

St. Olaf College

Financial Statements and
Federal Awards Audit

May 31, 2022

St. Olaf College

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St. Olaf College

Highlights (Unaudited)

Years Ended May 31, 2022 and 2021

Fiscal Year Ending May 31: Academic Year	<u>FY 2022</u> <u>2021-22</u>	<u>FY 2021</u> <u>2020-21</u>
Enrollment, Retention, Graduation		
Undergraduate Full Time (Fall)	2,964	2,916
Undergraduate FTE (Fall)	2,972	2,928
Undergraduate Headcount (Fall)	2,988	2,953
% Men/Women	42/58	41/59
% Who Are In-State/Out-of-State	43/57	44/56
% White/Domestic Minority/International	67/23/10	67/23/10
1st Year to Sophomore	90.7%	90.9%
Sophomore to Junior	86.3%	83.6%
Junior to Senior	84.5%	83.5%
Four-Year Graduation Rate	78.5%	80.9%
Five-Year Graduation Rate	84.1%	84.2%
Number of Seniors (May)	709	697
Number of Declared Majors	1,020	1,000
Top Five Majors		
1st	Biology 11.2%	Biology 10.1%
2nd	Economics 8.6%	Economics 8.9%
3rd	Mathematics 7.9%	Psychology 7.4%
4th	Psychology 7.7%	Mathematics 7.0%
5th	Music 6.6%	Music 7.0%
Post-Graduation Activities		
Responses/Response Rate	Class of 2021 601/89%	Class of 2020 664/92%
Activities:		
Working (Full or Part-Time)/percent	452/75%	486/73%
Furthering Education/percent	120/20%	143/22%
Other Activities/percent	29/5%	35/5%
New Student Admissions (Fall)		
Applications (1st Year/Transfer)	6,480/155	5,231/125
Acceptances (1st Year/Transfer)	3,073/78	2,658/70
Acceptance Rate (1st Year/Transfer)	47%/50%	51%/56%
Matriculants (1st Year/Transfer)	752/38	729/23
Yield Rate (1st Year/Transfer)	25%/49%	27%/33%
% 1st Year Men/Women	42/58	44/56
% 1st Year In-State/Out-of-State	43/57	43/57
% 1st Year 1st Generation to College	18	20
Median ACT - 1st Year	31	28
Median SAT - 1st Year	1360	1260
Faculty and Staff Employed (Fall)		
Faculty/Staff/Total - FTE	248/423/671	241/419/660
Faculty/Staff/Total - Full-time Headcount	219/376/595	211/370/581
Faculty/Staff/Total - Part-time Headcount	87/140/227	91/147/238
Tuition and Fees Per Student		
Tuition	\$ 52,670	\$ 51,450
Room & Board	12,000	11,660
Total comprehensive fee	<u>\$ 64,670</u>	<u>\$ 63,110</u>
Financial Aid, Scholarships & Grants		
Federal Grants	\$ 3,361,428	\$ 3,381,253
State Grants	3,083,667	2,906,445
Institutional Scholarships & Grants	102,532,105	93,365,279
Outside Scholarships & Grants	2,800,140	2,640,959
Total	<u>\$ 111,777,340</u>	<u>\$ 102,293,936</u>
Total per student FTE	<u>\$ 37,610</u>	<u>\$ 34,936</u>
Endowment		
Market Value at Fiscal Year End	\$ 696,676,006	\$ 701,716,031
Market Value per Full Time Student	\$ 235,046	\$ 240,643
Market Value per FTE Student	\$ 234,413	\$ 239,657
Total return on investments	-0.7%	35.2%

Independent Auditors' Report

To the Board of Regents of
St. Olaf College

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of St. Olaf College (the College), which comprise the statements of financial position as of May 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the College as of May 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* (*Government Auditing Standards*) issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the College and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

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

Supplementary and Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* and financial responsibility supplemental schedule, as required by Title 34 CFR Section 668.172, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2022 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Baker Tilly US, LLP

Minneapolis, Minnesota
October 12, 2022

St. Olaf College

Statements of Financial Position

May 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Assets		
Cash and cash equivalents	\$ 25,035,444	\$ 23,171,824
Receivables		
Accounts, net (Note 4)	295,978	429,581
Contributions, net (Note 5)	8,539,118	7,523,638
Student loans, net (Note 6)	3,587,943	4,374,161
Notes receivable (Note 1)	750,000	750,000
Investments (Note 7)	718,281,226	726,768,147
Other assets	2,244,403	1,170,114
Deposits held by trustee (Note 7)	28,627,404	62,935,876
Beneficial interest in trusts held by others (Note 7)	2,145,691	2,298,817
Property, plant and equipment, net (Note 10)	275,475,657	242,768,430
	<u>\$ 1,064,982,864</u>	<u>\$ 1,072,190,588</u>
Total assets		
	<u>\$ 1,064,982,864</u>	<u>\$ 1,072,190,588</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 10,759,052	\$ 6,227,671
Accrued and other liabilities (Note 11)	15,169,909	14,649,940
Deferred revenue	3,311,556	2,033,264
Annuities payable (Note 17)	10,077,697	11,103,674
Long-term debt (Note 15)	134,392,549	138,523,336
U.S. government grants refundable	1,793,828	2,679,808
Deposits held in trust for others	316,312	359,537
	<u>175,820,903</u>	<u>175,577,230</u>
Total liabilities		
	<u>175,820,903</u>	<u>175,577,230</u>
Net Assets		
Without donor restrictions (Note 2)	408,403,255	411,548,422
With donor restrictions (Note 2)	480,758,706	485,064,936
	<u>889,161,961</u>	<u>896,613,358</u>
Total net assets		
	<u>889,161,961</u>	<u>896,613,358</u>
Total liabilities and net assets	<u>\$ 1,064,982,864</u>	<u>\$ 1,072,190,588</u>

See notes to financial statements

St. Olaf College

Statement of Activities and Change in Net Assets

Year Ended May 31, 2022 (With comparative totals for 2021)

	Without Donor Restrictions	With Donor Restrictions	Total	2021
Operating Revenues, Gains and Other Support				
Tuition, room and board, net of scholarships (Note 1)	\$ 79,206,865		\$ 79,206,865	\$ 82,753,581
Other tuition and fees	1,330,619		1,330,619	472,409
Government grants	10,110,941		10,110,941	6,818,613
Private gifts and grants	2,997,637	\$ 7,867,447	10,865,084	10,709,911
Long-term investment income and gains allocated for operations	10,159,767	16,169,374	26,329,141	24,029,704
Other sources	2,178,577	77,890	2,256,467	1,245,262
Investment income	85,381	33,212	118,593	105,684
Net losses on investments and capital assets	(865,595)		(865,595)	(66,230)
Capital gifts allocated	2,172,166		2,172,166	2,217,570
Auxiliary enterprises, sales and services	402,787		402,787	365,861
	<u>107,779,145</u>	<u>24,147,923</u>	<u>131,927,068</u>	<u>128,652,365</u>
Net assets released from restrictions (Notes 1 and 3)	<u>21,664,305</u>	<u>(21,664,305)</u>		
Total operating revenues, gains and other support	<u>129,443,450</u>	<u>2,483,618</u>	<u>131,927,068</u>	<u>128,652,365</u>
Operating Expenses				
Program expenses	109,910,611		109,910,611	101,615,288
Support expenses	16,315,489		16,315,489	16,069,417
Total operating expenses	<u>126,226,100</u>		<u>126,226,100</u>	<u>117,684,705</u>
Change in net assets from operating activities	<u>3,217,350</u>	<u>2,483,618</u>	<u>5,700,968</u>	<u>10,967,660</u>
Nonoperating Activities				
Long-term investment activities	(1,223,651)	(3,513,693)	(4,737,344)	181,929,892
Less long-term investment income and gains allocated for operations	<u>(10,159,767)</u>	<u>(16,169,374)</u>	<u>(26,329,141)</u>	<u>(24,029,704)</u>
	(11,383,418)	(19,683,067)	(31,066,485)	157,900,188
Student loan income net of expenses	(9,170)	(68,252)	(77,422)	69,785
Deferred giving activities, gifts	606	143,670	144,276	98,834
Capital giving activities, gifts and grants	4,635,326	15,132,116	19,767,442	22,999,462
Capital related gifts released from restrictions (Notes 1 and 3)	838,704	(838,704)		
Capital gifts allocated to operations	(2,172,166)		(2,172,166)	(2,217,570)
Adjustment to actuarial liability for annuities payable	(152,634)	(1,862,463)	(2,015,097)	6,043,422
Adjustment to prior service cost and actuarial liability for retiree health plan	(64,894)		(64,894)	(325,016)
Gain from sale of asset	2,331,981		2,331,981	
Change in net assets from nonoperating activities	<u>(5,975,665)</u>	<u>(7,176,700)</u>	<u>(13,152,365)</u>	<u>184,569,105</u>
Change in net assets before reclassification of net assets	(2,758,315)	(4,693,082)	(7,451,397)	195,536,765
Reclassification of Prior Year Net Assets	<u>(386,852)</u>	<u>386,852</u>		
Change in net assets	(3,145,167)	(4,306,230)	(7,451,397)	195,536,765
Net Assets, Beginning	<u>411,548,422</u>	<u>485,064,936</u>	<u>896,613,358</u>	<u>701,076,593</u>
Net Assets, Ending	<u>\$ 408,403,255</u>	<u>\$ 480,758,706</u>	<u>\$ 889,161,961</u>	<u>\$ 896,613,358</u>

See notes to financial statements

St. Olaf CollegeStatement of Activities and Change in Net Assets
Year Ended May 31, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Operating Revenues, Gains and Other Support			
Tuition, room and board, net of scholarships (Note 1)	\$ 82,753,581		\$ 82,753,581
Other tuition and fees	472,409		472,409
Government grants	6,818,613		6,818,613
Private gifts and grants	3,382,882	\$ 7,327,029	10,709,911
Long-term investment income and gains allocated for operations	8,828,240	15,201,464	24,029,704
Other sources	1,202,004	43,258	1,245,262
Investment income	76,390	29,294	105,684
Net losses on investments and capital assets	(66,230)		(66,230)
Capital gifts allocated	2,217,570		2,217,570
Auxiliary enterprises, sales and services	365,861		365,861
	<u>106,051,320</u>	<u>22,601,045</u>	<u>128,652,365</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>
Operating Expenses			
Program expenses	101,615,288		101,615,288
Support expenses	16,069,417		16,069,417
Total operating expenses	<u>117,684,705</u>		<u>117,684,705</u>
Change in net assets from operating activities	<u>6,659,436</u>	<u>4,308,224</u>	<u>10,967,660</u>
Nonoperating Activities			
Long-term investment activities	66,579,966	115,349,926	181,929,892
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>
	57,751,726	100,148,462	157,900,188
Student loan income net of expenses	2,131	67,654	69,785
Deferred giving activities, gifts	606	98,228	98,834
Capital giving activities, gifts and grants	13,143,252	9,856,210	22,999,462
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)
Adjustment to actuarial liability for annuities payable	1,064,875	4,978,547	6,043,422
Adjustment to prior service cost and actuarial liability for retiree health plan	<u>(325,016)</u>		<u>(325,016)</u>
Change in net assets from nonoperating activities	<u>71,120,202</u>	<u>113,448,903</u>	<u>184,569,105</u>
Change in net assets before reclassification of net assets	77,779,638	117,757,127	195,536,765
Reclassification of Prior Year Net Assets	<u>14,146</u>	<u>(14,146)</u>	
Change in net assets	77,793,784	117,742,981	195,536,765
Net Assets, Beginning	<u>333,754,638</u>	<u>367,321,955</u>	<u>701,076,593</u>
Net Assets, Ending	<u>\$ 411,548,422</u>	<u>\$ 485,064,936</u>	<u>\$ 896,613,358</u>

See notes to financial statements

St. Olaf College

Statements of Functional Expenses
Years Ended May 31, 2022 and 2021

	May 31, 2022										
	Program Expenses						Support Expenses				
	Instruction	Research	Public Service	Academic Support	Student Services	Auxiliary Enterprises	Total Program	Institutional Support	Fundraising	Total Support	Total
Compensation	\$ 37,797,423	\$ 945,475	\$ 80,985	\$ 8,121,771	\$ 12,892,112	\$ 3,951,870	\$ 63,789,636	\$ 5,408,551	\$ 3,789,016	\$ 9,197,567	\$ 72,987,203
Depreciation, amortization and accretion	3,753,835	126,326	2,512	2,251,602	2,825,724	2,445,657	11,405,656	699,647	319,011	1,018,658	12,424,314
General operating expenses	2,219,829	204,968	33,117	2,077,996	3,237,210	140,691	7,913,811	1,184,256	460,034	1,644,290	9,558,101
Food services	103,403	3,411	655	61,372	384,911	7,831,488	8,385,240	55,320	81,974	137,294	8,522,534
Travel and meals	2,146,418	40,328	2,460	238,928	1,252,141	10,302	3,690,577	138,258	110,682	248,940	3,939,517
Contract, professional services, insurance, and taxes	2,996,977	324,749	149,841	175,127	1,525,503	113,494	5,285,691	3,191,452	510,317	3,701,769	8,987,460
Facilities, repairs, maintenance, utilities, fuel	1,619,203	96,641	8,092	458,633	1,286,784	2,964,039	6,433,392	164,429	64,887	229,316	6,662,708
Interest	1,208,917	13,261	37	11,335	422,155	1,350,903	3,006,608	136,591	1,064	137,655	3,144,263
Total expenses	\$ 51,846,005	\$ 1,755,159	\$ 277,699	\$ 13,396,764	\$ 23,826,540	\$ 18,808,444	\$ 109,910,611	\$ 10,978,504	\$ 5,336,985	\$ 16,315,489	\$ 126,226,100
	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

See notes to financial statements

St. Olaf College

Statements of Cash Flows

Years Ended May 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash Flows From Operating Activities		
Change in net assets	\$ (7,451,397)	\$ 195,536,765
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation, amortization and accretion expense	12,424,314	12,733,752
Net (gains)/losses on investments	9,635,284	(188,019,866)
Change in allowance for uncollectible student loans	70,000	
(Gain) loss on dispositions of property, plant and equipment	(1,466,315)	90,435
Actuarial adjustment of annuities payable	(85,650)	1,782,381
Adjustment to prior service cost and actuarial liability for retiree health plan	64,894	325,016
Gifts of property, plant and equipment	(33,850)	(114,280)
Change in:		
Accounts receivable	133,603	536,193
Contributions receivable for operations	115,845	(120,986)
Contributions receivable for plant	112,838	213,827
Other assets	(1,074,289)	(503,750)
Funds held in trust by others	153,126	(501,314)
Change in:		
Accounts payable	(570,660)	1,413,579
Accrued and other liabilities	301,942	(515,231)
Deferred revenue	1,278,292	(3,393,258)
Change in deposits held in trust for others	(43,225)	(209,351)
Gifts and grants received for long-term investment and plant, net	(19,767,442)	(22,999,462)
Nonoperating investment income	(2,405,913)	(987,751)
	<u>(8,608,603)</u>	<u>(4,733,301)</u>
Cash Flows From Investing Activities		
Purchases of property, plant and equipment	(41,828,492)	(8,750,311)
Purchases of investments	(217,753,901)	(250,000,931)
Proceeds from sales of investments	216,605,538	245,374,261
Proceeds from sale of property, plant and equipment	2,387,981	
Disbursements of loans to students	(316,828)	(338,899)
Repayments of loans by students	1,033,046	1,107,468
	<u>(39,872,656)</u>	<u>(12,608,412)</u>
Cash Flows From Financing Activities		
Principal repayments of indebtedness	(3,066,477)	(2,961,077)
Gifts and grants received for long-term investment and plant, net	19,767,442	22,999,462
Change in nonoperating contributions receivable	(1,244,163)	2,052,372
Change in U.S. government grants refundable, net	(885,980)	(860,583)
Increase in annuities payable from new gifts	180,275	98,833
Payments to annuitants	(1,120,602)	(1,160,708)
Nonoperating investment income	2,405,913	987,751
Change in deposits held by trustee related to debt proceeds	34,308,471	4,569,489
	<u>50,344,879</u>	<u>25,725,539</u>
Net cash flows from financing activities	<u>50,344,879</u>	<u>25,725,539</u>
Net change in cash and cash equivalents	1,863,620	8,383,826
Cash and Cash Equivalents, Beginning	<u>23,171,824</u>	<u>14,787,998</u>
Cash and Cash Equivalents, Ending	<u>\$ 25,035,444</u>	<u>\$ 23,171,824</u>
Supplemental Disclosure		
Interest paid	<u>\$ 3,236,877</u>	<u>\$ 2,658,658</u>
Property, plant and equipment acquired through accounts payable	<u>\$ 7,692,154</u>	<u>\$ 2,590,114</u>

See notes to financial statements

St. Olaf College

Notes to Financial Statements
May 31, 2022 and 2021

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 statements 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 statements of activities. Conditional grants restricted by donors whose restrictions are met in the same year are reported as changes in net assets without donor restrictions.

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 2023 year.

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>2022</u>	<u>2021</u>
Tuition	\$ 154,537,625	\$ 150,462,154
Room and board	30,181,685	28,308,709
Tuition, room and board	184,719,310	178,770,863
Unfunded scholarships and grants	(89,287,755)	(83,323,807)
Funded scholarships and grants	(16,224,690)	(12,693,475)
Tuition, room and board, net of scholarships	<u>\$ 79,206,865</u>	<u>\$ 82,753,581</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 as of May 31, 2022. Summer academic terms begin after May 31, 2022, thus all tuition revenue relating to the 2022 summer terms are included in the fiscal year 2023 financial statements.

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% 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 revenue and student aid expense (within student services). As of May 31, 2021, the entire amount of the institutional portion of the grant was expended and recognized as federal grants and as an offset to lost revenue incurred as a result of the pandemic.

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. As of May 31, 2022, the entire amount of the student relief portion of the grant was expended and recognized as revenue and student aid expense (within student services). As of May 31, 2022, the entire amount of the institutional portion of the grant was expended and recognized as revenue and as an offset to lost revenue incurred as a result of the pandemic.

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, 2022, \$6,600,000 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, capital gifts, retiree health plan changes 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; and
- as increases or decreases in net assets with donor restrictions in all other cases.

Impairment of Long-Lived Assets

The College reviews long-lived assets, including property and equipment and intangible assets, for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset are less than the carrying amount of that asset. As of May 31, 2022 and 2021, there have been no such losses.

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.

St. Olaf College

Notes to Financial Statements
May 31, 2022 and 2021

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% 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 17)

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 statements 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 statements 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.

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, 2022 and 2021. The College's tax returns are subject to review and examination by federal and state authorities.

St. Olaf College

Notes to Financial Statements
May 31, 2022 and 2021

2. Restrictions and Limitations on Net Asset Balances

Net assets without donor restrictions were allocated as follows:

	<u>2022</u>	<u>2021</u>
Plant	\$ 157,360,336	\$ 159,990,115
Operations	(5,018,168)	(6,931,400)
Endowment funds	252,011,702	253,658,530
Deferred gifts	3,877,822	4,518,723
Student loan programs, matching federal government	171,563	312,454
	<u>\$ 408,403,255</u>	<u>\$ 411,548,422</u>

Net assets with donor restrictions consist of the following:

	<u>2022</u>	<u>2021</u>
Gifts and other unexpended revenues and gains available for:		
Scholarships, instruction and other support	\$ 16,160,171	\$ 15,153,583
Acquisition of buildings and equipment	542,210	203,601
	16,702,381	15,357,184
Endowment funds	444,664,304	448,057,501
Deferred gifts	16,389,261	18,597,644
Student loan funds	3,002,760	3,052,607
	<u>\$ 480,758,706</u>	<u>\$ 485,064,936</u>

Total net assets consist of the following:

	<u>2022</u>	<u>2021</u>
Plant	\$ 157,902,546	\$ 160,193,716
Operations	11,142,003	8,222,183
Endowment funds (Note 8)	696,676,006	701,716,031
Deferred gifts (Note 17)	20,267,083	23,116,367
Student loan funds	3,174,323	3,365,061
	<u>\$ 889,161,961</u>	<u>\$ 896,613,358</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, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Capital related gifts for projects placed in service	\$ 838,704	\$ 1,700,198
Scholarships, instruction and other departmental support	21,664,305	18,292,821
	<u>\$ 22,503,009</u>	<u>\$ 19,993,019</u>

St. Olaf College

Notes to Financial Statements
May 31, 2022 and 2021

4. Accounts Receivable

Accounts receivable, and the related allowance for doubtful accounts, was as follows at May 31, 2022 and 2021:

	2022		
	Receivable	Allowance	Net
Student accounts	\$ 319,662	\$ (200,000)	\$ 119,662
Other accounts	1,154,133	(977,817)	176,316
Total accounts receivable	<u>\$ 1,473,795</u>	<u>\$ 1,177,817</u>	<u>\$ 295,978</u>

	2021		
	Receivable	Allowance	Net
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>

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.

5. Contributions Receivable

Contributions receivable include the following unconditional promises to give at May 31, 2022 and 2021:

	2022	2021
Unconditional promises expected to be collected in:		
Less than one year	\$ 2,961,941	\$ 3,227,969
One to five years	6,956,511	5,163,068
Over five years	60,000	81,500
Gross unconditional promises to give	9,978,452	8,472,537
Less unamortized discount	(238,842)	(239,366)
Allowance for uncollectible promises	<u>(1,200,492)</u>	<u>(709,533)</u>
	<u>\$ 8,539,118</u>	<u>\$ 7,523,638</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% to 3.3%. As of May 31, 2022, net contributions receivable consisted of \$7,882,325 for endowments, \$67,870 for plant and \$588,923 for operations. As of May 31, 2021, net contributions receivable consisted of \$6,638,163 for endowments, \$180,708 for plant and \$704,767 for operations.

St. Olaf College

Notes to Financial Statements
May 31, 2022 and 2021

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, 2022 and 2021, student loans receivable represented 0.34% and 0.41% of total assets, respectively.

At May 31, 2022 and 2021 student loans receivable consisted of the following:

	<u>2022</u>	<u>2021</u>
Federal government programs	\$ 1,827,425	\$ 2,543,530
Institutional programs	2,262,318	2,262,431
	<u>4,089,743</u>	<u>4,805,961</u>
Less allowance for doubtful accounts:		
Beginning of year	(431,800)	(431,800)
Change to allowance	(117,470)	(4,513)
Write-offs	47,470	-
Write-off recoveries	-	4,513
	<u>(501,800)</u>	<u>(431,800)</u>
End of year	(501,800)	(431,800)
Student loans receivable, net	<u>\$ 3,587,943</u>	<u>\$ 4,374,161</u>

Funds advanced by the Federal government of \$2,093,971 and \$2,980,696 at May 31, 2022 and 2021, 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, 2022 and 2021, the past due and current amounts under student loan programs were as follows:

	<u>2022</u>	<u>2021</u>
Past due student loans receivable:		
0 - 240 days past due	\$ 334,871	\$ 255,341
240 days - 2 years past due	135,265	218,358
2 - 5 years past due	392,323	397,322
5+ years past due	99,878	169,132
	<u>962,337</u>	<u>1,040,153</u>
Total past due	962,337	1,040,153
Current student loans receivable	<u>3,127,406</u>	<u>3,765,808</u>
Total student loans receivable, gross	<u>\$ 4,089,743</u>	<u>\$ 4,805,961</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 and deposits held by trustee) 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, 2022 and 2021.

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.

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

St. Olaf College

Notes to Financial Statements
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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, 2022 and 2021:

	2022			
	Total	Level 1	Level 2	Level 3
Assets				
Investments:				
Cash and short-term investments	\$ 8,469,029	\$ 8,469,029		
Marketable securities:				
Mutual funds and exchange traded funds:				
Fixed income:				
Domestic	5,958,160	5,958,160		
International	1,298,064	1,298,064		
Equity funds:				
Domestic	62,047,265	62,047,265		
International	5,588,432	5,588,432		
Global	7,650,200	7,650,200		
Real asset funds	3,981,049	3,981,049		
Stocks	36,679	36,679		
Bonds	13,476,860	153,209	\$ 13,323,651	
Real estate	1,016,500			\$ 1,016,500
Other investments	1,858,299			1,858,299
Subtotal investments	111,380,537	95,182,087	13,323,651	2,874,799
Deposits held by trustee	28,627,404	1,098,794	27,528,610	
Beneficial interest in trusts held by others	2,145,691			2,145,691
Subtotal by valuation hierarchy	\$ 142,153,632	\$ 96,280,881	\$ 40,852,261	\$ 5,020,490
Investments measured using NAV:				
Hedge funds	152,029,505			
Private credit funds	3,997,661			
Private equity funds	155,705,848			
Global equity funds	176,214,233			
Fixed income funds	24,670,237			
Real estate funds	37,016,669			
Commodity funds	57,266,536			
Subtotal investments by NAV	606,900,689			
Total assets at fair value	\$ 749,054,321			
Investments by valuation hierarchy	\$ 111,380,537			
Investments by NAV	606,900,689			
Total investments	\$ 718,281,226			

St. Olaf College

Notes to Financial Statements
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	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	179,275,463	\$ 97,899,598	\$ 76,190,857	\$ 5,185,008
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	612,727,377			
Total assets at fair value	\$ 792,002,840			
Investments by valuation hierarchy	\$ 114,040,770			
Investments by NAV	612,727,377			
Total investments	\$ 726,768,147			

St. Olaf College

Notes to Financial Statements
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Investment income and gains (losses) for the investments without readily determinable fair values totaled (\$4,356,753) and \$159,666,523 for the years ended May 31, 2022 and 2021, 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.

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, 2022 and 2021:

<u>Investment Type</u>	<u>Unfunded Commitments</u>	<u>Fair Value May 31, 2022</u>	<u>Fair Value May 31, 2021</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>	<u>Estimated Remaining Life</u>
Alternative investments:						
Hedge funds (a)	\$ 1,787,500	\$ 152,029,505	\$ 159,332,181	Quarterly to not redeemable	45 days to N/A	1-15 years
Private credit (b)	11,159,223	3,997,661	424,990	Not redeemable	N/A	7-10 years
Private equity funds (c)	63,235,950	155,705,848	122,012,855	Not redeemable Monthly to 3	N/A	1-15 years
Global equity funds (d)		176,214,233	230,308,532	years	30-365 days	N/A
Fixed income funds (e)		24,670,237	21,650,566	Daily	2 days	N/A
Real estate funds (f)	14,346,047	37,016,669	27,307,223	Not redeemable	N/A	1-12 years
Commodity funds (g)	8,647,113	57,266,536	51,691,030	Not redeemable	N/A	1-12 years
Total	<u>\$ 99,175,833</u>	<u>\$ 606,900,689</u>	<u>\$ 612,727,377</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, 2022 and 2021:

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
		Accumulated Gains	Original Gifts
Donor-restricted endowment funds		\$ 179,050,336	\$ 265,613,968
Board-designated endowment funds	\$ 252,011,702		
Total endowment net assets	\$ 252,011,702	\$ 179,050,336	\$ 265,613,968
			\$ 444,664,304
			252,011,702
			\$ 696,676,006

	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
			\$ 448,057,501
			253,658,530
			\$ 701,716,031

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Changes in endowment net assets for the years ended May 31, 2022 and 2021 are as follows:

	2022			
	Without Donor Restrictions	With Donor Restrictions		Total
		Accumulated Gains	Original Gifts	
Endowment net assets, May 31, 2021	\$ 253,658,530	\$ 197,356,262	\$ 250,701,239	\$ 701,716,031
Total investment return	(1,223,651)	(3,416,552)	(97,140)	(4,737,343)
Contributions	4,635,326		14,151,833	18,787,159
Appropriation of endowment assets for:				
Operating expenditures	(10,159,767)	(16,169,374)		(26,329,141)
Non-operating expenditures	(70,508)		(18,406)	(88,914)
Other changes:				
Transfers from other funds	4,752,880	1,280,000	297,120	6,330,000
Deferred gift administration	(19,752)			(19,752)
Matured deferred gifts	438,644		579,322	1,017,966
Endowment net assets, May 31, 2022	<u>\$ 252,011,702</u>	<u>\$ 179,050,336</u>	<u>\$ 265,613,968</u>	<u>\$ 696,676,006</u>
	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>

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, 2022, 65 donor-restricted funds with original gift values of \$16,699,827, fair values of \$15,784,282 and deficiencies of \$915,545 were reported in net assets with donor restrictions. At May 31, 2021, there were no donor-restricted funds with deficiencies. 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% S&P 500 and 35% Bloomberg Barclays Aggregate Bond allocation. The College also benchmarks against a 65% MSCI ACWI (All Country World Index) and 35% Bloomberg Barclays Aggregate Bond allocation. The College expects its endowment funds, over time, to provide an average real total return of 5%, 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.

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9. Liquidity and Availability

The following table reflects the College's financial assets as of May 31, 2022 and 2021, 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>2022</u>	<u>2021</u>
Financial assets:		
Cash and cash equivalents	\$ 25,035,444	\$ 23,171,824
Accounts receivable	295,978	429,581
Contributions receivable	8,539,118	7,523,638
Student loan receivables	3,587,943	4,374,161
Notes receivable	750,000	750,000
Investments	718,281,226	726,768,147
Deposits held by trustee	28,627,404	62,935,876
Assets held in trust by others	2,145,691	2,298,817
	<u>787,262,804</u>	<u>828,252,044</u>
Financial assets at May 31		
Less those unavailable for general expenditure within one year:		
Cash restricted for student loans	(3,768,667)	(2,740,189)
Accounts receivable beyond one year	(86,738)	(104,638)
Contributions receivable for endowments	(7,882,325)	(6,638,163)
Contributions receivable for plant	(67,870)	(180,708)
Contributions receivable greater than one year	(298,068)	(381,210)
Student loan receivables restricted for financial aid purposes	(3,587,943)	(4,374,161)
Note receivable beyond one year	(750,000)	(750,000)
Endowment assets restricted by donors, net of appropriation for next year	(418,838,977)	(424,317,328)
Endowment assets restricted by the Board of Regents, net of appropriation for next year	(241,659,178)	(243,830,984)
Cash and other investments held for gift annuitants	(28,181,855)	(32,001,022)
Bond proceeds and reserves restricted by use	(28,627,404)	(62,935,876)
Investments held for others connected to split-interest agreements	(2,145,691)	(2,298,817)
	<u>735,894,716</u>	<u>780,553,096</u>
Financial assets not available for expenditure within one year		
Financial assets available to meet cash needs for general purposes within one year	<u>\$ 51,368,088</u>	<u>\$ 47,698,948</u>

As of May 31, 2022, the College had liquid assets on hand to cover approximately five to six 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.

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10. Property, Plant and Equipment

At May 31, 2022 and 2021, property, plant and equipment consisted of the following:

	<u>2022</u>	<u>2021</u>
Land	\$ 1,286,890	\$ 1,342,890
Improvements other than buildings	32,473,753	31,597,106
Buildings	321,937,597	324,266,608
Equipment	61,442,726	59,998,027
Library materials	16,655,250	16,504,098
Art collection	1,964,873	1,931,023
Construction in progress	47,857,551	7,989,852
	483,618,640	444,678,371
Leases (Note 16)	814,675	1,048,767
Less accumulated depreciation	<u>(208,957,658)</u>	<u>(201,909,941)</u>
	<u>\$ 275,475,657</u>	<u>\$ 242,768,430</u>

The majority of the costs included in construction in progress as of May 31, 2022 were for construction of a residence hall complex, totaling approximately \$44,418,000. 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, 2022 and 2021, accrued and other liabilities consisted of the following:

	<u>2022</u>	<u>2021</u>
Payroll	\$ 8,815,818	\$ 8,419,377
Self-insurance reserve (Note 12)	445,000	545,000
Post-retirement benefit obligations (Note 13)	688,087	994,116
Interest	1,444,377	1,538,086
Asset retirement obligations (Note 14)	3,213,645	3,062,655
Other	562,982	90,706
	<u>\$ 15,169,909</u>	<u>\$ 14,649,940</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 \$445,000 at May 31, 2022 and \$545,000 at May 31, 2021, 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 \$10,111,000.

As of May 31, 2022 and 2021, the College had net assets without donor restrictions of \$854,870 and \$1,034,733, 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 \$4,090,000 and \$4,045,000 for the years ended May 31, 2022 and 2021, 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, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Change in benefit obligation:		
Benefit obligation at beginning of year	\$ 15,177,599	\$ 13,204,238
Service cost	58,701	32,563
Interest cost	347,413	288,444
Plan participants' VEBA contributions	41,117	33,108
Employer VEBA contributions	920,598	517,323
Actuarial (gain)/loss	(63,774)	1,941,816
Benefits paid	(991,893)	(839,893)
	<u>\$ 15,489,761</u>	<u>\$ 15,177,599</u>
Benefit obligation at end of year		
Change in plan assets:		
Fair value of plan assets at beginning of year	\$ 14,183,483	\$ 12,005,166
Actual return on plan assets	580,506	2,217,058
Employer contributions	988,461	768,044
Plan participants' contributions	41,117	33,108
Benefits paid	(991,893)	(839,893)
	<u>\$ 14,801,674</u>	<u>\$ 14,183,483</u>
Fair value of plan assets at end of year		
Funded status:		
Funded status at end of year	<u>\$ (688,087)</u>	<u>\$ (994,116)</u>
Amounts recognized in the statement of financial position consist of:		
Current liabilities	(73,372)	(145,332)
Noncurrent liabilities	(614,715)	(848,784)
	<u>(688,087)</u>	<u>(994,116)</u>
Net amount recognized (Note 11)	<u>\$ (688,087)</u>	<u>\$ (994,116)</u>

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	<u>2022</u>	<u>2021</u>
Amounts recognized in change in net assets consist of:		
Prior service cost	\$ -	\$ -
Loss	144,854	79,960
	<u>144,854</u>	<u>79,960</u>
Accumulated change in net assets	<u>\$ 144,854</u>	<u>\$ 79,960</u>
Weighted-average assumptions used to determine benefit obligations at May 31:		
Discount rate	4.00%	2.30%
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	\$ 58,701	\$ 32,563
Interest cost	347,413	288,444
Expected return on plan assets	(709,174)	(600,258)
Amortization of prior service cost	-	-
	<u>303,060</u>	<u>279,251</u>
Net periodic postretirement benefit cost	<u>\$ (303,060)</u>	<u>\$ (279,251)</u>
Changes in net assets:		
Net (gain)/loss	\$ 64,894	\$ 325,016
Amortization of prior service cost	-	-
	<u>64,894</u>	<u>325,016</u>
Total amount (gain) loss recognized in change in net assets	<u>64,894</u>	<u>325,016</u>
Total amount recognized net periodic benefit cost and change in net assets	<u>\$ (238,166)</u>	<u>\$ 45,765</u>
Weighted-average assumptions used to determine benefit obligations at June 1:		
Discount rate	2.30%	2.20%
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	6.50%	7.00%
Pre 65	6.50%	7.00%
Rate to which the cost trend rate is assumed to decline (the ultimate trend)	4.00%	5.00%
Year that the rate reaches the ultimate rate	2076	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, 2022 and 2021.

During the year ending May 31, 2023, the College expects to contribute approximately \$73,000 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 \$607,000 to the VEBA for current employees during the year ending May 31, 2023.

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:

Years ending May 31:		
2023	\$	73,372
2024		64,904
2025		57,944
2026		55,538
2027		55,445
2028 - 2032		236,547

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>2022</u>	<u>2021</u>
Balance at beginning of the year	\$ 3,062,655	\$ 2,919,563
Abatement costs	(2,143)	(2,886)
Accretion expense	153,133	145,978
Balance at end of the year (Note 11)	<u>\$ 3,213,645</u>	<u>\$ 3,062,655</u>

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15. Long-Term Debt

Long-term debt at May 31, 2022 and 2021 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	
				2022	2021
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 \$2,790,000 to \$4,495,000	2033	\$ 39,490,000	\$ 42,150,000
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 \$400,000 to \$5,760,000	2036	22,090,000	22,475,000
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	2051	57,335,000	57,335,000
Principal outstanding on bonds				118,915,000	121,960,000
Plus:					
Long-term leases (see Note 16)				776,590	1,021,635
Unamortized premium:					
Series Eight-G Revenue Bonds				4,300,990	4,710,608
Series Eight-N Revenue Bonds				1,885,022	2,026,399
Series 2021 Revenue Bonds				8,943,229	9,258,872
Less unamortized debt issue costs				(428,282)	(454,178)
Total long-term debt				<u>\$ 134,392,549</u>	<u>\$ 138,523,336</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 are being 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 \$28,627,404 and \$62,935,876 as of May 31, 2022 and 2021, 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:	
2023	\$ 3,190,000
2024	3,350,000
2025	3,515,000
2026	3,690,000
2027	3,875,000
Thereafter	<u>101,295,000</u>
Total	<u>\$ 118,915,000</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 years ending May 31, 2022 and 2021 was 2.78%. Total rental expenses approximated \$266,162 and \$235,025 for the years ended May 31, 2022 and 2021, respectively. Future payments for the years ended May 31, as follows:

Years ending May 31:	<u>Financing</u>	<u>Operating</u>
2023	\$ 22,572	\$ 247,861
2024	5,644	234,466
2025		160,846
2026		139,466
Present value discount	<u>(516)</u>	<u>(33,749)</u>
Total	<u>\$ 27,700</u>	<u>\$ 748,890</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% to 11.0% for the years ended May 31, 2022 and 2021 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, 2022 and 2021 is as follows:

	<u>2022</u>	<u>2021</u>
Cash and investments	\$ 28,181,855	\$ 32,001,022
Interfund (payable)/receivable	(19,140)	32,493
Accounts receivable	19,167	
Beneficial interest in trusts held by others	2,145,691	2,298,817
Deposits held in trust for others	17,207	(112,291)
Annuities payable	<u>(10,077,697)</u>	<u>(11,103,674)</u>
	<u>\$ 20,267,083</u>	<u>\$ 23,116,367</u>
Net assets:		
Without donor restrictions	\$ 3,877,822	\$ 4,518,723
With donor restrictions	<u>16,389,261</u>	<u>18,597,644</u>
Total	<u>\$ 20,267,083</u>	<u>\$ 23,116,367</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 \$3,218,419 and \$1,996,539 as of May 31, 2022 and 2021, respectively. Total payments to this construction company were approximately \$34,580,000 and \$3,272,000 for the years ended May 31, 2022 and 2021, respectively. The approximate total contracted amount remaining to the construction company was \$13,368,000 and \$44,229,000 as of May 31, 2022 and May 31, 2021, respectively.

St. Olaf College

Notes to Financial Statements

May 31, 2022 and 2021

As of May 31, 2022 and 2021, approximately \$508,000 and \$785,000, respectively, of contributions receivable were due from members of the Board of Regents. Contribution revenue from members of the Board of Regents totaled approximately \$1,660,000 and \$1,623,000 for the years ending May 31, 2022 and 2021, 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, 2022 and 2021, the College's total value of these funds was approximately \$2,653,000 and \$3,906,000, respectively. The College's cumulative contributions, net of distributions, to these investments as of May 31, 2022 totaled approximately \$6,884,000. The College's cumulative contributions, net of distributions, to these investments as of May 31, 2021 totaled approximately \$5,631,000. The College had no outstanding future commitments to these investments at May 31, 2022 and 2021.

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, 2022 based on the June 1, 2019 implementation date.

Pre-implementation:	
Property, plant and equipment, net	\$ 206,562,099
Post-implementation:	
Property, plant and equipment, net, with outstanding debt for original purchase	814,675
Property, plant and equipment, net, without outstanding debt for original purchase	20,241,332
Construction in progress	<u>47,857,551</u>
Total property, plant and equipment, net, at May 31, 2022	<u>\$ 275,475,657</u>

St. Olaf College

Notes to Financial Statements
May 31, 2022 and 2021

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, 2022 based on the June 1, 2019 implementation date.

Pre-implementation:	
Long-term debt, pre-implementation	\$ 67,552,043
Post-implementation:	
Debt issued in 2021 and spent on construction in progress	39,165,249
Debt proceeds remaining in escrow to be spent on capital projects in future years – therefore not reflected in the supplemental schedule	<u>27,675,257</u>
Total long-term debt at May 31, 2022	<u>\$ 134,392,549</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, 2022.

Scholarships, instruction and other support (Note 2)	\$ 16,160,171
Acquisition of buildings and equipment (Note 2)	542,210
Student loan funds (Note 2)	3,002,760
Accumulated gains – endowment funds (Note 8)	<u>179,050,336</u>
Net assets with donor restrictions – time or purpose	<u>\$ 198,755,477</u>

21. Subsequent Events

The College has evaluated subsequent events through October 12, 2022, which is the date that the financial statements were issued.

**Report on Internal Control
Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of
Financial Statements Performed in Accordance
With *Government Auditing Standards***

Independent Auditors' Report

To the Board of Regents of
St. Olaf College

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of St. Olaf College (the College), which comprise the College's statement of financial position as of May 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 12, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the College's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Baker Tilly US, LLP". The signature is written in a cursive, flowing style.

Minneapolis, Minnesota
October 12, 2022

**Report on Compliance
for Each Major Federal Program and
Report on Internal Control Over Compliance
Required by the Uniform Guidance**

Independent Auditors' Report

To the Board of Regents of
St. Olaf College

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited St. Olaf College's (the College) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the College's major federal programs for the year ended May 31, 2022. The College's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the College complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended May 31, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the College and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our on compliance for each major federal program. Our audit does not provide a legal determination of the College's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the College's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the College's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the College's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the College's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the College's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2022-001 and 2022-002. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the College's responses to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The College's responses were not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control Over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Baker Tilly US, LLP

Minneapolis, Minnesota
October 12, 2022

St. Olaf College

Schedule of Expenditures of Federal Awards
Year Ended May 31, 2022

Federal Grantor/ Program or Cluster Title	Assistance Listing Number	Pass-Through Entity	Pass-Through Entity Identification Number	Federal Expenditures	Passed-Through to Subrecipients
STUDENT FINANCIAL ASSISTANCE CLUSTER					
U.S. Department of Education					
Federal Pell Grant Program	84.063			\$ 2,999,275	\$ -
Federal Supplemental Educational Opportunity Grants	84.007			385,647	
Federal Work-Study Program	84.033			454,953	
Federal Perkins Loan Program	84.038			2,619,915	
Federal Direct Student Loans	84.268			10,359,197	
Total U.S. Department of Education				<u>16,818,987</u>	-
U.S. Department of Health and Human Services					
Nursing Student Loans	93.364			14,212	-
Total U.S. Department of Health and Human Services				<u>14,212</u>	-
Total Student Financial Assistance Cluster				<u>16,833,199</u>	-
RESEARCH AND DEVELOPMENT CLUSTER					
National Science Foundation					
Engineering	47.041			18,509	-
Geosciences	47.050			38,966	-
Biological Sciences	47.074			329,869	220,410
Biological Sciences	47.074			158,575	
Biological Sciences	47.074	University of Denver	SC37809-01-00/P0168979	37,419	
Biological Sciences	47.074			35,119	
Total Biological Sciences	47.074			<u>560,982</u>	<u>220,410</u>
Education and Human Resources	47.076	University of MN	H006117611	46,988	
Education and Human Resources	47.076			163,079	
Education and Human Resources	47.076			169,956	
Education and Human Resources	47.076			9,480	
Education and Human Resources	47.076			38,851	
Total Education and Human Resources				<u>428,354</u>	-
Total National Science Foundation				<u>1,046,811</u>	<u>220,410</u>
U.S. Department of Health and Human Services					
National Institutes of Health					
Alcohol Research Programs	93.273	Univ. NE Medical Center	34-5229-2028-001	3,832	
Total U.S. Department of Health and Human Services				<u>3,832</u>	
Total Research and Development Cluster				<u>1,050,643</u>	<u>220,410</u>
TRIO PROGRAMS CLUSTER					
U.S. Department of Education					
TRIO_Student Support Services	84.042A			297,518	
TRIO_Student Support Services	84.042A			294,631	
TRIO_Talent Search	84.044A			364,493	
TRIO_Upward Bound	84.047A			793,525	
TRIO_McNair Post-Baccalaureate Achievement	84.217A			259,223	
Total TRIO Programs Cluster				<u>2,009,390</u>	
OTHER PROGRAMS					
U.S. Department of Education					
COVID-19 Education Stabilization Fund	84.425E			2,818,928	
COVID-19 Education Stabilization Fund	84.425F			2,690,746	
Total U.S. Department of Education				<u>5,509,674</u>	
National Endowment for the Humanities					
Promotion of the Humanities Teaching and Learning Resources and Curriculum Development	45.162			54,051	
Promotion of the Humanities Teaching and Learning Resources and Curriculum Development	45.162			91,554	
				<u>145,605</u>	
Promotion of the Humanities Division of Preservation and Access	45.149			9,075	
Total National Endowment for the Humanities				<u>154,680</u>	
Institute of Museum and Library Services					
Museums for America	45.301			(326)	
Total Institute of Museum and Library Services				<u>(326)</u>	
Total expenditures of federal awards				<u>\$ 25,557,260</u>	<u>\$ 220,410</u>

See notes to schedule of expenditures of federal awards

St. Olaf College

Notes to Schedule of Expenditures of Federal Awards
Year Ended May 31, 2022

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of St. Olaf College (the College) under programs of the federal government for the year ended May 31, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the College, it is not intended to and does not present the financial position, changes in net assets, functional expenses or cash flows of the College.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

3. Indirect Cost Rate

The College has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

4. Loan and Loan Guarantee Programs

The federal student loan programs listed below are administered directly by the College, and balances and transactions relating to these programs are included in the College's basic financial statements. Loans outstanding at the beginning of the year and loans made during the year are included in the federal expenditures presented in the Schedule. The balance of loans outstanding at May 31, 2022 consist of:

<u>Assistance Listing Number</u>	<u>Program Name</u>	<u>Outstanding Balance at May 31, 2022</u>
84.038	Federal Perkins Loan Program	\$ 1,815,449
94.364	Nursing Student Loans	\$ 11,976

St. Olaf College

Financial Responsibility Supplemental Schedule
Year Ended May 31, 2022

Financial Statement and Line Name or Note Location

Primary Reserve Ratio:	
Expendable Net Assets:	
Statement of Financial Position	Net assets without donor restrictions \$ 408,403,255
Statement of Financial Position	Net assets with donor restrictions 480,758,706
Note 2	Annuities with donor restrictions 16,389,261
Note 8	Net assets with donor restrictions - restricted in perpetuity 265,613,968
Note 20	Net assets with donor restrictions - other for time or purpose 198,755,477
Note 19	Unsecured related party receivable 508,000
Note 20	Property, plant and equipment - pre-implementation \$ 206,562,099
Note 20	Property, plant and equipment - post-implementation with outstanding debt for original purchase 814,675
Note 20	Property, plant and equipment - post-implementation without outstanding debt for original purchase 20,241,332
Note 10 and note 20	Construction in progress 47,857,551
Statement of Financial Position	Total property, plant and equipment, net \$ 275,475,657
Not applicable for 2022	Intangible assets -
Note 13	Post-employment and pension liabilities 688,087
Note 20	Long-term debt for long-term purposes - pre-implementation \$ 67,552,043
Note 20	Long-term debt for long-term purposes - post implementation 39,165,249
Not applicable for 2022	Line of credit for construction in progress -
Total Expenses and Losses Without Donor Restrictions	
Statement of Activities	Total expenses without donor restrictions \$ 126,226,100
Statement of Activities	Net investment losses 1,223,651
Statement of Activities	Adjustment of actuarial liability for annuities payable 152,634
Statement of Activities	Adjustment to prior service cost and actuarial liability 64,894
Equity Ratio	
Modified Net Assets	
Statement of Financial Position	Net assets without donor restrictions \$ 408,403,255
Statement of Financial Position	Net assets with donor restrictions 480,758,706
Not applicable for 2022	Intangible assets -
Note 18	Unsecured related party receivables 508,000
Modified Assets	
Statement of Financial Position	Total assets \$ 1,064,982,864
Not applicable for 2022	Intangible assets -
Note 18	Unsecured related party receivables 508,000
Net Income Ratio	
Statement of Activities	Change in net assets without donor restrictions \$ (3,145,167)
Total Revenues and Gains Without Donor Restrictions	
Statement of Activities	Total operating revenue and other additions (gains) \$ 129,443,450
Statement of Activities	Investment return appropriated for spending 10,159,767
Statement of Activities (excluding amounts included with losses above)	Non-operating revenue and other gains 5,625,281

St. Olaf College

Schedule of Findings and Questioned Costs
Year Ended May 31, 2022

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:
Material weakness(es) identified? _____ yes X no
Significant deficiency(ies) identified? _____ yes X none reported

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major federal programs:
Material weakness(es) identified? _____ yes X no
Significant deficiency(ies) identified? _____ yes X none reported

Type of auditor's report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) of the Uniform Guidance? X yes _____ no

Identification of major federal programs:

<u>Assistance Listing Number(s)</u>	<u>Name of Federal Program or Cluster</u>
Various	Student Financial Assistance Cluster
Various	Research & Development Cluster
Various	TRIO Cluster
84.425E, 84.425F	COVID-19 Education Stabilization Fund

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? _____ yes X no

Section II - Financial Statement Findings

None.

Section III - Federal Award Findings and Questioned Costs

Finding 2022-001: Federal Direct Student Loan Enrollment Reporting

Program: Federal Direct Loan Programs
Assistance Listing Number (ALN): 84.268
Federal Agency: U.S. Department of Education
Federal Award Identification Number: P268K22059
Federal Award Year: June 30, 2022

Criteria: Title IV regulations (34 CFR 685.309(b)) require that upon receipt of an enrollment report from the Secretary, institutions must update all information included in the report and return the report to the Secretary: (i) in the manner and format prescribed by the Secretary; and (ii) within the timeframe prescribed by the Secretary. Unless it expects to submit its next updated enrollment report to the Secretary within the next 60 days, an institution must notify the Secretary within 30 days after the date the institution discovers that: (i) a loan under Title IV of the Act was made to or on behalf of a student who was enrolled or accepted for enrollment at the institution, and the student has ceased to be enrolled on at least a half-time basis or failed to enroll on at least a half-time basis for the period for which the loan was intended or (ii) a student who is enrolled at the institution and who received a loan under Title IV of the Act has changed his or her permanent address.

Condition: For 3 of 25 students included in our sample, the enrollment status of withdrawn were reported late (61 days after the determination date of separation). The sample was not a statistically valid sample.

Cause: The College's procedures for reporting students' enrollment statuses at the end of the fall semester did not get included in the preliminary reporting for the spring semester and then did get included in the final reporting at the beginning of the spring semester however that was just beyond the 60 days timeframe requirement.

Effect: The accuracy of Title IV student loan records depends heavily on the accuracy of the enrollment information reported by institutions. If an institution does not review, update, and verify student enrollment statuses, effective dates of the enrollment status, and the anticipated completion dates, then the Title IV student loan records will be inaccurate.

Questioned Costs: Not applicable

Context: Not applicable.

Recommendation: It is recommended that policies and procedures are put in place to ensure that the correct enrollment status dates and enrollment statuses are reported to the NSLDS within the required timeframes.

Management's Response: Management considers this to be an isolated incident, however, additional controls will be put in place in order to prevent this from happening in the future. Beginning in September 2022, a second Registrar's Office staff member will complete an additional review of the National Student Clearinghouse status for all students withdrawing after a particular semester. This secondary review will be completed at the end of January and at the end of June in order to ensure the 60-day reporting period is met.

Finding 2022-002: COVID-19 Education Stabilization Fund, Higher Education Emergency Relief Funds, Procurement, Suspension and Disbarment

Program: COVID-19 Education Stabilization Fund (ESF) - Institutional Portion

Assistance Listing Number (ALN): 84.425F

Federal Agency: U.S. Department of Education

Federal Award Identification Number: P425F201693

Federal Award Year: June 30, 2022

Criteria: General procurement standards outlined in 2 CFR 200.318(a) state that a non-Federal entity must use its own documented procurement procedures which reflect applicable State, local, and tribal laws and regulations, provided that the procurements conform to the applicable Federal law and the standards identified by the Uniform Guidance (sections 200.318 – 200.326). The Uniform Guidance outlines requirements over the proper oversight of contractors, having written standards of conduct for employees involved in contracting, awarding contracts to responsible contractors, maintaining records documenting the history of procurements including cost price analysis, conducting all transactions in a manner which provides full and open competition, having procedures for verifying that an entity with which it plans to enter into a covered transaction is not debarred, suspended, or otherwise excluded, utilizing the methods of procurement outlined in the Uniform Guidance, and ensuring every purchase order or contract includes the applicable provisions in Appendix II.

Condition: The College's policies and procedures over procurement generally conform to the requirements outlined by the Uniform Guidance with an exception bonding requirements, contracting with small and minority businesses, and items from Appendix II to Part 200. The auditors compared the College's policies and procedures to the applicable sections of the Uniform Guidance by reviewing two vendors of a total of four vendors with expenditure for the ESF funds and obtained the associated supporting documentation for our selections. Additionally, the auditors noted that the Institution's procedures were not followed with regard to ensuring full and open competition, obtaining bids/quotes for the items above the micro-purchase threshold, or retaining documentation for the requirement for verifying for vendor suspension or debarment prior to contracting. The College did check for suspension/disbarment following our identification of the finding and there were no issues. The sample was not a statistically valid sample.

Cause: The College's policies were not compared to Uniform Guidance to ensure all elements were incorporated prior to entering into a contract with vendors for which federal funds were the source of the expenditure. Additionally, the College's procedures were not followed appropriately with regard to vendor bids/selection or to check for suspension and debarment of the contractor to be utilized.

Effect: The College is at risk of procuring goods and services that are not in compliance with the requirements outlined by the Uniform Guidance, which increases the risk of federal expenditures being used improperly or the College entering into a covered transaction with a vendor that is debarred or suspended.

Questioned costs: Not applicable

Context: Not applicable

Recommendation: We recommend the College revise its policies and procedures to conform to the requirements of Uniform Guidance and ensure procedures and controls are followed for all vendors to verify that a vendor with which it plans to enter into a covered transaction is not debarred, suspended, or otherwise excluded. Relevant employees should be trained on these new policies and procedures.

St. Olaf College

Schedule of Findings and Questioned Costs
Year Ended May 31, 2022

Management's Response: Management did not appropriately follow federal procurement guidelines related to costs that were included in the institutional reimbursement portion of HEERF funding. This was an oversight and occurred as a result of the timing of when the purchases were made, or the contracts were entered into, and when the HEERF funding and applicable guidance was communicated by the Department of Education. Management did appropriately review all contracts and the related costs for reasonableness to ensure that the College was being prudent with its financial resources, whether from the federal government or not.

St. Olaf College

Schedule of Prior Audit Findings
Year Ended May 31, 2022

The previous audit of the Federal Award Programs was for the year ended May 31, 2021. There were no findings or questioned costs reported in that audit.