

# **Lake Forest College**

Financial Report  
May 31, 2025

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## Independent Auditor's Report

RSM US LLP

Board of Trustees  
Lake Forest College

### Opinion

We have audited the financial statements of Lake Forest College (the College), which comprise the statements of financial position as of May 31, 2025 and 2024, the related statements of activities and changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the College as of May 31, 2025 and 2024, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

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

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of 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 the College's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

### Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

*RSM VS LLP*

Chicago, Illinois  
October 29, 2025

# Lake Forest College

## Statements of Financial Position May 31, 2025 and 2024

	2025	2024
<b>Assets</b>		
Cash and cash equivalents	\$ 10,459,994	\$ 1,836,714
Short-term investments	-	69,166
Accounts receivable, net:		
Students, less allowance of \$1,177,395 in 2025 and \$1,024,085 in 2024	1,721,948	1,325,738
Contributions, net	1,850,068	2,165,634
Other	2,853,699	1,176,527
Pending investment redemption	-	6,000,000
Prepaid expense and other assets	1,982,679	1,789,693
Right-of-use assets—operating leases	196,727	280,834
Student loan funds, primarily Perkins loans	220,523	381,947
Long-term investments	129,801,043	117,040,042
Land, building and equipment, less accumulated depreciation	135,914,338	134,919,517
Beneficial interests in trusts held by others	2,158,819	2,060,095
<b>Total assets</b>	<b>\$ 287,159,838</b>	<b>\$ 269,045,907</b>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 4,363,812	\$ 2,211,217
Accrued payroll and benefits	3,111,112	3,038,781
Deposits and other liabilities	1,014,279	949,809
Operating lease liabilities	196,727	280,834
Contract obligation to vendor	2,479,113	2,999,601
Bridge financing line of credit	-	3,000,000
Bonds payable	42,119,403	42,604,091
Annuities payable	650,630	636,515
Refundable U.S. government and other student loans	224,359	368,748
Accrued post-retirement and post-employment benefits	1,320,642	1,324,345
<b>Total liabilities</b>	<b>55,480,077</b>	<b>57,413,941</b>
Net assets:		
Without donor restrictions:		
General operating	82,283,118	76,714,170
Funds functioning as endowment	20,068,426	19,629,627
<b>Total without donor restrictions</b>	<b>102,351,544</b>	<b>96,343,797</b>
With donor restrictions:		
Endowment	115,682,725	103,874,393
Other	13,645,492	11,413,776
<b>Total with donor restrictions</b>	<b>129,328,217</b>	<b>115,288,169</b>
<b>Total net assets</b>	<b>231,679,761</b>	<b>211,631,966</b>
<b>Total liabilities and net assets</b>	<b>\$ 287,159,838</b>	<b>\$ 269,045,907</b>

See notes to financial statements.

## Lake Forest College

### Statement of Activities and Changes in Net Assets Year Ended May 31, 2025 (With Summarized Financial Information for the Year Ended May 31, 2024)

	2025			2024
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Operating activities:				
Revenue:				
Tuition and fees, net	\$ 29,507,174	\$ -	\$ 29,507,174	\$ 28,501,563
Room and board, net	13,663,371	-	13,663,371	13,709,912
<b>Net student revenue</b>	<b>43,170,545</b>	<b>-</b>	<b>43,170,545</b>	<b>42,211,475</b>
Private gifts and grants	22,895,997	13,634,652	36,530,649	21,608,287
Government grants	1,226,579	-	1,226,579	919,595
State and local grants	2,866,687	-	2,866,687	82,623
Other sources	1,053,187	-	1,053,187	1,111,140
Other auxiliary enterprises, net	665,007	-	665,007	717,720
Investment return appropriated	1,505,550	7,093,951	8,599,501	5,999,686
Net assets released from restriction	9,162,199	(9,162,199)	-	-
<b>Total revenue</b>	<b>82,545,751</b>	<b>11,566,404</b>	<b>94,112,155</b>	<b>72,650,526</b>
Expenses:				
Salaries	30,480,717	-	30,480,717	28,375,695
Benefits and taxes	8,092,820	-	8,092,820	7,569,299
Occupancy and utilities	9,753,992	-	9,753,992	8,869,129
Depreciation	7,053,341	-	7,053,341	7,159,758
Interest	2,389,291	-	2,389,291	2,524,089
Student aid expense	99,496	-	99,496	386,382
Supplies, services, and other	19,170,664	-	19,170,664	16,794,073
<b>Total expenses</b>	<b>77,040,321</b>	<b>-</b>	<b>77,040,321</b>	<b>71,678,425</b>
<b>Increase in net assets from operating activities</b>	<b>5,505,430</b>	<b>11,566,404</b>	<b>17,071,834</b>	<b>972,101</b>
Nonoperating activities:				
Investment income, net	2,104,537	9,543,821	11,648,358	13,757,776
Loss on disposal of fixed assets	(100,374)	-	(100,374)	-
Change in split interest agreements	-	(74,950)	(74,950)	(7,797)
Change in value of beneficial interest	-	98,724	98,724	142,678
Change in post-retirement and post-employment liability	3,704	-	3,704	(45,327)
Investment return appropriated	(1,505,550)	(7,093,951)	(8,599,501)	(5,999,686)
<b>Increase in net assets from nonoperating activities</b>	<b>502,317</b>	<b>2,473,644</b>	<b>2,975,961</b>	<b>7,847,644</b>
<b>Increase in net assets</b>	<b>6,007,747</b>	<b>14,040,048</b>	<b>20,047,795</b>	<b>8,819,745</b>
Net assets at beginning of year	96,343,797	115,288,169	211,631,966	202,812,221
Net assets at end of year	\$ 102,351,544	\$ 129,328,217	\$ 231,679,761	\$ 211,631,966

See notes to financial statements.

## Lake Forest College

### Statement of Activities and Changes in Net Assets Year Ended May 31, 2024

	2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Operating activities:			
Revenue:			
Tuition and fees, net	\$ 28,501,563	\$ -	\$ 28,501,563
Room and board, net	13,709,912	-	13,709,912
<b>Net student revenue</b>	<b>42,211,475</b>	<b>-</b>	<b>42,211,475</b>
Private gifts and grants	17,585,978	4,022,309	21,608,287
Government grants	919,595	-	919,595
State and local grants	82,623	-	82,623
Other sources	1,111,140	-	1,111,140
Other auxiliary enterprises, net	717,720	-	717,720
Investment return appropriated	1,069,761	4,929,925	5,999,686
Net assets released from restriction	13,544,574	(13,544,574)	-
<b>Total revenue</b>	<b>77,242,866</b>	<b>(4,592,340)</b>	<b>72,650,526</b>
Expenses:			
Salaries	28,375,695	-	28,375,695
Benefits and taxes	7,569,299	-	7,569,299
Occupancy and utilities	8,869,129	-	8,869,129
Depreciation	7,159,758	-	7,159,758
Interest	2,524,089	-	2,524,089
Student aid expense	386,382	-	386,382
Supplies, services, and other	16,794,073	-	16,794,073
<b>Total expenses</b>	<b>71,678,425</b>	<b>-</b>	<b>71,678,425</b>
<b>Increase (decrease) in net assets from operating activities</b>	<b>5,564,441</b>	<b>(4,592,340)</b>	<b>972,101</b>
Nonoperating activities:			
Investment income, net	2,444,721	11,313,055	13,757,776
Change in split interest agreements	47,120	(54,917)	(7,797)
Change in value of beneficial interest	-	142,678	142,678
Change in post-retirement and post- employment liability	(45,327)	-	(45,327)
Investment return appropriated	(1,069,761)	(4,929,925)	(5,999,686)
<b>Increase in net assets from nonoperating activities</b>	<b>1,376,753</b>	<b>6,470,891</b>	<b>7,847,644</b>
<b>Increase in net assets</b>	<b>6,941,194</b>	<b>1,878,551</b>	<b>8,819,745</b>
Net assets at beginning of year	89,402,603	113,409,618	202,812,221
Net assets at end of year	\$ 96,343,797	\$ 115,288,169	\$ 211,631,966

See notes to financial statements.

## Lake Forest College

### Statements of Cash Flows Years Ended May 31, 2025 and 2024

	2025	2024
Cash flows from operating activities:		
Increase in net assets	\$ 20,047,795	\$ 8,819,745
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities:		
Depreciation	7,053,341	7,159,758
Net change in beneficial interest in trusts held by others	(98,724)	(132,962)
Net gain on investments	(11,284,827)	(13,515,218)
Bond issuance cost amortization	35,313	34,588
Adjustment or cancellation of loans receivable	301	6,200
Change in allowance for contributions receivable and credit losses	75,432	37,771
Private gifts for capital	(3,861,192)	(3,248,465)
Contributions restricted for investment in endowment	(9,543,651)	(3,501,830)
Change in post-retirement/post-employment liability	(3,704)	45,327
Reduction in carrying amount of operating lease right-of-use asset	84,107	332,471
Principal collected on student loans	161,123	229,064
Net change in refundable U.S. Government student loans	(144,389)	(240,099)
Changes in assets and liabilities:		
Student accounts receivable	(549,520)	68,469
Contributions receivable	(262,087)	399,017
Other receivable	(1,677,172)	(749,757)
Prepaid expenses and other assets	(192,986)	(197,438)
Accounts payable and accrued expenses	1,201,840	537,079
Accrued payroll and benefits	72,331	144,220
Deposits and other liabilities	64,470	115,329
Change in operating lease liability	(84,107)	(332,471)
Contract obligation to vendor	(520,488)	(547,851)
<b>Net cash provided by (used in) operating activities</b>	<b>573,206</b>	<b>(4,537,053)</b>
Cash flows from investing activities:		
Purchase of investments	(11,148,839)	(6,613,902)
Proceeds from sale or maturity of investments	9,659,166	12,464,000
Collection of investment redemption receivable	6,000,000	-
Acquisitions of land, building and equipment	(7,197,781)	(7,618,675)
Proceeds from sale of fixed assets	100,374	-
Principal collected on mortgages	82,665	25,765
Proceeds from sales or maturity of investments in bond funds held in trust	-	220,293
<b>Net cash used in investing activities</b>	<b>(2,504,415)</b>	<b>(1,522,519)</b>
Cash flows from financing activities:		
Principal payments on notes and bonds payable	(520,000)	(495,000)
Distribution of beneficial interest in trust	-	615,127
Proceeds from private gifts and grants restricted for capital	4,241,042	3,748,649
Proceeds from contributions restricted for investment in endowment	9,819,332	3,009,385
Net draw on line of credit	(3,000,000)	500,000
Net change in annuity obligation	14,115	(46,469)
<b>Net cash provided by financing activities</b>	<b>10,554,489</b>	<b>7,331,692</b>
<b>Net increase in cash and cash equivalents</b>	<b>8,623,280</b>	<b>1,272,120</b>
Cash and cash equivalents:		
Beginning	1,836,714	564,594
Ending	\$ 10,459,994	\$ 1,836,714

(Continued)



## Lake Forest College

### Statements of Cash Flows (Continued) Years Ended May 31, 2025 and 2024

	2025	2024
Supplemental disclosures of cash flow information:		
Cash paid for interest	<u>\$ 2,319,478</u>	<u>\$ 2,433,461</u>
Right-of-use assets obtained in exchange for new operating lease liabilities	<u>\$ 254,229</u>	<u>\$ -</u>
Cash paid for operating lease	<u>\$ 341,710</u>	<u>\$ 346,183</u>
Supplemental schedule of noncash financing and investing activities:		
Fixed assets included in accounts payable	<u>\$ 1,035,856</u>	<u>\$ 85,101</u>

See notes to financial statements.

## Lake Forest College

### Notes to Financial Statements

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#### Note 1. Nature of Business and Significant Accounting Policies

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

The financial statements of the College have been prepared on the accrual basis of accounting.

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

**Basis of presentation:** The College follows accounting standards established by the Financial Accounting Standards Board (FASB) to ensure consistent reporting of financial condition. References to Generally Accepted Accounting Principles in these footnotes are to the FASB Accounting Standards Codification, sometimes referred to as the Codification or ASC. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the College and changes therein are classified as follows:

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

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

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

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

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

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

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

## Lake Forest College

### Notes to Financial Statements

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

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

Investments are classified as short-term or long-term based on intended use. The College utilizes short-term investments to earn interest on excess operating cash during the year.

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

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

**Collections and works of art:** Collections (musical instruments, historical treasures and similar treasures held as part of collections), which were acquired through purchases or contributions since the College's inception, are not reflected in the statements of financial position. As of May 31, 2025 and 2024, the insured value of these items was approximately \$4,500,000. In addition, as of May 31, 2025 and 2024, the College has a Life Estate interest in artwork and museum furnishings valued at approximately \$4,400,000. The collections are subject to the College's policy that requires proceeds from their sales to be used for direct care of collections or acquire other items for collection. There were no amounts realized for deaccession of collections for the year ended May 31, 2025 and 2024.

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

Long-lived assets, such as land, buildings and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the fair value of an asset may be less than its carrying value. An impairment loss would be recorded if it is not recoverable. There were no impairment losses recorded as of May 31, 2025 and 2024.

**Leases:** Under FASB ASC Topic 842, a lease is a contract, or part of a contract, that conveys the right to control the use of identified property, plant or equipment for a period of time in exchange for consideration. The College's contracts determined to be a lease or contain a lease include explicitly or implicitly identified assets where the College has the right to obtain substantially all of the economic benefits of the assets and has the ability to direct how and for what purpose the assets are used during the lease term.

## Lake Forest College

### Notes to Financial Statements

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

Leases are classified as either operating or financing. The College currently has only operating leases. The College recognizes a lease liability equal to the present value of the remaining lease payments and lease incentives, and a right-of-use asset equal to the lease liability, subject to certain adjustments, such as for prepaid rents. The lease term may include options to extend or terminate the lease when it is reasonably certain that the College will exercise such options. The College has made a policy election to use the risk-free rate as the discount rate.

The College defines a short-term lease as any lease arrangement with an original lease term of 12 months or less that does not include an option to purchase the underlying asset. The College has made a policy election to not recognize right of use assets and lease liabilities for short-term leases. The College did not have any short-term leases in fiscal years 2025 and 2024.

For lease arrangements with lease and non-lease components, the College has made a policy election to account for lease and non-lease components separately for all classes of assets.

**Asset retirement obligations:** According to the Codification, Asset Retirement and Environmental Obligations, all entities are required to recognize the fair value of legal obligations to perform asset retirement activities when incurred. The College has performed an assessment and believes it is not subject to such obligations as of May 31, 2025 and 2024.

**Annuity liability:** The College estimates the liability for payments made to annuitants and to participants in a pooled income fund based on actuarial tables and uses an appropriate discount rate based on the age of the participants. The discount rate is determined based on the rates for investments at May 31, 2025 and 2024, in five-year and 10-year Treasury notes, which were 3.96% and 4.41%, respectively, for 2025 and 4.52% and 4.51%, respectively, for 2024.

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

Private gifts and grants, including pledges, are recognized in the period the gift is made. Conditional gifts, with a barrier and a right of return, are not recognized until the conditions on which they depend are substantially met or explicitly waived by the donor. Contributions of assets other than cash are recorded at estimated fair value. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Accretion of discount is recorded as additional revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible pledges receivable is provided based upon management's judgment, including such factors as prior collection history, type of contribution and nature of fundraising activity.

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

## Lake Forest College

### Notes to Financial Statements

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

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

**Contributions of nonfinancial assets:** Contributed nonfinancial assets included donated professional services, donated equipment and other in-kind contributions which are recorded at the respective fair values of the goods or services received. Contributed goods are recorded at fair value at the date of donation. There were no contributions of nonfinancial assets in fiscal year 2025 or 2024.

**Revenue recognition:** The College provides academic instruction toward baccalaureate and graduate degrees. The College serves approximately 1,814 undergraduate students and 23 graduate students. Tuition revenue is recognized over the applicable term in the fiscal year in which the academic programs are delivered. Institutional scholarships awarded to students reduce the amount of revenue recognized. Scholarships of \$73,672,656 and \$68,686,941 were reported net of tuition and fees on the statements of activities for the years ended May 31, 2025 and 2024, respectively. In addition, students who adjust their course load or withdraw completely within the first six weeks of the academic term may receive a full or partial refund in accordance with the College's refund policy. Refunds issued reduce the amount of revenue recognized. Historically, refunds have been approximately 0.3% of the total amount billed. The College also provides auxiliary services, such as residence and food services. Revenue from these services is recognized over the applicable term in the fiscal year in which the goods and services are provided. Scholarships of \$3,547,316 and \$2,934,399 were reported net of room and board revenue on the statements of activities for the years ended May 31, 2025 and 2024, respectively. Scholarships of \$507,989 and \$536,713 were reported net of other auxiliary enterprises revenue on the statements of activities for the years ended May 31, 2025 and 2024, respectively. In accordance with the College's refund policy, room and board charges are refunded on a per diem basis for students who adjust their status within the first six weeks of the academic term. Refunds issued reduce the amount of revenue recognized.

Sales and services of auxiliary enterprises consist of the following:

	2025	2024
Housing services	\$ 7,000,469	\$ 6,745,796
Food services	6,662,902	6,964,116
	13,663,371	13,709,912
Other	665,007	717,720
	<u>\$ 14,328,378</u>	<u>\$ 14,427,632</u>

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

## Lake Forest College

### Notes to Financial Statements

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

**Receivables:** The majority of the College's receivables, other than contributions, are due from students and governmental agencies. Credit is extended based on an evaluation of financial condition. Receivables are stated at amounts due from students net of an allowance for credit losses. The College determines its allowance for credit losses by calculating a specific percent reserve on the aging of the accounts based on historical experience, current conditions, asset-specific risk characteristics, reasonable and supportable forecasts about future economic and market conditions and by identifying specific past due accounts. Student receivables are deemed uncollectible after five years and are written off at that time. The College does not charge interest on student receivables. Accounts receivable as of May 31, 2025 and 2024, were \$1,721,948 and \$1,325,738, respectively. Accounts receivable balance at June 1, 2023, was \$1,431,349.

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

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

Balance at May 31, 2024	Refunds Issued	Recognized in Fiscal Year 2025 Balance	Received in Advance of Performance	Balance at May 31, 2025
\$ 568,852	\$ 278,358	\$ 290,494	\$ 659,042	\$ 659,042

  

Balance at May 31, 2023	Refunds Issued	Recognized in Fiscal Year 2024 Balance	Received in Advance of Performance	Balance at May 31, 2024
\$ 426,104	\$ 95,850	\$ 330,254	\$ 568,852	\$ 568,852

The balance of the contract liability at May 31, 2025, less any refunds will be recognized as revenue over the academic term as services are rendered. The College applies the practical expedient in paragraph ASC 606-10-50-14 and does not disclose information about remaining performance obligations that have original expected durations of one year or less. The College anticipates that students enrolled for the fall semester will continue their studies in the spring semester, and that students who receive their degrees in December or May will be replaced by an equivalent number of new enrollees.

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

The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements.

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

Under this guidance, the College may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the College and various positions related to the potential sources of unrelated business taxable income. The College has no amounts accrued for interest or penalties as of May 31, 2025. There were no unrecognized tax benefits identified or recorded as liabilities for the reporting periods presented in these statements.

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

**Concentration of credit risk:** The College maintains cash balances in two financial institutions in excess of the insurance limits provided by the Federal Deposit Insurance Corporation. The College has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

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

**Pending accounting pronouncements:** In July 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2015-05, Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses for Accounts Receivable and Contract Assets. The amendments in this update provide (1) Practical expedient. In developing reasonable and supportable forecasts as part of estimating expected credit losses. All entities may elect a practical expedient that assumes that current conditions as of the balance sheet date do not change for the remaining life of the asset. (2) Accounting policy election. An entity other than a public business entity that elects the practical expedient is permitted to make an accounting policy election to consider collection activity after the balance sheet date when estimating expected credit losses. The amendments will be effective for the College's fiscal year ended May 31, 2027, with early adoption permitted. The College does not expect the adoption of this standard to have a material impact on its financial statements.

**Subsequent events:** Management has performed an analysis of the activities and transactions subsequent to May 31, 2025, to determine the need for any adjustments to and/or disclosures within the financial statements for the year ended May 31, 2025. Management has performed their analysis through October 29, 2025, the date the financial statements were issued.

## Lake Forest College

### Notes to Financial Statements

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#### Note 2. Contributions Receivable

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

	2025	2024
Total contributions receivable	\$ 2,051,469	\$ 2,481,305
Less discount on contributions receivable	(86,371)	(122,764)
Less allowances for contributions receivable	(115,030)	(192,907)
Net contributions receivable	<u>\$ 1,850,068</u>	<u>\$ 2,165,634</u>

The College uses a risk adjusted discount rate used to determine the present value of contributions to reflect credit risk based on the College's history with collection on receivables. The discount rate used ranged from 0.80% to 4.52% during the years ended May 31, 2025 and 2024. The College deemed \$90,263 and \$122,789 of contributions receivable uncollectible during the years ended May 31, 2025 and 2024, respectively.

Payments on contributions receivable as of May 31, 2025, are scheduled as follows:

Fiscal years ending May 31:

2026	\$ 1,650,993
2027	254,487
2028	113,539
2029	26,100
2030	2,650
2031 and thereafter	3,700
	<u>\$ 2,051,469</u>

As of May 31, 2025, the College had received documented conditional pledges of approximately \$43,200,000, which are not reflected in the accompanying financial statements. Conditional promises to give are recognized when the conditions on which they depend are substantially met. These conditional pledges generally represent instances where the College has been named in a will, which are conditional upon the probate court declaring the will valid.

#### Note 3. Investments and Fair Value Measurements

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

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



**Note 3. Investments and Fair Value Measurements (Continued)**

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

**Level 2:** Significant other observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

**Level 3:** Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

In many cases, a valuation technique used to measure fair value includes inputs from multiple levels of the fair value hierarchy. The lowest level of significant input determines the placement of the entire fair value measurement in the hierarchy. If during the year, the fair value inputs change, the assets are reclassified between the levels. There have been no changes in valuation techniques used for any assets or liabilities measured at fair value during the year ended May 31, 2025.

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

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

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

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

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

**GEM GEF-STL Investment:** Investments presented in the following schedule are in a limited liability partnership. The College generally uses the most recent NAV information provided by the investment manager, which approximates fair value. The fund is included in short-term investments in the statements of financial position.

**Beneficial interest in trusts:** The fair value of the beneficial interests in various perpetual trust assets was determined based upon the College's percentage of interest in the fair value of the underlying trust assets at May 31, 2025 and 2024. Because these units are not actively traded, the assets are deemed to be classified as Level 3 assets (income approach).

## Lake Forest College

### Notes to Financial Statements

#### Note 3. Investments and Fair Value Measurements (Continued)

Assets and liabilities measured at fair value at May 31, 2025 and 2024, on a recurring basis are summarized below:

Fair Value Measurements at May 31, 2025					
	Level 1	Level 2	Level 3	NAV	Total
Assets:					
Investments at fair value:					
Cash and short-term investments	\$ -	\$ 226,366	\$ -	\$ -	\$ 226,366
Money market fund	6,132,980	-	-	-	6,132,980
Liquid Market Fund	-	-	-	15,302,468	15,302,468
Investments (LFCIH)	-	-	-	105,496,670	105,496,670
Total investments at fair value	6,132,980	226,366	-	120,799,138	127,158,484
Investments held at cost:					
Direct real estate					2,336,076
Mortgages receivable					306,483
Total investments					\$ 129,801,043
Beneficial interest in trusts	-	-	2,158,819	-	\$ 2,158,819
Total assets at fair value	\$ 6,132,980	\$ 226,366	\$ 2,158,819	\$ 120,799,138	
Fair Value Measurements at May 31, 2024					
	Level 1	Level 2	Level 3	NAV	Total
Assets:					
Investments at fair value:					
Cash and short-term investments	\$ 1,788	\$ 226,366	\$ -	\$ -	\$ 228,154
Liquid Market Fund	-	-	-	17,385,604	17,385,604
Investments (LFCIH)	-	-	-	96,701,059	96,701,059
GEM GEF-STL	-	-	-	69,166	69,166
Total investments at fair value	1,788	226,366	-	114,155,829	114,383,983
Investments held at cost:					
Direct real estate					2,336,077
Mortgages receivable					389,148
Total investments					\$ 117,109,208
Beneficial interest in trusts	-	-	2,060,095	-	\$ 2,060,095
Total assets at fair value	\$ 1,788	\$ 226,366	\$ 2,060,095	\$ 114,155,829	

The following is a summary of the investment strategies, redemption frequencies, notice periods and fair values of the investments that are measured at NAV as of May 31, 2025 and 2024. The College did not have any outstanding commitments as of May 31, 2025 and 2024:

	2025	2024	Redemptions Permitted	Days' Notice
Liquid Market Fund	\$ 15,302,468	\$ 17,385,604	Monthly	5
LFCIH	105,496,670	96,701,059	Semi-annual	90
GEM GEF-STL	-	69,166	Daily	2

## Lake Forest College

### Notes to Financial Statements

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#### Note 3. Investments and Fair Value Measurements (Continued)

LFC Investments Holdings, LP (LFCIH), a limited partnership, has two components that are 100% owned by the College. The largest component is an ownership interest in a limited partnership investment fund (the Fund), and the remaining amount is made up of 11 legacy investments in real estate and partnerships with seven managers and cash allocated for future capital calls. As the legacy investments mature, the distributions will be invested into the Fund. While the legacy investments are in place, the general partner will manage the overall investment portfolio for the purpose of remaining within targeted ranges.

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

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

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

At May 31, 2025 and 2024, the underlying investments of LFCIH consisted of the following asset classes:

	2025		2024	
Public equity	24.8	%	24.9	%
Private equity	33.8		32.6	
Hedge funds	16.8		18.8	
Credit	1.9		1.7	
Real assets	10.2		10.8	
Natural resources	3.5		4.5	
Fixed income	9.0		6.7	
	100.0	%	100.0	%

GEM Short-Term Liquidity Fund (STL) is an enhanced cash option that is used as a vehicle to earn interest on short-term/interim excess cash. Similar to a money market account, it has daily liquidity with a two-day turnaround time for redemptions.

## Lake Forest College

### Notes to Financial Statements

#### Note 3. Investments and Fair Value Measurements (Continued)

Liquid Market Fund is a private investment partnership offering a multi-strategy investment program with a relatively liquid investment portfolio. Limited partners are permitted to redeem from the fund on a monthly basis.

For the years ended May 31, 2025 and 2024, beneficial interest in trusts is as follows:

	2025	2024
Beneficial interest in trusts, beginning of year	\$ 2,060,095	\$ 2,542,260
Distributions from beneficial interest in trust	-	(615,127)
Change in fair value of trusts	98,724	132,962
Beneficial interest in trusts, end of year	<u>\$ 2,158,819</u>	<u>\$ 2,060,095</u>

At May 31, 2025 and 2024, the College's return on investment was made up of the following components:

	2025	2024
Return on long-term investments:		
Interest and dividends	\$ 353,752	\$ 177,804
Realized and unrealized gain, net	11,946,255	14,186,236
Total return on long-term investments	12,300,007	14,364,040
Other short-term investments gain	9,779	64,754
Investment fees	(661,428)	(671,018)
Total return on investments	<u>\$ 11,648,358</u>	<u>\$ 13,757,776</u>

#### Note 4. Net Assets With Donor Restrictions

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

	2025	2024
Donor-restricted net assets—time or purpose restricted:		
Endowment earnings subject to purpose restrictions	\$ 12,891,571	\$ 10,864,284
Program support	8,543,897	7,053,923
Capital projects	1,107,847	202,545
Split-interest agreements	1,739,098	1,624,308
Total donor-restricted net assets—time or purpose restricted	<u>24,282,413</u>	<u>19,745,060</u>
Donor-restricted net assets invested in perpetuity:		
Endowment	102,791,154	93,010,109
Loan fund	50,737	50,737
Pledge for endowment	634,522	977,593
Split-interest agreements	1,569,391	1,504,670
Total donor-restricted net assets invested in perpetuity	<u>105,045,804</u>	<u>95,543,109</u>
Total net assets with donor restrictions	<u>\$ 129,328,217</u>	<u>\$ 115,288,169</u>

## Lake Forest College

### Notes to Financial Statements

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#### Note 4. Net Assets With Donor Restrictions (Continued)

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

	2025	2024
Scholarships and grants	\$ 674,863	\$ 566,746
Instruction and research	2,165,597	2,215,849
Student services	349,448	427,603
Academic support	10,600	-
Management and general	741	6,338
Release of split-interest agreements	-	14,568
Appropriation of draw	5,884,797	3,813,470
Capital expenditure	76,153	6,500,000
Total net assets with donor restrictions released	<u>\$ 9,162,199</u>	<u>\$ 13,544,574</u>

#### Note 5. Endowment Composition

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

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

Endowment net asset composition by type of fund as of May 31, 2025, is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 115,682,725	\$ 115,682,725
Funds functioning as endowment	20,068,426	-	20,068,426
Total funds	<u>\$ 20,068,426</u>	<u>\$ 115,682,725</u>	<u>\$ 135,751,151</u>

Endowment net asset composition by type of fund as of May 31, 2024, is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 103,874,393	\$ 103,874,393
Funds functioning as endowment	19,629,627	-	19,629,627
Total funds	<u>\$ 19,629,627</u>	<u>\$ 103,874,393</u>	<u>\$ 123,504,020</u>

## Lake Forest College

### Notes to Financial Statements

#### Note 5. Endowment Composition (Continued)

Changes in endowment net assets for years ended May 31, 2025 and 2024, are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, May 31, 2023	\$ 17,989,887	\$ 94,203,307	\$ 112,193,194
Total investment return	2,320,136	11,099,181	13,419,317
Contributions	389,365	3,501,830	3,891,195
Appropriation for expenditures	(1,069,761)	(4,929,925)	(5,999,686)
Endowment net assets, May 31, 2024	19,629,627	103,874,393	123,504,020
Total investment return	1,928,881	9,358,632	11,287,513
Contributions	15,468	9,543,651	9,559,119
Appropriation for expenditures	(1,505,550)	(7,093,951)	(8,599,501)
Endowment net assets, May 31, 2025	<u>\$ 20,068,426</u>	<u>\$ 115,682,725</u>	<u>\$ 135,751,151</u>

A donor-restricted endowment fund is considered to be underwater if the fair value of the fund is less than either the original gift amount or the amount required to be maintained by the donor or by law. At times, the College may have individual donor-restricted endowment funds that are underwater. The College has a policy that permits spending from underwater funds depending on the degree to which the fund is underwater, unless specifically prohibited by the donor or relevant laws and regulations. Underwater funds for fiscal years ending May 31, 2025 and 2024, were calculated as follows:

	2025	2024
Aggregate original gift amount	\$ 8,252,444	\$ 8,892,564
Aggregate fair value	8,063,463	8,464,072
Aggregate deficiency	<u>\$ 188,981</u>	<u>\$ 428,492</u>

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

In accordance with accounting principles governing not-for-profit organizations subject to an enacted version of UPMIFA, the portions of donor-restricted endowments not classified as net assets with donor restrictions are classified as net assets with donor restrictions until appropriated for expenditure.

## Lake Forest College

### Notes to Financial Statements

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#### Note 5. Endowment Composition (Continued)

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

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

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

**Spending policy and how the investment objectives relate to spending policy:** The draw is the amount withdrawn from the investment pool to support the College's operations and mission. The board of trustees approved the annual endowment draw of \$8,600,000 and \$6,000,000 in 2025 and 2024, respectively.

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

#### Note 6. Land, Buildings and Equipment

The College's land, buildings and equipment as of May 31, 2025 and 2024, are as follows:

	2025	2024
Land	\$ 3,700,287	\$ 3,700,287
Buildings and improvements	225,069,354	219,248,867
Equipment	4,425,288	4,153,625
Construction-in-progress	2,951,420	3,207,624
	<u>236,146,349</u>	<u>230,310,403</u>
Less accumulated depreciation	100,232,011	95,390,886
Net land, buildings and equipment	<u>\$135,914,338</u>	<u>\$134,919,517</u>

Depreciation expense for the years ended May 31, 2025 and 2024, was \$7,053,341 and \$7,159,758, respectively. The College estimates additional \$5,000,000 in costs to complete construction in progress for various building renovations as of May 31, 2025.

# Lake Forest College

## Notes to Financial Statements

### Note 7. Line of Credit

In October 2017, the College entered into an uncommitted loan agreement with The Northern Trust Company (Bank) that expired September 2021. The agreement provided for an unsecured line of credit with maximum borrowings of \$14,000,000. This loan expired in October 2024 and was not renewed. The loan provides for an unsecured line of credit with maximum borrowings of \$10,000,000. The loan bore interest at the Secured Overnight Financing Rate, plus 1.25% (May 31, 2024 is 6.59%). The purpose of the loan was to provide bridge financing for the Science Center and Brown Hall which was funded by the receipt of pledges receivable. Outstanding borrowings as of May 31, 2025 and 2024, were \$0 and \$3,000,000, respectively. Interest expense on the line of credit was \$48,323 and \$122,210 for the years ended May 31, 2025 and 2024, respectively.

On October 28, 2024, the College entered into a loan agreement with Lake Forest Bank & Trust Co. (Wintrust Financial Corporation). The loan bears interest at the Secured Overnight Financing rate, plus 1.25% (May 31, 2025 is 5.60%). The agreement provided for an unsecured line of credit with maximum borrowings of \$10,000,000. This agreement was amended on April 30, 2025, to increase the maximum borrowings available to \$15,000,000. The College drew and repaid \$3,000,000 during fiscal year 2025. Outstanding borrowings as of May 31, 2025 were \$0. Interest expense on the line of credit was \$21,827 for the year ended May 31, 2025.

### Note 8. Bonds Payable

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

	2025	2024
Illinois Finance Authority Bonds, Series 2008, payable in annual installments beginning 2031, including variable interest (SIFMA index) (3.21% and 3.55% at May 31, 2025 and 2024, respectively) calculated weekly and paid monthly, for term bonds, due 2039.	\$ 6,000,000	\$ 6,000,000
Illinois Finance Authority Revenue Refunding Bonds, Series 2022A, payable in annual installments beginning 2023, including interest paid semi-annually, ranging from 5.00% to 5.50% for the term bonds, due 2053.	37,135,000	37,655,000
	43,135,000	43,655,000
Unamortized bond discount (2022 Bond)	(184,735)	(184,713)
Unamortized bond issuance costs	(830,862)	(866,196)
	<u>\$ 42,119,403</u>	<u>\$ 42,604,091</u>

Aggregate maturities of bonds payable as of May 31, 2025, are as follows:

Fiscal years ending May 31:	
2026	\$ 545,000
2027	575,000
2028	605,000
2029	640,000
2030	670,000
2031 and thereafter	40,100,000
	<u>\$ 43,135,000</u>



## Lake Forest College

### Notes to Financial Statements

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#### **Note 8. Bonds Payable (Continued)**

Interest on bonds payable was \$2,247,318 and \$2,306,410 for the years ended May 31, 2025 and 2024, respectively.

For the Series 2008 Bonds, the College entered into a reimbursement agreement with the Bank, which includes a letter of credit in the amount of \$6,069,041. The letter of credit expired November 2023 and was renewed at the same terms which will expire in November 2025. The College is currently in the process of renewing the letter of credit. Because the above bond issue is operating in a floating mode and is remarketed at par value weekly, its carrying value approximates fair value of the outstanding balances of the bonds. Should the agent not be able to remarket the bonds, they become demand notes under the letter of credit agreement.

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

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

Bond issuance costs consist of closing expenses paid related to the issuance of the Series 2008 and Series 2022A bonds. These costs are being amortized on a straight-line basis, which approximates the effective interest rate method, over the life of the bond. Bond issuance costs amortized for the IFA Series and 2008 and Series 2022A was \$35,313 and \$34,588 for fiscal year 2025 and 2024, respectively.

#### **Note 9. Contract Obligation to Vendor**

In 2011, the College entered into a contract that was to expire in 2025 in which the College's food service provider committed to fund the expansion of a building on the College's campus in the amount of \$4,151,000. The College recognizes revenue amortized over the life of the contract on a straight-line basis. In fiscal year 2019, the College changed food service providers. The new provider assumed the liability under a new contract and provided additional renovation funding that expires in 2030. The amounts recognized annually in 2025 and 2024 were \$564,516 and \$547,851, respectively. Contract obligation recorded on the statements of financial position as of May 31, 2025 and 2024, was \$2,479,113 and \$2,999,601, respectively.

## Lake Forest College

### Notes to Financial Statements

#### Note 10. Retirement Plan

Retirement benefits are provided for salaried and hourly employees through Teachers Insurance and Annuity Association of America (TIAA), a national organization used to fund retirement benefits for employees of educational institutions through a defined contribution plan. The College makes contributions to TIAA to purchase individual annuities equivalent to retirement benefits earned. Total contribution expense for the College during fiscal years 2025 and 2024 was \$1,653,795 and \$1,592,640, respectively.

#### Note 11. Post-Retirement and Post-Employment Benefits

The College sponsors a top hat post-retirement plan that provides medical coverage to select retired employees who have worked for the College for at least 15 years. Spouses under age 65 of eligible retirees are also eligible for medical coverage. Medical coverage terminates at age 70. In addition, the College sponsors a post-employment disability plan that provides medical coverage for all permanently disabled full-time tenured and non-tenured employees. As of May 31, 2024, there were no plan participants for the post-employment disability plan receiving benefits.

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

Net periodic benefit cost for fiscal years 2025 and 2024 included the following components:

	Retired		Disabled	
	2025	2024	2025	2024
Service cost—benefits earned during the period	\$ 52,041	\$ 50,459	\$ -	\$ -
Interest cost on accumulated benefit obligation	66,423	57,399	-	58
Recognized prior service cost	(30,627)	(30,626)	-	-
Amortization of gain	(96,963)	(102,273)	-	(4,600)
Net periodic benefit cost	<u>\$ (9,126)</u>	<u>\$ (25,041)</u>	<u>\$ -</u>	<u>\$ (4,542)</u>

Benefit costs not previously recognized as a component of the periodic benefit cost, but included as a cumulative separate charge to net assets for the years ended May 31, 2025 and 2024, are as follows:

	Retired		Disabled	
	2025	2024	2025	2024
Prior service cost	\$ (98,311)	\$ (128,938)	\$ -	\$ -
Net actuarial gain	(1,313,692)	(1,292,109)	-	-
Net amount recognized	<u>\$ (1,412,003)</u>	<u>\$ (1,421,047)</u>	<u>\$ -</u>	<u>\$ -</u>

## Lake Forest College

### Notes to Financial Statements

#### Note 11. Post-Retirement and Post-Employment Benefits (Continued)

Net changes in periodic benefit cost for fiscal years 2025 and 2024 included the following components:

	Retired		Disabled	
	2025	2024	2025	2024
Accumulated benefit obligation, beginning of year	\$ 1,324,345	\$ 1,276,505	\$ -	\$ 2,514
Service cost	52,041	50,459	-	-
Interest cost	66,423	57,399	-	58
Retiree contributions	-	650	-	-
Actuarial gain	(118,545)	(54,796)	-	(2,402)
Disbursements	(3,622)	(5,872)	-	(170)
Accumulated benefit obligation, end of year	<u>\$ 1,320,642</u>	<u>\$ 1,324,345</u>	<u>\$ -</u>	<u>\$ -</u>

Fair value of plan assets for fiscal years of 2025 and 2024 including both post-retirement and post-employment benefits:

	2025	2024
Fair value of plan assets, beginning of the year	\$ -	\$ -
College and retiree contributions	3,622	6,042
Benefits paid	(3,622)	(6,042)
Fair value of plan benefits end of year	<u>\$ -</u>	<u>\$ -</u>

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

	Retired		Disabled	
	2025	2024	2025	2024
Accumulated benefit obligation:				
Retirees	\$ 9,831	\$ 12,845	\$ -	\$ -
Active employees eligible for benefits	449,837	552,860	-	-
Active employees not yet eligible for eligible for benefits	860,974	758,640	-	-
Accrued benefit cost recognized in the statements of financial position	<u>\$ 1,320,642</u>	<u>\$ 1,324,345</u>	<u>\$ -</u>	<u>\$ -</u>

The weighted-average discount rate used in determining the accumulated post-retirement and post-employment benefit obligations was 5.27% in 2025 and 5.28% in 2024. The weighted-average discount rate for net postretirement benefit cost was 5.28% in 2025 and 4.72% in 2024.

The assumed health care cost trend rate used in measuring the accumulated post-retirement and post-employment benefit obligations was 8.0% for fiscal 2025, reduced linearly to 5.0% in fiscal 2046 and all years thereafter for pre-65 and post-65 claims.

## Lake Forest College

### Notes to Financial Statements

#### Note 11. Post-Retirement and Post-Employment Benefits (Continued)

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

	Retired	Disabled	Total
Fiscal years ending May 31:			
2026	\$ 123,334	\$ -	\$ 123,334
2027	117,013	-	117,013
2028	125,333	-	125,333
2029	122,745	-	122,745
2030	151,909	-	151,909
2031-2034	559,752	-	559,752
	<u>\$ 1,200,086</u>	<u>\$ -</u>	<u>\$ 1,200,086</u>

#### Note 12. Deferred Compensation Plan

The College has a voluntary relinquishment of tenure and employment plan, which offers a benefit to qualifying tenured faculty and administrative staff members. The deferred compensation liability as of May 31, 2025 and 2024, was approximately \$0 and \$52,500, respectively.

#### Note 13. Commitments and Contingencies

**Operating leases:** Operating leases are included in operating lease right-of-use assets and operating lease liabilities in the College's statements of financial position. The lease terms range from two to five years. The College renewed two of the operating leases during fiscal year 2025. The rental commitments for operating leases consist of lease obligations for various copiers, postage meters and vehicles. The College determines if an arrangement is a lease at inception. Rental expense for operating leases during 2025 and 2024, was approximately \$610,000 and \$340,000, respectively. The weighted-average remaining lease term is four years and two years at May 31, 2025 and 2024, respectively. The College used a weighted-average discount rate of 5.45% for 2025 and 2024, respectively.

Operating lease maturities at May 31, 2025, are as follows:

Fiscal years ending May 31:	
2026	\$ 52,960
2027	52,960
2028	48,995
2029	47,674
2030	3,974
Total lease payments	<u>206,563</u>
Less imputed interest	<u>(9,836)</u>
Total	<u>\$ 196,727</u>

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

## Lake Forest College

### Notes to Financial Statements

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#### Note 13. Commitments and Contingencies (Continued)

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

In January 2025, President Trump signed several executive orders (EOs) ordering the pause or termination of federal assistance for programs that do not align with the new administration's policies. The Administration tasked federal departments with evaluating all federal programs they administer, to determine if the funding being provided falls under any of the EOs. During the fiscal year ended May 31, 2025, the College incurred federal financial assistance expenditures of \$13,216,087, of which \$776,339 is recognized as revenue in the statement of activities and comprised .55% of total revenues. As of the date of this report, Management has not received any communications from its federal funding agencies indicating the termination of or significant decline in federal funding, however there is uncertainty surrounding future federal funding. Management is actively monitoring the situation and will continue to assess the potential effect, if any, on the College's financial statements.

#### Note 14. Related-Party Transactions

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

Second mortgages outstanding were \$306,483 and \$389,148 as of May 31, 2025 and 2024, respectively. The second mortgages are classified as part of long-term investments on the statements of financial position.

Future minimum payments are scheduled as follows:

Fiscal years ending May 31:

2026	\$	20,089
2027		19,888
2028		20,587
2029		21,178
2030		20,420
Thereafter		204,321
	\$	<u>306,483</u>

During the years ended May 31, 2025 and 2024, the College recognized revenue of approximately \$11,742,000 and \$3,023,000, respectively, in contributions from board members. At May 31, 2025 and 2024, the College's contributions receivable, net, included approximately \$622,000 and \$243,000, respectively, of amounts receivable from board members.

## Lake Forest College

### Notes to Financial Statements

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#### Note 15. Self-Insurance Plan

The College is self-insured for its employee health insurance plan. United Healthcare and BlueCross BlueShield provide administrative services and access to their provider network. The College is responsible for the funding of all claims up to \$145,000 per individual claim per policy year but has individual stop loss insurance through another firm for the expenses above that amount. A liability of \$230,427 and \$157,242 has been recorded by the College as of May 31, 2025 and 2024, respectively, to estimate the total outstanding liability for payment of claims submitted and pending on that date. Group health insurance expense, including administrative fees and stop loss insurance, for the fiscal years ended May 31, 2025 and 2024, totaled \$3,981,798 and \$3,440,056, respectively.

#### Note 16. Loans Receivable

The College makes uncollateralized loans to students based upon financial need. Amounts due under the Federal Perkins Loan program are guaranteed by the federal government. As of May 31, 2025 and 2024, the College has outstanding loans receivable, of \$220,523 and \$381,947, respectively, net of an allowance for credit losses of \$287,946. Additionally, as of May 31, 2025 and 2024, the College has certain mortgages receivable from employees included on the statement of financial position in investments, of \$306,483 and \$389,148, which represented 0.11% and 0.14% of total assets, respectively.

At May 31, 2025 and 2024, the College's financing receivables are as follows:

	2025	2024
Notes receivable:		
Federal programs	\$ 408,661	\$ 570,385
Institutional programs	99,808	99,508
Notes receivable, gross	508,469	669,893
Less allowance for credit losses	287,946	287,946
Notes receivable, net	220,523	381,947
Mortgages receivable	306,483	389,148
Total financing receivables	<u>\$ 527,006</u>	<u>\$ 771,095</u>
Beginning of year	\$ 771,095	\$ 1,006,359
Less payments on principal	243,788	229,064
Less cancellations and adjustments	301	6,200
End of year	<u>\$ 527,006</u>	<u>\$ 771,095</u>

The availability of funds for loans under the institutional program is dependent upon reimbursements to the pool through repayments of outstanding loans as of May 31, 2025 and 2024. The amount of funds in the Federal Perkins Loan program advanced by the federal government is \$408,661 and \$570,385, respectively; these are ultimately refundable to the government, and are classified as liabilities on the statements of financial position. Outstanding loans cancelled under the Federal Perkins Loan Program resulted in a reduction of funds available for loans and a decrease in the liability to the government. The College has reserved \$287,946 of institutional funds against the federal portion of loans refundable, decreasing the liability. A second loan program is funded by the Strong Foundation, and the amount outstanding and classified as a liability for that program as of May 31, 2025 and 2024, is \$99,808 and \$99,508, respectively.

## Lake Forest College

### Notes to Financial Statements

#### Note 16. Loans Receivable (Continued)

At May 31, 2025 and 2024, the following amounts were past due under the Federal Perkins Loan Program and institutional loan programs:

	1-270 Day Past Due	270 Days- 2 Years Past Due	2-5 Years Past Due	5+ Years Past Due	Total Past Due
May 31, 2025	\$ 48,999	\$ 29,604	\$ 28,238	\$ 13,712	\$ 120,553
May 31, 2024	105,188	23,323	7,181	18,400	154,092

#### Note 17. Functional Classification of Expenses

The statements of activities reports expenses according to their natural classification. These expenses are attributable to the programs and supporting functions of the College. The tables below present these expenses by their natural and functional classification for the years ended May 31, 2025 and 2024:

	2025						
	Program Activities				Supporting Services		
	Instruction and Research	Academic Support	Student Services	Auxiliary Enterprises	Management and General	Fundraising and Alumni Relations	Total Expenses
Salaries	\$ 12,826,493	\$ 2,521,067	\$ 8,788,014	\$ 18,193	\$ 5,164,994	\$ 1,161,956	\$ 30,480,717
Benefits and taxes	3,243,748	745,538	2,074,862	3,999	1,687,561	337,112	8,092,820
Occupancy and utilities	3,216,074	20,153	2,217,593	2,441,101	1,827,491	31,580	9,753,992
Depreciation	3,612,783	213,854	1,333,995	1,687,434	205,275	-	7,053,341
Interest	351,178	67,762	192,821	1,614,320	163,210	-	2,389,291
Student aid expense	-	-	99,496	-	-	-	99,496
Supplies, services and other	2,160,023	946,054	4,620,070	6,298,000	4,270,287	876,230	19,170,664
	<u>\$ 25,410,299</u>	<u>\$ 4,514,428</u>	<u>\$ 19,326,851</u>	<u>\$ 12,063,047</u>	<u>\$ 13,318,818</u>	<u>\$ 2,406,878</u>	<u>\$ 77,040,321</u>
	2024						
	Program Activities				Supporting Services		
	Instruction and Research	Academic Support	Student Services	Auxiliary Enterprises	Management and General	Fundraising and Alumni Relations	Total Expenses
Salaries	\$ 12,075,159	\$ 2,390,730	\$ 7,973,715	\$ 22,045	\$ 4,918,083	\$ 995,963	\$ 28,375,695
Benefits and taxes	3,328,631	647,924	1,876,574	3,496	1,449,446	263,228	7,569,299
Occupancy and utilities	2,904,722	19,621	2,273,461	1,956,965	1,683,623	30,737	8,869,129
Depreciation	3,111,508	673,816	1,210,963	1,613,545	549,926	-	7,159,758
Interest	377,324	68,624	203,403	1,634,874	239,864	-	2,524,089
Student aid expense	201,439	-	168,645	-	16,298	-	386,382
Supplies, services and other	1,930,981	899,642	3,576,317	6,119,564	3,654,110	613,459	16,794,073
	<u>\$ 23,929,764</u>	<u>\$ 4,700,357</u>	<u>\$ 17,283,078</u>	<u>\$ 11,350,489</u>	<u>\$ 12,511,350</u>	<u>\$ 1,903,387</u>	<u>\$ 71,678,425</u>

**Note 17. Functional Classification of Expenses (Continued)**

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

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

**Note 18. Liquidity and Availability**

The College regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The College has various sources of liquidity at its disposal, including cash, marketable debt and equity securities, and lines of credit.

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



## Lake Forest College

### Notes to Financial Statements

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#### Note 18. Liquidity and Availability (Continued)

As of May 31, 2025 and 2024, the following tables show the total financial assets held by the College and the amounts of those financial assets that could readily be made available within one year to meet general expenditures:

	2025	2024
Financial assets:		
Cash	\$ 10,459,994	\$ 1,836,714
Short-term investments	-	69,166
Student accounts receivable, net	1,721,948	1,325,738
Contributions receivable, net	1,850,068	2,165,634
Other receivables	2,853,699	1,176,527
Pending investment redemption	-	6,000,000
Long-term investments	129,801,043	117,040,042
Total	<u>\$ 146,686,752</u>	<u>\$ 129,613,821</u>
Financial assets available to meet general expenditures over the next 12 months:		
Cash	\$ 10,459,994	\$ 1,836,714
Student accounts receivable expected to be received	1,721,948	1,325,738
Contributions receivable expected to be received, excluding amounts intended for long-term purposes	1,210,720	1,017,295
Other receivables	2,853,699	1,176,527
Short-term investments	-	69,166
Approved subsequent fiscal year endowment draw	8,600,000	6,000,000
Total	<u>\$ 24,846,361</u>	<u>\$ 11,425,440</u>

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

To help maintain unanticipated liquidity needs, the College maintains a \$15,000,000 line of credit. On May 31, 2025, the College had \$15,000,000 available to draw.

On May 31, 2025, the College had \$20,068,426 of funds functioning as endowment which could be made available for operations, which includes \$1,505,550 of approved draw included in the table above.