$ 7,408,645	\$ 12,061,283	\$ 4,165,993	\$ 62,179,226	\$ 5,840,676	\$ 3,837,490	\$ 9,678,166	\$ 71,857,392
Depreciation, amortization and accretion	3,675,181	128,348	2,547	2,269,902	2,753,341	2,790,891	11,620,210	801,429	312,113	1,113,542	12,733,752
General operating expenses	1,873,386	90,110	41,315	2,091,246	2,919,730	130,097	7,145,884	1,334,469	375,927	1,710,396	8,856,280
Food services	11,381			4,109	14,068	7,362,827	7,392,385	2,632	2,906	5,538	7,397,923
Travel and meals	144,079	5,666	7	37,830	561,425	1,199,770	1,948,777	6,366	12,789	19,155	1,967,932
Contract, professional services, insurance, and taxes	1,266,332	105,932	202,536	232,465	1,936,246		3,743,511	2,503,367	396,537	2,899,904	6,643,415
Facilities, repairs, maintenance, utilities, fuel	1,133,020	68,740	1,358	342,471	832,263	2,376,213	4,754,065	472,535	26,614	499,149	5,253,214
Interest	1,274,567	14,227	42	12,839	431,248	1,098,307	2,831,230	142,761	806	143,567	2,974,797
Total expenses	\$ 47,246,365	\$ 1,030,835	\$ 304,879	\$ 12,399,507	\$ 21,509,604	\$ 19,124,098	\$ 101,615,288	\$ 11,104,235	\$ 4,965,182	\$ 16,069,417	\$ 117,684,705

	May 31, 2020										
	Program Expenses						Support Expenses				
	Instruction	Research	Public Service	Academic Support	Student Services	Auxiliary Enterprises	Total Program	Institutional Support	Fundraising	Total Support	Total
Compensation	\$ 37,974,113	\$ 720,483	\$ 103,480	\$ 7,115,539	\$ 11,936,441	\$ 4,219,226	\$ 62,069,282	\$ 5,439,471	\$ 3,922,769	\$ 9,362,240	\$ 71,431,522
Depreciation, amortization and accretion	3,715,431	158,146	2,541	2,269,885	2,609,766	2,961,075	11,716,844	830,247	310,490	1,140,737	12,857,581
General operating expenses	2,002,750	114,100	45,303	1,997,206	2,307,355	125,006	6,591,720	1,019,038	483,533	1,502,571	8,094,291
Food services	213,048	4,087	168,254	56,706	289,264	6,277,487	7,008,846	63,170	279,681	342,851	7,351,697
Travel and meals	5,762,565	97,662	10,638	288,946	1,075,723	18,963	7,254,497	216,149	161,789	377,938	7,632,435
Contract, professional services, insurance and taxes	3,058,373	86,435	234,387	95,357	1,397,750	134,958	5,007,260	1,405,334	658,290	2,063,624	7,070,884
Facilities, repairs, maintenance, utilities, fuel	1,409,607	90,837	11,538	437,744	959,790	2,438,022	5,347,538	99,686	98,716	198,402	5,545,940
Interest	1,339,474	14,970	42	13,117	444,696	1,156,152	2,968,451	149,162	1,000	150,162	3,118,613
Total expenses	\$ 55,475,361	\$ 1,286,720	\$ 576,183	\$ 12,274,500	\$ 21,020,785	\$ 17,330,889	\$ 107,964,438	\$ 9,222,257	\$ 5,916,268	\$ 15,138,525	\$ 123,102,963

See notes to financial statements

St. Olaf College

Statements of Cash Flows

Years Ended May 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash Flows From Operating Activities		
Change in net assets	\$ 195,536,765	\$ (27,402,781)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation, amortization and accretion expense	12,733,752	12,857,581
Net (gains)/losses on investments	(188,019,866)	15,602,675
Loss on dispositions of property, plant and equipment	90,435	59,562
Actuarial adjustment of annuities payable	1,782,381	400,105
Adjustment to prior service cost and actuarial liability for retiree health plan	325,016	115,345
Gifts of property, plant and equipment	(114,280)	(138,444)
Change in:		
Accounts receivable	536,193	480,662
Contributions receivable for operations	(120,986)	1,137,173
Contributions receivable for plant	213,827	(394,535)
Other assets	(503,750)	1,157,054
Funds held in trust by others	(501,314)	(30,298)
Change in:		
Accounts payable	1,413,579	364,918
Accrued and other liabilities	(515,231)	423,007
Deferred revenue	(3,393,258)	2,256,342
Change in deposits held in trust for others	(209,351)	(297,073)
Gifts and grants received for long-term investment and plant, net	(22,999,462)	(6,174,523)
Nonoperating investment income	(987,751)	(1,807,991)
Net cash flows from operating activities	<u>(4,733,301)</u>	<u>(1,391,221)</u>
Cash Flows From Investing Activities		
Purchases of property, plant and equipment	(8,750,311)	(10,352,048)
Purchases of investments	(250,000,931)	(155,375,638)
Proceeds from sales of investments	245,374,261	159,182,060
Disbursements of loans to students	(338,899)	(446,884)
Repayments of loans by students	1,107,468	1,216,982
Net cash flows from investing activities	<u>(12,608,412)</u>	<u>(5,775,528)</u>
Cash Flows From Financing Activities		
Principal repayments of indebtedness	(2,961,077)	(3,500,000)
Gifts and grants received for long-term investment and plant, net	22,999,462	6,174,523
Change in nonoperating contributions receivable	2,052,372	3,348,416
Change in U.S. government grants refundable, net	(860,583)	(1,407,850)
Increase in annuities payable from new gifts	98,833	48,907
Payments to annuitants	(1,160,708)	(1,152,514)
Nonoperating investment income	987,751	1,807,991
Change in trustee account for refinanced bonds, net	4,569,489	671,568
Change in notes receivable	-	151,650
Net cash flows from financing activities	<u>25,725,539</u>	<u>6,142,691</u>
Net change in cash and cash equivalents	8,383,826	(1,024,058)
Cash and Cash Equivalents, Beginning	<u>14,787,998</u>	<u>15,812,056</u>
Cash and Cash Equivalents, Ending	<u>\$ 23,171,824</u>	<u>\$ 14,787,998</u>
Supplemental Disclosure		
Interest paid	<u>\$ 2,658,658</u>	<u>\$ 3,185,828</u>
Property, plant and equipment acquired through accounts payable	<u>\$ 2,590,114</u>	<u>\$ 499,085</u>

See notes to financial statements

St. Olaf College

Notes to Financial Statements

May 31, 2021 and 2020

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 two net asset categories pursuant to any donor-imposed restrictions and applicable law. The Board of Regents has adopted practices that affect the presentation of board designations on net assets without donor restrictions. It has been the College's practice that bequests without restrictions under \$25,000 are distributed to current unrestricted funds. The same methodology is applied to matured deferred gifts. The board's practice has been to designate year-end operating surpluses to the endowment. Accordingly, the net assets of the College are classified in the accompanying financial statements in the categories that follow:

Without Donor Restrictions - Net assets that are not subject to donor-imposed restrictions.
(See Note 2)

With Donor Restrictions - Net assets subject to donor-imposed restrictions that will be met by action of the College and/or the passage of time or are restricted in perpetuity
(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, Room and Board Revenue

The College provides academic instruction toward baccalaureate degrees. Tuition and fee revenue is recognized in the fiscal year in which the academic programs are delivered. Institutional scholarships awarded to students reduce the amount of revenue recognized. In addition, students who adjust their course load or withdraw completely within the first four weeks of the semester may receive a partial refund in accordance with the College's refund policy. Refunds issued reduce the amount of revenue recognized. Payments for services are due August 1 for Fall semester and February 1st for the Spring semester. Performance obligations for certain ancillary services are satisfied when the service is performed. The College applies the practical expedient as allowed for within the accounting standards and, therefore, does not disclose information about remaining performance obligations that have original expected durations of one year or less. All remaining performance obligations will be satisfied in connection with the completion of the fiscal 2022 year.

St. Olaf College

Notes to Financial Statements

May 31, 2021 and 2020

The College also provides auxiliary services, such as residence and food services. Revenue from these services is recognized in the fiscal year in which the goods and services are provided. Students that withdraw from the College within the first 12 weeks of the semester may receive a partial refund for board plans in accordance with the College's refund policy. Students that withdraw from the College before the first day of class may receive a full refund for room plans in accordance with the College's refund policy. Tuition will be refunded at 80% if a student withdraws by the end of 10th day and 40% if a student withdraws within two weeks after 10th day. Refunds issued reduce the amount of revenue recognized. Tuition, room and board are included within a single comprehensive contract, as the College has determined that on campus residency (room and board) is part of the educational requirements. The College determines the transaction price based on standard charges for goods and services provided, reduced by discounts relating to institutional scholarships, both funded and unfunded, in accordance with the College's policies.

The College's revenue associated to tuition, room and board, net of scholarships and grants, were allocated as follows:

	<u>2021</u>	<u>2020</u>
Tuition	\$ 150,462,154	\$ 150,255,011
Room and board	28,308,709	23,709,540
Tuition, room and board	178,770,863	173,964,551
Unfunded scholarships and grants	(83,323,807)	(80,091,576)
Funded scholarships and grants	(12,693,475)	(12,861,049)
Tuition, room and board, net of scholarships	<u>\$ 82,753,581</u>	<u>\$ 81,011,926</u>

Deferred Revenue

Deferred revenue represents deposits paid by students that will be refunded upon graduation, tuition credit balances owed to students, and payments received for conferences, events, or travel study programs that have not yet started by May 31, 2021. Summer academic terms begin after May 31, 2021, thus all tuition revenue relating to the 2021 summer terms are included in fiscal 2022.

Government Grants

The College provides various services for state and federal agencies connected to government grants. Under the terms of the grants, the College is reimbursed for services performed and revenue is recognized in the fiscal year in which the services are performed. All performance obligations under the various contracts are satisfied in conjunction with the recognition of the associated revenues.

The Coronavirus Aid, Relief, and Economics Security (CARES) Act provided budgetary relief to higher education institutions. Congress set aside approximately \$14.25 billion of the \$30.75 billion allotted to the Education Stabilization Fund through the Higher Education Emergency Relief Fund (HEERF). Each institution received one grant comprised of two parts. Under the legislation, no less than 50 percent of the full grant was to be used for direct emergency aid to students. The remaining portion of the full grant was to be used by institutions to cover any costs associated with significant changes to the delivery of instruction due to the coronavirus. The College was awarded approximately \$2,167,000 of HEERF funding. Of this amount, \$955,000 related to the student portion and \$955,000 related to the institutional portion was recognized in fiscal year 2020. The remaining \$128,000 related to the student portion was recognized in fiscal year 2021 after the disbursements were made to students. The remaining \$128,000 related to the institutional portion was also recognized in fiscal year 2021.

The Higher Education Emergency Relief Fund II is authorized by the Coronavirus Response and Relief Supplemental Appropriations Act, 2021 and was signed into law on December 27, 2020. In total, the CRRSAA authorizes \$82 billion in support for education. The College was awarded approximately \$3,178,000 of HEERF II funding. Of this amount, \$1,084,000 related to the student portion and \$2,094,000 related to the institutional portion. As of May 31, 2021, the entire amount of the student relief portion of the grant was expended and recognized as federal grants and contracts income and student aid expense. As of May 31, 2021, the entire amount of the institutional portion of the grant was expended and recognized as federal grants and contract income and as an offset to expenses incurred as a result of the pandemic. As restrictions were met in the same period, these grants were reported as changes in net assets without donor restrictions.

The Higher Education Emergency Relief Fund III is authorized by the American Rescue Plan and was signed into law on March 11, 2021. In total, the ARP authorizes \$40 billion in support to institutes of higher education to serve students and ensure learning continues during the COVID-19 pandemic. The College was awarded approximately \$5,638,000 of HEERF III funding. Of this amount, \$2,819,000 related to the student portion and \$2,819,000 related to the institutional portion. The notification for the award from the Department of Education was received on May 21, 2021. As of May 31, 2021, no amounts of the student relief portion or the institutional portion of the grant were expended and recognized as revenue. The entire amount of the student relief portion was disbursed to students on June 2, 2021.

Contribution Revenue

Unconditional contributions are recognized as revenues when the donor's commitments are received, as increases in net assets without donor restrictions 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, 2021, \$5,100,000 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 within the net assets with donor restrictions class, and a release to net assets without donor restrictions 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 net asset with donor restriction class. Gifts received for long-lived assets are released from net assets with donor restrictions when the assets are placed in service.

Operating Measure

The College's operating revenues in excess of expenses and transfers includes support for operating activities from both donor restricted net assets and net assets without donor restrictions designated for long-term investment (the donor restricted and quasi endowment) according to the College's spending policy, which is detailed in Note 8. The measure of operations excludes endowment support for non-operating activities, investment return in excess of amounts made available for current support and changes in the actuarial value of annuities payable.

Investment Gains and Losses

Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions or with donor restrictions unless their use is restricted by explicit donor stipulation or by law. Losses from investments on board designated endowment funds are reported as decreases in net assets without donor restrictions.

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

- as increases or decreases in net assets without donor restrictions for board designated endowment funds;
- as increases or decreases in net assets with donor restrictions to restore donor restricted endowment funds in accordance with the stipulations of the donor, reported as with deficiencies
- as increases or decreases in net assets with donor restrictions in all other cases.

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 notes 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 percent interest to be paid quarterly.

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.

Deposits Held by Trustee

Cash, U.S. Government securities, private debt obligations, and short-term investments held by the trustee include amounts restricted for debt service as required by the related trust indentures and beginning in 2021, proceeds from the issuance of the Series 2021 bonds as described further in Note 15.

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.

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 10)

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 16)

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.

Expenses

The financial statements report certain categories of expenses that are attributable to program and support functions. These expenses require allocation on a reasonable basis that is consistently applied. These expenses include depreciation and amortization, interest, health and dental expenses, tuition and benefit expenses, and operation and maintenance of plant. Depreciation and amortization is allocated based on square footage, whereby interest expense is allocated based on the program and/or supporting function that benefit from the related debt issuances. Operation and maintenance of plant is allocated based on square footage.

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.

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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, 2021 and 2020. The College's tax returns are subject to review and examination by federal and state authorities.

New Accounting Pronouncement Not Yet Effective

In February 2016, the Financial Accounting Standards Board (FASB) issued ASU No. 2016-02, *Leases*. ASU No. 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 No. 2016-02 was adopted for fiscal year 2021. 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. See Notes 15 and 16 for more information related to the impact of implementing this new standard.

2. Restrictions and Limitations on Net Asset Balances

Net assets without donor restrictions were allocated as follows:

	<u>2021</u>	<u>2020</u>
Plant	\$ 159,990,115	\$ 165,865,376
Operations	(6,931,400)	(14,029,993)
Endowment funds	253,658,530	178,110,490
Deferred gifts	4,518,723	3,353,242
Student loan programs, matching federal government	312,454	455,523
	<u>\$ 411,548,422</u>	<u>\$ 333,754,638</u>

Net assets with donor restrictions consist of the following:

	<u>2021</u>	<u>2020</u>
Gifts and other unexpended revenues and gains available for:		
Scholarships, instruction and other support	\$ 15,153,583	\$ 11,415,360
Acquisition of buildings and equipment	203,601	394,535
	15,357,184	11,809,895
Endowment funds	448,057,501	338,220,101
Deferred gifts	18,597,644	14,325,168
Student loan funds	3,052,607	2,966,791
	<u>\$ 485,064,936</u>	<u>\$ 367,321,955</u>

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Total net assets consist of the following:

	<u>2021</u>	<u>2020</u>
Plant	\$ 160,193,716	\$ 166,259,911
Operations	8,222,183	(2,614,633)
Endowment funds (Note 8)	701,716,031	516,330,591
Deferred gifts (Note 17)	23,116,367	17,678,410
Student loan funds	3,365,061	3,422,314
	<u>\$ 896,613,358</u>	<u>\$ 701,076,593</u>

3. Net Assets Released From Restrictions

Net assets were released by incurring expenses satisfying the restricted purposes or by occurrence of events specified by the donors as follows for the years ended May 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Capital related gifts for projects placed in service	\$ 1,700,198	\$ 103,210
Scholarships, instruction and other departmental support	18,292,821	20,218,783
	<u>\$ 19,993,019</u>	<u>\$ 20,321,993</u>

4. Accounts Receivable

Accounts receivable, and the related allowance for doubtful accounts, was as follows at May 31, 2021 and 2020:

	<u>2021</u>		
	<u>Receivable</u>	<u>Allowance</u>	<u>Net</u>
Student accounts	\$ 425,509	\$ 200,000	\$ 225,509
Other accounts	1,147,363	943,291	204,072
Total accounts receivable	<u>\$ 1,572,872</u>	<u>\$ 1,143,291</u>	<u>\$ 429,581</u>
	<u>2020</u>		
	<u>Receivable</u>	<u>Allowance</u>	<u>Net</u>
Student accounts	\$ 701,979	\$ 250,000	\$ 451,979
Other accounts	1,416,856	903,061	513,795
Total accounts receivable	<u>\$ 2,118,835</u>	<u>\$ 1,153,061</u>	<u>\$ 965,774</u>

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.

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5. Contributions Receivable

Contributions receivable include the following unconditional promises to give at May 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Unconditional promises expected to be collected in:		
Less than one year	\$ 3,227,969	\$ 3,234,512
One to five years	5,163,068	7,234,036
Over five years	81,500	701,000
	<u>8,472,537</u>	<u>11,169,548</u>
Gross unconditional promises to give	8,472,537	11,169,548
Less unamortized discount	(239,366)	(512,599)
Allowance for uncollectible promises	<u>(709,533)</u>	<u>(988,098)</u>
	<u>\$ 7,523,638</u>	<u>\$ 9,668,851</u>

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 0.9 percent to 3.3 percent. As of May 31, 2021, net contributions receivable consisted of \$6,638,163 for endowments, \$180,708 for plant, and \$704,767 for operations. As of May 31, 2020, net contributions receivable consisted of \$8,690,535 for endowments, \$394,535 for plant, and \$583,781 for operations.

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, 2021 and 2020, student loans receivable represented 0.41 percent and 0.63 percent of total assets, respectively.

At May 31, 2021 and 2020 student loans receivable consisted of the following:

	<u>2021</u>	<u>2020</u>
Federal government programs	\$ 2,543,530	\$ 3,445,216
Institutional programs	<u>2,262,431</u>	<u>2,129,314</u>
	<u>4,805,961</u>	<u>5,574,530</u>
Less allowance for doubtful accounts:		
Beginning of year	(431,800)	(431,800)
Change to allowance	(4,513)	-
Write-off recoveries	<u>4,513</u>	<u>-</u>
End of year	<u>(431,800)</u>	<u>(431,800)</u>
Student loans receivable, net	<u>\$ 4,374,161</u>	<u>\$ 5,142,730</u>

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Funds advanced by the Federal government of \$2,980,696 and \$3,785,467 at May 31, 2021 and 2020, 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, 2021 and 2020, the past due and current amounts under student loan programs were as follows:

	<u>2021</u>	<u>2020</u>
Past due student loans receivable:		
0 - 240 days past due	\$ 255,341	\$ 444,838
240 days - 2 years past due	218,358	422,169
2 - 5 years past due	397,322	151,487
5+ years past due	<u>169,132</u>	<u>135,301</u>
Total past due	1,040,153	1,153,795
Current student loans receivable	<u>3,765,808</u>	<u>4,420,735</u>
Total student loans receivable, gross	<u>\$ 4,805,961</u>	<u>\$ 5,574,530</u>

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 certain fixed income securities (corporate bonds and notes) 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.

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, 2021 and 2020.

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.

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The following tables present information about the College's assets measured at fair value on a recurring basis as of May 31, 2021 and 2020:

	2021			
	Total	Level 1	Level 2	Level 3
Assets				
Investments:				
Cash and short-term investments	\$ 13,274,245	\$ 13,274,245		
Marketable securities:				
Mutual funds and exchange traded funds:				
Fixed income:				
Domestic	6,852,155	6,852,155		
International	1,468,877	1,468,877		
Equity funds:				
Domestic	63,820,418	63,820,418		
International	6,636,992	6,636,992		
Real asset funds	4,563,375	4,563,375		
Stocks	111,309	111,309		
Bonds	14,427,208	151,485	\$ 14,275,723	
Real estate	1,032,700			\$ 1,032,700
Other investments	1,853,491			1,853,491
Subtotal investments	114,040,770	96,878,856	14,275,723	2,886,191
Deposits held by trustee	62,935,876	1,020,742	61,915,134	
Beneficial interest in trusts held by others	2,298,817			2,298,817
Subtotal by valuation hierarchy	<u>\$ 179,275,463</u>	<u>\$ 97,899,598</u>	<u>\$ 76,190,857</u>	<u>\$ 5,185,008</u>
Investments measured using NAV:				
Hedge funds	159,332,181			
Private credit funds	424,990			
Private equity funds	122,012,855			
Global equity funds	230,308,532			
Fixed income funds	21,650,566			
Real estate funds	27,307,223			
Commodity funds	51,691,030			
Subtotal investments by NAV	<u>612,727,377</u>			
Total assets at fair value	<u>\$ 792,002,840</u>			
Investments by valuation hierarchy	\$ 114,040,770			
Investments by NAV	<u>612,727,377</u>			
Total investments	<u>\$ 726,768,147</u>			

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	2020			
	Total	Level 1	Level 2	Level 3
Assets				
Investments:				
Cash and short-term investments	\$ 10,635,215	\$ 10,635,215		
Marketable securities:				
Mutual funds and exchange traded funds:				
Fixed income:				
Domestic	5,016,380	5,016,380		
International	1,076,233	1,076,233		
Equity funds:				
Domestic	42,675,564	42,675,564		
International	14,774,753	14,774,753		
Real asset funds	3,672,293	3,672,293		
Stocks	12,169,728	12,169,728		
Bonds	14,503,632	315,952	\$ 14,187,680	
Real estate	1,031,500			\$ 1,031,500
Other investments	1,822,291			1,822,291
Subtotal investments	107,377,589	90,336,118	14,187,680	2,853,791
Deposits held by trustee	1,082,022	1,082,022		
Beneficial interest in trusts held by others	1,797,503			1,797,503
Subtotal by valuation hierarchy	110,257,114	\$ 91,418,140	\$ 14,187,680	\$ 4,651,294
Investments measured using NAV:				
Hedge funds	117,050,232			
Private credit funds	205,290			
Private equity funds	79,051,798			
Global equity funds	159,415,590			
Fixed income funds	9,425,122			
Real estate funds	26,722,616			
Commodity funds	34,873,376			
Subtotal investments by NAV	426,744,024			
Total assets at fair value	\$ 537,001,138			
Investments by valuation hierarchy	\$ 107,377,589			
Investments by NAV	426,744,024			
Total investments	\$ 534,121,613			

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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, 2021:

	<u>Balances May 31, 2020</u>	<u>Net Realized and Unrealized Gains</u>	<u>Purchases</u>	<u>Sales</u>	<u>Net Transfers In (Out) of Level 3</u>	<u>Balances May 31, 2021</u>
Assets:						
Real estate	\$ 1,031,500	\$ 14,700	\$	\$ (13,500)	\$	\$ 1,032,700
Other investments	1,822,291	31,200				1,853,491
Beneficial interest in trusts held by others	<u>1,797,503</u>	<u>501,314</u>				<u>2,298,817</u>
Total	<u>\$ 4,651,294</u>	<u>\$ 547,214</u>	<u>\$</u>	<u>\$ (13,500)</u>	<u>\$</u>	<u>\$ 5,185,008</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, 2021. \$ 547,214

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, 2020:

	<u>Balances May 31, 2019</u>	<u>Net Realized and Unrealized Gains (Losses)</u>	<u>Purchases</u>	<u>Sales</u>	<u>Net Transfers In (Out) of Level 3</u>	<u>Balances May 31, 2020</u>
Assets:						
Real estate	\$ 1,058,000	\$ (26,500)	\$	\$	\$	\$ 1,031,500
Other investments	1,778,299	43,992				1,822,291
Beneficial interest in trusts held by others	<u>1,767,205</u>	<u>44,974</u>		<u>(14,676)</u>		<u>1,797,503</u>
Total	<u>\$ 4,603,504</u>	<u>\$ 62,466</u>	<u>\$</u>	<u>\$ (14,676)</u>	<u>\$</u>	<u>\$ 4,651,294</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, 2020. \$ 62,466

Investment income and gains (losses) for the investments without readily determinable fair values totaled \$159,666,523 and \$(14,324,657) for the years ended May 31, 2021 and 2020, respectively.

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.

St. Olaf College

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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, 2021 and 2020:

Investment Type	Unfunded Commitments	Fair Value May 31, 2021	Fair Value May 31, 2020	Redemption Frequency	Redemption Notice Period	Estimated Remaining Life
Alternative investments:						
Hedge funds (a)		\$ 159,332,181	\$ 117,050,232	Quarterly to not redeemable	45 days to N/A	1-15 years
Private credit (b)	\$ 4,950,000	424,990	205,290	Not redeemable	N/A	7-10 years
Private equity funds (c)	48,900,777	122,012,855	79,051,798	Not redeemable Monthly to 3 years	N/A	1-15 years
Global equity funds (d)		230,308,532	159,415,590	Daily	10-365 days	N/A
Fixed income funds (e)		21,650,566	9,425,122	Not redeemable	N/A	1-12 years
Real estate funds (f)	15,789,798	27,307,223	26,722,616	Monthly to not redeemable	30 days to N/A	1-12 years
Commodity funds (g)	12,639,741	51,691,030	34,873,376			
Total	<u>\$ 82,280,316</u>	<u>\$ 612,727,377</u>	<u>\$ 426,744,024</u>			

- (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 a private credit fund providing customized and secured debt financing to emerging growth companies. This investment is illiquid and not redeemable. Instead, distributions are received through the liquidation of the underlying assets of the fund.
- (c) 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.
- (d) Comprised of limited partnership investments both holding long-only domestic and international equities.
- (e) Comprised of one limited partnership investment at the statement of financial position date; the fund invests in international long-only fixed income securities.
- (f) 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.
- (g) Includes fund of funds investments that focus on natural resources and/or energy.

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8. Endowment

The College's endowment consists of approximately 2,000 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 net assets with restrictions (a) the original value of the gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of a donor-restricted endowment fund is classified as net assets with restriction until those amounts are appropriated for expenditure by the College through the Board of Regents' 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, 2021 and 2020:

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
		Accumulated Gains	Original Gifts
Donor-restricted endowment funds		\$ 197,356,262	\$ 250,701,239
Board-designated endowment funds	\$ 253,658,530		
Total endowment net assets	\$ 253,658,530	\$ 197,356,262	\$ 250,701,239
			\$ 701,716,031

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
		Accumulated Gains	Original Gifts
Donor-restricted endowment funds		\$ 98,771,603	\$ 239,448,499
Board-designated endowment funds	\$ 178,110,489		
Total endowment net assets	\$ 178,110,489	\$ 98,771,603	\$ 239,448,499
			\$ 516,330,591

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Changes in endowment net assets for the years ended May 31, 2021 and 2020 are as follows:

	2021			
	Without Donor Restrictions	With Donor Restrictions		Total
		Accumulated Gains	Original Gifts	
Endowment net assets, May 31, 2020	\$ 178,110,489	\$ 98,771,603	\$ 239,448,499	\$ 516,330,591
Total investment return	66,579,966	114,212,848	1,137,078	181,929,892
Contributions	13,143,252		9,301,115	22,444,367
Appropriation of endowment assets for:				
Operating expenditures	(8,828,240)	(15,201,464)		(24,029,704)
Non-operating expenditures	(50,083)		(18,162)	(68,245)
Other changes:				
Transfers from other funds	4,789,000	(426,725)	59,145	4,421,420
Deferred gift administration	(100,000)			(100,000)
Matured deferred gifts	14,146		773,564	787,710
Endowment net assets, May 31, 2021	<u>\$ 253,658,530</u>	<u>\$ 197,356,262</u>	<u>\$ 250,701,239</u>	<u>\$ 701,716,031</u>
	2020			
	Without Donor Restrictions	With Donor Restrictions		Total
		Accumulated Gains	Original Gifts	
Endowment net assets, May 31, 2019	\$ 183,982,642	\$ 121,440,447	\$ 234,714,761	\$ 540,137,850
Total investment return	(4,100,197)	(9,271,994)	(244,666)	(13,616,857)
Contributions	319,514	9,999	4,586,578	4,916,091
Appropriation of endowment assets for:				
Operating expenditures	(6,325,196)	(14,490,501)		(20,815,697)
Non-operating expenditures	(49,261)		(17,872)	(67,133)
Other changes:				
Transfers from other funds	4,150,000	1,052,232		5,202,232
Reclassification of net assets		31,420		31,420
Matured deferred gifts	132,987		409,698	542,685
Endowment net assets, May 31, 2020	<u>\$ 178,110,489</u>	<u>\$ 98,771,603</u>	<u>\$ 239,448,499</u>	<u>\$ 516,330,591</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. At May 31, 2021, there were no donor-restricted funds with deficiencies. At May 31, 2020, 472 donor-restricted funds with original gift values of \$90,513,705, fair values of \$86,692,357 and deficiencies of \$3,821,348 were reported in net assets with donor restrictions. These deficiencies resulted from unfavorable market fluctuations that occurred after the investment of new donor-restricted endowment funds and continued appropriation for certain programs that was deemed prudent by the Board of Regents.

The College's endowment spending policy states that, as permitted by UPMIFA, the Investment Committee will decide on a case-by-case basis whether or not to continue spending from the endowments with deficiencies, otherwise known as underwater endowments.

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 65 percent S&P 500 and 35 percent Bloomberg Barclays Aggregate Bond allocation. The College also benchmarks against a 65 percent MSCI ACWI (All Country World Index) and 35 percent Bloomberg Barclays Aggregate Bond allocation. The College expects its endowment funds, over time, to provide an average real total return of 5 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 percent 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.

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9. Liquidity and Availability

The following table reflects the College's financial assets as of May 31, 2021 and 2020, reduced by amounts not available for general expenditures within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year. Other financial assets that are excluded from this measure of liquidity include cash and other investments that are restricted by donors, the College's Board of Regents, or are restricted for a specific use.

	<u>2021</u>	<u>2020</u>
Financial assets:		
Cash and cash equivalents	\$ 23,171,824	\$ 14,787,998
Accounts receivable	429,581	965,774
Contributions receivable	7,523,638	9,668,851
Student loan receivables	4,374,161	5,142,730
Notes receivable	750,000	750,000
Investments	726,768,147	534,121,613
Deposits held by trustee	62,935,876	1,082,022
Assets held in trust by others	2,298,817	1,797,503
Financial assets at May 31	<u>828,252,044</u>	<u>568,316,491</u>
Less those unavailable for general expenditure within one year:		
Cash restricted for student loans	2,740,189	2,482,699
Accounts receivable beyond one year	104,638	121,621
Contributions receivable for endowments	6,638,163	8,690,535
Contributions receivable for plant	180,708	394,535
Contributions receivable greater than one year	381,210	301,872
Student loan receivables restricted for financial aid purposes	4,374,161	5,142,730
Note receivable beyond one year	750,000	750,000
Endowment assets restricted by donors, net of appropriation for next year	424,317,328	313,483,331
Endowment assets restricted by the Board of Regents, net of appropriation for next year	243,830,984	169,411,244
Cash and other investments held for gift annuitants	32,001,022	26,433,245
Bond proceeds and reserves restricted by use	62,935,876	1,082,022
Investments held for others connected to split-interest agreements	2,298,817	1,797,503
Financial assets not available for expenditure within one year	<u>780,553,096</u>	<u>530,091,337</u>
Financial assets available to meet cash needs for general purposes within one year	<u>\$ 47,698,948</u>	<u>\$ 38,225,154</u>

As of May 31, 2021, the College had liquid assets on hand to cover approximately four to five months of operating expenses. The College's practice is to structure its financial assets to be available as its general expenses, liabilities and obligations come due. Cash in excess of daily requirements is typically invested in short-term, liquid securities. The College closed its unsecured \$5,000,000 line of credit through Wells Fargo Bank in March 2021.

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10. Property, Plant and Equipment

At May 31, 2021 and 2020, property, plant and equipment consisted of the following:

	<u>2021</u>	<u>2020</u>
Land	\$ 1,342,890	\$ 1,342,890
Improvements other than buildings	31,597,106	29,574,644
Buildings	324,266,608	324,297,528
Equipment	59,998,027	62,408,576
Library materials	16,504,098	15,782,149
Art collection	1,931,023	1,867,836
Construction in progress	7,989,852	1,772,071
	444,678,371	437,045,694
Leases (Note 16)	1,048,767	-
Less accumulated depreciation	<u>(201,909,941)</u>	<u>(193,048,380)</u>
	<u>\$ 242,768,430</u>	<u>\$ 243,997,314</u>

The majority of the costs included in construction in progress as of May 31, 2021 were for construction of a residence hall complex, totaling approximately \$7,105,000. This project is expected to be completed during fiscal 2023 and is being funded by the Series 2021 debt proceeds.

11. Accrued and Other Liabilities

At May 31, 2021 and 2020, accrued and other liabilities consisted of the following:

	<u>2021</u>	<u>2020</u>
Payroll	\$ 8,419,377	\$ 8,716,640
Self-insurance reserve (Note 12)	545,000	545,000
Post-retirement benefit obligations (Note 13)	994,116	1,199,072
Interest	1,538,086	1,227,944
Asset retirement obligations (Note 14)	3,062,655	2,919,563
Other	90,706	85,958
	<u>\$ 14,649,940</u>	<u>\$ 14,694,177</u>

12. 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 \$545,000 at May 31, 2021 and 2020, 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 \$9,977,000.

As of May 31, 2021 and 2020, the College had net assets without donor restrictions of \$1,034,733 and \$890,620, 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.

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13. 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 \$4,045,000 and \$4,035,000 for the years ended May 31, 2021 and 2020, 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, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Change in benefit obligation:		
Benefit obligation at beginning of year	\$ 13,204,238	\$ 12,602,678
Service cost	32,563	29,616
Interest cost	288,444	406,093
Plan participants' VEBA contributions	33,108	30,804
Employer VEBA contributions	517,323	766,307
Actuarial (gain)/loss	1,941,816	201,235
Benefits paid	(839,893)	(832,495)
	<u>\$ 15,177,599</u>	<u>\$ 13,204,238</u>
Change in plan assets:		
Fair value of plan assets at beginning of year	\$ 12,005,166	\$ 11,159,558
Actual return on plan assets	2,217,058	643,868
Employer contributions	768,044	1,003,431
Plan participants' contributions	33,108	30,804
Benefits paid	(839,893)	(832,495)
	<u>\$ 14,183,483</u>	<u>\$ 12,005,166</u>
Funded status:		
Funded status at end of year	<u>\$ (994,116)</u>	<u>\$ (1,199,072)</u>
Amounts recognized in the statement of financial position consist of:		
Current liabilities	(145,332)	(186,275)
Noncurrent liabilities	(848,784)	(1,012,797)
	<u>\$ (994,116)</u>	<u>\$ (1,199,072)</u>
Net amount recognized (Note 11)	<u>\$ (994,116)</u>	<u>\$ (1,199,072)</u>

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	<u>2021</u>	<u>2020</u>
Amounts recognized in change in net assets consist of:		
Prior service cost	\$ -	\$ -
(Gain) loss	79,960	(245,056)
	<u>79,960</u>	<u>(245,056)</u>
Accumulated change in net assets	<u>\$ 79,960</u>	<u>\$ (245,056)</u>
Weighted-average assumptions used to determine benefit obligations at May 31:		
Discount rate	2.30%	2.20%
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	\$ 32,563	\$ 29,616
Interest cost	288,444	406,093
Expected return on plan assets	(600,258)	(557,978)
Amortization of prior service cost	-	-
	<u>-(279,251)</u>	<u>-(122,269)</u>
Net periodic postretirement benefit cost	<u>\$ (279,251)</u>	<u>\$ (122,269)</u>
Changes in net assets:		
Net (gain)/loss	\$ 325,016	\$ 115,345
Amortization of prior service cost	-	-
	<u>325,016</u>	<u>115,345</u>
Total amount (gain) loss recognized in change in net assets	<u>325,016</u>	<u>115,345</u>
Total amount recognized net periodic benefit cost and change in net assets	<u>\$ 45,765</u>	<u>\$ (6,924)</u>
Weighted-average assumptions used to determine benefit obligations at June 1:		
Discount rate	2.20%	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:		
Healthcare cost trend rate assumed for next year:		
Post 65	7.00%	7.50%
Pre 65	7.00%	7.50%
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	2025	2025

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Plan assets are invested primarily in mutual funds, which are classified as Level 1 in the fair value hierarchy, as of May 31, 2021 and 2020.

During the year ending May 31, 2022, the College expects to contribute approximately \$145,000 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 \$620,000 to the VEBA for current employees during the year ending May 31, 2021.

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:

2022	\$	145,332
2023		131,702
2024		115,439
2025		109,159
2026		81,516
2027 - 2031		251,420

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.

14. 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 obligations:

	<u>2021</u>	<u>2020</u>
Balance at beginning of the year	\$ 2,919,563	\$ 2,784,760
Abatement costs	(2,886)	(4,435)
Accretion expense	145,978	139,238
Balance at end of the year (Note 11)	<u>\$ 3,062,655</u>	<u>\$ 2,919,563</u>

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15. Long-Term Debt

Long-term debt at May 31, 2021 and 2020 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	
				2021	2020
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 \$2,660,000 to \$4,495,000	2033	\$ 42,150,000	\$ 44,685,000
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 \$385,000 to \$5,760,000	2036	22,475,000	22,845,000
MHEFA Revenue Bonds, Series 2021, issued to finance construction	Bonds bear rates from 3.00% to 4.00%	Annual payments range from \$2,980,000 to \$4,935,000	2050	57,335,000	
Principal outstanding on bonds				121,960,000	67,530,000
Plus:					
Long-term leases (see Note 16)				1,021,635	
Unamortized premium:					
Series Eight-G Revenue Bonds				4,710,608	5,120,227
Series Eight-N Revenue Bonds				2,026,399	2,167,775
Series 2021 Revenue Bonds				9,258,872	
Less unamortized debt issue costs				(454,178)	(250,635)
Total long-term debt				<u>\$ 138,523,336</u>	<u>\$ 74,567,367</u>

On July 1, 2015, the College issued \$53,745,000 in tax-exempt bonds, Series Eight-G, through the Minnesota Higher Education Facilities Authority (MHEFA). A portion of the Series Six-O Revenue Bonds (\$28,677,000) was refunded on an advance refunding basis, whereby the Series Five-M2 Revenue Bonds (\$8,869,000) was refunded on a current refunding basis. The proceeds were also used to terminate an interest rate swap agreement corresponding to the Series Five-M2 Bonds (\$583,000) and to finance various construction and renovate projects to the College's residential facilities and classroom buildings (\$25,000,000).

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 were callable and paid off.

On March 1, 2021, the College issued \$57,335,000 in tax-exempt bonds, Series 2021, through the Minnesota Higher Education Facilities Authority (MHEFA). The proceeds of the bonds will be used to construct a residence hall of approximately 300 beds and 14 townhouses totaling approximately 140 beds, as well as renovate an existing residence hall on campus, capitalize interest on the bonds through April 1, 2022, and pay certain issuance costs.

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Revenue Bonds Series Eight-G, Eight-N, and 2021 are secured by a pledge of loan repayment from the College and require that certain covenants be maintained.

The College maintains cash, U.S. government securities, and private debt obligations held by a trustee that totaled \$62,935,876 and \$1,082,022 as of May 31, 2021 and 2020, respectively. These funds are intended to be used to make principal and interest payments and for construction on the projects related to the Series 2021 bond issuance.

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

Years ending May 31:	
2022	\$ 3,045,000
2023	3,190,000
2024	3,350,000
2025	3,515,000
2026	3,690,000
Thereafter	<u>105,170,000</u>
Total	<u>\$ 121,960,000</u>

16. Leases

The College leases certain equipment under noncancelable operating leases expiring through July 2026 and noncancelable finance leases expiring through August 2023. The weighted-average discount rate used for the year ending May 31, 2021 was 2.78 percent. Total rental expenses approximated \$216,262 and \$213,645 for the years ended May 31, 2021 and 2020, respectively. Future payments for the years ended May 31, as follows:

Years ending May 31:		
	<u>Financing</u>	<u>Operating</u>
2022	\$ 22,572	\$ 247,861
2023	22,572	247,861
2024	5,644	234,466
2025		160,846
2026		139,466
Present value discount	<u>(1,611)</u>	<u>(58,042)</u>
Total	<u>\$ 49,177</u>	<u>\$ 972,458</u>

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 net assets with restrictions or net assets without restrictions, or in some instances, distributed to third-party beneficiaries.

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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 0.4 percent to 11.6 percent for the years ended May 31, 2021 and 2020 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, 2021 and 2020 is as follows:

	<u>2021</u>	<u>2020</u>
Cash and investments	\$ 32,001,022	\$ 26,433,245
Interfund (payable)/receivable	32,493	(12,553)
Beneficial interest in trusts held by others	2,298,817	1,797,503
Deposits held in trust for others	(112,291)	(156,617)
Annuities payable	(11,103,674)	(10,383,168)
	<u>\$ 23,116,367</u>	<u>\$ 17,678,410</u>
Net assets:		
Without donor restrictions	4,518,723	3,353,242
With donor restrictions	18,597,644	14,325,168
Total	<u>\$ 23,116,367</u>	<u>\$ 17,678,410</u>

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.

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 \$1,996,539 and \$21,195 as of May 31, 2021 and 2020, respectively. Total payments to this construction company were approximately \$3,272,000 and \$3,184,000 for the years ended May 31, 2021 and 2020, respectively. The approximate total contracted amount payable to the construction company as of May 31, 2021 was \$44,229,000. There were no outstanding contracted amounts payable as of May 31, 2020.

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Notes to Financial Statements

May 31, 2021 and 2020

As of May 31, 2021 and 2020, approximately \$785,000 and \$2,374,000, respectively, of contributions receivable were due from members of the Board of Regents. Contribution revenue from members of the Board of Regents totaled approximately \$1,623,000 and \$1,911,000 for the years ending May 31, 2021 and 2020, 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, 2021 and 2020, the College's total value of these funds was approximately \$3,906,000 and \$4,316,000, respectively. The College's cumulative contributions, net of distributions, to these investments as of May 31, 2021 totaled approximately \$5,631,000. The College's cumulative contributions, net of distributions, to these investments as of May 31, 2020 totaled approximately \$4,413,000. The College had no outstanding future commitments to these investments at May 31, 2021 and 2020.

20. Department of Education Financial Responsibility Information

The Department of Education (ED) revised the regulations for financial responsibility which are required to be implemented for reports issued after July 1, 2020. The regulations require the College to provide additional disclosures, including a financial responsibility supplemental schedule, to assist ED in measuring financial responsibility through the composite score of financial ratios. The financial responsibility supplemental schedule must contain all financial elements required to calculate the composite score ratios, with a cross-reference to the financial statement line or note that contains the element.

Note 10 provides information on the College's property, plant, and equipment, net, but does not provide a breakout by the implementation date of June 1, 2019. The following table provides a breakdown of property, plant, and equipment, net, at May 31, 2021 based on the June 1, 2019 implementation date.

Pre-implementation:	
Property, plant, and equipment, net	\$ 220,258,381
Post-implementation:	
Property, plant, and equipment, net, with outstanding debt for original purchase	1,048,767
Property, plant, and equipment, net, without outstanding debt for original purchase	13,471,430
Construction in progress	<u>7,989,852</u>
Total property, plant, and equipment, net, at May 31, 2021	<u>\$ 242,768,430</u>

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Notes to Financial Statements

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Note 15 provides information on the College's long-term debt but does not provide a breakout by the implementation date of June 1, 2019. The following table provides a breakdown of long-term debt for long-term purposes, at May 31, 2021 based on the June 1, 2019 implementation date.

Pre-implementation:	
Long-term debt, pre-implementation	\$ 71,129,705
Post-implementation:	
Debt issued in 2021 and spent on construction in progress	5,476,402
Debt proceeds remaining in escrow to be spent on a capital project in future years – therefore not reflected in the supplemental schedule	<u>61,917,229</u>
Total long-term debt at May 31, 2021	<u>\$ 138,523,336</u>

Note 2 provides information on the College's breakdown of net assets with either time or purpose restrictions. The following table provides a breakdown of those net assets with donor restrictions at May 31, 2021.

Scholarships, instruction and other support (Note 2)	\$ 15,153,583
Acquisition of buildings and equipment (Note 2)	203,601
Student loan funds (Note 2)	3,052,607
Accumulated gains – endowment funds (Note 8)	<u>197,356,262</u>
Net assets with donor restrictions – time or purpose	<u>\$ 215,766,053</u>

21. Subsequent Events

The College has evaluated subsequent events through October 13, 2021, which is the date that the financial statements were issued.