

CORNELL COLLEGE
FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2021 AND 2020



WEALTH ADVISORY | OUTSOURCING
AUDIT, TAX, AND CONSULTING

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YEARS ENDED JUNE 30, 2021 AND 2020**

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Cornell College
Mount Vernon, Iowa

We have audited the accompanying financial statements of Cornell College, which comprise the balance sheets as of June 30, 2021 and 2020, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

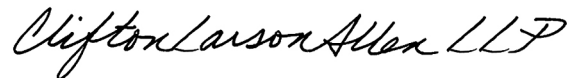
Board of Trustees
Cornell College

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cornell College as of June 30, 2021 and 2020, and the change in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 1, Cornell College adopted a recently issued accounting standard relating to the recognition of leases. The new standard requires lessees to recognize a right-of-use asset and corresponding liability for all operating and finance leases with lease terms greater than one year. Our opinion is not modified with respect to this matter.



CliftonLarsonAllen LLP

Minneapolis, Minnesota
December 17, 2021

**CORNELL COLLEGE
BALANCE SHEETS
JUNE 30, 2021 AND 2020**

| | 2021 | 2020 |
|------------------------------------------------------------------------------------------------------------------------|----------------|----------------|
| ASSETS | | |
| Cash and Cash Equivalents | \$ 14,453,545 | \$ 10,742,490 |
| Accounts Receivable, Less Allowance for Doubtful Accounts of \$604,163 and \$566,741 in 2021 and 2020, Respectively | 1,241,210 | 626,448 |
| Inventories and Prepaid Expenses | 988,178 | 1,114,950 |
| Contributions Receivable, Net | 22,230,690 | 24,928,007 |
| Student Loans Receivable, Net | 1,271,056 | 1,372,811 |
| Investments | 90,305,743 | 75,872,515 |
| Right-of-Use Asset - Finance Lease | 2,692,901 | - |
| Property, Plant, and Equipment, Net | 99,167,819 | 99,856,448 |
| Total Assets | \$ 232,351,142 | \$ 214,513,669 |
| LIABILITIES AND NET ASSETS | | |
| LIABILITIES | | |
| Accounts Payable, Accrued Expenses, and Deposits | \$ 3,199,135 | \$ 2,914,079 |
| Student Tuition Paid in Advance | 237,051 | 694,525 |
| Contract Advances | 2,442,952 | 2,929,349 |
| Asset Retirement Obligation | 341,831 | 393,898 |
| Lease Liability - Finance Lease | 2,547,758 | - |
| Net Long-Term Debt | 28,912,109 | 38,283,352 |
| Life-Income Payable | 2,071,344 | 1,945,966 |
| Due to U.S. Government, Refundable Loan Program | 138,960 | 259,958 |
| Total Liabilities | 39,891,140 | 47,421,127 |
| NET ASSETS | | |
| Without Donor Restrictions: | | |
| Undesignated | 12,166,429 | 4,358,115 |
| Investment in Property, Plant, and Equipment | 67,616,070 | 58,485,086 |
| Board-Designated Endowment | 4,009,245 | 3,635,129 |
| Total Without Donor Restrictions | 83,791,744 | 66,478,330 |
| With Donor Restrictions: | | |
| Perpetual in Nature | 86,756,655 | 84,288,158 |
| Purpose Restrictions | 15,968,719 | 9,841,800 |
| Time Restricted for Future Periods | 9,852,061 | 17,000,159 |
| Underwater Endowments | (3,909,177) | (10,515,905) |
| Total With Donor Restrictions | 108,668,258 | 100,614,212 |
| Total Net Assets | 192,460,002 | 167,092,542 |
| Total Liabilities and Net Assets | \$ 232,351,142 | \$ 214,513,669 |

See accompanying Notes to Financial Statements.

**CORNELL COLLEGE
STATEMENTS OF ACTIVITIES
YEAR ENDED JUNE 30, 2021**

| | 2021 | | |
|--------------------------------------------------------------------------------------------------|-------------------------------|----------------------------|-----------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total |
| REVENUES | | | |
| Tuition and Fees, Net Scholarship and Grants of \$28,437,940 in 2021 and \$27,046,371 in 2020 | \$ 16,776,843 | \$ - | \$ 16,776,843 |
| Contributions and Grants | 4,225,138 | 2,290,627 | 6,515,765 |
| Investment Income - Operating | 82,795 | 311,575 | 394,370 |
| Investment Income - Spending Rate | 2,257,793 | 5,377,414 | 7,635,207 |
| Other Revenues | 1,956,817 | 9,491 | 1,966,308 |
| Sales and Services of Auxiliary Enterprises | 8,045,986 | - | 8,045,986 |
| Total Revenues | <u>33,345,372</u> | <u>7,989,107</u> | <u>41,334,479</u> |
| Net Assets Released from Restrictions | 18,828,268 | (18,828,268) | - |
| Total Revenues | <u>52,173,640</u> | <u>(10,839,161)</u> | <u>41,334,479</u> |
| EXPENSES | | | |
| Instruction | 13,317,501 | - | 13,317,501 |
| Academic Support and Research | 2,834,038 | - | 2,834,038 |
| Student Services | 8,688,102 | - | 8,688,102 |
| Institutional Support | 5,210,799 | - | 5,210,799 |
| Institutional Advancement | 2,196,195 | - | 2,196,195 |
| Scholarships and Fellowships | 659,458 | - | 659,458 |
| Auxiliary Enterprises | 7,107,767 | - | 7,107,767 |
| Total Expenses | <u>40,013,860</u> | <u>-</u> | <u>40,013,860</u> |
| CHANGE IN OPERATING NET ASSETS | 12,159,780 | (10,839,161) | 1,320,619 |
| Investment Income Greater (Less) Than Spending Rate | 674,922 | 10,108,270 | 10,783,192 |
| Contributions | - | 8,664,795 | 8,664,795 |
| Paycheck Protection Plan Loan Forgiveness | 4,489,200 | - | 4,489,200 |
| Actuarial Adjustment on Life Income and Annuity Agreements | (282,380) | (8,698) | (291,078) |
| Change in Value of Perpetual Trust | - | 128,840 | 128,840 |
| Insurance Recoveries, Net | 271,892 | - | 271,892 |
| CHANGE IN NET ASSETS | 17,313,414 | 8,054,046 | 25,367,460 |
| Net Assets - Beginning of Year | <u>66,478,330</u> | <u>100,614,212</u> | <u>167,092,542</u> |
| NET ASSETS - END OF YEAR | <u>\$ 83,791,744</u> | <u>\$ 108,668,258</u> | <u>\$ 192,460,002</u> |

See accompanying Notes to Financial Statements.

**CORNELL COLLEGE
STATEMENTS OF ACTIVITIES
YEAR ENDED JUNE 30, 2020**

| | 2020 | | |
|--------------------------------------------------------------------------------------------------|-------------------------------|----------------------------|-----------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total |
| REVENUES | | | |
| Tuition and Fees, Net Scholarship and Grants of \$28,437,940 in 2021 and \$27,046,371 in 2020 | \$ 16,384,869 | \$ - | \$ 16,384,869 |
| Contributions and Grants | 2,693,563 | 2,239,823 | 4,933,386 |
| Investment Income - Operating | 200,457 | 348,741 | 549,198 |
| Investment Income - Spending Rate | 821,555 | 2,395,364 | 3,216,919 |
| Other Revenues | 1,250,417 | 14,242 | 1,264,659 |
| Sales and Services of Auxiliary Enterprises | 8,035,627 | - | 8,035,627 |
| Total Revenues | <u>29,386,488</u> | <u>4,998,170</u> | <u>34,384,658</u> |
| Net Assets Released from Restrictions | 7,142,182 | (7,142,182) | - |
| Total Revenues | <u>36,528,670</u> | <u>(2,144,012)</u> | <u>34,384,658</u> |
| EXPENSES | | | |
| Instruction | 14,189,335 | - | 14,189,335 |
| Academic Support and Research | 2,871,944 | - | 2,871,944 |
| Student Services | 9,761,938 | - | 9,761,938 |
| Institutional Support | 5,119,505 | - | 5,119,505 |
| Institutional Advancement | 2,576,049 | - | 2,576,049 |
| Scholarships and Fellowships | 187,544 | - | 187,544 |
| Auxiliary Enterprises | 7,267,842 | - | 7,267,842 |
| Total Expenses | <u>41,974,157</u> | <u>-</u> | <u>41,974,157</u> |
| CHANGE IN OPERATING NET ASSETS | (5,445,487) | (2,144,012) | (7,589,499) |
| Investment Income Greater (Less) Than Spending Rate | 29,542 | (2,635,605) | (2,606,063) |
| Contributions | - | 15,685,773 | 15,685,773 |
| Paycheck Protection Plan Loan Forgiveness | - | - | - |
| Actuarial Adjustment on Life Income and Annuity Agreements | 23,710 | (231,570) | (207,860) |
| Change in Value of Perpetual Trust | - | 90,269 | 90,269 |
| Insurance Recoveries, Net | - | - | - |
| CHANGE IN NET ASSETS | (5,392,235) | 10,764,855 | 5,372,620 |
| Net Assets - Beginning of Year | <u>71,870,565</u> | <u>89,849,357</u> | <u>161,719,922</u> |
| NET ASSETS - END OF YEAR | <u>\$ 66,478,330</u> | <u>\$ 100,614,212</u> | <u>\$ 167,092,542</u> |

See accompanying Notes to Financial Statements.

CORNELL COLLEGE
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2021 AND 2020

| | 2021 | 2020 |
|---------------------------------------------------------------------------------------------------------|---------------|--------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in Net Assets | \$ 25,367,460 | \$ 5,372,620 |
| Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities: | | |
| Depreciation and Amortization | 5,602,856 | 5,566,894 |
| Change in Asset Retirement Obligation | (52,067) | (52,068) |
| Paycheck Protection Program Loan Forgiveness | (4,489,200) | - |
| Write-Off of Contribution Receivable | 1,500 | 42,384 |
| Actuarial Adjustment of Annuities and Life Income Payable | 165,026 | 207,860 |
| Change in Value of Perpetual Trust | (128,840) | (90,269) |
| Net Appreciation on Investments | (18,683,929) | (1,160,054) |
| Noncash Donations of Investments and Equipment | (389,435) | (986,136) |
| Contributions Restricted for Long-Term Investment and Property, Plant, and Equipment | (9,212,205) | (5,499,645) |
| Loss on Disposal of Property, Plant, and Equipment | - | (68,063) |
| Changes in Assets and Liabilities: | | |
| (Increase) Decrease in Accounts Receivable | (614,762) | (319,144) |
| (Increase) Decrease in Contributions Receivable | 2,695,817 | (7,252,608) |
| (Increase) Decrease in Inventory and Prepaid Expenses | 126,772 | (240,192) |
| Decrease in Accounts Payable and Accrued Expenses | (431,437) | (1,108,610) |
| Increase (Decrease) in Other Liabilities | (457,474) | 457,724 |
| Net Cash Used by Operating Activities | (499,918) | (5,129,307) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchases of Investments | (96,799,106) | (25,093,508) |
| Proceeds from Sales and Maturities of Investments | 101,587,217 | 28,804,022 |
| Disbursements of Student Loans | (104,815) | - |
| Repayments of Student Loans | 206,570 | 133,616 |
| Proceeds from Sales of Property and Equipment | - | 1,070,898 |
| Purchase of Property and Equipment | (3,639,959) | (2,093,919) |
| Net Cash Provided by Investing Activities | 1,249,907 | 2,821,109 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from Issuance of Indebtedness | - | 8,068,778 |
| Repayments of Principal on Indebtedness | (5,185,836) | (3,811,812) |
| Principal Payments on Finance Lease | (418,260) | - |
| Net Payments from Contract Advances | (486,397) | 272,518 |
| Cash Received from Contributions Restricted for Long-Term Investment and Property, Plant, and Equipment | 9,212,205 | 5,457,261 |
| Decrease in U.S. Government Grants Refundable, Net | (120,998) | (223,702) |
| Change in Annuities Payable | 125,368 | (103,997) |
| Investment Income Restricted for Life Income Agreements | 82,727 | 82,572 |
| Payments to Annuitants and Life Income Recipients | (247,743) | (290,432) |
| Net Cash Provided by Financing Activities | 2,961,066 | 9,451,185 |

See accompanying Notes to Financial Statements.

**CORNELL COLLEGE
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED JUNE 30, 2021 AND 2020**

| | <u>2021</u> | <u>2020</u> |
|------------------------------------------------------------------|----------------------|----------------------|
| NET CHANGE IN CASH AND CASH EQUIVALENTS | \$ 3,711,055 | \$ 7,142,987 |
| Cash and Cash Equivalent - Beginning of Year | <u>10,742,490</u> | <u>3,599,503</u> |
| CASH AND CASH EQUIVALENTS - END OF YEAR | <u>\$ 14,453,545</u> | <u>\$ 10,742,490</u> |
| SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION | | |
| Cash Payments for Interest | <u>\$ 1,209,355</u> | <u>\$ 886,372</u> |
| Purchases of Property and Equipment included in Accounts Payable | <u>\$ 716,493</u> | <u>\$ -</u> |
| Noncash Right-of-Use Asset | <u>\$ 2,966,018</u> | <u>\$ -</u> |
| Debt Incurred for Purchase of Property, Plant and Equipment | <u>\$ -</u> | <u>\$ 5,920,865</u> |
| RECONCILIATION OF CASH AND CASH EQUIVALENTS | | |
| Cash and Cash Equivalents | \$ 14,213,479 | \$ 10,436,914 |
| Restricted Cash and Cash Equivalents | 240,066 | 305,576 |
| Total Cash and Cash Equivalents | <u>\$ 14,453,545</u> | <u>\$ 10,742,490</u> |

See accompanying Notes to Financial Statements.

CORNELL COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Operations

Cornell College (the College) is a nationally ranked, highly selective liberal arts college of 1,000 students characterized by life-changing academic immersion in the One Course At-A-Time curriculum. This intensive focus lays the foundation for a student's entire Cornell education: transformative intellectual partnerships that bring out the best in our ambitious students. Within our curriculum, students dive in, focus intensely, and learn authentically in every course they take. Unlike the semester system, the College offers an education at the speed of life with no slow intros, far off exams or papers, or gaps between classes. At the heart of a Cornell College education are frequent opportunities for experiential learning. The One Course curriculum frees students to explore new ways to learn—faculty can take entire classes on field trips for a day or an entire block—in whatever venues best suit the subject of the class. The College's distinctive calendar immerses students in full-time internships, research, or other hands-on opportunities, producing substantial real-world experiences.

The College attracts an engaged student body from across the nation and around the world. They become quickly involved in campus life, living in a common rhythm due to their focused academic calendar schedules that brings them closer together as a community on a socially, culturally, and politically engaged campus. The College students come from 45 states, two U.S. territories, and 20 foreign countries, and a typical first-year class includes more than 20% domestic students of color and 5% international students. The campus is diverse on many levels and expands its global environment by drawing international speakers, artists, and authors to campus.

The College's setting on a wooded hilltop in Mount Vernon, Iowa offers a classic, beautiful, and safe collegiate setting. A brick pedestrian mall along the ridge of the hilltop links modern facilities with numerous buildings on the National Register of Historic Places. Mount Vernon—noted as one of the 10 Coolest Small Towns in America—provides students an idyllic small college town atmosphere but also connects them to the Eastern Iowa Creative Corridor. 93% of the College graduates complete their degrees in four years or less, and 55% of the College graduates complete an advanced degree. The College's law school acceptance rate is 91%, compared to the national average of 85%. The College's medical acceptance rate is 82%, compared to the national average of 39%. The College has been known as one of the 40 "Colleges that Change Lives," based on the Loren Pope book now in its fourth edition since 1996. Its distinctive curriculum within the liberal arts provides a solid path to professional achievement and personal fulfillment.

Accounting 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.

CORNELL COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation

Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the College and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed stipulations. The governing board has designated, from net assets without donor restrictions, board-designated endowment, and investment in property, plant, and equipment.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Revenues are reported as increases in net assets without donor restrictions, unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities, other than endowment and similar funds, are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation. Expirations of restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets; net assets released from restrictions.

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of property, plant, and equipment without donor restrictions concerning the use of such long-lived assets are reported as revenue of the net assets without donor restrictions. Contributions of cash or other assets to be used to acquire property, plant, and equipment are reported as revenue of the net assets with donor restrictions; the restrictions are considered to be released at the time when such long-lived assets are placed into service. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible contributions receivable is provided based upon management's judgment including such factors as prior collection history, type of contribution, and nature of fundraising activity.

CORNELL COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

Income, realized gains and losses, and unrealized gains and losses on investments of endowment and similar funds are reported as net assets with donor restrictions.

The board of trustees designates a portion of the College's cumulative unrestricted investment return for support of current operations; the remainder is retained to support operations of future years and to offset potential market declines.

Cash and Cash Equivalents

The College considers all highly liquid debt instruments purchased with a maturity date of less than three months to be cash equivalents except for money market funds held for long-term investment and deposits with bond trustees.

Cash in excess of daily requirements is invested in interest-bearing accounts and money market funds of qualified financial institutions in amounts that frequently exceed insured limits. The College has not experienced any losses in these investments.

Restricted Cash and Cash Equivalents

The College has restricted cash and cash equivalents which relates to their Perkins loan program. As of June 30, 2021 and 2020, the restricted cash and cash equivalents were \$240,066 and \$305,576, respectively.

Student Accounts Receivable and Student Loans Receivable

Student accounts receivable are carried at the unpaid balance of the original amount billed to students and student loans receivable are carried at the amount of unpaid principal. Both receivables are 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. Student accounts and loans receivable are written off when deemed uncollectible and student loans receivable may be assigned to the U.S. Department of Education. Recoveries of student accounts and loans receivable previously written off are recorded when received. The provision for bad debts charged to expense, net of recoveries, was a net expense of \$56,049 and \$46,187 for the years ended June 30, 2021 and 2020, respectively.

Interest is charged on student accounts receivable that is past due and is recognized as it is charged. A student account receivable is considered to be past due if any portion of the receivable balance is outstanding at the beginning of the term to which the charges relate. Once a student is no longer enrolled, accrual of interest is suspended.

Interest is charged and recognized on student loans receivable after a student is no longer enrolled in an institution of higher education and after a grace period. Interest is recognized as charged. Late charges are charged if payments are not paid by the payment due date and are recognized as they are received. Students may be granted a deferment, forbearance, or cancellation of their student loan receivable based on eligibility requirements defined by the U.S. Department of Education or in the case of loan funds of the College, based on the respective loan program.

**CORNELL COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions Receivable

Contributions receivable include pledges that are recorded at their present value using discount rates of 2%. An allowance for uncollectible contributions receivable is provided based upon management's judgment including such factors as prior collection history, type of contribution, and nature of fundraising activity. For the years ended June 30, 2021 and 2020, the College had an allowance of \$200,000.

Contributions receivable from two donors represent 92% of total contributions receivable for the years ended June 30, 2021 and 2020.

Inventories

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

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value with unrealized gains and losses included in the statement of activities. Donated investments are recorded at fair value on the date received.

Alternative investments, such as private equity, absolute return hedge funds, real estate investment trusts, and natural resource funds consist primarily of investments that are not readily marketable. Investments in these categories are valued utilizing the most current information provided by the general partner or manager of the fund. Because these alternative investments are not readily marketable, their estimated fair value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for such investments existed. Such differences could be material.

Farms and city real estate are carried at cost or, if received as a donation, at the fair market value at the date received less applicable accumulated depreciation.

Realized gains are calculated using the average cost method.

Leases

The College determines if an arrangement is a lease at inception. Finance leases are included in Right-of-Use (ROU) Assets - Financing and Lease Liability - Financing Lease in the balance sheets.

ROU assets represent the College's right to use an underlying asset for the lease term and lease liabilities represent the Organization's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the College will exercise that option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term. The College has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or right of use assets on the balance sheets.

**CORNELL COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases

The individual lease contracts do not provide information about the discount rate implicit in the lease. Therefore, the College has elected to use their incremental borrowing rate.

The College has elected not to separate nonlease components from lease components and instead account for each separate lease component and the nonlease component as a single lease component.

Property, Plant, and Equipment

Land and campus improvements, buildings, rental properties, equipment, and library books over \$5,000 are stated at cost at date of acquisition or fair value at date of gift, less accumulated depreciation computed on a straight-line basis over the following estimated useful lives. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets.

| | |
|---------------------------------|---------------|
| Campus Land Improvements | 20 Years |
| Buildings and Rental Properties | 50 Years |
| Equipment | 5 to 10 Years |
| Library Books | 10 Years |

Pension Plan

The College has a pension plan covering substantially all of its employees. The total pension expense for the years ended June 30, 2021 and 2020 was \$500,884 and \$1,093,061, respectively. The plan is of the defined-contribution type whereby the College contributes a specified percentage of the employee's salary and the employee's benefit is whatever amount the accumulated contributions will buy. This percentage was 2.5% and 7.5% for the years ended June 30, 2021 and 2020, respectively.

Self-Insurance

The College is self-insured with respect to its health insurance coverage. The College maintains reinsurance that carries a specific stop-loss of \$90,000 per participant covered for the period January 1, 2021 to December 31, 2021 and an aggregate stop-loss of 125% of total expected claims. Expected claims are estimated to be approximately \$2,260,000. For the years ended June 30, 2021 and 2020, the amount of health insurance expense, including administrative costs, and reinsurance costs, net of stop loss recoveries received or receivable, was \$2,399,818 and \$2,683,573, respectively.

**CORNELL COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Asset Retirement Obligations

The College recognizes the fair value of a liability for legal obligations associated with asset retirements in the period in which it is incurred if a reasonable estimate of the fair value of the obligation can be made. When the liability is initially recorded, the cost of the retirement obligation is capitalized by increasing the carrying value of the related asset. Over time, the liability is accreted to its present value each year and the capitalized cost associated with the retirement obligation is depreciated over the useful life of the related asset. Upon settlement of the obligation, any difference between the cost to settle the asset retirement obligation and the liability recorded is recognized as a gain or loss in the statement of activities. The College reviews its estimates annually and adjusts the recorded liability as needed (see Note 11).

Due to U.S. Government

Amounts due to the U.S. Government include advances under the Perkins Loan Program and the program's cumulative net income as these funds are ultimately refundable to the U.S. Government.

Revenue Recognition

Revenue from contracts with customers is recognized when control of the promised goods or services is transferred to customers (students), in an amount that reflects the consideration expected to be entitled in exchange for those goods or services.

The following table shows the College's tuition revenue disaggregated according to the timing of the transfer of goods or service and by source, as of the years ended June 30:

| | <u>2021</u> | <u>2020</u> |
|--------------------------------|----------------------|----------------------|
| Revenue Recognized Over Time: | | |
| Undergraduate Tuition and Fees | <u>\$ 44,509,294</u> | <u>\$ 43,431,240</u> |

The following table shows the College's auxiliary revenues disaggregated according to the timing of the transfer of goods or service and by source, as of the years ended June 30:

| | <u>2021</u> | <u>2020</u> |
|-------------------------------|---------------------|---------------------|
| Revenue Recognized Over Time: | | |
| Housing | \$ 3,726,186 | \$ 3,717,197 |
| Dining | 4,255,022 | 4,311,680 |
| Other | 64,778 | 6,750 |
| Total | <u>\$ 8,045,986</u> | <u>\$ 8,035,627</u> |

The College's contract assets and liabilities consist of the following as of June 30:

| | <u>2021</u> | <u>2020</u> |
|--------------------------------|---------------------|---------------------|
| Accounts Receivable - Students | <u>\$ 1,465,161</u> | <u>\$ 1,425,033</u> |
| Deferred Revenue - Students | <u>\$ 330,926</u> | <u>\$ 772,095</u> |

CORNELL COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Performance Obligations and Revenue Recognition

The College has eight academic terms. Tuition revenue is recognized in the fiscal year in which the academic programs are delivered, prorata over the term of the related semester. Auxiliary revenue is recognized in the fiscal year in which housing and food services are provided, pro-rata over the term of the related semester. Any payments received prior to fiscal year-end related to academic terms that occur subsequent to fiscal year-end are recorded as deferred revenue in the accompanying statements of financial position.

Customer contracts generally have separately stated prices for each performance obligation contained in the contract. Therefore, each performance obligation generally has its own standalone selling price. Arrangements for payment are agreed to prior to registration of the student's first academic term. Many students obtain Title IV or other financial aid resulting in the College receiving a significant amount of the transaction price at the beginning of the academic term.

The College does not require students to live on campus for the entire time of study and the price of educational services and residential services are not dependent on one another. Therefore, housing and tuition revenue do not need to be combined according to ASC 606-15-25-9.

Transaction Price

Revenue, or transaction price, is measured as the amount of consideration expected to be received in exchange for transferring goods or services. Tuition and auxiliary revenues are reported at established rates, net of financial assistance provided by the College.

Students may receive discounts, scholarships, or refunds, which gives rise to variable consideration. The amounts of discounts or scholarships are applied to individual student accounts when such amounts are awarded. Therefore, the transaction price is reduced directly by these discounts or scholarships from the amount of the standard rates charged.

Students who adjust their course load or withdraw completely within the first three days of the academic term (add/drop period) may receive a full or partial refund in accordance with the College's refund policy.

If a student withdraws prior to completing an academic term, federal regulations permit the College to retain only a set percentage of the total tuition and auxiliary revenues received from such student, which varies with, but generally equals or exceeds, the percentage of the academic term completed by such student. Payment amounts received by the College in excess of such set percentages of tuition are refunded to the student or the appropriate funding source.

**CORNELL COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Transaction Price (Continued)

For contracts with similar characteristics and historical data on refunds, the expected value method is applied in determining the variable consideration related to refunds. Estimates of the College's expected refunds are determined at the outset of each academic term, based upon actual experience in previous academic terms. All refunds are netted against revenue during the applicable academic term. Management believes it is not probable that a significant reversal in the amount of cumulative revenue recognized will occur when the uncertainty associated with variable consideration is subsequently resolved.

Management reassesses collectability throughout the period revenue is recognized by the College on a student-by-student basis. This reassessment is based upon new information and changes in facts and circumstances relevant to a student's ability to pay. Management also reassesses collectability when a student withdraws from the institution and has unpaid charges.

Contract Balances

Tuition, fees, and auxiliary revenues are recognized in the period classes and services are provided and amounts received for future periods are reported as deferred revenue. Students are billed at the beginning of each academic term and payment is due at that time. The College's performance obligations are to provide educational services in the form of instruction as well as housing facilities and meals during the academic term. As these performance obligations are satisfied over the academic term, deferred revenue is reduced. A significant portion of student payments are from Title IV financial aid and other programs and are generally received during the first month of the respective term. When payments are received, accounts receivable is reduced.

The following table depicts activities for deferred revenue related to tuition and fees and auxiliary revenues:

| Balance at June 30, 2020 | Revenue Recognized Included in June 30, 2020 Balance | Cash Received in Advance of Performance | Balance at June 30, 2021 |
|-----------------------------|------------------------------------------------------------------|-----------------------------------------------|-----------------------------|
| <u>\$ 772,095</u> | <u>\$ 772,095</u> | <u>\$ 237,051</u> | <u>\$ 330,926</u> |

The balance of deferred revenue at June 30, 2021 will be recognized as revenue over the academic term beginning on July 1, 2021 as services are rendered.

Government Grants and Contracts

Government grants and contract funds are recorded as revenue when earned. Revenue is earned when eligible expenditures, as defined in each grant or contract, are made. Funds received but not yet earned are shown as grant advances. Expenditures under government grants and contracts are subject to review by the granting authority. To the extent, if any, that such a review reduces expenditures allowable under these contracts, the College will record such disallowances at the time the determination is made.

CORNELL COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government Grants and Contracts (Continued)

A portion of the College's revenue is derived from cost reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the College has incurred expenditures in compliance with specific contract or grant provisions. The College received cost reimbursable grants of \$2,521,231 that have not been recognized at June 30, 2021 because qualifying expenditures have not yet been incurred. There was also \$1,000,000 of other conditional grants not recognized as of June 30, 2021.

Due to COVID-19, the Federal Government passed the Coronavirus Response and Relief Supplemental Appropriations Act, 2021 on December 27, 2020 which included funding for the Higher Education Emergency Relief Fund (HEERF). These funds were awarded to institutions of higher education in addition to the funding previously provided in spring of 2020 through the Coronavirus Aid, Recovery, and Economic Security (CARES) Act. These funds are provided in two portions: institutional aid to provide support for pivoting instruction to online delivery or reimbursement of refunds, and a student portion to provide emergency financial aid grants to students.

For the year ended June 30, 2020, the College received an allocation of \$845,562 in each category. As of June 30, 2020, the College had expended \$187,544 related to room and board refunds that is netted with Auxiliary Enterprise revenue on the statement of activities, as well as, the College had expended \$187,544 related to emergency student grants that is included in Scholarships and Fellowships expense on the statement of activities. The College drew down \$610,325 of the funds as of June 30, 2020. The excess balance of \$235,237 was included in contract advances on the balance sheets as of June 30, 2020.

For the year ended June 30, 2021, the College received additional allocations of \$1,613,927 for the student portion and \$2,237,389 for the institutional portion. For the year ended June 30, 2021, the College had recognized \$1,142,541 related to the institutional portion, as well as, the College had expended \$658,018 related to emergency student grants that is included in Scholarships and Fellowships expense on the statement of activities.

Income Tax Status

The College is recognized as exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The College may be subject to federal and state income taxes on any net income from unrelated business activities. The College files a Form 990 (Return of Organization Exempt from Income Tax) annually and unrelated business income (UBI) is reported on Form 990-T, as appropriate. Management has evaluated their material tax positions, which include such matters as the tax-exempt status and various positions relative to potential sources of UBI. As of June 30, 2021 and 2020, there were no uncertain tax benefits identified and recorded as a liability.

**CORNELL COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Advertising

The College follows the policy of charging advertising costs to expense as incurred. Total advertising expense is not material to the College's financial statements.

Functional Expenses

The College reports expenditures in categories reflecting core operational objectives for higher education as defined by Integrated Postsecondary Education Data System (IPEDS). During the year, expenses are directly coded to program (instruction, academic support and research, student services, and auxiliary enterprises) or support services (institutional support, institutional advancement, and scholarships and fellowships) whenever possible. Expenses which are not directly identifiable by program or support service are allocated based on the best estimates of management. In Note 10, the College has presented the natural classification detail of expenses by function.

The College incurred fundraising costs of approximately \$1,193,000 and \$1,636,000 for the years ended June 30, 2021 and 2020, respectively. These expenses are included with institutional advancement on the statements of activities.

Measure of Operations

In its statements of activities, the College includes in its definition of operations all revenues and expenses that are an integral part of its programs and supporting activities. Nonoperating activity consists primarily of investment income greater (less) than spending rate, change in value of split interest agreements, loss on disposal of property, plant, and equipment, contributions restricted for capital campaign, and permanently restricted contributions.

Change in Accounting Principle

In February 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-02, *Leases (Topic 842)*. This new standard increases transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the balance sheet. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. The College adopted the requirements of the guidance effective July 1, 2020 and has elected to apply the provisions of this standard to the beginning of the period of adoption. This election had no impact on the beginning net asset balance. The College has not elected to adopt the package of practical expedients available in the year of adoption. The College has not elected to adopt the available practical expedient to use hindsight in determining the lease term and in assessing impairment of the College's ROU assets. The implementation of this standard did not have an impact on net assets as of June 30, 2020.

**CORNELL COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Change in Accounting Principle (Continued)

Financial Accounting Standard Board (FASB) issued Accounting Standards Update (ASU) 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*. The ASU removes and modifies disclosure requirements retrospectively for non-public entities. The ASU is effective for fiscal years beginning after December 15, 2019 with early adoption permitted. Management has elected to early adopt the ASU. The College has adopted this standard retrospectively.

Reclassifications

Certain reclassifications have been made to the June 30, 2020 financial statements in order to present them in conformity with the June 30, 2021 financial statements. These reclassifications had no effect on the net assets as previously reported.

Subsequent Events

In preparing these financial statements, the College has evaluated events and transactions for potential recognition or disclosure through December 17, 2021, the date the financial statements were available to be issued.

NOTE 2 CONTRIBUTIONS RECEIVABLE

Contributions receivable are summarized as follows as of June 30:

| | 2021 | 2020 |
|-------------------------------------------------------|---------------|---------------|
| Contributions Receivable Expected to be Collected in: | | |
| Less Than One Year | \$ 6,466,896 | \$ 5,733,053 |
| One Year to Five Years | 14,809,662 | 13,373,021 |
| Over Five Years | 2,708,815 | 8,007,032 |
| Gross Contributions Receivable | 23,985,373 | 27,113,106 |
| Less: | | |
| Allowance for Uncollectibles | (200,000) | (200,000) |
| Unamortized Discount for Time Value of Money * | (1,554,683) | (1,985,099) |
| Net Contributions Receivable | \$ 22,230,690 | \$ 24,928,007 |

* The discount rate used was 2%.

The above contributions receivable have been included in the following net asset categories as of June 30:

| | 2021 | 2020 |
|----------------------------|---------------|---------------|
| Without Donor Restrictions | \$ 225,839 | \$ 132,549 |
| With Donor Restrictions | 22,004,851 | 24,795,458 |
| Total | \$ 22,230,690 | \$ 24,928,007 |

Of total gross contributions receivable as of June 30, 2021 and 2020, approximately \$21,344,000 and \$24,448,000, respectively, are due from current and life members of the board of trustees of the College.

CORNELL COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 3 STUDENT LOANS RECEIVABLE

The College's student loans receivable consist of a revolving loan fund for Federal Perkins Loans for which the College acts as an agent for the federal government in administering the loan program and an institutional loan fund created by the College to assist students in funding their education.

The College determined their allowance for doubtful accounts on these student loans by looking at historical default rates and analyzing the aging of the past due loans. During the years ended June 30, 2021 and 2020, the College has not significantly changed its methodology for the allowance for doubtful accounts on student loans.

The aging of the student loan portfolio by classes of loans as of June 30 is presented as follows:

| Classes of Loans | 2021 | | | | | | Total |
|-----------------------------------------|-------------------|-------------------|-----------------------------|-------------------------------------------------------|--------------------------------------------------|-------------------------------|---------------------|
| | Not in Repayment | Current | Less Than 240 Days Past Due | Greater Than 240 Days, but Less Than 2 Years Past Due | Greater Than 2 Years, Less Than 5 Years Past Due | Greater Than 5 Years Past Due | |
| Federal Perkins Loans | \$ 90,718 | \$ 137,520 | \$ 2,683 | \$ 7,681 | \$ 37,149 | \$ 162,465 | \$ 438,216 |
| Institutional Loans | 411,163 | 168,492 | 34,152 | 76,697 | 72,164 | 199,172 | 961,840 |
| | <u>\$ 501,881</u> | <u>\$ 306,012</u> | <u>\$ 36,835</u> | <u>\$ 84,378</u> | <u>\$ 109,313</u> | <u>\$ 361,637</u> | <u>\$ 1,400,056</u> |
| As a Percentage of Total Loan Portfolio | 35.85% | 21.86% | 2.63% | 6.03% | 7.81% | 25.83% | 100.00% |

| Classes of Loans | 2020 | | | | | | Total |
|-----------------------------------------|-------------------|-------------------|-----------------------------|-------------------------------------------------------|--------------------------------------------------|-------------------------------|---------------------|
| | Not in Repayment | Current | Less Than 240 Days Past Due | Greater Than 240 Days, but Less Than 2 Years Past Due | Greater Than 2 Years, Less Than 5 Years Past Due | Greater Than 5 Years Past Due | |
| Federal Perkins Loans | \$ 94,004 | \$ 185,678 | \$ 13,849 | \$ 22,260 | \$ 49,835 | \$ 151,866 | \$ 517,492 |
| Institutional Loans | 417,744 | 197,303 | 28,004 | 86,510 | 51,132 | 203,626 | 984,319 |
| | <u>\$ 511,748</u> | <u>\$ 382,981</u> | <u>\$ 41,853</u> | <u>\$ 108,770</u> | <u>\$ 100,967</u> | <u>\$ 355,492</u> | <u>\$ 1,501,811</u> |
| As a Percentage of Total Loan Portfolio | 34.08% | 25.50% | 2.79% | 7.24% | 6.72% | 23.67% | 100.00% |

The allowance for doubtful accounts on student loans in aggregate is \$129,000 for the years ended June 30, 2021 and 2020.

The allowance for doubtful accounts on loans by portfolio segment as of June 30 is presented as follows:

| | 2021 | | |
|--------------------------------------------------------------------------|-----------------------|---------------------|---------------------|
| | Federal Perkins Loans | Institutional Loans | Total |
| Loans Collectively Evaluated for Impairment | \$ 438,216 | \$ 961,840 | \$ 1,400,056 |
| Less: Allowance for Loans Collectively Evaluated for Impairment | 88,680 | 40,320 | 129,000 |
| Student Loans Receivable, Net | <u>\$ 349,536</u> | <u>\$ 921,520</u> | <u>\$ 1,271,056</u> |
| Allowance as a Percentage of Loans Collectively Evaluated for Impairment | 20.24% | 4.19% | 9.21% |

CORNELL COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 3 STUDENT LOANS RECEIVABLE (CONTINUED)

| | 2020 | | |
|-----------------------------------------------------------------------------|-----------------------------|------------------------|--------------|
| | Federal Perkins Loans | Institutional Loans | Total |
| Loans Collectively Evaluated for Impairment | \$ 517,492 | \$ 984,319 | \$ 1,501,811 |
| Less: Allowance for Loans Collectively Evaluated for Impairment | 88,680 | 40,320 | 129,000 |
| Student Loans Receivable, Net | \$ 428,812 | \$ 943,999 | \$ 1,372,811 |
| Allowance as a Percentage of Loans Collectively Evaluated for Impairment | 17.14% | 4.10% | 8.59% |

For each class of financing receivable, the following presents the recorded investment by credit quality indicator as of June 30:

| | 2021 | | |
|---------------|-----------------------------|------------------------|--------------|
| | Federal Perkins Loans | Institutional Loans | Total |
| Performing | \$ 230,921 | \$ 611,827 | \$ 842,748 |
| Nonperforming | 207,295 | 350,013 | 557,308 |
| Total | \$ 438,216 | \$ 961,840 | \$ 1,400,056 |

| | 2020 | | |
|---------------|-----------------------------|------------------------|--------------|
| | Federal Perkins Loans | Institutional Loans | Total |
| Performing | \$ 293,530 | \$ 643,052 | \$ 936,582 |
| Nonperforming | 223,962 | 341,267 | 565,229 |
| Total | \$ 517,492 | \$ 984,319 | \$ 1,501,811 |

Performing loans are those which are less than 240 days past due. Nonperforming loans are those which are greater than or equal to 240 days past due.

For student loans, the credit quality indicator is performance determined by delinquency status and, for Federal Perkins Loans, origination, and servicing of the loan. Delinquency status is updated monthly by the College's loan servicer. Federal Perkins Loans that are originated and serviced properly under Department of Education regulations can be assigned to the Department of Education when deemed no longer collectible. The College is not aware of any material amount of loans not properly originated or serviced under Department of Education regulations.

CORNELL COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 4 INVESTMENTS

The investments include funds traditionally considered the endowment of the College (including quasi-endowment) as well as other assets. As of June 30, the carrying value of investments is as follows:

| | <u>2021</u> | <u>2020</u> |
|---------------------------------------------------|----------------------|----------------------|
| Endowment: | | |
| Money Market Funds | \$ 774,911 | \$ 1,200,377 |
| Common Stock | 346,150 | 346,150 |
| Bond Funds | 25,838,833 | 20,186,516 |
| Cash Value of Life Insurance | 3,139,271 | 3,134,282 |
| Equity Securities | 50,796,213 | 39,406,569 |
| Real Estate Investment Trusts ** | - | 1,548,443 |
| Private Equity ** | 1,290,633 | 1,155,560 |
| Hedge Funds ** | 462 | 1,352 |
| Natural Resource Funds ** | 25,545 | 2,242,215 |
| Contracts and Miscellaneous | 10,342 | 10,341 |
| Trusts Held by Others * | 4,546,571 | 3,531,493 |
| Charitable Remainder Trusts *** | 1,627,693 | 1,352,444 |
| Total Endowment | <u>88,396,624</u> | <u>74,115,742</u> |
| Other: | | |
| Stocks | 49,934 | 44,482 |
| Land Held for Resale, Farms, and City Real Estate | 100,000 | 100,000 |
| Cash Value of Life Insurance | 545,262 | 527,208 |
| Trusts Held by Others * | 1,208,799 | 1,079,959 |
| Other | 5,124 | 5,124 |
| Total Other | <u>1,909,119</u> | <u>1,756,773</u> |
| Total | <u>\$ 90,305,743</u> | <u>\$ 75,872,515</u> |

* Trusts held by others are assets neither in the possession of nor under control of the College, but held and administered by outside fiscal agents, with the College deriving income from such funds. The value of such assets is supported by annual trust statements and consists of publicly traded stocks and bonds.

** The College has the ability to liquidate these investments periodically in accordance with the provisions of the respective investment fund agreements. Under terms of certain limited partnership agreements, the College is obligated periodically to advance additional funding for private equity and real estate investments. As of June 30, 2021, the College had commitments of approximately \$490,000 for which capital calls had not been exercised. Such commitments generally have fixed expiration dates or other termination clauses. The College anticipates that it will maintain sufficient liquidity in its investment portfolio to cover such calls.

*** Assets held under charitable remainder trusts primarily consist of equity securities and bonds.

CORNELL COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 4 INVESTMENTS (CONTINUED)

The investments of the College are exposed to various risks such as interest rate, market, and credit. Due to the level of risk associated with such investments and the level of uncertainty related to the changes in the value of such investments, it is at least reasonably possible that changes in risks in the near-term would materially affect investment balances and the amounts reported in the financial statements.

Investment return consists of the following for the years ended June 30:

| | 2021 | 2020 |
|----------------------------------------------|----------------------|---------------------|
| Net Realized Gains on Investments | \$ 12,130,480 | \$ 2,195,029 |
| Net Unrealized Gains (Losses) on Investments | 6,287,920 | (1,584,173) |
| Dividend and Interest Income | 394,369 | 549,198 |
| Total Investment Gains | <u>\$ 18,812,769</u> | <u>\$ 1,160,054</u> |
| Investment Income - Operating | \$ 8,029,577 | \$ 3,766,117 |
| Investment Gain (Loss) - Nonoperating | 10,783,192 | (2,606,063) |
| Total Investment Income | <u>\$ 18,812,769</u> | <u>\$ 1,160,054</u> |

NOTE 5 LEASES

The College leases equipment as well as certain operating and office facilities for various terms under long-term, noncancelable lease agreements. The leases expire at various dates through 2023 and provide for renewal options up to three years. In the normal course of business, it is expected that these leases will be renewed or replaced by similar leases. Certain facility leases provide for increases in future minimum annual rental payments based on defined increases in the Consumer Price Index, subject to certain minimum increases. Also, the agreements generally require the College to pay real estate taxes, insurance, and repairs. The College does not have any covenants with these agreements or required to maintain certain financial ratios.

The following table provides quantitative information concerning the College 's leases.

| | |
|----------------------------------------------------------------------------|---------------------|
| Lease Cost | |
| Finance Lease Cost | \$ 2,966,018 |
| Amortization of Right-to-Use Asset | (273,117) |
| Total Lease Cost | <u>\$ 2,692,901</u> |
| Cash Paid for Amounts Included in the Measurement of Lease Liabilities: | |
| Financing Cash Flows from Finance Leases | 418,260 |
| Right-of-Use Assets Obtained in Exchange for New Finance Lease Liabilities | 1,951,713 |
| Weighted-Average Remaining Lease Term - Finance Leases | 3.4 Years |
| Weighted-Average Discount Rate - Finance Leases | 3.3 % |

**CORNELL COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 5 LEASES (CONTINUED)

A maturity analysis of annual undiscounted cash flows for lease liabilities as of June 30, 2021 is as follows:

| <u>Year Ending June 20,</u> | <u>Amount</u> |
|-----------------------------|----------------------------|
| 2022 | \$ 1,011,935 |
| 2023 | 1,008,513 |
| 2024 | 916,440 |
| 2025 | 542,623 |
| Total | <u>3,479,511</u> |
| Less Discount | 931,753 |
| Total Lease Liability | <u><u>\$ 2,547,758</u></u> |

NOTE 6 PROPERTY, PLANT, AND EQUIPMENT

Property, plant, and equipment as of June 30 is as follows:

| | <u>2021</u> | <u>2020</u> |
|-----------------------------------|-----------------------------|-----------------------------|
| Land and Real Estate Improvements | \$ 9,498,871 | \$ 9,408,500 |
| Buildings | 144,186,464 | 143,450,490 |
| Equipment and Library Books | 17,663,521 | 17,360,811 |
| Rental Properties | 3,168,540 | 3,146,030 |
| Construction in Progress | 3,625,908 | 125,100 |
| Total | <u>178,143,304</u> | <u>173,490,931</u> |
| Less: Accumulated Depreciation | 78,975,485 | 73,634,483 |
| Total | <u><u>\$ 99,167,819</u></u> | <u><u>\$ 99,856,448</u></u> |

**CORNELL COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 7 LONG-TERM DEBT

Long-term debt as of June 30 is summarized as follows:

| <u>Description</u> | <u>2021</u> | <u>2020</u> |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|----------------------|
| Iowa Higher Education Loan Authority (IHELA) - Series 2013. Interest is payable semi-annually on April 1 and October 1 through maturity on October 1, 2023, at fixed rate of 2.99%. The College is required to maintain certain financial ratios including a liquidity ratio and a debt service ratio as well as nonfinancial covenants. | \$ 16,145,000 | \$ 16,815,000 |
| Iowa Higher Education Loan Authority (IHELA) - Series 2017. Interest is payable quarterly on August 1, November 1, February 1, and May 1, through maturity on May 1, 2024, at fixed rate of 2.95%. The College is required to maintain certain financial ratios including a liquidity ratio and a debt service coverage ratio as well as nonfinancial covenants. | 6,864,376 | 11,242,376 |
| Bank of Oklahoma (BOKF) - The College received a loan in the amount of \$4,489,200 to fund payroll, rent, utilities, and interest on mortgages and existing debt through the federal Payroll Protection Program (the PPP Loan). The PPP Loan bears interest at a fixed rate of 1.0% per annum, has a term of two years, and is unsecured and guaranteed by the U.S. Small Business Administration. The loan was forgiven during fiscal year ended June 30, 2021. | - | 4,489,200 |
| Iowa Higher Education Loan Authority (IHELA) - Series 2021. The commitment is \$12,000,000 and will be used for capital projects. No proceeds were drawn as of June 30, 2021. Interest will be payable quarterly on March 31, June 30, September 30, and December 31 through maturity on June 30, 2026 at interest rate of 79% times Prime Rate. The prime rate should never be 2.50%. The College is required to maintain financial ratios including a liquidity ratio and a debt service ratio as well as nonfinancial covenants. | - | - |
| JCI Notes Payable - 199 quarterly payments of \$123,208, escalating annually, with an interest rate of 4.98%. The payments are contingent on Cornell College receiving certain project benefits from the building improvements received. At the end of each year, JCI will send a cost savings report and if there is a project benefit shortfall. Cornell College's next payment will be reduced by the project benefit shortfall. If there is an excess of project benefits from the improvements, Cornell College retains the benefit. However, the benefits can be used to offset any shortfalls in future years. The Note is secured by all improvements performed by JCI that were placed into service. | 6,045,208 | 5,920,865 |
| Subtotal | 29,054,584 | 38,467,441 |
| Less: Unamortized Debt Issuance Costs | (142,475) | (184,089) |
| Total Long-Term Debt, Net | <u>\$ 28,912,109</u> | <u>\$ 38,283,352</u> |

**CORNELL COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 7 LONG-TERM DEBT (CONTINUED)

The following schedule includes the debt maturities.

| <u>Year Ending June 30,</u> | <u>IHELA Series 2013</u> | <u>IHELA Series 2017</u> | <u>JCI Loan</u> | <u>Total</u> |
|-----------------------------|------------------------------|------------------------------|---------------------|-------------------|
| 2022 | \$ 695,000 | \$ - | \$ 158,628 | \$ 853,628 |
| 2023 | 710,000 | - | 180,896 | 890,896 |
| 2024 | 730,000 | 6,864,376 | 204,728 | 7,799,104 |
| 2025 | 760,000 | - | 230,215 | 990,215 |
| 2026 | 4,120,000 | - | 257,455 | 4,377,455 |
| 2027-2031 | 4,775,000 | - | 1,764,373 | 6,539,373 |
| 2032-2036 | 4,355,000 | - | 2,774,867 | 7,129,867 |
| 2037-2041 | - | - | 474,046 | 474,046 |
| Total | <u>\$ 16,145,000</u> | <u>\$ 6,864,376</u> | <u>\$ 6,045,208</u> | <u>29,054,584</u> |

The Cornell College contingent payment performance contract with Johnson Controls, Inc. (JCI) has variable payments based on actual annual measured and verified results. At any point during the funding period, Cornell College may withhold quarterly payments, or a portion thereof based on campus' perspectives of JCI delivered results. This obligation is considered to be a variable payment obligation with performance risks shifted to JCI. If there are excess annual savings delivered above expected results Cornell College retains 100% of the benefits and if there are deficient annual savings delivered JCI bears 100% of the risks."

NOTE 8 RESTRICTIONS AND LIMITATIONS ON NET ASSET BALANCES

As of June 30, the College's net assets with donor restrictions were allocated as follows:

| | <u>2021</u> | <u>2020</u> |
|------------------------------------------------------------------------------------------------------|----------------------|----------------------|
| Donor Restricted Net Assets Not Invested in Perpetuity: | | |
| Instruction and Other Departmental Support | \$ 5,415,680 | \$ 3,163,017 |
| Accumulated Earnings on Endowment Funds | 8,154,639 | 4,418,761 |
| Acquisition of Buildings and Equipment | 9,833,395 | 16,987,969 |
| Life Income, Annuities, and Cash Surrender Value of Life Insurance Policies | 18,666 | 12,190 |
| Student Loan Funds | 2,398,400 | 2,260,022 |
| Underwater Endowment | (3,909,177) | (10,515,905) |
| Total | <u>\$ 21,911,603</u> | <u>\$ 16,326,054</u> |
| Donor Restricted Net Assets Invested in Perpetuity, the Income From Which is Expended for: | | |
| Scholarships | \$ 34,368,641 | \$ 32,725,739 |
| Unrestricted | 11,164,048 | 11,150,243 |
| Professorships | 34,636,173 | 34,246,701 |
| Library | 2,092,692 | 2,090,192 |
| Student Loan Funds | 1,208,799 | 1,079,959 |
| Annuity, Life Income, and Cash Surrender Value of Life Insurance Policies, and Restricted Pledges | 3,286,302 | 2,995,324 |
| Total | <u>\$ 86,756,655</u> | <u>\$ 84,288,158</u> |

**CORNELL COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 8 RESTRICTIONS AND LIMITATIONS ON NET ASSET BALANCES (CONTINUED)

Net assets during the years ended June 30 were released from donor restrictions for the following purposes:

| | 2021 | 2020 |
|--------------------------------------------|---------------|--------------|
| Scholarships and Other Endowment Funds | \$ 2,939,484 | \$ 1,374,904 |
| Instruction and Other Departmental Support | 2,578,080 | 2,609,931 |
| Capital Projects | 13,310,704 | 3,157,347 |
| Total | \$ 18,828,268 | \$ 7,142,182 |

NOTE 9 LIABILITY TO LIFE TENANTS UNDER CHARITABLE REMAINDER TRUSTS AND ANNUITIES PAYABLE

The College has several charitable remainder trust agreements whereby the College is required to pay certain amounts to the income beneficiary during their lifetime. The present value of these payments discounted using a rate of 6% is \$728,794 and \$640,416 as of June 30, 2021 and 2020, respectively. In addition, the College has received amounts from various individuals under annuity agreements that require the College to pay to the donors varying amounts during their lifetime. The present value of these payments using specified discount rate ranging from 3% to 14% totaled \$1,342,550 and \$1,305,550 as of June 30, 2021 and 2020, respectively.

NOTE 10 ALLOCATION OF FUNCTIONAL EXPENSES

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The College reports expenditures in categories reflecting core operational objectives for higher education as defined by Integrated Postsecondary Education Data System (IPEDS).

| | 2021 | | | | | | | Total |
|-------------------------------|---------------|-------------------------------------|---------------------|--------------------------|------------------------------|------------------------------------|--------------------------|---------------|
| | Instruction | Academic Support and Research | Student Services | Institutional Support | Institutional Advancement | Scholarships and Fellowships | Auxiliary Enterprises | |
| Salaries | \$ 7,510,512 | \$ 1,192,742 | \$ 3,880,175 | \$ 2,689,435 | \$ 1,085,242 | \$ - | \$ 326,457 | \$ 16,684,563 |
| Benefits | 1,892,499 | 350,274 | 1,018,652 | 212,115 | 350,113 | - | 130,629 | 3,954,282 |
| Fees For Outside Services | 45,448 | 54,320 | 51,610 | 406,532 | 7,454 | - | 65,400 | 630,764 |
| Advertising and Promotion | 6,583 | 771 | 779,599 | 45,657 | 271,682 | - | 95 | 1,104,387 |
| Departmental Operations | 302,655 | 396,435 | 830,138 | 101,933 | 214,898 | - | 27,996 | 1,874,055 |
| Software | 46,308 | 64,871 | 102,096 | 338,292 | 85,170 | - | 963 | 637,700 |
| Contract Services | 652,497 | 89,154 | 636,260 | - | 67,964 | - | 61,290 | 1,507,165 |
| Dining | 210 | - | 6,619 | 422 | - | - | 3,123,464 | 3,130,715 |
| Utilities | 443,929 | 47,684 | 259,507 | 30,097 | 17,059 | - | 543,595 | 1,341,871 |
| Travel and Conferences | 52,229 | 3,335 | 208,181 | 68,009 | 1,517 | - | 619 | 333,890 |
| Off Campus Class Trips | 1,986 | 9,438 | - | 11,730 | 262 | - | - | 23,416 |
| Interest | 299,805 | - | - | 433,975 | - | - | 475,575 | 1,209,355 |
| Depreciation and Amortization | 1,868,422 | 366,481 | 892,851 | 136,561 | 70,985 | - | 2,267,556 | 5,602,856 |
| Insurance | - | - | - | 568,578 | - | - | - | 568,578 |
| Miscellaneous | 194,418 | 258,533 | 22,414 | 167,463 | 23,849 | - | 84,128 | 750,805 |
| Student Aid Expense | - | - | - | - | - | 659,458 | - | 659,458 |
| Total | \$ 13,317,501 | \$ 2,834,038 | \$ 8,688,102 | \$ 5,210,799 | \$ 2,196,195 | \$ 659,458 | \$ 7,107,767 | \$ 40,013,860 |

CORNELL COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 10 ALLOCATION OF FUNCTION EXPENSES (CONTINUED)

| | 2020 | | | | | | | |
|---------------------------|----------------------|-------------------------------------|---------------------|--------------------------|------------------------------|------------------------------------|--------------------------|----------------------|
| | Instruction | Academic Support and Research | Student Services | Institutional Support | Institutional Advancement | Scholarships and Fellowships | Auxiliary Enterprises | Total |
| Salaries | \$ 7,686,366 | \$ 1,245,577 | \$ 4,148,498 | \$ 1,993,096 | \$ 1,454,518 | \$ - | \$ 664,767 | \$ 17,192,822 |
| Benefits | 2,053,444 | 380,062 | 1,105,282 | 481,516 | 379,888 | - | 141,738 | 4,541,930 |
| Fees For Outside Services | 93,154 | 63,703 | 209,809 | 630,241 | 8,803 | - | 83,070 | 1,088,780 |
| Advertising and Promotion | 12,854 | 1,654 | 742,973 | 98,642 | 131,512 | - | - | 987,635 |
| Departmental Operations | 294,938 | 351,757 | 470,397 | 81,309 | 197,542 | - | 69,324 | 1,465,267 |
| Software | 58,322 | 80,313 | 109,313 | 174,226 | 49,073 | - | 3,850 | 475,097 |
| Contract Services | 507,322 | 48,844 | 586,352 | 177,124 | 57,388 | - | 477,113 | 1,854,143 |
| Dining | - | 67 | 15,957 | 2,855 | 847 | - | 2,533,593 | 2,553,319 |
| Utilities | 447,285 | 47,701 | 291,631 | 250,640 | 18,806 | - | 508,254 | 1,564,317 |
| Travel and Conferences | 59,736 | 33,216 | 755,318 | 89,657 | 152,194 | - | 424 | 1,090,545 |
| Off Campus Class Trips | 485,928 | - | - | - | - | - | - | 485,928 |
| Interest | 514,486 | - | - | 37,476 | - | - | 594,077 | 1,146,039 |
| Depreciation | 1,805,863 | 354,210 | 862,956 | 131,989 | 68,609 | - | 2,191,632 | 5,415,259 |
| Insurance | - | - | - | 606,481 | - | - | - | 606,481 |
| Miscellaneous | 169,637 | 264,840 | 463,452 | 364,253 | 56,869 | - | - | 1,319,051 |
| Student Aid Expense | - | - | - | - | - | 187,544 | - | 187,544 |
| Total | \$ 14,189,335 | \$ 2,871,944 | \$ 9,761,938 | \$ 5,119,505 | \$ 2,576,049 | \$ 187,544 | \$ 7,267,842 | \$ 41,974,157 |

NOTE 11 ASSET RETIREMENT OBLIGATION

Under current accounting standards guidance, the College must accrue for costs related to legal obligations to perform certain activities in connection with the retirement, disposal, or abandonment of assets. The obligation to perform the asset retirement activity is not conditional even though the timing or method may be conditional. The fair value of a liability for a legal obligation associated with an asset retirement is required to be recorded in the period in which the obligation is incurred. When the liability is initially recorded, the cost of the asset retirement is capitalized.

Substantially all of the College's conditional asset retirement obligation relates to the estimated cost to remove certain materials from campus facilities. The future value of the asset retirement obligation as of June 30, 2021 is estimated to be approximately \$699,000. The liability was estimated using an inflation rate of 4%. Because accounting standards required retrospective application to the inception of the liability, the initial asset retirement obligation was calculated using a discount rate of 5%.

Changes in the accrual for asset retirement obligation during the years ended June 30 are as follows:

| | 2021 | 2020 |
|-------------------------------------------|-------------------|-------------------|
| Balance - Beginning of Year | \$ 393,898 | \$ 445,966 |
| Adjustment of Asset Retirement Liability | (24,782) | (18,758) |
| Settlement of Asset Retirement Obligation | (27,285) | (33,310) |
| Balance - End of Year | \$ 341,831 | \$ 393,898 |

CORNELL COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 12 ENDOWMENT FUND AND NET ASSET CLASSIFICATIONS

The College's Endowment Fund consists of various donor-restricted endowment funds and funds designated as quasi-endowment by the board of trustees. Net assets associated with endowment funds, including funds designated to function as endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

The College has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) adopted by the 2008 Iowa legislature as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the College retains in perpetuity (a) the original value and subsequent gifts to the endowment, and (b) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund, (c) the original net present value of restricted annuities, and (d) subsequent changes in amounts due under restricted annuities. Donor-restricted amounts not retained in perpetuity are appropriated for expenditure by the College in a manner consistent with the standard of prudence prescribed by the state of Iowa in its enacted version of the 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 Endowment 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 of investments; (6) other resources of the College; and (7) the investment policies of the College.

The College has adopted investment and spending policies for its Endowment Fund. The objective of these policies is to provide the College a predictable funding stream for its programs while achieving an investment return greater than the combination of the current spending formula and the current rate of inflation in order to protect the purchasing power of the Endowment Fund. The College, through its investment policy, has established a target (inflation-adjusted) annualized rate of return over the long-term of at least 7.5%; the total return during any single measurement period may deviate from the long-term return objective. To satisfy its long-term rate-of-return objective, the College expects to maintain appropriate diversification among equity, fixed income, and alternative investment allocations. The purpose is to moderate the overall investment risk of the Endowment Fund.

The board of trustees of the College may appropriate for expenditure or accumulate so much of the Endowment Fund as the College determines is prudent for the uses, benefits, purposes, and duration for which the Endowment Fund is established. The amount appropriated, per the spending policy, is a board-approved percentage applied to the average fair value of the endowment fund assets during the 12 quarters ending December 31 of the prior calendar year. The board-approved spending percentage as a total of year-end endowment net assets was 8.28% and 5.00% for the fiscal years ended June 30, 2021 and 2020, respectively.

**CORNELL COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 12 ENDOWMENT FUND AND NET ASSET CLASSIFICATIONS (CONTINUED)

Endowment net assets as of June 30 were as follows:

| | 2021 | | |
|----------------------------------------|---------------------|----------------------|----------------------|
| | Without | With | Total |
| | Donor Restrictions | Donor Restrictions | |
| Donor-Restricted Endowment Funds | \$ - | \$ 89,794,374 | \$ 89,794,374 |
| Board-Designated Quasi-Endowment Funds | 4,009,245 | - | 4,009,245 |
| Total Endowment Funds | <u>\$ 4,009,245</u> | <u>\$ 89,794,374</u> | <u>\$ 93,803,619</u> |
| | 2020 | | |
| | Without | With | Total |
| | Donor Restrictions | Donor Restrictions | |
| Donor-Restricted Endowment Funds | \$ - | \$ 77,500,056 | \$ 77,500,056 |
| Board-Designated Quasi-Endowment Funds | 3,635,129 | - | 3,635,129 |
| Total Endowment Funds | <u>\$ 3,635,129</u> | <u>\$ 77,500,056</u> | <u>\$ 81,135,185</u> |

The changes in endowment net assets for the years ended June 30 were as follows:

| | 2021 | | |
|-------------------------------------------|---------------------|----------------------|----------------------|
| | Without | With | Total |
| | Donor Restrictions | Donor Restrictions | |
| Endowment Net Assets - Beginning of Year | \$ 3,635,129 | \$ 77,500,056 | \$ 81,135,185 |
| Investment Return: | | | |
| Investment Income Allocated to Operations | 2,513,547 | 5,377,414 | 7,890,961 |
| Net Appreciation (Depreciation) | | | |
| (Realized and Unrealized) | (1,972,153) | 12,381,005 | 10,408,852 |
| Total Investment Return | <u>4,176,523</u> | <u>95,258,475</u> | <u>99,434,998</u> |
| Contributions | - | 2,179,805 | 2,179,805 |
| Appropriation of Endowment Funds for | | | |
| Expenditure | (127,878) | (7,635,207) | (7,763,085) |
| Other Changes | (39,400) | (8,699) | (48,099) |
| Endowment Net Assets - End of Year | <u>\$ 4,009,245</u> | <u>\$ 89,794,374</u> | <u>\$ 93,803,619</u> |
| | 2020 | | |
| | Without | With | Total |
| | Donor Restrictions | Donor Restrictions | |
| Endowment Net Assets - Beginning of Year | \$ 3,725,312 | \$ 72,562,800 | \$ 76,288,112 |
| Investment Return: | | | |
| Investment Income Allocated to Operations | 821,555 | 2,395,364 | 3,216,919 |
| Net Appreciation (Depreciation) | | | |
| (Realized and Unrealized) | (789,155) | (1,814,049) | (2,603,204) |
| Total Investment Return | <u>3,757,712</u> | <u>73,144,115</u> | <u>76,901,827</u> |
| Contributions | - | 7,802,585 | 7,802,585 |
| Appropriation of Endowment Funds for | | | |
| Expenditure | (122,583) | (3,216,919) | (3,339,502) |
| Other Changes | - | (229,725) | (229,725) |
| Endowment Net Assets - End of Year | <u>\$ 3,635,129</u> | <u>\$ 77,500,056</u> | <u>\$ 81,135,185</u> |

CORNELL COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 12 ENDOWMENT FUND AND NET ASSET CLASSIFICATIONS (CONTINUED)

From time to time, the fair value of endowment funds 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, underwater endowments. As of June 30, 2021, funds with original gift values of \$31,422,602, and fair values of \$27,533,425, and deficiencies of \$3,909,177 were reported in net assets with donor restrictions. As of June 30, 2020, funds with original gift values of \$53,486,100, and fair values of \$42,970,195, and deficiencies of \$10,515,905 were reported in net assets with donor restrictions. This amount is reported in net assets with donor restrictions. These deficiencies, which the College believes are temporary, resulted from unfavorable market fluctuations and necessary expenditures. The board determined that continued appropriation during fiscal years ended June 30, 2021 and 2020 was prudent.

NOTE 13 FAIR VALUE MEASUREMENTS

The Fair Value Measurements and Disclosures Topic of the FASB Accounting Standards Codification defines fair value, establishes a framework for measuring fair value and requires disclosure of fair value measurements. The fair value hierarchy set forth in the Topic is as follows:

Level 1 – Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2 – Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data. Investments measured using the practical expedient, that do not have any significant redemption restrictions, lockup periods, gates or other characteristics that would cause report and liquidation date net asset value (NAV) to be significantly different, if redemption were requested at the report date.

Level 3 – Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability. In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgement, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to our assessment of the quality, risk, or liquidity profile of the asset or liability.

CORNELL COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 13 FAIR VALUE MEASUREMENTS (CONTINUED)

A description of the valuation methodologies used for assets and liabilities measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy, is set forth below.

Investments

Where quoted prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities would include highly liquid government bonds and exchange traded equities. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics, or discounted cash flow. Level 2 securities would include U.S. agency securities, mortgage-backed agency securities, obligations of states and political subdivisions and certain corporate, asset backed, and other securities. In certain cases where there is limited activity or less transparency around inputs to the valuation including alternative investments, securities are classified within Level 3 of the valuation hierarchy. Level 3 securities include investments in limited partnerships, life insurance policies, real estate, land, and mineral rights. Investments in limited partnerships are fund-of-funds that take custody of the assets and use partnership accounting to determine the unit value of each member's interest in the partnership.

Annual audits are performed each year on the partnerships. The College obtains the fair value from the fund managers. The fund managers use various models, comparisons, and assumptions to estimate fair value. Consideration is given to the type of investment, risks, marketability, restrictions on dispositions and quotations from other market participants. Life insurance policies are valued at cash surrender values determined by the life insurance companies. The value of real estate, land, and mineral rights is determined through third-party appraisals. The value of charitable lead/remainder unitrusts is derived from the underlying investments of the unitrusts. The value of those investments is determined in the same manner as investments described above. Future expected cash flows are discounted using a risk-adjusted discount rate.

The College uses NAV per share, or its equivalent, such as member units or an ownership interest in partners' capital, as a practical expedient to estimate the fair values of certain hedge funds, private equity funds, funds of funds, and limited partnerships, which do not have readily determinable fair values. Investments that are measured at fair value using NAV per share as practical expedient are not classified in the fair value hierarchy.

CORNELL COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 13 FAIR VALUE MEASUREMENTS (CONTINUED)

The following tables summarize assets measured at fair value on a recurring basis as of June 30, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value.

| | 2021 | | | | |
|---------------------------------------------------|----------------------|----------------------------------------------------------------------------|--------------------------------------------------------|----------------------------------------------------|-----------------------------------|
| | Total | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Investments Measured at NAV |
| Assets: | | | | | |
| Investments: | | | | | |
| Common Stocks: | | | | | |
| Miscellaneous | \$ 346,150 | \$ - | \$ - | \$ 346,150 | \$ - |
| Equity Mutual Funds: | | | | | |
| International Funds | 12,495,699 | 12,495,699 | - | - | - |
| Multi Strategy Funds | 38,300,514 | 38,300,514 | - | - | - |
| Fixed Income Mutual Funds: | | | | | |
| Total Return Funds | 25,838,833 | 25,838,833 | - | - | - |
| Natural Resource Funds | 25,545 | - | - | - | 25,545 |
| Hedge Funds | 462 | - | - | - | 462 |
| Private Equity | 1,290,633 | - | - | - | 1,290,633 |
| Funds Held in Trust by Others | 5,755,370 | - | - | 5,755,370 | - |
| Charitable Remainder Trusts | 1,627,693 | 1,627,693 | - | - | - |
| Other | 65,400 | - | - | 65,400 | - |
| Total | <u>85,746,299</u> | <u>\$ 78,262,739</u> | <u>\$ -</u> | <u>\$ 6,166,920</u> | <u>\$ 1,316,640</u> |
| Cash and Cash Equivalents | 774,911 | | | | |
| Cash Value of Life Insurance | 3,684,533 | | | | |
| Land Held for Resale, Farms, and City Real Estate | 100,000 | | | | |
| Total | <u>\$ 90,305,743</u> | | | | |
| 2020 | | | | | |
| | Total | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Investments Measured at NAV |
| Assets: | | | | | |
| Investments: | | | | | |
| Common Stocks: | | | | | |
| Miscellaneous | \$ 346,150 | \$ - | \$ - | \$ 346,150 | \$ - |
| Equity Mutual Funds: | | | | | |
| International Funds | 11,475,197 | 11,475,197 | - | - | - |
| Multi Strategy Funds | 27,931,372 | 27,931,372 | - | - | - |
| Total Return Funds | 20,186,516 | 20,186,516 | - | - | - |
| Real Estate Investment Trust | 1,548,443 | 1,548,443 | - | - | - |
| Natural Resource Funds | 2,242,215 | 2,216,247 | - | - | 25,968 |
| Hedge Funds | 1,352 | - | - | - | 1,352 |
| Private Equity | 1,155,560 | - | - | - | 1,155,560 |
| Funds Held in Trust by Others | 4,611,452 | - | - | 4,611,452 | - |
| Charitable Remainder Trusts | 1,352,444 | 1,352,444 | - | - | - |
| Other | 59,947 | - | - | 59,947 | - |
| Total | <u>70,910,648</u> | <u>\$ 64,710,219</u> | <u>\$ -</u> | <u>\$ 5,017,549</u> | <u>\$ 1,182,880</u> |
| Cash and Cash Equivalents | 1,200,377 | | | | |
| Cash Value of Life Insurance | 3,661,490 | | | | |
| Land Held for Resale, Farms, and City Real Estate | 100,000 | | | | |
| Total | <u>\$ 75,872,515</u> | | | | |

**CORNELL COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 13 FAIR VALUE MEASUREMENTS (CONTINUED)

Summary of Level 3 investment after adoption of ASU 2018-03:

| | Fair Value | | Principal Valuation Technique | Unobservable Inputs |
|-------------------------------|------------|------------|----------------------------------|-------------------------------|
| | 2021 | 2020 | | |
| Common Stock Miscellaneous | \$ 346,150 | \$ 346,150 | Net Asset Value | Value of Underlying Assets |
| Funds Held in Trust by Others | 5,755,370 | 4,611,452 | FMV of Trust Investments | Time Period of Trust |
| Other | 65,400 | 59,947 | Net Asset Value | Value of Underlying Assets |

Common Stock is valued at the latest appraised value of company shares (1,150 shares at 2019 appraisal of \$301/share)

The value of Funds Held in Trust by Others represents an irrevocable right to receive distributions in perpetuity from a trust that is managed by a third-party. The College does not have variance power over the trust's portfolio. The value of Funds Held in Trust by Others is estimated based on the fair value of the underlying investments held by the trust.

Gains and losses included in change in net assets for the period above are reported as realized and unrealized gains (losses) on investments.

The following table sets forth additional disclosure of the College's investments whose fair value is estimated using NAV per share (or its equivalent) as of June 30:

| | Fair Value | | Unfunded Commitment | Redemption Frequency | Redemption Notice Period |
|----------------------------|------------|-----------|------------------------|-------------------------|-----------------------------|
| | 2021 | 2020 | | | |
| Natural Resource Funds (A) | \$ 25,545 | \$ 25,968 | \$ 27,500 | N/A | N/A |
| Hedge Funds: | | | | | |
| (B) | 462 | 1,352 | - | Quarterly | 35-100 days |
| Private Equity: | | | | | |
| (E) | 640,407 | 583,279 | 116,000 | N/A | N/A |
| (F) | 213,170 | 177,649 | 137,959 | N/A | N/A |
| (G) | 144,737 | 121,321 | 85,875 | N/A | N/A |
| (H) | 58,695 | 84,487 | - | N/A | N/A |
| (I) | - | 806 | 101,744 | N/A | N/A |
| (J) | 233,624 | 188,018 | 21,250 | N/A | N/A |

(A) The fund invests in a select group of investment funds in the natural resource sector, with an emphasis on depleting resources. These funds are valued on a regular basis; however, these investments cannot be redeemed during the life of the partnership. Distributions will be received as the underlying funds of the investment are liquidated over time. The fair values of the investments in this category have been estimated using the College's partner capital balance as provided by each investment's fund administrator. The capital balance is based on their percentage ownership of the overall fund.

CORNELL COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 13 FAIR VALUE MEASUREMENTS (CONTINUED)

- (B) These hedge funds invest primarily in equities, with both long and short positions, along with corporate credit and senior and secured debt. Some funds within this group focus on U.S. equities, while other funds have a global investment allocation. The fair value of these hedge funds has been estimated using the net asset value per share of the investments.
- (C) This fund seeks to create a diversified portfolio of high yield debt, bank loans, and special opportunities aimed at achieving attractive risk adjusted returns through rigorous bottom-up fundamental credit research. The fair value of this hedge fund has been estimated using the net asset value per share of the investments.
- (D) This fund is a multi-strategy fund of hedge funds that only invests in funds that manage equity-like instruments comprising of four strategies: relative value, event-driven, equity market-neutral, and hedged equity. Distributions are made to members in cash pro rata in proportion to their capital accounts. The fund has only five small funds remaining with minimal market value.
- (E) The limited partnership was created with the purpose of investing in the Master Fund which holds private equity and venture capital partnerships which invest in equity, equity-related, and debt securities. The limited partners have made commitments to classes of investments in the partnership which include Developed Markets-Private Equity (the PE Class), Developed Markets Venture Capital (the VC Class), and Emerging Markets-Private Equity and Venture Capital (the EM Class), (collectively, the Classes and, individually, a Class). These funds are valued on a regular basis; however, these investments cannot be redeemed during the life of the partnership. Distributions will be received as the underlying funds of the investment are liquidated over time. The fair values of the investments in this category have been estimated using the College's partner capital balance as provided by each investment's fund administrator.
- (F) This limited partnership was formed for the purpose of investing substantially all of its assets in the Offshore Holdings Partnership. The Offshore Holdings Partnership was formed for the purpose of investing in pooled investment vehicles purchased from the existing owners of such pooled vehicles and not from the issuers of such investments or transactions structured to share many of the characteristics and economics of such purchases (Secondary Investments). The Secondary Investments are generally held by Private Equity Opportunities (PEO). PEO may receive distributions-in-kind from the Secondary Investments representing securities of the Secondary Investments' underlying portfolio companies (Security Investments and together with Secondary Investments, Portfolio Investments). PEO may make investments directly or indirectly related to the Secondary Investments, including underlying portfolio companies owned by Secondary Investments, swaps, options, and forward currency contracts. The Offshore Holdings Partnership may also make investments in swaps, options, forward currency contracts, and other alternative transactions. The Offshore Holdings Partnership is permitted to invest both domestically and internationally across all sectors of the private equity market directly and through PEO. These funds are valued on a regular basis; however, these investments cannot be redeemed during the life of the partnership. Distributions will be received as the underlying funds of the investment are liquidated over time. The fair values of the investments in this category have been estimated using the College's partner capital balance as provided by each investment's fund administrator. The capital balance is based on their percentage ownership of the overall fund.

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NOTE 13 FAIR VALUE MEASUREMENTS (CONTINUED)

- (G) The fund invests in following private equity industry sectors: Buyout, Venture Capital, and Special Situations. These funds are valued on a regular basis; however, these investments cannot be redeemed during the life of the partnership. Distributions will be received as the underlying funds of the investment are liquidated over time. The fair values of the investments in this category have been estimated using the College's partner capital balance as provided by each investment's fund administrator. The capital balance is based on their percentage ownership of the overall fund.
- (H) The fund invests in securities in secondary market transactions primarily in leveraged buyout, growth equity, mezzanine, and venture capital investment funds. In addition, the fund may make primary investments in Investment Partnerships, direct investments in companies alongside Investment Partnerships, and Secondary Investments in companies. These funds are valued on a regular basis; however, these investments cannot be redeemed during the life of the partnership. Distributions will be received as the underlying funds of the investment are liquidated over time. The fair values of the investments in this category have been estimated using the College's partner capital balance as provided by each investment's fund administrator. The capital balance is based on their percentage ownership of the overall fund.
- (I) This fund invests primarily in secondary transactions in privately offered direct investment funds and portfolio companies established by a select number of experienced and well-established sponsors. These funds are valued on a regular basis; however, these investments cannot be redeemed during the life of the partnership. Distributions will be received as the underlying funds of the investment are liquidated over time. The fair values of the investments in this category have been estimated using the College's partner capital balance as provided by each investment's fund administrator. The capital balance is based on their percentage ownership of the overall fund.
- (J) The fund invests in a select group of private equity funds in the venture capital, buyout, and capital restructuring sectors. These funds are valued on a regular basis; however, these investments cannot be redeemed during the life of the partnership. Distributions will be received as the underlying funds of the investment are liquidated over time. The fair values of the investments in this category have been estimated using the College's partner capital balance as provided by each investment's fund administrator. The capital balance is based on their percentage ownership of the overall fund.

NOTE 14 CONTINGENCIES

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

**CORNELL COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 15 AVAILABLE RESOURCES AND LIQUIDITY

The College regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The College has various sources of liquidity at its disposal, including cash and cash equivalents, marketable debt and equity securities, and a line of credit. See Note 7 for information about the College's bonds that are intended for the construction of the science center.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the College considers all expenditures related to its ongoing activities of teaching, research, and public service as well as the conduct of services undertaken to support those activities to be general expenditures. Student loans receivable are not included in the analysis as principal and interest on these loans are used solely to make new loans and are, therefore, not available to meet current operating needs.

In addition to financial assets available to meet general expenditures over the next 12 months, the College operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. Refer to the statement of cash flows which identifies the sources and uses of the College's cash and shows positive cash generated by operations for fiscal years 2020 and 2021.

As of June 30, 2021 and 2020, the following tables show the total financial assets held by the College and the amounts of those financial assets could readily be made available within one year of the balance sheet date to meet general expenditures:

| Assets: | 2021 | 2020 |
|---------------------------------|----------------|----------------|
| Cash and Cash Equivalents | \$ 14,453,545 | \$ 10,742,490 |
| Accounts Receivable, Net | 1,241,210 | 626,448 |
| Contributions Receivable, Net | 22,230,690 | 24,928,007 |
| Student Loans Receivables, Net | 1,271,056 | 1,372,811 |
| Investments Convertible to Cash | 90,305,743 | 75,872,515 |
| Other Long-Term Assets | 102,848,898 | 100,971,398 |
| Total | \$ 232,351,142 | \$ 214,513,669 |

| Financial Assets Available to Meet General Expenditures Over the Next 12 Months: | 2021 | 2020 |
|-----------------------------------------------------------------------------------------|---------------|---------------|
| Cash and Cash Equivalents | \$ 14,453,545 | \$ 10,742,490 |
| Accounts Receivable, Net | 1,241,210 | 626,448 |
| Current Portion of Contributions For General Expenditures | 6,460,992 | 5,733,053 |
| Endowment Payout For Use Over the Next 12 Months | 7,763,084 | 3,339,502 |
| Investments Not Encumbered by Donor or Board Restrictions | 49,934 | 44,482 |
| Total | \$ 29,968,765 | \$ 20,485,975 |

**CORNELL COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 16 COMPOSITE SCORE

The College participates in various federally funded student financial aid programs. Under regulatory provisions of these programs, the College is required to demonstrate financial responsibility by meeting a certain composite score based on a formula developed by the Department of Education. This score uses financial ratios based on the College's audited financial statements. The composite score calculated reflects the overall relative financial health of institutions along a scale of negative 1.0 to positive 3.0.

The composite score for the year ended June 30, 2021 is as follows:

Primary Reserve Ratio:

| | | |
|-----------------------|---------------|---------------|
| Expendable Net Assets | \$ 27,274,332 | |
| Total Expenses/Losses | \$ 40,013,860 | <u>0.6816</u> |

Equity Ratio:

| | | |
|---------------------|----------------|---------------|
| Modified Net Assets | \$ 192,460,002 | |
| Modified Assets | \$ 232,351,142 | <u>0.8283</u> |

Net Income Ratio:

| | | |
|-------------------------------------------------|---------------|---------------|
| Change in Net Assets Without Donor Restrictions | \$ 17,313,414 | |
| Total Revenues/Gains | \$ 57,609,654 | <u>0.3005</u> |

| RATIO | Ratio | Strength Factor | Weight | Composite Scores |
|-----------------------|--------|--------------------|--------|------------------|
| Primary Reserve Ratio | 0.6816 | 3.0000 | 40% | 1.2000 |
| Equity Ratio | 0.8283 | 3.0000 | 40% | 1.2000 |
| Net Income Ratio | 0.3005 | 3.0000 | 20% | <u>0.6000</u> |
| | | | | <u>3.0000</u> |

CORNELL COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 16 COMPOSITE SCORE (CONTINUED)

See below for additional disclosures deemed necessary to calculate certain ratios for determining sufficient financial responsibility under Title IV

| | | |
|-------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------|---------------|
| Net Assets | | |
| 1 | Net assets with donor restrictions: restricted in perpetuity | \$ 86,756,655 |
| 2 | Other net assets with donor restrictions (not restricted in perpetuity): | |
| | a. Annuities with donor restrictions | 18,666 |
| | b. Term endowments | 8,154,639 |
| | c. Life income funds (trusts) | - |
| | d. Total annuities, term endowments, and life income funds with donor restrictions | 8,173,305 |
| Property, Plant, and Equipment, net | | |
| 3 | Pre-implementation property, plant, and equipment, net | |
| | a. Ending balance of pre-implementation as of June 30, 2020 | 91,845,121 |
| | b. Reclassify capital lease assets previously included in PPE, net prior to the implementation of ASU 2016-02 leases standard | - |
| | c. Less subsequent depreciation and disposals (net of accumulated depreciation) | (5,231,048) |
| | d. Balance pre-implementation property, plant, and equipment, net | 86,614,073 |
| 4 | Debt financed post-implementation property, plant, and equipment, net | |
| | Long-lived assets acquired with debt subsequent to June 30, 2019: | |
| | a. Equipment | - |
| | b. Land improvements | 6,183,045 |
| | c. Building | 2,175,306 |
| | d. Total property, plant, and equipment, net acquired with debt exceeding 12 months | 8,358,351 |
| 5 | Construction in progress - acquired subsequent to June 30, 2019 | 3,625,594 |
| 6 | Post-implementation property, plant, and equipment, net, acquired without debt: | |
| | a. Long-lived assets acquired without use of debt subsequent to June 30, 2019 | 569,801 |
| 7 | Total Property, Plant, and Equipment, net - June 30, 2021 | 99,167,819 |
| Debt to be excluded from expendable net assets | | |
| 8 | Pre-implementation debt: | |
| | a. Ending balance of pre-implementation as of June 30, 2020 | 28,057,376 |
| | b. Reclassify capital leases previously included in long-term debt prior to the implementation of ASU 2016-02 leases standard. | - |
| | c. Less subsequent debt repayments | (5,190,476) |
| | d. Balance Pre-implementation Debt | 22,866,900 |
| 9 | Allowable post-implementation debt used for capitalized long-lived assets: | |
| | a. Equipment - all capitalized | - |
| | b. Land improvements | 6,045,209 |
| | c. Buildings | - |
| | d. Balance Post-implementation Debt | 6,045,209 |
| 10 | Construction in progress (CIP) financed with debt or line of credit | - |
| 11 | Long-term debt not for the purchase of property, plant, and equipment or liability greater than assets value | - |
| | | 28,912,109 |

**CORNELL COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 16 COMPOSITE SCORE (CONTINUED)

Lease right-of-use assets and liabilities

| | | |
|----|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|
| 13 | Lease right-of-use assets Right-of-use assets as of balance sheet date June 30, 2021 | \$ 2,692,901 |
| 14 | Lease right-of-use assets - Pre-implementation (Grandfathered option was not elected) Right-of-use assets as of balance sheet date June 30, 2021, excluding leases entered into before December 15, 2018 | - |
| 15 | Lease right-of-use assets - Post-implementation Right-of-use assets as of balance sheet date June 30, 2021, excluding leases entered into on or after December 15, 2018 | - |
| 16 | Lease right-of-use liability Lease liabilities as of balance sheet date June 30, 2021 | 2,547,758 |
| 17 | Lease right-of-use liability - Pre-implementation (Grandfathered option was not elected) Lease liabilities as of balance sheet date June 30, 2021, excluding leases entered into before December 15, 2018 | - |
| 18 | Lease right-of-use liability - Post-implementation Lease liabilities as of balance sheet date June 30, 2021, excluding leases entered into on or after December 15, 2018 | - |

CORNELL COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 16 COMPOSITE SCORE (CONTINUED)

| Primary Reserve Ratio: | | | |
|-------------------------------|---------------------------------------|-----------------------------------------------------------------------------------------------------------------|---------------|
| | | Expendable Net Assets: | |
| 1 | Statement of Financial Position (SFP) | Net assets without donor restrictions | \$ 83,791,744 |
| 2 | SFP | Net assets with donor restrictions | 108,668,258 |
| 3 | Note 8 | Net assets restricted in perpetuity | 86,756,655 |
| 4 | N/A | Unsecured related-party receivable | - |
| 5 | Note 8 | Donor restricted annuities, term endowments, life income funds | 8,173,305 |
| 6 | Note 6 | Property, plant, and equipment pre-implementation | 86,614,073 |
| 7 | Note 6 | Property, plant, and equipment post-implementation with outstanding debt for original purchase | 8,358,351 |
| 8 | Note 6 | Construction in progress purchased with long-term debt | 3,625,594 |
| 9 | Note 6 | Post-implementation property, plant, and equipment, net, acquired without debt | 569,801 |
| 10 | N/A | Lease right-of-use asset, pre-implementation (grandfather of leases option not chosen) | - |
| 11 | N/A | Lease right-of-use asset, post-implementation | - |
| 12 | SFP | Intangible assets | - |
| 13 | SFP | Post-employment and pension liabilities | - |
| 14 | Note 7 | Long-term debt - for long-term purposes pre-implementation | 22,866,900 |
| 15 | Note 7 | Long-term debt - for long-term purposes post-implementation | 6,045,209 |
| 16 | N/A | Line of credit for construction in progress | - |
| 17 | N/A | Pre-implementation right-of-use asset liability | - |
| 18 | N/A | Post-implementation right-of-use asset liability | - |
| | | Total Expenses and Losses: | |
| 19 | Statement of Activities (SOA) | Total expenses (operating and nonoperating) without donor restrictions | 40,013,860 |
| 20 | SOA | Nonservice component of pension/postemployment (nonoperating) cost, (if loss) | - |
| 21 | N/A | Sale of fixed assets (if loss) | - |
| 22 | SOA | Change in value of interest-rate swap agreements (if loss) | - |
| | | Equity Ratio: | |
| | | Modified Net Assets: | |
| 23 | SFP | Net assets without donor restrictions | 83,791,744 |
| 24 | SFP | Net assets with donor restrictions | 108,668,258 |
| 25 | SFP | Intangible assets | - |
| 26 | N/A | Unsecured related-party receivables | - |
| | | Modified Assets: | |
| 27 | SFP | Total assets | 232,351,142 |
| 28 | N/A | Lease right-of-use asset pre-implementation | - |
| 29 | SFP | Intangible assets | - |
| 30 | N/A | Unsecured related-party receivables | - |
| | | Net Income Ratio: | |
| 31 | SOA | Change in Net Assets Without Donor Restrictions | 17,313,414 |
| | | Total Revenues and Gains Without Donor Restriction: | |
| 32 | SOA | Total operating revenue (including net assets released from restrictions) | 52,173,640 |
| 33 | SOA | Investments gain, net (aggregate operating and nonoperating interest, dividends, realized and unrealized gains) | 674,922 |
| 34 | SOA | Nonservice component of pension/postemployment (nonoperating) cost (if gain) | - |
| 35 | SOA | Pension-related changes other than net periodic pension costs (if gain) | - |
| 36 | SOA | Change in value of annuity agreement (typically in nonoperating) | - |
| 37 | SOA | Change in value of interest-rate swap agreements (if gain) | - |
| 38 | N/A | Sale of fixed assets (if gain) | - |
| 39 | SOA | Other gains | 4,761,092 |

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