Lake Forest College

Financial Report
May 31, 2023

Contents

RSM US LLP

Independent Auditor's Report

Board of Trustees
Lake Forest College

Opinion

We have audited the accompanying financial statements of Lake Forest College (the College), which comprise the statements of financial position as of May 31, 2023 and 2022, the related statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the financial statements (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the College as of May 31, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, no such opinion is expressed.

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

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

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

RSM US LLP

Chicago, Illinois
October 27, 2023

Lake Forest College

Statements of Financial Position
May 31, 2023 and 2022

	2023	2022
Assets		
Cash and cash equivalents	**$ 564,594**	$ 1,439,490
Bond funds held in trust	**220,293**	1,104,795
Accounts receivable, net:		
Students, less allowance of $986,943 in 2023 and $950,789 in 2022	**1,431,349**	856,905
Contributions, net	**2,573,019**	7,716,827
Other	**426,770**	884,335
Investment redemption receivable	**6,000,000**	-
Prepaid expense and other assets	**1,592,255**	1,034,283
Right-of-use assets—operating leases	**613,305**	202,662
Interest rate swap	**-**	46,756
Student loan funds, primarily Perkins loans	**591,447**	1,230,520
Long-term investments	**109,495,638**	104,756,622
Land, building and equipment, less accumulated depreciation	**135,897,088**	122,407,186
Beneficial interests in trusts held by others	**2,542,260**	2,871,524
Total assets	**$ 261,948,018**	$ 244,551,905
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	**$ 3,110,626**	$ 2,296,130
Accrued payroll and benefits	**2,894,561**	3,132,903
Deposits and other liabilities	**834,480**	1,104,769
Operating lease liabilities	**613,305**	202,662
Deferred revenue, food service provider	**3,547,452**	4,137,277
Bridge financing line of credit	**2,500,000**	6,000,000
Bonds payable	**43,064,523**	29,995,864
Annuities payable	**682,984**	674,643
Refundable U.S. government and other student loans	**608,847**	1,240,639
Accrued post-retirement and post-employment benefits	**1,279,019**	1,436,929
Total liabilities	**59,135,797**	50,221,816
Net assets:		
Without donor restrictions	**89,402,603**	92,288,046
With donor restrictions:		
Time or purpose	**24,054,528**	20,971,277
Perpetual	**89,355,090**	81,070,766
Total with donor restrictions	**113,409,618**	102,042,043
Total net assets	**202,812,221**	194,330,089
Total liabilities and net assets	**$ 261,948,018**	$ 244,551,905

See notes to financial statements.

Lake Forest College

Statement of Activities and Changes in Net Assets
Year Ended May 31, 2023
(With Summarized Financial Information for the Year Ended May 31, 2022)

	2023			
	Without Donor Restrictions	**With Donor Restrictions**	**Total**	2022 Total
Operating activities:				
Revenue:				
Tuition and fees, net	**$ 28,091,892**	**$ -**	**$ 28,091,892**	$ 26,347,042
Room and board, net	**13,466,783**	**-**	**13,466,783**	13,087,763
Net student revenue	**41,558,675**	**-**	**41,558,675**	39,434,805
Private gifts and grants	**12,541,566**	**12,667,879**	**25,209,445**	22,343,167
Contributions of nonfinancial assets	**-**	**4,000,000**	**4,000,000**	-
Government grants	**1,364,685**	**-**	**1,364,685**	3,004,136
Other sources	**1,102,951**	**-**	**1,102,951**	944,214
Other auxiliary enterprises, net	**1,046,153**	**-**	**1,046,153**	767,973
(Loss) gain on disposal of fixed assets	**(340,474)**	**-**	**(340,474)**	7,500
Investment return appropriated	**1,146,654**	**4,851,878**	**5,998,532**	5,400,000
Net assets released from restriction	**6,329,803**	**(6,329,803)**	**-**	-
Total revenue	**64,750,013**	**15,189,954**	**79,939,967**	71,901,795
Expenses:				
Salaries	**27,045,441**	**-**	**27,045,441**	24,793,921
Benefits and taxes	**7,506,075**	**-**	**7,506,075**	6,680,567
Occupancy and utilities	**7,286,319**	**-**	**7,286,319**	6,938,221
Depreciation	**6,707,199**	**-**	**6,707,199**	6,367,188
Interest	**2,511,297**	**-**	**2,511,297**	1,432,897
Student aid expense	**87,438**	**-**	**87,438**	1,057,147
Supplies, services, and other	**15,837,589**	**-**	**15,837,589**	14,176,012
Total expenses	**66,981,358**	**-**	**66,981,358**	61,445,953
(Decrease) increase in net assets from operating activities	**(2,231,345)**	**15,189,954**	**12,958,609**	10,448,342
Nonoperating activities:				
Investment income (loss), net	**630,982**	**1,225,668**	**1,856,650**	(5,741,631)
Change in split interest agreements	**-**	**(76,512)**	**(76,512)**	(14,174)
Change in value of beneficial interest and pledge discount amortization	**-**	**(119,657)**	**(119,657)**	(189,956)
Change in interest rate swap value	**-**	**-**	**-**	446,377
Loss on relinquishment of debt	**(296,336)**	**-**	**(296,336)**	-
Change in post-retirement and post-employment liability	**157,910**	**-**	**157,910**	164,346
Investment return appropriated	**(1,146,654)**	**(4,851,878)**	**(5,998,532)**	(5,400,000)
(Decrease) increase in net assets from nonoperating activities	**(654,098)**	**(3,822,379)**	**(4,476,477)**	(10,735,038)
(Decrease) increase in net assets	**(2,885,443)**	**11,367,575**	**8,482,132**	(279,196)
Net assets at beginning of year	**92,288,046**	**102,042,043**	**194,330,089**	194,609,285
Net assets at end of year	**$ 89,402,603**	**$ 113,409,618**	**$ 202,812,221**	$ 194,330,089

See notes to financial statements.

Lake Forest College

Statement of Activities and Changes in Net Assets
Year Ended May 31, 2022

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Operating activities:			
Revenue:			
Tuition and fees, net	$ 26,347,042	$ -	$ 26,347,042
Room and board, net	13,087,763	-	13,087,763
Net student revenue	39,434,805	-	39,434,805
Private gifts and grants	9,978,293	12,364,874	22,343,167
Government grants	3,004,136	-	3,004,136
Other sources	941,703	2,511	944,214
Other auxiliary enterprises, net	767,973	-	767,973
Gain (loss) on disposal of fixed assets	7,500	-	7,500
Investment return appropriated	924,485	4,475,515	5,400,000
Net assets released from restriction	21,287,009	(21,287,009)	-
Total revenue	76,345,904	(4,444,109)	71,901,795
Expenses:			
Salaries	24,793,921	-	24,793,921
Benefits and taxes	6,680,567	-	6,680,567
Occupancy and utilities	6,938,221	-	6,938,221
Depreciation	6,367,188	-	6,367,188
Interest	1,432,897	-	1,432,897
Student aid expense	1,057,147	-	1,057,147
Supplies, services, and other	14,176,012	-	14,176,012
Total expenses	61,445,953	-	61,445,953
Increase (decrease) in net assets from operating activities	14,899,951	(4,444,109)	10,455,842
Non-operating activities:			
Investment (loss) income, net	(649,871)	(5,091,760)	(5,741,631)
Change in split interest agreements	-	(14,174)	(14,174)
Change in value of beneficial interest and pledge discount amortization	-	(189,956)	(189,956)
Change in interest rate swap value	446,377	-	446,377
Change in post-retirement and post-employment liability	164,346	-	164,346
Investment return appropriated	(924,485)	(4,475,515)	(5,400,000)
(Decrease) increase in net assets from non-operating activities	(963,633)	(9,771,405)	(10,735,038)
Increase (decrease) in net assets	13,936,318	(14,215,514)	(279,196)
Net assets at beginning of year	78,351,728	116,257,557	194,609,285
Net assets at end of year	$ 92,288,046	$ 102,042,043	$ 194,330,089

See notes to financial statements.

Lake Forest College

Statements of Cash Flows
Years Ended May 31, 2023 and 2022

	2023	2022
Cash flows provided by operating activities:		
Increase (decrease) in net assets	$ 8,482,132	$ (279,196)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation	6,707,199	6,367,188
Change in value of interest rate swap	-	(446,377)
Net change in beneficial interest in trusts held by others	329,264	218,654
Net (gain) loss on investments	(2,453,789)	5,151,978
Net loss (gain) on disposal of fixed assets	340,474	(7,500)
Loss on relinquishment of debt	296,336	-
Bond issuance cost amortization	41,342	47,637
Adjustment or cancellation of loans receivable	69	4,978
Change in bad debt expense	36,154	55,257
Deferred compensation expense	-	(15,000)
Private gifts for capital	(4,285,480)	(2,264,516)
Contributions restricted for investment in endowment	(11,337,110)	(10,564,203)
Increase in post-retirement/post-employment liability	(157,910)	(164,346)
Reduction in carrying amount of operating lease right-of-use asset	331,300	-
Cash paid for operating lease	(347,171)	-
Changes in assets and liabilities:		
Student accounts receivable	(574,444)	(156,837)
Contributions receivable	568,728	435,355
Other receivable	840,193	(213,257)
Prepaid expenses and other assets	(557,972)	218,095
Accounts payable and accrued expenses	(309,423)	(897,779)
Accrued payroll and benefits	(238,342)	(90,910)
Deposits and other liabilities	(270,289)	(1,568,431)
Deferred revenue, food service provider	(589,825)	927,018
Net cash (used in) provided by operating activities	(3,148,564)	(3,242,192)
Cash flows used in investing activities:		
Purchase of investments	(11,500,000)	(18,120,000)
Proceeds from sale or maturity of investments	2,517,743	13,525,373
Acquisitions of land, building and equipment	(12,515,986)	(8,629,704)
Proceeds from sale of fixed assets	-	7,500
Principal collected on student loans	282,932	290,391
Purchase of investments in bond funds held in trust	-	(839,102)
Proceeds from sales or maturity of investments in bond funds held in trust	884,502	862,504
Net cash used in investing activities	(20,330,809)	(12,903,038)
Cash flows used in financing activities:		
Principal payments on notes and bonds payable	-	(1,495,000)
Proceeds from issuance of debt	37,712,258	-
Refunding of bonds	(24,645,846)	-
Net change in refundable U.S. Government student loans	(631,792)	(253,238)
Proceeds from private gifts and grants restricted for capital	2,538,173	3,992,116
Proceeds from contributions restricted for investment in endowment	11,123,343	10,564,203
Net draw on line of credit	(3,500,000)	500,000
Net change in annuity obligation	8,341	(93,294)
Net cash provided by financing activities	22,604,477	13,214,787
Net decrease in cash and cash equivalents	(874,896)	(2,930,443)
Cash and cash equivalents:		
Beginning of year	1,439,490	4,369,933
End of year	$ 564,594	$ 1,439,490
Supplemental disclosures of cash flow information:		
Cash paid for interest	$ 2,567,117	$ 1,302,669
Supplemental disclosures of noncash financing and investing activities:		
Right-of-use assets obtained in exchange for new operating lease liabilities	$ 741,943	$ -
Fixed assets included in accounts payable	$ (1,521,589)	$ (397,670)
Donation of property, plant and equipment	$ 6,500,000	$ -

See notes to financial statements.

Note 1. Nature of Business and Significant Accounting Policies

Nature of business: Lake Forest College (the College) was founded in 1857. The College is a co-educational undergraduate institution offering students the opportunities and challenges of a liberal arts education. Located 30 miles north of Chicago, Illinois, the College draws a diverse student body from virtually all states of the Union and a considerable number of foreign countries.

The financial statements of the College have been prepared on the accrual basis of accounting. Significant accounting policies followed by the College are described below.

A summary of the College's significant accounting policies is as follows:

Basis of presentation: The College follows accounting standards established by the Financial Accounting Standards Board (FASB) to ensure consistent reporting of financial condition. References to Generally Accepted Accounting Principles in these footnotes are to the FASB Accounting Standards Codification™, sometimes referred to as the Codification or ASC. Net assets and 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 as follows:

Without donor restrictions: Net assets that are not subject to donor-imposed stipulations.

With donor restrictions: Net assets subject to donor-imposed stipulations that may or will be met either by actions of the College and/or passage of time. Net assets with donor restrictions can also be subject to donor-imposed stipulations that they be maintained permanently by the College. Generally, the donors of these assets permit the College to use all or part of the income earned or related investments for general or specific purposes, supporting the College's educational purposes. Net assets with donor restrictions in perpetuity consist of endowment funds and of certain other funds which the College does not count yet as an endowment. These other funds could include future pledge receivables from donors and undistributed amounts from estates and terminated trusts. Additionally, there are two funds included in net assets with donor restrictions at fair value in which the College has a perpetual beneficial interest, the distributions of which are restricted for scholarships.

Note 1. Nature of Business and Significant Accounting Policies (Continued)

Net assets with donor restrictions that may be met by actions of the College and/or passage of time consist of the following as of May 31:

	2023	2022
Donor-restricted net assets—time or purpose restricted		
Program support	$ 6,649,142	$ 5,605,054
Capital projects	9,321,735	4,636,465
Endowment funds subject to purpose restrictions	6,760,755	8,615,368
Split-interest agreements	1,322,896	2,114,390
Total donor-restricted net assets—time or purpose restricted	24,054,528	20,971,277
Donor-restricted net assets invested in perpetuity:		
Endowment	89,936,770	78,598,431
Underwater endowment	(2,494,218)	(680,006)
Loan fund	50,737	50,737
Pledge for endowment	475,578	1,602,937
Split-interest agreements	1,386,223	1,498,667
Total donor-restricted net assets invested in perpetuity	89,355,090	81,070,766
Total net assets with donor restrictions	$ 113,409,618	$ 102,042,043

Net assets with donor restrictions are released from restrictions either by the passage of time or by the fulfillment of a purpose. Contributions restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions are met in the fiscal year in which the contributions are received. Restrictions released during the years ended May 31, are summarized as follows:

	2023	2022
Scholarships and grants	$ 231,840	$ 232,763
Instruction and research	957,267	1,300,590
Student services	280,365	504,289
Academic support	1,765	-
Management and general	-	87,420
Release of split-interest agreements	759,968	-
Appropriation of draw	4,081,069	3,684,150
Capital expenditure	17,529	15,477,797
Total net assets with donor restrictions released	$ 6,329,803	$ 21,287,009

Split-interest agreements with donors: The College has various types of split-interest agreements with donors. In some of these agreements, the College also serves as trustee of the related assets.

Note 1. Nature of Business and Significant Accounting Policies (Continued)

Assets held under these agreements for which the College serves as trustee are included in investments. In addition, the present value of the estimated future payments to be made to the donors and/or other beneficiaries is included in liabilities. The liabilities are adjusted during the term of the agreements for changes in the value of assets, accretion of the discount, and other changes in the estimates of future benefits.

Assets held in trust for which the College does not serve as trustee are not reported as investments in the financial statements. However, contribution revenue and a beneficial interest in the trust are recognized at the date the trusts are established for the present value of estimated future payments to be received.

Perpetual trusts are valued based upon the fair value of the assets contributed to the trust, which approximates the fair value of the beneficial interest in the trust.

Cash and cash equivalents: The College considers all highly-liquid investments to be used for operating purposes with original maturities of three months or less to be cash equivalents.

Investments: The College's investments and investment vehicles, excluding investments in real estate and mortgage loans receivable, are recorded in the financial statements at fair value. The fair value of investments is based on quoted market prices, except for certain alternative investments, for which quoted market prices may not be available**.** Direct real estate investments and mortgage loans receivable are carried at cost and are reviewed for impairment whenever events or changes in circumstances indicate that the fair value of the asset or collateralized asset may be less than its carrying value. This loss would be recorded if it is not recoverable.

The College reports the fair value of market alternatives, also known as alternative investments, using the practical expedient. The practical expedient allows for the use of net asset value (NAV), as reported by the external investment manager.

The valuations for these alternative investments necessarily involve estimates, appraisals, assumptions and methods which are reviewed by management. However, because of the inherent uncertainty of valuation, these estimated values may differ significantly from the values that would have been used had a ready market for the investments existed.

Investment securities purchased and sole are recorded on the trade date. Due to the lag between the trade and settlement dates, the College reports investments sold but not yet settled as redemption receivables in the statement of financial position.

Collections and works of art: Collections (musical instruments, historical treasures and similar treasures held as part of collections), which were acquired through purchases or contributions since the College's inception, are not reflected in the statements of financial position. As of May 31, 2023 and 2022, the insured value of these items was approximately $4,500,000. In addition, as of May 31, 2023 and 2022, the College has a Life Estate interest in artwork and museum furnishings valued at approximately $4,400,000.

Land, buildings and equipment: Land, buildings and equipment are stated at cost as of the date of acquisition or their fair value at the date of donation, if received as a contribution. Depreciation is provided using the straight-line method over the estimated useful lives of the assets, which range from five to 50 years. Expenditures for land, buildings and equipment in excess of $15,000 are capitalized.

Note 1. Nature of Business and Significant Accounting Policies (Continued)

Long-lived assets, such as land, buildings and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the fair value of an asset may be less than its carrying value. An impairment loss would be recorded if it is not recoverable.

Asset retirement obligations: According to the Codification, *Asset Retirement and Environmental Obligations*, all entities are required to recognize the fair value of legal obligations to perform asset retirement activities when incurred. The College has performed an assessment and believes it is not subject to such obligations as of May 31, 2023 and 2022.

Annuity liability: The College estimates the liability for payments made to annuitants and to participants in a pooled income fund based on actuarial tables and uses an appropriate discount rate based on the age of the participants. The discount rate is determined based on the rates for investments at May 31, 2023 and 2022, in five-year and 10-year Treasury notes, which were 3.24% and 3.14% for 2023 and 2.81% and 2.85% for 2022.

Revenue: 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 are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or by law. Expirations of restrictions recognized on net assets with donor restrictions (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restriction.

Private gifts and grants, including pledges, are recognized in the period the gift is made. Conditional gifts, with a barrier and a right of return, are not recognized until the conditions on which they depend are substantially met or explicitly waived by the donor. Contributions of assets other than cash are recorded at estimated fair value. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Accretion of discount is recorded as additional revenue in accordance with donor-imposed restrictions, if any, on the contributions.

An allowance for uncollectible pledges receivable is provided based upon management's judgment, including such factors as prior collection history, type of contribution and nature of fundraising activity.

Contributions and appropriated endowment income received with donor-imposed restrictions that are met in the same year as the gifts are received are reported as revenue of the net asset without donor restrictions class. Private gifts and grants of land, building and equipment without donor-imposed restrictions concerning the use of such long-lived assets are reported as revenue of the net asset without donor restrictions class. Private gifts and grants of cash or other assets to be used to acquire land, building and equipment with such donor restrictions are reported as revenue of the net asset with donor restrictions class; the restrictions are considered to be released at the time of acquisition of such long-lived assets. Revenue from other grants and contract agreements is recognized as it is earned through expenditure in accordance with the agreements.

Government grants and contracts for basic research and other sponsored programs are generally subject to restrictions and conditions that must be met before the College is entitled to funding. Accordingly, advances from granting agencies are generally considered refundable in the unlikely event specified services are not performed. The College recognizes contribution revenue on grants for basic research and other sponsored programs as the awards for such programs are expended, since expenditure in accordance with award terms typically results in the simultaneous release of restrictions and conditions imposed by the grantor.

Note 1. Nature of Business and Significant Accounting Policies (Continued)

Contributions of nonfinancial assets: In fiscal year 2023, the College received a contribution of a home valued at $6,500,000 included in land, building, and equipment at May 31, 2023, to be placed into service in fiscal year 2024. The value of the home was based on an appraisal performed using the market approach for similar properties. The appraised value exceeded the original pledge amount by $4,000,000 which is recorded as contributions of nonfinancial assets in the statement of activities.

Revenue recognition: The College provides academic instruction toward baccalaureate and graduate degrees. The College serves approximately 1,725 undergraduate students and 25 graduate students. Tuition revenue is recognized over the applicable term in the fiscal year in which the academic programs are delivered. Institutional scholarships awarded to students reduce the amount of revenue recognized. Scholarships of $63,627,884 and $59,285,843 were reported net of tuition and fees on the statement of activities for the years ended May 31, 2023 and 2022, respectively. In addition, students who adjust their course load or withdraw completely within the first six weeks of the academic term may receive a full or partial refund in accordance with the College's refund policy. Refunds issued reduce the amount of revenue recognized. Historically, refunds have been approximately 0.3% of the total amount billed. The College also provides auxiliary services, such as residence and food services. Revenue from these services is recognized over the applicable term in the fiscal year in which the goods and services are provided. Scholarships of $2,226,365 and $1,727,190 were reported net of room and board revenue on the statement of activities for the years ended May 31, 2023 and 2022, respectively. Scholarships of $281,327 and $278,660 were reported net of other auxiliary enterprises revenue on the statement of activities for the years ended May 31, 2023 and 2022, respectively. In accordance with the College's refund policy, room and board charges are refunded on a per diem basis for students who adjust their status within the first six weeks of the academic term. Refunds issued reduce the amount of revenue recognized.

Sales and services of auxiliary enterprises consist of the following:

	2023	2022
Housing services	$ 6,617,244	$ 6,409,279
Food services	6,849,539	6,678,484
	13,466,783	13,087,763
Other	1,046,153	767,973
	$ 14,512,936	$ 13,855,736

Payments for tuition and room and board are due two weeks prior to the start of the academic term.

Receivables: The majority of the College's receivables, other than contributions, are due from students and governmental agencies. Credit is extended based on an evaluation of financial condition. Receivables are stated at amounts due from students net of an allowance for doubtful accounts. The College determines its allowance for doubtful accounts by considering the College's previous loss history. Student receivables are deemed uncollectible after five years and are written off at that time. The College does not charge interest on student receivables. Accounts receivables as of the years ended May 31, 2023 and 2022, were $1,431,349 and $856,905, respectively. Accounts receivable balance at June 1, 2021 was $679,380. Pledge receivables are written off after two years unless the donor presents evidence that he or she is capable and willing to fulfill the pledge on an extended time basis.

The College had no costs that were capitalized to obtain or to fulfill a contract with a customer.

Note 1. Nature of Business and Significant Accounting Policies (Continued)

Contract liability: The contract liability represents payments received prior to the start of the academic term. The contract liability is recorded in deposits and other liabilities on the statement of financial position. The following table depicts activities of the contract liability related to tuition, fees and auxiliary services.

Balance at May 31, 2022	Refunds Issued	Recognized in Fiscal Year 2023 Balance	Received in Advance of Performance	Balance at May 31, 2023
$ 647,013	$ 217,241	$ 429,772	$ 426,104	$ 426,104

Balance at May 31, 2021	Refunds Issued	Recognized in Fiscal Year 2022 Balance	Received in Advance of Performance	Balance at May 31, 2022
$ 1,339,627	$ 238,402	$ 1,101,225	$ 647,013	$ 647,013

The balance of the contract liability at May 31, 2023, less any refunds will be recognized as revenue over the academic term as services are rendered. The College applies the practical expedient in paragraph ASC 606-10-50-14 and does not disclose information about remaining performance obligations that have original expected durations of one year or less. The College anticipates that students enrolled for the Fall semester will continue their studies in the Spring semester, and that students who receive their degrees in December or May will be replaced by an equivalent number of new enrollees.

Income taxes: The College has received a determination letter from the Internal Revenue Service indicating that it is a tax-exempt organization as provided in Section 501(c)(3) of the Internal Revenue Code of 1986 and, except for taxes pertaining to unrelated business income, is exempt from federal and state income taxes.

The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, the College may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the College and various positions related to the potential sources of unrelated business taxable income (UBIT). The College has no amounts accrued for interest or penalties as of May 31, 2023. There were no unrecognized tax benefits identified or recorded as liabilities for the reporting periods presented in these statements.

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

Note 1. Nature of Business and Significant Accounting Policies (Continued)

Concentration of credit risk: The College maintains cash balances in one financial institution in excess of the insurance limits provided by the Federal Deposit Insurance Corporation.

Measure of operations: The College reports a change in net assets from operating activities, including all operating revenue and expense that are an integral part of its programs and supporting activities, net assets released from donor restriction to support operating expenditures, and transfers from board-designated and other nonoperating funds to support current operating activities. The measure of operations excludes investment return in excess of (less than) amounts allocated by the Board of Trustees to support operations as established by endowment spending policy. The measure of operations also excludes changes in market value of beneficial interest in perpetual trusts, changes in the fair value of planned giving agreements, private gifts and grants restricted for long-term investment and capital projects, changes in fair value of the interest rate swap and changes in value post-retirement and post-employment benefits.

Adopted accounting pronouncement: In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-For-Profit Entities for Contributed Nonfinancial Assets.* This ASU requires a not-for-profit entity to present contributed nonfinancial assets in the statement of activities as a line item that is separate from contributions of cash or other financial assets. The ASU also requires a not-for-profit entity to disclose contributed nonfinancial assets received disaggregated by category that depicts the type of contributed nonfinancial assets. The new standard did not have a significant impact on the financial statements.

Pending accounting pronouncements: In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848)—Facilitation of the Effects of Reference Rate Reform on Financial Reporting.* In December 2022, the FASB issued ASU 2022-06, *Deferral of the Sunset Date of Reference Rate Reform (Topic 848)*. Topic 848 provides optional expedients and exceptions for applying GAAP to transactions affected by reference rate (e.g., LIBOR) reform if certain criteria are met, for a limited period of time to ease the potential burden in accounting for (or recognizing the effects of) reference rate reform on financial reporting. The ASU deferred the sunset date of Topic 848 from December 31, 2022 to December 31, 2024. The ASU is effective as of December 31, 2022 through December 31, 2024. The ASU has not and is currently not expected to have a material impact on the financial statements.

Subsequent events: Management has performed an analysis of the activities and transactions subsequent to May 31, 2023, to determine the need for any adjustments to and/or disclosures within the financial statements for the year ended May 31, 2023. Management has performed their analysis through October 27, 2023, the date the financial statements were issued.

Note 2. Contributions Receivable

Contributions receivable consist primarily of donor pledges for facility improvements and for various scholarships. Net contributions receivable are summarized as follows for May 31:

	2023	2022
Total contributions receivable	$ 2,945,316	$ 8,464,762
Less discount on contributions receivable	(180,019)	(566,643)
Less allowances for contributions receivable	(192,278)	(181,292)
Net contributions receivable	$ 2,573,019	$ 7,716,827

Note 2. Contributions Receivable (Continued)

The College uses a risk adjusted discount rate used to determine the present value of contributions to reflect credit risk based on the College's history with collection on receivables. The discount rate used ranged from 0.80% to 3.74% during the years ended May 31, 2023 and 2022. The College deemed $50,000 and $122,689 of contributions receivable uncollectible during the years ended May 31, 2023 and 2022, respectively.

Payments on contributions receivable as of May 31, 2023, are scheduled as follows:

Fiscal years ending May 31:	
2024	$ 2,084,816
2025	662,500
2026	158,000
2027	11,000
2028	26,000
2029 and thereafter	3,000
	$ 2,945,316

As of May 31, 2023, the College had received documented conditional pledges of approximately $34,100,000, which are not reflected in the accompanying financial statements. Conditional promises to give are recognized when the conditions on which they depend are substantially met. These conditional pledges generally represent instances where the College has been named in a will, which are conditional upon the probate court declaring the will valid.

Note 3. Investments and Fair Value Measurements

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

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

Level 1: 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.

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.

Note 3. Investments and Fair Value Measurements (Continued)

In many cases, a valuation technique used to measure fair value includes inputs from multiple levels of the fair value hierarchy. The lowest level of significant input determines the placement of the entire fair value measurement in the hierarchy. If during the year, the fair value inputs change, the assets are reclassified between the levels. There have been no changes in valuation techniques used for any assets or liabilities measured at fair value during the year ended May 31, 2023.

A description of the valuation methodologies used for assets and liabilities measured at fair value is set forth below:

Bond funds held in trust: Bond funds held in trust consist of short-term fixed income mutual funds including U.S. Treasury and foreign fixed income instruments (Level 2 inputs) (market approach). The fair value is estimated using recently executed transactions, reported sales of similar securities or market price quotations of the underlying trust assets.

Cash and short-term investments: The money held by the College is readily marketable and is determined by obtaining quoted prices on nationally recognized securities and exchanges (Level 1 inputs). A small portion of these investments are priced using Level 2 inputs (market approach).

Liquid Market Fund: Liquid Market Fund is a private investment partnership offering a multi-strategy investment program with a relatively liquid investment portfolio. Limited partners are permitted to redeem from the fund on a monthly basis. The College generally uses the most recent NAV information provided by the investment manager, which approximates fair value.

Investments (LFCIH): Investments presented in the following schedule are in a limited liability partnership. The College generally uses the most recent NAV information provided by the investment manager, which approximates fair value.

Beneficial interest in trusts: The fair value of the beneficial interests in various perpetual trust assets was determined based upon the College's percentage of interest in the fair value of the underlying trust assets at May 31, 2023 and 2022. Because these units are not actively traded, the assets are deemed to be classified as Level 3 assets (income approach).

Interest rate swap: The fair value of the interest rate swap is determined based on the relative values of the fixed and floating portions of the interest rate contract. The valuation model utilized involves current interest rates, projected yield curves and volatility factors to determine the fair value of the instrument as of the date of measurement. As such, significant fair value inputs can generally be verified and do not involve significant management judgment (Level 2 inputs–income approach). The interest rate swap was terminated on June 23, 2022.

Note 3. Investments and Fair Value Measurements (Continued)

Assets and liabilities measured at fair value at May 31, 2023 and 2022, on a recurring basis are summarized below:

	Fair Value Measurements at May 31, 2023				
	Level 1	Level 2	Level 3	NAV	Total
Assets:					
Bond funds held in trust	$ -	$ 220,293	$ -	$ -	$ 220,293
Investments at fair value:					
Cash and short-term investments	1,789	208,728	-	-	$ 210,517
Liquid Market Fund	-	-	-	14,511,127	14,511,127
Investments (LFCIH)	-	-	-	92,023,004	92,023,004
Total investments at fair value	1,789	208,728	-	106,534,131	106,744,648
Investments held at cost:					
Direct real estate					2,336,077
Mortgages receivable					414,913
Total investments					$ 109,495,638
Beneficial interest in trusts	-	-	2,542,260	-	$ 2,542,260
Total assets at fair value	$ 1,789	$ 429,021	$ 2,542,260	$ 106,534,131	

	Fair Value Measurements at May 31, 2022				
	Level 1	Level 2	Level 3	NAV	Total
Assets:					
Bond funds held in trust	$ -	$ 1,104,795	$ -	$ -	$ 1,104,795
Investments at fair value:					
Cash and short-term investments	1,789	195,911	-	-	$ 197,700
Liquid Market Fund	-	-	-	4,604,000	4,604,000
Investments (LFCIH)	-	-	-	97,177,377	97,177,377
Total investments at fair value	1,789	195,911	-	101,781,377	101,979,077
Investments held at cost:					
Direct real estate					2,336,076
Mortgages receivable					441,469
Total investments					$ 104,756,622
Interest rate swap	-	46,756	-	-	$ 46,756
Beneficial interest in trusts	-	-	2,871,524	-	$ 2,871,524
Total assets at fair value	$ 1,789	$ 1,347,462	$ 2,871,524	$ 101,781,377	

The following is a summary of the investment strategies, redemption frequencies, notice periods and fair values of the investments that are measured at NAV as of May 31, 2023 and 2022. The College did not have any outstanding commitments as of May 31, 2023 and 2022.

	2023	2022	Redemptions Permitted	Days' Notice
Liquid Market Fund	$ 14,511,127	$ 4,604,000	Monthly	5
LFC Investments Holdings, LP (LFCIH)	92,023,004	97,177,377	Semi-annual	90

Note 3. Investments and Fair Value Measurements (Continued)

LFC Investments Holdings, LP (LFCIH), a limited partnership, has two components. The largest component is an ownership interest in a limited partnership investment fund (the Fund), and the remaining amount is made up of 11 legacy investments in real estate and partnerships with seven managers and cash allocated for future capital calls. As the legacy investments mature, the distributions will be invested into the Fund. While the legacy investments are in place, the general partner will manage the overall investment portfolio for the purpose of remaining within targeted ranges.

The Fund has a strategy that focuses on varied and nontraditional investment opportunities, in an effort to provide a diversified, single-portfolio for investors. The Fund's portfolio is globally diversified and allocated across multiple asset classes including equities, real assets, commodities/resources and fixed income instruments and is invested for total return; generating current income is not an objective. The long-term, total return objective dictates a significant allocation to asset classes expected to generate equity-like returns.

A majority of the Fund's investments include limited partnership interests (sub-partnerships) whose investments are mostly comprised of illiquid, non-publicly traded securities. Certain sub-partnership investments include exchange traded funds and derivative contracts (e.g., futures contracts, options, forward currency contracts and swap agreements). These and other investments are subject to various risk factors, including market, credit and industry risk. Market risk represents the potential loss in value of financial instruments caused by movements in market variables, such as interest rate. Other risks affecting these investments include, but are not limited to, increasing competition, rapid changes in technology and change in economic conditions.

The College may withdraw up to 7% from the value of LFCIH annually. Additional redemption requests require written notice 120 days before the redemption date and are generally fulfilled by the General Partner based on liquidity of the underlying assets. The General Partner may be removed at any time in the College's sole discretion by 90 days' prior written notice to the General Partner.

At May 31, 2023 and 2022, the underlying investments of LFCIH consisted of the following asset classes:

	2023	2022
Short-term investments	- %	- %
Public equity	21.1	24.7
Private equity	31.2	29.1
Hedge funds	19.0	18.5
Credit	1.3	0.9
Real assets	12.0	12.9
Natural resources	5.3	6.4
Fixed income	10.1	7.5
	100.0 %	100.0 %

Note 3. Investments and Fair Value Measurements (Continued)

At May 31, 2023 and 2022, the College's return on investment was made up of the following components:

	2023	2022
Return on long-term investments:		
Interest and dividends	$ 230,603	$ 180,053
Realized and unrealized (loss) gain, net	2,453,789	(5,151,978)
Total return on long-term investments	2,684,392	(4,971,925)
Other short-term investments loss	(5,835)	(13,382)
Investment fees	(821,907)	(756,324)
Total return (loss) on investments	$ 1,856,650	$ (5,741,631)

Note 4. Endowment Composition

The College's endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. Net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The schedule below excludes certain net assets with donor restrictions in the statements of financial position including future pledge receivables from donors and undistributed amounts from estates and terminated trusts. Additionally, there are two funds included in net assets with donor restrictions in the statements of financial position at fair value in which the College has a perpetual beneficial interest, the distributions of which are restricted for scholarships.

Endowment net asset composition by type of fund as of May 31, 2023, is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	$ -	$ 94,203,307	$ 94,203,307
Quasi-endowment funds	17,989,887	-	17,989,887
Total funds	$ 17,989,887	$ 94,203,307	$ 112,193,194

Endowment net asset composition by type of fund as of May 31, 2022, is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	$ -	$ 86,533,793	$ 86,533,793
Quasi-endowment funds	18,756,512	-	18,756,512
Total funds	$ 18,756,512	$ 86,533,793	$ 105,290,305

Note 4. Endowment Composition (Continued)

Changes in endowment net assets for years ended May 31, 2023 and 2022, are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, May 31, 2021	$ 18,848,591	$ 85,705,136	$ 104,553,727
Total investment return	(1,000,240)	(4,687,281)	(5,687,521)
Contributions	1,259,896	10,564,203	11,824,099
Release of restriction	572,750	(572,750)	-
Appropriation for expenditures	(924,485)	(4,475,515)	(5,400,000)
Endowment net assets, May 31, 2022	18,756,512	86,533,793	105,290,305
Total investment return	247,662	1,312,949	1,560,611
Contributions	3,700	11,337,110	11,340,810
Release of restriction	128,667	(128,667)	-
Appropriation for expenditures	(1,146,654)	(4,851,878)	(5,998,532)
Endowment net assets, May 31, 2023	$ 17,989,887	$ 94,203,307	$ 112,193,194

A donor-restricted endowment fund is considered to be underwater if the fair value of the fund is less than either the original gift amount or the amount required to be maintained by the donor or by law. At times, the College may have individual donor-restricted endowment funds that are underwater. The College has a policy that permits spending from underwater funds depending on the degree to which the fund is underwater, unless specifically prohibited by the donor or relevant laws and regulations. Underwater funds for fiscal years ending May 31, 2023 and 2022 were calculated as follows:

	2023	2022
Aggregate original gift amount	$ 52,975,764	$ 19,268,427
Aggregate fair value	50,481,546	18,588,421
Aggregate deficiency	$ 2,494,218	$ 680,006

Interpretation of relevant law: Effective June 30, 2009, Illinois signed into law the Uniform Prudent Management of Institutional Funds Act (UPMIFA). UPMIFA modernizes the laws governing a not-for-profit organization's investment and management of donor-restricted endowment funds. The Board of Trustees of the College, serving as the body delegated to manage the College's endowments, has interpreted UPMIFA as allowing, but not requiring, the preservation of the historic dollar value of the original gift of donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the College has chosen to classify as net assets with donor restrictions in perpetuity: (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

In accordance with accounting principles governing not-for-profit organizations subject to an enacted version of UPMIFA, the portions of donor-restricted endowments not classified as net assets with donor restrictions are classified as net assets with donor restrictions until appropriated for expenditure. Realized and unrealized gains and losses on all College net assets with donor restrictions in perpetuity endowments are being recognized in net assets with donor restrictions with specific restrictions and/or passage of time, except for unrealized gains and losses on deferred gifts that will provide proceeds upon death of the annuitant for a permanent endowment.

Note 4. Endowment Composition (Continued)

Return objectives and risk parameters: The purpose of the College's long-term investments is to support the College and its mission over the long term. Thus, the financial goals for the endowment fund are to preserve and increase real purchasing power, to offset the effects of inflation, to take advantage of long-term horizons and to maintain and ideally increase the contribution to the operating budget. The performance of the endowment fund against these goals evaluated over rolling three- and five-year periods.

The long-term return objective is to generate a 5% return after inflation, and to outperform a global passive portfolio 70% equities and 30% bonds portfolio with less downside volatility overtime. Short- and medium-term performance (periods of one to five years) is judged primarily against a policy portfolio benchmark, which is constructed using the target asset class percentage weightings multiplied by the corresponding index return, and rebalanced monthly.

Strategies employed for achieving objectives: The long-term investments of the College, particularly the endowment, have an indefinite time horizon that runs concurrent with the endurance of the College in perpetuity. As such, these funds can assume a time horizon that extends well beyond a normal market cycle, and can assume an above-average level of risk as measured by the standard deviation of annual returns. It is expected, however, that both professional investment management and sufficient portfolio diversification will smooth volatility, help to assure a reasonable consistency of return and a flow of income to support College operations.

Spending policy and how the investment objectives relate to spending policy: The draw is the amount withdrawn from the investment pool to support the College's operations and mission. The Board of Trustees approved the annual endowment draw $6,000,000 and $5,400,000 in 2023 and 2022, respectively.

The spending policy, based on total return, will from time to time result in a draw from funds that are below fair value. The College continues to draw from these funds, in order to honor the wishes of the donors who have generously supported the functions of the College. The draw and the allocation of market losses together will be reviewed by the Executive Committee during market downturns to assess whether the spending rate is prudent for those accounts.

Note 5. Land, Buildings and Equipment

The College's land, buildings and equipment as of May 31, are as follows:

	2023	2022
Land	$ 3,700,287	$ 2,257,533
Buildings and improvements	214,113,693	197,944,059
Equipment	4,072,315	3,925,324
Construction-in-progress	2,241,920	670,641
	224,128,215	204,797,557
Less accumulated depreciation	88,231,127	82,390,371
Net land, buildings and equipment	$ 135,897,088	$ 122,407,186

Depreciation expense for the years ended May 31, 2023 and 2022, was $6,707,199 and $6,367,188, respectively.

Note 6. Line of Credit

In October 2017, the College entered into an uncommitted loan agreement with The Northern Trust Company (Bank) that expired September 2021. The agreement provided for an unsecured line of credit with maximum borrowings of $14,000,000. This loan was amended on October 22, 2021, and will expire October 2024. The loan provides for an unsecured line of credit with maximum borrowings of $10,000,000. The loan bears interest at the Overnight LIBOR, plus 1.25% (May 31, 2023 and 2022, is 6.32% and 2.08%, respectively). The purpose of the loan is to provide bridge financing for the science center and Brown Hall which will be funded by the receipt of pledges receivable. Outstanding borrowings as of May 31, 2023 and 2022, were $2,500,000 and $6,000,000, respectively. Interest expense on the line of credit was $95,823 and $71,617 for the years ended May 31, 2023 and 2022, respectively.

In October 2017, the College entered into an unsecured line of credit agreement with the Bank that was amended and restated in January 2021 and expired on September 25, 2023 and was not renewed. The unsecured line of credit provides for maximum borrowings of $2,000,000 and bears interest at the overnight LIBOR (floor of 0%), plus 1.25% (May 31, 2023 and 2022, is 6.32% and 2.08%, respectively). The purpose of the line of credit is to provide cash flow for operations. There were no outstanding borrowings as of May 31, 2023 and 2022. Interest expense on the line of credit was $0 for the years ended May 31, 2023 and 2022.

Note 7. Bonds Payable

The College has the following bonds payable as of May 31:

	2023	2022
Illinois Finance Authority Bonds, Series 2008, payable in annual installments beginning 2031, including variable interest (SIFMA index) (3.84%and 0.87% at May 31, 2023 and 2022, respectively) calculated weekly and paid monthly, for term bonds, due 2039.	$ 6,000,000	$ 6,000,000
Illinois Finance Authority Bonds, Series 2012, payable in annual installments beginning 2014, including interest paid semi-annually ranging from 4.25% to 5.75% for the term bonds, bonds were refunded during fiscal year 2023.	-	14,455,000
Illinois Finance Authority Revenue Refunding Bonds, Series 2014, payable in annual installments beginning 2015, including variable interest at a rate of 68% of one-month LIBOR, plus 125 basis points (1.79% at May 31, 2022, respectively), bonds were refunded during fiscal year 2023.	-	10,025,000
Illinois Finance Authority Revenue Refunding Bonds, Series 2022A, payable in annual installments beginning 2023, including interest paid semi-annually, ranging from 5.00% to 5.50% for the term bonds, due 2053.	38,150,000	-
	44,150,000	30,480,000
Unamortized bond premium (2012 Bond)	-	354,030
Unamortized bond discount (2022 Bond)	(183,008)	-
Unamortized bond issuance costs	(902,469)	(838,166)
	$ 43,064,523	$ 29,995,864

Note 7. Bonds Payable (Continued)

Aggregate maturities of bonds payable as of May 31, 2023, are as follows:

Fiscal years ending May 31:	
2024	$ 495,000
2025	520,000
2026	545,000
2027	575,000
2028	605,000
2029 and thereafter	41,410,000
	$ 44,150,000

Interest on bonds payable was $2,304,408 and $1,230,533 for the years ended May 31, 2023 and 2022, respectively.

For the Series 2008 Bonds, the College entered into a reimbursement agreement with the Bank, which includes a letter of credit in the amount of $6,069,041. The letter of credit expired August 2021 and was renewed at the same terms which will expire in November 2023. Because the above bond issue is operating in a floating mode and is remarketed at par value weekly, its carrying value approximates fair value of the outstanding balances of the bonds. Should the agent not be able to remarket the bonds, they become demand notes under the letter of credit agreement.

The Illinois Finance Authority, on behalf of the College, issued its Revenue Bonds, Lake Forest College, Series 2022A (the Series 2022A Bonds) in the aggregate principal amount of $38,150,000. The Series 2022A Bonds were dated, issued and delivered on June 13, 2022, and have a final maturity date of October 1, 2052. A portion of the proceeds of the Series 2022A Bonds were used to refund and defease a portion of the outstanding Series 2012 Bonds maturing October 1, 2023 through October 1, 2048. Another portion refunded all of the outstanding $18,275,000 original principal amount Illinois Finance Authority Revenue Refunding Bond, Series 2014 (Lake Forest College) (the Series 2014 Bonds and, together with the Series 2012 Bonds, the Prior Bonds). The remaining funds are to finance, refinance or reimburse the costs of the construction, renovation, improvement and equipping of certain educational facilities of the College including, but not limited to: (i) the renovation, improvement, expansion, construction and equipping of the facilities relating to Brown Hall, (ii) repairs, replacement and improvement of residence halls including, without limitation, repair and replacement of roofs, upgrading and replacement of doors, painting and similar improvements, (iii) upgrading of the HVAC systems and the plumbing systems in residence halls and (iv) general campus improvements to related facilities.

The bond agreements contain various restrictive financial covenants, including minimum debt service coverage, operating margin, and minimum enrollment and student fees.

Bond issuance costs consist of closing expenses paid related to the issuance of the Series 2008 and Series 2022A bonds. These costs are being amortized on a straight-line basis, which approximates the effective interest rate method, over the life of the bond. Bond issuance costs amortized for the IFA Series and 2008 and Series 2022A was $41,342 for fiscal year 2023 and $60,731 for fiscal 2022.

The College recorded a loss on the extinguishment of debt in the amount of $296,336 as reflected in the statement of activities. The loss consisted of $349,030 relinquishment of premium on the Series 2012 Bonds net of $645,366 of issuance costs associated with the Series 2012 and Series 2014 Bonds.

Note 8. Deferred Revenue with Food Service Provider

In 2011, the College entered into a contract that was to expire in 2025 in which the College's food service provider committed to fund the expansion of a building on the College's campus in the amount of $4,151,000. The College recognizes revenue amortized over the life of the contract on a straight-line basis. In fiscal year 2019, the College changed food service providers. The new provider assumed the liability under a new contract and provided additional renovation funding that expires in 2030. In 2023 and 2022, respectively, the vendor provided additional funding of $0 and $1,500,000. The amounts recognized annually in 2023 and 2022 were $589,825 and $572,982, respectively. Deferred revenue recorded on the statement of financial position as of May 31, 2023 and 2022, was $3,547,452 and $4,137,277, respectively.

Note 9. Retirement Plan

Retirement benefits are provided for salaried and hourly employees through Teachers Insurance and Annuity Association of America (TIAA), a national organization used to fund retirement benefits for employees of educational institutions through a defined contribution plan. The College makes contributions to TIAA to purchase individual annuities equivalent to retirement benefits earned. Total contribution expense for the College during fiscal years 2023 and 2022 was $1,560,677 and $1,507,963, respectively.

Note 10. Post-Retirement and Post-Employment Benefits

The College sponsors a top hat post-retirement plan that provides medical coverage to select retired employees who have worked for the College for at least 15 years. Spouses under age 65 of eligible retirees are also eligible for medical coverage. Medical coverage terminates at age 70. In addition, the College sponsors a post-employment disability plan that provides medical coverage for all permanently disabled full-time tenured and non-tenured employees.

Financial accounting standards require the College to recognize the funded status (i.e., the difference between the fair value of plan assets and the projected benefit obligations) of its plans. Accounting standards also require that the costs of providing post-employment health insurance coverage to disabled employees be recognized when the event causing disability occurs and a reasonable estimate of the related costs can be made.

Net periodic benefit cost for fiscal years 2023 and 2022 included the following components:

	Retired		Disabled	
	2023	2022	2023	2022
Service cost—benefits earned during the period	$ 55,658	$ 62,358	$ -	$ -
Interest cost on accumulated benefit obligation	52,147	35,216	185	54
Recognized prior service cost	(30,627)	(30,627)	-	-
Amortization of gain	(87,951)	(72,713)	5,569	(19,692)
Net periodic benefit cost	$ (10,773)	$ (5,766)	$ 5,754	$ (19,638)

Note 10. Post-Retirement and Post-Employment Benefits (Continued)

Benefit costs not previously recognized as a component of the periodic benefit cost, but included as a cumulative separate charge to net assets for the years ended May 31, 2023 and 2022, are as follows:

	Retired		Disabled	
	2023	2022	2023	2022
Prior service cost	$ (159,564)	$ (190,191)	$ -	$ -
Net actuarial (gain) loss	(1,339,586)	(1,185,186)	(2,198)	6,298
Net amount recognized	$ (1,499,150)	$ (1,375,377)	$ (2,198)	$ 6,298

Net changes in periodic benefit cost for fiscal years 2023 and 2022 included the following components:

	Retired		Disabled	
	2023	2022	2023	2022
Accumulated benefit obligation, beginning of year	$ 1,429,636	$ 1,596,574	$ 7,293	$ 4,701
Service cost	55,658	62,358	-	-
Interest cost	52,147	35,216	185	54
Retiree contributions	5,012	7,707	-	-
Actuarial (gain) loss	(242,351)	(236,588)	(2,927)	6,768
Disbursements	(23,597)	(35,631)	(2,037)	(4,230)
Accumulated benefit obligation, end of year	$ 1,276,505	$ 1,429,636	$ 2,514	$ 7,293

Fair value of plan assets for fiscal years of 2023 and 2022, including both post-retirement and post-employment benefits:

	2023	2022
Fair value of plan assets, beginning of the year	$ -	$ -
College and retiree contributions	25,634	39,861
Benefits paid	(25,634)	(39,861)
Fair value of plan benefits end of year	$ -	$ -

The financial status of the plans and the amounts recognized in the statement of financial position as of May 31, are shown below:

	Retired		Disabled	
	2023	2022	2023	2022
Accumulated benefit obligation:				
Retirees	$ 21,031	$ 46,953	$ 2,514	$ 7,293
Active employees eligible for benefits	340,230	454,204	-	-
Active employees not yet eligible for eligible for benefits	915,244	928,479	-	-
Accrued benefit cost recognized in the statements of financial position	$ 1,276,505	$ 1,429,636	$ 2,514	$ 7,293

Note 10. Post-Retirement and Post-Employment Benefits (Continued)

The weighted-average discount rate used in determining the accumulated post-retirement and post-employment benefit obligations was 4.72% in 2023 and 3.84% in 2022. The weighted-average discount rate for net postretirement benefit cost was 3.84% in 2023 and 2.31% in 2022.

The assumed health care cost trend rate used in measuring the accumulated post-retirement and post-employment benefit obligations was 7.5% for fiscal 2023, reduced linearly to 4.50% in fiscal 2044 and all years thereafter for pre-65 and post-65 claims.

The College's expected contributions to the retired and disabled plans are as follows:

	Retired	Disabled	Total
Fiscal years ending May 31:			
2024	$ 120,864	$ 2,575	$ 123,439
2025	129,014	-	129,014
2026	119,571	-	119,571
2027	118,199	-	118,199
2028	123,141	-	123,141
2029-2033	590,284	-	590,284
	$ 1,201,073	$ 2,575	$ 1,203,648

Note 11. Deferred Compensation Plan

The College has a voluntary relinquishment of tenure and employment plan, which offers a benefit to qualifying tenured faculty and administrative staff members. The deferred compensation liability as of May 31, 2023 and 2022, was approximately $0 and $45,000, respectively.

Note 12. Commitments and Contingencies

Operating leases: Operating leases are included in operating lease right-of-use (ROU) assets and operating lease liabilities in our statement of financial position. The lease terms range from two to five years. The rental commitments for operating leases consist of lease obligations for various copiers, postage meters and vehicles. The College determines if an arrangement is a lease at inception. Rental expense for operating leases during 2023 and 2022, was approximately $180,000 and $295,000, respectively. The weighted-average remaining lease term is two years and three years at May 31, 2023 and 2022, respectively. The College used a discount rate of 5.45% and 5.0% for 2023 and 2022, respectively.

Operating lease maturities at May 31, 2023, are as follows:

Fiscal years ending May 31:	
2024	$ 346,183
2025	294,044
Total lease payments	640,227
Less imputed interest	(26,922)
Total	$ 613,305

Note 12. Commitments and Contingencies (Continued)

Claims and legal action: The College is involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the College's financial position, changes in net assets or liquidity.

Federal financial aid: The College receives significant student financial aid from the U.S. Department of Education and other federal awards. The disbursement of funds received under such programs generally requires compliance with terms and conditions specified in federal regulations and are subject to audit by the federal agencies and possible disallowance of certain expenditures. The College has not had any significant disallowance of federal funds in the past and expects such amounts, if any, to be immaterial.

Note 13. Related-Party Transactions

Full-time tenured teaching faculty and certain full-time administrative staff were eligible to take out second mortgages on their primary residence with the College. Beginning in fiscal year 2014, the program was no longer open to new participants. The interest rate on the notes is 60% of the rate published in *The Wall Street Journal* seven days preceding the date of closing as the yield posted by Federal National Mortgage Association on 30-year standard conventional fixed-rate mortgage commitments for delivery within 30 days. Interest rates were fixed, ranging from 2.18% to 4.17%. Interest income on mortgages receivable is recognized over the term of the receivable based upon the effective yield method.

Second mortgages outstanding were $414,913 and $441,469 as of May 31, 2023 and 2022, respectively. The second mortgages are classified as part of long-term investments on the statement of financial position.

Future minimum payments are scheduled as follows:

Fiscal years ending May 31:		
2024	$	25,766
2025		26,621
2026		25,720
2027		25,649
2028		26,480
Thereafter		285,149
	$	415,385

During the years ended May 31, 2023 and 2022, respectively, the College received approximately $1,850,000 and $7,100,000 in contributions from board members. At May 31, 2023 and 2022, the College's contributions receivable, net, included approximately $855,00 and $5,474,000, respectively, of amounts receivable from board members.

Note 14. Self-Insurance Plan

The College is self-insured for its employee health insurance plan. United Healthcare provides administrative services and access to its provider network. The College is responsible for the funding of all claims up to $145,000 per individual claim per policy year but has individual stop loss insurance through another firm for the expenses above that amount. A liability of $155,000 and $175,000 has been recorded by the College as of May 31, 2023 and 2022, respectively, to estimate the total outstanding liability for payment of claims submitted and pending on that date. Group health insurance expense, including administrative fees and stop loss insurance, for the fiscal years ended May 31, 2023 and 2022, totaled $3,532,405 and $3,501,892, respectively.

Note 15. Loans Receivable

The College makes uncollateralized loans to students based upon financial need. Amounts due under the Federal Perkins Loan program are guaranteed by the Federal government. As of May 31, 2023 and 2022, the College has outstanding loans receivable, of $591,446 and $1,230,520, which represented 0.37% and 0.50% of total assets, respectively. As of May 31, 2023 and 2022, the College has an allowance for doubtful accounts of $287,947. Additionally, as of May 31, 2023 and 2022, the College has certain mortgages receivable from employees included on the statement of financial position in investments, of $414,913 and $441,469, which represented 0.16% and 0.18% of total assets, respectively.

At May 31, 2023 and 2022, the College's financing receivables are as follows:

	2023	2022
Notes receivable:		
Federal programs	$ 778,326	$ 1,413,670
Institutional programs	101,067	104,797
Notes receivable, gross	879,393	1,518,467
Less allowance for doubtful accounts	287,947	287,947
Notes receivable, net	591,446	1,230,520
Mortgages receivable	414,913	441,469
Total financing receivables	$ 1,006,359	$ 1,671,989
Beginning of year	$ 1,671,989	$ 1,991,311
Less payments on principal	282,932	314,344
Less cancellations and adjustments	69	4,978
Less loans assigned	382,629	-
End of year	$ 1,006,359	$ 1,671,989

The availability of funds for loans under the institutional program is dependent upon reimbursements to the pool through repayments of outstanding loans as of May 31, 2023 and 2022. The amount of funds in the Federal Perkins Loan program advanced by the Federal Government is $692,001 and $1,324,452, respectively; these are ultimately refundable to the government, and are classified as liabilities on the statement of financial position. Outstanding loans cancelled under the Federal Perkins Loan Program result in a reduction of funds available for loans and a decrease in the liability to the government. The College has reserved $216,226 of institutional funds against the Federal Portion of loans refundable, decreasing the liability. A second loan program is funded by the Strong Foundation, and the amount outstanding and classified as a liability for that program as of May 31, 2023 and 2022, is $133,074 and $132,413, respectively.

Note 15. Loans Receivable (Continued)

At May 31, 2023 and 2022, the following amounts were past due under the Perkins and institutional loan programs:

	1-270 Day Past Due	270 Days-2 Years Past Due	2-5 Years Past Due	5+ Years Past Due	Total Past Due
May 31, 2023	$ 97,757	$ 20,656	$ 199	$ 18,998	$ 137,610
May 31, 2022	80,558	30,852	88,181	302,774	502,365

Note 16. Functional Classification Expenses

The statements of activities reports expenses according to their natural classification. These expenses are attributable to the programs and supporting functions of the College. The tables below present these expenses by their natural and functional classification for the years ended May 31, 2023 and 2022.

	2023						
	Program Activities				Supporting Services		
	Instruction and Research	Academic Support	Student Services	Auxiliary Enterprises	Management and General	Fundraising and Alumni Relations	Total Expenses
Salaries	$ 11,575,648	$ 2,366,734	$ 7,460,879	$ 106,232	$ 4,410,029	$ 1,125,919	$ 27,045,441
Benefits and taxes	3,097,066	632,255	1,683,483	97,905	1,697,833	297,533	7,506,075
Occupancy and utilities	2,219,162	12,463	1,074,170	1,249,622	2,711,342	19,560	7,286,319
Depreciation	3,172,281	678,820	1,202,480	1,591,201	62,417	-	6,707,199
Interest	945,363	50,651	198,403	1,183,743	133,137	-	2,511,297
Student aid expense	-	38,720	48,718	-	-	-	87,438
Supplies, services and other	1,856,949	850,807	3,272,509	5,811,095	3,652,374	393,855	15,837,589
	$ 22,866,469	$ 4,630,450	$ 14,940,642	$ 10,039,798	$ 12,667,132	$ 1,836,867	$ 66,981,358

	2022						
	Program Activities				Supporting Services		
	Instruction and Research	Academic Support	Student Services	Auxiliary Enterprises	Management and General	Fundraising and Alumni Relations	Total Expenses
Salaries	$ 11,296,778	$ 2,285,877	$ 7,161,885	$ 539,635	$ 2,445,039	$ 1,064,707	$ 24,793,921
Benefits and taxes	2,767,419	622,316	1,675,646	252,093	1,067,817	295,276	6,680,567
Occupancy and utilities	2,024,774	13,174	1,209,815	1,108,648	2,563,252	18,558	6,938,221
Depreciation	3,139,219	683,179	1,172,246	1,211,174	161,370	-	6,367,188
Interest	283,631	38,684	83,135	1,024,683	2,764	-	1,432,897
Student aid expense	-	-	43,892	-	1,013,255	-	1,057,147
Supplies, services and other	1,563,157	998,321	2,892,029	5,623,307	2,681,092	418,106	14,176,012
	$ 21,074,978	$ 4,641,551	$ 14,238,648	$ 9,759,540	$ 9,934,589	$ 1,796,647	$ 61,445,953

Expenses are charged directly to the categories based upon specific identification where possible. Expenses which are not directly identifiable to the program activities or supporting services are allocated on a reasonable basis that is consistently applied. Operation and maintenance expenses are allocated based on square footage. Depreciation expense is allocated to other functions based on the building or location of the equipment and the use of that space. Interest expense is allocated based on the program and/or supporting function that benefit from the related debt issuances. Benefit expenses are allocated based on salary expenses.

Note 16. Functional Classification Expenses (Continued)

Instruction and research includes expenses for all activities that are part of the instructional program and for activities specifically organized to produce research. Academic support includes expenses for all activities that directly support the instructional programs of the College such as the library and technology services. Student services are considered programmatic and include activities that contribute to student emotional and physical well-being and intellectual, cultural and social development outside the formal instructional program. Auxiliary enterprises include expenses relating to the operation of the auxiliary activities such as housing, dining services and parking. Support services include centralized management and administrative support services such as executive management, fiscal operations, general administration and fundraising activities.

Note 17. Liquidity and Availability

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, marketable debt and equity securities, and lines of credit.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the College considers all expenditures related to its ongoing mission-related activities, 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.

As of May 31, 2023 and 2022, the following tables show the total financial assets held by the College and the amounts of those financial assets that could readily be made available within one year to meet general expenditures:

	2023	2022
Financial assets:		
Cash	$ 564,594	$ 1,439,490
Student accounts receivable, net	1,431,349	856,905
Contributions receivable, net	2,573,019	7,716,827
Other receivables	426,770	884,335
Long-term investments	109,495,638	104,756,622
Total	$ 114,491,370	$ 208,990,693
Financial assets available to meet general expenditures over the next 12 months:		
Cash	$ 564,594	$ 1,439,490
Student accounts receivable expected to be received	1,431,349	856,905
Contributions receivable expected to be received	2,084,816	2,929,762
Other receivables	426,770	884,335
Investments convertible to cash in the next 12 months	14,917,407	5,420,108
Approved subsequent fiscal year endowment draw	6,000,000	6,000,000
Total	$ 25,424,936	$ 17,530,600

Note 17. Liquidity and Availability (Continued)

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.

To help manage unanticipated liquidity needs, at May 31, 2023, the College has $7,500,000 available to draw on its project financing line of credit and $2,000,000 on its operating line of credit. At May 31, 2023, the College had $17,989,887 of quasi-endowments which could be made available for operations, which includes $930,810 of approved draw included in the table above.