CORNELL COLLEGE

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2022 AND 2021

CORNELL COLLEGE
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YEARS ENDED JUNE 30, 2022 AND 2021

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Cornell College
Mount Vernon, Iowa

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Cornell College, which comprise balance sheets as of June 30, 2022 and 2021, and the related statements of activities and cash flows, for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cornell College as of June 30, 2022 and 2021, and changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

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

Supplementary Information

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

Board of Trustees
Cornell College

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2023, on our consideration of Cornell College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Cornell College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Cornell College's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
March 29, 2023

CORNELL COLLEGE
BALANCE SHEETS
JUNE 30, 2022 AND 2021

	2022	2021
ASSETS		
Cash and Cash Equivalents	$ 8,944,469	$ 14,453,545
Accounts Receivable, Less Allowance for Doubtful Accounts of $693,530 and $604,163 in 2022 and 2021, Respectively	399,788	1,241,210
Inventories and Prepaid Expenses	949,457	988,178
Contributions Receivable, Net	22,875,182	22,230,690
Student Loans Receivable, Net	1,301,841	1,271,056
Investments	78,036,985	90,305,743
Right-of-Use Asset - Finance Lease	4,280,072	2,692,901
Property, Plant, and Equipment, Net	109,545,213	99,167,819
Total Assets	$ 226,333,007	$ 232,351,142
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable, Accrued Expenses, and Deposits	$ 3,951,517	$ 3,199,135
Student Tuition Paid in Advance	203,686	237,051
Contract Advances	2,179,427	2,442,952
Asset Retirement Obligation	393,081	341,831
Lease Liability - Finance Lease	4,456,261	2,547,758
Line of Credit	9,748,895	-
Net Long-Term Debt	25,010,625	28,912,109
Life-Income Payable	1,694,657	2,071,344
Due to U.S. Government, Refundable Loan Program	70,101	138,960
Total Liabilities	47,708,250	39,891,140
NET ASSETS		
Without Donor Restrictions:		
Undesignated	(7,393,711)	12,166,429
Investment in Property, Plant, and Equipment	81,785,891	67,616,070
Board-Designated Endowment	3,725,184	4,009,245
Total Without Donor Restrictions	78,117,364	83,791,744
With Donor Restrictions:		
Perpetual in Nature	90,105,820	86,756,655
Purpose Restrictions	9,892,341	15,968,719
Time Restricted for Future Periods	12,521,339	9,852,061
Underwater Endowments	(12,012,107)	(3,909,177)
Total With Donor Restrictions	100,507,393	108,668,258
Total Net Assets	178,624,757	192,460,002
Total Liabilities and Net Assets	$ 226,333,007	$ 232,351,142

See accompanying Notes to Financial Statements.

CORNELL COLLEGE
STATEMENTS OF ACTIVITIES
YEAR ENDED JUNE 30, 2022

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES			
Tuition and Fees, Net Scholarship and Grants of $32,151,921 in 2022	$ 16,470,258	$ -	$ 16,470,258
Contributions and Grants	7,460,954	1,566,747	9,027,701
Investment Income - Operating	17,514	203,129	220,643
Investment Income - Spending Rate	759,084	2,553,431	3,312,515
Other Revenues	2,221,937	3,824	2,225,761
Sales and Services of Auxiliary Enterprises	10,328,337	-	10,328,337
Total Revenues	37,258,084	4,327,131	41,585,215
Net Assets Released from Restrictions	5,347,934	(5,347,934)	-
Total Revenues	42,606,018	(1,020,803)	41,585,215
EXPENSES			
Instruction	14,328,591	-	14,328,591
Academic Support and Research	3,028,938	-	3,028,938
Student Services	10,603,929	-	10,603,929
Institutional Support	7,485,736	-	7,485,736
Institutional Advancement	2,290,969	-	2,290,969
Scholarships and Fellowships	1,191,146	-	1,191,146
Auxiliary Enterprises	8,952,624	-	8,952,624
Total Expenses	47,881,933	-	47,881,933
CHANGE IN OPERATING NET ASSETS	(5,275,915)	(1,020,803)	(6,296,718)
Investment Income Less Than Spending Rate	(203,263)	(14,722,770)	(14,926,033)
Contributions	-	7,856,562	7,856,562
Paycheck Protection Plan Loan Forgiveness	-	-	-
Actuarial Adjustment on Life Income and Annuity Agreements	(195,202)	(157,045)	(352,247)
Change in Value of Perpetual Trust	-	(116,809)	(116,809)
Insurance Recoveries, Net	-	-	-
CHANGE IN NET ASSETS	(5,674,380)	(8,160,865)	(13,835,245)
Net Assets - Beginning of Year	83,791,744	108,668,258	192,460,002
NET ASSETS - END OF YEAR	$ 78,117,364	$ 100,507,393	$ 178,624,757

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	$ 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	33,345,372	7,989,107	41,334,479
Net Assets Released from Restrictions	18,828,268	(18,828,268)	-
Total Revenues	52,173,640	(10,839,161)	41,334,479
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	40,013,860	-	40,013,860
CHANGE IN OPERATING NET ASSETS	12,159,780	(10,839,161)	1,320,619
Investment Income Greater 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	66,478,330	100,614,212	167,092,542
NET ASSETS - END OF YEAR	$ 83,791,744	$ 108,668,258	$ 192,460,002

See accompanying Notes to Financial Statements.

CORNELL COLLEGE
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ (13,835,245)	$ 25,367,460
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:		
Depreciation and Amortization	6,726,139	5,602,856
Change in Asset Retirement Obligation	51,250	(52,067)
Paycheck Protection Program Loan Forgiveness	-	(4,489,200)
Write-Off of Contribution Receivable	1,500	1,500
Actuarial Adjustment of Annuities and Life Income Payable	157,539	165,026
Change in Value of Perpetual Trust	116,809	(128,840)
Net Appreciation on Investments	11,276,066	(18,683,929)
Noncash Donations of Investments and Equipment	1,021,802	(389,435)
Contributions Restricted for Long-Term Investment and Property, Plant, and Equipment	(9,212,205)	(9,212,205)
Changes in Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	841,422	(614,762)
(Increase) Decrease in Contributions Receivable	(645,992)	2,695,817
(Increase) Decrease in Inventory and Prepaid Expenses	38,721	126,772
Decrease in Accounts Payable and Accrued Expenses	(530,506)	(431,437)
Increase (Decrease) in Other Liabilities	(33,365)	(457,474)
Net Cash Used by Operating Activities	(4,026,065)	(499,918)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Investments	(44,920,926)	(96,799,106)
Proceeds from Sales and Maturities of Investments	44,775,007	101,587,217
Disbursements of Student Loans	(237,355)	(104,815)
Repayments of Student Loans	206,570	206,570
Proceeds from Sales of Property and Equipment	75,000	-
Purchase of Property and Equipment	(14,217,928)	(3,639,959)
Net Cash Provided (Used) by Investing Activities	(14,319,632)	1,249,907
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Issuance of Indebtedness	9,748,895	-
Repayments of Principal on Indebtedness	(3,847,031)	(5,185,836)
Principal Payments on Finance Lease	(1,410,838)	(418,260)
Net Payments from Contract Advances	(263,525)	(486,397)
Cash Received from Contributions Restricted for Long-Term Investment and Property, Plant, and Equipment	9,212,205	9,212,205
Decrease in U.S. Government Grants Refundable, Net	(68,859)	(120,998)
Change in Annuities Payable	(376,676)	125,368
Investment Income Restricted for Life Income Agreements	80,547	82,727
Payments to Annuitants and Life Income Recipients	(238,097)	(247,743)
Net Cash Provided by Financing Activities	12,836,621	2,961,066

See accompanying Notes to Financial Statements.

CORNELL COLLEGE
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021
NET CHANGE IN CASH AND CASH EQUIVALENTS	$ (5,509,076)	$ 3,711,055
Cash and Cash Equivalent - Beginning of Year	14,453,545	10,742,490
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 8,944,469	$ 14,453,545
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash Payments for Interest	$ 1,325,898	$ 1,209,355
Purchases of Property and Equipment included in Accounts Payable	$ 1,282,888	$ 716,493
Noncash Right-of-Use Asset	$ 3,124,385	$ 2,966,018
RECONCILIATION OF CASH AND CASH EQUIVALENTS		
Cash and Cash Equivalents	$ 8,728,645	$ 14,213,479
Restricted Cash and Cash Equivalents	215,824	240,066
Total Cash and Cash Equivalents	$ 8,944,469	$ 14,453,545

See accompanying Notes to Financial Statements.

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.

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.

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, 2022 and 2021, the restricted cash and cash equivalents were $215,824 and $240,066, 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 $92,668 and $56,049 for the years ended June 30, 2022 and 2021, 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.

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, 2022 and 2021, the College had an allowance of $200,000.

Contributions receivable from two donors represent 79% and 92% of total contributions receivable for the years ended June 30, 2022 and 2021, respectively.

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

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, 2022 and 2021 was $793,673 and $500,884, 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 6.0% and 2.5% for the years ended June 30, 2022 and 2021, 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 $1000,000 per participant covered for the period January 1, 2022 to December 31, 2022 and an aggregate stop-loss of 125% of total expected claims. Expected claims are estimated to be approximately $2,003,205. For the years ended June 30, 2022 and 2021, the amount of health insurance expense, including administrative costs, and reinsurance costs, net of stop loss recoveries received or receivable, was $2,457,401 and $2,399,818, respectively.

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.

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:

	2022	2021
Revenue Recognized Over Time:		
Undergraduate Tuition and Fees	$ 48,642,042	$ 44,509,294

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:

	2022	2021
Revenue Recognized Over Time:		
Housing	$ 4,764,411	$ 3,726,186
Dining	5,467,880	4,255,022
Other	96,046	64,778
Total	$ 10,328,337	$ 8,045,986

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

	2022	2021	2020
Accounts Receivable - Students	$ 1,588,759	$ 1,465,161	$ 1,425,033
Deferred Revenue - Students	$ 203,686	$ 330,926	$ 772,095

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.

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, 2021	Revenue Recognized Included in June 30, 2021 Balance	Cash Received in Advance of Performance	Balance at June 30, 2022
$ 330,926	$ 330,926	$ 203,686	$ 203,686

The balance of deferred revenue at June 30, 2022 will be recognized as revenue over the academic term beginning on July 1, 2022 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.

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. There was $1,000,000 of conditional grants not recognized as of June 30, 2022.

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, 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.

For the year ended June 30, 2022, the College received additional allocations of $1,191,146 for the student portion and $1,191,145 for the institutional portion. For the year ended June 30, 2022, the College had recognized $1,191,145 related to the institutional portion, as well as, the College had expended $1,191,146 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, 2022 and 2021, there were no uncertain tax benefits identified and recorded as a liability.

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 $2,196,000 and $1,193,000 for the years ended June 30, 2022 and 2021, 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

The Financial Accounting Standards Board (FASB) has issued Accounting Standards Update (ASU) 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The FASB issued this ASU to improve the transparency of contributed nonfinancial assets through enhancements to presentation and disclosure. Nonfinancial assets are defined within the ASU as including fixed assets (such as land, buildings, and equipment), use of fixed assets or utilities, materials and supplies, intangible assets, services, and unconditional promises of those assets. The amendments do not change the recognition and measurement of nonfinancial assets. This adoption of this standard did not have a significant impact on the College's financial statements.

Subsequent Events

In preparing these financial statements, the College has evaluated events and transactions for potential recognition or disclosure through March 29, 2023, the date the financial statements were available to be issued.

NOTE 2 CONTRIBUTIONS RECEIVABLE

Contributions receivable are summarized as follows as of June 30:

	2022	2021
Contributions Receivable Expected to be Collected in:		
Less Than One Year	$ 6,872,561	$ 6,466,896
One Year to Five Years	17,050,919	14,809,662
Over Five Years	194,693	2,708,815
Gross Contributions Receivable	24,118,173	23,985,373
Less:		
Allowance for Uncollectibles	(200,000)	(200,000)
Unamortized Discount for Time Value of Money *	(1,042,991)	(1,554,683)
Net Contributions Receivable	$ 22,875,182	$ 22,230,690

* The discount rate used was 2%.

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

	2022	2021
Without Donor Restrictions	$ 291,265	$ 225,839
With Donor Restrictions	22,583,917	22,004,851
Total	$ 22,875,182	$ 22,230,690

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, 2022 and 2021, the College has not significantly changed its methodology for the allowance for doubtful accounts on student loans.

NOTE 3 STUDENT LOANS RECEIVABLE (CONTINUED)

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

	2022						
Classes of Loans	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	Total
Federal Perkins Loans	$ 77,100	$ 89,269	$ 8,664	$ 11,955	$ 15,542	$ 178,267	$ 380,797
Institutional Loans	464,576	178,726	29,760	61,588	110,834	204,560	1,050,044
Total	$ 541,676	$ 267,995	$ 38,424	$ 73,543	$ 126,376	$ 382,827	$ 1,430,841
As a Percentage of Total Loan Portfolio	37.86%	18.73%	2.69%	5.14%	8.83%	26.76%	100.00%

	2021						
Classes of Loans	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	Total
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
Total	$ 501,881	$ 306,012	$ 36,835	$ 84,378	$ 109,313	$ 361,637	$ 1,400,056
As a Percentage of Total Loan Portfolio	35.85%	21.86%	2.63%	6.03%	7.81%	25.83%	100.00%

The allowance for doubtful accounts on student loans in aggregate is $129,000 for the years ended June 30, 2022 and 2021.

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

	2022		
	Federal Perkins Loans	Institutional Loans	Total
Loans Collectively Evaluated for Impairment	$ 380,797	$ 1,050,044	$ 1,430,841
Less: Allowance for Loans Collectively Evaluated for Impairment	88,680	40,320	129,000
Student Loans Receivable, Net	$ 292,117	$ 1,009,724	$ 1,301,841
Allowance as a Percentage of Loans Collectively Evaluated for Impairment	23.29%	3.84%	9.02%

	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	$ 349,536	$ 921,520	$ 1,271,056
Allowance as a Percentage of Loans Collectively Evaluated for Impairment	20.24%	4.19%	9.21%

NOTE 3 STUDENT LOANS RECEIVABLE (CONTINUED)

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

	2022		
	Federal Perkins Loans	Institutional Loans	Total
Performing	$ 230,921	$ 611,827	$ 842,748
Nonperforming	149,876	438,217	588,093
Total	$ 380,797	$ 1,050,044	$ 1,430,841

	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

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.

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:

	2022	2021
Endowment:		
Money Market Funds	$ 736,898	$ 774,911
Common Stock	287,500	346,150
Bond Funds	23,682,392	25,838,833
Cash Value of Life Insurance	3,067,061	3,139,271
Equity Securities	42,316,797	50,796,213
Real Estate Investment Trusts **	-	-
Private Equity **	985,741	1,290,633
Hedge Funds **	-	462
Natural Resource Funds **	21,546	25,545
Contracts and Miscellaneous	10,342	10,342
Trusts Held by Others *	3,778,314	4,546,571
Charitable Remainder Trusts ***	1,340,238	1,627,693
Total Endowment	76,226,829	88,396,624
Other:		
Stocks	42,468	49,934
Land Held for Resale, Farms, and City Real Estate	100,000	100,000
Cash Value of Life Insurance	563,534	545,262
Trusts Held by Others *	1,091,990	1,208,799
Other	12,164	5,124
Total Other	1,810,156	1,909,119
Total	$ 78,036,985	$ 90,305,743

* 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, 2022, the College had commitments of approximately $276,000 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.

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:

	2022	2021
Net Realized Gains on Investments	$ 4,439,662	$ 12,130,480
Net Unrealized Gains (Losses) on Investments	(17,198,821)	6,287,920
Dividend and Interest Income	1,366,284	394,369
Total Investment Gains (Losses)	$ (11,392,875)	$ 18,812,769
Investment Income - Operating	$ 3,533,158	$ 8,029,577
Investment Gain (Loss) - Nonoperating	(14,926,033)	10,783,192
Total Investment Income (Loss)	$ (11,392,875)	$ 18,812,769

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 for the years ended June 30:

	2022	2021
Lease Cost		
Finance Lease Cost	$ 6,313,296	$ 2,966,018
Amortization of Right-to-Use Asset	(2,033,224)	(273,117)
Total Lease Cost	$ 4,280,072	$ 2,692,901
Cash Paid for Amounts Included in the Measurement of Lease Liabilities:		
Financing Cash Flows from Finance Leases	1,410,838	418,260
Right-of-Use Assets Obtained in Exchange for New Finance Lease Liabilities	3,346,964	1,951,713
Weighted-Average Remaining Lease Term - Finance Leases	1.6 Years	3.4 Years
Weighted-Average Discount Rate - Finance Leases	2.1 %	3.3 %

NOTE 5 LEASES (CONTINUED)

A maturity analysis of annual undiscounted cash flows for lease liabilities as of June 30, 2022 is as follows:

Year Ending June 20,	Amount
2023	$ 1,473,801
2024	1,381,728
2025	1,566,617
2026	277,918
2027	121,550
Total	4,821,614
Less Discount	365,353
Total Lease Liability	$ 4,456,261

NOTE 6 PROPERTY, PLANT, AND EQUIPMENT

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

	2022	2021
Land and Real Estate Improvements	$ 9,781,691	$ 9,498,871
Buildings	146,078,260	144,186,464
Equipment and Library Books	18,318,873	17,663,521
Rental Properties	3,302,973	3,168,540
Construction in Progress	16,099,992	3,625,908
Total	193,581,789	178,143,304
Less: Accumulated Depreciation	84,036,576	78,975,485
Total	$ 109,545,213	$ 99,167,819

NOTE 7 LONG-TERM DEBT

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

Description	2022	2021
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.	$ 15,450,000	$ 16,145,000
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.	3,870,972	6,864,376

NOTE 7 LONG-TERM DEBT (CONTINUED)

Description	2022	2021
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.	$ 5,886,581	$ 6,045,208
Subtotal	25,207,553	29,054,584
Less: Unamortized Debt Issuance Costs	(196,928)	(142,475)
Total Long-Term Debt, Net	$ 25,010,625	$ 28,912,109

The following schedule includes the debt maturities.

Year Ending June 30,	IHELA Series 2013	IHELA Series 2017	JCI Loan	Total
2023	$ 710,000	$ -	$ 180,897	$ 890,897
2024	730,000	3,870,972	204,728	4,805,700
2025	760,000	-	230,215	990,215
2026	4,120,000	-	257,455	4,377,455
2027	4,775,000	-	1,764,373	6,539,373
2028-2032	4,355,000	-	2,774,867	7,129,867
2033-2037	-	-	474,046	474,046
2037-2042	-	-	-	-
Total	$ 15,450,000	$ 3,870,972	$ 5,886,581	$ 25,207,553

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."

The College has a revolving line of credit agreement with BOK Financial in the amount of $6,000,000. Interest is payable quarterly and is based on Wall Street Journal Prime rate of 1.7% adjusting with change in the prime rate which was 3.05% as of June 30, 2022. The entire principal balance of the loan is due June 1, 2023. As of June 30, 2022, the College had an outstanding balance of $1,470,000. Total interest expense incurred as a result of the above financing was $1,744 as of June 30, 2022.

NOTE 7 LONG-TERM DEBT (CONTINUED)

The College has a reducing non-revolving line of credit agreement with BOK Financial in the amount of $12,000,000. Interest is payable quarterly and is based upon the Wall Street Journal Prime Rate at the time of payment. The entire principal balance is due on June 30, 2026. As of June 30, 2022, the College had an outstanding balance of $8,278,895. Total interest expense incurred as a result of the above financing was $63,860 as of June 30, 2022.

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:

	2022	2021
Donor Restricted Net Assets Not Invested in Perpetuity:		
Instruction and Other Departmental Support	$ 5,792,495	$ 5,415,680
Accumulated Earnings on Endowment Funds	1,672,833	8,154,639
Acquisition of Buildings and Equipment	12,526,052	9,833,395
Life Income, Annuities, and Cash Surrender Value of Life Insurance Policies	(4,713)	18,666
Student Loan Funds	2,427,013	2,398,400
Underwater Endowment	(12,012,107)	(3,909,177)
Total	$ 10,401,573	$ 21,911,603
Donor Restricted Net Assets Invested in Perpetuity, the Income from Which is Expended for:		
Scholarships	$ 35,194,259	$ 34,368,641
Unrestricted	11,210,557	11,164,048
Professorships	36,906,613	34,636,173
Library	2,093,467	2,092,692
Student Loan Funds	1,091,990	1,208,799
Annuity, Life Income, and Cash Surrender Value of Life Insurance Policies, and Restricted Pledges	3,608,934	3,286,302
Total	$ 90,105,820	$ 86,756,655

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

	2022	2021
Scholarships and Other Endowment Funds	$ 1,609,916	$ 2,939,484
Instruction and Other Departmental Support	2,166,082	2,578,080
Capital Projects	1,571,936	13,310,704
Total	$ 5,347,934	$ 18,828,268

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 ranging from 5% to 6% is $589,960 and $728,794 as of June 30, 2022 and 2021, 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 4% to 14% totaled $1,104,698 and $1,342,550 as of June 30, 2022 and 2021, 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).

2022	Instruction	Academic Support and Research	Student Services	Institutional Support	Institutional Advancement	Scholarships and Fellowships	Auxiliary Enterprises	Total
Salaries	$ 7,635,981	$ 1,192,876	$ 4,048,145	$ 3,248,416	$ 1,030,665	$ -	$ 400,805	$ 17,556,888
Benefits	2,027,878	329,306	1,068,648	862,678	273,712	-	106,441	4,668,663
Fees For Outside Services	165,893	43,663	88,734	104,004	29,761	-	206,997	639,052
Advertising and Promotion	14,825	1,025	1,024,046	32,714	143,397	-	99	1,216,106
Departmental Operations	503,876	460,010	806,215	169,081	296,825	-	304,607	2,540,614
Software	9,611	144,397	82,618	429,011	107,851	-	932	774,420
Contract Services	523,717	129,092	689,331	322,284	85,123	-	558,499	2,308,046
Dining	38,141	440	39,465	3,153	265	-	3,416,129	3,497,593
Utilities	541,050	106,047	304,531	241,817	20,954	-	656,297	1,870,696
Travel and Conferences	112,559	11,463	302,762	74,626	32,340	-	-	533,750
Off Campus Class Trips	64,853	28,089	737,977	68,263	45,610	-	245	945,037
Interest	303,475	70,931	60,187	293,096	3,754	-	594,455	1,325,898
Depreciation and Amortization	2,219,947	435,431	1,129,993	162,254	84,341	-	2,694,173	6,726,139
Insurance	-	-	57,807	1,019,426	-	-	-	1,077,233
Miscellaneous	166,785	76,168	163,470	454,913	136,371	-	12,945	1,010,652
Student Aid Expense	-	-	-	-	-	1,191,146	-	1,191,146
Total	$ 14,328,591	$ 3,028,938	$ 10,603,929	$ 7,485,736	$ 2,290,969	$ 1,191,146	$ 8,952,624	$ 47,881,933

2021	Instruction	Academic Support and Research	Student Services	Institutional Support	Institutional Advancement	Scholarships and Fellowships	Auxiliary Enterprises	Total
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	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

NOTE 11 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 5.00% and 8.28% for the fiscal years ended June 30, 2022 and 2021, respectively.

NOTE 11 ENDOWMENT FUND AND NET ASSET CLASSIFICATIONS (CONTINUED)

Endowment net assets as of June 30 were as follows:

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-Restricted Endowment Funds	$ -	$ 78,289,435	$ 78,289,435
Board-Designated Quasi-Endowment Funds	3,725,184	-	3,725,184
Total Endowment Funds	$ 3,725,184	$ 78,289,435	$ 82,014,619

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-Restricted Endowment Funds	$ -	$ 89,794,374	$ 89,794,374
Board-Designated Quasi-Endowment Funds	4,009,245	-	4,009,245
Total Endowment Funds	$ 4,009,245	$ 89,794,374	$ 93,803,619

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

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets - Beginning of Year	$ 4,009,245	$ 89,794,374	$ 93,803,619
Investment Return:			
Investment Income Allocated to Operations	1,016,850	2,553,431	3,570,281
Net Appreciation (Depreciation) (Realized and Unrealized)	(1,196,545)	(13,934,431)	(15,130,976)
Total Investment Return	3,829,550	78,413,374	82,242,924
Contributions	-	3,345,621	3,345,621
Appropriation of Endowment Funds for Expenditure	(128,883)	(3,312,516)	(3,441,399)
Other Changes	24,517	(157,044)	(132,527)
Endowment Net Assets - End of Year	$ 3,725,184	$ 78,289,435	$ 82,014,619

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
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	4,176,523	95,258,475	99,434,998
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	$ 4,009,245	$ 89,794,374	$ 93,803,619

NOTE 11 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, 2022, funds with original gift values of $67,892,353, and fair values of $55,880,246, and deficiencies of $12,012,107 were reported in net assets with donor restrictions. 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. 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, 2022 and 2021 was prudent.

NOTE 12 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.

NOTE 12 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.

NOTE 12 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.

	2022				
	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	$ 287,500	$ -	$ -	$ 287,500	$ -
Equity Mutual Funds:					
International Funds	10,656,920	10,656,920	-	-	-
Multi Strategy Funds	31,659,877	31,659,877	-	-	-
Fixed Income Mutual Funds:					
Total Return Funds	23,682,392	23,682,392	-	-	-
Natural Resource Funds	21,546	-	-	-	21,546
Hedge Funds	-	-	-	-	-
Private Equity	985,741	-	-	-	985,741
Funds Held in Trust by Others	4,870,304	-	-	4,870,304	-
Charitable Remainder Trusts	1,340,238	1,340,238	-	-	-
Other	64,974	-	-	64,974	-
Total	73,569,492	$ 67,339,427	$ -	$ 5,222,778	$ 1,007,287
Cash and Cash Equivalents	736,898				
Cash Value of Life Insurance	3,630,595				
Land Held for Resale, Farms, and City Real Estate	100,000				
Total	$ 78,036,985				

NOTE 12 FAIR VALUE MEASUREMENTS (CONTINUED)

	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	-	-	-
Total Return Funds	25,838,833	25,838,833	-	-	-
Real Estate Investment Trust	-	-	-	-	-
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	85,746,299	$ 78,262,739	$ -	$ 6,166,920	$ 1,316,640
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	$ 90,305,743				

Summary of Level 3 investment:

	Fair Value		Principal Valuation	Unobservable
	2022	2021	Technique	Inputs
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.

NOTE 12 FAIR VALUE MEASUREMENTS (CONTINUED)

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 2022	Fair Value 2021	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
Natural Resource Funds (A)	$ 21,546	$ 25,545	$ 27,500	N/A	N/A
Hedge Funds:					
(B)	-	462	-	Quarterly	35-100 days
Private Equity:					
(C)	468,742	640,407	116,000	N/A	N/A
(D)	175,035	213,170	25,459	N/A	N/A
(E)	92,656	144,737	85,875	N/A	N/A
(F)	39,039	58,695	-	N/A	N/A
(G)	210,269	233,624	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.

(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) 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 MarketsVenture 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.

NOTE 12 FAIR VALUE MEASUREMENTS (CONTINUED)

(D) 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.

(E) 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.

(F) 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.

(G) 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 13 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.

NOTE 14 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 2021 and 2022.

As of June 30, 2022 **and 2021**, 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:

Financial Assets Available to Meet General Expenditures Over the Next 12 Months:	2022	2021
Cash and Cash Equivalents	$ 8,944,469	$ 14,453,545
Accounts Receivable, Net	399,788	1,241,210
Current Portion of Contributions For General Expenditures	6,460,992	6,466,896
Endowment Payout For Use Over the Next 12 Months	7,763,084	7,763,084
Investments Not Encumbered by Donor or Board Restrictions	49,934	49,934
Total	$ 23,618,267	$ 29,974,669

NOTE 15 RELATED PARTY TRANSACTIONS

The College received $1,228,803 and $400,000 in contributions from trustee board members during the years ended June 30, 2022 and 2021, respectively.

The College also had $16,743,000 and $21,344,000 in pledges outstanding from trustee members as of the years ended June 30, 2022 and 2021, respectively.

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, 2022 is as follows:

Primary Reserve Ratio:		
Expendable Net Assets	$ 2,562,896	
Total Expenses/Losses	$ 47,881,933	0.0535
Equity Ratio:		
Modified Net Assets	$ 178,624,757	
Modified Assets	$ 226,333,007	0.7892
Net Income Ratio:		
Change in Net Assets Without Donor Restrictions	$ (5,674,380)	
Total Revenues/Gains	$ 42,606,018	(0.1332)

RATIO	Ratio	Strength Factor	Weight	Composite Scores
Primary Reserve Ratio	0.0535	0.5353	40%	0.2141
Equity Ratio	0.7892	3.0000	40%	1.2000
Net Income Ratio	-0.1332	-1.0000	20%	(0.2000)
				1.2141

NOTE 15 COMPOSITE SCORE (CONTINUED)

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

	Primary Reserve Ratio:			
		Expendable Net Assets:		
1	Statement of Financial Position (SFP)	Net assets without donor restrictions		$ 78,117,364
2	SFP	Net assets with donor restrictions		100,507,393
3	Note 8	Net assets restricted in perpetuity		90,105,820
4	N/A	Unsecured related-party receivable		-
5	Note 8	Donor restricted annuities, term endowments, life income funds		1,672,833
6	Note 6	Property, plant, and equipment pre-implementation		79,796,871
7	Note 6	Property, plant, and equipment post-implementation with outstanding debt for original purchase		7,772,761
8	Note 6	Construction in progress purchased with long-term debt		16,099,992
9	Note 6	Post-implementation property, plant, and equipment, net, acquired without debt		5,875,589
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		19,375,424
15	Note 7	Long-term debt - for long-term purposes post-implementation		5,886,581
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		47,881,933
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		78,117,364
24	SFP	Net assets with donor restrictions		100,507,393
25	SFP	Intangible assets		-
26	N/A	Unsecured related-party receivables		-
		Modified Assets:		
27	SFP	Total assets		226,333,007
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**		(5,674,380)
		Total Revenues and Gains Without Donor Restriction:		
32	SOA	Total operating revenue (including net assets released from restrictions)		42,606,018
33	SOA	Investments gain, net (aggregate operating and nonoperating interest, dividends, realized and unrealized gains)		
34	SOA	Nonservice component of pension/postemployment (nonoperating) cost (if gain)		-
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		-

CORNELL COLLEGE
FINANCIAL RESPONSIBILITY RATIO SUPPLEMNENTAL SCHEDULE
JUNE 30, 2022 AND 2021

Net Assets		
1	Net assets with donor restrictions: restricted in perpetuity	$ 90,105,820
2	Other net assets with donor restrictions (not restricted in perpetuity):	
a.	Annuities with donor restrictions	-
b.	Term endowments	1,672,833
c.	Life income funds (trusts)	-
d.	Total annuities, term endowments, and life income funds with donor restrictions	1,672,833
Property, Plant, and Equipment, net		
3	Pre-implementation property, plant, and equipment, net	
a.	Ending balance of pre-implementation as of June 30, 2020	86,614,073
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)	(6,817,202)
d.	Balance pre-implementation property, plant, and equipment, net	79,796,871
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	5,597,455
c.	Building	2,175,306
d.	Total property, plant, and equipment, net acquired with debt exceeding 12 months	7,772,761
5	Construction in progress - acquired subsequent to June 30, 2019	16,099,992
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	5,875,589
7	Total Property, Plant, and Equipment, net - June 30, 2021	109,545,213
Debt to be excluded from expendable net assets		
8	Pre-implementation debt:	
a.	Ending balance of pre-implementation as of June 30, 2020	22,866,900
b.	Reclassify capital leases previously included in long-term debt prior to the implementation of ASU 2016-02 leases standard.	-
c.	Less subsequent debt repayments	(3,491,476)
d.	Balance Pre-implementation Debt	19,375,424
9	Allowable post-implementation debt used for capitalized long-lived assets:	
a.	Equipment - all capitalized	-
b.	Land improvements	5,886,581
c.	Buildings	-
d.	Balance Post-implementation Debt	5,886,581
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	9,497,515
		34,759,520
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	$ 4,280,072
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, 2022, 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, 2022	4,456,261
17	Lease right-of-use liability - Pre-implementation (Grandfathered option was not elected) Lease liabilities as of balance sheet date June 30, 2022, 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, 2022, excluding leases entered into on or after December 15, 2018	-

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Trustees
Cornell College
Mount Vernon, Iowa

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Cornell College which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 29, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Cornell College's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Cornell College's internal control. Accordingly, we do not express an opinion on the effectiveness of Cornell College's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2022-001 that we consider to be a significant deficiency.

Board of Directors
Cornell College

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Cornell College's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Cornell College's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Cornell College's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. Cornell College's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
March 29, 2023

2022-001 – Audit Adjustment

Type of Finding:

- Significant Deficiency in Internal Control over Financial Reporting

Condition: During the audit process, there were audit adjustments made that impacted fixed assets, accounts payable and expenses.

Criteria or specific requirement: The College must have controls in place so that audited financial statements are presented fairly in all material respects in conformity with the generally accepted accounting principles.

Effect: There was an audit adjustment that resulted in expenses decreasing by approximately $511,000.

Cause: The College had a few transactions that were erroneously booked to expenses, fixed assets and accounts payable.

Repeat Finding: No.

Recommendation: The College should evaluate their financial reporting processes and controls, including the expertise of its internal staff, to determine whether grants are conditional versus unconditional.

Views of responsible officials and planned corrective actions: Management will review their internal control processes and ensure that their fixed asset related entries are booked appropriately.