FINANCIAL REPORT

JUNE 30, 2020
TRUSTEES OF GRINNELL COLLEGE

Grinnell College
Office of the Treasurer

TRUSTEES OF GRINNELL COLLEGE
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YEARS ENDED JUNE 30, 2020 AND 2019

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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, 2020 and 2019, 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 audit. We conducted our audit 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.

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, 2020 and 2019, 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.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying financial responsibility ratio supplemental schedule, as required by the Department of Education, is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
September 30, 2020

TRUSTEES OF GRINNELL COLLEGE
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2020 AND 2019
(DOLLARS IN THOUSANDS)

	2020	2019
ASSETS		
Cash and Cash Equivalents	$ 2,933	$ 3,369
Accounts Receivable - Less Allowance for Doubtful Accounts of $65 in 2020 and $60 in 2019	2,524	1,355
Inventories and Prepaid Expenses	3,993	4,203
Contribution and Bequest Receivable - Net (Note 5)	9,099	7,133
Loans to Students - Less Allowance for Doubtful Loans of $644 in 2020 and $540 in 2019 (Note 6)	5,243	5,737
Beneficial Interest in Trust (Note 2)	6,114	11,926
Investments (Note 2)	2,164,631	2,149,995
Property and Equipment - Net (Note 7)	339,495	333,183
Total Assets	$ 2,534,032	$ 2,516,901
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable	$ 9,385	$ 11,913
Accrued Payroll and Fringe Benefits	6,493	5,481
Deferred Revenue and Deposits	3,126	4,349
Annuities Payable	9,621	10,210
Funds Held in Trust for Others	284	285
Bonds Payable (Note 13)	180,662	187,975
Accrued Postretirement Benefit Obligation (Note 10)	19,828	15,603
United States Government Grants Refundable	1,650	2,345
Total Liabilities	231,049	238,161
NET ASSETS		
Without Donor Restriction (Notes 3 and 12)	1,595,011	1,585,350
With Donor Restriction (Notes 3 and 12)	707,972	693,390
Total Net Assets	2,302,983	2,278,740
Total Liabilities and Net Assets	$ 2,534,032	$ 2,516,901

See accompanying Notes to Consolidated Financial Statements.

TRUSTEES OF GRINNELL COLLEGE
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020
(DOLLARS IN THOUSANDS)

	Without Donor Restriction	With Donor Restriction	Total
OPERATING ACTIVITIES			
Revenue, Gains, and Other Support:			
Tuition and Fees, Net of Discount of $55,325	$ 35,416	$ -	$ 35,416
Government Grants and Contracts	-	2,639	2,639
Private Gifts and Grants	1,704	4,402	6,106
Net Investment Return	818	11	829
Auxiliary Income	15,752	-	15,752
Other	517	-	517
Net Operating Revenues	54,207	7,052	61,259
Endowment Spending Distribution	82,502	-	82,502
Net Assets Released from Restrictions	5,302	(5,294)	8
Net Resources Funding Operations	142,011	1,758	143,769
Expenses and Losses:			
Instruction	49,396	-	49,396
Academic Support	17,208	-	17,208
Student Services	26,155	-	26,155
Institutional Support	26,822	-	26,822
Auxiliary Enterprises	16,407	-	16,407
Total Operating Expenses	135,988	-	135,988
Change in Net Assets from Operating Activities	6,023	1,758	7,781
NONOPERATING ACTIVITIES			
Private Gifts and Grants	111	8,549	8,660
Net Investment Return	65,512	30,750	96,262
Endowment Spending Distribution	(82,502)	-	(82,502)
Net Assets Released from Restrictions	26,368	(26,376)	(8)
Change in Value of Split Interest Agreements	-	(99)	(99)
Postretirement Benefit Plan Related Changes, Other than Net Periodic Postretirement Benefit Cost	(5,851)	-	(5,851)
Change in Net Assets from Nonoperating Activities	3,638	12,824	16,462
TOTAL CHANGE IN NET ASSETS	9,661	14,582	24,243
Net Assets - Beginning of Year	1,585,350	693,390	2,278,740
NET ASSETS - END OF YEAR	$ 1,595,011	$ 707,972	$ 2,302,983

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
OPERATING ACTIVITIES			
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	57,435	4,355	61,790
Endowment Spending Distribution	79,884	-	79,884
Net Assets Released from Restrictions	3,681	(3,681)	-
Net Resources Funding Operations	141,000	674	141,674
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	138,878	-	138,878
Change in Net Assets from Operating Activities	2,122	674	2,796
NONOPERATING ACTIVITIES			
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	58,126	30,614	88,740
TOTAL CHANGE IN NET ASSETS	60,248	31,288	91,536
Net Assets - Beginning of Year	1,525,102	662,102	2,187,204
NET ASSETS - END OF YEAR	$ 1,585,350	$ 693,390	$ 2,278,740

See accompanying Notes to Consolidated Financial Statements.

TRUSTEES OF GRINNELL COLLEGE
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2020 AND 2019
(DOLLARS IN THOUSANDS)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ 24,243	$ 91,536
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:		
Depreciation and Amortization	13,154	11,614
Amortization of Bond Premium	(1,486)	(1,592)
Net Realized and Unrealized Gains on Investments	(89,852)	(138,335)
Provision for Recoveries of Losses	113	56
Loss on Disposal of Property and Equipment	-	657
Change in Beneficial Interest in Trust	5,812	(108)
Restricted Contributions	(15,590)	(13,021)
Postretirement Benefit Plan Related Changes, Other than Net Periodic Postretirement Benefit Cost	5,851	(6,965)
Actuarial Loss on Annuities Payable	100	3,622
Change in Assets and Liabilities:		
Accounts Receivable	(1,172)	119
Contribution and Bequest Receivable	473	411
Inventories and Prepaid Expenses	210	(464)
Accounts Payable and Accrued Liabilities	1,460	1,110
Funds Held in Trust for Others	(1)	14
Deferred Revenue and Deposits	(1,223)	(229)
Accrued Postretirement Benefit Obligation	(1,626)	(96)
Net Cash Used by Operating Activities	(59,534)	(51,671)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(22,394)	(59,080)
Proceeds from Sales of Property and Equipment	26	116
Disbursements of Loans to Students	(783)	(835)
Principal Payments Received on Loans to Students	1,166	1,211
Purchases of Investments	(859,781)	(606,954)
Proceeds from Sales and Maturities of Investments	934,997	711,051
Net Cash Provided by Investing Activities	53,231	45,509
CASH FLOWS FROM FINANCING ACTIVITIES		
Restricted Contributions	13,151	12,514
Change in United States Government Grants Refundable	(695)	60
Payments on Annuities Payable	(689)	(627)
Payments on Bonds Payable	(5,900)	(5,900)
Net Cash Provided by Financing Activities	5,867	6,047
NET CHANGE IN CASH AND CASH EQUIVALENTS	(436)	(115)
Cash and Cash Equivalents - Beginning of Year	3,369	3,484
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 2,933	$ 3,369
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash Paid for Interest	$ 7,871	$ 8,166
Amounts Included in Year-End Accounts Payable for the Purchase of Property and Equipment	$ 2,996	$ 5,973
Donated Securities	$ 1,722	$ 1,204

See accompanying Notes to Consolidated Financial Statements.

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.

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.

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, 2020, 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.

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 were loaned to qualified students. 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Grants from Governmental Agencies

Conditional government grants and contracts are recorded as revenue when earned. Revenue is earned when eligible expenditures, as defined in each contract, are made. Funds received but not yet earned are shown as deferred revenue. Expenditures under government contracts are subject to review by the granting authority. To the extent, if any, that such a review reduces expenditures allowable under these contracts, Grinnell College will record such disallowance at the time the final assessment is made.

A portion of the College's revenue is derived from cost reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/ or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the College has incurred expenditures in compliance with specific contract or grant provisions. The College received cost reimbursable grants of $867 that have not been recognized at June 30, 2020 because qualifying expenditures have not yet been incurred.

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 0.52% and 9.00% as of June 30, 2020 and 2019, respectively, based upon actuarially determined mortality rates. The assets of these agreements, for which the College is the trustee, total approximately $13,914 and $14,690 as of June 30, 2020 and 2019, 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*.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Subsequent Events

Subsequent events related to the consolidated financial statements have been evaluated through September 30, 2020, 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.

Risks and Uncertainties

During the fiscal year, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. Subsequent to year-end, the COVID-19 pandemic continues to have significant effects on global markets, supply chains, businesses, and communities. Specific to Grinnell College, COVID-19 may impact various parts of its 2021 operations and financial results, including, but not limited to, declines in enrollment, loss of auxiliary revenues, additional bad debts, costs for increased use of technology, or potential shortages of personnel. Management believes Grinnell College is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events are still developing.

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.

(DOLLARS IN THOUSANDS)

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

For the years ended June 30, 2020 and 2019, 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, 2020 and 2019:

	Investments and Beneficial Interest in Trust at Fair Value as of June 30, 2020				
	NAV Practical Expedient	Level 1	Level 2	Level 3	Total
Short-Term Investments	$ -	$ 27,631	$ -	$ -	$ 27,631
United States Government and Agency Notes and Bonds	-	112,504	59	-	112,563
Corporate and Other Bonds	63,455	3,166	-	-	66,621
Marketable Equity Interests	-	322,003	5,990	-	327,993
Commingled Funds (a)	703,503	-	-	-	703,503
Private Equity (b)	693,238	-	-	28,583	721,821
Distressed (c)	161,182	-	-	-	161,182
Real Assets (d)	42,899	-	-	-	42,899
Other (e)	-	-	-	6,532	6,532
Total Investments at Fair Value	$ 1,664,277	$ 465,304	$ 6,049	$ 35,115	$ 2,170,745

(DOLLARS IN THOUSANDS)

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

	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	$ 1,353,493	$ 607,354	$ 160,549	$ 40,525	$ 2,161,921

(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, 2020 and 2019.

(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 $151,098 and $127,637 at June 30, 2020 and 2019, 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 $90,834 and $143,806 at June 30, 2020 and 2019, 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 $39,312 and $50,227 at June 30, 2020 and 2019, 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, 2020 and 2019.

(DOLLARS IN THOUSANDS)

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, 2018	$ 21,526	$ 12,361	$ 33,887
Net Investment Return	6,848	1,804	8,652
Sales	(306)	(1,708)	(2,014)
Balance as of June 30, 2019	28,068	12,457	40,525
Net Investment Return	666	1,293	1,959
Purchases	182	32	214
Sales	(333)	(7,250)	(7,583)
Balance as of June 30, 2020	$ 28,583	$ 6,532	$ 35,115

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.

(DOLLARS IN THOUSANDS)

NOTE 3 ENDOWMENT (CONTINUED)

The endowment consists of the following net asset components as of June 30, 2020 and 2019:

	2020		
	Without Donor Restriction	With Donor Restriction	Total
Donor Restricted	$ -	$ 683,869	$ 683,869
Board Designated	1,406,881	-	1,406,881
Total Endowment Net Assets	$ 1,406,881	$ 683,869	$ 2,090,750

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

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.

Spending Policy and How the Investment Objectives Relate to Spending Policy

For the years ended June 30, 2020 and 2019, 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.

(DOLLARS IN THOUSANDS)

NOTE 3 ENDOWMENT (CONTINUED)

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, 2020 and 2019:

	Without Donor Restriction	With Donor Restriction	Total
Endowment Net Assets as of June 30, 2018	$ 1,352,134	$ 639,471	$ 1,991,605
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	1,400,320	669,633	2,069,953
Net Investment Return	65,342	30,950	96,292
Gifts	-	6,836	6,836
Endowment Spending Distribution	(82,502)	-	(82,502)
Release or Change in Restriction	23,663	(23,654)	9
Transfers	58	104	162
Endowment Net Assets as of June 30, 2020	$ 1,406,881	$ 683,869	$ 2,090,750

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. As of June 30, 2020, funds with original gift values of $7,985, and fair values of $7,852 and deficiencies of $133 were reported in net assets with donor restrictions. As of June 30, 2019, deficiences of this nature were $0. The College applies its standard spending policy to these funds.

(DOLLARS IN THOUSANDS)

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.

The following assets could be made readily available within one year to meet general expenditures as of June 30:

	2020	2019
Cash and Cash Equivalents	$ 1,605	$ 1,635
Accounts Receivable	1,133	867
Contribution and Bequest Receivable	142	226
Investments	61,180	73,713
Endowment Spending Distribution	87,612	82,400
Total	$ 151,672	$ 158,841

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. The designated endowment is $1,406,881 and $1,400,320 at June 30, 2020 and 2019, respectively.

In addition the Board has designated reserves to be used for high priority strategic initiatives. $61,073 and $67,072 of these reserves are readily available within one year to meet general expenditures and are included in the table above for June 30, 2020 and 2019, respectively.

NOTE 5 CONTRIBUTION AND BEQUEST RECEIVABLE-NET

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

	2020	2019
Less than One Year	$ 4,304	$ 2,027
One Year to Five Years	4,926	5,318
Greater than 5 Years	-	-
Total	9,230	7,345
Less: Discount to Present Value	131	212
Contribution and Bequest Receivable - Net	$ 9,099	$ 7,133

For the year ended June 30, 2020, contribution and bequest receivable included two gifts that represented 37.8% of the total balance. The discount rates for the present value calculation range from 0.3% to 2.73%. For the year ended June 30, 2019, contribution and bequest receivable included three gifts that represented 30.5% of the total balance. The College has determined that no allowance is necessary as of June 30, 2020 and 2019.

(DOLLARS IN THOUSANDS)

NOTE 6 LOANS TO STUDENTS

Loans to students consist of the following at June 30:

	2020	2019
Federal Perkins Loan Program	$ 1,451	$ 1,857
Institutional Loans	3,992	4,011
Donor-Sponsored Loans	444	409
Total	5,887	6,277
Less: Allowance for Doubtful Loans:		
Beginning of Year	540	493
Adjustments	108	48
Write-Offs	(4)	(1)
End of Year	644	540
Loans to Students - Less Allowance for Doubtful Loans	$ 5,243	$ 5,737

Past due amounts are the following at June 30:

	2020	2019
Less than 240 Days	$ 292	$ 398
240 Days - 2 Years	262	114
2 Years - 5 Years	288	240
Greater than 5 Years	300	277
Total Past Due Amounts	$ 1,142	$ 1,029

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 $1,650 and $2,345 at June 30, 2020 and 2019, 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, 2020 and 2019, is offset in the refundable amount due to the government classified as a liability in the statements of financial position.

(DOLLARS IN THOUSANDS)

NOTE 7 PROPERTY AND EQUIPMENT

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

	2020	2019
Land and Improvements	$ 15,554	$ 15,047
Buildings and Improvements	431,803	431,272
Equipment and Furnishings	79,023	76,024
Construction in Process	38,980	23,775
Total	565,360	546,118
Less: Accumulated Depreciation	225,865	212,935
Total	$ 339,495	$ 333,183

As of June 30, 2020 and 2019, the College has outstanding construction contract commitments totaling $2,067 and $14,519, respectively.

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, 2020 and 2019 was $5,642 and $5,474, 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.

(DOLLARS IN THOUSANDS)

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:

	2020		
	Program Activities	Support Activities	Total
Salaries & Wages	$ 49,853	$ 11,451	$ 61,304
Employee Benefits	15,254	4,080	19,334
Fees & Services	9,777	5,969	15,746
Depreciation & Amortization	12,230	923	13,153
Repairs & Maintenance	5,632	2,137	7,769
Materials & Supplies	5,487	512	5,999
Travel & Hospitality	3,578	1,229	4,807
Utilities	3,283	166	3,449
Interest	4,072	355	4,427
Total	$ 109,166	$ 26,822	$ 135,988

(DOLLARS IN THOUSANDS)

NOTE 9 FUNCTIONAL EXPENSES (CONTINUED)

	2019		
	Program Activities	Support Activities	Total
Salaries & Wages	$ 48,371	$ 11,470	$ 59,841
Employee Benefits	15,411	4,091	19,502
Fees & Services	10,443	6,790	17,233
Depreciation & Amortization	10,790	790	11,580
Repairs & Maintenance	7,727	2,020	9,747
Materials & Supplies	6,250	586	6,836
Travel & Hospitality	4,790	1,564	6,354
Utilities	3,332	160	3,492
Interest	3,969	324	4,293
Total	$ 111,083	$ 27,795	$ 138,878

Fundraising expenses for the College totaled $7,252 and $6,493 for the years ended June 30, 2020 and 2019, respectively.

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:

	2020	2019
Change in Benefit Obligation:		
Benefit Obligation at Beginning of Year	$ 25,290	$ 30,342
Service Cost	1,230	1,647
Interest Cost	873	1,224
Actuarial (Gain) Loss	1,970	(7,815)
Benefits Paid in Excess of Retiree Contributions	(63)	(108)
Benefit Obligation at End of Year	$ 29,300	$ 25,290
Change in Fair Value of Plan Assets:		
Fair Value of Plan Assets at Beginning of Year	$ 9,687	$ 7,678
Return on Plan Assets	(228)	2,041
Employer Contributions	76	76
Retiree Contributions	115	103
Benefits Paid	(178)	(211)
Fair Value of Plan Assets at End of Year	$ 9,472	$ 9,687
Funded Status (Deficiency)	$ (19,828)	$ (15,603)

(DOLLARS IN THOUSANDS)

NOTE 10 POSTRETIREMENT BENEFIT PLAN (CONTINUED)

	2020	2019
Components of Net Periodic Benefit Cost:		
Service Cost	$ 1,230	$ 1,647
Interest Cost	872	1,224
Amortization of Loss	-	637
Amortization of Prior Service Cost	(3,166)	(3,166)
Expected Return on Assets	(562)	(438)
Net Periodic Benefit Cost	$ (1,626)	$ (97)
Actuarial Assumptions:		
Discount Rate	2.75%	3.50%
Expected Return on Plan Assets	6.00	6.00
Healthcare Cost Present Trend Rate for Participants up to 65 Medical/Prescription Drug	7.0-7.0	7.2-7.2
Healthcare Cost Present Trend Rate for Participants 65 and Over Medical/Prescription Drug	7.0-7.0	7.2-7.2
Healthcare Cost Ultimate Trend Rate (Year of Stabilization)	4.30 (2038)	4.50 (2038)

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	$ 547	$ (412)
Effect on Postretirement Benefit Obligations	5,573	(4,379)

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 2021 through 2030:

Year Ending June 30,	Amount
2021	$ 826
2022	904
2023	1,018
2024	1,120
2025	1,178
Years 2026 – 2030	6,741

(DOLLARS IN THOUSANDS)

NOTE 10 POSTRETIREMENT BENEFIT PLAN (CONTINUED)

Cash Contributions and Benefit Payments (Continued)

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, 2020, (measurement date) is 90% in fixed income investments and 10% 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.

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.

	Tuition Paid For Next Year	Other Deposits	Total
Balance at June 30, 2019	1,891	274	2,165
Revenue Recognized	(1,891)	(281)	(2,172)
Payments Received for Future Performance Obligations	469	413	882
Balance at June 30, 2020	$ 469	$ 406	$ 875

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.

(DOLLARS IN THOUSANDS)

NOTE 12 NET ASSETS

Net assets with restriction as of June 30, 2020 and 2019 consist of the following:

	2020	2019
Time or Purpose Restricted		
General Purposes	$ 145	$ 226
Instruction	1,902	1,225
Academic Support	4,460	3,930
Student Services	2,533	2,568
Institutional Support	1,645	1,193
Auxiliary Services	4	4
Scholarships, Grants, and Loans	2,326	2,424
Facilities Operations	3,645	4,674
Split Interest Agreements	541	721
Total	17,201	16,965
Time or Purpose Restricted - Endowment Corpus		
Scholarships, Grants, and Loans	453	453
Total	453	453
Investment Return Generated from Donor-Restricted Endowment Funds Subject to UPMIFA		
General Purposes	$ 103,468	$ 102,099
Instruction	194,018	191,441
Academic Support	43,968	43,367
Student Services	37,752	37,187
Institutional Support	24,390	24,239
Scholarships, Grants, and Loans	140,342	138,411
Facilities Operations	296	292
Total	544,234	537,036
Perpetual - Endowment Related		
General Purposes	12,328	11,495
Instruction	41,229	40,781
Academic Support	11,358	11,201
Student Services	14,445	13,618
Institutional Support	2,575	3,341
Scholarships, Grants, and Loans	57,177	51,638
Facilities Operations	70	70
Total	139,182	132,144
Perpetual - Other		
Scholarships, Grants and Loans	3,434	3,318
Split Interest Agreements	3,468	3,474
Total	6,902	6,792
Total Net Assets With Donor Restrictions	$ 707,972	$ 693,390

(DOLLARS IN THOUSANDS)

NOTE 13 BONDS PAYABLE

Bonds payable at June 30, 2020 and 2019 consist of the following:

	2020	2019
Revenue Bonds dated March 9, 2010 with Final Maturity on December 1, 2020	$ 5,805	$ 11,705
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	104,455	104,455
	166,675	172,575
Capitalized Bond Issuance Costs	(930)	(1,003)
Premium on Revenue Bonds	14,917	16,403
Total	$ 180,662	$ 187,975

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.

(DOLLARS IN THOUSANDS)

NOTE 13 BONDS PAYABLE (CONTINUED)

Scheduled maturities on bonds payable of the College subsequent to June 30, 2020 are as follows:

Year Ending June 30,	Amount
2021	$ 5,805
2022	3,495
2023	3,650
2024	3,810
2025	3,975
Thereafter	145,940
Total	$ 166,675

Subsequent to year-end, the College opened a line of credit with the Northern Trust Company for general corporate purposes and liquidity backstop. The total amount that can be drawn under the line of credit is $30,000,000. The line of credit has a 364 day term with an interest rate of Libor (or a replacement thereof) plus 75 bps with a floor of Libor at 50 bps.

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 $487 and $457 at June 30, 2020 and 2019, respectively. The College has a conflict of interest policy in place. Disclosures are updated by each Trustee annually.

NOTE 16 COMPOSITE SCORE

The composite score is prepared pursuant to Appendix B of 34 CFR Part 668-Subpart L, Ratio Methodology for Private Non-Profit Institutions. The College prepares the calculation based on the audited financials for the year ended June 30, 2020. The composite score calculated reflects the overall relative financial health of institutions along a scale from negative 1.0 to positive 3.0.

(DOLLARS IN THOUSANDS)

NOTE 16 COMPOSITE SCORE (CONTINUED)

The composite score for the year ended June 30, 2020 is as follows:

Primary Reserve Ratio:		
Expendable Net Assets	$ 1,976,361	
Total Expenses	$ 141,839	13.93
Equity Ratio:		
Modified Net Assets	$ 2,302,412	
Modified Assets	$ 2,533,461	0.91
Net Income Ratio:		
Change in Net Assets Without Donor Restrictions	$ 9,661	
Total Revenues Without Donor Restrictions	$ 207,523	0.05

	Ratios	Strength Factors	Weight	Composite Scores
Primary Reserve	13.93	3.0	40%	1.20
Equity	0.91	3.0	40%	1.20
Net Income	0.05	3.0	20%	0.60
Composite Score				3.00

TRUSTEES OF GRINNELL COLLEGE
FINANCIAL RESPONSIBILITY RATIO SUPPLEMENTAL SCHEDULE
JUNE 30, 2020
(DOLLARS IN THOUSANDS)

Supplemental Schedule - Financial Responsibility Calculation Supplemental Components

	Primary Reserve Ratio:		
		Expendable Net Assets:	
1	Statement of Financial Position (SFP)	Net assets without donor restrictions	$ 1,595,011
2	SFP	Net assets with donor restrictions	707,972
3	Supplemental Disclosure (SD) Line 1	Net assets restricted in perpetuity	146,084
4	SD Line 20	Unsecured related-party receivable	571
5	SD Line 2d	Donor restricted annuities, term endowments, life income funds	1,066
6	SD Line 3d	Property, plant, and equipment pre-implementation	320,194
7	SD Line 4d	Property, plant, and equipment post-implementation with outstanding debt for original purchase	
8	SD Line 5	Construction in progress purchased with long-term debt	5,553
9	SD Line 14	Lease right-of-use asset, pre-implementation (grandfather of leases option not chosen)	-
10	SD Line 15	Lease right-of-use asset, post-implementation	-
11	SFP	Intangible assets	-
12	SFP	Post-employment and pension liabilities	19,828
13	SD Line 8d	Long-term debt - for long-term purposes pre-implementation	166,675
14	SD Line 9d	Long-term debt - for long-term purposes post-implementation	-
15	SD Line 10	Line of credit for construction in progress	-
16	SD Line 17	Pre-implementation right-of-use asset liability	-
17	SD Line 18	Post-implementation right-of-use asset liability	-
		Total Expenses and Losses:	
18	Statement of Activities (SOA)	Total expenses (operating and nonoperating) without donor restrictions	135,988
19	SOA	Nonservice component of pension/postemployment (nonoperating) cost, (if loss)	5,851
20	SD Line 22	Sale of fixed assets (if loss)	-
21	SOA	Change in value of interest-rate swap agreements (if loss)	-
	Equity Ratio:		
		Modified Net Assets:	
22	SFP	Net assets without donor restrictions	$ 1,595,011
23	SFP	Net assets with donor restrictions	707,972
24	SFP	Intangible assets	-
25	SD Line 20	Unsecured related-party receivables	571
		Modified Assets:	
26	SFP	Total assets	2,534,032
27	SD Line 14	Lease right-of-use asset pre-implementation	-
28	SFP	Intangible assets	-
29	SD Line 20	Unsecured related-party receivables	571
	Net Income Ratio:		
30	SOA	**Change in Net Assets Without Donor Restrictions**	$ 9,661
		Total Revenues and Gains:	
31	SOA	Total operating revenue (including net assets released from restrictions)	142,011
32	SOA	Investments gain, net (aggregate operating and nonoperating interest, dividends, realized and unrealized gains)	65,512
33	SOA	Nonservice component of pension/postemployment (nonoperating) cost (if gain)	-
34	SOA	Pension-related changes other than net periodic pension costs (if gain)	-
35	SOA	Change in value of annuity agreement (typically in nonoperating)	
36	SOA	Change in value of interest-rate swap agreements (if gain)	-
37	SD Line 25	Sale of fixed assets (if gain)	-
38	SOA	Other gains	-

TRUSTEES OF GRINNELL COLLEGE
FINANCIAL RESPONSIBILITY RATIO DISCLOSURE
JUNE 30, 2020
(DOLLARS IN THOUSANDS)

The Department of Education issued regulations on February 23, 2019, which became effective July 1, 2020, regarding additional disclosures deemed necessary to calculate certain ratios for determining sufficient financial responsibility under Title IV.

Net Assets			
1	Net assets with donor restrictions: restricted in perpetuity		$146,084
2	Other net assets with donor restrictions (not restricted in perpetuity):		
	a.	Annuities with donor restrictions	$ 541
	b.	Term endowments	525
	c.	Life income funds (trusts)	-
	d.	Total annuities, term endowments, and life income funds with donor restrictions	$ 1,066
Property, Plant, and Equipment, net			
3	Pre-implementation property, plant, and equipment, net		
	a.	Ending balance of last financial statements submitted to and accepted by the Department of Education (June 30, 2019, financial statement)	$333,183
	b.	Reclassify capital lease assets previously included in PPE, net prior to the implementation of ASU 2016-02 leases standard	-
	c.	Less subsequent depreciation and disposals (net of accumulated depreciation)	(12,989)
	d.	Balance pre-implementation property, plant, and equipment, net	320,194
4	Debt financed post-implementation property, plant, and equipment, net		
		Long-lived assets acquired with debt subsequent to June 30, 2019:	
	a.	Equipment	-
	b.	Land improvements	-
	c.	Building	-
	d.	Total property, plant, and equipment, net acquired with debt exceeding 12 months	-
5	Construction in progress - acquired with debt subsequent to June 30, 2019		5,553
6	Post-implementation property, plant, and equipment, net, acquired without debt:		
	a.	Long-lived assets acquired without use of debt subsequent to June 30, 2019	13,748
7	Total Property, Plant, and Equipment, net - June 30, 2020		$339,495
Debt to be excluded from expendable net assets			
8	Pre-implementation debt:		
	a.	Ending balance of last financial statements submitted to the Department of Education (June 30, 2019):	$ 172,575
	b.	Reclassify capital leases previously included in long-term debt prior to the implementation of ASU 2016-02 leases standard.	-
	c.	Less subsequent debt repayments	(5,900)
	d.	Balance Pre-implementation Debt	166,675
9	Allowable post-implementation debt used for capitalized long-lived assets:		
	a.	Equipment - all capitalized	-
	b.	Land improvements	-
	c.	Buildings	-
	d.	Balance Post-implementation Debt	-
10	Construction in progress (CIP) financed with debt or line of credit		-
11	Long-term debt not for the purchase of property, plant, and equipment or liability greater than assets value		-
			$ 166,675
Unsecured related-party receivables			
19	Secured related-party receivables		$ -
20	Unsecured related party receivables		571
21	Total secured and unsecured related-party receivables		$ 571

Grinnell College
Office of the Treasurer

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