

# FINANCIAL REPORT

JUNE 30, 2019  
TRUSTEES OF GRINNELL COLLEGE



**Grinnell College**  
Office of the Treasurer

**TRUSTEES OF GRINNELL COLLEGE  
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## INDEPENDENT AUDITORS' REPORT

Board of Trustees  
Trustees of Grinnell College  
Grinnell, Iowa

We have audited the accompanying consolidated financial statements of Trustees of Grinnell College (the College), which comprise the consolidated statements of financial position as of June 30, 2019 and 2018, and the related consolidated statements of activities, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

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

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

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

Board of Trustees  
Trustees of Grinnell College

***Opinion***

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the College as of June 30, 2019 and 2018, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Minneapolis, Minnesota  
October 4, 2019

**TRUSTEES OF GRINNELL COLLEGE**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2019 AND 2018**  
(DOLLARS IN THOUSANDS)

	2019	2018
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 3,369	\$ 3,484
Accounts Receivable - Less Allowance for Doubtful Accounts of \$60 in 2019 and \$52 in 2018	1,355	1,470
Inventories and Prepaid Expenses	4,203	3,739
Contribution and Bequest Receivable - Net (Note 5)	7,133	7,037
Loans to Students - Less Allowance for Doubtful Loans of \$540 in 2019 and \$493 in 2018 (Note 6)	5,737	6,173
Beneficial Interest in Trust (Note 2)	11,926	11,819
Investments (Note 2)	2,149,995	2,115,756
Property and Equipment - Net (Note 7)	333,183	290,045
Total Assets	\$ 2,516,901	\$ 2,439,523
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts Payable	\$ 11,913	\$ 13,714
Accrued Payroll and Fringe Benefits	5,481	6,198
Deferred Revenue and Deposits	4,349	4,578
Annuities Payable	10,210	7,215
Funds Held in Trust for Others	285	271
Bonds Payable (Note 13)	187,975	195,394
Accrued Postretirement Benefit Obligation (Note 10)	15,603	22,664
United States Government Grants Refundable	2,345	2,285
Total Liabilities	238,161	252,319
<b>NET ASSETS</b>		
Without Donor Restriction (Notes 3 and 12)	1,585,350	1,525,102
With Donor Restriction (Notes 3 and 12)	693,390	662,102
Total Net Assets	2,278,740	2,187,204
Total Liabilities and Net Assets	\$ 2,516,901	\$ 2,439,523

See accompanying Notes to Consolidated Financial Statements.

**TRUSTEES OF GRINNELL COLLEGE**  
**CONSOLIDATED STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2019**  
(DOLLARS IN THOUSANDS)

	Without Donor Restriction	With Donor Restriction	Total
<b>OPERATING ACTIVITIES</b>			
Revenue, Gains, and Other Support:			
Tuition and Fees, Net of Discount of \$52,150	\$ 34,538	\$ -	\$ 34,538
Government Grants and Contracts	-	935	935
Private Gifts and Grants	1,726	3,398	5,124
Net Investment Return	1,870	9	1,879
Auxiliary Income	18,830	-	18,830
Other	471	13	484
Net Operating Revenues	<u>57,435</u>	<u>4,355</u>	<u>61,790</u>
Endowment Spending Distribution	79,884	-	79,884
Net Assets Released from Restrictions	3,681	(3,681)	-
Net Resources Funding Operations	<u>141,000</u>	<u>674</u>	<u>141,674</u>
Expenses and Losses:			
Instruction	48,167	-	48,167
Academic Support	18,260	-	18,260
Student Services	26,035	-	26,035
Institutional Support	27,795	-	27,795
Auxiliary Enterprises	18,621	-	18,621
Total Operating Expenses	<u>138,878</u>	<u>-</u>	<u>138,878</u>
Change in Net Assets from Operating Activities	2,122	674	2,796
<b>NONOPERATING ACTIVITIES</b>			
Private Gifts and Grants	899	8,689	9,588
Net Investment Return	105,939	50,425	156,364
Endowment Spending Distribution	(79,884)	-	(79,884)
Net Assets Released from Restrictions	24,864	(24,864)	-
Change in Value of Split Interest Agreements	-	(3,636)	(3,636)
Loss on Disposal of Property and Equipment	(657)	-	(657)
Postretirement Benefit Plan Related Changes, Other than Net Periodic Postretirement Benefit Cost	6,965	-	6,965
Change in Net Assets from Nonoperating Activities	<u>58,126</u>	<u>30,614</u>	<u>88,740</u>
<b>TOTAL CHANGE IN NET ASSETS</b>	60,248	31,288	91,536
Net Assets - Beginning of Year	<u>1,525,102</u>	<u>662,102</u>	<u>2,187,204</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 1,585,350</u>	<u>\$ 693,390</u>	<u>\$ 2,278,740</u>

See accompanying Notes to Consolidated Financial Statements.

**TRUSTEES OF GRINNELL COLLEGE**  
**CONSOLIDATED STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2018**  
(DOLLARS IN THOUSANDS)

	Without Donor Restriction	With Donor Restriction	Total
<b>OPERATING ACTIVITIES</b>			
Revenue, Gains, and Other Support:			
Tuition and Fees, Net of Discount of \$48,484	\$ 34,179	\$ -	\$ 34,179
Government Grants and Contracts	811	412	1,223
Private Gifts and Grants	1,826	2,832	4,658
Net Investment Return	777	9	786
Auxiliary Income	17,799	-	17,799
Other	755	15	770
Net Operating Revenues	<u>56,147</u>	<u>3,268</u>	<u>59,415</u>
Endowment Spending Distribution	77,781	-	77,781
Net Assets Released from Restrictions	3,399	(3,389)	10
Net Resources Funding Operations	<u>137,327</u>	<u>(121)</u>	<u>137,206</u>
Expenses and Losses:			
Instruction	44,603	-	44,603
Academic Support	17,028	-	17,028
Student Services	23,955	-	23,955
Institutional Support	23,769	-	23,769
Auxiliary Enterprises	16,414	-	16,414
Total Operating Expenses	<u>125,769</u>	<u>-</u>	<u>125,769</u>
Change in Net Assets from Operating Activities	11,558	(121)	11,437
<b>NONOPERATING ACTIVITIES</b>			
Private Gifts and Grants	2,425	19,857	22,282
Net Investment Return	126,215	58,657	184,872
Endowment Spending Distribution	(77,781)	-	(77,781)
Net Assets Released from Restrictions	21,584	(21,594)	(10)
Change in Value of Split Interest Agreements	-	(954)	(954)
Loss on Disposal of Property and Equipment	(110)	-	(110)
Postretirement Benefit Plan Related Changes, Other than Net Periodic Postretirement Benefit Cost	(1,797)	-	(1,797)
Change in Net Assets from Nonoperating Activities	<u>70,536</u>	<u>55,966</u>	<u>126,502</u>
<b>TOTAL CHANGE IN NET ASSETS</b>	82,094	55,845	137,939
Net Assets - Beginning of Year	<u>1,443,008</u>	<u>606,257</u>	<u>2,049,265</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 1,525,102</u>	<u>\$ 662,102</u>	<u>\$ 2,187,204</u>

See accompanying Notes to Consolidated Financial Statements.

**TRUSTEES OF GRINNELL COLLEGE**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2019 AND 2018**  
(DOLLARS IN THOUSANDS)

	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 91,536	\$ 137,939
Adjustments to Reconcile Change in Net Assets to Net Cash		
Used by Operating Activities:		
Depreciation and Amortization	11,614	10,038
Amortization of Bond Premium	(1,592)	(1,700)
Net Realized and Unrealized Gains on Investments	(138,335)	(166,364)
Provision for Recoveries of Losses	56	-
Loss on Disposal of Property and Equipment	657	110
Change in Beneficial Interest in Trust	(108)	(11,819)
Restricted Contributions	(13,021)	(11,282)
Postretirement Benefit Plan Related Changes, Other than Net Periodic Postretirement Benefit Cost	(6,965)	1,797
Actuarial Loss on Annuities Payable	3,622	941
Change in Assets and Liabilities:		
Accounts Receivable	119	(52)
Contribution and Bequest Receivable	411	(797)
Inventories and Prepaid Expenses	(464)	592
Accounts Payable and Accrued Liabilities	1,110	727
Funds Held in Trust for Others	14	13
Deferred Revenue and Deposits	(229)	539
Accrued Postretirement Benefit Obligation	(96)	(209)
Net Cash Used by Operating Activities	(51,671)	(39,527)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of Property and Equipment	(59,080)	(58,686)
Proceeds from Sales of Property and Equipment	116	547
Disbursements of Loans to Students	(835)	(936)
Principal Payments Received on Loans to Students	1,211	1,381
Purchases of Investments	(606,954)	(530,857)
Proceeds from Sales and Maturities of Investments	711,051	622,380
Net Cash Provided by Investing Activities	45,509	33,829
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Restricted Contributions	12,514	13,733
Change in United States Government Grants Refundable	60	(261)
Payments on Annuities Payable	(627)	(524)
Payments on Bonds Payable	(5,900)	(5,900)
Net Cash Provided by Financing Activities	6,047	7,048
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	(115)	1,350
Cash and Cash Equivalents - Beginning of Year	3,484	2,134
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 3,369	\$ 3,484
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>		
Cash Paid for Interest	\$ 8,166	\$ 8,446
Amounts Included in Year-End Accounts Payable for the Purchase of Property and Equipment	\$ 5,973	\$ 9,601
Donated Securities	\$ 1,204	\$ 6,809

See accompanying Notes to Consolidated Financial Statements.



**TRUSTEES OF GRINNELL COLLEGE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**  
**(DOLLARS IN THOUSANDS)**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Operations**

Founded in 1846, Grinnell College (the College) is a private, coeducational, residential liberal arts college located in Grinnell, Iowa. The College is committed to academic excellence, the intellectual and physical well-being of all, and the pursuit of good in the world. Grinnell students come from every state in the U.S., as well as nearly 50 countries globally. The College strives to create a multicultural diverse community, open to the academically qualified regardless of ability to pay.

**Basis of Consolidation**

Exit 182 Group, LLC, a wholly owned subsidiary of the College, was established in 2019. Exit 182 Group, LLC, is responsible for the management of college-owned assets for which the Board of Trustees has delegated management responsibility with the College remaining the owner of such assets. The subsidiary holds no assets and has no financial activity.

**Basis of Presentation**

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP). The College maintains its internal accounts in accordance with the principles of fund accounting. Resources for various purposes are classified into funds that are in accordance with activities or objectives specified by donors. Separate accounts are maintained for each fund. For reporting purposes, however, the College has adopted Accounting Standards Codification (ASC) 958, *Not-For-Profit Entities*, which requires resources be classified for reporting purposes into two net asset categories according to the existence or absence of donor-imposed restrictions as follows:

*Net Assets Without Donor Restriction* – Net assets that are not subject to donor-imposed stipulations. Net assets without donor restriction may be designated for specific purposes by action of the Board of Trustees (the Board) or may otherwise be limited by contractual agreements with outside parties.

*Net Assets With Donor Restriction* – Net assets whose use by the College is subject to donor-imposed stipulations that can be fulfilled by actions of the College or that expire by the passage of time. Net assets with donor restriction may be subject to donor-imposed stipulations that are required to be maintained permanently by the College. Generally, the donors of these assets permit the College to use all or part of the income earned on these assets.

**TRUSTEES OF GRINNELL COLLEGE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**  
**(DOLLARS IN THOUSANDS)**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of Presentation (continued)**

The College follows the guidance in the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) and Iowa Uniform Prudent Management of Institutional Funds Act (IUPMIFA). The Board of Grinnell College has interpreted IUPMIFA as requiring the preservation of the historic value of the original gift absent explicit donor stipulation stating otherwise. Therefore, the College classifies the following as perpetually restricted net assets in relation to donor restricted endowment funds: (a) the value of the original gifts to the endowment at the time of the gift, (b) the value of all new gifts to the endowment as of the date of the gift, (c) accumulations to the endowment specifically stated in the donor gift instrument at the time added to the fund, and (d) the value of the amounts appropriated for expenditure in accordance with the College's spending policy, but unspent at the end of the fiscal year.

Expenses are generally reported as decreases in net assets without donor restriction. Expirations or modifications of donor-imposed stipulations are reported as reclassifications between the applicable classes of net assets.

**Measure of Operations**

The College reports a change in net assets from operating activities including all operating revenue and expense that are a critical part of its programs and supporting activities including net assets released from donor restriction to support operating expenditures, as well as investment returns allocated by the endowment spending policy to support operations.

The measure of operations includes support for operating activities without donor restriction and with donor restriction that are not long-term in nature.

The measure of operations excludes support for nonoperating activities including investment returns in excess of amounts allocated to support current operations, private gifts and grants restricted for long-term investment and capital projects, changes in the value of planned giving agreements, loss on the disposal of property and equipment, and changes in the postretirement benefit plan.

**Use of Estimates**

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Cash and Cash Equivalents**

The College considers all highly liquid instruments purchased with cash with an original maturity of three months or less to be cash equivalents, except for cash and cash equivalents held in the investment portfolio.

**TRUSTEES OF GRINNELL COLLEGE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**  
**(DOLLARS IN THOUSANDS)**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Income Taxes**

The College has received a tax determination letter from the Internal Revenue Service (IRS) stating that it qualifies under the provisions of Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes.

GAAP requires management to evaluate tax positions taken by the College and recognize a tax liability (or asset) if the College has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS. Management has analyzed the tax positions taken by the College, and has concluded that as of June 30, 2019, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the consolidated financial statements.

**Accounts Receivable**

Receivables are stated at net realizable value and are unsecured. The College does not charge interest on its accounts receivable. The College provides an allowance for doubtful accounts using the allowance method, which is based on management's judgment considering historical information. Accounts past due more than 90 days are individually analyzed for collectability. When all collection efforts have been exhausted, the accounts are written off against the related allowance.

**Inventories**

Inventories are valued at the lower of cost (first-in, first-out method) or net realizable value.

**Investments**

The College carries its investments at fair value. Unrealized appreciation or depreciation is reported as increases or decreases to net assets. Realized gains and losses on investments are determined using the first-in first-out method, the specific identification method, or the average cost method based upon the underlying investment structures and holdings.

**Property and Equipment**

Property and equipment, with an acquisition cost of \$15,000 or greater, is stated at cost at date of acquisition or estimated fair value at date of gift, less accumulated depreciation computed on a straight-line basis over the following estimated useful lives:

Buildings and Improvements	20 to 40 Years
Equipment and Furnishings	3 to 10 Years

Expenditures for new equipment, buildings, and improvements that substantially extend the useful life of an asset are capitalized. Ordinary repairs and maintenance are expensed as incurred. Construction in progress comprises costs incurred for building and improvements and equipment and furnishings.

**TRUSTEES OF GRINNELL COLLEGE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**  
**(DOLLARS IN THOUSANDS)**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**U.S. Government Grants Refundable**

Funds provided by the U.S. 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 U.S. government and are included as a liability in the statements of financial position.

**Operating Activities**

The College defines operating activities as activities closely related to the educational mission of the College and related auxiliary services. Included in operating revenues is the endowment spending distribution. See discussion of the endowment spending distribution in Note 3.

**Gifts**

Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of the amounts expected to be collected discounted at an appropriate discount rate commensurate with the risks involved. Conditional promises are not included as revenue until such times as the conditions are substantially met.

The College reports gifts of cash and other assets as restricted support if the gifts are received with donor stipulations that limit the use of the donated assets. Gifts received with donor-imposed restrictions that stipulate resources be maintained perpetually but permit the use of all or part of the income derived from the donated assets are reported as with donor restrictions invested in perpetuity. Gifts received with donor-imposed restrictions that permit the use of the donated assets as specified are reported as with donor restriction for a purpose. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restriction for a purpose are reclassified to net assets without donor restriction and reported in the consolidated statement of activities as Net Assets Released from Restriction.

The College reports gifts of land, building, and equipment as without donor restriction support unless explicit donor stipulations specify how the assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the College reports expiration of donor restrictions when the long-lived assets are acquired or donated.

**Deferred Revenue and Deposits**

The College records cash received for future services as deferred revenue. This revenue is recognized when services are provided. Deferred revenue consists primarily of unearned tuition.

**TRUSTEES OF GRINNELL COLLEGE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**  
**(DOLLARS IN THOUSANDS)**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Split Interest Agreements**

The College is the beneficiary of various trusts and annuities. The College's interest in these split interest agreements is reported as a contribution in the year received at its net present value, discounted at rates between 1.00% and 9.00% as of June 30, 2019 and 2018, respectively, based upon actuarially determined mortality rates. The assets of these agreements, for which the College is the trustee, total approximately \$14,690 and \$10,624 as of June 30, 2019 and 2018, respectively, and are included in investments on the statements of financial position.

For irrevocable term trusts for which the College does not serve as trustee, contribution revenue and a trust asset are recognized at the date the trust is established for the present value of the estimated future payments to be received. For perpetual trusts for which the College does not serve as trustee, contribution revenue and a trust asset are recognized at the date the trust is established for the College's share of the fair value of trust assets.

**Funds Held in Trust for Others**

Funds held in trust for others are recorded at fair value. These investments, which are in the possession or under the control of the College, are administered by the College for outside fiscal agents, with the College deriving income from the investments as stipulated by the various gift instruments.

**Postretirement Benefits**

The College provides certain health care benefits for all retired employees who meet eligibility requirements. The College's share of the estimated costs that will be paid after retirement is being accrued by charges to net assets without donor restriction over the employees' active service periods to the date they are fully eligible for benefits in accordance with ASC 715, *Compensation – Retirement Benefits*.

**Revenue Recognition**

The College recognizes tuition and fees revenue within the fiscal year in which educational services are provided. Discounts in the form of scholarships and grants, including those funded by the endowment and gifts, are reported as a reduction of tuition and fees.

The educational services are delivered in the fall and spring terms. There is not a standard summer term. Payments for the fall term received prior to June 30 are recorded as deferred revenue until the performance obligations are met.

Auxiliary Income includes activity for student housing and dining services. Performance obligations for housing and dining services are delivered over the academic terms. Consequently, associated revenues are earned and recognized during those terms.

**Grants and Scholarships**

Primarily scholarships, grants and other aid are offered by the College to attract and retain students. The College offers institutional support to students in the form of merit and need-based financial aid at the College's discretion.

**TRUSTEES OF GRINNELL COLLEGE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**  
**(DOLLARS IN THOUSANDS)**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Change in Accounting Principle**

The College has adopted the accounting guidance in Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-04, *Not-for-Profit Entities (Topic 958): Presentations of Financial Statements of Not-For-Profit-Entities* in 2019. These changes were applied retroactively to ensure comparability with the prior year, with the exception of the functional expense footnote and liquidity footnote which have been presented for the year ended June 30, 2019 only. The update changes presentation and disclosure requirements for nonprofit entities to provide more relevant information about their resources (and the changes in those resources) to donors, granters, creditors, and other users. These include qualitative and quantitative requirements in the following areas: net assets classes, investment return, expenses, and liquidity.

The College has adopted the accounting guidance in Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers, as amended* in 2019. ASU 2014-09 applies to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition. There was no material impact to the consolidated financial statements as a result of adoption.

The College adopted the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. There was no material impact to the consolidated financial statements as a result of adoption.

**Reclassifications**

Certain items within the June 30, 2018 footnotes have been reclassified to conform to the presentation for the year ended June 30, 2019. These changes have no impact on the net assets, or categories of net assets, of the June 30, 2018 financial statements.

**Subsequent Events**

Subsequent events related to the consolidated financial statements have been evaluated through October 4, 2019, which is the date the consolidated financial statements were available to be issued, and it has been determined that there are no events that require adjustment to, or disclosures in, these consolidated financial statements.

**TRUSTEES OF GRINNELL COLLEGE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**  
**(DOLLARS IN THOUSANDS)**

**NOTE 2 INVESTMENTS, COMMITMENTS, AND FAIR VALUE MEASUREMENTS**

The College records certain assets and liabilities at fair value in accordance with ASC 820, *Fair Value Measurements and Disclosures*. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. A hierarchical framework has been established that classifies assets, based on the market observability of the inputs used to determine fair value, into the following three categories:

*Level 1* – Unadjusted quoted prices for identical instruments in active markets to which the College has access at the date of measurement.

*Level 2* – Quoted prices for similar instruments in active markets; quoted prices for identical or similar assets in markets that are not active, or not traded on an open exchange; and model-derived valuations in which all significant inputs are directly or indirectly observable.

*Level 3* – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the instrument. Level 3 valuations are typically performed using pricing models, discounted cash flow methodologies, or similar techniques, which incorporate management's own estimates of assumptions that market participants would use in pricing the instrument or valuations that require significant management judgment or estimation.

Inputs are used in applying the various valuation techniques for determining fair value and may include price information, market transaction data, investment liquidity, and other factors. An investment's level within the fair value hierarchy is based on the lowest level input that is significant to the fair value. Transfers between levels occur when there is a change in the observability of significant inputs. This may occur between Level 1 and Level 2 when the availability of quoted prices changes, or when market activity significantly changes to active or inactive. A transfer between Level 2 and Level 3 generally occurs when the underlying inputs become, or can no longer be, corroborated with market observable data. Transfers between levels are recognized on the date they occur.

Fair values on marketable securities are typically based on quoted market prices from an active exchange. The College's short-term investment funds and mutual funds, regardless of the underlying asset (i.e. equity, treasuries, credit), that are registered investment companies and have daily net asset values (NAV) are classified in Level 1. Certain mutual funds with observable inputs, but not traded on an open exchange are classified in Level 2.

Forward currency contracts, entered into by the College, are valued using quoted prices on active markets or exchanges. All of these investments, except those held in a common collective trust fund and subject to withdrawal limitations, are classified in Level 1.

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**NOTE 2 INVESTMENTS, COMMITMENTS, AND FAIR VALUE MEASUREMENTS (CONTINUED)**

For the years ended June 30, 2019 and 2018, there were no significant transfers in or out of Levels 1, 2, or 3.

Direct investments in United States government and agency notes and bonds are priced based on wire services that examine the bid/ask quote across the market for that issue. Certain issues that trade less frequently are priced based on an estimate using previous market data. Corporate and other bonds are often traded in less active markets with pricing being determined by looking at a similar asset that is currently trading. As such, these investments are classified in Level 2.

The fair value of limited partnerships and similar nonmarketable equity interests, which invest in both publicly and privately owned securities, are based on estimates and assumptions of general partners or partnership valuation committees in the absence of readily determinable market values. Such valuations generally reflect discounts for illiquidity and consider variables such as financial performance of investments, recent sales prices of investments, and other pertinent information. For the public securities held by the limited partnerships, investment office staff verifies the price of each public security and recalculates the resulting market value. Investments in limited partnerships and similar nonmarketable equity interests using NAV as a practical expedient have been classified as such. Investments that do not use NAV as a practical expedient have been classified in Level 3.

The following tables set forth the College's investments by major categorization on the basis of the nature and risk of the investments, as required by ASC 820, as of June 30, 2019 and 2018:

	Investments and Beneficial Interest in Trust at Fair Value as of June 30, 2019				
	NAV Practical Expedient	Level 1	Level 2	Level 3	Total
Short-Term Investments	\$ -	\$ 80,628	\$ 3,997	\$ -	\$ 84,625
United States Government and Agency Notes and Bonds	-	1,419	106,335	-	107,754
Corporate and Other Bonds	51,897	6,704	-	-	58,601
Marketable Equity Interests	-	518,603	50,217	-	568,820
Commingled Funds (a)	509,039	-	-	-	509,039
Private Equity (b)	588,225	-	-	28,068	616,293
Distressed (c)	156,148	-	-	-	156,148
Real Assets (d)	48,184	-	-	-	48,184
Other (e)	-	-	-	12,457	12,457
Total Investments at Fair Value	<u>\$ 1,353,493</u>	<u>\$ 607,354</u>	<u>\$ 160,549</u>	<u>\$ 40,525</u>	<u>\$ 2,161,921</u>



**TRUSTEES OF GRINNELL COLLEGE**  
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**NOTE 2 INVESTMENTS, COMMITMENTS, AND FAIR VALUE MEASUREMENTS (CONTINUED)**

	Investments and Beneficial Interest in Trust at Fair Value as of June 30, 2018				
	NAV Practical				
	Expedient	Level 1	Level 2	Level 3	Total
Short-Term Investments	\$ -	\$ 74,829	\$ 40,808	\$ -	\$ 115,637
United States Government and Agency Notes and Bonds	-	4,967	162,940	-	167,907
Corporate and Other Bonds	-	17,390	-	-	17,390
Marketable Equity Interests	-	544,168	94,482	-	638,650
Commingled Funds (a)	477,547	-	-	-	477,547
Private Equity (b)	499,123	-	-	21,526	520,649
Distressed (c)	131,569	-	-	-	131,569
Real Assets (d)	45,865	-	-	-	45,865
Other (e)	-	-	-	12,361	12,361
Total Investments at Fair Value	<u>\$ 1,154,104</u>	<u>\$ 641,354</u>	<u>\$ 298,230</u>	<u>\$ 33,887</u>	<u>\$ 2,127,575</u>

- (a) Commingled funds primarily include investments with managers who implement long-only equity strategies, but also include certain global macro and long/short strategies, with some exposure to the credit markets. Redemption lock-up periods range from quarterly to four years, with a notice period of 30 to 180 days. Some of the assets in this category are invested in side pockets, which are less liquid and may be restricted from redemption. Commingled funds are invested globally. Unfunded commitments are \$0 at June 30, 2019 and 2018.
- (b) Private equity includes limited partnership interests and direct investments in the following strategies: buyout, venture capital, growth equity and invention capital, a strategy focused on the monetization of intellectual property through licensing. These partnership interests are not eligible for redemption and have terms ranging from 8 to 30 years. Private equity funds are invested globally. Unfunded commitments are \$127,637 and \$135,476 at June 30, 2019 and 2018, respectively.
- (c) Distressed investments are made through limited partnerships that generally seek to achieve capital appreciation through investments in debt securities and other obligations at substantial discounts to their original value. These investments are generally made in connection with episodes of financial distress for the underlying company. These partnership interests are not eligible for redemption and have terms of 10 to 11 years. Distressed funds are invested globally. Unfunded commitments are \$143,806 and \$73,919 at June 30, 2019 and 2018, respectively.
- (d) Real assets include limited partnership interests and direct investments in real estate, real estate related assets or businesses, infrastructure, and natural resources. Limited partnership interests are not eligible for redemption and have terms of 8 to 10 years. Real asset funds are invested globally. Unfunded commitments are \$50,227 and \$52,963 at June 30, 2019 and 2018, respectively.
- (e) The other category primarily consists of perpetual trusts, beneficial interests in external trusts, and community investments. Unfunded commitments are \$0 at June 30, 2019 and 2018.

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**NOTE 2 INVESTMENTS, COMMITMENTS, AND FAIR VALUE MEASUREMENTS (CONTINUED)**

The following table reconciles the change in fair value of the College's Level 3 investments from the beginning to the end of each annual reporting period:

	Private Equity	Other	Total
Balance as of June 30, 2017	\$ 22,434	\$ 536	\$ 22,970
Net Investment Return	(608)	1,279	671
Sales	(300)	(1,273)	(1,573)
Contribution of Interest in Beneficial Trust	<u>-</u>	<u>11,819</u>	<u>11,819</u>
Balance as of June 30, 2018	21,526	12,361	33,887
Net Investment Return	6,848	1,804	8,652
Sales	<u>(306)</u>	<u>(1,708)</u>	<u>(2,014)</u>
Balance as of June 30, 2019	<u>\$ 28,068</u>	<u>\$ 12,457</u>	<u>\$ 40,525</u>

**NOTE 3 ENDOWMENT**

The College's endowment consists of donor-restricted funds and other Board-designated funds that are deemed to be held and invested in perpetuity. Endowment funds are primarily pooled for investment purposes.

Per the state of Iowa's statute, an institution may appropriate for expenditure or accumulate so much of an endowment fund as the institution determines is prudent for uses, benefits, purposes and duration for which the endowment is established. Unless stated otherwise in the gift instrument, the assets in an endowment fund are donor-restricted assets until appropriated for expenditure by the institution. Appropriation for expenditure is deemed to occur upon approval for expenditure unless approval is for a future period, in which case appropriation is deemed to occur when that period is reached. UPMIFA does not apply to Board-designated endowment funds and therefore the appreciation on these funds remains a part of net assets without donor restriction.

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**NOTE 3 ENDOWMENT (CONTINUED)**

The endowment consists of the following net asset components as of June 30, 2019 and 2018:

	2019		
	Without	With	Total
	Donor Restriction	Donor Restriction	
Donor Restricted	\$ -	\$ 669,633	\$ 669,633
Board Designated	1,400,320	-	1,400,320
Total Endowment Net Assets	<u>\$ 1,400,320</u>	<u>\$ 669,633</u>	<u>\$ 2,069,953</u>

	2018		
	Without	With	Total
	Donor Restriction	Donor Restriction	
Donor Restricted	\$ -	\$ 639,471	\$ 639,471
Board Designated	1,352,134	-	1,352,134
Total Endowment Net Assets	<u>\$ 1,352,134</u>	<u>\$ 639,471</u>	<u>\$ 1,991,605</u>

**Return Objectives and Risk Parameters**

The College intends that its endowment shall be invested to ensure the long-term growth of its capital rather than to maximize annual income or short-term returns, recognizing the impact of volatility and liquidity on its responsibility to provide predictable and stable financial support for the College's mission as a fine liberal arts college. Total return is expected to meet or exceed endowment spending plus inflation, thereby preserving or enhancing the real purchasing power of the endowment into perpetuity.

**Strategies Employed for Achieving Objectives**

The College seeks to achieve these objectives via a liquidity-oriented asset allocation process which identifies a strategic mix of asset classes to produce the highest expected investment return within a prudent risk framework, utilizing bottom-up decision-making methods. The perpetual nature of the endowment funds and the significant degree to which the College relies on endowment distributions to support the operations of the College is considered.

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**NOTE 3 ENDOWMENT (CONTINUED)**

**Spending Policy and How the Investment Objectives Relate to Spending Policy**

For the years ended June 30, 2019 and 2018, the Board affirmed the College's endowment spending policy, which calculates the annual distribution as 4.00% of a 12-quarter moving average of the fair value of endowment net assets. The spending policy does not permit the entire annual distribution to be used to support the College's operating budget. Accordingly, the Board annually approves allocation of a portion of the endowment distribution to reserve funds and other purposes outside of the operating budget.

At its October 2015 meeting, the Board approved an exception to the endowment spending policy, authorizing an additional \$56 million to be distributed over the six-year period FY 2016 through FY 2021, approximately \$9.3 million/year, over and above the standard 4% payout. The additional payout is structured to address a number of high priority strategic initiatives over the designated six-year period.

At its April 2016 meeting, the Board authorized an endowment allocation of \$76 million to reserve funds to be allocated over the six-year period FY 2017 through FY 2022. Distribution from the endowment occurred based on liquidity needs and funding priorities for strategic initiatives. In June 2019, the Board discontinued the \$76 million allocation.

Endowment activity was as follows for the fiscal years ended June 30, 2019 and 2018:

	Without Donor Restriction	With Donor Restriction	Total
Endowment Net Assets as of June 30, 2017	\$ 1,282,093	\$ 588,953	\$ 1,871,046
Net Investment Return	126,221	58,168	184,389
Gifts	-	13,528	13,528
Endowment Spending Distribution	(77,781)	-	(77,781)
Release or Change in Restriction	21,570	(21,259)	311
Transfers	31	81	112
Endowment Net Assets as of June 30, 2018	<u>1,352,134</u>	<u>639,471</u>	<u>1,991,605</u>
Net Investment Return	105,389	49,565	154,954
Gifts	-	2,483	2,483
Endowment Spending Distribution	(79,884)	-	(79,884)
Release or Change in Restriction	22,628	(22,628)	-
Transfers	53	742	795
Endowment Net Assets as of June 30, 2019	<u>\$ 1,400,320</u>	<u>\$ 669,633</u>	<u>\$ 2,069,953</u>

**Funds with Deficiencies**

Occasionally, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or IUPMIFA requires the College to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported in net assets with donor restriction were \$0 for the years ended June 30, 2019 and 2018, respectively. The College applies its standard spending policy to these funds.

**TRUSTEES OF GRINNELL COLLEGE**  
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**NOTE 4 LIQUIDITY**

The College regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. In addition to financial assets available to meet general expenditures, the College operates with a balanced operating budget and anticipates collecting sufficient revenue to cover general expenditures. Student loan receivables are not included in the analysis of liquidity as principal and interest on loans are used solely to make new loans.

As of June 30, 2019, the following assets could be made readily available within one year to meet general expenditures:

Cash and Cash Equivalents	\$	1,635
Accounts Receivable		867
Contribution and Bequest Receivable		226
Investments		73,713
Endowment Spending Distribution		82,400
Total	<u>\$</u>	<u>158,841</u>

The Board has designated a portion of its assets without donor restriction to the endowment. These funds are invested for long-term appreciation and current income but remain available and may be spent at the discretion of the Board. At June 30, 2019, board-designated endowment is \$1,400,320.

In addition the Board has designated reserves to be used for high priority strategic initiatives. \$67,072 of these reserves are readily available within one year to meet general expenditures and are included in the table above.

**NOTE 5 CONTRIBUTION AND BEQUEST RECEIVABLE-NET**

Contribution and bequest receivable consists of the following at June 30:

	<u>2019</u>	<u>2018</u>
Less than One Year	\$ 2,027	\$ 1,944
One Year to Five Years	5,318	4,937
Greater than 5 Years	-	400
Total	<u>7,345</u>	<u>7,281</u>
Less: Discount to Present Value	212	244
Contribution and Bequest Receivable - Net	<u>\$ 7,133</u>	<u>\$ 7,037</u>

For the year ended June 30, 2019, contribution and bequest receivable included three gifts that represented 30.5% of the total balance. The discount rates for the present value calculation range from 1.62% to 2.73%. For the year ended June 30, 2018, contribution and bequest receivable included three gifts that represented 35.5% of the total balance. The College has determined that no allowance is necessary as of June 30, 2019 and 2018.

**TRUSTEES OF GRINNELL COLLEGE**  
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**NOTE 6 LOANS TO STUDENTS**

Loans to students consist of the following at June 30:

	2019	2018
Federal Perkins Loan Program	\$ 1,857	\$ 2,405
Institutional Loans	4,011	3,885
Donor-Sponsored Loans	409	376
Total	6,277	6,666
Less: Allowance for Doubtful Loans:		
Beginning of Year	493	501
Adjustments	48	(6)
Write-Offs	(1)	(2)
End of Year	540	493
Loans to Students - Less Allowance for Doubtful Loans	\$ 5,737	\$ 6,173

Past due amounts are the following at June 30:

	2019	2018
Less than 240 Days	\$ 398	\$ 307
240 Days - 2 Years	114	211
2 Years - 5 Years	240	226
Greater than 5 Years	277	247
Total Past Due Amounts	\$ 1,029	\$ 991

The College makes loans to students based on financial need. Student loans are funded through federal government loan programs, institutional resources, or donor-sponsored funds.

The federal Perkins loan program is a revolving loan program through the federal government. Funds advanced by the government are ultimately refundable to the government and are classified as liabilities in the statements of financial position in the amounts of \$2,345 and \$2,285 at June 30, 2019 and 2018, respectively.

Allowances for doubtful loans are established based on prior collection experience and current economic factors. Institutional and donor-sponsored loans are written-off when deemed permanently uncollectible. The allowance for doubtful loans related to the federal Perkins loan program of \$60 at both June 30, 2019 and 2018, is offset in the refundable amount due to the government classified as a liability in the statements of financial position.

**TRUSTEES OF GRINNELL COLLEGE**  
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**NOTE 7 PROPERTY AND EQUIPMENT**

Property and equipment consists of the following components as of June 30:

	2019	2018
Land and Improvements	\$ 15,047	\$ 13,875
Buildings and Improvements	431,272	333,931
Equipment and Furnishings	76,024	72,486
Construction in Process	23,775	80,704
Total	<u>546,118</u>	<u>500,996</u>
Less: Accumulated Depreciation	212,935	210,951
Total	<u>\$ 333,183</u>	<u>\$ 290,045</u>

As of June 30, 2019 and 2018, the College has outstanding construction contract commitments totaling \$14,519 and \$55,195, respectively. The College issued \$104,455 of bonds to finance the construction. Of this amount, \$5,499 remains in investments on the statements of financial position.

**NOTE 8 EMPLOYEE BENEFITS**

The College is a participant in the Teachers Insurance and Annuity Association – College Retirement Equity Fund (TIAA-CREF), which is a defined contribution plan for academic and nonacademic personnel. TIAA-CREF does not segregate the assets, liabilities, or costs by participating employer, since the accounts are maintained on an employee-basis only. Total defined contribution plan expense for the years ended June 30, 2019 and 2018 was \$5,474 and \$5,266, respectively. Contributions are funded on a current basis.

**NOTE 9 FUNCTIONAL EXPENSES**

The College reports expenditures on a functional expense basis. Included within the Program Activities categories are the following:

- *Instruction* – includes expenses for all activities that are part of the instructional program.
- *Academic Support* – includes expenses for all activities that support the instructional programs of the College such as the library, curricular development, and academic computing.
- *Student Services* – includes expenses that contribute to student emotional and physical well-being, intellectual, cultural, and social development outside the formal instruction program. This category also includes expenses incurred related to the offices of admission, financial aid, and registrar.
- *Auxiliary Enterprises* – includes expenses relating to the operation of auxiliary activities such as housing, dining services, and the bookstore.

**TRUSTEES OF GRINNELL COLLEGE**  
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**NOTE 9 FUNCTIONAL EXPENSES (CONTINUED)**

Support Activities includes activities identified as Institutional Support on the consolidated statement of activities. This includes expenses incurred to provide support services for the College's primary mission and program functions such as accounting, human resources, computer services, and fundraising.

Expenses associated with the operation and maintenance of plant, depreciation and interest expense are allocated across functional expense categories as follows:

- *Plant Operation and Maintenance* – expenses are allocated between plant and auxiliary enterprises based on service category and then based on net square footage across other categories.
- *Depreciation Expense* – is allocated to auxiliary enterprises based on use of the building and then net square footage across other categories.
- *Interest Expense* – is allocated between plant and auxiliary enterprises based on the use of space benefitting from the original debt issue and then net square footage across other categories.

Expenses reported by function on the consolidated statement of activities are summarized by natural classification for the year ended June 30, 2019:

	Program Activities	Support Activities	2019 Total	2018
Salaries & Wages	\$ 48,371	\$ 11,470	\$ 59,841	\$ 57,820
Employee Benefits	15,411	4,091	19,502	18,620
Fees & Services	10,443	6,790	17,233	13,990
Depreciation & Amortization	10,790	790	11,580	10,038
Repairs & Maintenance	7,727	2,020	9,747	8,549
Materials & Supplies	6,250	586	6,836	6,547
Travel & Hospitality	4,790	1,564	6,354	5,861
Utilities	3,332	160	3,492	3,226
Interest	3,969	324	4,293	1,118
Total	<u>\$ 111,083</u>	<u>\$ 27,795</u>	<u>\$ 138,878</u>	<u>\$ 125,769</u>

Fundraising expenses for the College totaled \$6,493 and \$6,211 for the years ended June 30, 2019 and 2018, respectively.



**TRUSTEES OF GRINNELL COLLEGE**  
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**NOTE 10 POSTRETIREMENT BENEFIT PLAN**

**Postretirement Benefits**

The College sponsors a postretirement health care plan for all employees who meet eligibility requirements. The plan is contributory with retiree contributions that are adjustable annually based on various factors, some of which are discretionary.

The measurement date for the postretirement plan is June 30. The following tables set forth the plan's benefit obligation, fair value of plan assets, funded status (deficiency), components of net periodic benefit costs, and weighted average actuarial assumptions as of June 30:

	2019	2018
Change in Benefit Obligation:		
Benefit Obligation at Beginning of Year	\$ 30,342	\$ 28,768
Service Cost	1,647	1,568
Interest Cost	1,224	1,049
Actuarial Gain	(7,815)	(431)
Benefits Paid in Excess of Retiree Contributions	(108)	(612)
Benefit Obligation at End of Year	\$ 25,290	\$ 30,342
Change in Fair Value of Plan Assets:		
Fair Value of Plan Assets at Beginning of Year	\$ 7,678	\$ 7,692
Return on Plan Assets	2,041	496
Employer Contributions	76	102
Retiree Contributions	103	106
Benefits Paid	(211)	(718)
Fair Value of Plan Assets at End of Year	\$ 9,687	\$ 7,678
Funded Status (Deficiency)	\$ (15,603)	\$ (22,664)
Components of Net Periodic Benefit Cost:	2019	2018
Service Cost	\$ 1,647	\$ 1,568
Interest Cost	1,224	1,049
Amortization of Loss	637	783
Amortization of Prior Service Cost	(3,166)	(3,166)
Expected Return on Assets	(438)	(443)
Net Periodic Benefit Cost	\$ (96)	\$ (210)
Actuarial Assumptions:		
Discount Rate	3.50%	4.10%
Expected Return on Plan Assets	6.00	6.00
Healthcare Cost Present Trend Rate for Participants up to 65 Medical/Prescription Drug	7.2-7.2	7.35-7.35
Healthcare Cost Present Trend Rate for Participants 65 and Over Medical/Prescription Drug	7.2-7.2	7.35-7.35
Healthcare Cost Ultimate Trend Rate (Year of Stabilization)	4.50 (2038)	4.50 (2038)

**TRUSTEES OF GRINNELL COLLEGE**  
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**NOTE 10 POSTRETIREMENT BENEFIT PLAN (CONTINUED)**

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

	1% Increase	1% Decrease
Effect on Total of Service and Interest Cost Components	\$ 484	\$ (370)
Effect on Postretirement Benefit Obligations	4,295	(3,426)

**Cash Contributions and Benefit Payments**

The College's postretirement benefits are partially unfunded; therefore, cash contributions for postretirement benefits are equal to the benefit payments.

The following table details the expected cash contributions and benefit payments for 2020 through 2029:

<u>Year Ending June 30,</u>	<u>Amount</u>
2020	\$ 711
2021	829
2022	908
2023	1,022
2024	1,123
Years 2025 – 2029	6,433

All benefit payments for other postretirement benefits are voluntary, as the postretirement plans are not funded, and are not subject to any minimum regulatory funding requirements. Benefit payments for each year represent claims paid for medical expenses, and the College anticipates the 2020 postretirement benefit payments will be made from cash generated from operations.

**Asset Allocation**

The College's postretirement plan's asset allocation as of June 30, 2019, (measurement date) is 75% in fixed income investments and 25% in cash and cash equivalents. All plan investments are considered Level 1 investments.

The investment strategy for postretirement plan assets is to maintain a conservative portfolio designed to preserve principal value.

**TRUSTEES OF GRINNELL COLLEGE**  
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**NOTE 11 DEFERRED REVENUE**

The College reports deferred revenue for tuition and registration fees paid in advance of academic programs scheduled in the next fiscal year. Deposits include enrollment deposits for students, deposits to the campus card program, golf course passes, and gift certificates.

	<u>Tuition Paid for Next Year</u>	<u>Other Deposits</u>	<u>Total</u>
Balance at June 30, 2018	\$ 2,159	\$ 333	\$ 2,492
Revenue Recognized	(2,159)	(316)	(2,475)
Payments Received for Future Performance Obligations	1,891	257	2,148
Total	<u>\$ 1,891</u>	<u>\$ 274</u>	<u>\$ 2,165</u>

The College applies the practical expedient in paragraph 606-10-50-14 and does not disclose information about remaining performance obligations that have original expected durations of one year or less. The College anticipates that students enrolled for the Fall semester will continue their studies in the Spring semester, and that students who receive their baccalaureate degree in December or May will be replaced by an equivalent number of new enrollees.

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**NOTE 12 NET ASSETS**

Net assets with restriction as of June 30, 2019 and 2018 consist of the following:

	2019	2018
<b>Time or Purpose Restricted</b>		
General Purposes	\$ 226	\$ 388
Instruction	1,225	1,233
Academic Support	3,930	4,025
Student Services	2,568	2,372
Institutional Support	1,193	775
Auxiliary Services	4	3
Scholarships, Grants, and Loans	2,424	2,134
Facilities Operations	4,674	5,323
Split Interest Agreements	721	462
Total	16,965	16,715
<b>Time or Purpose Restricted - Endowment Corpus</b>		
Scholarships, Grants, and Loans	453	453
Total	453	453
<b>Investment Return Generated from Donor-Restricted Endowment Funds Subject to UPMIFA</b>		
General Purposes	\$ 102,099	\$ 97,546
Instruction	191,441	182,122
Academic Support	43,367	41,146
Student Services	37,187	35,112
Institutional Support	24,239	23,116
Scholarships, Grants, and Loans	138,411	130,868
Facilities Operations	292	277
Total	537,036	510,187
<b>Perpetual - Endowment Related</b>		
General Purposes	11,495	11,441
Instruction	40,781	39,350
Academic Support	11,201	10,929
Student Services	13,618	13,464
Institutional Support	3,341	3,340
Scholarships, Grants, and Loans	51,638	50,297
Facilities Operations	70	10
Total	132,144	128,831
<b>Perpetual - Other</b>		
Scholarships, Grants and Loans	3,318	3,239
Split Interest Agreements	3,474	2,677
Total	6,792	5,916
Total Net Assets With Donor Restrictions	\$ 693,390	\$ 662,102

**TRUSTEES OF GRINNELL COLLEGE**  
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**NOTE 13 BONDS PAYABLE**

Bonds payable at June 30, 2019 and 2018 consist of the following:

	<u>2019</u>	<u>2018</u>
Revenue Bonds dated March 9, 2010 with Final Maturity on December 1, 2020	\$ 11,705	\$ 17,605
Revenue Bonds dated November 20, 2014 with Final Maturity on December 1, 2044	56,415	56,415
Revenue Bonds dated February 7, 2017 with Final Maturity on December 1, 2046	<u>104,455</u>	<u>104,455</u>
	172,575	178,475
Capitalized Bond Issuance Costs	(1,003)	(1,077)
Premium on Revenue Bonds	16,403	17,996
Total	<u>\$ 187,975</u>	<u>\$ 195,394</u>

On March 9, 2010, IHELA issued an aggregate of \$58,905 of Private College Facility Revenue and Refunding Bonds (at a premium of \$7,090). A portion of the proceeds was used to advance refund \$50,000 of Series 2001 Private College Facility Variable Rate Demand Revenue Bonds. The 2010 bond issue was structured as 16 separate serial bonds in principal amounts ranging from \$550 to \$5,900, at interest rates ranging from 2.00% to 5.00%. Interest on the 2010 bonds is payable each June 1 and December 1.

On November 20, 2014, IHELA issued an aggregate of \$56,415 of Private College Facility Revenue Refunding Bonds (at a premium of \$3,966). The proceeds were used to advance refund the Series 2008 Private College Facility Variable Rate Demand Revenue bonds. The 2014 bond issue was structured as 16 separate serial bonds in principal amounts ranging from \$1,340 to \$16,710, at interest rates ranging from 3.0% to 5.0%. Interest on the 2014 bonds is payable each June 1 and December 1.

On February 7, 2017, IHELA issued an aggregate of \$104,455 of Private College Facility Revenue Refunding Bonds (at a premium of \$16,247). The 2017 bond issue was structured as 18 separate serial bonds in principal amounts ranging from \$2,155 to \$31,050, at interest rates ranging from 4.0% to 5.0%. Interest on the 2017 bonds is payable each June 1 and December 1.

Bond repayment is subject to Loan Agreements between IHELA and the College. The obligations of the College to make loan repayments under the Loan Agreements are general obligations of the College and are unsecured.

**TRUSTEES OF GRINNELL COLLEGE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**  
(DOLLARS IN THOUSANDS)

**NOTE 13 BONDS PAYABLE (CONTINUED)**

Scheduled maturities on bonds payable of the College subsequent to June 30, 2019 are as follows:

<u>Year Ending</u>	<u>Amount</u>
2020	\$ 5,900
2021	5,805
2022	3,495
2023	3,650
2024	3,810
Thereafter	149,915
Total	<u>\$ 172,575</u>

**NOTE 14 CONTINGENCIES**

The College is involved in various legal actions arising in the normal course of activities and is subject to periodic audits and inquiries by various regulatory agencies. Although the ultimate outcome of such matters is not determinable at this time, management believes that the resolution of these pending matters will not have a materially adverse effect on the College's consolidated financial statements.

**NOTE 15 RELATED PARTY**

Contribution and Bequest Receivable from members of the Board are included in the consolidated financial statements. The contribution and bequest receivable outstanding from Trustees totaled \$457 and \$2,785 at June 30, 2019 and 2018, respectively. The College has a conflict of interest policy in place. Disclosures are updated by each Trustee annually.



**Grinnell College**

**Office of the Treasurer**

641-269-9700

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