Albion College

Independent Auditor’s Report and Consolidated Financial Statements

June 30, 2024 and 2023

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Independent Auditor's Report

Board of Directors
Albion College
Albion, Michigan

Opinion

We have audited the consolidated financial statements of Albion College (College), which comprise the consolidated statement of financial position as of June 30, 2024, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Albion College, as of June 30, 2024, 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 (GAAS). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated 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.

Emphasis of Matter

The 2023 consolidated financial statements, before they were restated for the matter discussed in Note 2, were audited by other auditors, and their report thereon, dated June 24, 2024, expressed an unmodified opinion and contained an emphasis of matter regarding the College's ability to continue as a going concern. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Consolidated 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 these consolidated financial statements are issued.

Auditor's Responsibilities for the Audit of the Consolidated 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 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 consolidated 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 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.

Forvis Mazars, LLP

Fort Wayne, Indiana
March 31, 2025

Albion College
Consolidated Statements of Financial Position
June 30, 2024 and 2023

	2024	2023 (Restated - Note 2)
ASSETS		
Cash and cash equivalents	$ 928,792	$ 507,184
Restricted cash related to unspent bond proceeds	5,165,374	6,018,309
Investment income receivable	412,167	35,833
Accounts receivable, net	5,021,225	5,044,008
Prepaid expenses, deposits, and other assets	1,431,717	982,721
Investments	144,138,966	149,894,316
Student loans receivable	-	1,451,549
Contributions receivable	982,006	859,064
Cash surrender value of life insurance	199,988	516,281
Property and equipment, net	100,794,289	105,242,409
Interest in remainder and perpetual trusts held by others	2,074,632	1,994,921
Deferred pension costs	-	2,215,282
Total assets	$ 261,149,156	$ 274,761,877
LIABILITIES		
Bank line of credit	$ 9,000,000	$ 9,000,000
Accounts payable and accrued expenses	4,470,042	2,044,154
Acrued compensation and benefits	2,040,402	2,230,805
Refundable student and other deposits	458,978	394,684
Deferred revenue	313,125	551,134
Annuities and other split-interest obligations	1,126,500	1,697,200
Long-term debt and lease obligations	62,129,990	63,206,134
Refundable Perkins Loan Program advances	-	1,355,899
Total liabilities	79,539,037	80,480,010
NET ASSETS		
Without donor restrictions	28,954,736	45,273,921
With donor restrictions	152,655,383	149,007,946
Total net assets	181,610,119	194,281,867
Total liabilities and net assets	$ 261,149,156	$ 274,761,877

Albion College
Consolidated Statement of Activities
Year Ended June 30, 2024

	2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Gains and Other Support			
Tuition and fees, net	$ 16,182,834	$ -	$ 16,182,834
Auxiliary enterprises - room and board	14,546,572	-	14,546,572
Private gifts and grants of financial assets	1,537,818	4,588,039	6,125,857
Government appropriations and grants	837,763	-	837,763
Endowment Income			
Quasi endowment liquidation and payout	-	-	-
Other endowment income	3,306,535	-	3,306,535
Other investment income and gains	340,878	-	340,878
Sales and servies of other auxiliary enterprises	552,776	-	552,776
Other sources	736,184	-	736,184
	38,041,360	4,588,039	42,629,399
Release of undistributed endowment earnings for operations	9,223,392	(9,223,392)	-
Net assets released from restrictions	2,101,891	(2,101,891)	-
Total revenue, gains and other support and net assets released from restrictions	49,366,643	(6,737,244)	42,629,399
Expenses			
Instruction	26,450,532	-	26,450,532
Academic support and sponsored programs	1,824,524	-	1,824,524
Institutional support	12,146,758	-	12,146,758
Student services	14,513,795	-	14,513,795
Auxiliary enterprises	11,113,405	-	11,113,405
	66,049,014	-	66,049,014
Other Activities			
Loss on disposals of property and equipment	(726,208)	-	(726,208)
Net loss from for profit partnerships	(430,391)	-	(430,391)
Net gain on investments	10,479	10,147,906	10,158,385
Change in value of interests in remainder and perpetual trusts held by others	-	79,711	79,711
Change in value of annuities and other split-interest obligations	570,700	157,064	727,764
Amortization of bond premium	402,116	-	402,116
Other loss	(385,132)	-	(385,132)
Pension-related changes other than net periodic pension cost	921,622	-	921,622
Total other activities	363,186	10,384,681	10,747,867
Change in Net Assets	(16,319,185)	3,647,437	(12,671,748)
Net Assets, Beginning of Year	45,273,921	149,007,946	194,281,867
Net Assets, End of Year	$ 28,954,736	$ 152,655,383	$ 181,610,119

Albion College
Consolidated Statement of Activities
Year Ended June 30, 2023

	2023 (Restated - Note 2)		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**
Revenue, Gains and Other Support			
Tuition and fees, net	$ 18,373,079	$ -	$ 18,373,079
Auxiliary enterprises - room and board	15,321,963	-	15,321,963
Private gifts and grants of financial assets	2,645,007	2,579,202	5,224,209
Government appropriations and grants	1,031,126	-	1,031,126
Endowment Income			
Quasi endowment liquidation and payout	6,406,117		6,406,117
Other endowment income	3,882,580	-	3,882,580
Other investment income and gains	281,409	-	281,409
Sales and servies of other auxiliary enterprises	823,112	-	823,112
Other sources	309,940	-	309,940
	49,074,333	2,579,202	51,653,535
Release of undistributed endowment earnings for operations	8,012,955	(8,012,955)	
Net assets released from restrictions	544,170	(544,170)	-
Total revenue, gains and other support and net assets released from restrictions	57,631,458	(5,977,923)	51,653,535
Expenses			
Instruction	25,212,919	-	25,212,919
Academic support and sponsored programs	2,242,812	-	2,242,812
Institutional support	12,633,653	-	12,633,653
Student services	15,391,895	-	15,391,895
Auxiliary enterprises	9,582,969	-	9,582,969
	65,064,248	-	65,064,248
Other Activities			
Loss on disposals of property and equipment	(70,713)	-	(70,713)
Net loss from for profit partnerships	(1,390,428)	-	(1,390,428)
Net loss on investments	(5,322,918)	(1,520,956)	(6,843,874)
Change in value of interests in remainder and perpetual trusts held by others	70,551	-	70,551
Change in value of annuities and other split-interest obligations	-	119,825	119,825
Net assets reclassified to True Endowments	(3,857,505)	3,857,505	-
Amortization of bond premium	270,221	-	270,221
Pension-related changes other than net periodic pension cost	280,263	-	280,263
Total other activities	(10,020,529)	2,456,374	(7,564,155)
Change in Net Assets	(17,453,319)	(3,521,549)	(20,974,868)
Net Assets, Beginning of Year, as Previously Stated	43,835,117	171,421,618	215,256,735
Restatement (Note 2)	18,892,123	(18,892,123)	-
Net Assets, Beginning of Year, Restated	62,727,240	152,529,495	215,256,735
Net Assets, End of Year	$ 45,273,921	$ 149,007,946	$ 194,281,867

Albion College
Consolidated Statements of Cash Flows
Years Ended June 30, 2024 and 2023

	2024	2023
Cash Flows from Operating Activities		
Change in net assets	$ (12,671,748)	$ (20,974,868)
Adjustments to reconcile changes in net assets to net cash from operating activities:		
Depreciation and amortization	4,883,495	5,520,542
Loss on disposals of property and equipment	726,208	70,713
Amortization of bond premium	(402,116)	(270,220)
Write-off of contributions receivable	-	202,875
Net investment gain	(10,238,096)	(4,260,562)
Noncash operating gifts received	-	(157,517)
Noncash endowment gifts received	-	(10,019)
Loss on Perkins close out	385,132	-
Change in value of annuities and other split-interest obligations	(727,764)	(74,125)
Change in value of interests in remainder and perpetual trusts held by others	(79,711)	(115,751)
Donations received restricted for long-term investment	(2,456,034)	(2,579,202)
Changes in		
Investment income receivable	(376,334)	171,395
Accounts receivable	22,783	381,599
Prepaid expenses, deferred charges, deposits, and inventories	(448,996)	350,996
Contributions receivable	(122,942)	2,145,251
Accounts payable and accrued expenses	2,425,888	(2,058,018)
Accrued compensation, benefits, and pension costs	2,024,879	(169,307)
Refundable student and other deposits	64,294	12,891
Lease liabilities	(286,678)	-
Deferred revenue	(238,009)	267,172
Net cash used in operating activities	(17,515,749)	(21,546,155)
Cash Flows from Investing Activities		
Proceeds from sales and maturiies of investments	31,390,638	31,722,829
Purchases of investments	(15,240,128)	(11,662,910)
Purchases of property and equipment	(1,549,110)	(4,780,705)
Proceeds from the sale of property and equipment	387,527	426,167
Collections on student loans	53,176	298,872
Cash surrender value of life insurance	316,293	(3,753)
Income allocated to pooled annuity, life income, and other split-interest obligations	-	350,226
Net cash provided by investing activities	15,358,396	16,350,726
Cash Flows from Financing Activities		
Contributions received for long term investments	2,456,034	2,579,202
Change in value of line of credit agreements	-	(90,445)
Principal payments on debt	(387,350)	(1,838,256)
Proceeds from issuance of debt	-	1,509,509
Payments on line of credit	(2,500,000)	-
Borrowings on line of credit	2,500,000	-
Perkins Loan program returned to federal government	(342,658)	(408,431)
Payments on annuities, life income gifts, and other split-interest obligations	-	(350,225)
Net cash provided by financing activities	1,726,026	1,401,354
Net Decrease in Cash, Cash Equivalents, and Restricted Cash	(431,327)	(3,794,075)
Cash, Cash Equivalents, and Restricted Cash, Beginning of Year	6,525,493	10,319,568

	2024	2023
Cash, Cash Equivalents, and Restricted Cash		
Cash and cash equivalents	$ 928,792	$ 507,184
Restricted cash related to unspent bond proceeds	5,165,374	6,018,309
Cash, Cash Equivalents, and Restricted Cash, End of Year	$ 6,094,166	$ 6,525,493
Supplemental Cash Flows Information		
Interest paid	$ 2,872,990	$ 2,993,790

Note 1. Nature of Entity and Summary of Significant Accounting Policies

Nature of Operations

Albion College (the "College") is a Michigan nonprofit, nonstock educational corporation that operates a private, selective, co-educational, residential institution of higher education historically related to the United Methodist Church. The College is accredited by the Higher Learning Commission of the North Central Association of Colleges and Schools. The College essentially offers academic courses and programs leading primarily to a bachelor's degree (liberal arts, sciences, and preprofessional curricula) at its 475-acre campus located in Albion, Michigan. Students are drawn principally from Michigan and nearby Midwestern states. Approximately 1,300 full-time equivalent students were enrolled during the most recent regular academic year.

Auxiliary enterprises include the operation of student dormitories and dining halls, summer conference programs, and other miscellaneous student facilities.

The College is governed by a 26-member board of trustees, which is led by a nine-member executive committee. An annual election of trustees is held and trustees generally serve at least one term of three years.

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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Principles of Consolidation

The consolidated financial statements include the accounts of the College, and include the following related entities:

Colchester Properties, Inc. - The College controls and maintains an economic interest in Colchester Properties, Inc. ("Colchester"), a not-for-profit corporation exempt from income taxes pursuant to Section 501(c)(2) of the Internal Revenue Code. The purpose of Colchester is to own, manage, and operate the College's rental real estate properties, which include residential structures and unused lots, for the benefit of Albion College. The operations and assets of Colchester, which are not significant, are included in the accompanying consolidated financial statements.

Briton Investments, LLC - The College wholly owns Briton Investments, LLC ("Investments"), a limited liability company. The major asset of Investments is 219 acres of farmland located adjacent to College property. Investments owns all of the issued and outstanding shares of common stock of Briton Acres, Inc. ("Acres"). Acres leases the farmland from Investments for the purpose of actively farming the land. Because the assets and operations of Acres from the date of its acquisition are not significant, the College accounts for its holdings in Briton Investments, LLC as an investment, at cost, in these financial statements.

Downtown Albion Hotel Partnership, LLC - A for-profit partnership, where profits and losses are passed to its partners. The College maintained an investment in Downtown Albion Hotel, LLC, which was recorded as an equity method investment until March 2022, when the College was gifted an additional 13% of the partnership share and then held a controlling interest in the Partnership. At that time, the College consolidated the partnership financial information from December 31, 2021 into the College's financial statements for Fiscal Year 2022. In December of 2022, the College purchased a 28% share from SSP associates and in April of 2023, the College purchased the final 14% from the Brittan Hospitality Group who was the managing partner of the hotel. The College is reporting 18 months of activity in the June 30, 2023 financial statements, which includes a six-month catchup from January 1, 2022 to June 30, 2022 that were not previously consolidated. The Hotel is now managed by Prominence Hospitality

Group who purchased a 10% share from the College. The College marked the assets and liabilities to fair value (assets of approximately $9.6 million and liabilities of approximately $9.8 million) upon the change of control event. The non-controlling interest is not significant. The operations of Downtown Albion Hotel, LLC, which are not significant, are included in the accompanying financial statements. All material transactions among the College and LLC have been eliminated.

WG Construction, LLC - A for-profit partnership, where profits and losses are passed to its partners. During fiscal year 2022, the College formed WG Construction LLC. That LLC then purchased certain assets of Diemert Construction, LLC. The LLC is a for-profit partnership entity. The College is reporting 18 months of activity in the June 30, 2023 financial statements, which includes a six-month catchup from January 1, 2022 to June 30, 2022 that were not previously consolidated. The operations and assets of WG Construction, which are not significant, are included in the accompanying financial statements. All material transactions among the College and LLC have been eliminated.

Cash, Cash Equivalents and Restricted Cash

The College considers all liquid investments with original maturities of three months or less to be cash equivalents. Uninvested cash and cash equivalents included in investment accounts, including endowment accounts and assets limited as to use, are not considered to be cash and cash equivalents. At June 30, 2024 and 2023, cash equivalents consisted primarily of money market accounts.

At June 30, 2024, the College's cash accounts exceeded federally insured limits by approximately $6,470,000.

Accounts Receivable

Accounts include student accounts and other receivables. Student accounts receivable represent amounts due for tuition, fees, and room and board from currently enrolled and former students, and are stated at the amount of consideration from students of which the College has an unconditional right to receive. The College extends unsecured credit to students and parents of dependent students in connection with their studies. Management provides for an allowance for credit losses, which is based upon a review of outstanding receivables, historical collection information, and existing economic conditions adjusted for reasonable and supportable forecasts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the allowance for credit losses and a credit to accounts receivable.

Student Loans Receivable

Student loans receivable were carried at unpaid principal balances less an allowance for credit losses. The allowance for credit losses was increased by charges to refundable Perkins Loan Program advances and decreased by charge-offs, which also reduces the corresponding liabilities. The College had recorded an allowance for uncollectible loans for $268,000 as of June 30, 2023.

The Federal Perkins Loan Program expired during 2018 and no new loans were issued under the program since that time. In 2024, the College liquidated its Perkins portfolio, and therefore the recorded balance is zero at June 30, 2024.

Refundable Advances for Perkins Loan Program

Funds provided by the United States government pursuant to the Perkins Loan Program were loaned to qualified students and prior to expiring in 2018 the funds were re-loaned upon collection. In 2024, the College liquidated its Perkins portfolio and returned all required funds to the federal government.

Investments

Investments in equity securities having a readily determinable fair value and all debt securities are carried at fair value. Investments in real estate are carried at fair value. Investments in limited partnerships and marketable alternatives are carried at net asset value (NAV), as a practical expedient, to determine fair value of the investments. Investment return includes dividend, interest, and other investment income; and realized and unrealized gains and losses on investments carried at fair value, less external and direct internal investment expenses.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in net assets without donor restrictions. Other investment return is reflected in the statements of activities as without or with donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.

The College maintains pooled investment accounts for its endowments. Investment income and realized and unrealized gains and losses from securities in the pooled investment accounts are allocated to the individual endowments based on the relationship of the fair value of the interest of each endowment to the total fair value of the pooled investments accounts, as adjusted for additions to or deductions from those accounts.

Property and Equipment

Property and equipment acquisitions over $1,000 are stated at cost, less accumulated depreciation. Depreciation is charged to expense on the straight-line basis over the estimated useful life of each asset.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Buildings, residences, and other structures	25-50 years
Campus improvements and renovations	15-40 years
Equipment and furnishings	5-10 years
Intangible assets	15 years

Long-Lived Asset Impairment

The College evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds it fair value.

No asset impairment was recognized during the years ended June 30, 2024 and 2023.

Right-of-Use (ROU) Assets and Lease Liabilities

The College determines if an arrangement is a lease or contains a lease at inception. Leases result in the recognition of ROU assets and lease liabilities on the statements of financial position. ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis. The College determines lease classification as operating or finance at the lease commencement date.

The College combines lease and nonlease components, such as common area and other maintenance costs, in calculating the ROU assets and lease liabilities for its office buildings and employee vehicles.

At lease commencement, the lease liability is measured at the present value of the lease payments over the lease term. The ROU asset equals the lease liability adjusted for any initial direct costs, prepaid or deferred rent and lease incentives. The College has made a policy election to use a risk-free rate (the rate of a zero-coupon U.S. Treasury instrument) for the initial and subsequent measurement of all lease liabilities. The risk-free rate is determined using a period comparable with the lease term. ROU assets totaled $580,994 and $930,505 at June 30, 2024 and 2023, respectively, and are included within property and equipment on the corresponding statements of financial position.

The lease term may include options to extend or to terminate the lease that the College is reasonably certain to exercise. Lease expense is generally recognized on a straight-line basis over the lease term.

The College has elected not to record leases with an initial term of 12 months or less on the statements of financial position. Lease expense on such leases is recognized on a straight-line basis over the lease term.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor restrictions.

Net assets without donor restrictions are available for use in general operations and not subject to donor restrictions.

Net assets with donor restrictions are subject to donor restrictions. Some restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Tuition and Auxiliary Services Revenue

Tuition revenue is recognized over the term of the semester as the College provides services to students. Revenue is reported at the amount of consideration which the College expects to be entitled in exchange for providing tuition and auxiliary services. The College determines the transaction price based on standard charges for goods and services provided, reduced by discounts provided for scholarships and other price concessions provided to students. See Note 20 for further details.

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the notes to the financial statements. The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses required allocation on a reasonable basis that is consistently applied. The College allocates facilities operations and plant fund maintenance expenses to instruction, academic support, institutional support, student services, and auxiliary as a proportion of these function’s operating expenses as a whole. Facilities operations includes the daily management and operation costs of the campus facilities and the plant maintenance includes minor and major renovations of the campus facilities that are not undertaken on an annual basis. Facilities operations and plant fund maintenance costs have been allocated between the various programs and support services based on their proportionate share of operating expenditures, which includes estimates, as determined by management.

Tax Status

The College is recognized as an organization exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (the “Code”), whereby only unrelated business income, as defined by Section 512(a)(1) of the Code, is subject to federal income tax.

Contributions

Contributions are provided to the College either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions. The value recorded for each contribution is recognized as follows:

Nature of the Gift	Value Recognized
Conditional gifts, with or without restriction	
Gifts that depend on the College overcoming a donor-imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, *i.e.,* the donor-imposed barrier is met
Unconditional gifts, with or without restriction	
Received at date of gift – cash and other assets	Fair value
Received at date of gift – property, equipment, and long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present-value discount is amortized using the level-yield method.

When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment, and other long-lived assets are reported when those assets are placed in service.

Gifts and investment income that are originally restricted by the donor and for which the restriction is met in the same time period are recorded as revenue and net assets without donor restrictions.

Conditional contributions having donor stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets without donor restrictions.

Fair Value Option

The College has elected the fair value option election with respect to contributions receivable and liabilities on annuity contracts and trusts. Management made the election for the fair value option in order for the College to provide an accurate portrayal with regard to the contributions receivable, which would result in these balances being shown net of both an allowance for uncollectible contributions and a discount, due to the length of time involved with some of the pledges. The fair value of contributions receivable is estimated by discounting expected cash inflows and outflows to their present value using appropriate rates with risk of realizing such cash inflows and outflows. Similarly, the fair value of liabilities on annuity contracts and trusts is estimated by discounting expected cash inflows and outflows to their present value using appropriate rates of risk, along with consideration of the actuarial estimate of life expectancy of related beneficiaries.

Government Grants

Support funded by grants is recognized as the College meets the conditions prescribed by the grant agreement, performs the contracted services or incurs outlays eligible for reimbursement under the grant agreements. Grant activities and outlays are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

Reclassifications

Certain reclassifications have been made to the 2023 financial statements to conform to the 2024 financial statement presentation. These reclassifications had no effect on the changes in net assets.

Revisions

Certain immaterial revisions have been made to the 2023 statement of financial position related to the presentation of the College's operating lease liabilities. These revisions did not have a significant impact on the financial statement line items impacted and had no impact on the change in net assets for 2023.

Subsequent Events

Subsequent events have been evaluated through March 31, 2025, which is the date the financial statements were issued.

Note 2. Restatement

The College's consolidated financial statements were restated due to certain balances that were previously classified as donor restricted endowments in error. In the current year, the College reviewed the accounting for certain historical transactions that had previously been recorded within the College's donor-restricted endowment. It was determined that these transactions should have been recorded either as net assets without donor restrictions at inception, or first as donor-restricted net assets until the donor's intent had been met and then released. These balances were endowed in error, and therefore the initial gift, along with any accumulated earnings as applicable, were restated to net assets without donor restrictions.

The following financial statement line items were affected by the restatement:

	As Previously Reported June 30, 2023	As Restated June 30, 2023	Effect of Change
Net assets without donor restrictions, beginning of year	$ 43,835,117	$ 62,727,240	$ 18,892,123
Net assets with donor restrictions, beginning of year	171,421,618	152,529,495	(18,892,123)
Net loss on investments, without donor restrictions	(4,576,449)	(5,322,918)	(746,469)
Net loss on investments, with donor restrictions	(2,267,425)	(1,520,956)	746,469
Change in net assets, without donor restrictions	(16,706,850)	(17,453,319)	(746,469)
Change in net assets, with donor restrictions	(4,268,018)	(3,521,549)	746,469
Net assets without donor restrictions, end of year	27,128,267	45,273,921	18,145,654
Net assets with donor restrictions, end of year	167,153,600	149,007,946	(18,145,654)

Note 3. Liquidity and Availability

The College's financial assets available within one year of the statement of financial position date for general expenditure are as follows:

	2024	2023
Total Assets at year-end	$ 261,149,156	$ 274,761,877
Less: Fixed and non-financial assets	(102,226,006)	(109,317,890)
Financial assets at year-end	158,923,150	165,443,987
Less those unavailable for general expenditures within one year due to contractual or donor-imposed restrictions:		
Restricted by donor with time or purpose restrictions	(14,280,896)	(10,015,358)
Subject to appropriation and satisfaction of donor restrictions	(122,903,013)	(128,761,621)
Any other contractual or donor-imposed restrictions	(5,165,374)	(10,733,398)
Financial assets available to meet cash needs for general expenditures within one year	$ 16,573,867	$ 15,933,610

The College has a goal to maintain financial assets, which consist of cash and short-term investments, on hand to meet 90 days of normal operating expenses, which are, on average, approximately $16,500,000. The College has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the College invests cash in excess of daily requirements in short-term investments, including certificates of deposit and short-term treasury instruments. The College also realizes there could be unanticipated liquidity needs. The College has a committed line of credit in the amount of $9,000,000 that has current availability of $0. A $600,000 line of credit matured in August 2023 and was not extended. The College has policies in place for the circumstances under which it will draw on this line of credit. Those circumstances are when the College experiences significant fall off in student receipts as program revenue collection is cyclical with concentrations in August and January, the lines may be utilized over a short term.

The College is supported by restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the College must maintain sufficient resources to meet those responsibilities to its donors.

The College's endowment funds consist of donor-restricted endowments and quasi-endowments of $140,913,085 and $143,687,796 at June 30, 2024 and 2023, respectively. Income from donor-restricted endowments is restricted for specific purposes and, therefore, is not available for general expenditure. As described in Note 17, the endowment has a spending rate of 5 percent, but the College anticipates an additional 2.5 percent board approved draw for appropriation in the year ending June, 30, 2025 of $12,856,000. The table above includes the expected endowment draw in resources available for general expenditure within one year.

In addition, although the College does not intend to spend from its quasi-endowment other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation process, amounts from its quasi-endowment could be made available if necessary.

Note 4. Accounts Receivable

Accounts Receivable consist of the following:

	2024	2023
Student	$ 5,571,034	$ 5,039,418
Related parties	267,296	383,598
Government grants	185,584	409,402
Other	361,311	506,590
	6,385,225	6,339,008
Less allowance for credit losses	(1,364,000)	(1,295,000)
Total accounts receivable, net	$ 5,021,225	$ 5,044,008

Note 5. Investments

Investments stated at fair value at June 30, 2024 and 2023 include the following:

	2024	2023
Money market accounts	$ 14,448,438	$ 5,493,064
Global multi-asset equity	51,845,945	59,894,892
Commodities	5,832,651	5,939,624
Fixed income/credit	10,386,762	11,064,789
Marketable alternatives	27,515,981	32,290,149
Partnerships	30,837,116	31,593,996
Real estate	3,272,073	3,617,802
Total investments	$ 144,138,966	$ 149,894,316

The following schedule summarizes total investment return and its classification in the accompanying statements of activities for the years ended June 30, 2024 and 2023.

	2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Dividends and interest	$ 3,647,414	$ -	$ 3,647,414
Net realized gains	-	2,393,965	2,393,965
Net unrealized gains	10,478	7,833,652	7,844,130
Total return on investments, net of advisory and custodial fees	3,657,892	10,227,617	13,885,509
Operational investment income	340,878	-	340,878
Change in perpetual and charitable trusts	-	79,711	79,711
Investment return designated for current operations	3,306,535	-	3,306,535
Return on investments designated for current operations	3,647,413	79,711	3,727,124
Investment gain, excluding amounts designated for current operations	$ 10,479	$ 10,147,906	$ 10,158,385

	2023 (Restated - Note 2)		
	Without Donor Restrictions	With Donor Restrictions	Total
Dividends and interest	$ 4,163,989	$ -	$ 4,163,989
Net realized gains	1,429,984	-	1,429,984
Net unrealized losses	(276,234)	(1,520,956)	(1,797,190)
Total return (loss) on investments, net of advisory and custodial fees	5,317,739	(1,520,956)	3,796,783
Operational investment income	281,409	-	281,409
Change in perpetual and charitable trusts	70,551	-	70,551
Investment return designated for current operations	10,288,697	-	10,288,697
Return on investments designated for current operations	10,640,657	-	10,640,657
Investment loss, excluding amounts designated for current operations	$ (5,322,918)	$ (1,520,956)	$ (6,843,874)

Note 6. Disclosures About Fair Value of Assets and Liabilities

Fair value is 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. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities

Level 2 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 for substantially the full term of the assets or liabilities

Level 3 Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

Recurring Measurements

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2024 and 2023:

		Fair Value Measurements Using			
	Total Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Investments Measured at NAV (A)
June 30, 2024					
Assets					
Investments					
Money market funds	$ 14,448,438	$ 980,814	$ 13,467,624	$ -	$ -
Global multi-asset equity	51,845,945	51,845,945	-	-	-
Commodities	5,832,651	5,832,651	-	-	-
Fixed income/credit	10,386,762	463,598	9,923,164	-	-
Marketable alternatives	27,515,981	-	-	-	27,515,981
Partnerships	30,837,116	-	-	-	30,837,116
Real estate	3,272,073	-	-	3,272,073	-
Total investments	$ 144,138,966	$ 59,123,008	$ 23,390,788	$ 3,272,073	$ 58,353,097
Interest in remainder and perpetual trusts held by others	2,074,632	-	-	2,074,632	-
Contributions receivable, net	982,006	-	-	982,006	-
Total assets	147,195,604	59,123,008	23,390,788	6,328,711	58,353,097
Liabilities					
Annuities and other split-interest agreements	(1,126,500)	-	-	(1,126,500)	-
Total liabilities	$ (1,126,500)	$ -	$ -	$ (1,126,500)	$ -

		Fair Value Measurements Using			
	Total Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Investments Measured at NAV (A)
June 30, 2023					
Assets					
Investments					
Money market funds	$ 5,493,064	$ 619,861	$ 4,873,203	$ -	$ -
Global multi-asset equity	59,894,892	59,894,892	-	-	-
Commodities	5,939,624	5,939,624	-	-	-
Fixed income/credit	11,064,789	639,175	10,425,614	-	-
Marketable alternatives	32,290,149	-	-	-	32,290,149
Partnerships	31,593,996	-	-	-	31,593,996
Real estate	3,617,802	-	-	3,617,802	-
Total investments	$ 149,894,316	$ 67,093,552	$ 15,298,817	$ 3,617,802	$ 63,884,145
Interest in remainder and perpetual trusts held by others	1,994,921	-	-	1,994,921	-
Contributions receivable, net	859,064	-	-	859,064	-
Total assets	152,748,301	67,093,552	15,298,817	6,471,787	63,884,145
Liabilities					
Annuities and other split-interest agreements	(1,697,200)	-	-	(1,697,200)	-
Total liabilities	$ (1,697,200)	$ -	$ -	$ (1,697,200)	$ -

(A) Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts included above are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of financial position.

Following is a description of the valuation methodologies and inputs used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying statements of financial position, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended June 30, 2024. For assets classified within Level 3 of the fair value hierarchy, the process used to develop the reported fair value is described below.

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. See the table below for inputs and valuation techniques used for Level 3 securities.

Alternative Investments

Investments in certain entities measured at fair value using the net asset value per share as a practical expedient consist of the following:

	2024			
	Fair Value	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
Private Equity Partners (a)	$ 14,052,516	$ 2,404,918	Ineligible	N/A
International Private Equity Partners (b)	2,823,664	447,750	Ineligible	N/A
Venture Partners (c)	13,525,693	639,476	Ineligible	N/A
Natural Resources (d)	390,338	58,500	Ineligible	N/A
Distressed Debt (e)	44,905	1,222,400	Ineligible	N/A
Marketable Alternatives (f)	27,515,981	-	No restrictions	N/A
Total	$ 58,353,097	$ 4,773,044		

	2023			
	Fair Value	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
Private Equity Partners (a)	$ 14,107,643	$ 2,408,668	Ineligible	N/A
International Private Equity Partners (b)	3,106,387	674,938	Ineligible	N/A
Venture Partners (c)	13,664,642	729,476	Ineligible	N/A
Natural Resources (d)	548,441	73,500	Ineligible	N/A
Distressed Debt (e)	166,883	1,222,400	Ineligible	N/A
Marketable Alternatives (f)	32,290,149	-	No restrictions	N/A
Total	$ 63,884,145	$ 5,108,982		

(A) Private Equity Partners - This strategy involves making investments through limited partnership structures and is illiquid in nature. Investments are typically made in unlisted companies (companies not traded on public exchanges) or, in some cases, listed companies are purchased and taken private. Private equity encompasses a broad array of strategies and securities. Buyout, growth equity, and venture capital strategies purchase equity in private companies at different stages of the company's life cycle. Other strategies, such as mezzanine or special situations, will invest in debt, preferred equity, or other parts of a company's capital structure. Investments may be in any sector of the economy or geography in the United States, though funds will typically specialize in specific industries and regions.

(B) International Private Equity Partners - This strategy involves making investments through limited partnership structures and is illiquid in nature. Investments are typically made in unlisted companies (companies not traded on public exchanges) or, in some cases, listed companies are purchased and taken private. Private equity encompasses a broad array of strategies and securities. Buyout, growth equity, and venture capital strategies purchase equity in private companies at different stages of the company's life cycle. Other strategies, such as mezzanine or special situations, will invest in debt, preferred equity, or other parts of a company's capital structure. Investments may be in any sector of the economy or geography worldwide, though funds will typically specialize in specific industries and regions.

(C) Venture Partners - This strategy involves making investments through limited partnership structures and is illiquid in nature. Investments are typically made in venture capital investments primarily in emerging growth companies with the objective of obtaining long-term growth of capital. Investments may be in any sector of the economy or geography worldwide, though most funds will be in the United States.

(D) Natural Resources - This strategy involves generating returns predominately through the identification of undervalued or mispriced assets or companies engaged in the exploration, production, transportation, or related services in natural resources, such as oil, natural gas, timber, land, minerals, or precious metals, etc. Investments would be expected to be made through either public or private equity securities, convertible notes or warrants, or other acquired or originated debt securities. The exposure within this asset class would be expected to be predominately long-only exposure and will generally be maintaining a long exposure to companies or assets engaged in the basic materials sector. Additionally, it is not expected that these assets would be held as marketable securities with an active or easily identifiable market; however, the asset class overall would be expected to generate some level of current income. This exposure is obtained primarily through investments in long-dated limited partnership vehicles and is considered illiquid.

(E) Distressed Debt - This strategy involves generating returns predominately through exposure to a broad group of talented distressed debt managers and a variety of distressed debt investment strategies. This is supposed to lead to superior risk-adjusted returns. Investments may be in any sector of the economy or geography worldwide, though funds will typically be specialized in specific industries and regions.

(F) Marketable Alternatives - This strategy involves diversification of hedge funds with a specified group of fund managers. These funds are either equity-oriented, fixed-income oriented, or a combination of both. An example of an equity-oriented strategy would be either long-short on stock positions or event driven activities such as mergers, corporate takeovers, or an arbitrage specific to a merger. An example of a fixed-income strategy would be taking a long-short position on bonds or in the credit market, such as distressed debt.

Interest in Remainder and Perpetual Trusts Held by Others

Assets held within these trusts are all Level 1 and Level 2 investments. However, due to the nature of the instrument being the College's share of the trust assets as a beneficiary of future distributions, the College has classified as Level 3.

Contributions Receivable

Contributions receivable characterized as Level 3 assets consist primarily of donors' unconditional promises to give assets to Albion College. The College estimates the fair value of these contributions based upon the present value of the expected future cash flows using management's best estimates of key assumptions, including collectability, payment periods, and a discount rate commensurate with the current market and other risks involved.

Annuities and Other Split-Interest Agreements

Liabilities on annuities and other split-interest agreements characterized as Level 3 liabilities consist primarily of charitable gift annuity agreements. The College estimates the fair value of these contributions based upon the present value of the expected future cash flows using management's best estimates of key assumptions, including life expectancies of annuitants, payment periods, and a discount rate commensurate with the current market and other risks involves.

Level 3 Reconciliation

The following is a reconciliation of the beginning and ending balances of recurring fair value measurements recognized in the accompanying statements of financial position using significant unobservable (Level 3) inputs:

	Investments in Real Estate	Contributions Receivable	Beneficial Interest in Trusts	Annuities and Other Split-Interest Agreements
Balance, July 1, 2022	$ 4,653,753	$ 3,216,493	$ 1,924,370	$ (1,816,525)
Gross sales and maturities	-	(2,357,429)	(43,797)	-
Total realized and unrealized gains (losses) included in change in net assets	(1,036,051)	-	114,348	119,325
Balance, June 30, 2023	3,617,702	859,064	1,994,921	(1,697,200)
Contributions received	-	100,000	-	-
Other adjustments	-	22,942	-	-
Total realized and unrealized gains (losses) included in change in net assets	(345,629)	-	79,711	570,700
Balance, June 30, 2024	$ 3,272,073	$ 982,006	$ 2,074,632	$ (1,126,500)
Total gains (losses) for the period included in change in net assets attributable to the change in unrealized gains related to assets still held at the reporting date				
June 30, 2024	$ (345,629)	$ -	$ 79,711	$ 570,700
June 30, 2023	$ (1,036,051)	$ -	$ 114,348	$ 119,325

Unobservable (Level 3) Inputs

The following tables present quantitative information about unobservable inputs used in recurring Level 3 fair value measurements at June 30, 2024 and 2023.

	Fair Value at June 30, 2024	Valuation Technique	Unobservable Inputs	Range
Investments - real estate	$ 3,272,073	Market comparables	Third-party appraisals	N/A
Contributions receivable	982,006	Discounted cash flows	Probability of default	4.750%
Beneficial interest in trusts	2,074,632	Market comparables	Market value of trust assets and beneficiary percentage	N/A
Annuities and other split-interest agreements	(1,126,500)	Discounted cash flows	Long-term investment pool rates	7.00%
		Mortality tables	Life expectancy of beneficiaries	2.0 - 15.0 years

	Fair Value at June 30, 2023	Valuation Technique	Unobservable Inputs	Range
Investments - real estate	$ 3,617,802	Market comparables	Third-party appraisals	N/A
Contributions receivable	859,064	Discounted cash flows	Probability of default	3.819%
Beneficial interest in trusts	1,994,921	Market comparables	Market value of trust assets and beneficiary percentage	N/A
Annuities and other split-interest agreements	(1,697,200)	Discounted cash flows	Long-term investment pool rates	6.00%
		Mortality tables	Life expectancy of beneficiaries	2.0 - 17.4 years

Note 7. Contributions Receivable

Contributions receivable as of June 30, 2024 and 2023, consisted of the following:

	2024	2023
Due within one year	$ 1,000,859	$ 464,024
Due in one to five years	100,000	513,893
	1,100,859	977,917
Less allowance and unamoritzed discount	(118,853)	(118,853)
Total	$ 982,006	$ 859,064

Discount rates were 4.75% and 3.82% at June 30, 2024 and 2023, respectively.

Note 8. Property and Equipment

The College's property and equipment are summarized as follows:

	2024	2023
Land	$ 4,661,973	$ 4,784,841
Buildings, residences, and other structures	139,151,720	140,500,436
Campus improvements and renovations	58,951,056	57,597,199
Equipment and furnishings	36,496,382	34,935,753
Intangible assets	362,095	362,095
	239,623,226	238,180,324
Less accumulated depreciation	(138,828,937)	(132,937,915)
	$ 100,794,289	$ 105,242,409

Note 9. Liabilities on Annuity Contracts, Interest in Trusts Held by Others

The College maintains certain annuity and life income agreements which require payments during the life of the annuitant or beneficiary at various rates up to 19 percent of the principal amount. The obligation for annuity and unitrust payables totaled $1,126,500 and $1,697,200 at June 30, 2024 and 2023, respectively.

The College is also the income beneficiary of certain trusts held and administered by outside fiscal agents. The College has legally enforceable rights and claims to such assets, including the right to receive income therefrom. The present values of the estimated future cash receipts from the trusts are recognized as assets and permanently restricted contributed support at the dates the trusts are established. Distributions from the trusts are recorded as income and the carrying value of the assets is adjusted annually for changes in the estimates of future receipts. Asset balances total $2,074,632 and $1,994,921 at June 30, 2024 and 2023, respectively.

Note 10. Long-Term Debt

Debt consists of the following at June 30:

	2024	2023
MHEFA Limited Obligation Revenue Refunding Bond, Series 2022	$ 48,895,000	$ 48,895,000
METZ Capital Investment Advance	477,167	715,000
Downtown Albion Hotel, LLC Mortgage	4,100,677	4,250,194
	53,472,844	53,860,194
MHEFA Series 2022 Bond Premium	7,434,280	7,836,396
	$ 60,907,124	$ 61,696,590

The future maturities of long-term debt as of June 30 are as follows:

2025	$ 53,047,677
2026	52,000
2027	52,000
2028	52,000
2029	52,000
Thereafter	217,167
	$ 53,472,844

Due to the College currently operating under a forbearance agreement on the Series 2022 Bonds as described below, the balance is presented as current within the maturity schedule above.

The Michigan Higher Education Facilities (MHEFA) Limited Obligation Revenue & Revenue Refunding Bonds, Series 2022 were issued to refinance the Series 2017 Bonds on January 12, 2022. The College elected to forgo continuation of a direct purchase of a Non-Bank Qualified Tax-Exempt Bond and hired Baird Advisors to help with the College's first-time BBB+ rating with S&P. The College's original S&P rating was determined to be BBB+ in 2023, in 2024 the S&P rating was rerated to be BBB.

The total series 2022 bond included principal amount of $48,895,000 and included a premium of $8,106,616. Amortization of the Series 2022 Bonds extends 30 years with no principal payments until December 1, 2027. The interest rate on the Series 2022 Bond is 3.149 percent.

The agreement for the Series 2022 Bond requires the College to maintain at June 30 and December 31 of each year a ratio of its debt service to funded debt of not less than 1:1 and a liquidity ratio of not less than 1.1:1. The College is in violation of these covenants as of June 30, 2024, although the College has not missed required interest or principal payments. The College entered into a forbearance agreement with bondholders through January 15, 2025. Mortgages were placed on all main campus properties, and certain donor-approved loans from the endowment were borrowed on a subordinated basis. An extension of the Metz contract for food service was approved including an additional interest-free $700,000 capital improvement loan. A consultant was hired to represent bondholders and produce a five-year forecast for the bondholders. Unused bond proceeds were used to curtail principal on the bond. The College is currently negotiating a second forbearance agreement with the bondholders through June 30, 2025, with the expectation that remaining properties will have a mortgage placed on them and a second consultant will be hired to advise on expense management. The Series 2022 Bond is secured by a pledge of gross revenue secured on a senior party basis with obligation issued under the College's Master Trust Indenture. The obligations of the College are evidenced by a master note issued under the Master Trust Indenture.

METZ - The College entered into a food service contract with a new provider in 2021, Metz culinary Management. Metz executed a loan of $1,650,000 related to the existing capital improvements with an interest free 5-year amortization to be paid in increments of $27,500 unless earlier terminated. The note is due in 2026.

Downtown Albion Hotel - The Downtown Albion Hotel, LLC has an original promissory note of $4,587,408 to a bank. The note bears interest at one-eighth percent per annum less than the prime rate (an effective rate of 8.38 and 8.13 percent as of June 30, 2024 and 2023, respectively). Principal payments began in April 2022. The note includes 18 equal payments of $21,238 beginning in 2022 and matured on October 31, 2024, when the remaining balance was due. On November 1, 2024, the LLC entered into a forbearance agreement through April 1, 2025. The College is in discussions with a third party for the sale of their share in LLC, which will net proceeds of approximately $4 million upon completion. The College intends to use the proceeds of the sale to pay off the loan. Management believes it is probable that this will be executed in the near term. The outstanding balance as of June 30, 2024 and

2023 was $4,100,677 and $4,250,194, respectively. The agreement includes certain financial covenants the LLC is subject to including, but not limited to a debt service coverage ratio measured annually. At June 30, 2024, the LLC is in violation of these covenants.

Note 11. Leases Payable

The College has entered into the following lease arrangements:

Operating Leases

These leases mainly consist of equipment that expire in various years through 2029. Termination of the leases generally are prohibited unless there is a violation under the lease agreement.

All Leases

The College has no material related-party leases. The College’s lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Quantitative Disclosures

The lease cost and other required information for the years ended June 30, 2024 and 2023, is:

	2024	2023
Operating lease cost	$ 286,678	$ 267,130

	2024	2023
Other information		
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	$ 286,678	$ 267,130
Weighted-average remaining lease term		
Operating leases	3.1 years	4.1 years
Weighted-average discount rate		
Operating leases	4.51%	4.51%

Operating lease liabilities totaled $1,509,544 at June 30, 2023. Future minimum lease payments and reconciliation to the statement of financial position at June 30, 2024:

	Operating Leases
2025	$ 497,723
2026	342,796
2027	328,781
2028	124,396
2029	19,608
Total future undiscounted lease payments	1,313,304
Less interest	(90,438)
	$ 1,222,866

Note 12. Line of Credit

During 2022, the College entered into a line of credit with total availability of $9,000,000. The line of credit matured on January 15, 2025, and has been operating under a forbearance agreement since that date. The College has agreed to terms extending the maturity date to April 15, 2025, and believes it is probable that the financial institution will sign and agree in the near term. The line bears at a rate equal to the Daily BSBY Rate plus 2.0%, with an index rate of 6.58% and 7.20% at June 30, 2024 and 2023, respectively. The line also carries an unused commitment fee of .25% of the unused amount of the line of credit. The outstanding balance at June 30, 2024 and 2023, was $9,000,000. There are covenants related to this debt that the College has violated as of June 30, 2024.

Note 13. Pension and Other Postretirement Benefit Plans

Albion College maintains defined contribution and defined benefit retirement plans for the benefit of academic and nonacademic personnel.

Defined Contribution Plan

The defined contribution pension plan is a tax-deferred retirement annuity program for which all full-time faculty, administrative, and clerical employees are eligible after two years of service with provisions for partial matching contributions by the College. Employees who worked for 403(b) organizations prior to becoming employed by Albion College may be eligible to enroll more quickly in some circumstances as described in the summary plan description. Contributions by the College to this plan amounted to $1,451,280 and $1,811,593 for the years ended June 30, 2024 and 2023, respectively.

Defined Benefit Plan

The noncontributory defined benefit pension plan covered hourly physical plant and former dining service employees who were covered by various collective bargaining agreements. The benefits were based on years of service through January 31, 2004, multiplied by a fixed dollar amount. Effective January 31, 2004, future service accruals were suspended. The College’s policy was to fund pension costs in amounts sufficient to meet the minimum funding requirements set forth in the Employee Retirement Income Security Act of 1974, plus such additional amounts as the College may have determined to be appropriate. This plan was terminated in April of 2024, with the beneficiaries receiving annuity or rollover distributions and the College receiving approximately $3,100,000 in plan overfunding. This resulted in an overall gain to the College of approximately $920,000 in 2024.

During fiscal year 2023, the College recorded an adjustment to deferred pension costs in the amount of $280,263, in order to reflect the unrecognized costs.

The net periodic pension costs (recovery) of the defined benefit pension plan included the following components for the year ended June 30, 2023:

	2023
Interest cost on projected benefit obligations	$ 126,335
Expected investment return on plan assets	(249,695)
Amortization of unrecognized loss	-
Net periodic pension costs (recovery)	$ (123,360)

Significant actuarial assumptions used in determining the projected benefit obligation and net periodic pension expense for the defined benefit pension plan were as follows for the years ended June 30:

	2023
Long-term rate of investment return on plan assets	5.00%
Weighted average discount rate	4.06%

The expected long-term rate of return is the College's actual recommended rate, which is established by such factors as historical plan performance, comparison of rates used by similar plans with similar asset allocations, and historical performance of long-term investments.

Changes in the projected benefit obligation and plan assets during each year, the funded status of the College's defined benefit plan, and reconciliations to the amounts recognized on the statement of financial position are as follows as of June 30:

Obligation and Funded Status

	2023
Change in Projected Benefit Obligation	
Projected/Accumulated benefit obligation at beginning of year	$ (3,262,902)
Interest cost	(126,335)
Curtailments, Settlements, Special Termination Benefits	-
Actuarial gain	93,250
Benefit payments	162,656
Projected/Accumulated benefit obligation at end of year	$ 3,133,331
Change in Plan Assets	
Fair Value of plan assets at beginning of year	$ 5,074,561
Actual return on plan assets	495,566
Settlements	-
Benefit payments and expenses	(221,514)
Fair value of plan assets at end of year	$ 5,348,613
Funded status at end of year	$ 2,215,282

Fair value of assets measured on a recurring basis at June 30, 2023 is as follows:

	2023			
	Fair Value	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Assets				
General Investment Account	$ 7,837	$ -	$ 7,837	$ -
Balanced funds	3,451,253	3,451,253	-	-
Fixed income funds	1,921,973	1,921,973	-	-
Annuity purchase reserve	(32,450)	(32,450)	-	-
Total Assets	$ 5,348,613	$ 5,340,776	$ 7,837	$ -

Note 14. Healthcare Self Insurance

The College is self-insured for employee healthcare and medical benefits. Liabilities for the payment of benefits are funded by contributions, which presently are based on actual claim experience and limited by a specific stop-loss insurance policy on an aggregate basis. Coverage under the comprehensive major medical policy takes effect after the first $500 to $1,500 in claims per employee based upon the coverage plan the employee chooses. Total healthcare and medical expenses, including the cost of stop-loss premiums, were $3,432,496 and $3,455,333 for the years ended June 30, 2024 and 2023, respectively. The College estimates the liability for medical benefit claims that have been incurred through the end of the fiscal year, including both those claims that have been reported as well as those that have not yet been reported. The estimated liability was approximately $397,000 and $381,000 as of June 30, 2024 and 2023, respectively.

Note 15. Functional Expenses

Expenses by functional and natural classification, are summarized as follows for the years ended June 30, 2024 and 2023:

	June 30, 2024					
	Instructional	Academic Support	Institutional	Student Services	Auxiliary Enterprises	Total Expenses
Salaries and wages	$ 12,541,832	$ 766,936	$ 4,611,856	$ 6,039,323	$ 1,519,797	$ 25,479,744
Employee benefits	5,203,664	284,121	(433,799)	2,316,675	475,940	7,846,601
Supplies and noncapital items	520,793	340,111	147,425	799,055	262,319	2,069,703
Depreciation and amortization	1,769,505	133,150	824,160	708,330	1,448,350	4,883,495
Services	1,864,374	110,627	3,019,014	1,542,476	6,233,898	12,770,389
Utilities	895,466	62,554	485,928	685,698	665,831	2,795,477
Alterations, repairs and maintenance	1,217,081	7,347	144,935	87,471	30,521	1,487,355
Insurance	-	-	1,390,942	-	-	1,390,942
Interest	849,482	59,658	1,126,554	470,155	367,141	2,872,990
Professional development	1,411,383	37,741	670,256	1,815,290	19,060	3,953,730
Institutional expenses	58,127	3,569	69,674	35,325	25,083	191,778
Other	118,825	18,710	89,813	13,997	65,465	306,810
Total expenses	$ 26,450,532	$ 1,824,524	$ 12,146,758	$ 14,513,795	$ 11,113,405	$ 66,049,014

	June 30, 2023					
	Instructional	Academic Support	Institutional	Student Services	Auxiliary Enterprises	Total Expenses
Salaries and wages	$ 13,590,668	$ 955,564	$ 4,431,152	$ 6,214,681	$ 980,908	$ 26,172,973
Employee benefits	4,486,409	230,564	1,393,270	1,860,191	14,840	7,985,274
Supplies and noncapital items	593,191	519,622	217,700	842,450	207,557	2,380,520
Depreciation	1,100,409	96,936	693,460	1,538,478	1,535,396	4,964,679
Services	1,990,017	163,666	2,806,715	2,151,964	5,604,662	12,717,024
Utilities	757,132	67,011	377,467	701,693	800,892	2,704,195
Alterations, repairs and maintenance	673,607	61,232	389,430	171,058	61,547	1,356,874
Insurance	-	-	644,605	500	-	645,105
Interest	806,222	71,717	907,146	492,179	306,430	2,583,694
Professional development	677,298	72,284	274,593	1,380,596	14,122	2,418,893
Institutional expenses	28,058	1,852	138,473	13,680	53,759	235,822
Other	509,908	2,364	359,642	24,425	2,856	899,195
Total expenses	$ 25,212,919	$ 2,242,812	$ 12,633,653	$ 15,391,895	$ 9,582,969	$ 65,064,248

Operating expenses include development and fundraising costs of approximately $2,063,000 and $3,171,000 for the years ended June 30, 2024 and 2023, respectively, which are included in the amounts captioned “institutional support” in the accompanying statement of activities.

Note 16. Net Assets with Donor Restrictions

Net assets with donor restrictions at June 30, 2024 and 2023, are restricted for the following purposes or periods:

	2024	2023 (Restated)
Subject to expenditures for specified purpose		
Unexpended funds received for property, scholarships, prizes, programmatic gifts, and capital projects	$ 14,280,896	$ 6,663,902
Subject to the College's spending policy and appropriation		
Earnings on endowment funds	56,080,578	60,882,058
Held in perpetuity		
Trusts and split-interest agreements	2,615,474	3,031,983
Endowment funds	79,678,435	78,430,003
	82,293,909	81,461,986
Total net assets with donor restrictions	$ 152,655,383	$ 149,007,946

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors. Releases from restriction totaled $2,101,891 and $544,170 for the years ended June 30, 2024 and 2023, respectively.

Note 17. Donor-restricted and Board-designated Endowments

Albion 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.

Interpretation of Relevant Law

The board of trustees of the College has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the College classifies as with donor restricted net assets (a) the original value of gifts donated to the endowment in perpetuity, (b) the original value of subsequent gifts to the endowment into perpetuity, and (c) accumulations to the endowment required to be maintained in perpetuity in accordance with the direction of the applicable donor gift restrictions at the time the accumulation is added to the fund. If the endowment assets earn investment returns beyond the amount necessary to maintain the endowment assets' real value, that excess is available for appropriation and classified as with donor restriction net assets until appropriated by the board for expenditure. 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 College and the donor-restricted endowment fund
(3) General economic conditions
(4) The possible effect of inflation and deflation to maintain the purchasing power of the donor's gift over time
(5) The expected total return from income and the appreciation of investments
(6) Other resources of the College

(7) Investment policies of the College

According to College investment policy, 5% is documented as the standard distribution rule. For the years ended June 30, 2024 and 2023, the Board declared a 6% standard draw plus an extra draw of 1.5%. Any decision by trustees is done after a careful review all criteria within UPMIFA. As of June 30, 2024 and 2023, the College is reflecting an internal repayable advance from the endowment in the amount of $10,446,861 and $6,347,861, respectively. This advance was used to meet operational needs and is being carried as an interfund loan receivable. The terms of the repayable advance will be paid from operations to the endowment under terms specified by the board of trustees but not yet determined as of the audit report date.

The composition of endowment funds by net asset type at June 30, 2024 and 2023, was:

	2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	$ 1,076,781	$ -	$ 1,076,781
Donor-restricted endowment funds	-	139,120,956	139,120,956
	$ 1,076,781	$ 139,120,956	$ 140,197,737

	2023 (Restated)		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	$ 1,343,753	$ -	$ 1,343,753
Donor-restricted endowment funds	-	142,344,043	142,344,043
	$ 1,343,753	$ 142,344,043	$ 143,687,796

Changes in endowment net assets for the years ended June 30, 2024 and 2023, were:

	2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 1,343,753	$ 142,344,043	$ 143,687,796
Investment return	-	10,147,906	10,147,906
Contributions	-	1,248,432	1,248,432
Appropriation of endowment assets for expenditure	(9,223,392)	(3,627,543)	(12,850,935)
Release from restrictions	9,223,392	(9,223,392)	-
Other transfers	(266,972)	(1,768,490)	(2,035,462)
Endowment net assets, end of year	$ 1,076,781	$ 139,120,956	$ 140,197,737

	2023 (Restated)		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year, previously stated	$ 9,823,468	$ 166,303,509	$ 176,126,977
Restatement		(18,892,123)	(18,892,123)
Endowment net assets, beginning of year, restated	$ 9,823,468	$ 147,411,386	$ 157,234,854
Investment return (loss)	4,226,538	(1,520,956)	2,705,582
Contributions	-	642,497	642,497
Appropriation of endowment assets for expenditure	(19,115,448)	-	(19,115,448)
Release from restrictions	8,835,832	(8,835,832)	-
Reclassifications	(3,857,505)	3,857,505	-
Other transfers	1,430,868	789,443	2,220,311
Endowment net assets, end of year	$ 1,343,753	$ 142,344,043	$ 143,687,796

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the College is required to retain as a fund of perpetual duration pursuant to donor stipulation. In accordance with GAAP, deficiencies of this nature are reported in net assets with donor restrictions. At June 30, 2023, funds with original gift values of $3,712,869, fair values of $3,577,498 and deficiencies of $135,371 were reported in net assets with donor restrictions. These deficiencies were created primarily due to decline in investment value based on market activity. There were no such deficiencies at June 30, 2024. The College does allow spending on minimally underwater funds at a reduced rate.

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 assets 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. The objective of the endowment funds, over time, is to seek an average total annual real return of at least 5 percent above the annual change in the CPI after investment management fees. This performance goal is based on a long-term investment horizon. Accordingly, it is recognized that shorter-term fluctuations will occur.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, pooled endowment and similar funds are invested on the basis of a total return policy to provide income and to realize appreciation in investment values. Realized investment gains accumulated by these funds may be used to support operations. In the years reported, such gains are allocated only to pooled funds which have a market value in excess of historical value.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The College’s board of trustees designates only a portion of the College’s cumulative investment return of the endowment fund for support of current operations. The remainder is retained to support operations of future years, guard against inflation, and to offset potential market declines. The payout amount computed under the endowment spending policy of the investment pool is used to support current operations.

Pursuant to the College's endowment spending policy, currently 5 percent of a five-year, 18-month trailing, moving average of fair market value of endowment investments is appropriated to support current operations. For the years ended June 30, 2024 and 2023, the Board of Trustees' approved a 5 percent draw and an additional 2.5 percent extra draw, which was a total of $12,856,000 and $13,076,264, respectively. The Board of Trustees also approved a distribution of $6,039,184 from the quasi-endowment principal to meet operational needs in fiscal year 2023.

In establishing the spending policy, the College considered the long-term expected return on its endowment (historical value and accumulated earnings). Accordingly, over the long term, the College expects the current spending policy to allow its endowment to grow. This is consistent with the College's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through new gifts and investment return.

Note 18. Other Commitments and Uncertainties

Government Programs

The College conducts certain programs, pursuant to grants and contracts funded and subject to audit, by various federal and state agencies. Amounts questioned as a result of audits, if any, may result in refunds to these governmental agencies. Liabilities, if any, for reimbursements which may arise as the result of these audits are not believed to be significant.

Title IV Funding and Regulatory Activities

The College is subject to various federal regulations and compliance requirements being a recipient of federal financial aid (Title IV funding) and other regional accreditors. This includes meeting certain standards based on criteria determined by the U.S. Department of Education and accreditors as set forth in 34 CFR 668.171. As a result of these regulatory requirements, the College is subject to review and monitoring activities by the accreditors and the Department of Education that could impact the College.

On March 20, 2025, the White House issued an executive order to "the maximum extent appropriate and permitted by law, take all necessary steps to facilitate the closure of the Department of Education". While the full implications of the executive order are still unclear, the administration said core functions of the department, including managing Pell grants and federal student loans will be preserved at the federal level, although possibly within other areas of the government. The potential impact of the executive order on the College's future federal assistance outlook or changes to funding streams for the students of the College could be uncertain or subject to change and has not been evaluated.

Litigation

The College is subject to various legal proceedings and claims, which arise in the ordinary course of its activities. The College believes that the amount, if any, of ultimate liability with respect to legal actions will be immaterial.

Albion Hotel

On May 27, 2015, the College entered into an agreement with SSP Associates (a related party), ACE Investment Properties LLC, and Briton Hospitality, LLC to build a hotel on Superior Street in Albion through the formation of Downtown Albion Hotel, LLC, a Michigan limited liability company (LLC). The College's interest consists of a $4 million loan from its endowment fund to the LLC, which is evidenced by a convertible subordinated note from the LLC. Additionally, $1 million from the Michigan Economic Corporation has been received by the College, which was received in 2019 and used to fulfill its obligation to purchase from the LLC membership's interest totaling 44.44%, which remained the ownership percentage through June 30, 2021. The College previously obtained 100% ownership of the LLC through donation of the other members' interests as described in Note 1. During 2023, the College sold a 10% interest in the LLC to its managing partner Prominence Hospitality Group, Inc.

The College has consolidated the LLC into the financial statements and the equity investment in the LLC, note receivable and all other material transactions between the College and LLC were eliminated upon consolidation as of and for the years ended June 30, 2024 and 2023.

Note 19. Related-Party Transactions

At June 30, 2024 and 2023, gifts and contribution payments received from certain College executives, trustees, and honorary trustees totaled $303,202 and $250,639 for period ended June 30, 2024 and 2023, respectively. The College has related party receivables of $0 and $383,598 as of June 30, 2024 and 2023, respectively.

Note 20. Revenue from Contracts with Customers and Students

Tuition, Residential Services, and Meal Plan Services Revenue

Revenue from contracts with students for tuition, residential services, and meal plan services is reported at the amount that reflects the consideration to which the College expects to be entitled in exchange for providing instruction and housing, food, and other services. These amounts are due from students, third-party payers, and others and are net of scholarships and institutional aid of $56,853,611 and $59,500,942 for the years ended June 30, 2024 and 2023, respectively.

Revenue is recognized as performance obligations are satisfied, which is primarily ratably over the academic term with the exception of certain meal plans that are recognized at a point in time. Generally, the College bills students prior to the beginning of the semester and student accounts receivable are due in full before classes begin unless the student has entered into a monthly payment plan.

If a student withdraws during the academic term, the student is refunded based on a defined refund schedule and what week the student is in the academic term. At year-end, there is no refund liability as the academic term is substantially complete.

Tuition, residential services, and meal plan services revenue are considered to be separate contracts with separate performance obligations.

Transaction Price and Recognition

The College determines the transaction price based on standard charges for goods and services provided, reduced by certain institutional scholarships, and aid in accordance with the College's policies for granting certain merit-based aid. The College determines its estimates of explicit price concessions based on its discount policies and merit awards.

From time to time the College will incur student credit balances and student deposits which represent the excess of tuition and fees and other student payments received as compared to amounts recognized as revenue. These amounts are excluded from revenues and are recorded as liabilities until they are refunded. As of June 30, 2024 and 2023, the College has a liability for refunds or deposits from students recorded of approximately $373,000 and $367,000 respectively, which are included in refundable student and other deposits on the statements of financial position.

The College has determined that the nature, amount, timing, and uncertainty of revenue and cash flows are affected by the following factors:

- Enrollment status (i.e. part-time vs full-time)
- Program of study (i.e. on-campus or study abroad/study away program)
- Courses selected
- Tuition discounts
- Housing assignment
- Meal plan option selected

Performance Obligations and Transaction Price Allocated to Remaining Performance Obligations

Because all of its performance obligations relate to contracts with a duration of less than one year, the College has elected to apply the optional exemption provided in FASB ASC 606-10-50-14(a) and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The unsatisfied or partially unsatisfied performance obligations referred to above are primarily related to providing instruction to students. The performance obligations for these contracts are generally completed when the academic term is completed.

The College expects to recognize revenue of $175,389 of tuition revenue in fiscal 2025 when the summer 2024 academic term is completed.

Disaggregation of Revenue

The composition of net student fees revenue by segment for the years ended June 30, 2024 and 2023, is as follows:

	2024	2023
Net tuition and fees	$ 16,182,834	$ 18,373,079
Room	8,225,868	8,728,178
Board	6,320,704	6,593,785
Sales and services of other auxiliary enterprises	552,776	823,112
Other sources	736,184	309,940
	$ 32,018,366	$ 33,695,042

The composition of revenue based on timing of revenue recognition for the years ended June 30, 2024 and 2023, is as follows:

	2024	2023
Services transferred over time	$ 24,408,702	$ 27,101,257
Sales at point in time	7,609,664	7,726,837
	$ 32,018,366	$ 34,828,094

Contract Balances

The following table provides information about the College's receivables within the scope of ASC 606:

	2024	2023
Accounts receivable, beginning of the year	$ 3,744,418	$ 3,357,776
Accounts receivable, end of the year	4,207,034	3,744,418

Significant changes in contract liabilities during the years ended June 30, 2024 and 2023, are as follows:

	2024	2023
Balance, beginning of year	$ 287,741	$ 283,962
Effects of		
Revenue recognized that was included in the contract liability balance at the beginning of the year	(287,741)	(283,962)
Increases due to cash received, excluding amounts recognized as revenue during the year	175,389	287,741
Balance, end of year	$ 175,389	$ 287,741

Note 21. Management's Plan

Management recognizes the College must reduce the operating losses rapidly and identify sources of liquidity to fund deficits until revenues exceed expenses sufficiently to meet principal, interest and capital needs. Beginning in fall 2023, management implemented The Pathway Forward (the Plan), a plan designed to address these issues. The Plan outlined strategies to increase enrollment revenue through larger incoming classes, more strategic use of financial aid, improved retention, and greater fundraising. Simultaneously, the College has monitored costs identifying opportunities to control or reduce spending and sought options for increasing liquidity.

The College welcomed 385 new students to campus in fall 2024. This is despite the industry-wide challenges with, and numerous delays of, the Department of Education's roll out of the Free Application for Federal Student Aid. Many colleges and universities faced these challenges, and Albion fared far better than many regional peers. Management has improved the quality of marketing efforts and targeted prospective students earlier in their academic careers. Marketing efforts will continue to be refined. Management has entered into agreements with local community colleges to widen the transfer pipeline. Additional agreements are underway. Management began utilizing the work of an experienced financial aid consultant, resulting in a comparable year-over-year reduction in the discount rate for incoming students for fall 2024. Unfortunately, as that reduction in discount rate occurred, the State of Michigan defunded the state grant leaving Colleges to absorb that cost, resulting in an all-in flat discount rate. Management began work with an external partner to improve retention rates by 5 points over the next five years. The College saw an increase of 1.9 points after the first year of implementation. Management will continue these efforts to increase tuition-based revenue.

Management reorganized the College's fundraising efforts resulting in significant gains in total fundraising progress. Mid-fiscal-year 2025 results for fundraising (non-GAAP reporting) of $5.4 million are on track to exceed the full-year totals for fiscal year 2024 of $5.7 million. Management continues to review resource allocation and deployment in the fundraising department, including campaign evaluation.

Management has diligently monitored costs over the past 18 months and taken some dramatic reductions. Positions are down by nearly 25 FTE with plans identified for an additional 20 FTE vacancy elimination for next fiscal year. The College significantly reduced retirement contributions and changed health care providers to reduce medical costs. Various other reductions in non-labor spending indicate dramatic reductions totaling $1.5 to $2.5 million between fiscal year 2024 and 2025. Management is currently analyzing non-labor spending to identify additional savings, and continues to evaluate all staffing for opportunities to keep certain positions vacant.

Management has identified and tapped into several sources for liquidity, including consolidation of funds into operations and selling non-mission related assets. Management has also worked with lenders to enter into forbearance agreements for the long-term debt and line of credit which have prevented additional cash pressure from debt. Management is in the process of evaluating all endowment agreements and has to date, identified numerous endowments that can be released from restriction – the impact of this analysis is further described in Note 2. This has resulted in a significant increase in unrestricted cash.

The Department of Education notified the College on August 7, 2024, that its failure to meet financial responsibility standards would require it to file a continuing letter of credit in the amount of $2,397,404 in order to continue participation in the Title IV, HEA programs. The required letter of credit was obtained on October 23, 2024, with a private financial institution.

Note 22. U.S. Department of Education Financial Responsibility Ratio Information

The following information is required by the U.S. Department of Education for the year ended June 30, 2024:

	2024
Annuities and life income funds with donor restrictions	$ 5,637,850
Property, plant, and equipment, net of accumulated depreciation pre-implementation	75,649,685
Property, plant, and equipment, net of accumulated depreciation post-implementation without outstanding debt for purchase	25,144,604
Total expenses and losses without donor restrictions	67,188,629
Total revenues and gains without donor restrictions	50,869,444