Guilford
COLLEGE

FINANCIAL REPORT

MAY 31, 2023

BROWNEDWARDS
certified public accountants

GUILFORD COLLEGE

FINANCIAL REPORT

May 31, 2023

CONTENTS

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INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

To the Board of Trustees
Guilford College
Greensboro, North Carolina

Opinion

We have audited the accompanying consolidated financial statements of Guilford College (the "College"), which comprise the consolidated statement of financial position as of May 31, 2023, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to consolidated financial statements.

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

Basis for Opinion

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

Emphasis of Matter

As discussed in Note 21 to the financial statements, certain corrections have been made to beginning net assets.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted 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 consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Christiansburg, Virginia
October 17, 2023

GUILFORD COLLEGE

STATEMENT OF FINANCIAL POSITION
May 31, 2023

ASSETS	
Cash, cash equivalents, and restricted cash	$ 5,058,444
Inventory	31,731
Student and other receivables, net of allowance for uncollectible accounts of $851,714	5,995,232
Student loans receivable	6,675,198
Contributions receivable, net (Note 3)	1,726,571
Prepaid and other assets	341,165
Investments (Note 4)	82,601,777
Property and equipment, net (Note 6)	97,424,779
Finance right-of-use assets (Note 19)	3,611,513
Funds held in trust by others (Note 5)	1,161,601
Real estate investments	5,499
Total assets	$ 204,633,510
LIABILITIES AND NET ASSETS	
Line of credit (Note 7)	$ 3,500,000
Accounts payable	554,027
Accrued interest payable	1,342,068
Accrued expenses	106,079
Other liabilities	774,846
Student and other deposits	31,761
Deferred revenue	944,797
Trust and annuity obligations (Note 5)	1,308,265
Loan funds refundable	737,025
Due to Bonner Foundation (Note 8)	1,563,698
Notes Payable (Note 9)	6,038,576
Finance lease liabilities (Note 19)	3,162,378
Bonds Payable, net (Note 10)	61,794,573
Total liabilities	81,858,093
COMMITMENTS AND CONTINGENCIES (Note 16)	-
NET ASSETS (Note 11)	
Without donor restrictions	41,663,325
With donor restrictions	81,112,092
Total net assets	122,775,417
Total liabilities and net assets	$ 204,633,510

The Notes to Consolidated Financial Statements are an integral part of this statement.

GUILFORD COLLEGE

STATEMENT OF ACTIVITIES
Year Ended May 31, 2023

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING REVENUES			
Tuition and fees	$ 39,459,333	$ -	$ 39,459,333
Less financial aid	(25,085,501)	-	(25,085,501)
Net tuition and fees (Note 12)	14,373,832	-	14,373,832
Contributions of cash and other financial assets	1,092,908	1,864,967	2,957,875
Contributed non-financial assets (Note 20)	582,648	7,625	590,273
Investment income endowment and other (Note 4)	172,275	4,827,725	5,000,000
Investment income, temporary investments	332,313	-	332,313
Federal and state grants	-	2,256,980	2,256,980
Auxiliary services (Note 12)	11,090,398	-	11,090,398
Employee retention credit	3,432,262	-	3,432,262
Other	2,227,871	-	2,227,871
Net assets released from restrictions and reclassifications (Note 13)	8,912,104	(8,912,104)	-
Total operating revenues	42,216,611	45,193	42,261,804
OPERATING EXPENSES			
Educational and general:			
Instruction	13,789,578	-	13,789,578
Academic support	5,767,190	-	5,767,190
Student services	10,180,279	-	10,180,279
Federal and state grants	358,136	-	358,136
Institutional support	6,354,886	-	6,354,886
Fundraising	691,371	-	691,371
Auxiliary services (Note 12)	9,820,223	-	9,820,223
Total expenses (Note 14)	46,961,663	-	46,961,663
Change in net assets, operating	(4,745,052)	45,193	(4,699,859)
NON-OPERATING			
Contributions of cash and other financial assets	-	596,087	596,087
Bonner program transition	-	(1,037,056)	(1,037,056)
Investment return, net of amount available to support current operations (Note 4)	(206,699)	(6,962,491)	(7,169,190)
Change in value of split-interest agreements	-	151,135	151,135
Gain on sale of equipment	13,251	-	13,251
Net assets released from restrictions and reclassifications (Note 13)	613,914	(613,914)	-
Change in net assets, non-operating	420,466	(7,866,239)	(7,445,773)
Change in net assets, total	(4,324,586)	(7,821,046)	(12,145,632)
NET ASSETS (Note 11)			
Beginning, as restated	45,987,911	88,933,138	134,921,049
Ending	$ 41,663,325	$ 81,112,092	$ 122,775,417

The Notes to Consolidated Financial Statements are an integral part of these statements.

GUILFORD COLLEGE

STATEMENT OF CASH FLOWS
Years Ended May 31, 2023

OPERATING ACTIVITIES	
Change in net assets	$ (12,145,632)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Non-operating and non-cash items:	
Depreciation and amortization	4,900,293
In-kind contribution of real estate	(582,000)
Net realized and unrealized losses on investments	2,626,272
Gain on funds held in trust by others	(35,767)
Gain on sale of equipment	(13,251)
Changes in assets and liabilities:	
Student and other receivables	(661,172)
Inventory	7,464
Contributions receivable	34,209
Prepaid and other assets	2,805
Accounts payable, accrued expenses, and other liabilities	(181,739)
Trust and annuity obligation, net of amounts	731,705
Loan funds refundable	(246,962)
Deferred revenue	296,922
Bonner Foundation payable	1,073,430
Net cash used in operating activities	(4,193,423)
INVESTING ACTIVITIES	
Loans to students	(530,033)
Purchases of land, buildings, and equipment	(1,062,754)
Proceeds from sale of fixed assets	13,251
Net proceeds from sale of investments	286,570
Net cash used in investing activities	(1,292,966)
FINANCING ACTIVITIES	
Net change in line of credit	2,000,000
Payments on trust and annuity obligations	(300,914)
Payments on Bonner Endowment return obligation	(350,000)
Reduction of finance lease liabilities	(730,648)
Redemption of bond principal	(1,190,000)
Net cash used in financing activities	(571,562)
Decrease in cash, cash equivalents, and restricted cash	(6,057,951)
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	
Beginning	11,116,395
Ending	$ 5,058,444

(Continued)

The Notes to Consolidated Financial Statements are an integral part of this statement.

GUILFORD COLLEGE

STATEMENT OF CASH FLOWS
Years Ended May 31, 2023

SUPPLEMENTAL DISCLOSURES		
Cash payments for interest	$	3,660,598
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Adoption of FASB ASC 842		
Finance lease right-of-use assets	$	3,928,795
Finance lease liabilities incurred		(3,928,795)
Cash paid to require right-of-use	$	-

The Notes to Consolidated Financial Statements are an integral part of this statement.

Note 1. Nature of Organization and Significant Accounting Policies

Nature of organization

The Commission of Colleges of the Southern Association of Colleges and Schools to award Baccalaureate degrees accredits Guilford College (the "College"). The re-affirmation of accreditation of the College, by the Southern Association of Colleges and Schools, was confirmed in June 2017. It is also affiliated with the Council on Post-Secondary Education. The College is on the list of colleges and universities approved by the American Medical Association, and the teacher education program is accredited by the North Carolina Department of Public Instruction. Credits earned at the College are accepted at face value in admissions to graduate and professional schools and in certification of teaching. It is ranked as a Baccalaureate College-Arts and Sciences by the Carnegie Foundation for the Advancement of Teaching.

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

Basis of financial statement presentation and accounting

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

The consolidated financial statements include the accounts of the College and Guilford College Properties, LLC ("LLC"). LLC is consolidated since the College is the sole member of LLC. All material inter-organizational transactions have been eliminated.

The accompanying financial statements present information regarding the College's financial position and activities based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported in two classes as follows:

Net assets without donor restrictions are net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the College's management and the Board of Trustees.

Net assets with donor restrictions are net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the College, or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. All donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the consolidated statement of activities as net assets released from restrictions.

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

Cash and cash equivalents

For purposes of the consolidated statement of cash flows, cash equivalents include time deposits and all highly liquid debt instruments with original maturities of three (3) months or less.

The College will follow the common cash management practice of consolidating certain operating cash and cash equivalent accounts, which include various designated and restricted current operating and plant accounts. As a result of this practice, cash and cash equivalents specifically associated with the original gift of certain designated and restricted monies can be spent from the consolidated account. When this occurs, the activity is accounted for by maintaining receivables and payables between the net asset classes.

Inventory

Inventory includes maintenance supplies, and all are valued at cost, which approximates market. Inventories of the bookstore auxiliary enterprise are the property of outside contractors operating the enterprise. Supplies and materials for use by the various departments of the College are primarily accounted for as expenditures when purchased. Maintenance supplies are included in inventory until used by the College.

Student and other receivables

Student accounts receivable represents amounts due for tuition, fees, and room and board from currently enrolled and former students. The College extends unsecured credit to students and parents of dependent students in connection with their studies. Student accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probably uncollectible amounts through a provision for bad debt expense and adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Student receivables over 90 days past due totaled $6,871,557 at May 31, 2023.

Student loans receivable and loan funds refundable

Student loans receivable consist primarily of loans of resources from the federal government to students on a revolving basis. Repayments of principal and interest become available for loans to other students. The College also offers institutional aid to students in the form of Guilford Opportunity Alternative Loan (GOAL) and other loans from donor sources.

The College participates in the Federal Perkins Loan Program sponsored by the U.S. government. The U.S. government is phasing out the program and no disbursements were permitted or made after June 30, 2018. Student loan receivables related to this program are recorded as loans receivable. The portion of those funds contributed by the U.S. government (i.e., exclusive of the College's match funds) is ultimately refundable to the government, and accordingly, is recorded as a liability.

The College accounts for its notes receivable at cost and recognizes interest income as it is earned. An allowance for doubtful accounts is based on prior collection history and individual circumstances of the borrower. Notes are considered past due after 60 days and accrue interest until written off when considered uncollectible. As of May 31, 2023, there was no allowance for loans receivable considered uncollectible.

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

Contributions receivable

Unconditional contributions receivable that are expected to be collected within one year are recorded at their net realizable value. Unconditional contributions receivable that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discounts on unconditional contributions receivable are computed using a market rate commensurate with the risk of the pledges receivable. Amortization of the discount is included in contribution revenue. Conditional contributions receivable are not included as support until such time as the conditions are substantially met. An allowance for doubtful accounts on contributions receivable is provided based on a review of the accounts along with an analysis of historical losses and recoveries. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recognized when received.

Investments

The College carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values on the statement of financial position. The estimated fair values of certain alternative investments are based on valuations provided by external investment managers. The College believes the carrying amounts of these investments are a reasonable estimate of fair value. Because alternative investments are not readily marketable, their estimated 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.

Investment income and realized and unrealized gains and losses on investments of endowment and similar net asset classes are reported as follows:

- As increases in net assets with donor restrictions if the terms of the gift require that they be added to the principal of an endowment fund to be held in perpetuity or if the terms of the gift impose restrictions on the use of the income, including income earned on donor-restricted endowment funds;
- As increases in net assets without donor restrictions in all other cases.

The College has various investment vehicles whose carrying value fluctuates with the financial markets. As a result, the value of such investments as of the date of this report may be materially different from year-end values.

Investments in real estate are stated at cost, except those received by gift, which are stated at market or appraised value at date of receipt.

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

Split-interest agreements

The College participates in various split-interest agreements that are unconditional and irrevocable. These arrangements are established when a donor makes a gift to the College or a trust in which the College shares benefits with other beneficiaries. Generally, the College accounts for these agreements by recording its share of the related assets at fair value (which approximates the present value of the estimated future cash receipts). Liabilities are recorded for any portion of the assets held for donors or other beneficiaries equal to the present value of the expected future payments to be made. The liabilities are adjusted annually for changes in the value of the assets, accretion of the discount, and other changes in the estimates of future benefits. Contribution revenues are recognized at the dates the agreements are established for the difference between the assets and the liabilities. Funds subject to split-interest agreements are classified as funds with donor restrictions based upon donor designations.

If the College holds the assets or is the trustee, the assets are included in investments and the liabilities are included in liabilities under trust and annuity obligations. If a third party is the trustee until the termination of the trust and then the remaining assets are transferred to the beneficiaries, the assets less related liabilities are included in contributions receivable. If the donor establishes a perpetual trust with a third party as trustee (the College will never receive the principal of the trust), the assets less related liabilities are included in funds held in trust by others. The fair values of funds held in trust by others are determined by the present value of estimated future cash flows.

Property and equipment

Property and equipment are stated at cost at date of acquisition or fair value at date of donation in the case of gifts, less accumulated depreciation. Donated assets are recorded as support without donor restrictions. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Unless the donor has stipulated how long the assets must be maintained, the College reports the expiration of donor restrictions when donated, or acquired assets are placed in service; at that time, the assets are transferred from restricted to net assets without donor restrictions. In the absence of historical cost records, the College adjusted the recorded value of its investment in property and equipment to represent the appraised values at May 31, 1972, with subsequent additions capitalized at cost. Depreciation and amortization of physical plant and equipment is recorded using the straight-line method over the applicable estimated useful lives of the various assets.

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

Works of art

Works of art are historical treasures, or assets of a similar nature, that meet all of the following criteria: they are held for exhibition to the public; for educational purposes, or for research in furtherance of public service and not financial gain; are protected, cared for, and preserved; and are subject to a policy requiring any proceeds from the sale of collection items to be reinvested in other collection items.

The College capitalizes its collections. Collection items purchased are recorded at cost, while collection items donated are recorded at the appraised or fair value at the date of the gift. Gains and losses from disposal of any collection items are reflected in the statement of activities based on the absence or existence of any donor-imposed restrictions.

Bond issuance costs

Bond issuance costs related to the registration and issuance of bonds are carried at cost less accumulated amortization and are amortized over the life of the bonds by a method that approximates the effective interest method.

Student and other deposits

Deposits and student fees received prior to year-end and applicable to academic sessions subsequent to the current year are deferred and recognized as revenues in subsequent periods.

Asset retirement obligations (AROs)

An *asset retirement obligation* is a legal liability to the College for the cost of retiring a tangible long-lived asset (e.g., a building containing asbestos) that results from the acquisition, construction, or development and/or the normal operation of the long-lived asset. A conditional ARO is a legal obligation in which the timing and/or method of retirement are conditional on a future event that may or may not be within the control of the College. To reasonably estimate these liabilities, the College must be able to determine (1) the settlement date – the estimated date or range of dates that the disposal is anticipated or legally required and (2) the settlement method – how the disposal will take place. The College follows the policy of recording the fair value of such liabilities when they can be reasonably estimated.

Revenue recognition

Contributions

Contributions, including unconditional promises to give or contributions receivable, are recognized as contributions without donor restrictions or contributions with donor restrictions depending on the existence and/or nature of any donor restrictions in the period the donor's commitment is received. Unconditional promises to give without donor restrictions are recognized as operating revenues with donor restrictions unless the donor explicitly stipulates its use to support current period activities.

(Continued)

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

Revenue recognition (Continued)

Contributions (Continued)

Conditional promises to give are not recognized until they become unconditional, i.e., when the conditions on which they depend are substantially met. 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 the discount 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 the fundraising activity.

Contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenues of the net assets with donor restrictions class, and a reclassification to net assets without donor restrictions is made to reflect the expiration of such restrictions.

Contributions of property and equipment without donor stipulations concerning the use of such long-lived assets are reported as revenues of the net asset without donor restrictions class. Contributions of cash or other assets to be used to acquire property and equipment with such donor stipulations are reported as revenues of the net asset with donor restrictions class; the restrictions are considered to be released at the time such long-lived assets are placed in service, or if the asset has already been placed in service, when the contribution is received.

Student-driven revenue

The College's primary source of revenue is tuition and fees generated by providing academic programs. Tuition and fees revenues are recognized over the term of the semester in which the academic instruction is provided in an amount the College expects to receive in exchange for the services.

The College receives auxiliary services revenue by providing housing and dining services to students. The revenue for these services is recognized over the term of the semester in which the housing and dining services are provided in an amount the College expects to receive in exchange for the services.

The College bills students for tuition and fees and housing and dining services prior to the start of the semester. The amount of revenue recognized is reduced by refunds issued.

Bookstore revenue

The College's bookstore revenues are derived from commissions received related to the outsourced operations of the bookstore. Bookstore revenues are recognized as received.

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

Operating results

Operating activities on the consolidated statements of activities illustrate a measure of how the College is maintaining the resources available for its "current operations." Operations reflect all transactions increasing or decreasing net assets without donor restrictions except those of a capital nature – i.e., capitalized for long-term investment. Net assets with donor restrictions that are released from restrictions which satisfy an operating purpose and transfers from board-designated and other non-operating funds to support current operating activities are also classified as operating. All capital transactions related to land, buildings, and equipment are excluded from operations except as described below.

In accordance with the College's total return spending policy, as previously described, only the portion of total investment return available under this policy to support current operations is included in operating revenues. Additionally, the portion of total investment return available to support current operations under the College's total return policy is excluded from cash flows from operating activities; only the actual cash yield is included in cash flows from operating activities.

Costs related to the operation and maintenance of the physical plant, including depreciation of plant assets, are allocated to operating programs and supporting activities based upon periodic inventories of facilities. Interest expense is allocated to the activities that have most directly benefited from the proceeds of the debt. Tuition remission/exchange benefits are allocated based upon the relative size of facilities of programs and supporting activities.

Advertising costs

The College follows the policy of charging advertising costs to expense as incurred. Advertising expense was approximately $2.4 million for the year ended May 31, 2023.

Credit risk concentrations

Financial instruments which potentially subject the College to concentrations of credit risk consist principally of cash and cash equivalents, investments, student accounts receivable, and loans receivable. The College places its cash and cash equivalents with high-credit, quality financial institutions. A portion of the College's bank deposits is in excess of federally insured limits. Concentration of credit risk for investments is limited by the College's policy of diversification of investments. Concentration of credit risk for student accounts receivable and loans receivable are limited due to a large base and geographic dispersion.

(Continued)

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

Fair value measurements

The College carries various assets and liabilities at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, a market-based approach is used which establishes that fair value is based on the "highest and best use." Additionally, the College categorizes its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy as reflected below. The fair value hierarchy gives the highest priority to unadjusted quoted prices in active markets (Level 1) and the lowest priority to unobservable inputs (Level 3).

Level 1 – Fair values are based on unadjusted quoted prices in active markets for identical assets or liabilities that management has the ability to access at the measurement date.

Level 2 – Fair values are based on inputs other than quoted prices in Level 1 that are either for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that were observable for the asset or liability, or inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – Fair values are based on unobservable inputs for the asset or liability where there is little, if any, market activity for the asset or liability at the measurement date.

The estimated fair value for specific groups of financial instruments is presented within the notes applicable to such items. If not specifically presented, fair value is estimated to approximate the related carrying value. It was not considered practical to determine fair value of notes receivable from students under U.S. government loan programs and related government advances because the notes receivable are non-marketable and can only be assigned to the U.S. government or its designees. These installment notes are due over terms of 10 years, with interest at 5% per annum, and are carried at face value. Based upon current borrowing rates available to the College for similar borrowings, the carrying value of the debt approximates fair value.

Income tax status

The College qualifies as a tax-exempt organization under Section 501(c)(3) of the *Internal Revenue Code* and, therefore, has made no provision for income taxes.

The College accounts for uncertain income tax positions by prescribing a minimum probability threshold a tax position must meet before a financial statement income tax benefit is recognized. The minimum threshold is defined as a tax position, based solely on its technical merits, which would more likely than not be sustained upon examination by the relevant tax authority with knowledge of the same facts. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than 50% likely of being realized upon ultimate resolution. Based on all known facts, circumstances, and current tax law, the College believes the total amount of uncertain income tax position liabilities and related accrued interest are not material to its financial position.

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

Income tax status (Continued)

As of May 31, 2023, and including the previous three (3) years considering extensions, the College's income tax returns are open and subject to examination by tax authorities with relevant jurisdiction. Should such an examination take place, management does not anticipate any significant issues related to the open years.

Accounting standards adopted in the current year

In February 2016, Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases.* ASU 2016-02 was issued to increase transparency and comparability among entities. Lessees will need to recognize nearly all lease transactions (other than leases that meet the definition of a short-term lease) on the consolidated statement of financial position as a lease liability and a right-of-use asset (as defined). Lessor accounting under this new guidance will be similar to the previous model. ASU 2016-02 is effective for the College's 2023 fiscal year. Lessees and lessors are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach, which includes a number of optional practical expedients that entities may elect to apply.

The FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, in September 2020. This ASU requires contributed nonfinancial assets to be presented separately from contributed financial assets on the statement of activities. ASU 2020-07 also requires the disclosure of contributed nonfinancial assets by type; whether contributed nonfinancial assets were utilized during the reporting period; and the valuation techniques used, donor-imposed restrictions on, and College's policy for monetizing contributed nonfinancial assets, as applicable. The ASU is effective for fiscal year 2023. The College adopted this guidance effective June 1, 2022 on the retrospective basis. The adoption of ASU 2020-07 did not result in any significant changes to the accounting for the College's contributed nonfinancial assets.

Subsequent events

Subsequent events were considered through October 17, 2023, the date the financial statements were available to be issued.

Reclassifications

Certain amounts in the prior year financial statements have been reclassified to conform to the current year presentation.

(Continued)

Note 2. Financial Assets and Liquidity Resources

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

In addition to financial assets available to meet general expenditures over the next twelve (12) months, the College operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

As of May 31, financial assets due within one year of the balance sheet date for general expenditure are as follows:

Cash and cash equivalents	$ 5,058,444
Accounts receivable, net	5,995,232
Payout on donor-restricted endowments for use over next twelve (12) months	4,000,000
	$ 15,053,676

The College's cash flows have seasonal variation during the year attributable to tuition collection and a concentration of contributions received at calendar and fiscal year-end. To manage liquidity, the College maintains a committed line of credit up to a limit of $6,500,000 upon which it could draw. At May 31, 2023, $2,500,000 was available.

Additionally, the College's Board of Trustees has designated a portion of its resources without donor restrictions for quasi-endowment funds. These funds are designated for long-term appreciation and current income but remain available and may be spent at the discretion of the Board. At May 31, 2023, the total of such funds was $2,560,214.

Note 3. Contributions Receivable

Contributions receivable in future periods were discounted at 5.16%. The allowance for uncollectible promises receivable is calculated at 15% of total pledges.

Unconditional promises to give at May 31 are as follows:

In one year or less	$ 1,416,875
Between one year and five years	667,650
Thereafter	100,000
	2,184,525
Less discounts to net present value	(130,238)
Less allowance for uncollectible promises receivable	(327,716)
	$ 1,726,571

(Continued)

Note 3. Contributions Receivable (Continued)

Conditional promises to give to the College at May 31 are as follows:

General operations	$ 175,000
Scholarship funds	3,358,237
General endowment	3,955,979
Total	$ 7,489,216

Note 4. Investments

To facilitate the management of the College's investment portfolio, certain investments that represent net assets with donor restrictions, funds from annuities, and funds held in custody for others are pooled with the College's investment assets without donor restrictions. Investment income and realized and unrealized gains and losses are allocated to the individual funds that participate in the pool, based on the relationship of the market value of each fund to the total value of the participating funds.

Investments are comprised of the following as of May 31, 2023:

Equities		
Domestic	$ 22,865,482	27.7%
International and emerging	29,991,278	36.3
Total equities	52,856,760	64.0
Fixed income		
International and emerging	2,523,405	3.1
High yield bonds	222,956	0.3
Cash and cash equivalents	425,391	0.5
All other	8,591,056	10.4
Total fixed income	11,762,808	14.3
Alternatives		
Hedge funds	6,441,802	7.8
Private equity	7,457,718	9.0
Private real estate	4,082,689	4.9
Total alternatives	17,982,209	21.7
Total investments	$ 82,601,777	100.0%

Note 4. Investments (Continued)

Investment activity as of May 31, 2023 is reflected in the table below:

Investments, beginning	$ 89,794,478
Gifts available for investment	596,068
Investments income reinvested	20,595
	90,421,161
Investment returns (net of expenses, $214,368)	
Dividends and interest, net	457,083
Investment return, net of amount available to support current operations per statement of activities	(7,169,190)
Add spending in excess of cash yield	4,542,917
Net realized and unrealized losses	(2,626,272)
Total return on investments	(2,169,190)
Amounts appropriated for operations	(5,000,000)
Other activity	(650,194)
Investments, ending	$ 82,601,777

Investment income reported as operating revenue consists of interest earned on checking and money market accounts used for operating purposes, while non-operating revenue consists of realized and unrealized gains and losses on other investments and any dividends or interest earned on those investments.

Note 4. Investments (Continued)

Total investments considered for the endowment spending rate was $78,855,804 as of May 31, 2023. This is comprised of endowed funds of $76,348,566 and board-designated (quasi-endowed) funds of $2,507,239.

The following schedule summarizes total investment return and its classification in the consolidated statements of activities for the years ended May 31, 2023:

Investment income	$ 457,083
Net realized and unrealized gains on investments	(2,626,272)
Total return on investments	$ (2,169,190)
Included in statements of activities as follows:	
Investment income, endowment and other: Amounts distributed to support current operations	$ 5,000,000
Investment return, net of amount available to support current operations	(7,169,190)
Total return on investments	$ (2,169,190)

Note 5. Split Interest Agreements

The College has various charitable remainder unitrust and life income gift agreements. The assets related to these agreements are included in funds held in trust in the accompanying statement of financial position and amounted to $3,745,973. Total obligation for payments to beneficiaries related to these agreements was recorded at the present value of the future estimated payments amounting to $1,308,264 at May 31, 2023.

The College is also the beneficiary of several third-party trust agreements established at various dates. These trusts are valued at the present value of estimated future benefits to be received when trust assets are distributed, which amounted to $1,161,601. The fair value of these assets, as of May 31, 2023, is $2,519,058, and the present value discount was calculated to be $1,357,457. The discount rate used to determine the present value of estimated future benefits was the applicable federal rate at the time the trust was established. The assets related to these agreements are included in funds held in trust by others in the accompanying statement of financial position.

Note 6. Property and Equipment

Property and equipment are summarized as follows at May 31:

	Estimated Useful Life	
Buildings and improvements	30 – 75 years	$ 151,886,560
Furniture and other equipment	3 – 15 years	12,769,309
		168,922,191
Less accumulated depreciation		68,695,485
		96,960,384
Construction in process		464,395
		$ 97,424,779

Outstanding contractual commitments related to construction in process at May 31, 2023 is $369,723.

Note 7. Line of Credit

The College has multiple secured lines of credit with a combined authorization of $6.5 million in total, bearing interest at various rates between 4.5% and 7.5% at May 31, 2023. The lines mature at separate dates between December 2023 and June 2028. The total outstanding balance on all lines of credit was $3,500,000 at May 31, 2023.

Subsequent to year end, an additional authorization of $2.5 million was added to one of the existing lines of credit.

Note 8. Bonner Foundation Payable

On May 28, 2021, the College signed an agreement with the Bonner Foundation to phase out the Bonner Scholars Program through May 31, 2024. The College will transfer 80% of the fair market value of the Bonner Scholars Endowment to the Bonner Foundation and the remaining 20% of the Bonner Scholars Endowment will be retained by the College. The fair market value will be determined on May 31, 2022, 2023, and 2024. At May 31, 2022, the College had a payable to the Bonner Foundation in the amount of $840,268, of which $350,000 was paid during the year ended May 31, 2023.

Note 9. Notes Payable

Unsecured note payable in variable payments plus accrued interest; interest at 4.5% per annum. Subject to a negative pledge clause; maturing June 28, 2028.

At May 31, 2023, future maturities of notes payable are as follows:

2024	$ 850,000
2025	956,000
2026	1,116,000
2027	1,395,000
2028	1,722,576
	$ 6,039,576

Note 10. Bonds Payable

On December 20, 2016, the College entered into a bond purchase agreement with the Public Finance Authority of Wisconsin (the "Authority") to issue bonds in the aggregate principal amount of $37,115,000. The proceeds from the bonds are for the refinance of the College's Series 2005A, 2005B, and 2008 bonds, and for certain capital projects on campus. The purchase price of the bonds was $37,514,298, which is equal to the par amount of the bonds, plus the net original issue premium of $644,337, less an underwriter's discount of $245,039. The Authority has pledged and assigned all rights, titles, and interest in and to the aforementioned loan agreement, except for certain rights under the loan agreement to the Bank of New York as bond trustee, with the consent of the College. The College's obligation under the loan agreement is an unsecured general, unconditional obligation of the College, payable from legally available funds.

The bonds bear interest at the daily rate, weekly rate, quarterly rate, and the money market rate as described in the trust agreement. The interest rate at May 31, 2023 was 5%. The bonds will be called for redemption by the Authority on January 1 of each year by lot at the redemption price of 100% of the principal amount of the bonds being redeemed, plus accrued interest to the date of redemption. The final maturity date of the bonds is January 1, 2047.

On October 24, 2018, the College entered into a bond purchase agreement with the Authority to issue bonds in the aggregate principal amount of $26,085,000 (Series 2018A) and $5,080,000 (Series 2018B). The proceeds from the bonds are for certain capital projects on campus. The purchase price of the bonds was $31,330,120, which is equal to the par amount of the bonds, plus the net original issue premium of $377,108, less an underwriter's discount of $211,987. The Authority has pledged and assigned all rights, titles, and interest in and to the aforementioned loan agreement, except for certain rights under the loan agreement to the Bank of New York as bond trustee, with the consent of the College. The College's obligation under the loan agreement is an unsecured general, unconditional obligation of the College, payable from legally available funds. The bonds bear interest at the daily rate, weekly rate, quarterly rate, and the money market rate as described in the trust agreement. The interest rate at May 31, 2023 was 5% (Series 2018A) and 5% (Series 2018B). The bonds will be called for redemption by the Authority on January 1 of each year by lot at the redemption price of 100% of the principal amount of the bonds being redeemed plus accrued interest to the date of redemption. The final maturity dates of the bonds are January 1, 2048 (Series 2018A) and January 1, 2038 (Series 2018B).

(Continued)

Note 10. Bonds Payable (Continued)

Future maturities of long-term debt at May 31:

Year Ending May 31	2018A	2018B	2016
2024	$ 495,000	$ -	$ 755,000
2025	520,000	-	790,000
2026	545,000	-	835,000
2027	570,000	-	880,000
2028	600,000	-	920,000
2029	630,000	395,000	960,000
2030	660,000	415,000	1,005,000
2031	695,000	440,000	1,050,000
2032	730,000	460,000	1,100,000
2033	765,000	490,000	1,155,000
2034	805,000	515,000	1,215,000
2035	845,000	545,000	1,275,000
2036	885,000	575,000	1,340,000
2037	930,000	605,000	1,405,000
2038	975,000	640,000	1,475,000
2039	1,025,000	-	1,550,000
2040	1,075,000	-	1,625,000
2041	1,130,000	-	1,705,000
2042	1,185,000	-	1,795,000
2043	1,245,000	-	1,880,000
2044	1,310,000	-	1,985,000
2045	1,375,000	-	2,095,000
2046	1,445,000	-	2,210,000
2047	1,515,000	-	2,330,000
2048	1,590,000	-	-
	$ 23,545,000	$ 5,080,000	$ 33,335,000

Net bonds payable at May 31, 2023 consisted of the following:

Gross bonds payable	$ 61,960,000
Premium on bonds payable	826,014
Bond issuance costs	(991,441)
Total bonds payable, net	$ 61,794,573

Note 10. Bonds Payable (Continued)

For the year ended May 31, 2023 amortization of bond issuance costs and amortization of bond premiums totaled approximately $41,000 and $34,000, respectively. Bond interest expense as of the year ended May 31, 2023 totaled $3,220,199.

The College has certain covenants related to its bond issue that it must maintain. In the event these convenants are not met, the bond issue may become callable.

Note 11. Net Assets

Net assets as of May 31, 2023 consist of the following:

Without donor restrictions:	
Investment in plant, net of debt	$ 36,079,341
Board designated	-
Quasi-endowment	2,560,214
Operations	3,023,770
Total net assets without donor restrictions	41,663,325
With donor restrictions:	
Subject to expenditure for specific purposes and time:	
Financial aid, general operations, and maintenance or investment in property and equipment	97,571
Accumulated losses related to "underwater" endowment funds	(2,020,258)
Accumulated endowment investment return, net net of amounts spent	6,829,545
	4,906,858
Restricted in perpetuity, the income from which is expendable for various purposes:	
Endowment	69,975,581
Other	6,229,653
Total net assets with donor restrictions	81,112,092
Total net assets	$ 122,775,417

Note 12. Revenues

The following table shows the College's revenues disaggregated by service type:

Tuition and fees, net	$ 14,373,832
Auxiliary services:	
Housing services	$ 5,900,076
Dining services	4,881,904
Other	308,418
	$ 11,090,398

Note 12. Revenues (Continued)

Revenues received from student tuition and fees, net of financial aid, consisted of the following for the year ended May 31, 2023:

Tuition and fees	$ 39,459,333	100.0%
Less financial aid:		
Institutional, non-funded	22,890,760	58.0
Funded:		
Endowed and other	2,194,741	5.6
	(25,085,501)	(63.6)
	$ 14,373,832	36.4%

Financial aid is awarded to students based upon need and merit and is applied to billed tuition and fees, and room and board. Financial aid does not include payments made to students for services rendered to the College. However, the College does participate in work-study programs. These expenses, which totaled $189,317 for the year ended May 31, 2023, are included in the appropriate functional expense categories on the consolidated statements of activities. Of this amount, for the years ended May 31, 2023, the federal government contributed $183,976.

Note 13. Net Assets Released from Restrictions and Reclassifications

Net assets are released from donor restrictions when expenses are incurred to satisfy the restricted purposes or by occurrence of other events as specified by donors. Restrictions were satisfied as follows for the years ended May 31, 2023:

Operating	
Financial aid	$ 3,601,507
Professorships	841,250
General operations and maintenance	3,205,669
COVID-19 relief funding	1,263,678
Total operating	8,912,104
Non-operating	
Buildings and equipment	289,537
Other	324,377
Total non-operating	613,914
	$ 9,526,018

Reclassifications made to net assets with donor restrictions, as reflected in the consolidated statements of activities, occur when a donor applies or changes restrictions on contributions previously recorded.

Note 14. Operating Expenses

Operating expenses incurred for the year ended May 31 are as follows:

	Program Activities					Supporting Activities			
	Instruction and Research	Academic Support	Student Services	Federal and State Grants	Auxiliary Enterprises	Institutional Support	Facilities	Fundraising	Total Operating Expenses
Salaries and wages	$ 6,778,524	$ 2,434,876	$ 3,949,180	$ 38,716	$ 44,341	$ 1,897,334	$ 1,356,306	$ 355,846	$ 16,855,122
Fringes	1,653,976	469,111	899,887	-	8,573	557,146	351,515	86,183	4,026,392
Contract services	345,261	811,363	1,290,865	158,224	76,581	3,014,557	2,288,440	143,301	8,128,595
Supplies	234,265	261,589	650,361	-	5,757	170,162	787,837	11,666	2,121,638
Travel	57,374	45,324	282,255	-	505	22,423	13,881	2,572	424,334
Internal services	20,774	63,783	250,156	-	3,664,004	47,075	98,286	6,845	4,150,923
Utilities and plant services	-	-	2,274	-	-	-	1,667,243	-	1,669,517
Federal awards	-	-	-	48,567	-	190,025	-	-	238,592
NC State awards	-	-	-	110,930	-	-	-	-	110,930
Other administrative costs	297,535	106,876	173,345	1,699	1,946	83,281	59,533	15,619	739,836
Facilities	2,466,915	611,092	1,108,194	-	2,131,408	192,284	(6,623,043)	45,260	(67,890)
	11,854,624	4,804,014	8,606,517	358,136	5,933,115	6,174,287	-	667,292	38,397,985
Depreciation and amortization	1,102,566	548,832	896,754	-	2,214,931	102,907	-	13,720	4,879,711
Interest expense	832,388	414,344	677,008	-	1,672,175	77,692	-	10,359	3,683,966
	$ 13,789,578	$ 5,767,190	$ 10,180,279	$ 358,136	$ 9,820,223	$ 6,354,886	$ -	$ 691,371	$ 46,961,663

The financial statements report certain categories of expenses that are attributable to one or more program or supporting activities of the College. These expenses include facilities (maintenance, grounds, building services, information technology and services (IT&S), and utilities), depreciation/amortization, and interest. Facilities are allocated based on square footage and utilization. Interest is allocated on a pro-rata basis, and depreciation/amortization is allocated based on square footage.

Note 15. Retirement Plan

The College provides a retirement plan available to substantially all full-time employees. The College contributes 4% of eligible wages to this plan; the other plan is a supplemental plan. Contributions from the College and participating employees for the year ended May 31, 2023, totaled $460,882.

Note 16. Commitments and Contingencies

Final expenditure reports of grants and contracts submitted to certain granting agencies in current and prior years are subject to audit by such agencies. As a result, the reimbursed expenditures are subject to adjustment. The effect of such adjustments, if any, is not determinable at this time. Management is of the opinion that the liability, if any, would not have a material effect on the College's financial position.

Note 16. Commitments and Contingencies (Continued)

The College's students receive a substantial amount of support from state and federal student financial assistance programs. A significant reduction in the level of this support, if it were to occur, might have an adverse effect on the College's programs and activities.

The College is unable to estimate the range of settlement dates and the related probabilities for certain asbestos remediation AROs. These conditional AROs are primarily related to encapsulated asbestos that is not subject to abatement unless the buildings are demolished and non-encapsulated asbestos that the College would remediate only if it performed major renovations of the applicable buildings. Because these conditional obligations have indeterminate settlement dates, the College could not develop a reasonable estimate of their fair values. The College will continue to assess its ability to estimate fair values at each future reporting date. The related liability, if any, will be recognized once sufficient additional information becomes available.

Medical Self-Funded Insurance

The College has a medical insurance plan in which substantially all employees participate. The College is responsible for paying all claims under the plan, net of employee contributions, and has insurance to cover any claims in excess of $130,000.

Litigation

As of May 31, 2023, the College is a party to outstanding legal claims. The College, through its legal counsel, is vigorously contesting the allegations. The ultimate resolution to these matters is not ascertainable at this time and no provision has been made to the financial statements related to these claims. The financial outcome is not expected to have a significant effect on the financial condition of the College.

Note 17. Endowment

The endowment fund of the College consists of approximately three hundred and fifteen (315) individual funds established primarily to support the entity's programs. This includes donor-restricted funds, as well as those designated as quasi-endowment by the governing board. The endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Note 17. Endowment (Continued)

Interpretation of Relevant Law

The College is subject to the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as adopted by the state of North Carolina and classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions until the governing board appropriates such amounts for expenditure. The Trustees of the College have interpreted UPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the College considers a fund to be underwater when the fair value of the fund is less than the sum of the amount that the College classifies as permanently restricted net assets. This consists of (a) the original value of initial and subsequent gift amounts donated to the fund, and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. Additionally, in accordance with UPMIFA, the College considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1) The duration and preservation of the fund
2) The purposes of the organization 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 organization
7) The investment policies of the College

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the College to retain as a fund of perpetual duration. Deficiencies of this nature exist in ninety-four (94) donor-restricted endowment funds, which together have an original value of $25,995,217; a current fair value of $23,974,959; and a deficiency of $2,020,258 as of May 31, 2023.These deficiencies resulted from unfavorable market fluctuations that occurred after the investment of contributions for donor-restricted endowment funds and continued appropriation for certain programs that were deemed prudent by the governing board.

Return Objectives and Risk Parameters

The College has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the College must hold in perpetuity, or for a donor-specified period(s), as well as board-designated funds. Under this policy, as approved by the governing board, the endowment assets are invested in a manner that is intended to produce a rate of return, net of fees, which is at least equivalent to the rate of inflation plus the spending rate. Thus, the long-term objective for these funds is to earn a return of at least the Consumer Price Index plus 5%. Actual returns in any given year may vary from this amount.

Note 17. Endowment (Continued)

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the College relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The College targets a well-diversified mix of assets to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The College's endowment spending policy stipulates that the annual spending rate will not exceed 5% of the lagging 16-quarter average value of the endowment portfolio. As needs arise, the amount drawn annually may deviate from this target, at the direction of the Finance Committee and the Board. In establishing this policy, the College considered the long-term expected return on its endowment. Accordingly, over the long-term, the College expects the current spending policy to allow for the annual distributions and still permit the endowment to achieve growth. The Board approved a spending rate of up to 5% for the year ended May 31, 2023.

Endowment net assets composition by type of fund consisted of the following at May 31, 2023:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated funds	$ 2,560,214	$ -	$ 2,560,214
Donor-restricted funds	-	74,784,868	74,784,868
Total endowed net assets	$ 2,560,214	$ 74,784,868	$ 77,345,082

Changes in endowment net assets for the years ended May 31 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, May 31, 2022	$ 2,770,863	$ 82,089,899	$ 84,860,763
Investment return:			
Investment income	11,198	336,129	347,327
Realized and unrealized gains (losses)	(78,607)	(2,336,094)	(2,414,701)
Total investment return	(67,409)	(1,999,965)	(2,067,374)
Contributions	29,035	596,087	625,122
Appropriation for expenditure	(172,275)	(4,827,725)	(5,000,000)
Transfer for Bonner Foundation payable	-	(1,073,430)	(1,073,430)
Endowment net assets, May 31, 2023	$ 2,560,214	$ 74,784,868	$ 77,345,081

Note 18. Fair Value Measurements

Fair values of assets measured on a recurring basis as of May 31 are as follows:

	Fair Value	Level 1	Level 2	Level 3	NAV
Large cap equity	$ 15,225,829	$ 9,137,482	$ -	$ 6,088,347	$ -
Small cap equity	5,946,878	2,655,870	3,291,008	-	-
International equity	17,951,735	2,920,149	2,736,947	-	12,294,639
Emerging markets equity	7,487,568	-	7,487,568	-	-
Global equity	4,085,655	-	4,085,655	-	-
Aggregate fixed income	4,740,506	4,740,506	-	-	-
Treasury inflation protected securities	2,613,112	2,613,112	-	-	-
Global fixed income	2,427,262	-	-	-	2,427,262
Multi-strategy hedge funds	6,441,802	-	1,687,643	-	4,754,159
Private equity	7,457,718	-	-	-	7,457,748
Private real estate	4,006,845	-	-	-	4,006,845
Cash and equivalents	376,804	376,804	-	-	-
Third part trusts, College as trustee:					
Cash and equivalents	48,587	-	48,857	-	-
Aggregate fixed income	1,556,537	-	1,556,537	-	-
Large cap equities	1,301,832	-	1,301,832	-	-
Small-mid cap equities	390,943	-	390,943	-	-
International equities	307,064	-	307,64	-	-
Emerging markets equities	159,256	-	159,256	-	-
Real assets	75,844	-	75,844	-	-
Total investments	82,601,807	22,443,923	23,128,884	6,088,347	30,940,653
Funds held in trust by others	1,161,601	-	1,161,601	-	-
Contributions receivable, net	1,726,571	-	-	1,726,571	-
Total assets at fair value	$ 85,489,979	$ 22,443,923	$ 24,290,485	$ 7,814,918	$ 30,940,653
Present value of future payments to beneficiaries	$ (1,308,265)	$ -	$ (1,308,265)	$ -	$ -

A reconciliation of the activity of financial assets and liabilities valued using Level 3 inputs as of May 31, 2023 is as follows:

	Contributions Receivable	Investments
Beginning balance	$ 3,322,206	$ 2,960,107
Purchases, reclassifications, and unrealized gains	-	3,128,240
New pledges, collections, and changes in fair value	(1,595,635)	-
	$ 1,726,571	$ 6,088,347

Note 18. Fair Value Measurements (Continued)

The following is a description of the valuation methodologies used for assets measured at fair value:

Common stocks, corporate bonds, and U.S. government securities: Valued at the closing price reported on the active market on which the individual securities are traded.

Mutual funds: Valued at the net assets value (NAV) of shares held by the College at year end.

Promises to give: Discounted to approximate fair value.

Alternative investments: The alternative investments shown under Level 2 included fund vehicles investing in a diversified group of hedge funds. Those shown under Level 3 include a real estate limited partnership valued at amounts based on the underlying assets as determined by the hedge funds and real estate limited partnership.

The methods described may produce a fair value calculation that may not be indicative of net realizable value, or reflective of future fair values. Furthermore, while the College believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Alternative investments are funds managed by third parties. Investments in such funds are valued by the respective fund managers at the estimated value of the underlying investments and are subject to review by the College and independent annual financial statement audits.

Note 18. Fair Value Measurements (Continued)

The following table summarizes by major category the alternative investments valued at net asset value per share at May 31, 2023:

Investment	May 31, 2023 Fair Value*	Unfunded Commitments (as of March 31, 2023)	Redemption Frequency	Redemption Notice Period
International equity	$ 8,995,069	$ -	Monthly	180 days
International equity	3,299,570	-	Quarterly	10 days
Global fixed income	2,427,262	-	Monthly	5 days
Hedge funds	4,754,160	-	Quarterly	60 days
Real estate	4,006,845	747,688	Illiquid	N/A
Private equity	7,457,718	3,866,666	Illiquid	N/A
	$ 30,940,624	$ 4,614,354		

Note 19. Leases

The College leases various equipment under finance leases. The terms of the leases range from 1 to 4 years expiring at various dates from 2024 to 2027. Annual payments under these agreements range from $100,000 to $400,000. The leases are secured by the equipment. The College's lease terms may include options to extend or terminate the lease when it is reasonably certain that the College will exercise the option.

The College determines if an arrangement is a lease at inception. Finance lease right-of-use assets represent the College's right to use an underlying asset for the lease term and lease liabilities represent the College's obligation to make lease payments related to the lease. The College includes contract lease components in its determination of lease payments, while non-lease components of the contracts, such as taxes, insurance, and common area maintenance, are expensed as incurred. At commencement, right-of-use assets and lease liabilities are measured at the present value of future lease payments over the lease term.

Note 19. Leases (Continued)

The College utilizes the implicit rate in the lease, if determinable, at the commencement date of the lease to determine the present value of the lease payments. If the implicit rate is not determinable, the College utilizes the risk-free rate at the commencement date of the lease to determine the present value of the lease payments. Lease amortization is recognized on a straight-line basis over the lease term or the useful life of the asset.

Supplemental information related to leases for the year ended May 31, 2023:

Finance leases

Finance lease right-of-use asset, gross	$ 4,266,321
Accumulated amortization	(654,808)
Total finance lease right-of-use asset, net	$ 3,611,513
Finance lease obligation – current portion	$ 820,662
Finance lease obligation – noncurrent portion	2,341,716
Total finance lease obligation	$ 3,162,378

Weighted average discount rates and lease terms:

	Weighted Average Discount Rate	Weighted Average Lease Term
Finance leases	3.70%	4 Years

Total outstanding lease liabilities mature as follows:

	Financing Leases
May 31,	
2024	$ 935,137
2025	834,577
2026	834,577
2027	834,577
2028	326,001
Total lease payments	3,764,870
Less: discount	(602,492)
Total	$ 3,162,378

Note 19. Leases (Continued)

The components of lease expense for the year ended May 31, 2023:

Finance lease cost:		
Amortization of right-of-use assets	$	203,617
Interest on lease liabilities		81,284
Total finance lease cost	$	284,901

Note 20. Contributed Nonfinancial Assets

For the year ended May 31, 2023, contributed nonfinancial assets recognized within the consolidated statement of activities included:

Equipment	$	8,273
Land and real estate		582,000
	$	590,273

The College recognized contributed nonfinancial assets within revenue. Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions.

The contributed equipment will be used for athletic and instructional activities. In valuing the contributed equipment, the College estimated the fair value on the basis of the donor's independent professional appraisal valuation.

The contributed real estate property will be used as a site intended for conference and event spaces in the coming years. The property will become the first of the College's planned ventures to generate additional revenue streams by using the space for small venue meetings and other intimate space requirements deemed suitable by the College. The College estimated the fair value of the property on the basis of appraisal conducted at title transfer, with additional insight provided by tax assessment and realtor comparables.

Note 21. Prior Period Adjustment

In previously issued financial statements, the College noted the following corrections that needed to be made to prior year financial statements:

	Without Donor Restrictions	With Donor Restrictions	Total
Beginning, as previously stated	$ 46,734,222	$ 90,332,186	$ 137,066,408
Correction of the recording of a conditional pledge and consolidation of entity	-	(1,447,061)	(1,447,061)
Correction of property and equipment	(311,154)	-	(311,154)
Correction of contributions receivable	55,474	47,562	103,036
Correction of prepaid expenses	(490,622)	-	(490,622)
Other	(9)	451	442
Beginning, as restated	$ 45,987,911	$ 88,933,138	$ 134,921,049