

CORNELL COLLEGE
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
YEARS ENDED JUNE 30, 2024 AND 2023



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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 the balance sheets as of June 30, 2024 and 2023, and the related statements of activities and cash flows, for the years 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, 2024 and 2023, and its 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) 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.

Board of Trustees
Cornell College

In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2024, 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.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Minneapolis, Minnesota
October 26, 2024

**CORNELL COLLEGE
BALANCE SHEETS
JUNE 30, 2024 AND 2023**

	2024	2023
ASSETS		
Cash and Cash Equivalents	\$ 1,571,342	\$ 4,813,113
Accounts Receivable, Less Allowance for Credit Losses of \$813,190 and \$689,314 in 2024 and 2023, Respectively	637,968	1,059,071
Inventories and Prepaid Expenses	853,450	462,446
Contributions Receivable, Net	12,975,150	15,787,258
Student Loans Receivable, Net	1,265,209	1,142,499
Investments	98,947,767	89,045,647
Right-of-Use Asset - Finance Lease	1,187,560	2,722,014
Right-of-Use Asset - Operating Lease	121,570	234,046
Property, Plant, and Equipment, Net	107,262,738	111,423,848
Total Assets	\$ 224,822,754	\$ 226,689,942
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable, Accrued Expenses, and Deposits	\$ 4,089,104	\$ 4,864,567
Student Tuition Paid in Advance	266,799	225,262
Contract Advances	1,627,206	1,921,567
Asset Retirement Obligation	448,662	427,199
Lease Liability - Finance Lease	1,980,313	3,126,329
Lease Liability - Operating Lease	194,736	243,619
Line of Credit	6,000,000	4,470,000
Net Long-Term Debt	17,735,146	28,922,336
Life-Income Payable	1,242,198	1,397,345
Due to U.S. Government, Refundable Loan Program	-	20,389
Total Liabilities	33,584,164	45,618,613
NET ASSETS		
Without Donor Restrictions:		
Undesignated	3,229,016	(3,501,505)
Investment in Property, Plant, and Equipment	86,585,805	88,402,740
Board-Designated Endowment	207,772	4,228,149
Total Without Donor Restrictions	90,022,593	89,129,384
With Donor Restrictions:		
Perpetual in Nature	105,059,314	97,657,664
Purpose Restrictions	9,584,948	5,926,739
Time Restricted for Future Periods	(5,510,911)	(2,479,286)
Underwater Endowments	(7,917,354)	(9,163,172)
Total With Donor Restrictions	101,215,997	91,941,945
Total Net Assets	191,238,590	181,071,329
Total Liabilities and Net Assets	\$ 224,822,754	\$ 226,689,942

See accompanying Notes to Financial Statements.

**CORNELL COLLEGE
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2024**

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES			
Tuition and Fees, Net Scholarship and Grants of \$36,965,410 in 2024	\$ 16,376,929	\$ -	\$ 16,376,929
Contributions and Grants	3,286,231	858,725	4,144,956
Investment Income - Operating	968,862	354,083	1,322,945
Investment Income - Spending Rate	866,643	2,738,817	3,605,460
Other Revenues	1,580,511	10,470	1,590,981
Sales and Services of Auxiliary Enterprises	11,250,967	-	11,250,967
Total Revenues	<u>34,330,143</u>	<u>3,962,095</u>	<u>38,292,238</u>
Net Assets Released from Restrictions	9,261,667	(9,261,667)	-
Total Revenues	<u>43,591,810</u>	<u>(5,299,572)</u>	<u>38,292,238</u>
EXPENSES			
Instruction	15,565,458	-	15,565,458
Academic Support and Research	3,043,307	-	3,043,307
Student Services	13,274,361	-	13,274,361
Institutional Support	5,886,303	-	5,886,303
Institutional Advancement	2,688,863	-	2,688,863
Auxiliary Enterprises	8,922,696	-	8,922,696
Total Expenses	<u>49,380,988</u>	<u>-</u>	<u>49,380,988</u>
CHANGE IN OPERATING NET ASSETS	(5,789,178)	(5,299,572)	(11,088,750)
Investment Income Less Than Spending Rate	(27,613)	5,679,019	5,651,406
Contributions	-	8,647,329	8,647,329
Actuarial Adjustment on Life Income and Annuity Agreements	-	179,323	179,323
Change in Value of Perpetual Trust	-	67,953	67,953
Insurance Recoveries	6,710,000	-	6,710,000
CHANGE IN NET ASSETS	893,209	9,274,052	10,167,261
Net Assets - Beginning of Year	<u>89,129,384</u>	<u>91,941,945</u>	<u>181,071,329</u>
NET ASSETS - END OF YEAR	<u>\$ 90,022,593</u>	<u>\$ 101,215,997</u>	<u>\$ 191,238,590</u>

See accompanying Notes to Financial Statements.

**CORNELL COLLEGE
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023**

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES			
Tuition and Fees, Net Scholarship and Grants of \$34,638,867 in 2023	\$ 16,286,453	\$ -	\$ 16,286,453
Contributions and Grants	4,267,967	1,182,643	5,450,610
Investment Income - Operating	397,660	194,318	591,978
Investment Income - Spending Rate	1,530,765	2,873,174	4,403,939
Other Revenues	2,054,158	1,228	2,055,386
Sales and Services of Auxiliary Enterprises	10,793,417	-	10,793,417
Total Revenues	<u>35,330,420</u>	<u>4,251,363</u>	<u>39,581,783</u>
Net Assets Released from Restrictions	24,761,246	(24,761,246)	-
Total Revenues	<u>60,091,666</u>	<u>(20,509,883)</u>	<u>39,581,783</u>
EXPENSES			
Instruction	14,796,575	-	14,796,575
Academic Support and Research	3,039,651	-	3,039,651
Student Services	13,167,196	-	13,167,196
Institutional Support	6,793,889	-	6,793,889
Institutional Advancement	2,687,816	-	2,687,816
Auxiliary Enterprises	8,880,040	-	8,880,040
Total Expenses	<u>49,365,167</u>	<u>-</u>	<u>49,365,167</u>
CHANGE IN OPERATING NET ASSETS	10,726,499	(20,509,883)	(9,783,384)
Investment Income Greater Than Spending Rate	504,188	2,024,832	2,529,020
Contributions	-	8,134,733	8,134,733
Actuarial Adjustment on Life Income and Annuity Agreements	(218,667)	28,197	(190,470)
Change in Value of Perpetual Trust	-	53,010	53,010
Life Insurance Proceeds	-	1,703,663	1,703,663
CHANGE IN NET ASSETS	11,012,020	(8,565,448)	2,446,572
Net Assets - Beginning of Year	<u>78,117,364</u>	<u>100,507,393</u>	<u>178,624,757</u>
NET ASSETS - END OF YEAR	<u>\$ 89,129,384</u>	<u>\$ 91,941,945</u>	<u>\$ 181,071,329</u>

See accompanying Notes to Financial Statements.

CORNELL COLLEGE
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2024 AND 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 10,167,261	\$ 2,446,572
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation and Amortization	7,385,628	6,978,327
Change in Asset Retirement Obligation	21,463	34,118
Write-Off of Contribution Receivable	140,215	17,000
Actuarial Adjustment of Annuities and Life Income Payable	295,939	153,774
Change in Value of Perpetual Trust	(67,953)	(53,010)
Net (Appreciation) Depreciation on Investments	(10,511,858)	(7,471,927)
Noncash Donations of Investments and Equipment	(322,517)	3,087
Contributions Restricted for Long-Term Investment and Property, Plant, and Equipment	(11,517,709)	(8,255,364)
Changes in Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	421,103	(659,283)
(Increase) Decrease in Contributions Receivable	2,671,893	7,070,924
(Increase) Decrease in Inventory and Prepaid Expenses	(391,004)	487,011
Decrease in Accounts Payable and Accrued Expenses	(775,463)	361,069
Increase (Decrease) in Other Liabilities	41,537	21,576
Net Cash Provided (Used) by Operating Activities	(2,441,465)	1,133,874
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Investments	(19,507,159)	(13,682,679)
Proceeds from Sales and Maturities of Investments	20,507,367	10,195,867
Disbursements of Student Loans	(228,059)	(168,064)
Repayments of Student Loans	105,349	327,406
Purchase of Property and Equipment	(1,264,062)	(6,961,709)
Net Cash Used by Investing Activities	(386,564)	(10,289,179)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Issuance of Indebtedness	6,000,000	5,931,439
Repayments of Principal on Indebtedness	(15,760,349)	(7,317,883)
Principal Payments on Finance Lease	(1,405,266)	(1,086,313)
Net Payments from Contract Advances	(294,361)	(257,860)
Cash Received from Contributions Restricted for Long-Term Investment and Property, Plant, and Equipment	11,517,709	8,255,364
Decrease in U.S. Government Grants Refundable, Net	(20,389)	(49,712)
Change in Annuities Payable	(297,312)	(297,312)
Investment Income Restricted for Life Income Agreements	72,579	72,579
Payments to Annuitants and Life Income Recipients	(226,353)	(226,353)
Net Cash Provided (Used) by Financing Activities	(413,742)	5,023,949
NET CHANGE IN CASH AND CASH EQUIVALENTS	(3,241,771)	(4,131,356)
Cash and Cash Equivalent - Beginning of Year	4,813,113	8,944,469
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 1,571,342	\$ 4,813,113

See accompanying Notes to Financial Statements.

CORNELL COLLEGE
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED JUNE 30, 2024 AND 2023

	2024	2023
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash Payments for Interest	\$ 1,878,865	\$ 1,948,146
Purchases of Property and Equipment Included in Accounts Payable	\$ -	\$ 551,981
RECONCILIATION OF CASH AND CASH EQUIVALENTS		
Cash and Cash Equivalents	\$ 1,410,861	\$ 4,597,065
Restricted Cash and Cash Equivalents	160,481	216,048
Total Cash and Cash Equivalents	\$ 1,571,342	\$ 4,813,113

See accompanying Notes to Financial Statements.

CORNELL COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Operations

Cornell College (the College) is a nationally ranked, highly selective liberal arts college of 1,100 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 and 24 foreign countries, and a typical first-year class includes more than 25% domestic students of color and 3% 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. 91% 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 82%, compared to the national average of 73%. The College's medical acceptance rate is 77%, compared to the national average of 40%. The College has been known as one of the 40 "Colleges that Change Lives," based on the Loren Pope book now in its fourth edition since 1996. Its distinctive curriculum within the liberal arts provides a solid path to professional achievement and personal fulfillment.

Accounting Estimates

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

CORNELL COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

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.

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.

CORNELL COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

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, 2024 and 2023, the restricted cash and cash equivalents were \$160,481 and \$216,048, 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 credit losses based on a review of all outstanding amounts. This estimate is adjusted for management's assessment of current conditions, reasonable and supportable forecasts regarding future events, and any other factors deemed relevant. 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 \$140,215 and \$17,000 for the years ended June 30, 2024 and 2023, respectively.

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

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

CORNELL COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

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, 2024 and 2023, the College had an allowance of \$200,000.

Contributions receivable from one donor represents 77% and 75% of total contributions receivable for the years ended June 30, 2024 and 2023, 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 – Finance Lease, Right-of-Use (ROU) Assets – Operating Lease, Lease Liability – Finance Lease and Lease Liability – Operating Lease in the balance sheets.

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

**CORNELL COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

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, 2024 and 2023 was \$1,149,464 and \$1,051,602, 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 7.5% for the years ended June 30, 2024 and 2023.

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 \$100,000 per participant covered for the period January 1, 2024 to December 31, 2024 and an aggregate stop-loss of 125% of total expected claims. Expected claims are estimated to be approximately \$2,164,899. For the years ended June 30, 2024 and 2023, the amount of health insurance expense, including administrative costs, and reinsurance costs, net of stop loss recoveries received or receivable, was \$2,194,783 and \$2,456,667, respectively.

**CORNELL COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

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:

	<u>2024</u>	<u>2023</u>
Revenue Recognized Over Time:		
Undergraduate Tuition and Fees	<u>\$ 53,342,339</u>	<u>\$ 50,925,320</u>

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

	<u>2024</u>	<u>2023</u>
Revenue Recognized Over Time:		
Housing	\$ 5,150,763	\$ 4,962,614
Dining	6,009,956	5,739,145
Other	90,248	91,658
Total	<u>\$ 11,250,967</u>	<u>\$ 10,793,417</u>

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

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Accounts Receivable - Students	<u>\$ 1,697,046</u>	<u>\$ 1,537,142</u>	<u>\$ 1,588,759</u>
Deferred Revenue - Students	<u>\$ 266,799</u>	<u>\$ 225,262</u>	<u>\$ 203,686</u>

CORNELL COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Performance Obligations and Revenue Recognition

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

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

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

Transaction Price

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

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

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

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

**CORNELL COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

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, 2023	Revenue Recognized Included in June 30, 2023 Balance	Cash Received in Advance of Performance	Balance at June 30, 2023
<u>\$ 225,262</u>	<u>\$ 225,262</u>	<u>\$ 266,799</u>	<u>\$ 266,799</u>

The balance of deferred revenue at June 30, 2024 will be recognized as revenue over the academic term beginning on July 1, 2024 as services are rendered.

Government Grants and Contracts

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

**CORNELL COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

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 were -\$0- of conditional grants not recognized as of June 30, 2024 and 2023.

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, 2024 and 2023, 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.

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 \$2,689,000 and \$2,688,000 for the years ended June 30, 2024 and 2023, 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.

**CORNELL COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Insurance Recoveries

Insurance proceeds of \$6,710,000 were recognized as revenue during the year ended June 30, 2024. The related loss had been incurred and recognized in a prior fiscal year, but the amount to be received was not reasonably assured until the year ended June 30, 2024.

New Accounting Pronouncements

On July 1, 2023, the College adopted Accounting Standards Update 2016-13 *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* which replaces the incurred loss methodology with an expected loss methodology referred to as the current expected credit loss (CECL) methodology. The measurement of expected credit losses under CECL is applicable to financial assets measured at amortized cost, including account receivables.

Reclassifications

For comparative purposes, certain amounts from June 30, 2023, have been reclassified to correspond with the June 30, 2024, financial statement presentation.

Subsequent Events

In preparing these financial statements, the College has evaluated events and transactions for potential recognition or disclosure through October 26, 2024, the date the financial statements were available to be issued.

NOTE 2 CONTRIBUTIONS RECEIVABLE

Contributions receivable are summarized as follows as of June 30:

	2024	2023
Contributions Receivable Expected to be Collected in:		
Less Than One Year	\$ 3,943,722	\$ 3,924,011
One Year to Five Years	9,834,668	12,867,015
Over Five Years	25,000	115,214
Gross Contributions Receivable	13,803,390	16,906,240
Less:		
Allowance for Uncollectibles	(200,000)	(200,000)
Unamortized Discount for Time Value of Money *	(628,240)	(918,982)
Net Contributions Receivable	\$ 12,975,150	\$ 15,787,258

* The discount rate used was 2%.

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

	2024	2023
Without Donor Restrictions	\$ 189,034	\$ 191,683
With Donor Restrictions	12,786,116	15,595,575
Total	\$ 12,975,150	\$ 15,787,258

CORNELL COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

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

Classes of Loans	2024							Total
	Not in Repayment	Current	Less Than 240 Days Past Due	Greater Than 240 Days, but Less Than 2 Years Past Due	Greater Than 2 Years, Less Than 5 Years Past Due	Greater Than 5 Years Past Due		
Federal Perkins Loans	\$ 35,989	\$ 66,970	\$ 2,358	\$ 3,000	\$ 2,730	\$ -	\$ 111,047	
Institutional Loans	623,439	206,241	44,412	65,611	97,771	245,688	1,283,162	
Total	\$ 659,428	\$ 273,211	\$ 46,770	\$ 68,611	\$ 100,501	\$ 245,688	\$ 1,394,209	
As a Percentage of Total Loan Portfolio	47.30%	19.60%	3.35%	4.92%	7.21%	17.62%	100.00%	

Classes of Loans	2023							Total
	Not in Repayment	Current	Less Than 240 Days Past Due	Greater Than 240 Days, but Less Than 2 Years Past Due	Greater Than 2 Years, Less Than 5 Years Past Due	Greater Than 5 Years Past Due		
Federal Perkins Loans	\$ 53,507	\$ 69,247	\$ 12,661	\$ 2,730	\$ -	\$ -	\$ 138,145	
Institutional Loans	506,689	196,695	42,372	64,615	109,516	213,467	1,133,354	
Total	\$ 560,196	\$ 265,942	\$ 55,033	\$ 67,345	\$ 109,516	\$ 213,467	\$ 1,271,499	
As a Percentage of Total Loan Portfolio	44.06%	20.92%	4.33%	5.30%	8.61%	16.79%	100.00%	

The allowance for credit losses on student loans in aggregate is \$129,000 for the years ended June 30, 2024 and 2023.

CORNELL COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

NOTE 3 STUDENT LOANS RECEIVABLE (CONTINUED)

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

	2024		
	Federal	Institutional	Total
	Perkins Loans	Loans	
Loans Collectively Evaluated for Impairment	\$ 111,047	\$ 1,283,162	\$ 1,394,209
Less: Allowance for Loans Collectively Evaluated for Impairment	19,000	110,000	129,000
Student Loans Receivable, Net	<u>\$ 92,047</u>	<u>\$ 1,173,162</u>	<u>\$ 1,265,209</u>
Allowance as a Percentage of Loans Collectively Evaluated for Impairment	17.11%	8.57%	9.25%

	2023		
	Federal	Institutional	Total
	Perkins Loans	Loans	
Loans Collectively Evaluated for Impairment	\$ 138,145	\$ 1,133,354	\$ 1,271,499
Less: Allowance for Loans Collectively Evaluated for Impairment	19,000	110,000	129,000
Student Loans Receivable, Net	<u>\$ 119,145</u>	<u>\$ 1,023,354</u>	<u>\$ 1,142,499</u>
Allowance as a Percentage of Loans Collectively Evaluated for Impairment	13.75%	9.71%	10.15%

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

	2024		
	Federal	Institutional	Total
	Perkins Loans	Loans	
Performing	\$ 105,318	\$ 859,888	\$ 965,206
Nonperforming	5,729	423,274	429,003
Total	<u>\$ 111,047</u>	<u>\$ 1,283,162</u>	<u>\$ 1,394,209</u>

	2023		
	Federal	Institutional	Total
	Perkins Loans	Loans	
Performing	\$ 135,415	\$ 741,574	\$ 876,989
Nonperforming	2,730	391,780	394,510
Total	<u>\$ 138,145</u>	<u>\$ 1,133,354</u>	<u>\$ 1,271,499</u>

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

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

CORNELL COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

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:

	2024	2023
Endowment:		
Money Market Funds	\$ 5,021,479	\$ 1,365,315
Common Stock	287,500	5,184,923
Bond Funds	25,322,563	21,881,984
Cash Value of Life Insurance	2,861,218	3,017,789
Equity Securities	50,463,578	43,473,415
Private Equity **	594,615	744,874
Natural Resource Funds **	20,365	21,062
Contracts and Miscellaneous	10,439	10,389
Trusts Held by Others *	4,018,939	3,802,122
Charitable Remainder Trusts ***	1,609,003	1,431,143
Total Endowment	90,209,699	80,933,016
Other:		
Stocks	42,757	42,091
Land Held for Resale, Farms, and City Real Estate	100,000	100,000
Cash Value of Life Insurance	600,625	581,947
Bond Funds	6,776,607	6,238,469
Trusts Held by Others *	1,212,953	1,145,000
Other	5,126	5,124
Total Other	8,738,068	8,112,631
Total	\$ 98,947,767	\$ 89,045,647

* 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, 2024, the College had commitments of approximately \$267,000 for which capital calls had not been exercised. Such commitments generally have fixed expiration dates or other termination clauses. The College anticipates that it will maintain sufficient liquidity in its investment portfolio to cover such calls.

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

CORNELL COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

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:

	2024	2023
Net Realized Losses on Investments	\$ (514,238)	\$ (1,114,684)
Net Unrealized Gains on Investments	8,340,670	6,694,804
Dividend and Interest Income	2,753,379	1,944,817
Total Investment Gains	<u>\$ 10,579,811</u>	<u>\$ 7,524,937</u>
Investment Income - Operating	\$ 4,928,405	\$ 4,995,917
Investment Gain - Nonoperating	5,651,406	2,529,020
Total Investment Income	<u>\$ 10,579,811</u>	<u>\$ 7,524,937</u>

NOTE 5 LEASES

The College leases equipment as well as certain operating and office facilities for various terms under long-term, noncancelable lease agreements. The leases expire at various dates through 2026 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:

	2024	2023
Lease Cost:		
Finance Lease Cost:		
Amortization of Right-to-Use Asset - Financing	\$ 1,589,744	\$ 1,600,085
Interest on lease liabilities	108,275	149,807
Operating Lease Cost	79,743	59,807
Total Lease Cost	<u>\$ 1,777,762</u>	<u>\$ 1,809,699</u>

CORNELL COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

NOTE 5 LEASES (CONTINUED)

	2024	2023
Other Information:		
Cash Paid for Amounts Included in the Measurement of Lease Liabilities:		
Operating Cash Flows from Finance Leases	\$ 108,275	\$ 149,807
Operating Cash Flows from Operating Leases	\$ 63,886	\$ 47,915
Financing Cash Flows from Finance Leases	\$ 1,405,266	\$ 1,344,768
Right-of-Use Assets Obtained in Exchange for New Finance Lease Liabilities	\$ 224,401	\$ -
Right-of-Use Assets Obtained in Exchange for New Operating Lease Liabilities	\$ -	\$ 287,000
Weighted-Average Remaining Lease Term - Finance Leases	1.1 Years	1.7 Years
Weighted Average Remaining Lease Term - Operating Leases	2.2 Years	3.2 Years
Weighted-Average Discount Rate - Finance Leases	4.6 %	4.3 %
Weighted Average Discount Rate - Operating Leases	4.4 %	4.4 %

A maturity analysis of annual undiscounted cash flows for lease liabilities as of June 30, 2024 is as follows:

Year Ending June 30,	Finance Lease	Operating Lease
2025	\$ 1,670,056	\$ 63,886
2026	297,206	63,886
2027	60,991	79,399
2028	25,413	-
Total	2,053,666	207,171
Less: Discount (Amount Representing Interest)	73,353	12,435
Total Lease Liability	\$ 1,980,313	\$ 194,736

NOTE 6 PROPERTY, PLANT, AND EQUIPMENT

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

	2024	2023
Land and Real Estate Improvements	\$ 9,881,934	\$ 9,881,934
Buildings	168,192,865	166,724,280
Equipment and Library Books	18,876,162	18,832,889
Rental Properties	3,615,508	3,599,408
Construction in Progress	1,522,965	1,626,079
Total	202,089,434	200,664,590
Less: Accumulated Depreciation	94,826,696	89,240,742
Total	\$ 107,262,738	\$ 111,423,848

CORNELL COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

NOTE 7 LONG-TERM DEBT

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

<u>Description</u>	<u>2024</u>	<u>2023</u>
Iowa Higher Education Loan Authority (IHELA) - Series 2013. Interest is payable semi-annually on April 1 and October 1 through maturity on October 1, 2023, at fixed rate of 2.99%. The College is required to maintain certain financial ratios including a liquidity ratio and a debt service ratio as well as nonfinancial covenants. This bond was refinanced with the Series 2023 bonds.	\$ -	\$ 14,740,000
Iowa Higher Education Loan Authority (IHELA) - Series 2021. Reducing nonrevolving 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.	4,808,699	8,654,309
Iowa Higher Education Loan Authority (IHELA) - Series 2023. Interest is payable monthly on the first of the month, through maturity on January 1, 2027, at a variable rate of prime times 79%. The College is required to maintain certain financial ratios including a liquidity ratio and a debt service ratio as well as non financial covenants.	7,500,000	-
JCI Notes Payable - 199 months, 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.	5,500,956	5,705,695
Subtotal	17,809,655	29,100,004
Less: Unamortized Debt Issuance Costs	(74,509)	(177,668)
Total Long-Term Debt, Net	<u>\$ 17,735,146</u>	<u>\$ 28,922,336</u>

**CORNELL COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

NOTE 7 LONG-TERM DEBT (CONTINUED)

The following schedule includes the debt maturities.

<u>Year Ending June 30.</u>	<u>IHELA Series 2021</u>	<u>IHELA Series 2023</u>	<u>JCI Loan</u>	<u>Total</u>
2025	\$ -	\$ -	\$ 230,215	\$ 230,215
2026	4,808,699	687,500	257,455	5,753,654
2027	-	6,812,500	286,546	7,099,046
2028	-	-	317,301	317,301
2029	-	-	350,728	350,728
2030-2034	-	-	2,332,297	2,332,297
2035-2039	-	-	1,726,414	1,726,414
Total	<u>\$ 4,808,699</u>	<u>\$ 7,500,000</u>	<u>\$ 5,500,956</u>	<u>\$ 17,809,655</u>

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

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, 2023. The entire principal balance of the loan is due October 1, 2023. As of June 30, 2024 and 2023, the College had an outstanding balance of \$6,000,000 and \$4,470,000, respectively. Total interest expense incurred as a result of the above financing was \$280,313 and \$215,804 and for the years ended June 30, 2024 and 2023, respectively.

**CORNELL COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

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:

	2024	2023
Donor Restricted Net Assets Not Invested in Perpetuity:		
Instruction and Other Departmental Support	\$ 1,807,616	\$ 2,738,542
Accumulated Earnings on Endowment Funds	5,408,540	849,141
Acquisition of Buildings and Equipment	(5,586,916)	(2,463,752)
Life Income, Annuities, and Cash Surrender Value of Life Insurance Policies	76,005	(15,534)
Student Loan Funds	2,368,792	2,339,056
Underwater Endowment	(7,917,354)	(9,163,172)
Total	\$ (3,843,317)	\$ (5,715,719)
Donor Restricted Net Assets Invested in Perpetuity, the Income from Which is Expended for:		
Scholarships	\$ 46,664,430	\$ 40,743,801
Unrestricted	11,693,768	11,346,693
Professorships	38,965,495	38,525,654
Library	2,186,596	2,093,467
Other Instructional Support	117,378	-
Student Loan Funds	1,212,953	1,145,000
Annuity, Life Income, and Cash Surrender Value of Life Insurance Policies, and Restricted Pledges	4,218,694	3,803,049
Total	\$ 105,059,314	\$ 97,657,664

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

	2024	2023
Scholarships and Other Endowment Funds	\$ 1,753,251	\$ 1,967,290
Instruction and Other Departmental Support	2,943,715	5,409,567
Capital Projects	4,564,701	17,384,389
Total	\$ 9,261,667	\$ 24,761,246

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 \$619,946 and \$608,429 as of June 30, 2024 and 2023, 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 \$622,253 and \$788,917 as of June 30, 2024 and 2023, respectively.

**CORNELL COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

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).

	2024							
	Program				Support			
	Instruction	Academic Support and Research	Student Services	Total Program	Institutional Support	Institutional Advancement	Auxiliary Enterprises	Total
Salaries	\$ 8,239,719	\$ 1,212,574	\$ 5,291,160	\$ 16,961,104	\$ 2,217,651	\$ 1,396,613	\$ 461,929	\$ 18,819,646
Benefits	1,940,022	286,725	1,245,791	3,994,678	522,140	328,830	108,760	4,432,268
Fees For Outside Services	13,149	9,201	38,848	528,643	467,445	17,736	46,689	593,068
Advertising and Promotion	9,152	1,550	1,116,570	1,139,662	12,390	105,035	204	1,244,901
Departmental Operations	490,983	463,778	750,343	1,745,837	40,733	286,527	230,677	2,263,041
Software	41,355	97,038	65,218	822,251	618,640	80,065	941	903,257
Contract Services	648,173	212,977	791,673	1,722,532	69,709	188,655	551,296	2,462,483
Dining	35,116	18,888	176,848	237,588	6,736	773	3,549,979	3,788,340
Utilities	496,698	97,331	290,796	1,061,540	176,715	18,853	602,457	1,682,850
Travel and Conferences	117,043	4,482	385,316	567,487	60,646	53,758	-	621,245
Off Campus Class Trips	598,856	65,479	793,689	1,547,581	89,557	66,148	-	1,613,729
Interest	411,213	80,580	724,930	1,391,286	174,563	15,613	502,402	1,909,301
Depreciation and Amortization	2,357,673	462,001	1,445,738	4,437,567	172,155	89,487	2,858,574	7,385,628
Insurance	-	-	29	929,625	929,596	-	-	929,625
Miscellaneous	166,306	30,703	157,412	682,048	327,627	40,770	8,788	731,606
Total	\$ 15,565,458	\$ 3,043,307	\$ 13,274,361	\$ 37,769,429	\$ 5,886,303	\$ 2,688,863	\$ 8,922,696	\$ 49,380,988

	2023							
	Program				Support			
	Instruction	Academic Support and Research	Student Services	Total Program	Institutional Support	Institutional Advancement	Auxiliary Enterprises	Total
Salaries	\$ 7,916,813	\$ 1,232,144	\$ 4,793,310	\$ 16,524,292	\$ 2,582,025	\$ 1,358,889	\$ 520,205	\$ 18,403,386
Benefits	2,068,992	334,733	1,252,691	4,331,206	674,790	355,134	135,951	4,822,291
Fees For Outside Services	29,608	15,402	175,478	437,627	217,139	23,158	26,940	487,725
Advertising and Promotion	4,130	1,460	1,041,549	1,081,281	34,142	138,173	270	1,219,724
Departmental Operations	432,891	461,383	801,359	1,901,425	205,792	415,659	209,395	2,526,479
Software	32,164	134,746	121,942	991,401	702,549	74,683	934	1,067,018
Contract Services	628,190	129,702	764,276	2,143,936	621,768	42,289	518,202	2,704,427
Dining	28,050	24,940	164,969	219,705	1,746	686	3,399,812	3,620,203
Utilities	573,072	112,297	371,076	1,266,030	209,585	21,751	695,041	1,982,822
Travel and Conferences	165,732	22,079	251,599	505,493	66,083	79,003	-	584,496
Off Campus Class Trips	258,298	33,203	1,153,338	1,531,872	87,033	60,420	32	1,592,324
Interest	267,951	29,881	693,970	1,227,032	235,230	5,788	637,471	1,870,291
Depreciation and Amortization	2,225,365	436,074	1,371,770	4,195,703	162,494	84,466	2,698,158	6,978,327
Insurance	-	-	-	850,710	850,710	-	-	850,710
Miscellaneous	165,319	71,607	209,869	589,598	142,803	27,717	37,629	654,944
Total	\$ 14,796,575	\$ 3,039,651	\$ 13,167,196	\$ 37,797,311	\$ 6,793,889	\$ 2,687,816	\$ 8,880,040	\$ 49,365,167

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.

CORNELL COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

NOTE 11 ENDOWMENT FUND AND NET ASSET CLASSIFICATIONS (CONTINUED)

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 4.79% for the fiscal years ended June 30, 2024 and 2023, respectively.

CORNELL COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

NOTE 11 ENDOWMENT FUND AND NET ASSET CLASSIFICATIONS (CONTINUED)

Endowment net assets as of June 30 were as follows:

	2024		
	Without	With	Total
	Donor Restrictions	Donor Restrictions	
Donor-Restricted Endowment Funds	\$ -	\$ 100,667,026	\$ 100,667,026
Board-Designated Quasi-Endowment Funds	207,772	-	207,772
Total Endowment Funds	<u>\$ 207,772</u>	<u>\$ 100,667,026</u>	<u>\$ 100,874,798</u>
	2023		
	Without	With	Total
	Donor Restrictions	Donor Restrictions	
Donor-Restricted Endowment Funds	\$ -	\$ 87,773,011	\$ 87,773,011
Board-Designated Quasi-Endowment Funds	4,228,149	-	4,228,149
Total Endowment Funds	<u>\$ 4,228,149</u>	<u>\$ 87,773,011</u>	<u>\$ 92,001,160</u>

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

	2024		
	Without	With	Total
	Donor Restrictions	Donor Restrictions	
Endowment Net Assets - Beginning of Year	\$ 4,228,149	\$ 87,773,011	\$ 92,001,160
Investment Return:			
Investment Income Allocated to Operations	866,643	2,738,817	3,605,460
Net Appreciation (Depreciation)			
(Realized and Unrealized)	(750,240)	6,517,413	5,767,173
Total Investment Return	<u>4,344,552</u>	<u>97,029,241</u>	<u>101,373,793</u>
Contributions	-	7,047,081	7,047,081
Appropriation of Endowment Funds for			
Expenditure	(136,780)	(3,468,679)	(3,605,459)
Other Changes	(4,000,000)	59,383	(3,940,617)
Endowment Net Assets - End of Year	<u>\$ 207,772</u>	<u>\$ 100,667,026</u>	<u>\$ 100,874,798</u>
	2023		
	Without	With	Total
	Donor Restrictions	Donor Restrictions	
Endowment Net Assets - Beginning of Year	\$ 3,725,184	\$ 78,289,435	\$ 82,014,619
Investment Return:			
Investment Income Allocated to Operations	1,530,765	2,873,174	4,403,939
Net Appreciation (Depreciation)			
(Realized and Unrealized)	(891,529)	3,555,269	2,663,740
Total Investment Return	<u>4,364,420</u>	<u>84,717,878</u>	<u>89,082,298</u>
Contributions	-	7,294,604	7,294,604
Appropriation of Endowment Funds for			
Expenditure	(136,271)	(4,267,668)	(4,403,939)
Other Changes	-	28,197	28,197
Endowment Net Assets - End of Year	<u>\$ 4,228,149</u>	<u>\$ 87,773,011</u>	<u>\$ 92,001,160</u>

CORNELL COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

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 and are called underwater endowments. As of June 30, 2024, funds with original gift values of \$58,479,391, and fair values of \$50,562,037, and deficiencies of \$7,917,354 were reported in net assets with donor restrictions. As of June 30, 2023, funds with original gift values of \$66,210,674, and fair values of \$57,047,502, and deficiencies of \$9,163,172 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, 2024 and 2023 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.

CORNELL COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

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.

CORNELL COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

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.

	2024				
	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	12,367,759	12,367,759	-	-	-
Multi Strategy Funds	38,095,819	38,095,819	-	-	-
Fixed Income Mutual Funds:					
Total Return Funds	32,099,170	32,099,170	-	-	-
Natural Resource Funds	20,365	-	-	-	20,365
Private Equity	594,615	-	-	-	594,615
Funds Held in Trust by Others	5,231,892	-	-	5,231,892	-
Charitable Remainder Trusts	1,609,003	1,609,003	-	-	-
Other	58,322	-	-	58,322	-
Total	<u>90,364,445</u>	<u>\$ 84,171,751</u>	<u>\$ -</u>	<u>\$ 5,577,714</u>	<u>\$ 614,980</u>
Cash and Cash Equivalents	5,021,479				
Cash Value of Life Insurance	3,461,843				
Land Held for Resale, Farms, and City Real Estate	100,000				
Total	<u>\$ 98,947,767</u>				
2023					
	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	\$ 5,184,923	\$ -	\$ -	\$ 5,184,923	\$ -
Equity Mutual Funds:					
International Funds	10,815,488	10,815,488	-	-	-
Multi Strategy Funds	32,657,927	32,657,927	-	-	-
Total Return Funds	28,120,453	28,120,453	-	-	-
Natural Resource Funds	21,062	-	-	-	21,062
Private Equity	744,874	-	-	-	744,874
Funds Held in Trust by Others	4,947,122	-	-	4,947,122	-
Charitable Remainder Trusts	1,431,143	1,431,143	-	-	-
Other	57,604	-	-	57,604	-
Total	<u>83,980,596</u>	<u>\$ 73,025,011</u>	<u>\$ -</u>	<u>\$ 10,189,649</u>	<u>\$ 765,936</u>
Cash and Cash Equivalents	1,365,315				
Cash Value of Life Insurance	3,599,736				
Land Held for Resale, Farms, and City Real Estate	100,000				
Total	<u>\$ 89,045,647</u>				

CORNELL COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

NOTE 12 FAIR VALUE MEASUREMENTS (CONTINUED)

Summary of Level 3 investment:

	Fair Value		Principal Valuation Technique	Unobservable Inputs
	2024	2023		
Common Stock Miscellaneous	\$ 287,500	\$ 5,184,923	Net Asset Value	Value of Underlying Assets
Funds Held in Trust by Others	5,231,892	4,947,122	FMV of Trust Investments	Time Period of Trust
Other	58,322	57,604	Net Asset Value	Value of Underlying Assets

Common Stock is valued at the latest appraised value of company shares (1,150 shares at 2024 appraisal of \$371/share).

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

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

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

	Fair Value		Unfunded Commitment	Redemption Frequency	Redemption Notice Period
	2024	2023			
Natural Resource Funds (A)	\$ 20,365	\$ 21,062	\$ 17,749	N/A	N/A
Private Equity:					
(B)	384,281	417,316	116,000	N/A	N/A
(C)	92,338	112,055	26,163	N/A	N/A
(D)	29,029	58,044	85,875	N/A	N/A
(E)	22,908	29,760	-	N/A	N/A
(F)	66,059	127,699	21,250	N/A	N/A

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

CORNELL COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

NOTE 12 FAIR VALUE MEASUREMENTS (CONTINUED)

- (B) The limited partnership was created with the purpose of investing in the Master Fund which holds private equity and venture capital partnerships which invest in equity, equity-related, and debt securities. The limited partners have made commitments to classes of investments in the partnership which include Developed Markets-Private Equity (the PE Class), Developed Markets Venture Capital (the VC Class), and Emerging Markets-Private Equity and Venture Capital (the EM Class), (collectively, the Classes and, individually, a Class). These funds are valued on a regular basis; however, these investments cannot be redeemed during the life of the partnership. Distributions will be received as the underlying funds of the investment are liquidated over time. The fair values of the investments in this category have been estimated using the College's partner capital balance as provided by each investment's fund administrator.
- (C) 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.
- (D) 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.

CORNELL COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

NOTE 12 FAIR VALUE MEASUREMENTS (CONTINUED)

- (E) 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.
- (F) 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.

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.

**CORNELL COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

NOTE 14 AVAILABLE RESOURCES AND LIQUIDITY (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. 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 2023 and 2024.

As of June 30, 2024 and 2023, 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:

	2024	2023
Financial Assets Available to Meet General Expenditures Over the Next 12 Months:		
Cash and Cash Equivalents	\$ 1,571,342	\$ 4,813,113
Accounts Receivable, Net	637,968	1,059,071
Current Portion of Contributions For General Expenditures	4,015,759	4,089,215
Endowment Payout For Use Over the Next 12 Months	3,709,308	3,692,378
Investments Not Encumbered by Donor or Board Restrictions	42,757	42,091
Total	\$ 9,977,134	\$ 13,695,868

NOTE 15 RELATED PARTY TRANSACTIONS

The College received \$240,294 and \$760,981 in contributions from trustee board members and emp during the years ended June 30, 2024 and 2023, respectively.

The College also had \$843,448 and \$1,318,646 in pledges outstanding from trustee members as of the years ended June 30, 2024 and 2023, 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.

**CORNELL COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

NOTE 16 COMPOSITE SCORE (CONTINUED)

The composite score for the year ended June 30, 2024 is as follows:

Primary Reserve Ratio:				
Expendable Net Assets		<u>\$ (13,567,051)</u>		
Total Expenses/Losses		\$ 49,380,988		<u>(0.2747)</u>
Equity Ratio:				
Modified Net Assets		<u>\$ 191,238,590</u>		
Modified Assets		\$ 224,822,754		<u>0.8506</u>
Net Income Ratio:				
Change in Net Assets Without Donor Restrictions		<u>\$ 893,209</u>		
Total Revenues/Gains		\$ 52,109,702		<u>0.0171</u>

RATIO	Ratio	Strength Factor	Weight	Composite Scores
Primary Reserve Ratio	(0.2747)	(1.0000)	40%	(0.4000)
Equity Ratio	0.8506	3.0000	40%	1.2000
Net Income Ratio	0.0171	1.8570	20%	<u>0.3714</u>
				<u>1.1714</u>

CORNELL COLLEGE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2024

NOTE 16 COMPOSITE SCORE (CONTINUED)

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

Net Assets

1	Net assets with donor restrictions: restricted in perpetuity	\$	105,059,314
2	Other net assets with donor restrictions (not restricted in perpetuity):		
a.	Annuities with donor restrictions	\$	76,005
b.	Term endowments		5,408,540
c.	Life income funds (trusts)		-
d.	Total annuities, term endowments, and life income funds with donor restrictions		<u>5,484,545</u>

Property, Plant, and Equipment, net

3	Pre-implementation property, plant, and equipment, net		
a.	Ending balance of pre-implementation as of June 30, 2023	\$	75,246,332
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)		<u>(4,386,679)</u>
d.	Balance pre-implementation property, plant, and equipment, net		70,859,653
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		<u>2,175,306</u>
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		1,522,965
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		<u>27,107,359</u>
7	Total Property, Plant, and Equipment, net - June 30, 2024	\$	<u>107,262,738</u>

Debt to be excluded from expendable net assets

8	Pre-implementation debt:		
a.	Ending balance of pre-implementation as of June 30, 2023	\$	14,562,332
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		<u>(14,562,332)</u>
d.	Balance Pre-implementation Debt		-
9	Allowable post-implementation debt used for capitalized long-lived assets:		
a.	Equipment - all capitalized		-
b.	Land improvements		-
c.	Buildings		<u>13,000,956</u>
d.	Balance Post-implementation Debt		13,000,956
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		<u>10,734,190</u>
		\$	<u>23,735,146</u>

Lease right-of-use assets and liabilities

13	Lease right-of-use assets		
	Right-of-use assets as of balance sheet date June 30, 2024	\$	1,309,130
14	Lease right-of-use assets - Pre-implementation		
	Right-of-use assets as of balance sheet date June 30, 2024, 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, 2024, 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, 2024	\$	2,175,049
17	Lease right-of-use liability - Pre-implementation		
	Lease liabilities as of balance sheet date June 30, 2024, 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, 2024, excluding leases entered into on or after December 15, 2018	\$	-

CORNELL COLLEGE
FINANCIAL RESPONSIBILITY RATIO SUPPLEMENTAL SCHEDULE
JUNE 30, 2024 AND 2023

	Primary Reserve Ratio:		
		Expendable Net Assets:	
1	Statement of Financial Position (SFP)	Net assets without donor restrictions	\$ 90,022,593
2	SFP	Net assets with donor restrictions	\$ 101,215,997
3	SFP	Net assets restricted in perpetuity	\$ 105,059,314
4	N/A	Unsecured related-party receivable	\$ -
5	Note 8	Donor restricted annuities, term endowments, life income funds	\$ 5,484,545
6	Note 6	Property, plant, and equipment pre-implementation	\$ 70,859,653
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	\$ 1,522,965
9	Note 6	Post-implementation property, plant, and equipment, net, acquired without debt	\$ 27,107,359
10	N/A	Lease right-of-use asset, pre-implementation (grandfather of leases option not chosen)	\$ -
11	Note 5	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	\$ -
15	Note 7	Long-term debt - for long-term purposes post-implementation	\$ 13,000,956
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	\$ 49,380,988
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	\$ 90,022,593
24	SFP	Net assets with donor restrictions	\$ 101,215,997
25	N/A	Lease Right-of-use asset - Pre-implementation	\$ -
26	N/A	Lease Right-of-use liability - Pre-implementation	\$ -
27	SFP	Intangible assets	\$ -
28	N/A	Unsecured related-party receivables	\$ -
		Modified Assets:	
29	SFP	Total assets	\$ 224,822,754
30	N/A	Lease right-of-use asset pre-implementation	\$ -
31	SFP	Intangible assets	\$ -
32	N/A	Unsecured related-party receivables	\$ -
		Net Income Ratio:	
33	SOA	Change in Net Assets Without Donor Restrictions	\$ 893,209
		Total Revenues and Gains Without Donor Restriction:	
34	SOA	Total operating revenue (including net assets released from restrictions)	\$ 43,591,810
35	SOA	Investments gain, net (aggregate operating and non-operating interest, dividends, realized and unrealized gains)	\$ 1,807,892
36	SOA	Non-service component of pension/postemployment (nonoperating) cost (if gain)	\$ -
37	SOA	Pension-related changes other than net periodic pension costs (if gain)	\$ -
38	SOA	Change in value of annuity agreement (typically in nonoperating)	\$ -
39	SOA	Change in value of interest-rate swap agreements (if gain)	\$ -
40	N/A	Sale of fixed assets (if gain)	\$ -
41	SOA	Other gains	\$ 6,710,000



**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, 2024, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 26, 2024.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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*.

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

Minneapolis, Minnesota
October 26, 2024



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