Gustavus Adolphus College

Financial Statements

May 31, 2024 and 2023

Independent Auditors' Report

To the Board of Directors of
Gustavus Adolphus College

Opinion

We have audited the financial statements of Gustavus Adolphus College (the College), which comprise the statements of financial position as of May 31, 2024, 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 present fairly, in all material respects, the financial position of the College as of May 31, 2024, 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 (GAAP).

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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the College and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matter

The financial statements of Gustavus Adolphus College, as of and for the year ended May 31, 2023, were audited by other auditors whose report thereon, dated October 2, 2023, expressed an unmodified opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 the College's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern for a reasonable period of time.

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

Baker Tilly US, LLP

Minneapolis, Minnesota
September 19, 2024

Gustavus Adolphus College

Statements of Financial Position
May 31, 2024 and 2023

	2024	2023
Assets		
Cash and cash equivalents	$ 25,583,119	$ 16,624,869
Receivables:		
Student accounts, net of allowance for credit losses of $730,000 and $590,000, respectively	808,865	758,648
Government grants	96,622	237,363
Contributions, net	11,069,000	17,955,000
Other	298,888	330,885
Inventories	530,424	432,372
Prepaid expenses and other assets	1,457,335	1,979,160
Students notes receivable, net	256,112	483,133
Investments:		
Cash and short-term investments	1,005,403	1,164,476
Investments other than endowment	16,321,560	17,459,758
Interest in buildings, net of accumulated depreciation of $283,505 and $415,515, respectively	70,254	118,840
Real estate held for resale	403,340	507,340
Beneficial interest in funds held in trust	1,112,211	1,076,710
Other	410,536	309,120
Endowment investments	317,504,861	294,621,114
Construction in progress	86,190	3,189,829
Property, plant and equipment, net	180,480,213	183,514,372
Total assets	$ 557,494,933	$ 540,762,989
Liabilities and Net Assets		
Liabilities		
Accounts payable	$ 1,845,382	$ 2,525,103
Accrued liabilities	12,376,826	12,466,583
Deferred revenue	3,535,185	2,277,375
Future interest discount on pooled life income funds	64,586	104,637
Annuities payable	7,018,748	7,635,808
Funds held for others	2,678,052	2,481,386
Long-term debt, net	60,338,446	61,792,037
U.S. government grants refundable	385,916	639,262
Total liabilities	88,243,141	89,922,191
Net Assets		
Without donor restrictions	177,336,561	178,123,598
With donor restrictions	291,915,231	272,717,200
Total net assets	469,251,792	450,840,798
Total liabilities and net assets	$ 557,494,933	$ 540,762,989

See notes to financial statements

Gustavus Adolphus College

Statement of Activities
Year Ended May 31, 2024 (With Comparative Totals for 2023)

	2024 Without Donor Restrictions	2024 With Donor Restrictions	2024 Total	2023 Total
Operating Revenues and Other Additions				
Tuition and fees, net of scholarships and grants of $61,544,658 and $62,979,141, respectively	$ 36,781,416	$ -	$ 36,781,416	$ 40,711,270
Government grants	-	1,528,320	1,528,320	2,402,226
Private gifts and grants	1,432,460	3,276,693	4,709,153	6,523,083
Endowment income	5,833,903	8,946,169	14,780,072	12,618,453
Investment income	813,715	-	813,715	492,658
Other sources	3,899,656	-	3,899,656	3,714,297
Sales and services of auxiliary enterprises	22,986,829	-	22,986,829	23,879,263
	71,747,979	13,751,182	85,499,161	90,341,250
Net assets released from restrictions	13,929,989	(13,929,989)	-	-
Amortization of contributions for long-lived assets	4,432,946	-	4,432,946	4,268,074
Total operating revenues and other additions	90,110,914	(178,807)	89,932,107	94,609,324
Operating Expenses				
Program expenses:				
Instruction	39,158,137	-	39,158,137	41,697,009
Academic support	4,852,384	-	4,852,384	5,348,500
Research	112,354	-	112,354	130,822
Public service	3,405,127	-	3,405,127	3,345,234
Student services	17,397,794	-	17,397,794	16,354,556
Auxiliary enterprises	14,817,054	-	14,817,054	15,182,233
Support expenses:				
Institutional support	12,986,881	-	12,986,881	13,609,296
Total operating expenses	92,729,731	-	92,729,731	95,667,650
Change in net assets from operating activity	(2,618,817)	(178,807)	(2,797,624)	(1,058,326)
Nonoperating Activity				
Private gifts and grants	-	7,783,661	7,783,661	5,042,997
Endowment income	-	116,096	116,096	110,275
Investment income	-	94	94	93
Investment income, net of endowment income	2,625,386	13,556,515	16,181,901	(3,998,570)
Adjustment of actuarial liability	(100,320)	1,660,132	1,559,812	(995,672)
Amortization of contributions for long-lived assets	(4,432,946)	-	(4,432,946)	(4,268,074)
Net assets released from restrictions for capital acquisitions	2,410,240	(2,410,240)	-	-
Total nonoperating activity	502,360	20,706,258	21,208,618	(4,108,951)
Change in net assets before reclassification of net assets	(2,116,457)	20,527,451	18,410,994	(5,167,277)
Reclassification of Prior Year Net Assets	1,329,420	(1,329,420)	-	-
Change in net assets	(787,037)	19,198,031	18,410,994	(5,167,277)
Net Assets, Beginning	178,123,598	272,717,200	450,840,798	456,008,075
Net Assets, Ending	$ 177,336,561	$ 291,915,231	$ 469,251,792	$ 450,840,798

See notes to financial statements

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenues and Other Additions			
Tuition and fees, net of scholarships and grants of $62,979,141	$ 40,711,270	$ -	$ 40,711,270
Government grants	-	2,402,226	2,402,226
Private gifts and grants	2,004,160	4,518,923	6,523,083
Endowment income	4,462,554	8,155,899	12,618,453
Investment income	492,658	-	492,658
Other sources	3,714,297	-	3,714,297
Sales and services of auxiliary enterprises	23,879,263	-	23,879,263
	75,264,202	15,077,048	90,341,250
Net assets released from restrictions	14,665,231	(14,665,231)	-
Amortization of contributions for long-lived assets	4,268,074	-	4,268,074
Total operating revenues and other additions	94,197,507	411,817	94,609,324
Operating Expenses			
Program expenses:			
Instruction	41,697,009	-	41,697,009
Academic support	5,348,500	-	5,348,500
Research	130,822	-	130,822
Public service	3,345,234	-	3,345,234
Student services	16,354,556	-	16,354,556
Auxiliary enterprises	15,182,233	-	15,182,233
Support expenses:			
Institutional support	13,609,296	-	13,609,296
Total operating expenses	95,667,650	-	95,667,650
Change in net assets from operating activity	(1,470,143)	411,817	(1,058,326)
Nonoperating Activity			
Private gifts and grants	-	5,042,997	5,042,997
Endowment income	-	110,275	110,275
Investment income	-	93	93
Investment income, net of endowment income	(607,302)	(3,391,268)	(3,998,570)
Adjustment of actuarial liability	(24,232)	(971,440)	(995,672)
Amortization of contributions for long-lived assets	(4,268,074)	-	(4,268,074)
Net assets released from restrictions for capital acquisitions	5,892,633	(5,892,633)	-
Total nonoperating activity	993,025	(5,101,976)	(4,108,951)
Change in net assets	(477,118)	(4,690,159)	(5,167,277)
Net Assets, Beginning	178,600,716	277,407,359	456,008,075
Net Assets, Ending	$ 178,123,598	$ 272,717,200	$ 450,840,798

Gustavus Adolphus College

Statements of Cash Flows
Years Ended May 31, 2024 and 2023

	2024	2023
Cash Flows From Operating Activities		
Change in net assets	$ 18,410,994	$ (5,167,277)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation, amortization and depletion	9,799,779	9,461,517
Amortization of bond premium	(196,621)	(196,621)
(Decrease) increase in student notes receivable allowance	(145,000)	70,000
Unrealized and realized gains on investments	(29,988,293)	(8,303,249)
Actuarial adjustment of annuities payable	(2,023,179)	1,075,410
Pooled life income adjustments	39,474	97,672
Loan cancellations and reinstatements	164,317	23,476
Change in assets and liabilities:		
Student accounts receivables	(50,217)	(159,248)
Government grants receivable	140,741	(42,054)
Contributions receivable, operations	965,958	(345,616)
Other receivables	31,997	122,568
Inventories	(98,052)	55,145
Prepaid expenses and other assets	521,825	305,371
Accounts payable	(492,098)	410,520
Accrued liabilities	(89,757)	(824,564)
Deferred revenue	1,257,810	(722,251)
Funds held for others	525,188	35,104
Contributions restricted for plant and long-term investment	(8,159,268)	(10,027,070)
Investment income restricted for plant, loans and long-term investment	(126,788)	(120,238)
Net cash flows from operating activities	(9,511,190)	(14,251,405)
Cash Flows From Investing Activities		
Purchases of investments	(60,072,755)	(80,030,992)
Proceeds from sale of investments	70,325,733	83,710,615
Purchases of property, plant and equipment	(3,812,325)	(14,519,495)
Repayments of loans from students	207,704	273,260
Net cash flows from investing activities	6,648,357	(10,566,612)
Cash Flows From Financing Activities		
Repayment of principal on indebtedness	(1,285,000)	(1,220,000)
Receipts of investment income restricted for plant, loans and long-term investment	126,788	120,238
Contributions received restricted for plant and long-term investment	14,079,310	18,546,686
Decrease in refundable U.S. government grants	(253,346)	(389,378)
Increase in liability for new split interest agreements	54,588	-
Payments to annuitants and pooled life income beneficiaries	(901,257)	(1,117,504)
Net cash flows from financing activities	11,821,083	15,940,042
Net change in cash and cash equivalents	8,958,250	(8,877,975)
Cash and Cash Equivalents, Beginning	16,624,869	25,502,844
Cash and Cash Equivalents, Ending	$ 25,583,119	$ 16,624,869
Supplemental Disclosures of Cash Flow Information		
Interest paid	$ 2,547,006	$ 2,609,631
Noncash Investing and Financing Activities		
Capital related items included in accounts payable	$ 124,105	$ 311,728

See notes to financial statements

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 7).

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 statements 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 statements 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 24-25 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.

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 servicers 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.

	2024	2023
Balance at beginning of the year	$ 969,009	$ 1,242,226
Refunds issued	(158,879)	(226,756)
Revenue recognized during the year	(479,180)	(856,570)
Cash received in advance of performance	766,301	810,109
Balance at end of the year	$ 1,097,251	$ 969,009

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, 2024, the College received a $1,250,000 conditional contribution. Revenue of $8,000 was recognized in the year ending May 31, 2024. During the year ended May 31, 2019, the College received a $1,000,000 conditional contribution. Revenue of $124,000 and $144,000 was recognized in the years ending May 31, 2024 and 2023, respectively. Deferred revenue of $1,320,000 and $202,000 at May 31, 2024 and 2023, 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 statements of financial position. The College had no cost-reimbursable grants at May 31, 2024 and 2023.

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 statements of activities as follows:

- increases in net assets without donor restrictions for operating funds and board-designated endowment funds;
- 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
- 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.

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 nonoperating activities, investment return in excess of amounts made available for operations, changes in the actuarial value of annuities payable, plant and endowment gifts and grants, 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, 2024 and 2023, 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 credit losses based on a review of all outstanding amounts. 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.

The College recognizes an allowance for credit losses for student receivables to present the net amount expected to be collected as of the date of the statements of financial position. Such allowance is based on the credit losses expected to arise over the life of the asset which includes consideration of past events and historical loss experience, current events and also future events based on the College's expectation as of the statement of financial position date. Receivables are written off when the College determined that such receivables are deemed uncollectible. Recoveries of student accounts previously written off are recorded when received. The College pools its receivables based on similar risk characteristics in estimating its expected credit losses. In situations where a receivable does not share the same risk characteristics with other receivables, the College measures those receivables individually. The College also continuously evaluates such pooling decisions and adjusts as needed from period to period as risk characteristics change.

The College utilizes the aging method in determining its lifetime expected credit losses on its receivables. This method is used for calculating an estimate of losses based primarily on the College's historical loss experience. In determining its loss rates, the College evaluates information related to its historical losses, adjusted for current conditions and further adjusted for the period of time that can be reasonably forecasted. Qualitative and quantitative adjustments related to current conditions and the reasonable and supportable forecast period consider all the following: past due receivables, the customer creditworthiness, changes in the terms of receivables, effect of other external forces such as competition and legal and regulatory requirements on the level of estimated credit losses in the existing receivables. For receivables that are not expected to be collected within the normal business cycle, the College considers the current and forecasted direction of the economic and business environment. Such forecasted information includes: Gross Domestic Product growth, unemployment rates and interest rates amongst others.

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. 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, including those in cash and short-term investments on the statements of financial position, 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.

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 2024 or 2023.

Capital Gifts to Acquire or Construct Long-Lived Assets

Capital gifts to acquire or construct a long-lived asset are recorded as donor restricted gifts 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, 2024 and 2023, amortization of $4,432,946 and $4,268,074, respectively was reclassified from nonoperating to operating on the statements of activities.

Asset Retirement Obligations

Asset retirement obligations of $2,176,000 and $2,179,000, for the years ended May 31, 2024 and 2023, 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, 2024 and May 31, 2023. Approximately $3,000 and $16,000 of asbestos was abated for the years ended May 31, 2024 and 2023, 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.

Fund Raising and Advertising Expenses

Fund raising expenses totaled $3,117,000 and $3,374,000 for the years ended May 31, 2024 and 2023, respectively. Advertising expenses totaled $1,265,000 and $1,222,000 for the years ended May 31, 2024 and 2023, respectively. The College expenses advertising costs at the time incurred.

Retirement Plan

Retirement benefits are provided for the College's eligible staff after one year of service 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 3.5 % and 7% for the years ended May 31, 2024 and 2023, respectively. The College's share of the cost of these benefits was approximately $1,136,000 and $2,219,000 for the years ended May 31, 2024 and 2023, respectively.

Self-Funded Insurance

On January 1, 2024, the College transitioned to a self-insurance medical plan for all employees of the College who meet the eligibility requirements for certain medical expenses. An incurred but not reported reserve of approximately $550,000 has been recorded at May 31, 2024. The College is self-insured for the first $175,000 per claim with an aggregate stop loss of approximately $5,300,000.

A portion of the College's dental plan is maintained as a self-funded health plan. An incurred but not reported reserve of approximately $15,000 has been recorded for the years ended May 31, 2024 and 2023. Specific and aggregate stop loss coverage on the health plan is provided to limit the ultimate exposure of the College.

Management reviews these accruals on an on-going basis and believes they are adequate to cover such claims. A liability for these reserves are included in accrued liabilities on the statements of financial position.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain expenses have been allocated among the programs and supporting services benefited. (See Note 17)

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 endowment investments, hosting conferences and events and various services provided by the dining service to the public. At May 31, 2024 and 2023, the College has no significant 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, 2024 or 2023. The College's tax returns are subject to review and examination by federal and state authorities.

New Accounting Pronouncement Adopted in the Current Year

In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-13*, Measurement of Financial Instruments—Credit Losses (Topic 326)*. The ASU introduces a new credit loss methodology, Current Expected Credit Losses (CECL), which requires earlier recognition of credit losses, while also providing additional transparency about credit risk. Since its original issuance in 2016, the FASB has issued several updates to the original ASU. For financial instruments included in the scope, the CECL methodology utilizes a lifetime "expected credit loss" measurement objective for the recognition of credit losses at the time the financial asset is originated or acquired. The expected credit losses are adjusted each period for changes in expected lifetime credit losses.

The methodology replaces the multiple existing impairment methods in current accounting principles generally accepted in the United States of America, which generally require that a loss be incurred before it is recognized. On June 1, 2023, the College adopted the ASU using the modified retrospective approach. The adoption of ASU 2016-13 did not have a material impact on the financial statements for the year ended May 31, 2024.

2. Restrictions and Limitations on Net Asset Balances

At May 31, 2024 and 2023, the College's net assets were allocated as follows:

	2024	2023
Without donor restrictions:		
Operations	$ 5,127,304	$ 5,127,304
Student loan funds	73,858	124,025
Funds functioning as endowment	49,808,756	47,025,904
Split-interest agreements	453,082	555,098
Plant, net of related debt	120,905,561	118,775,267
Contributions receivable	968,000	6,516,000
Total without donor restrictions	177,336,561	178,123,598
With donor restrictions:		
Purpose and time restricted:		
Operations, time restricted	8,166,572	7,036,656
Endowment	98,969,794	86,093,377
Split-interest agreements	215,314	199,773
Plant acquisitions	2,486,758	2,331,717
Contributions receivable	4,074,000	5,680,000
Total purpose and time restricted	113,912,438	101,341,523
Held in perpetuity:		
Student loan funds	668,145	657,453
Endowment	164,448,726	157,325,331
Split-interest agreements	6,858,922	7,633,893
Contributions receivable	6,027,000	5,759,000
Total held in perpetuity	178,002,793	171,375,677
Total with donor restrictions	291,915,231	272,717,200
Total net assets	$ 469,251,792	$ 450,840,798

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, 2024 and 2023, as follows:

	2024	2023
Scholarships, instruction and other departmental support	$ 13,919,849	$ 14,662,250
Maturity of deferred gifts	10,140	2,981
Capital acquisitions	2,410,240	5,892,633
Total net assets released from restrictions	$ 16,340,229	$ 20,557,864

4. Contributions Receivable, Net

Contributions receivable include the following unconditional promises to give at May 31, 2024 and 2023:

	2024	2023
Without donor restrictions, plant projects	$ 1,033,000	$ 6,516,000
With donor restrictions, operations	3,468,000	4,434,000
With donor restrictions, plant projects	1,041,000	1,866,000
With donor restrictions, endowment - held in perpetuity	6,630,000	6,139,000
Gross unconditional promises to give	12,172,000	18,955,000
Less unamortized discount	(759,000)	(577,000)
Less allowance for uncollectible promises	(344,000)	(423,000)
Total	$ 11,069,000	$ 17,955,000

At May 31, 2024, net contributions receivable of $4,729,000 are due in less than one year and $6,340,000 are due in one to five years. Promises due in one to five years were discounted at historical rates between 0.7% and 5.0% at May 31, 2024 and historical rates between 0.7% and 4.5% at May 31, 2023. Promises due in less than one year were not discounted.

Of the College's contributions receivable, approximately 42% and 53% were due from two donors as of May 31, 2024 and 2023, respectively.

5. Investments

The following summarizes the College's investments in funds other than endowment, which are recorded at fair value, at May 31, 2024 and 2023:

	2024	2023
Fixed income securities:		
Government obligations	$ 261,622	$ 259,994
Bonds	-	11,770
Marketable securities:		
Mutual funds	16,059,938	17,187,994
Total	$ 16,321,560	$ 17,459,758

The following summarizes the College's endowment investments, which are recorded at fair value unless otherwise noted, at May 31, 2024 and 2023:

	2024	2023
Cash and short-term investments ($35,726 and $28,325 at cost for 2024 and 2023, respectively)	$ 2,112,994	$ 7,593,822
Contract for deed receivable, at cost	11,216	13,202
Marketable securities:		
Equity securities	274,876	252,557
Mutual funds	100,471,169	87,641,970
Open-end commingled funds	25,893,201	24,434,889
Alternative investments:		
Commodity funds	-	10,402
Direct private equity funds	163,085,374	150,765,864
Direct real asset funds	14,541,651	14,296,003
Fund of funds	5,863,665	4,331,911
Beneficial interest in funds held in trust	5,250,715	5,280,494
Total	$ 317,504,861	$ 294,621,114

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.

6. 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.

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, 2024 and 2023.

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.

The College measures the fair value for certain alternative investments based on net asset value (NAV) as a practical expedient, without further adjustment, unless it is probable that the investment will be sold at a significantly different value. If not determined as of the College’s measurement date, NAV is adjusted to reflect any significant events that would materially affect the security’s value. Certain attributes that impact the security’s fair value may not be reflected in NAV, including, but not limited to, the investor’s ability to redeem the investment at the measurement date and unfunded purchase commitments. If the College sold all or a portion of its alternative investments, it is reasonably possible that the transaction value could differ significantly from the estimated fair value at the measurement date, because of the nature of the investments, changes in market conditions and the overall economic environment.

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 table summarizes assets measured at fair value on a recurring basis as of May 31, 2024:

	2024			
	Level 1	**Level 2**	**Level 3**	**Total**
Short-term investments	$ 2,077,268	$ -	$ -	$ 2,077,268
Domestic equity securities	274,876	-	-	274,876
Fixed income securities	-	261,622	-	261,622
Open-end commingled funds	-	25,893,201	-	25,893,201
Mutual funds:				
Domestic equity	68,048,538	-	-	68,048,538
Fixed income	28,011,817	-	-	28,011,817
International equity	18,060,364	-	-	18,060,364
Real assets	2,410,388	-	-	2,410,388
Private equity funds	-	-	4,815,520	4,815,520
Beneficial interest in funds held in trust	-	-	6,714,848	6,714,848
Subtotal by valuation hierarchy	$ 118,883,251	$ 26,154,823	$ 11,530,368	156,568,442
Alternative investments measured using NAV:				
Private equity funds				164,000,479
Real asset funds				14,674,691
Subtotal by NAV				178,675,170
Total assets at fair value				$ 335,243,612

Reconciliation to the statement of financial position at May 31, 2024:	
Investments other than endowment	$ 16,321,560
Endowment investments	317,504,861
Beneficial interest in funds held in trust	1,112,211
Other investments	410,536
Total investments	335,349,168
Less investments at cost	(105,556)
Total assets at fair value	$ 335,243,612

The following table summarizes assets measured at fair value on a recurring basis as of May 31, 2023:

	2023			
	Level 1	Level 2	Level 3	Total
Short-term investments	$ 7,565,497	$ -	$ -	$ 7,565,497
Domestic equity securities	252,557	-	-	252,557
Fixed income securities	-	271,764	-	271,764
Open-end commingled funds	-	24,434,889	-	24,434,889
Mutual funds:				
Domestic equity	60,950,075	-	-	60,950,075
Fixed income	22,567,794	-	-	22,567,794
International equity	18,791,252	-	-	18,791,252
Real assets	2,520,843	-	-	2,520,843
Private equity funds	-	-	4,029,295	4,029,295
Beneficial interest in funds held in trust	-	-	6,666,324	6,666,324
Subtotal by valuation hierarchy	$ 112,648,018	$ 24,706,653	$ 10,695,619	148,050,290
Alternative investments measured using NAV:				
Private equity funds				150,853,148
Real asset funds				14,521,737
Subtotal by NAV				165,374,885
Total assets at fair value				$ 313,425,175
Reconciliation to the statement of financial position at May 31, 2023:				
Investments other than endowment				$ 17,459,758
Endowment investments				294,621,114
Beneficial interest in funds held in trust				1,076,710
Other investments				309,120
Total investments				313,466,702
Less investments at cost				(41,527)
Total assets at fair value				$ 313,425,175

During the years ended May 31, 2024 and 2023, there were sales of level three assets totaling $773,662 and $53,362, respectively. During the years ended May 31, 2024 and 2023, there were purchases of level three assets totaling $669,699 and $942,105, respectively.

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, 2024 and 2023:

	Private Equity Funds	Real Asset Funds
Fair value, May 31, 2024	$ 164,000,479	$ 14,674,691
Fair value, May 31, 2023	$ 150,853,148	$ 14,521,737
Significant investment strategy	Global buyout, opportunistic, venture, distressed and growth equity	Global real estate, opportunistic, energy and forestry
Dollar amount of unfunded commitments	$ 61,522,000	$ 13,494,000
Timing to draw down commitments	1 to 7 years	1 to 3 years
Redemption terms	N/A	N/A
Redemption restrictions	N/A	N/A
Redemption restrictions in place at year-end	N/A	N/A

7. Endowment

The College's endowment consists of approximately 800 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 and to continue spending from the endowments with deficiencies as permitted by UPMIFA. See Note 1 for further information on net asset classifications.

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, 2024 and 2023:

	2024				
		With Donor Restrictions			
	Without Donor Restrictions	Original Gift	Accumulated Gains (Losses)	Total	Balances May 31, 2024
Board designated endowment funds	$ 49,808,756	$ -	$ -	$ -	$ 49,808,756
Donor-restricted endowment funds:					
Underwater funds	-	1,076,429	(5,890)	1,070,539	1,070,539
Other funds	-	163,372,297	98,975,684	262,347,981	262,347,981
Total endowment net assets	$ 49,808,756	$ 164,448,726	$ 98,969,794	$ 263,418,520	$ 313,227,276

	2023				
		With Donor Restrictions			
	Without Donor Restrictions	Original Gift	Accumulated Gains (Losses)	Total	Balances May 31, 2023
Board designated endowment funds	$ 47,025,904	$ -	$ -	$ -	$ 47,025,904
Donor-restricted endowment funds:					
Underwater funds	-	1,913,666	(72,195)	1,841,471	1,841,471
Other funds	-	155,411,665	86,165,572	241,577,237	241,577,237
Total endowment net assets	$ 47,025,904	$ 157,325,331	$ 86,093,377	$ 243,418,708	$ 290,444,612

Changes in endowment net assets for the years ended May 31, 2024 and 2023, are as follows:

	2024		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**
Endowment net assets, May 31, 2023	$ 47,025,904	$ 243,418,708	$ 290,444,612
Investment return:			
Investment income	447,399	642,377	1,089,776
Net appreciation, realized and unrealized	7,913,566	21,927,878	29,841,444
Total investment return	8,360,965	22,570,255	30,931,220
Contributions	-	5,249,728	5,249,728
Matured deferred gifts	-	1,125,998	1,125,998
Appropriation of endowment assets for expenditure (spending rate)	(5,833,903)	(8,946,169)	(14,780,072)
Other changes:			
Transfers to board designated endowment funds	255,790	-	255,790
Endowment net assets, May 31, 2024	$ 49,808,756	$ 263,418,520	$ 313,227,276

	2023		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**
Endowment net assets, May 31, 2022	$ 48,077,363	$ 243,167,377	$ 291,244,740
Investment return:			
Investment income	178,421	248,488	426,909
Net appreciation, realized and unrealized	3,687,085	4,644,447	8,331,532
Total investment return	3,865,506	4,892,935	8,758,441
Contributions	-	3,500,353	3,500,353
Matured deferred gifts	-	13,942	13,942
Appropriation of endowment assets for expenditure (spending rate)	(4,462,554)	(8,155,899)	(12,618,453)
Other changes:			
Transfers from board designated endowment funds	(454,411)	-	(454,411)
Endowment net assets, May 31, 2023	$ 47,025,904	$ 243,418,708	$ 290,444,612

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.

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, 2024 and 2023, the College appropriated for distribution 5.9% and 5.5%, respectively 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% to 5%, 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.

8. Construction in Progress

At May 31, 2024, the following project was in progress:

	Estimated Total Cost	Cost to Date	Funding Plan
Renewable energy project	$ 2,000,000	$ 86,190	Gifts and operations

9. Property, Plant and Equipment, Net

Property, plant and equipment, net consisted of the following as of May 31, 2024 and 2023:

	2024	2023
Land	$ 1,324,468	$ 1,324,468
Land improvements	12,680,943	12,061,414
Buildings	273,125,452	268,489,560
Equipment	31,723,660	31,459,470
Library books	9,899,823	9,727,348
	328,754,346	323,062,260
Less accumulated depreciation	(148,426,119)	(139,721,795)
	180,328,227	183,340,465
Memorial garden, net	151,986	173,907
Total	$ 180,480,213	$ 183,514,372

10. 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. This plan was discontinued on January 1, 2023 for employees that retired after May 31, 1998. Eligible employees who retired after May 31, 2005 pay 100% of the cost of medical insurance (100% 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, 2024 and 2023:

	2024	2023
Active employees	$ 637,087	$ 540,919
Current retirees	153,428	241,310
Accrued postretirement benefit obligation	$ 790,515	$ 782,229

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

The following is a reconciliation of the benefit obligation and the fair value of plan assets at May 31, 2024 and 2023:

	2024	2023
Change in projected benefit obligation:		
Projected benefit obligation at June 1	$ 782,229	$ 1,225,483
Interest cost	36,215	31,167
Service cost	46,933	43,519
Plan amendment	-	(304,316)
Actuarial gain	(39,450)	(213,131)
Benefits paid	(35,412)	(493)
Projected benefit obligation at May 31	$ 790,515	$ 782,229
Change in plan assets:		
Fair value of plan assets at June 1	$ -	$ -
Employer contribution	35,412	493
Participant contribution	57,367	338,874
Benefits paid	(92,779)	(339,367)
Fair value of plan assets at May 31	$ -	$ -
Funded status:		
Unfunded status at May 31	$ (790,515)	$ (782,229)

Net periodic postretirement benefit expense for the years ended May 31, 2024 and 2023, is comprised of the following:

	2024	2023
Service cost	$ 46,933	$ 43,519
Interest cost	36,215	31,167
Amortization of prior service gain	(24,522)	(24,171)
Amortization of unrecognized loss	3,999	14,884
Net periodic benefit cost	$ 62,625	$ 65,399

Benefits expected to be paid for each of the five years subsequent to May 31, 2024 are estimated to be $76,000, $57,000, $65,000, $70,000 and $70,000, respectively. Benefits expected to be paid from 2030 through 2034 are $424,000. Contributions from the College and retirees expected to be paid to the plan for the year ended May 31, 2025, are estimated to be $132,000.

The estimated interest cost, service cost, net loss and expected benefits to be paid for the year ended May 31, 2025, and the estimated benefit obligation at May 31, 2025, are as follows:

	2025
Change in projected benefit obligation:	
Benefit obligation at June 1	$ 790,515
Interest cost	39,934
Service cost	44,160
Expected benefits to be paid	(75,823)
Projected benefit obligation at May 31	$ 798,786

No plan assets are expected to be returned to the College during the year ended May 31, 2025. The estimated net gain, prior service cost and transition obligation that will be amortized into net periodic benefit cost over the next fiscal year are $0, $24,500 and $400, respectively.

The above assumptions and calculations are based on census data as of June 1, 2023 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, 2024. A 6.5% rate of increase in the per capita costs of covered health care benefits was assumed at May 31, 2024, decreasing 0.25% per year to an ultimate level of 5.0% in fiscal years ending May 31, 2030 and later. A weighted-average discount rate of 5.3% and 4.8% were used to determine the accrued postretirement benefit obligation for fiscal 2024 and 2023, respectively and a weighted-average discount rate of 4.8% and 3.9% were used to determine the benefit costs for fiscal 2024 and 2023, respectively.

The effect of a 1.0% increase in each future health care trend rate would increase the combined service cost and interest cost by approximately $10,000 or 12.0% and the accumulated postretirement benefit obligation as of May 31, 2024, by approximately $65,300 or 8.3%. The effect of a 1.0% decrease in each future health care trend rate would decrease the combined service cost and interest cost by approximately $8,600 or 10.2% and the accumulated postretirement benefit obligation by approximately $57,300 or 7.3%.

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

11. Long-Term Debt, Net

The College had the following long-term debt outstanding at May 31, 2024 and 2023:

	Original Amount	2024	2023
Minnesota Higher Education Facilities Authority Revenue Bonds - Gustavus Adolphus College (Series Seven-W Bonds of 2013)	$ 11,410,000	$ 7,185,000	$ 7,685,000
Minnesota Higher Education Facilities Authority Revenue and Refunding Bonds, Series 2017 (Gustavus Adolphus College)	52,515,000	49,240,000	50,025,000
Principal outstanding on bonds		56,425,000	57,710,000
Premiums on bonds	5,813,370	4,439,629	4,636,250
Deferred debt acquisition costs	755,555	(526,183)	(554,213)
Total		$ 60,338,446	$ 61,792,037

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% to 4.5% and mature in annual installments of $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% to 5.0% and mature in annual amounts ranging from $830,000 to $3,740,000 on October 1 in the years 2024 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, 2024, approximate: $1,350,000, $1,415,000, $1,480,000, $1,555,000 and $1,630,000, respectively.

Total interest expense for the years ended May 31, 2024 and 2023, amounted to approximately $2,536,000 and $2,600,000, respectively.

12. 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, 2024. The line of credit is payable at an interest rate equal to the Wall Street Journal prime less 0.5%. The interest rate will never be less than 4.00% and no more than 12.00%. At May 31, 2024, the interest rate was 8.00%. In addition, the line of credit is subject to a nonuse fee of 0.15% of any unused portion to be accrued and charged monthly. At May 31, 2024 and 2023, the College had no borrowings outstanding under this agreement.

13. 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% to 10.2%, in making the calculations for the years ended May 31, 2024 and 2023.

During the year ended May 31, 2024, the College received gift income of approximately $46,000 relating to deferred gift agreements. Total assets held by the College under deferred gift agreements and liabilities related to these agreements totaled approximately $15,144,000 and $7,617,000 respectively, at May 31, 2024.

During the year ended May 31, 2023, the College received gift no gift income relating to deferred gift agreements. Total assets held by the College under deferred gift agreements and liabilities related to these agreements totaled approximately $16,607,000 and $8,218,000 respectively, at May 31, 2023.

14. 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. The College invested 14% of their investment portfolio with one investment manager at May 31, 2024.

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 30% of all private gifts and grants were received from two donors in the year ended May 31, 2024.

15. Related-Party Transactions

As of May 31, 2024 and 2023, contributions receivable included approximately $2,617,000 and $6,937,000, 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, 2024, total approximately $2,910,000 and $90,000 is outstanding on future commitments. The value of these funds approximates $113,000 and $229,000 as of May 31, 2024 and 2023, 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, 2024, the College billed students $495,180 and paid expenses of $383,875, resulting in a management fee of $111,305. During the year ended May 31, 2023, the College billed students $500,500 and paid expenses of $373,116, resulting in a management fee of $127,384. The agreement is in full force until May 31, 2028, and shall continue thereafter on successive five year terms, through May 31, 2032 unless sooner terminated by the College or the owner. During the year ended May 31, 2024, one unit under this agreement was transferred to the ownership of the College.

16. 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.

	2024	2023
Financial assets:		
Cash and cash equivalents	$ 25,583,119	$ 16,624,869
Receivables, net	1,204,375	1,326,896
Contributions receivable, net	11,069,000	17,955,000
Student notes receivable, net	256,112	483,133
Investments	335,183,746	313,554,468
Beneficial interest in funds held in trust	1,112,211	1,076,710
Total financial assets	374,408,563	351,021,076
Less those unavailable for general expenditures within one year, due to:		
Contractual, donor-imposed restrictions or board designations:		
Government grant receivables	(95,129)	(235,245)
Contributions receivable, net, restricted for plant and endowment	(7,984,000)	(13,955,000)
Contributions receivable, net, collectible beyond one year	(1,703,000)	(2,016,000)
Student notes receivable, net, Federal Perkins Loan program	(256,112)	(483,133)
Investments, donor restricted	(21,579,403)	(22,733,050)
Endowment funds, net of appropriation for subsequent years	(299,227,276)	(276,044,612)
Beneficial interest in funds held in trust	(1,112,211)	(1,076,710)
Financial assets available to meet cash needs for general expenditures within one year	$ 42,451,432	$ 34,477,326

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 7), as authorized by the board or accessing the line of credit as described in Note 12.

17. 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, 2024 and 2023, 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, 2024 and 2023, include the following:

	2024						
	Salaries and Wages	Benefits	Operation and Maintenance of Plant	Depreciation	Interest	Other	Total
Instruction	$ 17,231,067	$ 5,924,891	$ 4,988,986	$ 5,322,347	$ 1,995,185	$ 3,695,661	$ 39,158,137
Academic support	2,005,935	666,108	613,801	299,230	-	1,267,310	4,852,384
Research	83,177	8,034	-	-	-	21,143	112,354
Public service	559,330	90,557	815,860	730,932	3,093	1,205,355	3,405,127
Student services	7,638,312	2,380,697	1,100,806	1,139,453	11,942	5,126,584	17,397,794
Auxiliary enterprises	2,857,365	692,208	3,871,366	1,986,865	286,532	5,122,718	14,817,054
Institutional support							
Fundraising	1,777,147	649,632	-	-	-	690,141	3,116,920
Other	4,216,314	1,461,360	337,608	271,000	3,700	3,579,979	9,869,961
Operation and maintenance of plant	3,863,401	1,195,939	(11,728,427)	-	67,164	6,601,923	-
Total expenses	$ 40,232,048	$ 13,069,426	$ -	$ 9,749,827	$ 2,367,616	$ 27,310,814	$ 92,729,731

	2023						
	Salaries and Wages	Benefits	Operation and Maintenance of Plant	Depreciation	Interest	Other	Total
Instruction	$ 17,908,227	$ 6,099,824	$ 5,172,635	$ 5,202,329	$ 2,004,051	$ 5,309,943	$ 41,697,009
Academic support	2,294,693	738,359	636,395	297,190	-	1,381,863	5,348,500
Research	97,161	9,896	-	-	-	23,765	130,822
Public service	582,835	104,380	845,892	655,364	5,469	1,151,294	3,345,234
Student services	7,353,970	2,257,364	1,141,328	1,065,829	17,095	4,518,970	16,354,556
Auxiliary enterprises	2,764,594	698,102	4,013,873	1,965,528	330,477	5,409,659	15,182,233
Institutional support							
Fundraising	1,983,007	728,036	-	-	-	663,356	3,374,399
Other	4,257,719	1,454,161	350,035	228,248	6,543	3,938,191	10,234,897
Operation and maintenance of plant	3,917,131	1,242,864	(12,160,158)	-	67,306	6,932,857	-
Total expenses	$ 41,159,337	$ 13,332,986	$ -	$ 9,414,488	$ 2,430,941	$ 29,329,898	$ 95,667,650

18. Commitments and Contingencies

Financial awards from federal and state agencies, including the U.S. 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.

19. Subsequent Events

The College has evaluated subsequent events through September 19, 2024 which is the date that the financial statements were issued.