

# **Gustavus Adolphus College**

Financial Statements

May 31, 2022 and 2021

# Gustavus Adolphus College

---

Table of Contents  
May 31, 2022 and 2021

	<u>Page</u>
<b>Independent Auditor's Report</b>	1
Statements of Financial Position	4
Statements of Activities	5
Statements of Cash Flows	7
Notes to Financial Statements	8

## Independent Auditor's Report

Board of Directors  
Gustavus Adolphus College  
St. Peter, Minnesota

### ***Opinion***

We have audited the financial statements of Gustavus Adolphus College (the College), which comprise the statement of financial position as of May 31, 2022, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements.

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

### ***Basis for Opinion***

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

### ***Prior Year Audited by Other Auditors***

The 2021 financial statements, including the 2021 summarized comparative information presented with the 2022 statement of activities, were audited by other auditors, and their report thereon, dated September 20, 2021, expressed an unmodified opinion. The summarized comparative information presented herein for the year ended May 31, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

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

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

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

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 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 financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Gustavus Adolphus College's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Gustavus Adolphus 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.

**FORVIS,LLP**

Kansas City, Missouri  
September 30, 2022

**Gustavus Adolphus College**

## Statements of Financial Position

May 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 25,502,844	\$ 38,011,954
Receivables		
Student accounts, net of allowance for doubtful accounts of \$625,000 and \$520,000	599,400	589,335
Government grants	195,309	169,230
Contributions, net	26,129,000	33,560,000
Other	453,453	699,396
Inventories	487,517	441,562
Prepaid expenses and other assets	2,284,531	1,800,018
Students notes receivable, net	849,869	1,166,791
Investments		
Cash and short-term investments	1,201,293	1,398,658
Investments other than endowment	19,431,755	23,364,430
Interest in buildings, net of accumulated depreciation of \$402,639 and \$400,024	131,715	148,386
Real estate held for resale	507,340	507,340
Beneficial interest in funds held in trust	1,051,042	1,057,469
Other	268,770	230,688
Endowment investments	289,138,396	270,868,597
Construction in progress	607,566	5,543,491
Property, plant and equipment, net	<u>186,388,541</u>	<u>162,673,508</u>
 Total assets	 <u>\$ 555,228,341</u>	 <u>\$ 542,230,853</u>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable	\$ 7,505,373	\$ 3,402,419
Accrued liabilities	13,291,147	14,484,910
Deferred revenue	2,999,626	2,636,254
Future interest discount on pooled life income funds	110,884	120,546
Annuities payable	8,429,420	9,870,591
Funds held for others	2,674,549	2,982,838
Long-term debt, net	63,180,627	64,419,217
U.S. government grants refundable	<u>1,028,640</u>	<u>1,350,101</u>
 Total liabilities	 <u>99,220,266</u>	 <u>99,266,876</u>
<b>Net Assets</b>		
Without donor restrictions	178,600,716	148,081,486
With donor restrictions	<u>277,407,359</u>	<u>294,882,491</u>
 Total net assets	 <u>456,008,075</u>	 <u>442,963,977</u>
 Total liabilities and net assets	 <u>\$ 555,228,341</u>	 <u>\$ 542,230,853</u>

See notes to financial statements

**Gustavus Adolphus College**

## Statement of Activities

Year Ended May 31, 2022 (With Comparative Totals for 2021)

	2022			2021 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
<b>Operating Revenues and Other Additions</b>				
Tuition and fees, net of scholarships and grants of \$67,414,516 and \$65,487,972, respectively	\$ 41,809,959	\$ -	\$ 41,809,959	\$ 40,854,677
Government grants	-	7,185,944	7,185,944	4,926,141
Private gifts and grants	1,967,218	3,527,354	5,494,572	8,320,901
Endowment income	1,879,538	7,391,824	9,271,362	8,069,007
Investment income	66,719	-	66,719	38,150
Other sources	3,009,160	-	3,009,160	1,306,512
Sales and services of auxiliary enterprises	22,610,199	-	22,610,199	19,476,291
	<u>71,342,793</u>	<u>18,105,122</u>	<u>89,447,915</u>	<u>82,991,679</u>
Net assets released from restrictions	19,824,678	(19,824,678)	-	-
Amortization of contributions for long-lived assets	<u>3,335,660</u>	<u>-</u>	<u>3,335,660</u>	<u>3,066,757</u>
Total operating revenues and other additions	<u>94,503,131</u>	<u>(1,719,556)</u>	<u>92,783,575</u>	<u>86,058,436</u>
<b>Operating Expenses</b>				
Program expenses:				
Instruction	39,239,354	-	39,239,354	37,484,115
Academic support	5,000,993	-	5,000,993	4,638,427
Research	273,136	-	273,136	179,410
Public service	2,438,822	-	2,438,822	1,762,445
Student services	18,088,184	-	18,088,184	15,174,295
Auxiliary enterprises	13,503,422	-	13,503,422	11,883,758
Support expenses:				
Institutional support	<u>12,917,045</u>	<u>-</u>	<u>12,917,045</u>	<u>11,639,370</u>
Total operating expenses	<u>91,460,956</u>	<u>-</u>	<u>91,460,956</u>	<u>82,761,820</u>
Change in net assets from operating activity	<u>3,042,175</u>	<u>(1,719,556)</u>	<u>1,322,619</u>	<u>3,296,616</u>
<b>Nonoperating Activity</b>				
Private gifts and grants	-	10,345,578	10,345,578	14,041,161
Endowment income	-	91,968	91,968	81,581
Investment income	-	95	95	102
Investment income, net of endowment income	897,336	4,751,384	5,648,720	59,902,598
Adjustment of actuarial liability	(7,733)	(1,021,489)	(1,029,222)	3,122,646
Loss on disposal of assets	-	-	-	(37,369)
Amortization of contributions for long-lived assets	(3,335,660)	-	(3,335,660)	(3,066,757)
Net assets released from restrictions for capital acquisitions	<u>29,923,112</u>	<u>(29,923,112)</u>	<u>-</u>	<u>-</u>
Total nonoperating activity	<u>27,477,055</u>	<u>(15,755,576)</u>	<u>11,721,479</u>	<u>74,043,962</u>
Change in net assets	30,519,230	(17,475,132)	13,044,098	77,340,578
<b>Net Assets, Beginning</b>	<u>148,081,486</u>	<u>294,882,491</u>	<u>442,963,977</u>	<u>365,623,399</u>
<b>Net Assets, Ending</b>	<u>\$ 178,600,716</u>	<u>\$ 277,407,359</u>	<u>\$ 456,008,075</u>	<u>\$ 442,963,977</u>

See notes to financial statements

**Gustavus Adolphus College**Statement of Activities  
Year Ended May 31, 2021

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Operating Revenues and Other Additions</b>			
Tuition and fees, net of scholarships and grants of \$65,487,972	\$ 40,854,677	\$ -	\$ 40,854,677
Government grants	-	4,926,141	4,926,141
Private gifts and grants	1,673,309	6,647,592	8,320,901
Endowment income	1,603,406	6,465,601	8,069,007
Investment income	38,150	-	38,150
Other sources	1,306,512	-	1,306,512
Sales and services of auxiliary enterprises	19,476,291	-	19,476,291
	<u>64,952,345</u>	<u>18,039,334</u>	<u>82,991,679</u>
Net assets released from restrictions	16,664,828	(16,664,828)	-
Amortization of contributions for long-lived assets	<u>3,066,757</u>	<u>-</u>	<u>3,066,757</u>
Total operating revenues and other additions	<u>84,683,930</u>	<u>1,374,506</u>	<u>86,058,436</u>
<b>Operating Expenses</b>			
Program expenses:			
Instruction	37,484,115	-	37,484,115
Academic support	4,638,427	-	4,638,427
Research	179,410	-	179,410
Public service	1,762,445	-	1,762,445
Student services	15,174,295	-	15,174,295
Auxiliary enterprises	11,883,758	-	11,883,758
Support expenses:			
Institutional support	11,639,370	-	11,639,370
Total operating expenses	<u>82,761,820</u>	<u>-</u>	<u>82,761,820</u>
Change in net assets from operating activity	<u>1,922,110</u>	<u>1,374,506</u>	<u>3,296,616</u>
<b>Nonoperating Activity</b>			
Private gifts and grants	-	14,041,161	14,041,161
Endowment income	-	81,581	81,581
Investment income	-	102	102
Investment income, net of endowment income	8,940,318	50,962,280	59,902,598
Adjustment of actuarial liability	38,838	3,083,808	3,122,646
Loss on disposal of assets	(37,369)	-	(37,369)
Amortization of contributions for long-lived assets	(3,066,757)	-	(3,066,757)
Net assets released from restrictions for capital acquisitions	<u>24,405,444</u>	<u>(24,405,444)</u>	<u>-</u>
Total nonoperating activity	<u>30,280,474</u>	<u>43,763,488</u>	<u>74,043,962</u>
Change in net assets	32,202,584	45,137,994	77,340,578
<b>Net Assets, Beginning</b>	<u>115,878,902</u>	<u>249,744,497</u>	<u>365,623,399</u>
<b>Net Assets, Ending</b>	<u>\$ 148,081,486</u>	<u>\$ 294,882,491</u>	<u>\$ 442,963,977</u>

See notes to financial statements



**Gustavus Adolphus College**

## Statements of Cash Flows

Years Ended May 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<b>Cash Flows From Operating Activities</b>		
Change in net assets	\$ 13,044,098	\$ 77,340,578
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation, amortization and depletion	8,536,301	8,453,510
Amortization of bond premium	(196,621)	(196,621)
Loss on disposal of assets	-	37,369
Decrease in student notes receivable allowance	(35,000)	(40,000)
Unrealized and realized gains on investments	(14,551,482)	(67,602,324)
Actuarial adjustment of annuities payable	1,031,664	(2,845,651)
Pooled life income adjustments	92,978	71,403
Loan cancellations and reinstatements	9,667	10,552
Change in assets and liabilities:		
Student receivables	(10,065)	103,088
Government grants receivable	(26,079)	210,634
Other receivables	245,943	(510,396)
Contributions receivable, operations	584,652	898,741
Inventories	(45,955)	96,147
Prepaid expenses and other assets	(484,513)	(182,822)
Accounts payable	(118,556)	749,784
Accrued liabilities	(1,193,763)	1,242,065
Deferred revenue	363,372	(1,705,834)
Funds held for others	71,726	(550,324)
Contributions restricted for plant and long-term investment	(11,439,290)	(17,619,567)
Investment income restricted for plant, loans, and long-term investment	(101,228)	(90,096)
	<u>(4,222,151)</u>	<u>(2,129,764)</u>
Net cash flows from operating activities		
<b>Cash Flows From Investing Activities</b>		
Purchases of investments	(140,089,071)	(61,791,730)
Proceeds from sale of investments	138,681,310	58,970,749
Purchases of property, plant and equipment	(23,052,710)	(15,368,866)
Repayments of loans from students	342,255	414,272
	<u>(24,118,216)</u>	<u>(17,775,575)</u>
Net cash flows from investing activities		
<b>Cash Flows From Financing Activities</b>		
Changes in deposits with bond trustee	-	3
Repayment of principal on indebtedness	(1,070,000)	(930,000)
Receipts of investment income restricted for plant, loans and long-term investment	101,228	90,096
Contributions received restricted for plant and long-term investment	18,285,638	23,150,826
Decrease in refundable U.S. government grants	(321,461)	(397,483)
Increase in liability for new split interest agreements	10,434	44,453
Payments to annuitants and pooled life income beneficiaries	(1,174,582)	(1,242,387)
	<u>15,831,257</u>	<u>20,715,508</u>
Net cash flows from financing activities		
Net change in cash and cash equivalents	(12,509,110)	810,169
<b>Cash and Cash Equivalents, Beginning</b>	<u>38,011,954</u>	<u>37,201,785</u>
<b>Cash and Cash Equivalents, Ending</b>	<u>\$ 25,502,844</u>	<u>\$ 38,011,954</u>
<b>Supplemental Disclosures of Cash Flow Information</b>		
Interest paid	<u>\$ 2,664,631</u>	<u>\$ 2,708,031</u>
<b>Noncash Investing and Financing Activities</b>		
Capital related items included in accounts payable	<u>\$ 5,702,518</u>	<u>\$ 1,481,008</u>

See notes to financial statements

# Gustavus Adolphus College

Notes to Financial Statements  
Years Ended May 31, 2022 and 2021

---

## 1. Significant Accounting Policies

Gustavus Adolphus College (the College) is an institution of higher education affiliated with the Evangelical Lutheran Church in America. The accounting policies of the College reflect practices common to universities and colleges and conform to accounting principles generally accepted in the United States of America. The more significant accounting policies are summarized below:

### Net Asset Classifications

For the purposes of financial reporting, the College classifies resources into two net asset categories pursuant to any donor-imposed restrictions and applicable law. Accordingly, the net assets of the College are classified in the accompanying financial statements in the categories that follow:

**Without Donor Restrictions** - Net assets not subject to donor-imposed stipulations.

**With Donor Restrictions** - Net assets subject to donor-imposed stipulations that will be met by action of the College and/or the passage of time or maintained permanently by the College. Generally, the donors of assets held in perpetuity permit the College to use all or part of the income earned on related investments for general or specific purposes.

The Board of Directors has adopted a policy that affects the presentation of board designations on net assets without donor restrictions. Bequests and matured deferred gifts without donor restrictions received during the fiscal year are distributed to the quasi endowment fund unless their use for other purposes is authorized by the Board of Directors (see Note 8).

### Releases From Restrictions

Expirations of donor restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed and the law allows the release of the restriction) are reported on the statement of activities as net assets released from restrictions. Occasionally, donor restrictions related to net assets may be clarified or changed, at which time they are reflected as reclassification of prior year net assets on the statement of activities.

### Revenue Recognition

The timing and classification of revenue are summarized below:

#### Tuition and Fees Revenue

Tuition and fee revenue is recognized in the fiscal year in which the academic programs are delivered (i.e. when the performance obligation is satisfied) as increases in net assets without donor restrictions. Financial assistance in the form of scholarships and grants that cover a portion of tuition and fees are reflected as a reduction of tuition and fees revenues. The College offers institutional grants to students in the form of merit-based scholarships and need-based grants at the College's discretion. In addition, student withdrawals that occur during the semester may be eligible for a refund based upon the College's published refund policy. All refunds are recognized as a reduction of tuition revenue. Payments for tuition are due approximately one week prior to the start of the academic term. Generally, the College's performance obligations are satisfied equally over each academic term. The College applies the practical expedient as allowed for within the accounting standards and combines contracts for tuition into a single portfolio of similar contracts. All remaining performance obligations will be satisfied in connection with the completion of the fiscal 22-23 academic year. The College determines the transaction price based on standard charges for goods and services provided, reduced by discounts provided relating to institutional scholarships in accordance with the College's policies.

# Gustavus Adolphus College

Notes to Financial Statements  
Years Ended May 31, 2022 and 2021

## Auxiliary Revenue

The College also provides auxiliary services, such as housing and meal services (room and board). Performance obligations for room and board and other auxiliary services are satisfied, and revenue is recognized as increases in net assets without donor restrictions, when the related service is performed which is generally ratable over the academic term. The College applies the practical expedient as allowed for within the accounting standards and contracts for room and board are combined into a single portfolio of similar contracts. Payment for room and board is required before the start of the academic term. Student withdrawals that occur during the semester may be eligible for refunds based upon the College's published refund policy. Refunds issued reduce the amount of revenue recognized. The College determines the transaction price based on standard charges for goods and services provided.

Deferred revenue represents payments received for tuition or room and board prior to the start of the fall academic term. The following table notes the activity within the deferred revenue accounts relating to tuition.

	<u>2022</u>	<u>2021</u>
Balance at beginning of the year	\$ 1,366,998	\$ 3,345,771
Refunds issued	(148,795)	(116,201)
Revenue recognized during the year	(1,218,203)	(3,229,570)
Cash received in advance of performance	<u>1,242,226</u>	<u>1,366,998</u>
Balance at end of the year	<u>\$ 1,242,226</u>	<u>\$ 1,366,998</u>

## Disaggregation of Revenue

The composition of revenue for the years ended May 31, 2022 and 2021, is as follows:

	<u>2022</u>	<u>2021</u>
Student tuition and fees:		
Tuition	\$ 39,726,802	\$ 39,166,862
Fees	<u>2,083,157</u>	<u>1,687,815</u>
Total tuition and fees	<u>\$ 41,809,959</u>	<u>\$ 40,854,677</u>
Other Sources	<u>\$ 3,009,160</u>	<u>\$ 1,306,512</u>
Auxiliary enterprises		
Student residences	\$ 13,606,228	\$ 12,294,883
Dining service and other auxiliary	<u>9,003,971</u>	<u>7,181,408</u>
Total auxiliary enterprises	<u>\$ 22,610,199</u>	<u>\$ 19,476,291</u>
Timing of revenue and recognition		
Services transferred over time	\$ 63,695,711	\$ 59,238,233
Sales at point in time	<u>3,733,607</u>	<u>2,399,247</u>
Total timing of revenue and recognition	<u>\$ 67,429,318</u>	<u>\$ 61,637,480</u>

# Gustavus Adolphus College

Notes to Financial Statements  
Years Ended May 31, 2022 and 2021

---

## Contribution Revenue

Unconditional contributions are recognized as revenue when the donor's irrevocable commitments are received, as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present-value discount is amortized using the level-yield method. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return - are not recognized until they become unconditional, that is, when the conditions on which they depend are met. Gifts of assets other than cash are recorded at their estimated fair value at the date of the gift. During the year ended May 31, 2019, the College received a \$1,000,000 conditional contribution. Revenue of \$213,000 and \$188,000 was recognized in the years ending May 31, 2022 and 2021, respectively. Deferred revenue of \$346,000 and \$559,000 at May 31, 2022 and 2021, respectively, will be recognized as revenue when allowable expenses are incurred.

Conditional and unconditional contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenues with donor restrictions, and a release to net assets without donor restrictions is made to reflect the expiration of such restrictions.

The College reports contributions of depreciable assets, or of cash and other assets to be used to acquire them, as donor restricted revenue. The restriction on the related net assets are released when the assets are placed in service.

## Government Grants

A portion of the College's revenue is derived from cost-reimbursable government grants and contracts, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue within net assets with donor restrictions when the College has incurred expenditures in compliance with specific grant or contract provisions. Amounts received prior to incurring qualifying expenditures, if any, are reported as refundable advances in the statement of financial position. The College had no cost-reimbursable grants at May 31, 2022 and \$5,250,870 of cost-reimbursable grants that have not been recognized at May 31, 2021 because qualifying expenditures have not yet been incurred.

## Investment Gains and Losses

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

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

- > as increases in net assets without donor restrictions for board-designated endowment funds;
- > as increases in net assets with donor restrictions if the terms of the gift that gave rise to the investment require that they be added to the principal of a permanent endowment fund; and
- > as increases in net assets with donor restrictions in all other cases

Losses from investments on donor-restricted endowment funds are reported as decreases in net assets with donor restrictions. Losses on board-designated endowment funds are reported as decreases in net assets without donor restrictions.

# Gustavus Adolphus College

Notes to Financial Statements  
Years Ended May 31, 2022 and 2021

---

## Measure of Operations

The College's operating revenues in excess of operating expenses include support for operating activities. The measure of operations excludes endowment support for non-operating activities, investment return in excess of amounts made available for operations, changes in the actuarial value of annuities payable, plant and endowment gifts, disposal of fixed assets, release from restrictions for capital acquisitions and the amortization of contributions expended for long-lived assets already placed in service.

## Cash and Cash Equivalents

The College considers all liquid investments with original maturities of three months or less to be cash equivalents. Uninvested cash and cash equivalents included in investment accounts, including endowment accounts, are not considered to be cash and cash equivalents. Deposit accounts externally restricted by regulators are not considered to be cash and cash equivalents. At May 31, 2022 and 2021, cash equivalents consisted primarily of assets held in checking and money market accounts.

## Receivables

Student accounts receivable are carried at the amount of consideration from students less an estimate made for doubtful accounts based on a review of all outstanding amounts. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Student accounts receivable are written off when deemed uncollectible. Recoveries of student accounts previously written off are recorded when received. Receivables are generally unsecured. A student account receivable is considered to be delinquent if not paid by the due date. A monthly service fee is charged on delinquent amounts.

## Inventories

Bookstore inventories are valued at cost using the first-in, first-out method. All other inventories are valued at the lower of cost (first-in, first-out) or net realizable value.

## Beneficial Interest in Funds Held in Trust

The beneficial interest in funds held in trust and related contribution revenue are recognized at the date the trusts are established and become irrevocable for the present value of estimated future payments to be received. Perpetual trusts are valued based upon the market value of the trust assets which approximates fair value of the beneficial interest in the trusts.

## Investments

Investments in publicly traded securities are stated at fair value based on quoted market prices from national security exchanges. Other investments, for which quoted prices are not available, are stated at fair value as estimated by management using values provided by external investment managers or general partners. Other investments are recorded at cost, except those items received as gifts, which are valued at fair value at the date of the gift. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method.

The College maintains a unitized pooled investment fund to manage its endowment. Each individual endowment is adjusted quarterly based upon the pool activity.

# **Gustavus Adolphus College**

Notes to Financial Statements  
Years Ended May 31, 2022 and 2021

---

## **Property, Plant and Equipment, Net**

Physical plant assets are stated at cost less accumulated depreciation. The College depreciates its assets on the straight-line basis over estimated useful lives as follows: buildings 40 years, improvements 3 to 20 years, equipment 5 to 25 years, and library books 15 years. Normal repair and maintenance expenses are charged to operations as incurred. The College capitalizes physical plant additions in excess of \$5,000.

## **Impairment of Long-Lived Assets**

The College reviews long-lived assets, including property and equipment for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset are less than the carrying amount of that asset. There were no impairments recorded in fiscal 2022 or 2021.

## **Capital Gifts to Acquire or Construct Long-Lived Assets**

Capital gifts to acquire or construct a long-lived asset are recorded as a donor restricted gift until the related asset is placed in service, at which time the capital gift is released from net assets with donor restrictions to net assets without donor restrictions. The College amortizes these gifts over the useful life of these assets. During the years ended May 31, 2022 and 2021, amortization of \$3,335,660 and \$3,066,757, respectively was reclassified from nonoperating to operating on the statement of activities.

## **Asset Retirement Obligations**

Asset retirement obligations of \$2,195,000 and \$2,289,000, for the years ended May 31, 2022 and 2021, respectively, included in accrued liabilities, represent estimated costs and obligations associated with the retirement of long-lived assets. These liabilities were initially recorded at fair value and the related retirement costs were recorded as decreases in net assets without donor restrictions. Asset retirement costs are subsequently accreted over the useful lives of the related assets. No accretion was recorded in the years ended May 31, 2022 and May 31, 2021. Approximately \$94,000 and \$42,000 of asbestos was abated for the years ended May 31, 2022 and 2021, respectively.

## **Funds Held for Others**

The College acts as custodian for funds transferred from various organizations for investment management and administrative purposes. The funds are to be distributed back to these organizations as they request them or are distributed to beneficiaries as they mature. The College recognizes the funds as a liability in the accompanying statements of financial position.

## **U.S. Government Grants Refundable**

Funds provided by the U.S. Government under the Federal Perkins Loan Program are loaned to qualified students. These funds are ultimately refundable to the government and are included as a liability in the statements of financial position.

## **Grants to Specified Students**

Amounts received from state and federal agencies designated for the benefit of specified students are considered agency transactions and, therefore, are not reflected as revenues and expenses of the College.

# Gustavus Adolphus College

Notes to Financial Statements  
Years Ended May 31, 2022 and 2021

---

## Fund Raising and Advertising Expenses

Fund raising expenses totaled \$3,243,000 and \$3,125,000 for the years ended May 31, 2022 and 2021, respectively. Advertising expenses totaled \$414,000 and \$305,000 for the years ended May 31, 2022 and 2021, respectively. The College expenses advertising costs at the time incurred.

## Retirement Plan

Retirement benefits are provided for the College's eligible staff through a defined contribution 403(b) plan for which Teachers Insurance and Annuity Association (TIAA) is the trustee. Under this arrangement, the College and plan participants make contributions to the plan. Contributions for eligible employees are determined on a percentage of annual compensation. The percentage contributed by the College was 7 percent for each of the years ended May 31, 2022 and 2021. During the year ended May 31, 2021, the College contribution was temporarily suspended from November 1, 2020 to March 31, 2021. The College's share of the cost of these benefits was approximately \$2,255,000 and \$1,454,000 for the years ended May 31, 2022 and 2021, respectively.

## Self-Funded Insurance

A portion of the College's dental plan is maintained as a self-funded health plan. Specific and aggregate stop loss coverage on the health plan is provided to limit the ultimate exposure of the College. A liability is provided for claims incurred but not reported and is included in accrued liabilities on the statements of financial position. Management reviews this accrual on an on-going basis and believes it is adequate to cover such claims.

## Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain expenses have been allocated among the programs and supporting services benefited.

## Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

## Income Tax Status

The Internal Revenue Service has determined that the College is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. Accordingly, the College is not subject to federal income taxes except to the extent it derives income from certain activities not substantially related to its tax-exempt purposes (unrelated trade or business activities). The College is also exempt from state income tax.

The most significant areas that potentially subject the College to unrelated business income tax include hosting conferences and events, various services provided by the dining service to the public and endowment investments. At May 31, 2022 and 2021, the College has no current obligation for unrelated business income tax.

The College follows the accounting standards for contingencies in evaluating uncertain tax positions. This guidance prescribes recognition threshold principles for the financial statement recognition of tax positions taken or expected to be taken on a tax return that are not certain to be realized. No liability has been recognized by the College for uncertain tax positions as of May 31, 2022 or 2021. The College's tax returns are subject to review and examination by federal and state authorities.

## Gustavus Adolphus College

Notes to Financial Statements  
Years Ended May 31, 2022 and 2021

### 2. Restrictions and Limitations on Net Asset Balances

At May 31, 2022 and 2021, the College's net assets were allocated as follows:

	<u>2022</u>	<u>2021</u>
Without donor restrictions:		
Operations	\$ 5,127,304	\$ 5,189,367
Student loan funds	182,460	233,477
Funds functioning as endowment	48,077,363	43,047,762
Split-interest agreements	578,673	586,407
Plant, net of related debt	115,795,916	99,024,473
Contributions receivable	8,839,000	-
	<u>178,600,716</u>	<u>148,081,486</u>
Total without donor restrictions		
With donor restrictions:		
Purpose and time restricted:		
Operations – time restricted	6,619,164	7,641,349
Endowment	89,171,772	84,135,458
Split-interest agreements	220,731	333,947
Plant acquisitions	864,280	10,158,936
Contributions receivable	11,140,000	21,630,000
	<u>108,015,947</u>	<u>123,899,690</u>
Total purpose and time restricted		
Held in perpetuity:		
Student loan funds	647,490	638,230
Endowment	153,995,605	148,105,047
Split-interest agreements	8,598,317	10,309,524
Contributions receivable	6,150,000	11,930,000
	<u>169,391,412</u>	<u>170,982,801</u>
Total held in perpetuity		
Total with donor restrictions	<u>277,407,359</u>	<u>294,882,491</u>
Total net assets	<u>\$ 456,008,075</u>	<u>\$ 442,963,977</u>

### 3. Net Assets Released From Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of events specified by the donors during the years ended May 31, 2022 and 2021, as follows:

	<u>2022</u>	<u>2021</u>
Scholarships, instruction and other departmental support	\$ 19,824,678	\$ 16,578,182
Maturity of deferred gifts	-	86,646
Capital acquisitions	29,923,112	24,405,444
	<u>\$ 49,747,790</u>	<u>\$ 41,070,272</u>
Total net assets released from restrictions		



## Gustavus Adolphus College

Notes to Financial Statements  
Years Ended May 31, 2022 and 2021

### 4. Contributions Receivable, Net

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

	<u>2022</u>	<u>2021</u>
Without donor restrictions, plant projects	\$ 8,839,000	\$ -
With donor restrictions, operations	4,088,000	4,673,000
With donor restrictions, plant projects	7,728,000	17,891,000
With donor restrictions, endowment - held in perpetuity	6,673,000	13,295,000
	<u>27,328,000</u>	<u>35,859,000</u>
Less: unamortized discount	(782,000)	(1,913,000)
Less: allowance for uncollectible promises	(417,000)	(386,000)
	<u>\$ 26,129,000</u>	<u>\$ 33,560,000</u>

At May 31, 2022, net contributions receivable of \$12,508,000 are due in less than one year and \$13,621,000 are due in one to five years. Promises due in one to five years were discounted at historical rates between 0.7 percent and 3.0 percent at May 31, 2022 and 2021. Promises due in less than one year were not discounted.

Of the College's contributions receivable, approximately 56 percent and 65 percent were due from three donors as of May 31, 2022 and 2021, respectively.

### 5. Student Notes Receivable, Net

The College issued loans to students based on financial need funded through the Federal Perkins Loan program. Student notes receivable are carried at the amount of unpaid principal less an estimate for doubtful accounts. An allowance for doubtful accounts is established based on prior collection experience and current economic factors which, in management's judgment, could influence the ability of loan recipients to repay the amounts per the loan terms.

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

	<u>2022</u>	<u>2021</u>
Federal Perkins Loan Program	\$ 949,869	\$ 1,301,791
Less: allowance for doubtful accounts:		
Beginning of year	(135,000)	(175,000)
Allowance adjustment	35,000	40,000
	<u>(100,000)</u>	<u>(135,000)</u>
End of year	<u>(100,000)</u>	<u>(135,000)</u>
Total	<u>\$ 849,869</u>	<u>\$ 1,166,791</u>

Funds advanced by the Federal government of \$1,028,640 and \$1,350,101 at May 31, 2022 and 2021, respectively, are ultimately refundable to the government and are classified as liabilities in the statements of financial position.

# Gustavus Adolphus College

Notes to Financial Statements  
Years Ended May 31, 2022 and 2021

The Extension Act amended section 461 of the Higher Education Act to end the College's authority to make new Federal Perkins loans after June 30, 2018. The College is not required to assign the outstanding Federal Perkins loans to the Department of Education or liquidate their Federal Perkins loan funds due to the wind-down of the Federal Perkins loan program. However, the College may choose to liquidate at any time in the future. As of May 31, 2022, the College continues to service the Federal Perkins loan program. During the year ended May 31, 2022, the College returned \$365,926 in excess cash to the government and the College recognized \$60,000 as the College's portion of excess cash and as a reimbursement for loan cancellations. During the year ended May 31, 2021, the College returned \$434,275 in excess cash to the government and the College recognized \$75,913 as the College's portion of excess cash and as a reimbursement for loan cancellations.

After a student is no longer enrolled at a higher education institution and after a grace period, interest is charged on student notes receivable and is recognized as it is charged. Student notes receivable through the loan program is considered to be past due if a payment is not made within 30 days of the payment due date, at which time, late charges are charged and recognized. The student note receivables may be assigned to the U.S. Department of Education. Students may be granted a deferment, forbearance, or cancellation of their receivable balance based on eligibility requirements defined by the U.S. Department of Education.

At May 31, 2022, the amounts past due under the Federal Perkins loan program are as follows: less than 240 days - \$84,971, 240 days to two years - \$77,881, two years to five years - \$132,611 and greater than five years - \$30,144, for a total past due amount of \$325,607. At May 31, 2021, the amounts past due under the Federal Perkins loan program are as follows: less than 240 days - \$105,774, 240 days to two years - \$102,470, two years to five years - \$152,079 greater than five years - \$10,503, for a total past due amount of \$370,826.

## 6. Investments

The following summarizes the College's investments in funds other than endowment, which are recorded at fair value, at May 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Fixed income securities:		
Government obligations	\$ 272,370	\$ 869,752
Bonds	15,333	20,073
Marketable securities:		
Equity securities	-	1,436
Mutual funds	19,144,052	22,473,169
Total	<u>\$ 19,431,755</u>	<u>\$ 23,364,430</u>

# Gustavus Adolphus College

Notes to Financial Statements  
Years Ended May 31, 2022 and 2021

The following summarizes the College's endowment investments, which are recorded at fair value unless otherwise noted, at May 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Cash and short-term investments (\$11,436 and \$2,593 at cost for 2022 and 2021, respectively)	\$ 10,291,457	\$ 3,583,416
Contract for deed receivable, at cost	15,103	16,922
Fixed income securities	-	6,604
Marketable securities:		
Equity securities	267,879	279,774
Mutual funds	104,467,965	138,451,138
Open-end commingled funds	28,827,568	35,381,283
Alternative investments:		
Commodity funds	24,949	44,781
Direct private equity funds	122,901,705	75,367,803
Direct real asset funds	11,903,412	9,035,757
Fund of funds	4,770,207	3,138,923
Beneficial interest in funds held in trust	5,668,151	5,562,196
Total	<u>\$ 289,138,396</u>	<u>\$ 270,868,597</u>

The College's alternative investments are intended to reduce the volatility of the endowment fund and provide a complementary source of return and diversification to traditional investments. Alternative investments include hedge fund, private equity, real asset, and natural resource strategies accessed through both direct funds and diversified fund-of-funds. Investments are broadly diversified by manager, strategy, geography, sector, and company/issue.

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

The amount of investment income and realized and unrealized gains from alternative investments totaled \$33,514,985 and \$20,571,117 for the years ended May 31, 2022 and 2021, respectively.

## 7. Fair Value Measurements

### Fair Value Hierarchy

Fair value is defined in the accounting guidance as the exchange price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the assets or liability in an orderly transaction between market participants at the measurement date. Under this guidance, a three-level hierarchy is used for fair value measurements, which is based on the transparency of information, such as the pricing source, used in the valuation of an asset or liability as of the measurement date.

Financial instruments measured and reported at fair value are classified and disclosed in one of the following three categories.

Level 1 - Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity can access at the measurement date.

# Gustavus Adolphus College

Notes to Financial Statements  
Years Ended May 31, 2022 and 2021

---

Level 2 - Inputs other than quoted prices included in Level 1 are observable for the asset or liability, either directly or indirectly. This includes quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, or market corroborated inputs.

Level 3 - Inputs are unobservable for the asset or liability. Unobservable inputs reflect the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk) using the best information available in the circumstances, which may include using the reporting entity's own data.

## Valuation Techniques and Inputs

Level 1 assets include:

- > Short-term investments (consisting primarily of money market funds), domestic equity securities and mutual funds for which quoted prices are readily available or that trade with sufficient frequency and volume to enable the College to obtain pricing information on an ongoing basis.

Level 2 assets include:

- > Investments in fixed income securities (comprised of asset backed securities and government securities) and open-end commingled funds for which quoted prices are not readily available. The fair values are estimated using Level 2 inputs based on multiple sources of information, which may include market data and/or quoted market prices from either markets that are not active or are for the same or similar assets in active markets.

Level 3 assets include:

- > Beneficial interest in funds held in trust and private equity funds that are not measured at fair value using the net asset value per share (or its equivalent) for which quoted prices are not readily available. The fair values are estimated using an income approach by calculating the present value of the future distributions expected to be received based on a combination of Level 2 inputs (interest rates and yield curves) and significant unobservable inputs (entity specific estimates of cash flows). Since the College has an irrevocable right to receive the income earned from the trust's assets, the fair value of the College's beneficial interest is estimated to approximate the fair value of the trusts' assets. The College has estimated the fair value of the equity funds not measured at fair value by using the estimated fair value provided by the investee.

There have been no changes in the techniques and inputs used as of May 31, 2022 and 2021.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls has been determined based on the lowest level input that is significant to the fair value measurement in its entirety. The assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset.

Certain alternative investments are measured at fair value using the net asset value (NAV) per share (or its equivalent) of such investment funds as a practical expedient for fair value and are not classified in the fair value hierarchy. The College has estimated the fair value of these funds by using the net asset value provided by the investee.

# Gustavus Adolphus College

Notes to Financial Statements  
Years Ended May 31, 2022 and 2021

While the College believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

The following tables summarize assets measured at fair value on a recurring basis as of May 31, 2022 and 2021:

	2022			Total
	Level 1	Level 2	Level 3	
Short-term investments	\$ 10,280,021	\$ -	\$ -	\$ 10,280,021
Domestic equity securities	267,879	-	-	267,879
Fixed income securities	-	287,703	-	287,703
Open-end commingled funds	-	28,827,568	-	28,827,568
Mutual funds:				
Domestic equity	72,303,789	-	-	72,303,789
Fixed income	27,458,853	-	-	27,458,853
International equity	20,930,577	-	-	20,930,577
Real assets	2,918,798	-	-	2,918,798
Private equity funds		-	2,683,102	2,683,102
Beneficial interest in funds held in trust	-	-	6,987,963	6,987,963
Subtotal by valuation hierarchy	<u>\$ 134,159,917</u>	<u>29,115,271</u>	<u>9,671,065</u>	<u>172,946,253</u>
Alternative investments measured using NAV:				
Private equity funds				124,691,162
Real asset funds				<u>12,226,009</u>
Subtotal by NAV				<u>136,917,171</u>
Total assets at fair value				<u>\$ 309,863,424</u>
Investments at May 31, 2022:				
Investments other than endowment				\$ 19,431,755
Endowment investments				289,138,396
Beneficial interest in funds held in trust				1,051,042
Other investments				<u>268,770</u>
Total investments				309,889,963
Less: investments at cost				<u>(26,539)</u>
Total assets at fair value				<u>\$ 309,863,424</u>

# Gustavus Adolphus College

Notes to Financial Statements  
Years Ended May 31, 2022 and 2021

	2021			Total
	Level 1	Level 2	Level 3	
Short-term investments	\$ 3,580,823	\$ -	\$ -	\$ 3,580,823
Domestic equity securities	281,210	-	-	281,210
Fixed income securities	-	896,429	-	896,429
Open-end commingled funds	-	35,381,283	-	35,381,283
Mutual funds:				
Domestic equity	99,914,091	-	-	99,914,091
Fixed income	31,009,004	-	-	31,009,004
International equity	26,558,685	-	-	26,558,685
Real assets	3,442,527	-	-	3,442,527
Private equity funds	-	-	516,450	516,450
Beneficial interest in funds held in trust	-	-	6,850,353	6,850,353
Subtotal by valuation hierarchy	<u>\$ 164,786,340</u>	<u>\$ 36,277,712</u>	<u>\$ 7,366,803</u>	<u>208,430,855</u>
Alternative investments measured using NAV:				
Private equity funds				77,708,095
Real asset funds				<u>9,362,719</u>
Subtotal by NAV				<u>87,070,814</u>
Total assets at fair value				<u>\$ 295,501,669</u>
Investments at May 31, 2021:				
Investments other than endowment				\$ 23,364,430
Endowment investments				270,868,597
Beneficial interest in funds held in trust				1,057,469
Other investments				<u>230,688</u>
Total investments				295,521,184
Less: investments at cost				<u>(19,515)</u>
Total assets at fair value				<u>\$ 295,501,669</u>

# Gustavus Adolphus College

Notes to Financial Statements  
Years Ended May 31, 2022 and 2021

The following table presents a reconciliation of assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended May 31, 2022 and 2021:

	<u>Balances May 31, 2021</u>	<u>Net Realized and Unrealized Gains (Losses)</u>	<u>Purchases</u>	<u>Sales</u>	<u>Net Transfers in (out) of Level 3</u>	<u>Balances May 31, 2022</u>
Private equity funds	\$ 516,450	\$ 114,599	\$ 2,119,982	\$ (67,929)	\$ -	\$ 2,683,102
Beneficial interest in funds held in trust	<u>6,850,353</u>	<u>(387,151)</u>	<u>540,599</u>	<u>(15,838)</u>	<u>-</u>	<u>6,987,963</u>
Totals	<u>\$ 7,366,803</u>	<u>\$ (272,552)</u>	<u>\$ 2,660,581</u>	<u>\$ (83,767)</u>	<u>\$ -</u>	<u>\$ 9,671,065</u>

	<u>Balances May 31, 2020</u>	<u>Net Realized and Unrealized Gains</u>	<u>Purchases</u>	<u>Sales</u>	<u>Net Transfers in (out) of Level 3</u>	<u>Balances May 31, 2021</u>
Private equity funds	\$ 443,389	\$ 73,061	\$ -	\$ -	\$ -	\$ 516,450
Beneficial interest in funds held in trust	<u>5,070,141</u>	<u>829,266</u>	<u>1,184,019</u>	<u>(233,073)</u>	<u>-</u>	<u>6,850,353</u>
Totals	<u>\$ 5,513,530</u>	<u>\$ 902,327</u>	<u>\$ 1,184,019</u>	<u>\$ (233,073)</u>	<u>\$ -</u>	<u>\$ 7,366,803</u>

The following table summarizes assets measured at fair value on a nonrecurring basis as of May 31, 2022 and 2021:

	2022			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Real estate held for resale	<u>\$ -</u>	<u>\$ 371,000</u>	<u>\$ -</u>	<u>\$ 371,000</u>

	2021			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Real estate held for resale	<u>\$ -</u>	<u>\$ 371,000</u>	<u>\$ -</u>	<u>\$ 371,000</u>

## Gustavus Adolphus College

Notes to Financial Statements  
Years Ended May 31, 2022 and 2021

The following table lists the alternative investments in which net asset value was utilized as the practical expedient for estimating fair value by major category as of May 31, 2022 and 2021:

	<u>Private Equity Funds</u>	<u>Real Asset Funds</u>
Fair value, May 31, 2022	\$ 124,691,162	\$ 12,226,009
Fair value, May 31, 2021	\$ 77,708,095	\$ 9,362,719
Significant investment strategy	Buyout, opportunistic, venture, distressed and growth equity in U.S. and international	U.S. real estate, global energy and forestry
Dollar amount of unfunded commitments	\$ 73,975,000	\$ 14,281,000
Timing to draw down commitments	1 to 6 years	1 to 4 years
Redemption terms	N/A	N/A
Redemption restrictions	N/A	N/A
Redemption restrictions in place at year-end	N/A	N/A

### 8. Endowment

The College's endowment consists of approximately 770 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the governing board to function as endowments. As required by generally accepted accounting principles (GAAP), net assets associated with endowment funds, including funds designated by the governing board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

#### Interpretation of Relevant Law

The College's governing board has interpreted the Minnesota enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as allowing the College to appropriate for expenditure or accumulate so much of an endowment fund as the College determines is prudent for the uses, benefits, purposes and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift instrument. The College's governing board has determined it is prudent to preserve the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. See Note 1 for further information on net asset classifications.



# Gustavus Adolphus College

Notes to Financial Statements  
Years Ended May 31, 2022 and 2021

The remaining portion of the donor-restricted endowment fund that is not classified as held in perpetuity is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the College in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the College considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- 1) The duration and preservation of the fund
- 2) The purposes of the College and the donor-restricted endowment fund
- 3) General economic conditions
- 4) The possible effect of inflation and deflation
- 5) The expected total return from income and the appreciation (depreciation) of investments
- 6) Other resources of the College
- 7) The investment policies of the College

Endowment net asset composition by type of fund consists of the following as of May 31, 2022 and 2021:

	<b>2022</b>				
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>			<b>Balances May 31, 2022</b>
		<b>Original Gift</b>	<b>Accumulated Gains (Losses)</b>	<b>Total</b>	
Board designated endowment funds	\$ 48,077,363	\$ -	\$ -	\$ -	\$ 48,077,363
Donor-restricted endowment funds:					
Underwater funds	-	1,767,512	(58,130)	1,709,382	1,709,382
Other funds	-	152,233,779	89,224,216	241,457,995	241,457,995
<b>Total endowment net assets</b>	<b>\$ 48,077,363</b>	<b>\$ 154,001,291</b>	<b>\$ 89,166,086</b>	<b>\$ 243,167,377</b>	<b>\$ 291,244,740</b>

	<b>2021</b>				
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>			<b>Balances May 31, 2021</b>
		<b>Original Gift</b>	<b>Accumulated Gains</b>	<b>Total</b>	
Board designated endowment funds	\$ 43,047,762	\$ -	\$ -	\$ -	\$ 43,047,762
Donor-restricted endowment funds:					
Underwater funds	-	-	-	-	-
Other funds	-	148,105,047	84,135,458	232,240,505	232,240,505
<b>Total endowment net assets</b>	<b>\$ 43,047,762</b>	<b>\$ 148,105,047</b>	<b>\$ 84,135,458</b>	<b>\$ 232,240,505</b>	<b>\$ 275,288,267</b>

# Gustavus Adolphus College

Notes to Financial Statements  
Years Ended May 31, 2022 and 2021

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

	<b>2022</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Endowment net assets, May 31, 2021	\$ 43,047,762	\$ 232,240,505	\$ 275,288,267
Investment return:			
Investment income	135,899	324,669	460,568
Net appreciation, realized and unrealized	2,701,821	11,938,580	14,640,401
Total investment return	2,837,720	12,263,249	15,100,969
Contributions	-	5,362,920	5,362,920
Matured deferred gifts	-	692,527	692,527
Appropriation of endowment assets for expenditure (spending rate)	(1,879,538)	(7,391,824)	(9,271,362)
Other changes:			
Transfers to board designated endowment funds	4,071,419	-	4,071,419
Endowment net assets, May 31, 2022	<u>\$ 48,077,363</u>	<u>\$ 243,167,377</u>	<u>\$ 291,244,740</u>
	<b>2021</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Endowment net assets, May 31, 2020	\$ 30,046,261	\$ 171,137,389	\$ 201,183,650
Investment return:			
Investment income	135,654	315,208	450,862
Net appreciation, realized and unrealized	10,425,352	57,098,710	67,524,062
Total investment return	10,561,006	57,413,918	67,974,924
Contributions	-	9,413,839	9,413,839
Matured deferred gifts	-	740,960	740,960
Appropriation of endowment assets for expenditure (spending rate)	(1,603,406)	(6,465,601)	(8,069,007)
Other changes:			
Transfers to board designated endowment funds	4,043,901	-	4,043,901
Endowment net assets, May 31, 2021	<u>\$ 43,047,762</u>	<u>\$ 232,240,505</u>	<u>\$ 275,288,267</u>

## Funds With Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the College to retain as a fund of perpetual duration. These deficiencies generally resulted from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions and continued appropriation for certain programs that was deemed prudent by the governing board.

# Gustavus Adolphus College

Notes to Financial Statements  
Years Ended May 31, 2022 and 2021

---

## Return Objectives and Risk Parameters

The College has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the College must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, the long-term minimum need of the endowment is to exceed a total return averaging at least the annual spending rate plus inflation, fees and costs. Actual returns in any year may vary from this amount. The long-term objective is to build endowment value over time by achieving incremental returns in excess of need while appropriately managing portfolio risk.

## Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the College relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The College targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

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

For the years ended May 31, 2022 and 2021, the College appropriated for distribution 4.5 percent of its endowment fund's average fair value using the prior twenty quarters as of November 30. In establishing this policy, the College considered the long-term expected return on its endowment. Accordingly, over the long term, the College expects the endowment to grow at an average of 4 percent to 5 percent, annually, net of inflation. Actual returns in any given year may vary from this amount. This is consistent with the College's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

## 9. Pooled Life Income Fund

As of May 31, 2022, the Gustavus Adolphus College Pooled Life Income Fund (the Fund) owned a portion of three buildings which were purchased from and leased back to the College in prior years. At May 31, 2022 and 2021, leaseback interest in the buildings recorded in the statements of financial position was \$131,715 and \$148,386, respectively. Depreciation for financial statement purposes is recorded using the straight-line method over periods of 40 to 45 years. Depreciation totaling \$13,158 and \$13,377 was recorded in fiscal 2022 and 2021, respectively. The Fund and the College also entered into a lease agreement whereby the land under the buildings is leased from the College over a term of 99 years. The land and building leases under which the Fund leases the buildings and subleases the underlying land to the College are for a term of 20 years. The leases provide for the Fund to receive annual rental on the facilities, which for fiscal years 2022 and 2021 totaled \$116,357 and \$114,403, respectively, with payment to the College for the land, which was \$1,876 and \$1,906 in 2022 and 2021, respectively. Terms of the lease arrangements provide for adjustments to the rental amount every five years based on changes in the Consumer Price Index.

# Gustavus Adolphus College

Notes to Financial Statements  
Years Ended May 31, 2022 and 2021

As the units of the Fund mature on the death of each donor or beneficiary, the Fund transfers that portion of the building and leasehold interests back to the College. The land and building leases grant the College the right to purchase the Fund's fractional ownership interests in the buildings at the fair market value of the Fund's fractional ownership interests at the date the option is exercised. During 2022, \$14,056, including related income, was transferred back to the College as the result of donor deaths or assignments. This included \$14,056, net of \$10,543 accumulated depreciation, related to buildings. During 2021, \$84,283, including related income, was transferred back to the College as the result of donor deaths or assignments. This included \$80,880, net of \$57,255 accumulated depreciation, related to buildings.

Future interest discount on pooled life income funds funded by the above rental arrangement totaled \$110,884 and \$120,546 at May 31, 2022 and 2021, respectively.

## 10. Construction in Progress

At May 31, 2022, the following projects were in progress:

	<u>Estimated Total Cost</u>	<u>Cost to Date</u>	<u>Funding Plan</u>
Dining service project	\$ 90,000	\$ 73,200	Operations
Johnson Student Union stone work project	567,000	134,979	Operations
Lund Center project (phase 1 completion, chiller and roof)	6,250,000	67,550	Gifts
Roof replacement project	343,000	27,955	Operations
Swanson Tennis Center court replacement project	230,000	193,990	Gifts and Operations
Wayfinding project (phase 4)	230,000	109,892	Operations
Total		<u>\$ 607,566</u>	

The College has entered into an agreement with a general contractor for Lund Center project; the remaining contract amount was \$6,226,000 as of May 31, 2022.

# Gustavus Adolphus College

Notes to Financial Statements  
Years Ended May 31, 2022 and 2021

## 11. Property, Plant and Equipment, Net

Property, plant and equipment, net consisted of the following as of May 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Land	\$ 1,324,468	\$ 955,993
Land improvements	11,804,669	13,659,767
Buildings	264,905,016	236,343,478
Equipment	30,665,741	29,269,240
Library books	9,581,236	9,447,563
	<u>318,281,130</u>	<u>289,676,041</u>
Less: accumulated depreciation	<u>(132,085,494)</u>	<u>(127,204,207)</u>
	186,195,636	162,471,834
Memorial garden, net	<u>192,905</u>	<u>201,674</u>
Total	<u>\$ 186,388,541</u>	<u>\$ 162,673,508</u>

## 12. Postretirement Benefit Plan

The College sponsors a postretirement medical plan (the Plan) that covers eligible employees who retire after age 60 with at least 20 years of service. The Plan is contributory for those employees and their spouses who retired after 1992. Eligible employees who retired after May 31, 2005 pay 100 percent of the cost of medical insurance (100 percent of group premiums). The College accrues its share of the cost of postretirement benefits during the service lives of employees.

Accrued postretirement benefit obligation components are as follows for the years ended May 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Active employees	\$ 682,921	\$ 821,813
Current retirees	<u>542,562</u>	<u>691,922</u>
Accrued postretirement benefit obligation	<u>\$ 1,225,483</u>	<u>\$ 1,513,735</u>

The above accrued postretirement benefit obligation is included in accrued liabilities in the statements of financial position.

## Gustavus Adolphus College

Notes to Financial Statements  
Years Ended May 31, 2022 and 2021

The following is a reconciliation of the benefit obligation and the fair value of plan assets at May 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Change in projected benefit obligation:		
Projected benefit obligation at June 1	\$ 1,513,735	\$ 1,725,828
Interest cost	32,220	36,662
Service cost	59,411	57,812
Actuarial gain	(352,753)	(252,386)
Benefits paid	<u>(27,130)</u>	<u>(54,181)</u>
Projected benefit obligation at May 31	<u>\$ 1,225,483</u>	<u>\$ 1,513,735</u>
Change in plan assets:		
Fair value of plan assets at June 1	\$ -	\$ -
Employer contribution	27,130	54,181
Participant contribution	495,733	492,089
Benefits paid	<u>(522,863)</u>	<u>(546,270)</u>
Fair value of plan assets at May 31	<u>\$ -</u>	<u>\$ -</u>
Funded status:		
Unfunded status at May 31	<u>\$ (1,225,483)</u>	<u>\$ (1,513,735)</u>

Net periodic postretirement benefit expense for the years ended May 31, 2022 and 2021, is comprised of the following:

	<u>2022</u>	<u>2021</u>
Service cost	\$ 59,411	\$ 57,812
Interest cost	32,220	36,662
Amortization of prior service loss	5,838	2,751
Amortization of unrecognized loss	<u>38,277</u>	<u>65,071</u>
Net periodic benefit cost	<u>\$ 135,746</u>	<u>\$ 162,296</u>

Benefits expected to be paid for each of the five years subsequent to May 31, 2022 are estimated to be \$135,000, \$128,000, \$125,000, \$111,000 and \$112,000, respectively. Benefits expected to be paid from 2028 through 2032 are \$503,000. Contributions from the College and retirees expected to be paid to the plan for the year ended May 31, 2023, are estimated to be \$202,000.

The estimated interest cost, service cost, net loss and expected benefits to be paid for the year ended May 31, 2023, and the estimated benefit obligation at May 31, 2023, are as follows:

	<u>2023</u>
Change in projected benefit obligation:	
Benefit obligation at June 1	\$ 1,225,483
Interest cost	48,160
Service cost	45,204
Expected benefits to be paid	<u>(135,392)</u>
Projected benefit obligation at May 31	<u>\$ 1,183,455</u>

## Gustavus Adolphus College

Notes to Financial Statements  
Years Ended May 31, 2022 and 2021

No plan assets are expected to be returned to the College during the year ended May 31, 2023. The estimated net loss, prior service cost and transition obligation that will be amortized into net periodic benefit cost over the next fiscal year are \$0, \$400 and \$18,100, respectively.

The above assumptions and calculations are based on census data as of June 1, 2021 and other information as of the measurement date for the plan. The accrued benefit cost represents the full obligation for the retirees and the current service cost for eligible employees at May 31, 2022. A 6.5 percent rate of increase in the per capita costs of covered health care benefits was assumed at May 31, 2022, decreasing 0.25 percent per year to an ultimate level of 5.0 percent in fiscal years ending May 31, 2028 and later. A weighted-average discount rate of 3.9 percent and 2.4 percent were used to determine the accrued postretirement benefit obligation for fiscal 2022 and 2021, respectively and a weighted-average discount rate of 2.4 percent and 2.3 percent were used to determine the benefit costs for fiscal 2022 and 2021, respectively.

The effect of a 1.0 percent increase in each future health care trend rate would increase the combined service cost and interest cost by approximately \$11,000 or 11.6 percent and the accumulated postretirement benefit obligation as of May 31, 2022, by approximately \$89,900 or 7.3 percent. The effect of a 1.0 percent decrease in each future health care trend rate would decrease the combined service cost and interest cost by approximately \$9,200 or 9.9 percent and the accumulated postretirement benefit obligation by approximately \$79,800 or 6.5 percent.

It is reasonably possible that changes in these estimates could occur in the near term and that actual results could differ from these estimates.

### 13. Long-Term Debt, Net

The College had the following long-term debt outstanding at May 31, 2022 and 2021:

	<u>Original Amount</u>	<u>2022</u>	<u>2021</u>
Minnesota Higher Education Facilities Authority Revenue Bonds - Gustavus Adolphus College (Series Seven-W Bonds of 2013)	\$ 11,410,000	\$ 8,160,000	\$ 8,610,000
Minnesota Higher Education Facilities Authority Revenue and Refunding Bonds, Series 2017 (Gustavus Adolphus College)	52,515,000	<u>50,770,000</u>	<u>51,390,000</u>
Principal outstanding on bonds		58,930,000	60,000,000
Premiums on bonds	5,813,370	4,832,871	5,029,492
Deferred debt acquisition costs	755,555	<u>(582,244)</u>	<u>(610,275)</u>
Total		<u>\$ 63,180,627</u>	<u>\$ 64,419,217</u>

# Gustavus Adolphus College

Notes to Financial Statements  
Years Ended May 31, 2022 and 2021

---

The College has loans outstanding with the Minnesota Higher Education Facilities Authority (the Authority) in connection with bonds issued by the Authority:

During July 2013, the Minnesota Higher Education Facilities Authority issued Revenue Bonds Series Seven-W (Gustavus Adolphus College) on behalf of the College totaling \$11,410,000. The bond proceeds were used to finance the refunding of the Authority's outstanding Variable Rate Demand Revenue Bonds Series Five-X (Gustavus Adolphus College) plus interest to the redemption date in September 2013. The Series Seven-W Revenue Bonds have interest rates varying from 4.25 percent to 5.0 percent and mature in annual installments of \$475,000 and \$500,000 on October 1 in the years 2022 and 2023, respectively, \$2,840,000 in 2028 and \$4,345,000 in 2034. The term bonds maturing in the years in 2028 and 2034 are subject to annual sinking fund payments on October 1 in the years 2024 through 2034 in amounts varying from \$520,000 to \$810,000. The bonds are secured by a pledge of the loan repayments, the payment of which is a general obligation of the College. In addition, the bonds require that certain liquidity and debt service coverage ratios be maintained.

During September 2017, the Minnesota Higher Education Facilities Authority issued Revenue and Refunding Bonds, Series 2017 (Gustavus Adolphus College) on behalf of the College totaling \$52,515,000. The bond proceeds were used to finance the legal defeasance of the Authority's outstanding Revenue Bonds Series Seven-B (Gustavus Adolphus College) plus interest to the redemption date on October 1, 2019, and to construct, expand and renovate Nobel Hall of Science and Schaefer Fine Arts Center. The Series 2017 Revenue and Refunding Bonds have interest rates varying from 3.0 percent to 5.0 percent and mature in annual amounts ranging from \$745,000 to \$3,740,000 on October 1 in the years 2022 through 2047. The bonds are secured by a pledge of the loan repayments, the payment of which is a general obligation of the College.

Annual maturities of all long-term debt for each of the five years subsequent to May 31, 2022, approximate: \$1,220,000, \$1,285,000, \$1,350,000, \$1,415,000 and \$1,480,000 respectively.

Total interest expense for the years ended May 31, 2022 and 2021, amounted to approximately \$2,656,000 and \$2,702,000, respectively.

Costs of bond issuance are deferred and amortized on a straight-line basis over the term of the related indebtedness. Amortization of approximately \$28,000 was recorded for the years ended May 31, 2022 and 2021, respectively.

## 14. Line of Credit Agreement

The College has an unsecured line of credit totaling \$10,000,000 with a local bank which is payable on demand. The agreement expires on December 21, 2022. The line of credit is payable at an interest rate equal to the Wall Street Journal prime less 0.5 percent. The interest rate will never be less than 2.75 percent. At May 31, 2022, the interest rate was 3.50 percent. In addition, the line of credit is subject to a non-use fee of 0.15 percent of any unused portion to be accrued and charged monthly. At May 31, 2022 and 2021, the College had no borrowings outstanding under this agreement.



# Gustavus Adolphus College

Notes to Financial Statements  
Years Ended May 31, 2022 and 2021

---

## 15. Deferred Gift Agreements

The College has arrangements with donors classified as charitable lead trusts, charitable remainder trusts, charitable gift annuities, retained life estate funds and pooled life income funds. In general, under these arrangements the College receives a gift from a donor in which it has a remainder interest and agrees to pay the donor stipulated amounts over the life of the donor. The arrangement may cover one or more lives. The College invests and administers the related assets and makes distributions to the beneficiaries as required. When the agreement reaches the end of its term, remaining assets are retained by the College as net assets without donor restrictions or net assets with donor restrictions, or in some instances, distributed to third-party beneficiaries.

When a gift is received under one of these arrangements, it is split into the amount representing the actuarial present value of future distributions back to the donor and the remaining gift value to be retained for the benefit of the College or third-party beneficiaries. The actuarial liability is adjusted annually using the mortality table appropriate for the type of arrangement, number of lives covered and age(s) of the donor(s). The College used historical gift date interest rates ranging from 0.6 percent to 10.2 percent, in making the calculations for the years ended May 31, 2022 and 2021.

During the year ended May 31, 2022, the College received gift income of approximately \$10,000 relating to deferred gift agreements. Total assets held by the College under deferred gift agreements and liabilities related to these agreements totaled approximately \$18,442,000 and \$9,044,000 respectively, at May 31, 2022.

During the year ended May 31, 2021, the College received gift income of approximately \$404,000 relating to deferred gift agreements. Total assets held by the College under deferred gift agreements and liabilities related to these agreements totaled approximately \$21,766,000 and \$10,536,000 respectively, at May 31, 2021.

## 16. Concentrations

Financial instruments that potentially subject the College to concentrations of credit risk consist principally of cash and cash equivalents, short-term investments, marketable securities and other investments, accounts receivable and notes and mortgages. Cash, cash equivalents and investment holdings are concentrated in a limited number of financial institutions and amounts in excess of FDIC and similar coverages are subject to the usual risks of balances in excess of those limits. Investments are diversified in order to reduce credit risk. Concentrations of credit risk with respect to the notes and mortgages are limited due to the College holding a secured position in these agreements.

Student notes and receivables and other receivables are due from a variety of sources concentrated primarily in the midwestern United States. In addition, the College's students receive a substantial amount of support from state and federal student financial assistance programs. A significant reduction in the level of this support, if this were to occur, could have an adverse effect on the College's programs and activities.

The College receives funds from various federal and state government-funded programs, including student loan funds, which are subject to audit by cognizant governmental agencies. The College is also subject to audit by other governmental agencies. Management is of the opinion that the ultimate outcome of such matters will not have a significant effect on the financial position of the College.

Approximately 26 percent of all private gifts and grants were received from one donor in the year ended May 31, 2022 and approximately 34 percent of all private gifts and grants were received from two donors in the year ended May 31, 2021.

# Gustavus Adolphus College

---

Notes to Financial Statements  
Years Ended May 31, 2022 and 2021

## 17. Related Party Transactions

As of May 31, 2022 and 2021, contributions receivable included approximately \$8,923,000 and \$14,434,000, respectively from members of the Board of Directors and employees of the College. No compensation is paid to members of the Board of Directors.

The College has invested in one private equity investment in which two members of the Investment Committee have an affiliation. The individuals have fully disclosed their interest in these investments, did not receive a commission or referral fee, and did not participate in the voting regarding these investments. Capital contributions as of May 31, 2022, total approximately \$2,910,000 and \$90,000 is outstanding on future commitments. The value of these funds approximates \$303,000 and \$547,000 as of May 31, 2022 and 2021, respectively.

The College has a property management agreement with an LLC in which a current member of the Board of Directors and her husband own. Under this agreement, the College rents apartment units to current students. The College serves as fiscal agent on the property and is responsible for all maintenance, repairs and capital improvements. The remaining balance at the end of each fiscal year is paid to the College as a management fee. During the year ended May 31, 2022, the College billed students \$482,760 and paid expenses of \$380,132, resulting in a management fee of \$102,628. During the year ended May 31, 2021, the College billed students \$458,850 and paid expenses of \$375,036, resulting in a management fee of \$83,814. The agreement is in full force until May 31, 2023, and shall continue thereafter on successive five year terms, through May 31, 2032 unless sooner terminated by the College or the owner.

# Gustavus Adolphus College

Notes to Financial Statements  
Years Ended May 31, 2022 and 2021

## 18. Liquidity and Availability

The following reflects the College's financial assets as of the statements of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statements of financial position date. Amounts not available include amounts set aside for long-term investment in the board-designated endowments that could be drawn upon if the governing board approves that action. However, amounts already appropriated from either the donor-restricted endowment or board-designated endowment for general expenditures within one year of the balance sheet date have not been subtracted as unavailable.

	<u>2022</u>	<u>2021</u>
Financial assets:		
Cash and cash equivalents	\$ 25,502,844	\$ 38,011,954
Receivables	1,248,162	1,457,961
Contributions receivable, net	26,129,000	33,560,000
Student notes receivable, net	849,869	1,166,791
Investments	310,040,214	295,862,373
Beneficial interest in funds held in trust	<u>1,051,042</u>	<u>1,057,469</u>
Total financial assets	364,821,131	371,116,548
Less: those unavailable for general expenditures within one year, due to:		
Contractual, donor-imposed restrictions or board designations:		
Government grant receivables	(191,508)	(164,981)
Contributions receivable, net, restricted for plant and endowment	(22,267,000)	(29,134,000)
Contributions receivable, net, collectible beyond one year	(1,849,000)	(2,607,000)
Student notes receivable, net, Federal Perkins Loan program	(849,869)	(1,166,791)
Investments, donor restricted	(18,382,589)	(19,565,930)
Endowment funds, net of appropriation for subsequent years	(279,144,740)	(264,788,267)
Beneficial interest in funds held in trust	<u>(1,051,042)</u>	<u>(1,057,469)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 41,085,383</u>	<u>\$ 52,632,110</u>

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. The College operates with a balanced operating budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

If necessary, liquidity needs could be met through the release of quasi endowment funds (Note 8), as authorized by the board or accessing the line of credit as described in Note 14.

# Gustavus Adolphus College

Notes to Financial Statements  
Years Ended May 31, 2022 and 2021

## 19. Expenses by Function and Nature

The financial statements report certain categories of expenses that are attributable to one or more programs or supporting functions of the College. The College allocated interest expense; depreciation and amortization; operation and maintenance of plant expense; and lease payments to program and support functions for the years ended May 31, 2022 and 2021, respectively. Depreciation and operation and maintenance of plant are allocated based on square footage and interest is allocated based on usage.

Expenses for the years ended May 31, 2022 and 2021, include the following:

	2022						Total
	Salaries and Wages	Benefits	Operation and Maintenance of Plant	Depreciation	Interest	Other	
Instruction	\$ 18,118,129	\$ 6,246,206	\$ 4,638,436	\$ 4,924,814	\$ 2,010,640	\$ 3,301,129	\$ 39,239,354
Academic support	2,183,060	739,849	588,150	297,773		1,192,161	5,000,993
Research	222,325	23,943				26,868	273,136
Public service	439,855	99,267	639,706	331,846	7,724	920,424	2,438,822
Student services	7,340,344	2,281,976	912,744	763,378	21,957	6,767,785	18,088,184
Auxiliary enterprises	2,481,433	667,779	3,709,581	1,969,964	370,890	4,303,775	13,503,422
Institutional support							
Fundraising	1,951,753	716,379				574,905	3,243,037
Other	4,273,609	1,461,313	323,499	211,726	9,241	3,394,620	9,674,008
Operation and maintenance of plant	3,730,953	1,227,212	(10,812,116)	-	67,389	5,786,562	-
Total expenses	<u>\$ 40,741,461</u>	<u>\$ 13,463,924</u>	<u>\$ -</u>	<u>\$ 8,499,501</u>	<u>\$ 2,487,841</u>	<u>\$ 26,268,229</u>	<u>\$ 91,460,956</u>
	2021						Total
	Salaries and Wages	Benefits	Operation and Maintenance of Plant	Depreciation	Interest	Other	Total
Instruction	\$ 17,594,577	\$ 6,085,469	\$ 4,238,233	\$ 4,870,441	\$ 2,011,839	\$ 2,683,556	\$ 37,484,115
Academic support	2,195,612	728,165	537,405	303,772	-	873,473	4,638,427
Research	148,118	15,844	-	-	-	15,448	179,410
Public service	281,493	80,904	584,512	306,826	9,865	498,845	1,762,445
Student services	7,196,860	2,506,715	833,993	734,771	26,493	3,875,463	15,174,295
Auxiliary enterprises	2,224,820	610,553	3,389,520	1,953,921	405,821	3,299,123	11,883,758
Institutional support							
Fundraising	1,998,438	730,731				395,591	3,124,760
Other	3,772,647	1,330,379	295,588	220,674	11,802	2,883,520	8,514,610
Operation and maintenance of plant	3,564,071	1,015,975	(9,879,251)	-	67,321	5,231,884	-
Total expenses	<u>\$ 38,976,636</u>	<u>\$ 13,104,735</u>	<u>\$ -</u>	<u>\$ 8,390,405</u>	<u>\$ 2,533,141</u>	<u>\$ 19,756,903</u>	<u>\$ 82,761,820</u>

## 20. Higher Education Emergency Relief Funding

The Coronavirus Aid, Relief, and Economics Security (CARES) Act provided budgetary relief to higher education institutions. Congress set aside approximately \$14.25 billion of the \$30.75 billion allotted to the Education Stabilization Fund through the Higher Education Emergency Relief Fund (HEERF I). In the spring of 2020 each institution received one grant comprised of two parts. Under the legislation, no less than 50 percent of the full grant was to be used for direct emergency aid to students. The remaining portion of the full grant was to be used by institutions to cover any costs associated with significant changes to the delivery of instruction due to the coronavirus. Institutions were given one calendar year from the date of award in their HEERF I Grant Award Notification to complete the performance of their HEERF I Grant. The College was awarded \$2,036,930 of HEERF I funding. As of May 31, 2020, \$1,018,465 of the student relief portion of the grant was expended and recognized as federal grants and student aid expense. The remaining portion of the HEERF I Grant award (\$1,018,465) was received and recognized during the year ended May 31, 2020 as the barriers to recognition were met during the fiscal year.

On December 27, 2020, the Coronavirus Response and Relief Supplemental Appropriations Act, 2021 (CRRSAA) was signed into law which authorized the Higher Education Emergency Relief Fund II (HEERF II). In total, CRRSAA authorized an additional \$81.88 billion in support for higher education. Congress expanded the allowable uses for supplemental awards and new awards made under CRRSAA and for unspent CARES Act funds, subject to certain limitations. In addition, CRRSAA required that an institution receiving funding provide the "same amount" in financial aid grants to students from the new CRRSAA funds that it was required or which it would have been required to provide under its original CARES Act Student Aid Portion award. The College was awarded \$2,975,740 of HEERF II funding. As of May 31, 2021, \$1,018,465 of the student relief portion of the grant was expended and recognized as federal grants and student aid expense. The remaining portion of the HEERF II Grant award (\$1,957,275) was received and recognized during the year ended May 31, 2021 as the barriers to recognition were met during the fiscal year.

On March 1, 2021, the American Rescue Plan (ARP) provided an additional \$39.6 billion in Higher Education Emergency Relief Funds (HEERF III) to support higher education institutions to serve students and ensure learning continues during the COVID-19 pandemic. Institutions received one grant comprised of two parts. Under the legislation, no less than 50 percent of the full grant is to be used for direct emergency aid to students. The remaining portion of the full grant is to be used to defray expenses associated with coronavirus, implement evidence-based practices to monitor and suppress coronavirus, and conduct direct outreach to financial aid applications about the opportunity to receive a financial aid adjustment due to a change in circumstance. At May 31, 2022, \$2,625,435 of the student relief portion of the grant was expended and recognized as federal grants and student aid expense. The remaining portion of the HEERF III Grant award (\$2,625,435) was received and recognized during the year ended May 31, 2022 as the barriers to recognition were met during the fiscal year.

For the portion of the HEERF funds recognized in both fiscal year 2022 (\$5,250,870) and 2021 (\$3,162,190) were reported as government grants revenue with donor restrictions and net assets released from restrictions on the statements of activities.

## 21. Commitments and Contingencies

Financial awards from federal and state agencies, including the Department of Education, in the form of grants are subject to audit by the agencies. Such audits could result in claims against the College for disallowed costs or noncompliance with grantor restrictions. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined at this time.

The College is subject to asserted and unasserted claims encountered in the normal course of business. In the opinion of management and legal counsel, disposition of these matters will not have a material effect on the College's financial condition or results of operations.

# **Gustavus Adolphus College**

---

Notes to Financial Statements  
Years Ended May 31, 2022 and 2021

## **22. Subsequent Events**

The College has evaluated subsequent events through September 30, 2022 which is the date that the financial statements were issued.