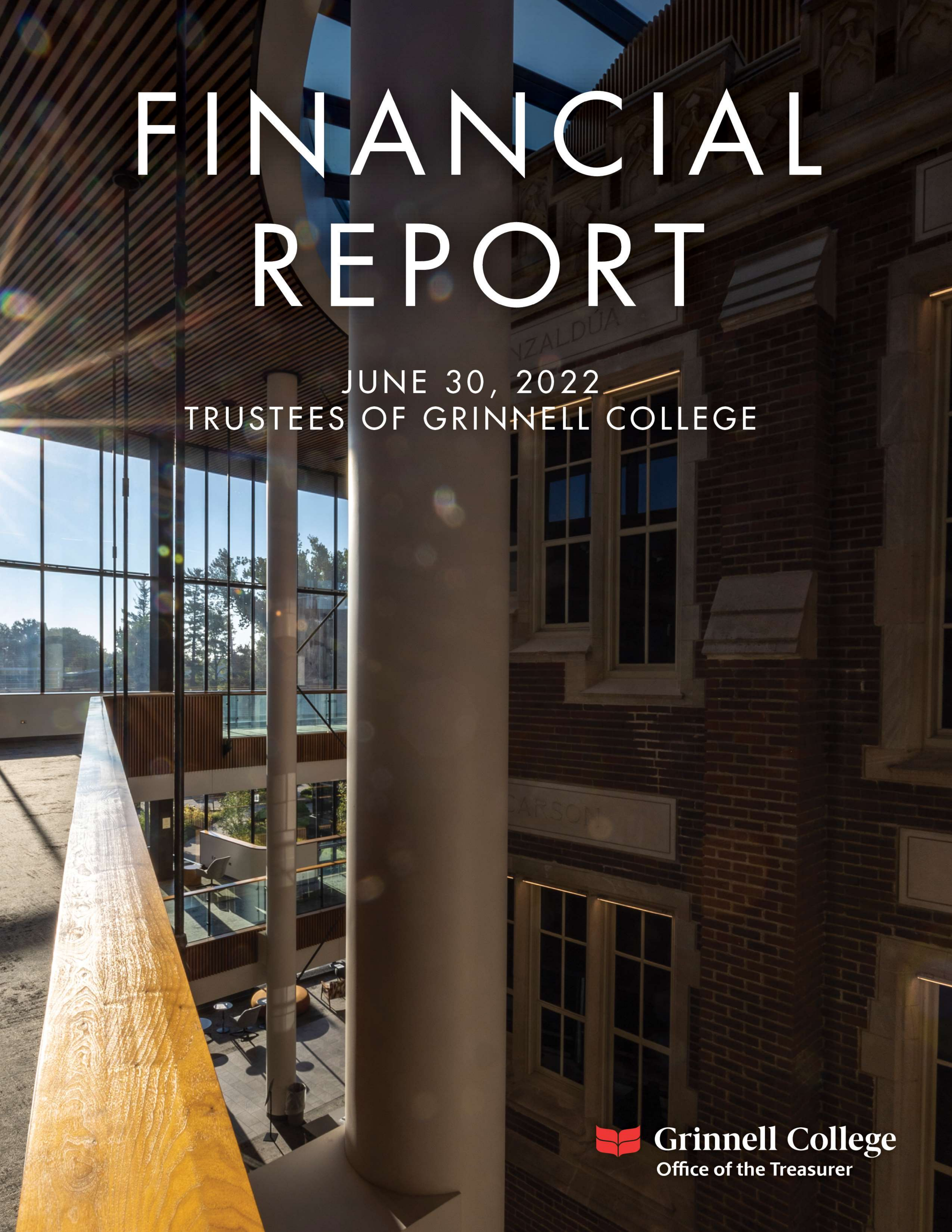
# FINANCIAL REPORT

JUNE 30, 2022
TRUSTEES OF GRINNELL COLLEGE



Grinnell College
Office of the Treasurer

**TRUSTEES OF GRINNELL COLLEGE**
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**YEARS ENDED JUNE 30, 2022 AND 2021**

CliftonLarsonAllen LLP
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## INDEPENDENT AUDITORS' REPORT

Board of Trustees
Trustees of Grinnell College
Grinnell, Iowa

### Report on the Audit of the Consolidated Financial Statements

#### *Opinion*

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, 2022 and 2021, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the College as of June 30, 2022 and 2021, 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.

#### *Basis for Opinion*

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

#### *Responsibilities of Management for the Consolidated Financial Statements*

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

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

***Auditors' Responsibilities for the Audit of the Consolidated Financial Statements***

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

In performing an audit in accordance with GAAS, we:

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

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

***Supplementary Information***

Our audit was conducted for the purpose of forming opinion on the financial statements as a whole. The financial responsibility ratio supplemental schedule, as required by Department of Education is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the financial responsibility ratio supplemental schedule and the accompanying schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

CliftonLarsonAllen LLP

**CliftonLarsonAllen LLP**

Minneapolis, Minnesota
September 23, 2022

# TRUSTEES OF GRINNELL COLLEGE
## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
## JUNE 30, 2022 AND 2021
### (DOLLARS IN THOUSANDS)

| | 2022 | 2021 |
|---|---|---|
| **ASSETS** | | |
| Cash and Cash Equivalents | $ 4,192 | $ 3,271 |
| Accounts Receivable - Less Allowance for Doubtful Accounts of $68 in 2022 and $66 in 2021 | 2,261 | 4,118 |
| Inventories and Prepaid Expenses | 5,608 | 4,768 |
| Contribution and Bequest Receivable - Net (Note 5) | 5,250 | 7,105 |
| Loans to Students - Less Allowance for Doubtful Loans of $741 in 2022 and $677 in 2021 (Note 6) | 3,954 | 4,694 |
| Beneficial Interest in Trust (Note 2) | 6,598 | 7,280 |
| Investments (Note 2) | 2,627,162 | 3,087,293 |
| Property and Equipment - Net (Note 7) | 333,488 | 331,919 |
| Total Assets | $ 2,988,513 | $ 3,450,448 |
| **LIABILITIES AND NET ASSETS** | | |
| **LIABILITIES** | | |
| Accounts Payable | $ 12,970 | $ 20,297 |
| Accrued Payroll and Fringe Benefits | 6,444 | 6,350 |
| Deferred Revenue and Deposits | 6,586 | 8,365 |
| Annuities Payable | 8,367 | 10,411 |
| Funds Held in Trust for Others | 324 | 371 |
| Bonds Payable (Note 13) | 228,794 | 233,533 |
| Accrued Postretirement Benefit Obligation (Note 10) | 14,255 | 19,518 |
| United States Government Grants Refundable | 999 | 1,281 |
| Total Liabilities | 278,739 | 300,126 |
| **NET ASSETS** | | |
| Without Donor Restriction (Notes 3 and 12) | 1,863,781 | 2,160,525 |
| With Donor Restriction (Notes 3 and 12) | 845,993 | 989,797 |
| Total Net Assets | 2,709,774 | 3,150,322 |
| Total Liabilities and Net Assets | $ 2,988,513 | $ 3,450,448 |

*See accompanying Notes to Consolidated Financial Statements.*

# TRUSTEES OF GRINNELL COLLEGE
# CONSOLIDATED STATEMENT OF ACTIVITIES
## YEAR ENDED JUNE 30, 2022
### (DOLLARS IN THOUSANDS)

| | Without Donor Restriction | With Donor Restriction | Total |
|---|---|---|---|
| **OPERATING ACTIVITIES** | | | |
| Revenue, Gains, and Other Support: | | | |
| Tuition and Fees, Net of Discount of $64,191 | $ 34,305 | $ - | $ 34,305 |
| Government Grants and Contracts | - | 4,129 | 4,129 |
| Private Gifts and Grants | 2,026 | 2,731 | 4,757 |
| Net Investment Return | 96 | 3 | 99 |
| Auxiliary Income | 21,330 | - | 21,330 |
| Other | 945 | - | 945 |
| Net Operating Revenues | 58,702 | 6,863 | 65,565 |
| Endowment Spending Distribution | 82,561 | - | 82,561 |
| Net Assets Released from Restrictions | 6,779 | (6,779) | - |
| Net Resources Funding Operations | 148,042 | 84 | 148,126 |
| Expenses and Losses: | | | |
| Instruction | 51,064 | - | 51,064 |
| Academic Support | 18,598 | - | 18,598 |
| Student Services | 29,982 | - | 29,982 |
| Institutional Support | 28,577 | - | 28,577 |
| Auxiliary Enterprises | 17,565 | - | 17,565 |
| Total Operating Expenses | 145,786 | - | 145,786 |
| Change in Net Assets from Operating Activities | 2,256 | 84 | 2,340 |
| **NONOPERATING ACTIVITIES** | | | |
| Private Gifts and Grants | 940 | 6,859 | 7,799 |
| Net Investment Return | (248,601) | (124,937) | (373,538) |
| Endowment Spending Distribution | (82,561) | - | (82,561) |
| Net Assets Released from Restrictions | 27,148 | (27,148) | - |
| Change in Value of Split Interest Agreements | - | 1,338 | 1,338 |
| Loss on Disposal of Property and Equipment | (1) | - | (1) |
| Other | 21 | - | 21 |
| Postretirement Benefit Plan Related Changes, Other than Net Periodic Postretirement Benefit Cost | 4,054 | - | 4,054 |
| Change in Net Assets from Nonoperating Activities | (299,000) | (143,888) | (442,888) |
| **TOTAL CHANGE IN NET ASSETS** | (296,744) | (143,804) | (440,548) |
| Net Assets - Beginning of Year | 2,160,525 | 989,797 | 3,150,322 |
| **NET ASSETS - END OF YEAR** | $ 1,863,781 | $ 845,993 | $ 2,709,774 |

*See accompanying Notes to Consolidated Financial Statements.*

# TRUSTEES OF GRINNELL COLLEGE
# CONSOLIDATED STATEMENT OF ACTIVITIES
## YEAR ENDED JUNE 30, 2021
### (DOLLARS IN THOUSANDS)

| | Without Donor Restriction | With Donor Restriction | Total |
|---|---|---|---|
| **OPERATING ACTIVITIES** | | | |
| Revenue, Gains, and Other Support: | | | |
| Tuition and Fees, Net of Discount of $50,030 | $ 32,142 | $ - | $ 32,142 |
| Government Grants and Contracts | - | 2,833 | 2,833 |
| Private Gifts and Grants | 1,752 | 4,053 | 5,805 |
| Net Investment Return | 34 | 2 | 36 |
| Auxiliary Income | 4,534 | - | 4,534 |
| Other | 721 | - | 721 |
| Net Operating Revenues | 39,183 | 6,888 | 46,071 |
| Endowment Spending Distribution | 87,612 | - | 87,612 |
| Net Assets Released from Restrictions | 4,758 | (4,758) | - |
| Net Resources Funding Operations | 131,553 | 2,130 | 133,683 |
| Expenses and Losses: | | | |
| Instruction | 46,111 | - | 46,111 |
| Academic Support | 16,363 | - | 16,363 |
| Student Services | 25,222 | - | 25,222 |
| Institutional Support | 25,270 | - | 25,270 |
| Auxiliary Enterprises | 15,120 | - | 15,120 |
| Total Operating Expenses | 128,086 | - | 128,086 |
| Change in Net Assets from Operating Activities | 3,467 | 2,130 | 5,597 |
| **NONOPERATING ACTIVITIES** | | | |
| Private Gifts and Grants | 42 | 2,782 | 2,824 |
| Net Investment Return | 623,210 | 306,326 | 929,536 |
| Endowment Spending Distribution | (87,612) | - | (87,612) |
| Net Assets Released from Restrictions | 27,562 | (27,562) | - |
| Change in Value of Split Interest Agreements | - | (1,851) | (1,851) |
| Gain on Disposal of Property and Equipment | 20 | - | 20 |
| Postretirement Benefit Plan Related Changes, Other than Net Periodic Postretirement Benefit Cost | (1,175) | - | (1,175) |
| Change in Net Assets from Nonoperating Activities | 562,047 | 279,695 | 841,742 |
| **TOTAL CHANGE IN NET ASSETS** | 565,514 | 281,825 | 847,339 |
| Net Assets - Beginning of Year | 1,595,011 | 707,972 | 2,302,983 |
| **NET ASSETS - END OF YEAR** | $ 2,160,525 | $ 989,797 | $ 3,150,322 |

*See accompanying Notes to Consolidated Financial Statements.*

# TRUSTEES OF GRINNELL COLLEGE
# CONSOLIDATED STATEMENTS OF CASH FLOWS
## YEARS ENDED JUNE 30, 2022 AND 2021
### (DOLLARS IN THOUSANDS)

| | 2022 | 2021 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Change in Net Assets | $ (440,548) | $ 847,339 |
| Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities: | | |
| Depreciation and Amortization | 14,195 | 13,759 |
| Amortization of Bond Premium | (1,299) | (1,389) |
| Net Realized and Unrealized (Gains) Losses on Investments | 381,991 | (934,412) |
| Provision for Recoveries of Losses | 66 | 38 |
| (Gain) Loss on Disposal of Property and Equipment | 1 | (20) |
| Change in Beneficial Interest in Trust | 682 | (1,166) |
| Restricted Contributions | (13,719) | (9,668) |
| Postretirement Benefit Plan Related Changes, Other than Net Periodic Postretirement Benefit Cost | (4,054) | 1,175 |
| Actuarial (Gain) Loss on Annuities Payable | (1,291) | 1,763 |
| Change in Assets and Liabilities: | | |
| Accounts Receivable | 1,852 | (1,593) |
| Contribution and Bequest Receivable | (270) | (670) |
| Inventories and Prepaid Expenses | (840) | (775) |
| Accounts Payable and Accrued Liabilities | (10,402) | 12,315 |
| Funds Held in Trust for Others | (47) | 87 |
| Deferred Revenue and Deposits | (1,779) | 5,239 |
| Accrued Postretirement Benefit Obligation | (1,209) | (1,485) |
| Net Cash Used by Operating Activities | (76,671) | (69,463) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Purchases of Property and Equipment | (12,582) | (7,702) |
| Proceeds from Sales of Property and Equipment | 41 | 50 |
| Disbursements of Loans to Students | (329) | (692) |
| Principal Payments Received on Loans to Students | 1,008 | 1,202 |
| Purchases of Investments | (898,496) | (902,909) |
| Proceeds from Sales and Maturities of Investments | 976,636 | 914,659 |
| Net Cash Provided by Investing Activities | 66,278 | 4,608 |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Restricted Contributions | 15,844 | 12,332 |
| Change in United States Government Grants Refundable | (282) | (369) |
| Payments on Annuities Payable | (753) | (973) |
| Proceeds from Issuance of Bonds | - | 60,600 |
| Payment of Bond Issuance Costs | - | (592) |
| Payments on Bonds Payable | (3,495) | (5,805) |
| Net Cash Provided by Financing Activities | 11,314 | 65,193 |
| **NET CHANGE IN CASH AND CASH EQUIVALENTS** | 921 | 338 |
| Cash and Cash Equivalents - Beginning of Year | 3,271 | 2,933 |
| **CASH AND CASH EQUIVALENTS - END OF YEAR** | $ 4,192 | $ 3,271 |

*See accompanying Notes to Consolidated Financial Statements.*

**TRUSTEES OF GRINNELL COLLEGE**
**CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)**
**YEARS ENDED JUNE 30, 2022 AND 2021**
**(DOLLARS IN THOUSANDS)**

| | 2022 | 2021 |
|---|---|---|
| **SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION** | | |
| Cash Paid for Interest | $ 9,194 | $ 7,848 |
| Amounts Included in Year-End Accounts Payable for the Purchase of Property and Equipment | $ 4,620 | $ 1,450 |
| Donated Securities | $ 1,141 | $ 1,129 |

*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 the 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, gain 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, 2022, 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 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)

### Collections

The Grinnell College Museum of Art and Grinnell College acquire works of art in the public trust for study, exhibition, and enjoyment. The Museum's intention is to maintain a collection, not to sell it. The goal of any deaccession is to improve, upgrade and enhance the Collection; therefore, any proceeds realized from the deaccession of a work of art from the Collection will be used to fund future art acquisitions rather than support operations.

### 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.

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

### 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.

### 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, the 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 $496 that have not been recognized at June 30, 2022 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 1.00% and 9.00% as of June 30, 2022 and 2021, respectively, based upon actuarially determined mortality rates. The assets of these agreements, for which the College is the trustee, total approximately $12,926 and $16,762 as of June 30, 2022 and 2021, 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.

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

**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.

**Subsequent Events**

Subsequent events related to the consolidated financial statements have been evaluated through September 23, 2022, 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.

## 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.

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

*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.

For the year ended June 30, 2022, $32,557 was transferred into Level 1 from Level 3, $2,242 was transferred into Level 2 from Level 3, and $25,312 was transferred into Level 3 from NAV practical expedient. For the year ended June 30, 2021, $180,149 was transferred into Level 2 from NAV practical expedient, and $45,663 was transferred into Level 3 from NAV practical expedient.

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.

**(DOLLARS IN THOUSANDS)**

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

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:

| | Investments and Beneficial Interest in Trust at Fair Value as of June 30, 2022 | | | | |
|---|---|---|---|---|---|
| | NAV Practical Expedient | Level 1 | Level 2 | Level 3 | Total |
| Short-Term Investments | $ - | $ 45,761 | $ - | $ - | $ 45,761 |
| United States Government and Agency Notes and Bonds | - | 231,245 | 12 | - | 231,257 |
| Corporate and Other Bonds | - | 3,002 | - | - | 3,002 |
| Marketable Equity Interests | - | 291,757 | - | - | 291,757 |
| Commingled Funds (a) | 1,033,502 | - | - | 11,441 | 1,044,943 |
| Private Equity (b) | 887,320 | - | 2,230 | 1,708 | 891,258 |
| Distressed (c) | 52,712 | - | - | - | 52,712 |
| Real Assets (d) | 66,130 | - | - | - | 66,130 |
| Other (e) | - | - | - | 6,940 | 6,940 |
| Total Investments at Fair Value | $ 2,039,664 | $ 571,765 | $ 2,242 | $ 20,089 | $ 2,633,760 |

| | Investments and Beneficial Interest in Trust at Fair Value as of June 30, 2021 | | | | |
|---|---|---|---|---|---|
| | NAV Practical Expedient | Level 1 | Level 2 | Level 3 | Total |
| Short-Term Investments | $ - | $ 69,641 | $ - | $ - | $ 69,641 |
| United States Government and Agency Notes and Bonds | - | 253,291 | 14 | - | 253,305 |
| Corporate and Other Bonds | - | 3,782 | - | - | 3,782 |
| Marketable Equity Interests | - | 385,709 | - | - | 385,709 |
| Commingled Funds (a) | 991,244 | - | - | - | 991,244 |
| Private Equity (b) | 1,122,272 | - | 20,087 | 36,507 | 1,178,866 |
| Distressed (c) | 72,204 | - | 80,651 | - | 152,855 |
| Real Assets (d) | 51,539 | - | - | - | 51,539 |
| Other (e) | - | - | - | 7,632 | 7,632 |
| Total Investments at Fair Value | $ 2,237,259 | $ 712,423 | $ 100,752 | $ 44,139 | $ 3,094,573 |

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

(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, 2022 and 2021.

(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 $221,299 and $170,566 at June 30, 2022 and 2021, 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 6 to 11 years. Distressed funds are invested globally. Unfunded commitments are $54,587 and $78,577 at June 30, 2022 and 2021, 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 $22,122,and $32,856 at June 30, 2022 and 2021, 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, 2022 and 2021.

(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:

| | Commingled Funds | Private Equity | Other | Total |
|---|---|---|---|---|
| Balance as of June 30, 2020 | $ - | $ 28,583 | $ 6,532 | $ 35,115 |
| Net Investment Return | - | (38,396) | 2,083 | (36,313) |
| Purchases | - | 1,436 | - | 1,436 |
| Sales | - | (779) | (983) | (1,762) |
| Transfers | - | 45,663 | - | 45,663 |
| Balance as of June 30, 2021 | - | 36,507 | 7,632 | 44,139 |
| Net Investment Return | (8,165) | (2,781) | 2,354 | (8,592) |
| Purchases | - | 892 | - | 892 |
| Sales | (2,199) | (1,618) | (3,046) | (6,863) |
| Transfers | 21,805 | (31,292) | - | (9,487) |
| Balance as of June 30, 2022 | $ 11,441 | $ 1,708 | $ 6,940 | $ 20,089 |

The following table presents valuation techniques of the College's Level 3 investments:

| Instrument | Fair Value 2022 | Fair Value 2021 | Principal Valuation Technique | Unobservable Inputs | Range (Weighted Average) |
|---|---|---|---|---|---|
| Direct Investments | $ 1,708 | $ 3,950 | Future revenue multiple | Future revenue and determination of multiplier | No range<br>No weighted average |
| Direct Investments | - | 32,557 | Third-party valuation with illiquidity discount | Third-party valuation with illiquidity discount | No range<br>No weighted average |
| Commingled | 11,441 | - | Manager and investment due diligence | Qualitative and quantitative analysis | No range<br>No weighted average |
| Direct Investments | 342 | 352 | Various cost analysis or gifted value | Qualitative and quantitative analysis | No range<br>No weighted average |
| Private Equity | - | - | Manager and investment due diligence | Qualitative and quantitative analysis | No range<br>No weighted average |
| Beneficial Interest in Trusts | 6,598 | 7,280 | Fair market value of trust investments | Time period of trust | N/A - 2.6%<br>0.76% |
| | $ 20,089 | $ 44,139 | | | |

(DOLLARS IN THOUSANDS)

## 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.

The endowment consists of the following net asset components as of June 30:

| | 2022 | | |
|---|---|---|---|
| | Without Donor Restriction | With Donor Restriction | Total |
| Donor-Restricted | $ - | $ 819,848 | $ 819,848 |
| Board-Designated | 1,664,571 | - | 1,664,571 |
| Total Endowment Net Assets | $ 1,664,571 | $ 819,848 | $ 2,484,419 |

| | 2021 | | |
|---|---|---|---|
| | Without Donor Restriction | With Donor Restriction | Total |
| Donor-Restricted | $ - | $ 963,342 | $ 963,342 |
| Board-Designated | 1,968,208 | - | 1,968,208 |
| Total Endowment Net Assets | $ 1,968,208 | $ 963,342 | $ 2,931,550 |

### 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.

(DOLLARS IN THOUSANDS)

## NOTE 3 ENDOWMENT (CONTINUED)

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

For the years ended June 30, 2022 and 2021, 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 was structured to address a number of high priority strategic initiatives over the designated six-year period.

Endowment activity was as follows for the fiscal years ended June 30:

| | Without Donor Restriction | With Donor Restriction | Total |
|---|---|---|---|
| Endowment Net Assets as of June 30, 2020 | $ 1,406,881 | $ 683,869 | 2,090,750 |
| Net Investment Return | 623,158 | 301,621 | 924,779 |
| Gifts | - | 2,112 | 2,112 |
| Endowment Spending Distribution | (87,612) | - | (87,612) |
| Release or Change in Restriction | 25,480 | (25,008) | 472 |
| Transfers | 301 | 748 | 1,049 |
| Endowment Net Assets as of June 30, 2021 | 1,968,208 | 963,342 | 2,931,550 |
| Net Investment Return | (248,643) | (122,114) | (370,757) |
| Gifts | 580 | 4,345 | 4,925 |
| Endowment Spending Distribution | (82,561) | - | (82,561) |
| Release or Change in Restriction | 26,904 | (25,784) | 1,120 |
| Transfers | 83 | 59 | 142 |
| Endowment Net Assets as of June 30, 2022 | $ 1,664,571 | $ 819,848 | $ 2,484,419 |

### 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, 2022, funds with original gift values of $8,218, and fair values of $7,197 and deficiencies of $1,021 were reported in net assets with donor restrictions. As of June 30, 2021, deficiencies 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:

| | 2022 | 2021 |
|---|---|---|
| Cash and Cash Equivalents | $ 2,004 | $ 1,981 |
| Accounts Receivable | 1,226 | 1,270 |
| Contribution and Bequest Receivable | 66 | 256 |
| Investments | 76,644 | 69,183 |
| Endowment Spending Distribution | 95,500 | 82,400 |
| Total | $ 175,440 | $ 155,090 |

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 $1,664,571 and $1,968,208 at June 30, 2022 and 2021, respectively.

In addition, the Board has designated reserves to be used for high priority strategic initiatives. $76,641 and $69,150 of these reserves are readily available within one year to meet general expenditures and are included in the table above for June 30, 2022 and 2021, respectively.

## NOTE 5 CONTRIBUTION AND BEQUEST RECEIVABLE-NET

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

| | 2022 | 2021 |
|---|---|---|
| Less than One Year | $ 1,582 | $ 3,346 |
| One Year to Five Years | 3,769 | 3,840 |
| Greater than Five Years | - | - |
| Total | 5,351 | 7,186 |
| Less: Discount to Present Value | 101 | 81 |
| Contribution and Bequest Receivable - Net | $ 5,250 | $ 7,105 |

For the year ended June 30, 2022, contribution and bequest receivable included two gifts that represented 31.3% of the total balance. The discount rates for the present value calculation range from 0.3% to 3.01%. For the year ended June 30, 2021, contribution and bequest receivable included two gifts that represented 32.2% of the total balance. The College has determined that no allowance is necessary as of June 30, 2022 and 2021.

(DOLLARS IN THOUSANDS)

## NOTE 6 LOANS TO STUDENTS

Loans to students consist of the following at June 30:

| | 2022 | 2021 |
|---|---|---|
| Federal Perkins Loan Program | $ 895 | $ 1,129 |
| Institutional Loans | 3,316 | 3,761 |
| Donor-Sponsored Loans | 484 | 481 |
| Total | 4,695 | 5,371 |
| Less: Allowance for Doubtful Loans: | | |
| Beginning of Year | 677 | 644 |
| Adjustments | 68 | 37 |
| Write-Offs | (4) | (4) |
| End of Year | 741 | 677 |
| Loans to Students - Less Allowance for Doubtful Loans | $ 3,954 | $ 4,694 |

Past due amounts are the following at June 30:

| | 2022 | 2021 |
|---|---|---|
| Less than 240 Days | $ 239 | $ 203 |
| 240 Days - 2 Years | 167 | 139 |
| 2 Years - 5 Years | 352 | 352 |
| Greater than 5 Years | 408 | 354 |
| Total Past Due Amounts | $ 1,166 | $ 1,048 |

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 consolidated statements of financial position in the amounts of $999 and $1,281 at June 30, 2022 and 2021, 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, 2022 and 2021 is offset in the refundable amount due to the government classified as a liability in the consolidated statements of financial position.

**(DOLLARS IN THOUSANDS)**

## NOTE 7 PROPERTY AND EQUIPMENT

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

| | 2022 | 2021 |
|---|---|---|
| Land and Improvements | $ 30,773 | $ 30,599 |
| Buildings and Improvements | 460,909 | 457,820 |
| Equipment and Furnishings | 75,900 | 80,546 |
| Construction in Process | 13,641 | 2,352 |
| Total | 581,223 | 571,317 |
| Less: Accumulated Depreciation | 247,735 | 239,398 |
| Total | $ 333,488 | $ 331,919 |

As of June 30, 2022 and 2021, the College has outstanding construction contract commitments totaling $9,091 and $403, 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, 2022 and 2021 was $5,993 and $5,607, 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.

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.

**(DOLLARS IN THOUSANDS)**

## NOTE 9 FUNCTIONAL EXPENSES (CONTINUED)

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:

| | 2022 | | |
|---|---|---|---|
| | Program Activities | Support Activities | Total |
| Salaries and Wages | $ 51,714 | $ 12,470 | $ 64,184 |
| Employee Benefits | 15,408 | 3,898 | 19,306 |
| Fees and Services | 11,231 | 6,128 | 17,359 |
| Depreciation and Amortization | 13,218 | 977 | 14,195 |
| Repairs and Maintenance | 5,669 | 2,669 | 8,338 |
| Materials and Supplies | 7,266 | 618 | 7,884 |
| Travel and Hospitality | 2,962 | 1,122 | 4,084 |
| Utilities | 4,076 | 201 | 4,277 |
| Interest | 5,665 | 494 | 6,159 |
| Total | $ 117,209 | $ 28,577 | $ 145,786 |

| | 2021 | | |
|---|---|---|---|
| | Program Activities | Support Activities | Total |
| Salaries and Wages | $ 48,040 | $ 11,113 | $ 59,153 |
| Employee Benefits | 15,327 | 4,161 | 19,488 |
| Fees and Services | 6,795 | 5,337 | 12,132 |
| Depreciation and Amortization | 12,811 | 948 | 13,759 |
| Repairs and Maintenance | 6,403 | 2,564 | 8,967 |
| Materials and Supplies | 4,472 | 422 | 4,894 |
| Travel and Hospitality | 566 | 155 | 721 |
| Utilities | 2,984 | 146 | 3,130 |
| Interest | 5,418 | 424 | 5,842 |
| Total | $ 102,816 | $ 25,270 | $ 128,086 |

Fundraising expenses for the College totaled $6,330 and $5,573 for the years ended June 30, 2022 and 2021, respectively.

(DOLLARS IN THOUSANDS)

## 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:

| | 2022 | 2021 |
|---|---|---|
| Change in Benefit Obligation: | | |
| Benefit Obligation at Beginning of Year | $ 30,043 | $ 29,300 |
| Service Cost | 1,452 | 1,432 |
| Interest Cost | 829 | 795 |
| Actuarial Gain | (7,206) | (755) |
| Benefits Paid in Excess of Retiree Contributions | (619) | (729) |
| Benefit Obligation at End of Year | $ 24,499 | $ 30,043 |
| Change in Fair Value of Plan Assets: | | |
| Fair Value of Plan Assets at Beginning of Year | $ 10,525 | $ 9,472 |
| Return on Plan Assets | (294) | 1,200 |
| Employer Contributions | 102 | 80 |
| Retiree Contributions | 146 | 39 |
| Benefits Paid | (235) | (266) |
| Fair Value of Plan Assets at End of Year | $ 10,244 | $ 10,525 |
| Funded Status (Deficiency) | $ (14,255) | $ (19,518) |

| | 2022 | 2021 |
|---|---|---|
| Components of Net Periodic Benefit Cost: | | |
| Service Cost | $ 1,452 | $ 1,432 |
| Interest Cost | 829 | 795 |
| Amortization of Prior Service Cost | (3,166) | (3,166) |
| Expected Return on Assets | (324) | (546) |
| Net Periodic Benefit Cost | $ (1,209) | $ (1,485) |
| | | |
| Actuarial Assumptions: | | |
| Discount Rate | 4.65% | 2.80% |
| Expected Return on Plan Assets | 3.20 | 6.00 |
| Healthcare Cost Present Trend Rate for Participants up to 65 Medical/Prescription Drug | 6.2-6.2 | 6.7-6.7 |
| Healthcare Cost Present Trend Rate for Participants 65 and Over Medical/Prescription Drug | 6.2-6.2 | 6.7-6.7 |
| Healthcare Cost Ultimate Trend Rate (Year of Stabilization) | 3.94 (2075) | 4.30 (2038) |

(DOLLARS IN THOUSANDS)

## NOTE 10 POSTRETIREMENT BENEFIT PLAN (CONTINUED)

**Postretirement Benefits (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 | $ 419 | $ (329) |
| Effect on Postretirement Benefit Obligations | 3,602 | (2,928) |

**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 2023 through 2032:

| Year Ending June 30, | Amount |
|---|---|
| 2023 | $ 1,041 |
| 2024 | 1,167 |
| 2025 | 1,245 |
| 2026 | 1,306 |
| 2027 | 1,386 |
| Years 2028 – 2032 | 8,290 |

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 2022 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, 2022, (measurement date) is 84% in fixed income investments and 16% 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.

(DOLLARS IN THOUSANDS)

## 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, 2020 | $ 469 | $ 406 | $ 875 |
| Revenue Recognized | (469) | (294) | (763) |
| Payments Received for Future Performance Obligations | 3,748 | 1,824 | 5,572 |
| Balance at June 30, 2021 | 3,748 | 1,936 | 5,684 |
| Revenue Recognized | (3,748) | (1,908) | (5,656) |
| Payments Received for Future Performance Obligations | 4,236 | 337 | 4,573 |
| Balance at June 30, 2022 | $ 4,236 | $ 365 | $ 4,601 |

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.

## NOTE 12 NET ASSETS

Net assets with restriction consist of the following as of June 30:

| | 2022 | 2021 |
|---|---|---|
| **Time or Purpose Restricted** | | |
| General Purposes | $ 147 | $ 209 |
| Instruction | 1,581 | 1,480 |
| Academic Support | 4,121 | 4,420 |
| Student Services | 3,358 | 3,710 |
| Institutional Support | 1,803 | 1,954 |
| Auxiliary Services | 8 | 6 |
| Scholarships, Grants, and Loans | 3,032 | 2,611 |
| Facilities Operations | 4,199 | 2,171 |
| Split Interest Agreements | 574 | 571 |
| Total | 18,823 | 17,132 |
| **Time or Purpose Restricted - Endowment Corpus** | | |
| Instruction | 691 | 691 |
| Scholarships, Grants, and Loans | 3,097 | 1,419 |
| Total | 3,788 | 2,110 |

(DOLLARS IN THOUSANDS)

## NOTE 12 NET ASSETS (CONTINUED)

| | 2022 | 2021 |
|---|---|---|
| **Investment Return Generated from Donor-Restricted Endowment Funds Subject to UPMIFA** | | |
| General Purposes | $ 125,066 | $ 149,879 |
| Instruction | 238,144 | 289,578 |
| Academic Support | 54,365 | 66,443 |
| Student Services | 47,354 | 58,703 |
| Institutional Support | 29,492 | 35,359 |
| Scholarships, Grants, and Loans | 176,522 | 219,817 |
| Facilities Operations | 366 | 445 |
| Total | 671,309 | 820,224 |
| **Perpetual - Endowment Related** | | |
| General Purposes | 12,619 | 12,914 |
| Instruction | 43,158 | 41,664 |
| Academic Support | 11,931 | 11,508 |
| Student Services | 15,803 | 14,928 |
| Institutional Support | 2,607 | 2,585 |
| Scholarships, Grants, and Loans | 58,564 | 57,338 |
| Facilities Operations | 70 | 70 |
| Total | 144,752 | 141,007 |
| **Perpetual - Other** | | |
| Scholarships, Grants, and Loans | 3,679 | 3,915 |
| Split Interest Agreements | 3,642 | 5,409 |
| Total | 7,321 | 9,324 |
| Total Net Assets With Donor Restrictions | $ 845,993 | $ 989,797 |

## NOTE 13 BONDS PAYABLE

Bonds payable consist of the following at June 30:

| | 2022 | 2021 |
|---|---|---|
| Revenue Bonds dated November 20, 2014 with Final Maturity on December 1, 2044 | $ 55,075 | $ 56,415 |
| Revenue Bonds dated February 7, 2017 with Final Maturity on December 1, 2046 | 102,300 | 104,455 |
| Revenue Bonds dated April 8, 2021 with Final Maturity on December 1, 2051 | 60,600 | 60,600 |
| | 217,975 | 221,470 |
| Capitalized Bond Issuance Costs | (1,411) | (1,465) |
| Premium on Revenue Bonds | 12,230 | 13,528 |
| Total | $ 228,794 | $ 233,533 |

**(DOLLARS IN THOUSANDS)**

## NOTE 13 BONDS PAYABLE (CONTINUED)

On November 20, 2014, Iowa Higher Education Loan Authority (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.

On April 8, 2021, IHELA issued an aggregate of $60,600 of Private College Facility Revenue Refunding Bonds. The 2021 bond issue was structured as a bullet maturity at an interest rate of 3.0%. Interest on the 2021 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.

Scheduled maturities on bonds payable of the College subsequent to June 30, 2022 are as follows:

| Year Ending June 30, | Amount |
|---|---|
| 2023 | $ 3,650 |
| 2024 | 3,810 |
| 2025 | 3,975 |
| 2026 | 4,150 |
| 2027 | 4,355 |
| Thereafter | 198,035 |
| Total | $ 217,975 |

The College has 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. 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.

(DOLLARS IN THOUSANDS)

## 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 $263 and $540 at June 30, 2022 and 2021, 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, 2022. The composite score calculated reflects the overall relative financial health of institutions along a scale from negative 1.0 to positive 3.0.

The composite score for the year ended June 30, 2022 is as follows:

| | | |
|---|---|---|
| Primary Reserve Ratio: | | |
| Expendable Net Assets | $ 2,398,147 | |
| Total Expenses | $ 145,787 | 16.45 |
| Equity Ratio: | | |
| Modified Net Assets | $ 2,709,452 | |
| Modified Assets | $ 2,988,191 | 0.91 |
| Net Income Ratio: | | |
| Change in Net Assets Without Donor Restrictions | $ (296,744) | |
| Total Revenues Without Donor Restrictions | $ 152,096 | (1.95) |

| | Ratios | Strength Factors | Weight | Composite Scores |
|---|---|---|---|---|
| Primary Reserve | 16.45 | 3.0 | 40% | 1.20 |
| Equity | 0.91 | 3.0 | 40% | 1.20 |
| Net Income | (1.95) | -1.0 | 20% | -0.20 |
| Composite Score | | | | 2.20 |

(DOLLARS IN THOUSANDS)

## NOTE 16 COMPOSITE SCORE (CONTINUED)

See below for 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 | $ | 152,073 |
| 2 | Other net assets with donor restrictions (not restricted in perpetuity): | | |
| a. | Annuities with donor restrictions | $ | 574 |
| b. | Term endowments | | 3,549 |
| c. | Life income funds (trusts) | | 1,666 |
| d. | Total annuities, term endowments, and life income funds with donor restrictions | $ | 5,789 |
| **Property, Plant, and Equipment, net** | | | |
| 3 | Pre-implementation property, plant, and equipment, net | | |
| a. | Ending balance of pre-implementation as of June 30, 2021 | $ | 306,462 |
| 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) | | (12,504) |
| d. | Balance pre-implementation property, plant, and equipment, net | | 293,958 |
| 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 | | 5,553 |
| d. | Total property, plant, and equipment, net acquired with debt exceeding 12 months | | 5,553 |
| 5 | Construction in progress - acquired with debt subsequent to June 30, 2019 | | 8,415 |
| 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 | | 25,562 |
| 7 | Total Property, Plant, and Equipment, net - June 30, 2022 | $ | 333,488 |
| **Debt to be excluded from expendable net assets** | | | |
| 8 | Pre-implementation debt: | | |
| a. | Ending balance of pre-implementation as of June 30, 2021 | $ | 160,870 |
| 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 | | (3,495) |
| d. | Balance Pre-implementation Debt | | 157,375 |
| 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 | | 8,415 |
| 11 | Long-term debt not for the purchase of property, plant, and equipment or liability greater than assets value | | 52,185 |
| | | $ | 217,975 |
| **Unsecured related-party receivables** | | | |
| 19 | Secured related-party receivables | $ | - |
| 20 | Unsecured related party receivables | | 322 |
| 21 | Total secured and unsecured related-party receivables | $ | 322 |

# TRUSTEES OF GRINNELL COLLEGE
# FINANCIAL RESPONSIBILITY RATIO SUPPLEMENTAL SCHEDULE
# JUNE 30, 2022
## (DOLLARS IN THOUSANDS)

| | | | | |
|---|---|---|---|---|
| | **Primary Reserve Ratio:** | | | |
| | | **Expendable Net Assets:** | | |
| 1 | Statement of Financial Position (SFP) | Net assets without donor restrictions | $ | 1,863,781 |
| 2 | SFP | Net assets with donor restrictions | | 845,993 |
| 3 | Note 16 Line 1 | Net assets restricted in perpetuity | | 152,073 |
| 4 | Note 16 Line 20 | Unsecured related-party receivable | | 322 |
| 5 | Note 16 Line 2d | Donor restricted annuities, term endowments, life income funds | | 5,789 |
| 6 | Note 16 Line 3d | Property, plant, and equipment pre-implementation | | 293,958 |
| 7 | Note 16 Line 4d | Property, plant, and equipment post-implementation with outstanding debt for original purchase | | 5,553 |
| 8 | Note 16 Line 5 | Construction in progress purchased with long-term debt | | 8,415 |
| 9 | Note 16 Line 11 | Post-implementation property, plant, and equipment, net, acquired without debt | | 25,562 |
| 10 | N/A | Lease right-of-use asset, pre-implementation (grandfather of leases option not chosen) | | - |
| 11 | N/A | Lease right-of-use asset, post-implementation | | - |
| 12 | SFP | Intangible assets | | - |
| 13 | SFP | Post-employment and pension liabilities | | 14,255 |
| 14 | Note 16 Line 8d | Long-term debt - for long-term purposes pre-implementation | | 157,375 |
| 15 | Note 16 Line 9d | Long-term debt - for long-term purposes post-implementation | | - |
| 16 | Note 16 Line 10 | Long-term debt - for construction in progress | | 8,415 |
| 17 | N/A | Pre-implementation right-of-use asset liability | | - |
| 18 | N/A | Post-implementation right-of-use asset liability | | - |
| | | **Total Expenses and Losses:** | | |
| 19 | Statement of Activities (SOA) | Total expenses (operating and nonoperating) without donor restrictions | | 145,786 |
| 20 | SOA | Nonservice component of pension/postemployment (nonoperating) cost, (if loss) | | - |
| 21 | SOA | Sale of fixed assets (if loss) | | 1 |
| 22 | SOA | Change in value of interest-rate swap agreements (if loss) | | - |
| | **Equity Ratio:** | | | |
| | | **Modified Net Assets:** | | |
| 23 | SFP | Net assets without donor restrictions | $ | 1,863,781 |
| 24 | SFP | Net assets with donor restrictions | | 845,993 |
| 25 | SFP | Intangible assets | | - |
| 26 | Note 16 Line 20 | Unsecured related-party receivables | | 322 |
| | | **Modified Assets:** | | |
| 27 | SFP | Total assets | | 2,988,513 |
| 28 | N/A | Lease right-of-use asset pre-implementation | | - |
| 29 | SFP | Intangible assets | | - |
| 30 | Note 16 Line 20 | Unsecured related-party receivables | | 322 |
| | **Net Income Ratio:** | | | |
| 31 | SOA | **Change in Net Assets Without Donor Restrictions** | $ | (296,744) |
| | | **Total Revenues and Gains:** | | |
| 32 | SOA | Total operating revenue (including net assets released from restrictions) | | 148,042 |
| 33 | SOA | Investments gain, net (aggregate operating and nonoperating interest, dividends, realized and unrealized gains) | | - |
| 34 | SOA | Nonservice component of pension/postemployment (nonoperating) cost (if gain) | | 4,054 |
| 35 | SOA | Pension-related changes other than net periodic pension costs (if gain) | | - |
| 36 | SOA | Change in value of annuity agreement (typically in nonoperating) | | - |
| 37 | SOA | Change in value of interest-rate swap agreements (if gain) | | - |
| 38 | SOA | Sale of fixed assets (if gain) | | - |
| 39 | SOA | Other gains | | - |

Grinnell College
Office of the Treasurer

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