

BETHEL UNIVERSITY AND AFFILIATES
CONSOLIDATED FINANCIAL STATEMENTS
SUPPLEMENTARY INFORMATION, AND SINGLE AUDIT
COMPLIANCE REPORT
YEARS ENDED MAY 31, 2024 AND 2023



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**BETHEL UNIVERSITY AND AFFILIATES
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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Bethel University and Affiliates
St. Paul, Minnesota

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Bethel University, Bethel University Foundation, and Royals Investment Fund LLC (collectively known as Bethel), a nonprofit Minnesota corporation, sponsored by the churches of the Baptist General Conference (dba: Converge Worldwide) which comprise the consolidated statements of financial position as of May 31, 2024 and 2023, and the related consolidated statements of activities and changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Bethel University, as of May 31, 2024 and 2023, and the changes in their net assets and their 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 audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of Bethel and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 Bethel'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 Bethel's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audits were conducted for the purpose of forming opinion on the financial statements as a whole. The financial responsibility ratio supplemental schedule, as required by the Department of Education, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the financial responsibility ratio supplemental schedule is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 26, 2025, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Minneapolis, Minnesota
February 26, 2025

BETHEL UNIVERSITY AND AFFILIATES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
YEARS ENDED MAY 31, 2024 AND 2023

	2024	2023
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 10,686,373	\$ 7,797,420
Accounts Receivable, Net of Allowance for Credit Losses	4,412,488	3,050,559
Contributions Receivable, Net	626,500	2,627,500
Student Loans Receivable	1,053	168,772
Inventories	821,774	745,366
Prepays and Other Assets	1,034,400	794,497
Total Current Assets	<u>17,582,588</u>	<u>15,184,114</u>
OTHER ASSETS		
Investments, at Market	116,946,018	100,758,844
Trust Assets	16,742,723	17,545,372
Other Real Estate Investments	500	3,000
Contributions Receivable, Net of Allowance and Current Portion	794,954	2,222,232
Property and Equipment, Net	108,714,440	110,598,119
Total Other Assets	<u>243,198,635</u>	<u>231,127,567</u>
Total Assets	<u><u>\$ 260,781,223</u></u>	<u><u>\$ 246,311,681</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 2,300,597	\$ 1,217,199
Accrued Interest	185,563	185,563
Accrued Salaries and Vacation	1,261,523	1,519,142
Current Portion of Long-Term Debt	-	-
Student Deposits and Advance Registration Fees	277,688	264,868
Deferred Tuition Revenue	2,154,558	2,358,536
Liability for Self-Insurance	456,556	467,801
Lease Liability	-	-
Total Current Liabilities	<u>6,636,485</u>	<u>6,013,109</u>
LONG-TERM LIABILITIES		
Gift Annuity Contracts	1,373,169	1,540,433
Obligations Under Trust Liabilities	8,820,972	9,144,813
Long-Term Debt, Net of Current Maturities	47,513,177	47,641,825
Perkins Loan Refundable	49,574	243,429
Postretirement Benefits Liability	19,264,755	23,733,131
Other Liabilities	514,516	514,516
Total Long-Term Liabilities	<u>77,536,163</u>	<u>82,818,147</u>
Total Liabilities	84,172,648	88,831,256
NET ASSETS		
Without Donor Restrictions:		
Undesignated	40,588,175	40,088,710
Board-Designated Endowment	9,805,754	8,213,270
Noncontrolling Interest	2,322,440	1,870,179
Total Without Donor Restrictions	<u>52,716,369</u>	<u>50,172,159</u>
With Donor Restrictions	123,892,206	107,308,266
Total Net Assets	<u>176,608,575</u>	<u>157,480,425</u>
Total Liabilities and Net Assets	<u><u>\$ 260,781,223</u></u>	<u><u>\$ 246,311,681</u></u>

See accompanying Notes to Consolidated Financial Statements.

BETHEL UNIVERSITY AND AFFILIATES
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED MAY 31, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND OTHER ADDITIONS			
Tuition and Instructional Fees, Net of			
Institutionally Funded Aid of \$36,939,339	\$ 55,491,351	\$ -	\$ 55,491,351
Contributions, Gifts, and Bequests	3,863,142	617,849	4,480,991
Grants, Primarily Federal and State Financial Aid	1,118,236	-	1,118,236
Public Service	-	-	-
Auxiliary Services	15,587,905	-	15,587,905
Endowment Income	2,098,197	1,900,871	3,999,068
Other Sources, Primarily Student Charges	3,056,660	3,942	3,060,602
Investment Income, Net	162,951	218,742	381,693
Net Assets Released from Restrictions	3,757,826	(3,757,826)	-
Total Revenues and Other Additions	85,136,268	(1,016,422)	84,119,846
EXPENDITURES AND OTHER DEDUCTIONS			
Instructional	30,379,647	-	30,379,647
General Operating:			
Academic Support	9,890,488	-	9,890,488
Institutional Support	23,707,230	-	23,707,230
Public Service	-	-	-
Scholarships and Fellowships	-	-	-
Student Service	9,218,960	-	9,218,960
Auxiliary Services	15,901,426	-	15,901,426
Total Expenditures and Other Deductions	89,097,751	-	89,097,751
NET DEFICIT FROM OPERATING ACTIVITIES	(3,961,483)	(1,016,422)	(4,977,905)
NONOPERATING ACTIVITIES			
Contributions, Gifts, and Bequests	801,461	9,630,550	10,432,011
Change in Gift Annuity Contracts	-	340,651	340,651
Other Uses	(787,229)	-	(787,229)
Undistributed Endowment Earnings	920,425	9,983,500	10,903,925
Investment Income	650,399	(65,203)	585,196
Loss on Disposal	-	-	-
Change in Present Value of Remainder			
Interests in Trusts	-	(2,289,136)	(2,289,136)
Net Surplus from Nonoperating Activities	1,585,056	17,600,362	19,185,418
INCREASE (DECREASE) IN NET ASSETS BEFORE CHANGE IN PENSION LIABILITY	(2,376,427)	16,583,940	14,207,513
CHANGE IN NONCONTROLLING INTEREST	452,261	-	452,261
CHANGE IN PENSION LIABILITY	4,468,376	-	4,468,376
INCREASE IN NET ASSETS	2,544,210	16,583,940	19,128,150
Net Assets - Beginning of Year	50,172,159	107,308,266	157,480,425
NET ASSETS - END OF YEAR	<u>\$ 52,716,369</u>	<u>\$ 123,892,206</u>	<u>\$ 176,608,575</u>

See accompanying Notes to Consolidated Financial Statements.

BETHEL UNIVERSITY AND AFFILIATES
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED MAY 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND OTHER ADDITIONS			
Tuition and Instructional Fees, Net of			
Institutionally Funded Aid of \$37,331,487	\$ 54,635,323	\$ -	\$ 54,635,323
Contributions, Gifts, and Bequests	1,641,744	5,191,276	6,833,020
Grants, Primarily Federal and State Financial Aid	886,986	-	886,986
Auxiliary Services	16,343,799	-	16,343,799
Endowment Income	3,990,192	1,771,825	5,762,017
Other Sources, Primarily Student Charges	2,660,393	-	2,660,393
Investment Income, Net	92,015	58,469	150,484
Net Assets Released from Restrictions	7,278,748	(7,278,748)	-
Total Revenues and Other Additions	<u>87,529,200</u>	<u>(257,178)</u>	<u>87,272,022</u>
EXPENDITURES AND OTHER DEDUCTIONS			
Instructional	32,007,681	-	32,007,681
General Operating:			
Academic Support	10,263,459	-	10,263,459
Institutional Support	21,675,138	-	21,675,138
Scholarships and Fellowships	-	-	-
Student Service	9,111,572	-	9,111,572
Auxiliary Services	16,162,190	-	16,162,190
Total Expenditures and Other Deductions	<u>89,220,040</u>	<u>-</u>	<u>89,220,040</u>
NET DEFICIT FROM OPERATING ACTIVITIES	(1,690,840)	(257,178)	(1,948,018)
NONOPERATING ACTIVITIES			
Contributions, Gifts, and Bequests	337,594	8,073,265	8,410,859
Change in Gift Annuity Contracts	-	(257,532)	(257,532)
Other Sources (Uses)	(649,618)	-	(649,618)
Undistributed Endowment Earnings	(3,593,692)	(1,580,797)	(5,174,489)
Investment Income (Loss)	112,018	-	112,018
Loss on Disposal	(25,497)	-	(25,497)
Change in Present Value of Remainder			
Interests in Trusts	-	(468,899)	(468,899)
Net Surplus (Deficit) from Nonoperating Activities	<u>(3,819,195)</u>	<u>5,766,037</u>	<u>1,946,842</u>
INCREASE IN NET ASSETS BEFORE CHANGE IN PENSION LIABILITY	(5,510,035)	5,508,859	(1,176)
CHANGE IN NONCONTROLLING INTEREST	(111,004)	-	(111,004)
CHANGE IN PENSION LIABILITY	<u>2,932,458</u>	<u>-</u>	<u>2,932,458</u>
INCREASE IN NET ASSETS	(2,688,581)	5,508,859	2,820,278
Net Assets - Beginning of Year	<u>52,860,740</u>	<u>101,799,407</u>	<u>154,660,147</u>
NET ASSETS - END OF YEAR	<u><u>\$ 50,172,159</u></u>	<u><u>\$ 107,308,266</u></u>	<u><u>\$ 157,480,425</u></u>

See accompanying Notes to Consolidated Financial Statements.

BETHEL UNIVERSITY AND AFFILIATES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED MAY 31, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in Net Assets	\$ 19,128,150	\$ 2,820,278
Adjustments to Reconcile Changes in Net Assets from Operating Activities to Net Cash Used by Operating Activities:		
Total Nonoperating Activity		
Depreciation and Amortization	5,032,214	5,072,866
Contributions with Donor Restrictions for Long Term Investments	(18,784,013)	(8,431,786)
Realized and Unrealized Loss (Gains) on Investments	(14,015,720)	1,202,426
Net Increase of Noncontrolling Interest	-	-
Increase in Trust Activity	(2,356,002)	(13,379,890)
Realized Loss on Sale of Property and Equipment	2,500	25,497
Change in Operating Assets and Liabilities:		
Receivables	13,201,631	4,374,221
Inventories	(76,408)	(19,599)
Prepays and Other Assets	(239,903)	8,178
Accounts Payable	1,079,626	(1,078,062)
Accrued Liabilities	(257,619)	(1,439,232)
Student Deposits and Advance Registration Fees	12,820	36,752
Deferred Tuition Revenue	(203,978)	(274,715)
Liability for Self Insurance	(11,245)	24,181
Gift Annuity Contracts	(167,264)	(107,691)
Perkins Loans Refundable	(193,855)	481,464
Postretirement Benefits Liability	(4,468,376)	(2,932,458)
Other Liabilities	-	24,967
Net Cash Used by Operating Activities	<u>(2,317,442)</u>	<u>(13,592,603)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sales of Investments	30,772,071	94,180,109
Purchase of Investments	(32,943,525)	(91,746,168)
Proceeds from Sale of Land	-	-
Purchase of Property and Equipment	<u>(3,277,183)</u>	<u>(4,299,848)</u>
Net Cash Used by Investing Activities	<u>(5,448,637)</u>	<u>(1,865,907)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on Long-Term Debt	-	-
Additions on Obligations Under Trust Agreements	3,346,966	10,169,488
Payments on Obligations Under Trust Agreements	(512,156)	(630,630)
Cash Contributions with Donor Restrictions	<u>7,820,222</u>	<u>3,763,333</u>
Net Cash Provided by Financing Activities	<u>10,655,032</u>	<u>13,302,191</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,888,953	(2,156,319)
Cash and Cash Equivalents - Beginning of Year	<u>7,797,420</u>	<u>9,953,739</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 10,686,373</u></u>	<u><u>\$ 7,797,420</u></u>
SUPPLEMENTAL DATA		
Interest Paid	<u><u>\$ 2,282,750</u></u>	<u><u>\$ 2,274,556</u></u>

See accompanying Notes to Consolidated Financial Statements.

BETHEL UNIVERSITY AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2024 AND 2023

NOTE 1 ORGANIZATION

Bethel University (Bethel) has one great mission:

Boldly informed and motivated by the Christian faith, Bethel University educates and energizes men and women for excellence in leadership, scholarship, and service.

This has been Bethel's calling since it was founded as a seminary for Swedish immigrants in 1871 and throughout its history as a seminary, institute, academy, junior college, as Bethel College & Seminary, and now renamed and reorganized as Bethel University. The institution is committed to being a world-class Christian university preparing women and men to serve in strategic capacities to renew minds, live out biblical truth, transform culture, and advance the gospel.

As a university, Bethel is positioned to carry out this vision as never before. To Christians around the world who seek the finest preparation for work and witness, the name "Bethel University" better conveys a broad scope of faith-based undergraduate, masters, and doctoral programs. In addition, an efficient governance structure improves our ability to serve specialized students such as working adults and executive leaders.

Bethel is a leading resource for Christian higher education. Undergraduate, graduate, and seminary students represent 49 states and 12 countries. The University offers a strong international studies program and partners with racially diverse institutions and churches around the world, both urban and rural.

Based in St. Paul, Minnesota, Bethel offers majors, minors, and advanced degrees in nearly 100 relevant fields. Programs are taught by faculty within a distinctly Christian framework, equipping women and men for culturally sensitive leadership, scholarship, and service around the world. Opportunities for spiritual growth occur via chapels, spiritual formation Bible study groups, pastoral counseling, faculty and peer mentoring, and an outstanding emphasis on outreach ministries.

Bethel is accredited by the Higher Learning Commission of the North Central Association of Colleges and Schools and the Association of Theological Schools and is a member of the Christian College Consortium and the Council for Christian Colleges and Universities. It also has specialized accreditations in teacher education, nursing, social work, and athletic training. For the fiscal year ended May 31, 2024, Bethel University served around 4,800 students. This includes 2,457 in the College of Arts & Sciences, 383 in the Seminary, 1,096 in the Graduate School, and 462 in the College of Adult & Professional Studies. We provided instruction to 975 high school students; 411 through the "College in the Schools" program and 564 through Postsecondary Enrollment Options (PSEO) in Minnesota. We also enrolled 90 students through a Consortium program, 267 nondegree-seeking students and 29 students in the ninth year of the Bethel University Inclusive Learning and Development (BUILD) program.

BETHEL UNIVERSITY AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2024 AND 2023

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Consolidation

Bethel is a Minnesota nonprofit corporation. The University is controlled by a 35-member board of trustees who are approved by the delegates from the churches of the Baptist General Conference doing business as Converge Worldwide.

Bethel University Foundation (the Foundation) is incorporated as a nonprofit organization. The Foundation exists for the purpose of enhancing the financial strength of Bethel by supporting endowment growth, facilitating major noncash gifts, and encouraging major gifts through its deferred gift program. The Foundation's year-end is April 30, which differs from the University's year-end of May 31.

Royals Investment Fund LLC is a private investment partnership (the Partnership) organized to provide participant students of the Department of Business and Economics at Bethel University an opportunity to learn about the roles of investment professionals by simulating a professionally managed investment company. The Partnership's year-end is December 31, which differs from the University's year-end of May 31.

Bethel is required to consolidate within its financial statements the net assets of entities that meet certain control considerations. Since the members of the Foundation's Board of Trustees are ratified by the board of trustees of Bethel, the consolidated financial statements of Bethel include the accounts of the Foundation. Additionally, within the Partnership, Bethel is considered the managing member and all other investors are nonmanaging members. The nonmanaging members shall not have any right to vote on any matter related to the fund and its affairs. Because Bethel exercises control of being the managing member, the consolidated financial statements of Bethel include the accounts of the Partnership. All significant intercompany accounts and transactions have been eliminated in consolidation. Collectively, the three entities are referred to herein as "Bethel."

Accrual Basis

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

Basis of Presentation

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of Bethel and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed stipulations. Net assets without donor restrictions consist primarily of long-lived property and equipment, long-term debt, and assets held by the Foundation and assets held by Royals Investment Fund.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed stipulations that may or will be met either by actions of Bethel and/or the passage of time as well as net assets subject to donor-imposed stipulations that they may be maintained permanently. Generally, the donors of these assets permit Bethel to use all, or part of, the income earned on related investments for general or specific purposes.

BETHEL UNIVERSITY AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2024 AND 2023

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Investment income, gains and losses on investments, and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation.

Net assets with donor restrictions whose restrictions are met in the year the gift is received are recorded as revenues without donor restrictions in the year received. Net assets with donor restrictions from prior years for which donor-imposed restrictions are met in the current reporting period are reported as net assets released from restrictions. Net assets which have no donor-imposed restrictions are recognized as revenues without donor restrictions in the year received.

Endowment Funds

Bethel's endowment consists of approximately 500 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the board of trustees to function as endowments. As required by accounting principles generally accepted in the United States of America, 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.

This law and the related accounting pronouncements affect how Bethel records and reports its endowment funds. Following are disclosures explaining how these legal and accounting rules impact Bethel:

Interpretation of Relevant Law

Bethel follows the provisions of *Endowments of Not-for-Profit Organizations: Net Asset Classifications of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for all Endowment Funds*. This provides guidance on classifying net assets associated with donor-restricted endowment funds held by organizations that are subject to an enacted version of Uniform Prudent Management of Institutional Funds Act (UPMIFA). UPMIFA as enacted in Minnesota does not establish a level below which an endowment fund may not fall. Instead, UPMIFA requires that endowment fund investment and spending policies be designed with the aim of preserving the amount of each endowment fund which is prudent for the uses, benefits, purposes, and duration for which each endowment fund was established. For accounting purposes only and without any implication for Bethel's legal obligations for administering its endowment funds, Bethel has classified as net assets with donor restrictions the following: (a) the original value of initial and subsequent gift amounts (including promises to give net of discount and allowance for doubtful accounts including promises to give at fair value) donated to the Endowment and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by Bethel in a manner consistent with the standard of prudence prescribed by UPMIFA.

BETHEL UNIVERSITY AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2024 AND 2023

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Endowment Funds (Continued)

Funds with Deficiencies

From time-to-time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). Bethel has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. As of May 31, 2024, funds with original gift values of \$80,848,849, fair values as of \$80,691,337, and deficiencies of \$157,512 were reported in net assets with donor restrictions. As of May 31, 2023, funds with original gift values of \$74,051,280, fair values as of \$72,849,021, and deficiencies of \$1,202,259 were reported in net assets with donor restrictions. These differences resulted from unfavorable market fluctuations that occurred shortly after the investment of new contributions to endowment funds and continued appropriation for certain programs that was deemed prudent by the board of trustees.

Return Objectives and Risk Parameters

Bethel has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the University must hold indefinitely or for a donor-specified period(s) as well as board-designated funds.

Under this policy, as approved by the board of trustees, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of selected benchmarks for each investment asset class while assuming a moderate level of investment risk. Bethel expects its endowment funds, over time, to provide an average annual rate of return greater than the corresponding benchmark index. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, Bethel relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Bethel targets a diversified asset allocation that places a great emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending from endowment funds is intended to benefit Bethel in perpetuity; therefore, the spending policy is intended to achieve a balance between the need to preserve the purchasing power of the endowment principal at the time of the donation and the need to maximize current distribution to support the programs designated by the donors.

BETHEL UNIVERSITY AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2024 AND 2023

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Endowment Funds (Continued)

Strategies Employed for Achieving Objectives (Continued)

In developing its spending policy, Bethel considers certain of the following factors which it determines relevant:

1. The duration and preservation of the fund
2. The purpose of Bethel and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of Bethel
7. The investment policies of Bethel

Spending Policy

The spending formula is set to maintain the long-term purchasing power (or better) of the invested funds while providing a stable source of support for the designated purpose. The current spending allocation formula is:

- Prior fiscal year's spending allocation (adjusted for inflation) (70% weighting), plus
- Current fair market value X 4.0% (30% weighting) and is reset annually each December.

During the year ended May 31, 2023, the University spent more than was allowed under its spending policy, which was approximately \$2,700,000. This was approved by the Board of Trustees to meet liquidity needs. The University endeavors to reinvest all drawn funds into the Board Designated Endowment upon the return of the liquid reserves to a level sufficient to support the University's operations.

True endowment funds are subject to the Minnesota UPMIFA provisions, while quasi-endowment funds are not. Underwater funds (FMV below original gift value) will not have their spending allocation constrained, provided the underwater condition is temporary.

Nonoperating Activities

Nonoperating activities reflect transactions of a long-term investment nature, including:

- Private gifts with donor restrictions
- Change in gift annuity contracts and change in present value of remainder interest in trusts
- Endowment investment earnings reinvested, and restricted as to use
- Endowment investment earnings above the spending policy
- Investment income from the Foundation

BETHEL UNIVERSITY AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2024 AND 2023

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

Cash and cash equivalents consist of money market funds and certificates of deposit to be used for Bethel's short-term needs, with maturities at the time of purchase of three months or less, and are recorded at cost, which approximates market value.

Accounts Receivable

Receivables are stated at net realizable value. A current expected credit loss is recorded annually based on historical experience and management's evaluation of current and future impacts to receivables at the end of each year. The University determines the expected credit loss by performing ongoing evaluations of its students and their ability to make payments. The University determines the adequacy of the expected credit loss based on length of time past due, historical collection experience, and judgment of economic conditions. Accounts that are past due more than 90 days are individually analyzed for collectability. When all collection efforts have been exhausted, the accounts are written off against the related allowance. The allowance for credit losses for the years ended May 31, 2024 and 2023 was \$1,670,577 and \$1,395,530, respectively.

Contributions Receivable

Pledges receivable represent unconditional promises to give to Bethel. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the year in which the pledges are received.

Student Loans Receivable

Student loans consist primarily of loans made to students under U.S. government loan programs. The loans are stated at net realizable value in the accompanying statements. It is not practicable to estimate the fair value of these receivables since they contain federally mandated interest rates and repayment terms subject to significant restrictions as to their transfer and disposition, therefore, no allowance for credit losses is recorded.

Inventories

Inventories consist of books, clothing, and other bookstore merchandise held for resale and are stated at the lower of cost or net realizable value with cost determined by the first-in, first-out or specific identification method.

Investments

Money market funds and certificates of deposit are recorded at cost, which approximates fair value. Investments in securities are stated at quoted market prices. Investments in real estate are stated at cost or at estimated fair value. Changes in market values are recorded as unrealized gains or losses in the period of change. Realized gains and losses on sales of securities are determined using the average cost method and recorded based on trade dates.

BETHEL UNIVERSITY AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2024 AND 2023

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments (Continued)

Bethel invests in a variety of investment vehicles. In general, investments are exposed to various risks, such as interest rate, credit, and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investments will occur in the near term and that such changes could materially affect the amounts reported in the consolidated statements of financial position. Investments in debt securities and marketable securities are carried at fair value, based upon quoted market prices or values provided by external investment managers.

Interest in Trust Assets

Bethel is the ultimate beneficiary of certain funds held in trust by the Foundation. The Foundation, as a trustee, has entered into various trust agreements which provide that the trustee shall make specified annual payments to the grantors or other income beneficiaries. Upon the death of the grantors or other designated beneficiaries, the remaining assets in the trusts shall be disposed of by the Foundation in accordance with the terms of the agreements.

Bethel's interest is recorded at present value, calculated based on a formula involving (a) specified annual payments to the grantors or other income beneficiaries, (b) mortality of grantors or beneficiaries, (c) assumed investment return of 8%, and (d) a present value factor reflecting a risk-weighted rate at the date of the gift, 6% for trusts established during fiscal year 2003 and thereafter, 8% for trusts established during fiscal years 1997 through 2002 and 10% for trusts established prior to 1997. These assets are classified as with donor restrictions.

Bethel does not record any net interest in trusts which are revocable or in which it does not have defined remainder interest.

Property and Equipment

Property and equipment are stated at cost, except those received as gifts or bequests which are stated at estimated fair market value at the date of gift. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulation, contributions of property and equipment are recorded as without donor restrictions. Depreciation is computed on a straight-line basis over the estimated useful lives of buildings (30 to 50 years), land improvements (15 years), equipment (5 to 10 years), and library books (15 to 25 years). Bethel capitalizes individual expenditures of at least \$5,000 unless smaller expenditures are part of a larger capital project.

Collections

Bethel's collections, which were acquired through purchases and contributions since Bethel's inception, are not recognized as assets on the consolidated statements of financial position. Purchases of collection items are recorded as decreases in net assets without donor restrictions in the year in which the items are acquired or as net assets with donor restrictions if the assets used to purchase the items are restricted by donors. Contributed collection items are not reflected on the consolidated financial statements.

BETHEL UNIVERSITY AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2024 AND 2023

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Collections (Continued)

Proceeds from de-accessions or insurance recoveries are reflected as increases in the appropriate net asset classes. Bethel's collections are made up of pottery, prints, musical instruments, and paintings that are held for educational and performance purposes. Each of the items are cataloged, preserved, and cared for, and activities verifying their existence and assessing their condition are performed continuously.

Deferred Revenue

Bethel records cash received for future services as deferred revenue. The revenue is recognized when services are provided. At May 31, 2024 and 2023, deferred revenue consists primarily of unearned tuition and student deposits.

Gift Annuity Contracts

Gift annuity contracts represent Bethel's liability under annuity contracts with donors. The liability is established at the time of the contribution using actuarial tables and revalued at the end of each fiscal year. Actuarial gains and losses resulting from the annual re-evaluation of annuity obligations are included in the other sources (uses) in nonoperating activities and reflected as with donor restrictions, consistent with the method used to initially record the contributions.

Government Grants and Contracts

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

Revenue Recognition

Revenue from contracts with customers is recognized when control of the promised goods or services is transferred to customers (students), in an amount that reflects the consideration expected to be entitled in exchange for those goods or services.

The following table shows the University's gross tuition revenue disaggregated according to the timing of the transfer of goods or service and by source as of May 31:

	2024	2023
Revenue Recognized Over Time:		
Undergraduate Tuition and Fees	\$ 76,085,025	\$ 76,680,844
Graduate Tuition and Fees	10,991,448	10,335,862
Seminary Tuition and Fees	2,003,780	2,324,532
BUILD Tuition and Fees	1,199,634	944,628
PSEO Tuition and Fees	2,150,803	1,680,944
Total	<u>\$ 92,430,690</u>	<u>\$ 91,966,810</u>

BETHEL UNIVERSITY AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2024 AND 2023

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

The following table shows the University's auxiliary revenues disaggregated according to the timing of the transfer of goods or service and by source, for the years ended May 31, 2024 and 2023, respectively:

	2024	2023
Revenue Recognized Over Time:		
Housing	\$ 8,364,896	\$ 8,681,646
Dining	5,618,745	6,034,201
Bookstore	1,166,347	1,288,906
Other	437,917	339,046
Total	<u>\$ 15,587,905</u>	<u>\$ 16,343,799</u>

The University's contract assets and liabilities consist of the following as of May 31:

	2024	2023	2022
Student Loans Receivable	<u>\$ 1,053</u>	<u>\$ 168,772</u>	<u>\$ 2,558,034</u>
Accounts Receivable - Students	<u>\$ 4,412,488</u>	<u>\$ 3,050,559</u>	<u>\$ 2,669,588</u>
Deferred Revenue - Students	<u>\$ 2,154,558</u>	<u>\$ 2,358,536</u>	<u>\$ 2,633,250</u>

Performance Obligations and Revenue Recognition

The University has four academic terms; fall, interim, spring, and summer. Tuition revenue is recognized in the fiscal year in which the academic programs are delivered, proratably over the term of the related semester. Auxiliary revenue is recognized in the fiscal year in which housing and food services are provided, proratably over the term of the related semester. There are no deferred revenues resulting from payments received prior to fiscal year-end related to academic terms that occur subsequent to fiscal year-end in the accompanying consolidated statements of financial position.

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

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

BETHEL UNIVERSITY AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2024 AND 2023

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Transaction Price

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

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

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

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

For contracts with similar characteristics and historical data on refunds, the expected value method is applied in determining the variable consideration related to refunds. Estimates of the University's expected refunds are determined at the outset of each academic term, based upon actual experience in previous academic terms. All refunds are netted against revenue during the applicable academic term. Management believes it is not probable that a significant reversal in the amount of cumulative revenue recognized will occur when the uncertainty associated with variable consideration is subsequently resolved.

Management reassesses collectability throughout the period revenue is recognized by the University on a student-by-student basis. This reassessment is based upon new information and changes in facts and circumstances relevant to a student's ability to pay. Management also reassesses collectability when a student withdraws from the institution and has unpaid charges.

Contract Balances

Tuition, fees, and auxiliary revenues are recognized in the period classes and services are provided. Students are billed at the beginning of each academic term and payment is due at that time. The University's performance obligations are to provide educational services in the form of instruction as well as housing facilities and meals during the academic term.

BETHEL UNIVERSITY AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2024 AND 2023

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements

Bethel follows the provisions of *Fair Value Measurements*, which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and establishes a framework for measuring fair value. *Fair Value Measurements* established a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of the asset or liability as of the measurement date.

Bethel accounts for its investments at fair value. In accordance with Fair Value Measurements, Bethel has categorized its investments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Financial assets and liabilities recorded on the consolidated statements of financial position are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Financial assets and liabilities are valued using inputs that are unadjusted quoted prices in active markets accessible at the measurement date of identical financial assets and liabilities. The inputs include those traded on an active exchange, such as the New York Stock Exchange, as well as U.S. treasury and other U.S. government and agency mortgage-backed securities that are traded by dealers or brokers in active over-the-counter markets.

Level 2 – Financial assets and liabilities are valued using inputs quoted prices for similar assets, or inputs that are observable, either directly or indirectly for substantially the full term through corroboration with observable market data.

Level 3 – Financial assets and liabilities are valued using pricing inputs which are unobservable for the asset, inputs that reflect the reporting entity's own assumptions about the assumption market participants would use in pricing the asset.

Federal Income Taxes

Bethel has received a determination letter from the Internal Revenue Service (IRS) indicating it is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and is subject to federal income tax only on net unrelated business income. Contributions are also tax deductible. Bethel has no obligation for unrelated business income tax. Accordingly, no provisions for federal or state income taxes are required.

Bethel has adopted Accounting for Uncertainty in Income Taxes. This standard clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribes a recognition threshold for the consolidated financial statement recognition of tax positions taken or expected to be taken on a tax return that are not certain to be realized.

BETHEL UNIVERSITY AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2024 AND 2023

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Federal Income Taxes (Continued)

Royals Investment Fund LLC is not a taxpaying entity. No income taxes have been provided at the Partnership level since the partners are individually liable for the taxes on their share of the Partnership's income or loss.

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 consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Investments are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible those changes in the values will occur in the near term and that such changes could materially affect the consolidated financial statements.

Concentration of Credit Risk

The majority of Bethel's cash and cash equivalents are concentrated in two banks.

The University maintains a portion of its cash balance in accounts which, at times, may exceed Federal Deposit Insurance Corporation (FDIC) limits. Four accounts held by the University were over the FDIC limit as of May 31, 2024 in the amount of \$9,489,199. There were five accounts held by the University that were over the FDIC limit as of May 31, 2023 in the amount of \$7,234,651.

Advertising Expense

Advertising is expensed as incurred. Advertising expense for the years ended May 31, 2024 and 2023 was \$3,298,891 and \$2,516,566, respectively.

Change in Accounting Principle

On June 1, 2023, the University adopted ASU 2016-13 *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which replaces the incurred loss methodology with an expected loss methodology referred to as the current expected credit loss (CECL) methodology. The measurement of expected credit losses under CECL is applicable to financial assets measured at amortized cost, including trade account receivables. The adoption of this standard did not have a material impact on the University's financial statements but did change how the allowance for credit losses is determined.

Subsequent Events

In preparing these financial statements, Bethel has evaluated events and transactions for potential recognition or disclosure through February 26, 2025, the date the consolidated financial statements were available to be issued.

BETHEL UNIVERSITY AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2024 AND 2023

NOTE 3 AVAILABLE RESOURCES AND LIQUIDITY

Bethel University routinely monitors liquidity required to meet its operating needs and other contractual commitments. Financial assets are considered unavailable when illiquid or not convertible to cash within one year. Other considerations of nonliquid assets are bond reserves, assets restricted for future capital projects, assets held for others, perpetual endowments and accumulated earnings net of appropriations within one year, state required annuity reserves or governing board designations for long-term investment. These investments include board-designated endowments and trusts. The board-designated endowment in the amount of \$9,805,754 and \$8,213,270 at May 31, 2024 and 2023, respectively, is subject to an annual spending rate as described in the Endowment Funds footnote. Although Bethel does not intend to spend from the principal of these funds, these amounts could be made available if deemed necessary.

The following table reflects Bethel's financial assets as of May 31, reduced by amounts not available for general expenditures within one year:

	2024	2023
Financial Assets:		
Cash and Cash Equivalents	\$ 10,686,373	\$ 7,797,420
Accounts Receivable, Net	4,412,488	3,050,559
Contributions Receivable, Net	1,421,454	4,849,732
Investments	116,946,018	100,758,844
Trust Assets	16,742,723	17,545,372
Total Financial Assets at Year-End	<u>150,209,056</u>	<u>134,001,927</u>
Less: Amounts Not Available to Meet General Expenditures Within One Year:		
Bond Reserves	3,596,249	3,554,861
Restricted for Future Capital Projects	2,187,441	2,208,562
Future Expendable Donor-Restricted Endowment	5,290,458	9,457,543
Board Designated Endowment	9,805,754	8,213,270
Portion of Donor-Restricted Endowment to be Retained in Perpetuity	81,066,425	73,217,645
Foundation Assets	22,745,842	23,520,243
Noncontrolling Interest	2,322,440	1,870,179
Annuity Investments	3,672,715	3,563,590
Long-Term Pledges	<u>794,954</u>	<u>2,222,232</u>
Total Amounts Not Available to Meet General Expenditures Within One Year	<u>131,482,278</u>	<u>127,828,125</u>
Financial Assets Available to Meet General Expenditures Within One Year	<u><u>\$ 18,726,778</u></u>	<u><u>\$ 6,173,802</u></u>

BETHEL UNIVERSITY AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2024 AND 2023

NOTE 4 EXPENSES BY FUNCTION AND NATURAL CLASSIFICATION

Bethel reports expenditures in categories reflecting core operational objectives for higher education as defined by Integrated Postsecondary Education Data System (IPEDS). During the year, expenses are directly coded to program services (instruction, academic support, public service, student services, and auxiliary services) or support services (institutional support) whenever possible. Expenses which are not directly identifiable by program or support service including operation and maintenance of plant and depreciation expense are allocated based on square footage methodology. Interest expense is allocated on a pro rata methodology.

Program Expenses related to Education consist of the following categories:

- **Instructional** includes expenses for all activities that are part of the instructional program.
- **Academic Support** includes expenses for all activities that directly support the instructional programs of the University such as the library.
- **Public Service** includes expenses for activities established primarily to provide noninstructional services beneficial to individuals and groups external to the University.
- **Student Services** are considered programmatic and include activities that, as their primary purpose, contribute to students' emotional and physical well-being and intellectual, cultural, and social development outside the context of the formal instruction program.
- **Scholarship and Fellowships** is comprised of grants to students that neither require the student to perform service to the institution as consideration for the grant, nor require the student to repay the amount of the grant.
- **Auxiliary Services** include all expenses relating to the operation of the institution's auxiliary activities such as housing, food service, bookstore operations, parking, and so forth.
- **Institutional Support** includes centralized expenses incurred to provide support services for the institution's primary mission and program functions. This category includes the university's fundraising activities as well as executive management, fiscal operations, general administration and central technology.

Expenses associated with the operation and maintenance of plant, depreciation and interest expense are allocated across all functional expense categories as follows:

- **Plant Operation and Maintenance** expenses for the administration, supervision, operation, maintenance, preservation, and protection of the University's physical plant are allocated based on square footage usage.
- **Depreciation** expenses for buildings and equipment are allocated based on square footage usage.
- **Interest Expense** is allocated based on pro rata methodology.

Program services expenses reflect the major activities of the institution for instruction, academic support, public service, student services and auxiliary services. Support activities include institutional support.

BETHEL UNIVERSITY AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2024 AND 2023

NOTE 4 EXPENSES BY FUNCTION AND NATURAL CLASSIFICATION (CONTINUED)

Expenses reported by function on the statement of activities and changes in net assets are summarized by natural classification for the years ended May 31:

	2024		
	Program	Management and General	Total
EXPENSES			
Salaries and Wages	\$ 29,865,143	\$ 9,739,867	\$ 39,605,010
Benefits	10,167,507	2,057,112	12,224,619
Supplies	2,820,075	447,439	3,267,514
Services	5,884,122	9,664,282	15,548,404
Occupancy and Utilities	3,922,125	409,902	4,332,027
Dining Services	5,306,663	-	5,306,663
Depreciation	4,804,763	356,099	5,160,862
Interest	1,722,727	560,023	2,282,750
Other	897,397	472,505	1,369,902
Total Expenses	<u>\$ 65,390,522</u>	<u>\$ 23,707,229</u>	<u>\$ 89,097,751</u>

	2023		
	Program	Management and General	Total
EXPENSES			
Salaries and Wages	\$ 31,327,591	\$ 9,570,802	\$ 40,898,393
Benefits	10,750,408	2,314,588	13,064,996
Supplies	3,334,748	530,384	3,865,132
Services	5,660,113	7,562,790	13,222,903
Occupancy and Utilities	4,108,584	326,569	4,435,153
Dining Services	4,797,282	-	4,797,282
Fellowships and Scholarships	-	-	-
Depreciation	4,842,610	358,905	5,201,515
Interest	1,716,543	558,013	2,274,556
Other	1,007,022	453,088	1,460,110
Total Expenses	<u>\$ 67,544,901</u>	<u>\$ 21,675,139</u>	<u>\$ 89,220,040</u>

NOTE 5 ACCOUNTS RECEIVABLE

Receivables as of May 31 are as follows:

	2024	2023
Student Tuition and Fees	\$ 6,083,065	\$ 4,446,089
Less: Allowance for Credit Losses - Students	(1,670,577)	(1,395,530)
Total	<u>\$ 4,412,488</u>	<u>\$ 3,050,559</u>

BETHEL UNIVERSITY AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2024 AND 2023

NOTE 6 CONTRIBUTIONS RECEIVABLE

Contributions receivable are summarized as follows at May 31:

	2024	2023
Unconditional Promises Expected to be Collected in:		
Less Than One Year	\$ 626,500	\$ 2,627,500
One to Five Years	445,500	2,345,816
Greater than Five Years	404,000	-
Total Contributions Receivable	1,476,000	4,973,316
Discount (4%)	(54,546)	(123,584)
Total Contributions Receivable, Net	<u>\$ 1,421,454</u>	<u>\$ 4,849,732</u>

The allowance is determined based on management's best estimate of collectability. The allowance was \$-0- as of May 31, 2024 and 2023.

NOTE 7 STUDENT LOANS RECEIVABLE

Bethel issues uncollateralized loans to students based on financial need. Student loans are funded through federal government loan programs or institutional resources. Allowance credit losses are established based on prior collection experience and current economic factors which, in management's judgment, could influence the ability of loan recipients to repay the amounts per the loan terms.

At May 31, student loans consisted of the following:

	2024	2023
Federal Government Programs	<u>\$ 1,053</u>	<u>\$ 168,772</u>

There was no allowance for credit losses related to the student loans as of May 31, 2024 and 2023.

At May 31, 2024 and 2023, the following amounts were past due under student loan programs:

<u>Year</u>	1 - 60 Days Past Due	60 - 90 Days Past Due	90+ Days Past Due	Total Past Due
2024	\$ -	\$ -	\$ -	\$ -
2023	-	-	29,885	29,885

BETHEL UNIVERSITY AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2024 AND 2023

NOTE 8 INVESTMENTS

Investments consist of the following at May 31:

	2024		2023	
	Cost	Market	Cost	Market
Certificates of Deposit and				
Money Market Funds	\$ 1,041,704	\$ 1,041,704	\$ 2,596,470	\$ 2,596,470
Stocks, Principally Common	8,490,047	12,152,032	7,757,188	9,196,729
Mutual Funds - Domestic Equity	36,489,370	43,233,208	28,489,421	29,636,947
Mutual Funds - Domestic Fixed	18,001,981	17,798,101	13,311,282	12,503,326
Mutual Funds - International Equity	17,775,394	22,431,689	25,251,580	27,186,905
Mutual Funds - International Bonds	1,405,149	1,349,878	4,051,830	3,769,036
Hedge Funds	14,017,362	18,918,402	12,793,878	15,869,431
Real Estate Investments	1	500	2	3,000
Other	20,498	21,004	-	-
Total Investments	<u>\$ 97,241,506</u>	<u>\$ 116,946,518</u>	<u>\$ 94,251,651</u>	<u>\$ 100,761,844</u>

The components of investment earnings are summarized below at May 31:

	2024	2023
Realized Gains	\$ 1,146,135	\$ 1,399,205
Unrealized Gains (Losses)	12,869,585	(2,601,631)
Interest and Dividends	1,854,162	2,052,456
Total	<u>\$ 15,869,882</u>	<u>\$ 850,030</u>

Investment income consists of the following items from the consolidated statement of activities: investment income, endowment income, and undistributed endowment earnings.

BETHEL UNIVERSITY AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2024 AND 2023

NOTE 9 FAIR VALUE MEASUREMENTS

Bethel uses *Fair Value Measurements* to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. For additional information on how Bethel values all other assets and liabilities refer to Note 2 – Summary of Significant Accounting Policies.

Assets measured at fair value on a recurring basis for the year ended May 31, 2024:

	Level 1	Level 2	Level 3	Total
University Investments:				
Stocks, Principally Common	\$ 10,639,996	\$ -	\$ -	\$ 10,639,996
Mutual Funds - Domestic Equity	39,672,647	-	-	39,672,647
Mutual Funds - Domestic Fixed	17,103,105	-	-	17,103,105
Mutual Funds - Balanced Fund	-	-	-	-
Mutual Funds - International Equity	20,331,197	-	-	20,331,197
Mutual Funds - International Bonds	1,121,752	-	-	1,121,752
Total University	88,868,697	-	-	88,868,697
Foundation General Fund Investments:				
Mutual Funds - Domestic Equity	2,793,321	-	-	2,793,321
Mutual Funds - Domestic Fixed	694,996	-	-	694,996
Mutual Funds - International Equity	2,100,492	-	-	2,100,492
Mutual Funds - International Bonds	228,126	-	-	228,126
Real Estate Investments	-	-	500	500
Total Foundation	5,816,935	-	500	5,817,435
Foundation Trust Fund Investments:				
Stocks, Principally Common	3,021,847	-	-	3,021,847
Mutual Funds - Balanced Fund	12,765,121	-	-	12,765,121
Total Foundation Trust Fund	15,786,968	-	-	15,786,968
Total Foundation	21,603,903	-	500	21,604,403
Royals Investment Fund Investments:				
Stocks, Principally Common	1,574,727	-	-	1,574,727
Mutual Funds - Domestic Equity	739,133	-	-	739,133
Total Royals Investment Fund	2,313,860	-	-	2,313,860
Total Investments	\$ 112,786,460	\$ -	\$ 500	\$ 112,786,960

BETHEL UNIVERSITY AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2024 AND 2023

NOTE 9 FAIR VALUE MEASUREMENTS (CONTINUED)

Assets measured at fair value on a recurring basis for the year ended May 31, 2023:

	Level 1	Level 2	Level 3	Total
University Investments:				
Stocks, Principally Common	\$ 8,000,092	\$ -	\$ -	\$ 8,000,092
Mutual Funds - Domestic Equity	26,359,657	-	-	26,359,657
Mutual Funds - Domestic Fixed	11,807,558	-	-	11,807,558
Mutual Funds - Balanced Fund	-	-	-	-
Mutual Funds - International Equity	25,080,956	-	-	25,080,956
Mutual Funds - International Bonds	3,545,314	-	-	3,545,314
Total University	74,793,577	-	-	74,793,577
Foundation General Fund Investments:				
Mutual Funds - Domestic Equity	2,643,935	-	-	2,643,935
Mutual Funds - Domestic Fixed	695,768	-	-	695,768
Mutual Funds - International Equity	2,083,050	-	-	2,083,050
Mutual Funds - International Bonds	223,722	-	-	223,722
Real Estate Investments	-	-	3,000	3,000
Total Foundation	5,646,475	-	3,000	5,649,475
Foundation Trust Fund Investments:				
Stocks, Principally Common	5,871,021	-	-	5,871,021
Mutual Funds - Balanced Fund	10,905,662	-	-	10,905,662
Total Foundation Trust Fund	16,776,683	-	-	16,776,683
Total Foundation	22,423,158	-	3,000	22,426,158
Royals Investment Fund Investments:				
Stocks, Principally Common	1,259,875	-	-	1,259,875
Mutual Funds - Domestic Equity	604,872	-	-	604,872
Total Royals Investment Fund	1,864,747	-	-	1,864,747
Total Investments	\$ 99,081,482	\$ -	\$ 3,000	\$ 99,084,482

The totals above do not include certain amounts as they are not measured on a recurring basis at fair value. The table below reconciles total University and Foundation investments and interest in trust assets as of May 31, 2024:

	University	Foundation		Royals Investment Fund	Total
		General Fund	Trust Fund		
Total Investments and Interest in Trust Assets	\$ 108,815,223	\$ 5,817,435	\$ 16,742,723	\$ 2,313,860	\$ 133,689,241
Investments not Measured at Fair Value on a Recurring Basis:					
Cash and Cash Equivalents	(1,028,124)	-	(955,755)	-	(1,983,879)
Annuity Contracts	-	-	-	-	-
Hedge Funds Measured at Net Asset Value	(18,918,402)	-	-	-	(18,918,402)
Total Investments and Interest in Trust Assets Measured at Fair Value on a Recurring Basis	\$ 88,868,697	\$ 5,817,435	\$ 15,786,968	\$ 2,313,860	\$ 112,786,960

BETHEL UNIVERSITY AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2024 AND 2023

NOTE 9 FAIR VALUE MEASUREMENTS (CONTINUED)

The table below reconciles total University and Foundation investments and interest in trust assets as of May 31, 2023:

	University	Foundation		Royals Investment Fund	Total
		General Fund	Trust Fund		
Total Investments and Interest in Trust Assets	\$ 93,247,622	\$ 5,649,475	\$ 17,545,372	\$ 1,864,747	\$ 118,307,216
Investments not Measured at Fair Value on a Recurring Basis:					
Cash and Cash Equivalents	(2,584,614)	-	(768,689)	-	(3,353,303)
Annuity Contracts	-	-	-	-	-
Hedge Funds Measured at Net Asset Value	(15,869,431)	-	-	-	(15,869,431)
Total Investments and Interest in Trust Assets Measured at Fair Value on a Recurring Basis	<u>\$ 74,793,577</u>	<u>\$ 5,649,475</u>	<u>\$ 16,776,683</u>	<u>\$ 1,864,747</u>	<u>\$ 99,084,482</u>

Assets Measured Using Net Asset Value per Share (or its Equivalent)

Bethel values certain investment holdings at fair value using their net asset value and has the ability to redeem its investments with the investee at the net asset value per share (or its equivalent) at the measurement date.

Fair Value Measurements of Investments in Certain Entities That Calculate Net Asset Value per Share (or its Equivalent) as of May 31, 2024:

	Net Asset Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
400 Capital Credit Opportunities	\$ 1,997,905	\$ -	90 Days	Monthly
Marshall Wace Eureka Fund	1,564,055	-	90 Days	Monthly
PSAM Worldarb Fund Ltd	1,874,234	-	90 Days	Monthly
Whitebox Multi Strategy Fund Ltd	2,138,857	-	90 Days	Monthly
Wellington Trust Company (WTC)				
Small Cap Opps	3,920,433	-	90 Days	Monthly
ARGA Emerging Markets	3,837,079	-	90 Days	Monthly
Atlas Enhanced Fund, Ltd	1,585,839	-	90 Days	Monthly
Brevan Howard Alpha Strategies Fund	1,000,000	-	90 Days	Monthly
Aristeia International Ltd	1,000,000	-	90 Days	Monthly
Total	<u>\$ 18,918,402</u>	<u>\$ -</u>		

BETHEL UNIVERSITY AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2024 AND 2023

NOTE 9 FAIR VALUE MEASUREMENTS (CONTINUED)

Assets Measured Using Net Asset Value per Share (or its Equivalent) (Continued)

Fair Value Measurements of Investments in Certain Entities That Calculate Net Asset Value per Share (or its Equivalent) as of May 31, 2023:

	Net Asset Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
400 Capital Credit Opportunities	\$ 1,811,880	\$ -	90 Days	Monthly
Marshall Wace Eureka Fund	1,416,282	-	90 Days	Monthly
PSAM Worldarb Fund Ltd	1,675,451	-	90 Days	Monthly
Whitebox Multi Strategy Fund Ltd	1,937,349	-	90 Days	Monthly
Wellington Trust Company (WTC)				
Small Cap Opps	4,772,342	-	90 Days	Monthly
ARGA Emerging Markets	4,256,127	-	90 Days	Monthly
Total	<u>\$ 15,869,431</u>	<u>\$ -</u>		

400 Capital Credit Opportunities Fund seeks to achieve high absolute returns with low volatility and low correlation to traditional fixed income and equity markets by investing in credit, which includes secured and structured commercial, consumer and corporate assets. The fair value of the fund in this category has been estimated using the net asset value per share of the investments.

Marshall Wace Eureka Fund aims to provide investors with above average absolute returns primarily through investing and trading in equities and equity related investments. The fair value of the fund in this category has been estimated using the net asset value per share of the investments.

PSAM Worldarb Fund seeks is to engage primarily in global event arbitrage activities. The fair value of the fund has been estimated using the net asset value per share of the investments.

Whitebox Multi-Strategy Fund investment objective is to provide superior capital appreciation by dynamically allocating its assets among a variety of proprietary investment strategies that seek to capture alpha from systematic inefficiencies and idiosyncratic opportunities across asset classes and market cycles. The fair value of the fund has been estimated using the net asset value per share of the investments.

Capula Global Relative Value Fund LTD generally invests in fixed income markets which primarily includes liquid government securities with a focus on fixed-income relative value and arbitrage. The fund also invests through interest rate swaps, exchange-traded futures, and options.

Wellington Trust Company (WTC) seeks a long-term total return in excess of the Russell 2000 Index on a total return basis. The fair value of this fund has been estimated using the net asset value per share of the investments.

BETHEL UNIVERSITY AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2024 AND 2023

NOTE 9 FAIR VALUE MEASUREMENTS (CONTINUED)

Assets Measured Using Net Asset Value per Share (or its Equivalent) (Continued)

ARGA Emerging Markets Value Fund generally invests in equity and equity-linked securities of emerging markets companies that trade at a discount to intrinsic value. The primary objective of ARGA Emerging Markets Value Fund is long-term capital appreciation. The fair value of the fund has been estimated using the net asset value per share of the investments.

Atlas Enhanced Fund uses a high amount of leverage to achieve capital appreciation by utilizing a variety of investment strategies, including, but not limited to, sector-based fundamental long/short equity, short- and medium-term trading portfolios, global macros, credit and commodities trading, special situations, distressed companies and arbitrage opportunities, both within and outside U.S. markets.

Brevan Howard Alpha Strategies Fund Limited seeks to generate absolute returns through the allocation of capital to a number of strategies across a broad range of asset classes, including but not limited to interest rates, foreign exchange, equities, commodities and credit.

Aristeia International Limited seeks to produce attractive, risk-adjusted returns in all credit spread environments by creating an alpha-focused portfolio that combines deeply researched idiosyncratic investments with a dynamic hedging program.

NOTE 10 ROYALS INVESTMENT FUND AND NONCONTROLLING INTEREST

The Royals Investment Fund is a private investment partnership organized to provide participant students of the Department of Business and Economics at Bethel University an opportunity to learn about the roles of investment professionals by simulating a professionally managed investment company. Governance for the Royals Investment Fund is ratified under the governance of Bethel University and therefore Bethel University holds control over the Partnership.

The following schedule shows the statement of change in partner balances for the years ended May 31:

	2024	2023
Beginning Balance	\$ 1,870,179	\$ 1,981,183
Interest and Dividends	35,652	30,711
Capital Gain Distributions	1,372	2,423
Net Realized and Unrealized Gains	445,237	(115,657)
Partnership Expenses	(30,000)	(28,481)
Ending Balance	<u>\$ 2,322,440</u>	<u>\$ 1,870,179</u>

BETHEL UNIVERSITY AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2024 AND 2023

NOTE 11 PROPERTY AND EQUIPMENT

Property and equipment as of May 31 consist of the following:

	2024	2023
Land and Land Improvements	\$ 19,995,397	\$ 19,668,669
Buildings and Building Improvements	178,118,746	177,136,895
Furniture and Equipment	37,285,127	35,921,833
Construction in Progress	653,564	48,253
Subtotal	236,052,834	232,775,650
Less: Accumulated Depreciation	(127,338,394)	(122,177,531)
Total	<u>\$ 108,714,440</u>	<u>\$ 110,598,119</u>

Depreciation expense totaled \$5,160,862 and \$5,201,515 for the years ended May 31, 2024 and 2023, respectively.

NOTE 12 LONG-TERM DEBT

Long-term debt payable consists of the following at May 31:

Description	Collateral	2024	2023
Minnesota Higher Education Facilities Authority, Revenue and Refunding Bonds, Series 2017, 5.0% fixed rate, due in annual installments of \$1,350,000 to \$3,405,000 starting May 2028 to May 2047	Pledge of Amounts Payable by the University and Amounts in the Reserve Account	\$ 44,565,000	\$ 44,565,000
Bond Premium		3,376,636	3,523,981
Less: Unamortized Debt Issuance Costs		(428,459)	(447,156)
Total Long-Term Debt		<u>\$ 47,513,177</u>	<u>\$ 47,641,825</u>

The balance of accrued interest on outstanding long-term debt was \$185,563 for both years ending May 31, 2024 and 2023.

Maturities of long-term debt for the next five years aggregate:

Year Ending May 31,	Amount
2025	\$ -
2026	-
2027	-
2028	1,350,000
2029	1,415,000
Thereafter	41,800,000
Total	<u>\$ 44,565,000</u>

The Series 2017 Revenue Bonds require Bethel to comply with various covenants.

BETHEL UNIVERSITY AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2024 AND 2023

NOTE 13 SELF-FUNDED HEALTH INSURANCE

Bethel has a self-funded health care plan which provides medical benefits to its employees. Health care cost is expensed as incurred. The health care expense is based upon actual claims paid, reinsurance premiums, administrative fees, and unpaid claims at year-end. An accrual for claims outstanding of \$456,556 and \$467,801 has been recorded at May 31, 2024 and 2023, respectively. Management believes this liability is sufficient to cover estimated claims including claims incurred but not yet reported.

NOTE 14 RETIREMENT PLANS

Bethel has a defined benefit pension plan which covers substantially all full-time employees. No new plan participants may enter the plan after January 1, 2006. Benefits are based on years of service and each employee's highest average compensation during five consecutive years of employment. Bethel's policy is to annually fund pension cost accrued.

Bethel follows the recognition provisions of *Employers' Accounting for Defined Pension and Other Postretirement Plans*, which requires that the funded status of defined benefit pension and other postretirement plans be fully recognized in the consolidated statements of financial position.

As of June 1, 2013 Bethel froze its defined benefit plan for all participants such that no participant shall accrue any additional benefit on or after June 1, 2013. This change will not impact either current retirees' pension benefits or terminated vested participants' future pension benefits. There are approximately 220 active employees in this plan that had their accruals frozen. Consequently, all accrued years of service and pay for these employees will remain intact; however, no additional years of service or pay will be accumulated and added to the plan.

The changes in the projected benefit obligation are as follows:

	2024	2023
Change in Projected Benefit Obligation:		
Benefit Obligation - Beginning of Year	\$ 72,543,845	\$ 80,865,924
Service Cost	-	-
Interest Cost	3,656,378	3,316,750
Benefits Paid	(5,580,045)	(5,444,202)
Actuarial Gain	(934,378)	(6,194,627)
Benefit Obligation - End of Year	<u>\$ 69,685,800</u>	<u>\$ 72,543,845</u>
Change in Plan Assets:		
Fair Value of Plan Assets - Beginning of Year	\$ 48,843,668	\$ 54,242,819
Employer Contributions	-	-
Benefits Paid	(5,580,045)	(5,444,202)
Actual Return on Plan Assets	7,190,376	45,051
Fair Value of Plan Assets - End of Year	<u>\$ 50,453,999</u>	<u>\$ 48,843,668</u>
Funded Status - End of Year	<u>\$ (19,231,801)</u>	<u>\$ (23,700,177)</u>

BETHEL UNIVERSITY AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2024 AND 2023

NOTE 14 RETIREMENT PLANS (CONTINUED)

	2024	2023
Components of Net Periodic Pension Cost:		
Service Cost	\$ 28,000	\$ 36,000
Interest Cost	3,656,378	3,316,750
Expected Return on Plan Assets	(2,981,240)	(3,167,297)
Amortization of Unrecognized Prior Service Cost	-	-
Amortization of Unrecognized Net Actuarial Loss	203,785	1,120,101
Net Periodic Pension Cost	<u>\$ 906,923</u>	<u>\$ 1,305,554</u>
Funded Status of Benefit Obligations:		
Projected Benefit Obligation	\$ 69,685,800	\$ 72,543,845
Accumulated Benefit Obligation	69,685,800	72,543,845
Fair Value of Plan Assets	50,453,999	48,843,668

Basis Used to Determine Expected Long-Term Rate of Return

The determination of the long-term rate of return on assets was developed based on the mix of assets in the portfolio. Based on an overall mix of approximately 50% of plan assets invested in equities, 25% in fixed income, 10% in global asset allocations, and 15% in other investments, the overall expected long-term rate of return is assumed to be 6.25%. The investment policy for the plan is to mirror the above mix percentages.

The percentage of the fair value of total plan assets held as of May 31 (the measurement date) by asset category is as follows:

	2024	2023
Equity Securities	52 %	56 %
Fixed Income	19	15
Global Asset Allocation	20	18
Other Investments	9	11
Total	<u>100 %</u>	<u>100 %</u>

The plan uses *Fair Value Measurement* to record fair value adjustments to certain assets and to determine fair value disclosures. The following tables present the fair value hierarchy for the balances of the assets of the plan measured at fair value on a recurring basis as of May 31:

	2024		
	Level 1	Level 2	Level 3
Bonds	\$ 14,487	\$ -	\$ -
Mutual Funds	40,106,026	-	-
Investments Measured at			
Net Asset Value	-	10,333,486	-
Total	<u>\$ 40,120,513</u>	<u>\$ 10,333,486</u>	<u>\$ -</u>

BETHEL UNIVERSITY AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2024 AND 2023

NOTE 14 RETIREMENT PLANS (CONTINUED)

Basis Used to Determine Expected Long-Term Rate of Return (Continued)

	2023			
	Level 1	Level 2	Level 3	Total
Bonds	\$ 5,735	\$ -	\$ -	\$ 5,735
Mutual Funds	39,821,625	-	-	39,821,625
Investments Measured at				
Net Asset Value	-	9,016,308	-	9,016,308
Total	<u>\$ 39,827,360</u>	<u>\$ 9,016,308</u>	<u>\$ -</u>	<u>\$ 48,843,668</u>

The plan invests primarily in investment funds, limited partnerships, or interest-bearing securities, referred to collectively for this purpose as investment funds. The plan presents these investment funds at fair value as determined under FASB Accounting Standards Codification ASC 820: Fair Value Measurements and Disclosures. In situations where the investment fund does not have a readily determinable fair value and meets other eligibility criteria, the plan measures fair value based on net asset value per share or its equivalent.

The following table lists investments in investment funds by major category at May 31:

	2024			
	Net Asset Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
ARGA Emerging Mkts	\$ 2,007,635	\$ -	90 Days	Monthly
MW Eureka	1,109,651	-	90 Days	Monthly
Whitebox	1,192,306	-	90 Days	Monthly
WTC - Sm Cap	1,929,469	-	90 Days	Monthly
Alpha Strategies Fund	1,000,000	-	90 Days	Monthly
Oasis Invest II Fund	1,021,073	-	90 Days	Monthly
Atlas Enhanced Fund	1,037,045	-	90 Days	Monthly
Aristeia International	1,036,307	-	90 Days	Monthly
Total	<u>\$ 10,333,486</u>	<u>\$ -</u>		

	2023			
	Net Asset Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
ARGA Emerging Mkts	\$ 2,440,022	\$ -	90 Days	Monthly
MW Eureka	1,181,100	-	90 Days	Monthly
Whitebox	1,482,859	-	90 Days	Monthly
WTC - Sm Cap	2,893,464	-	90 Days	Monthly
400 Capital	1,018,863	-	90 Days	Monthly
Total	<u>\$ 9,016,308</u>	<u>\$ -</u>		

BETHEL UNIVERSITY AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 14 RETIREMENT PLANS (CONTINUED)

Basis Used to Determine Expected Long-Term Rate of Return (Continued)

400 Capital Credit Opportunities Fund seeks to achieve high absolute returns with low volatility and low correlation to traditional fixed income and equity markets by investing in credit, which includes secured and structured commercial, consumer and corporate assets. The fair value of the fund in this category has been estimated using the net asset value per share of the investments.

Marshall Wace Eureka Fund aims to provide investors with above average absolute returns primarily through investing and trading in equities and equity related investments. The fair value of the fund in this category has been estimated using the net asset value per share of the investments.

Whitebox Multi-Strategy Fund investment objective is to provide superior capital appreciation by dynamically allocating its assets among a variety of proprietary investment strategies that seek to capture alpha from systematic inefficiencies and idiosyncratic opportunities across asset classes and market cycles. The fair value of the fund has been estimated using the net asset value per share of the investments.

Wellington Trust Company (WTC) seeks a long-term total return in excess of the Russell 2000 Index on a total return basis. The fair value of this fund has been estimated using the net asset value per share of the investments.

ARGA Emerging Markets Value Fund generally invests in equity and equity-linked securities of emerging markets companies that trade at a discount to intrinsic value. The primary objective of ARGA Emerging Markets Value Fund is long-term capital appreciation. The fair value of the fund has been estimated using the net asset value per share of the investments.

Atlas Enhanced Fund uses a high amount of leverage to achieve capital appreciation by utilizing a variety of investment strategies, including, but not limited to, sector-based fundamental long/short equity, short- and medium-term trading portfolios, global macros, credit and commodities trading, special situations, distressed companies and arbitrage opportunities, both within and outside U.S. markets.

Aristeia International Limited seeks to produce attractive, risk-adjusted returns in all credit spread environments by creating an alpha-focused portfolio that combines deeply researched idiosyncratic investments with a dynamic hedging program.

Alpha Strategies Fund is a closed-end fund that offers accredited investors a single access point to an actively managed portfolio of hard-to-access hedge funds that is aligned with investment guidance from the Chief Investment Office for Merrill Lynch.

Oasis Invest Fund II Master Fund ("Oasis II Fund") is a global, market neutral, multi-asset fund, with an emphasis in Asia. The core set of strategies consists of tactical equity long/short (short-term, technical and event-driven), strategic equity long/short (fundamental deep dive including shareholder engagement), volatility and convertible bond arbitrage, and relative value in credit markets, including capital structure arbitrage and corporate and distressed debt.

BETHEL UNIVERSITY AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2024 AND 2023

NOTE 14 RETIREMENT PLANS (CONTINUED)

Basis Used to Determine Expected Long-Term Rate of Return (Continued)

Bethel's investment policy requires that the assets of the plan are invested in a manner consistent with the fiduciary standard of Employee Retirement Income Security Act of 1974 (ERISA); namely, (a) the safeguards and diversity to which a prudent investor would adhere must be present and (b) all transactions undertaken on behalf of the plan must be for the sole interest of plan participants and their beneficiaries, to provide benefits in a prudent manner. The primary investment emphasis is to attain or improve upon the surplus of assets over the present value of liabilities.

The plan shall provide the highest possible return consistent with prudent diversification. The investment assumption of the plan is to earn a long-term total return of 7.0%. The actual mix shown above is within targeted ranges of the asset mix that Bethel believes will support the long-term objective.

Bethel does not plan to contribute to the plan during fiscal year 2024.

The following benefit disbursements are expected:

<u>Year Ending May 31,</u>	<u>Amount</u>
2025	\$ 5,964,204
2026	6,015,895
2027	6,096,355
2028	6,158,615
2029	6,117,534
2030-2034	28,746,415

Weighted average assumptions used to determine net periodic benefit costs are as follows:

	<u>2024</u>	<u>2023</u>
Economic Assumptions - Used to Determine Benefit Obligations for Years Ended May 31:		
Discount Rate	5.50%	5.25%
Rate of Compensation Increase	N/A	N/A
Economic Assumptions - Used to Determine Net Periodic Benefit Cost:		
Discount Rate	5.25%	4.25%
Rate of Compensation Increase	N/A	N/A
Expected Long-Term Return on Plan Assets	6.25%	6.25%

Bethel also has a noncontributory defined contribution retirement plan which covers substantially all employees. Bethel contributes amounts, determined by management, based on participant's annual compensation level. Expense for this plan was \$711,741 and \$735,437 during the fiscal years 2024 and 2023, respectively.

BETHEL UNIVERSITY AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2024 AND 2023

NOTE 14 RETIREMENT PLANS (CONTINUED)

Basis Used to Determine Expected Long-Term Rate of Return (Continued)

Both Bethel's defined benefit plan and defined contribution retirement plans are qualified as "church plans" by the IRS and thus are generally exempt from the provisions of ERISA unless management makes an election to adhere to its regulations. Management does not currently intend to make that election.

NOTE 15 POSTRETIREMENT BENEFITS

Bethel has a Retiree Medical Plan with five total participants: one active participant and three retirees and surviving spouses.

The following is the annual expense for the plan recognized on Bethel's consolidated statements of activities and changes in net assets at May 31:

	2024	2023
Postretirement Welfare Benefit Cost:		
Interest Cost	\$ 1,388	\$ 1,553
Amortization of Unrecognized Prior Service Cost	-	-
Amortization of Unrecognized Net Actuarial	-	-
Gain Net Periodic Pension Cost	<u>\$ 1,388</u>	<u>\$ 1,553</u>
Assumptions Used to Determine Net Periodic Pension		
Cost for Years Ended May 31:		
Discount Rate	5.50%	5.25%
Plan Trend Prior to Age 65:		
First Year	5.32%	5.36%
Ultimate	3.84%	3.84%
Years to Reach Ultimate	51	52

The funded status of the plan as of May 31:

	2024	2023
Accumulated Postretirement Benefit Obligation		
Fully Eligible Actives	\$ -	\$ -
Other Actives	-	-
Retirees	(32,954)	(32,954)
Total	(32,954)	(32,954)
Fair Value of Assets	-	-
Funded Status	<u>\$ (32,954)</u>	<u>\$ (32,954)</u>

The following is the amount recognized in the consolidated statement of financial position as of May 31:

	2024	2023
Amounts Recognized in the Statement:		
Benefits Liability	<u>\$ (32,954)</u>	<u>\$ (32,954)</u>

BETHEL UNIVERSITY AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2024 AND 2023

NOTE 16 NET ASSETS

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or satisfying time expirations. Releases in 2024 and 2023 were \$3,757,826 and \$7,278,748, respectively.

Total net assets with donor restrictions not held in perpetuity as of May 31 were as follows:

	2024	2023
Trusts	\$ 7,546,663	\$ 8,031,935
Scholarships and Other Programs	35,279,118	26,058,686
Total Net Assets With Restrictions Not Held in Perpetuity	<u>\$ 42,825,781</u>	<u>\$ 34,090,621</u>

Total net assets with donor restrictions held in perpetuity as of May 31 were as follows:

	2024	2023
Scholarship Endowments	\$ 36,401,139	\$ 30,264,150
General and Program Endowments	42,188,198	40,482,871
Endowment for Advancement of Children's Ministries	2,102,000	2,102,000
Trusts	375,088	368,624
Total Net Assets With Restrictions Held in Perpetuity	<u>\$ 81,066,425</u>	<u>\$ 73,217,645</u>

NOTE 17 ENDOWMENT

Endowment by Net Asset Class for the Years Ended May 31

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-Restricted Endowment Funds	\$ -	\$ 99,475,349	\$ 99,475,349
Board-Designated Endowment Funds	9,805,754	-	9,805,754
Total Funds	<u>\$ 9,805,754</u>	<u>\$ 99,475,349</u>	<u>\$ 109,281,103</u>

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-Restricted Endowment Funds	\$ -	\$ 81,649,326	\$ 81,649,326
Board-Designated Endowment Funds	8,213,270	-	8,213,270
Total Funds	<u>\$ 8,213,270</u>	<u>\$ 81,649,326</u>	<u>\$ 89,862,596</u>

BETHEL UNIVERSITY AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2024 AND 2023

NOTE 17 ENDOWMENT (CONTINUED)

Changes in Endowment Net Assets for the Years Ended May 31

	2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Investments - Beginning of Year	\$ 8,213,270	\$ 81,649,326	\$ 89,862,596
Investment Income (Loss)	1,354,524	13,492,797	14,847,321
Contributions	668,135	7,842,315	8,510,450
Appropriations of Endowment Assets for Expenditure	(430,175)	(3,509,089)	(3,939,264)
Endowment Investments - End of Year	<u>\$ 9,805,754</u>	<u>\$ 99,475,349</u>	<u>\$ 109,281,103</u>

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Investments - Beginning of Year	\$ 10,595,750	\$ 82,275,761	\$ 92,871,511
Investment Income (Loss)	(1,574,849)	2,129,793	554,944
Contributions	-	2,188,105	2,188,105
Appropriations of Endowment Assets for Expenditure	(807,631)	(4,944,333)	(5,751,964)
Endowment Investments - End of Year	<u>\$ 8,213,270</u>	<u>\$ 81,649,326</u>	<u>\$ 89,862,596</u>

NOTE 18 RELATED PARTY TRANSACTIONS

Bethel received \$477,272 and \$587,900 in contributions from trustee members during the years ended May 31, 2024 and 2023, respectively.

Bethel also had \$195,000 and \$-0- in pledges outstanding from trustee members and members of leadership as of the years ended May 31, 2024 and 2023, respectively.

Bethel University has agreed to provide certain support services to the Foundation including providing office space and associated expenses at no cost. These operating costs were paid by Bethel University. The value of such services was \$428,943 and \$450,891 for fiscal years ended May 31, 2024 and 2023, respectively. Employees of the Foundation also participate in Bethel's insurance and health benefit plans.

Bethel also receives distributions of funds from the Foundation to be used for various purposes. The total value of such distributions was \$765,900 and \$771,003 for fiscal years ended May 31, 2024 and 2023, respectively.

NOTE 19 CONTINGENCY

In the normal course of business, Bethel has claims made against them. As of May 31, 2024, the amount and likelihood of loss is not determined. Bethel believes these claims are without merit and intends to vigorously defend the matters.

BETHEL UNIVERSITY AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2024 AND 2023

NOTE 20 COMPOSITE SCORE

The University participates in various federally funded student financial aid programs. Under regulatory provisions of these programs, the University is required to demonstrate financial responsibility by meeting a certain composite score based on a formula developed by the Department of Education. This score uses financial ratios based on the University's audited financial statements. The composite score calculated reflects the overall relative financial health of institutions along a scale of negative 1.0 to positive 3.0.

The composite score for the year ended May 31, 2024 is as follows:

Primary Reserve Ratio:

Expendable Net Assets	\$ 44,900,647	
Total Expenses/Losses	<u>\$ 89,884,980</u>	<u>0.499534</u>

Equity Ratio:

Modified Net Assets	\$ 257,675,000	
Modified Assets	<u>\$ 260,781,223</u>	<u>0.988089</u>

Net Income Ratio:

Change in Net Assets Without Donor Restrictions	\$ 2,544,210	
Total Revenues/Gains	<u>\$ 92,429,190</u>	<u>0.027526</u>

	Ratio	Strength Factor	Weight	Composite Scores
Primary Reserve Ratio	0.4995	3.0000	40%	1.2000
Equity Ratio	0.9881	3.0000	40%	1.2000
Net Income Ratio	0.0275	2.3763	20%	<u>0.4753</u>
				2.8753

BETHEL UNIVERSITY AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2024 AND 2023

NOTE 20 COMPOSITE SCORE (CONTINUED)

Net Assets

1	Net assets with donor restrictions: restricted in perpetuity	\$ 81,066,425
2	Other net assets with donor restrictions (not restricted in perpetuity):	
a.	Annuities with donor restrictions	\$ 1,811,916
b.	Term endowments	-
c.	Life income funds (trusts)	7,546,663
d.	Total annuities, term endowments, and life income funds with donor restrictions	<u>\$ 9,358,579</u>

Property, Plant, and Equipment, Net

3	Pre-implementation property, plant, and equipment, net	
a.	Ending balance of pre-implementation as of May 31, 2023	\$ 76,661,630
b.	Reclassify capital lease assets previously included in PPE, net prior to the implementation of ASU 2016-02 leases standard	
c.	Less subsequent depreciation and disposals (net of accumulated depreciation)	(4,513,977)
d.	Balance pre-implementation property, plant, and equipment, net	<u>72,147,653</u>
4	Debt financed post-implementation property, plant, and equipment, net	
	Long-lived assets acquired with debt subsequent to May 31, 2019:	
a.	Equipment	-
b.	Land improvements	-
c.	Building	-
d.	Total property, plant, and equipment, net acquired with debt exceeding 12 months	<u>-</u>
5	Construction in progress - acquired subsequent to May 31, 2019	653,584
6	Post-implementation property, plant, and equipment, net, acquired without debt:	
a.	Long-lived assets acquired without use of debt subsequent to May 31, 2019	<u>35,913,203</u>
7	Total Property, Plant, and Equipment, net - May 31, 2024	<u><u>\$ 108,714,440</u></u>

Debt to be Excluded from Expendable Net Assets

8	Pre-implementation debt:	
a.	Ending balance of pre-implementation as of May 31, 2023	\$ 47,641,825
b.	Reclassify capital leases previously included in long-term debt prior to the implementation of ASU 2016-02 leases standard	
c.	Less subsequent debt repayments	(128,648)
d.	Balance pre-implementation debt	<u>47,513,177</u>
9	Allowable post-implementation debt used for capitalized long-lived assets:	
a.	Equipment - all capitalized	-
b.	Land improvements	-
c.	Buildings	-
d.	Balance post-implementation debt	<u>-</u>
10	Construction in progress (CIP) financed with debt or line of credit	-
11	Long-term debt not for the purchase of property, plant, and equipment or liability greater than assets value	<u>-</u>
		<u><u>\$ 47,513,177</u></u>

BETHEL UNIVERSITY AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2024 AND 2023

NOTE 20 COMPOSITE SCORE (CONTINUED)

Lease Right-Of-Use Assets and Liabilities

12	Lease right-of-use assets		
	Right-of-use assets as of balance sheet date May 31, 2024	\$	-
13	Lease right-of-use assets - Pre-implementation (Grandfathered option not elected)		
	Right-of-use assets as of balance sheet date May 31, 2024, excluding leases entered into before December 15, 2018	\$	-
14	Lease right-of-use assets - Post-implementation		
	Right-of-use assets as of balance sheet date May 31, 2024, excluding leases entered into on or after December 15, 2018	\$	-
15	Lease right-of-use liability		
	Lease liabilities as of balance sheet date May 31, 2024 excluding	\$	-
16	Lease right-of-use liability - Pre-implementation ((Grandfathered option not elected)		
	Lease liabilities as of balance sheet date May 31, 2024, excluding leases entered into before December 15, 2018	\$	-
17	Lease right-of-use liability - Post-implementation		
	Lease liabilities as of balance sheet date May 31, 2024, excluding leases entered into on or after December 15, 2018	\$	-

Unsecured Related Party Receivables

18	Secured related-party receivables	\$	-
19	Unsecured related party receivables		-
20	Total secured and unsecured related-party receivables	<u>\$</u>	<u>-</u>

Sale of Fixed Assets (if Loss)

21	Loss on sale of fixed assets	\$	-
22	Remaining balances in expense category in which loss on sale of assets is included on SOA		-
23	Expense category in which loss on sale of assets is included on SOA	<u>\$</u>	<u>-</u>

Sale of Fixed Assets (if Gain)

24	Gain on sale of fixed assets	\$	-
25	Remaining balances in nonoperating other income category in which gain on sale of assets is included on SOA		-
26	Other income category in which gain on sale of assets is included on SOA	<u>\$</u>	<u>-</u>

BETHEL UNIVERSITY AND AFFILIATES
FINANCIAL RESPONSIBILITY RATIO SUPPLEMENTAL SCHEDULE
MAY 31, 2024 AND 2023

Primary Reserve Ratio:

	Expendable Net Assets:	
1 Statement of Financial Position (SFP)	Net Assets without Donor Restrictions	\$ 52,716,369
2 SFP	Net Assets with Donor Restrictions	123,892,206
3 Note 16	Net Assets Restricted in Perpetuity	81,066,425
4 N/A	Unsecured Related-Party Receivable	195,000
5 N/A	Donor Restricted Annuities, Term Endowments, Life Income Funds	9,358,579
6 Note 11	Property, Plant, and Equipment Pre-Implementation	72,147,653
7 Note 11	Property, Plant, and Equipment Post-Implementation with Outstanding Debt for Original Purchase	(4,513,977)
8 Note 11	Construction in Progress Purchased with Long-Term Debt	-
9 Note 11	Post-Implementation Property, Plant, and Equipment, Net, Acquired without Debt	35,913,203
10 N/A	Lease Right-of-Use Asset, Pre-Implementation (Grandfather of Leases Option not Chosen)	-
11 SFP	Lease Right-of-Use Asset, Post-Implementation	-
12 N/A	Intangible Assets	-
13 N/A	Post-Employment and Pension Liabilities	19,264,755
14 Note 12	Long-Term Debt - for Long-Term Purposes Pre-Implementation	47,513,177
15 Note 12	Long-Term Debt - for Long-Term Purposes Post-Implementation	-
16 Note 12	Line of Credit for Construction In Progress	-
17 N/A	Pre-Implementation Right-of-Use Asset Liability	-
18 SFP	Post-Implementation Right-of-Use Asset Liability	-
	Total Expenses And Losses:	
18 Statement of Activities (SOA)	Total Expenses (Operating and Nonoperating) without Donor Restrictions	89,884,980
19 SOA	Nonservice Component of Pension/Postemployment (Nonoperating) Cost, (if Loss)	-
20 N/A	Sale of Fixed Assets (if Loss)	-
21 SOA	Change in Value of Interest-Rate Swap Agreements (if Loss)	-

Supplemental Schedule - Financial Responsibility Calculation Supplemental Components

EQUITY RATIO

	Modified Net Assets:	
22 SFP	Net Assets without Donor Restrictions	\$ 52,716,369
23 SFP	Net Assets with Donor Restrictions	204,958,631
24 SFP	Intangible Assets	-
25 N/A	Unsecured Related-Party Receivables	-
	Modified Assets:	
26 SFP	Total Assets	260,781,223
27 N/A	Lease Right-of-Use Asset Pre-Implementation	-
28 SFP	Intangible Assets	-
29 N/A	Unsecured Related-Party Receivables	-

NET INCOME RATIO

30 SOA	Change in Net Assets Without Donor Restrictions	\$ 2,544,210
	Total Revenues and Gains:	
31 SOA	Total Operating Revenue (Including Net Assets Released from Restrictions)	85,136,268
32 SOA	Investments Gain, Net (Aggregate Operating and Nonoperating Interest, Dividends, Realized and Unrealized Gains)	-
33 SOA	Nonservice Component of Pension/Postemployment (Nonoperating) Cost (if Gain)	-
34 SOA	Pension-Related Changes other than Net Periodic Pension Costs (if Gain)	4,468,376
35 SOA	Change in Value of Annuity Agreement (Typically in Nonoperating)	-
36 SOA	Change in Value of Interest-Rate Swap Agreements (if Gain)	-
37 N/A	Sale of Fixed Assets (if Gain)	-
38 SOA	Other Gains	2,824,546



INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

Board of Trustees
Bethel University and Affiliates
St. Paul, Minnesota

We have audited the consolidated financial statements of Bethel University, a nonprofit Minnesota corporation, sponsored by the churches of the Baptist General Conference (dba: Converge Worldwide) for the years ended May 31, 2024 and 2023, and our report thereon dated February 26, 2025, which expressed an unmodified opinion on those financial statements, appears on pages 1-3. Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information on pages 44 and 45, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the consolidated financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

CliftonLarsonAllen LLP

Minneapolis, Minnesota
February 26, 2025

BETHEL UNIVERSITY AND AFFILIATES
STATEMENT OF FINANCIAL POSITION – UNIVERSITY, EXCLUDING THE ACTIVITIES OF
BETHEL UNIVERSITY FOUNDATION AND ROYALS INVESTMENT FUND
MAY 31, 2024
(WITH SUMMARIZED COMPARATIVE TOTALS AS OF MAY 31, 2023)
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

ASSETS	<u>2024</u>	<u>2023</u>
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 10,487,109	\$ 7,462,864
Accounts Receivable, Net of Allowance for Credit Losses	4,412,988	3,054,831
Contributions Receivable, Current Portion	626,500	2,627,500
Student Loans Receivable	1,053	168,772
Inventories	821,774	745,366
Prepays and Other Assets	1,034,400	794,497
Total Current Assets	<u>17,383,824</u>	<u>14,853,830</u>
OTHER ASSETS		
Investments, at Market	108,815,223	93,247,622
Contributions Receivable, Net of Allowance and Current Portion	794,954	2,220,960
Property and Equipment, Net	<u>108,714,440</u>	<u>110,598,119</u>
Total Other Assets	<u>218,324,617</u>	<u>206,066,701</u>
Total Assets	<u><u>\$ 235,708,441</u></u>	<u><u>\$ 220,920,531</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 2,295,597	\$ 1,212,199
Accrued Interest	185,563	185,563
Accrued Salaries and Vacation	1,261,523	1,519,142
Student Deposits and Advance Registration Fees	277,688	264,868
Deferred Tuition Revenue	2,154,558	2,358,536
Liability for Self-Insurance	456,556	467,801
Total Current Liabilities	<u>6,631,485</u>	<u>6,008,109</u>
LONG-TERM LIABILITIES		
Gift Annuity Contracts	1,373,169	1,540,433
Long-Term Debt, Net of Current Maturities	47,513,177	47,641,825
Perkins Loan Refundable (Receivable)	49,574	243,429
Postretirement Benefits Liability	19,264,755	23,733,131
Other Liabilities	514,516	514,516
Total Long-Term Liabilities	<u>68,715,191</u>	<u>73,673,334</u>
Total Liabilities	75,346,676	79,681,443
NET ASSETS		
Without Donor Restrictions	44,391,310	42,331,381
With Donor Restrictions	<u>115,970,455</u>	<u>98,907,707</u>
Total Net Assets	<u>160,361,765</u>	<u>141,239,088</u>
Total Liabilities and Net Assets	<u><u>\$ 235,708,441</u></u>	<u><u>\$ 220,920,531</u></u>

BETHEL UNIVERSITY AND AFFILIATES
STATEMENT OF ACTIVITIES – UNIVERSITY, EXCLUDING THE ACTIVITIES OF BETHEL
UNIVERSITY FOUNDATION AND ROYALS INVESTMENT FUND
YEAR ENDED MAY 31, 2024
(WITH SUMMARIZED COMPARATIVE TOTALS AS OF MAY 31, 2023)
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

	Without Donor Restrictions	With Donor Restrictions	Total	
			2024	2023
REVENUES AND OTHER ADDITIONS				
Tuition and Instructional Fees, Net of Institutionally Funded Aid of \$36,939,339	\$ 55,491,351	\$ -	\$ 55,491,351	\$ 54,635,323
Contributions, Gifts, and Bequests	3,863,142	617,849	4,480,991	6,833,020
Grants, Primarily Federal and State Financial Aid	1,118,236	-	1,118,236	886,986
Auxiliary Services	15,587,905	-	15,587,905	16,343,799
Endowment Income	2,098,197	1,900,871	3,999,068	5,762,017
Other Sources, Primarily Student Charges	3,056,660	3,942	3,060,602	2,660,393
Investment Gain, Net	162,951	218,742	381,693	150,484
Net Assets Released from Restrictions	3,757,826	(3,757,826)	-	-
Total Revenues and Other Additions	85,136,268	(1,016,422)	84,119,846	87,272,022
EXPENDITURES AND OTHER DEDUCTIONS				
Instructional	30,379,647	-	30,379,647	32,007,681
General Operating:				
Academic Support	9,890,488	-	9,890,488	10,263,459
Institutional Support	23,707,230	-	23,707,230	21,675,138
Public Service	-	-	-	-
Fellowships and Scholarships	-	-	-	-
Student Services	9,218,960	-	9,218,960	9,111,572
Auxiliary Services	15,901,426	-	15,901,426	16,162,190
Total Expenditures	89,097,751	-	89,097,751	89,220,040
NET DEFICIT FROM OPERATING ACTIVITIES	(3,961,483)	(1,016,422)	(4,977,905)	(1,948,018)
NONOPERATING ACTIVITIES				
Contributions, Gifts, and Bequests	668,331	7,820,222	8,488,553	3,763,333
Change in Gift Annuity	-	340,651	340,651	(257,532)
Other Uses	(35,416)	-	(35,416)	117,994
Undistributed Endowment Earnings	920,425	9,983,500	10,903,925	(5,174,489)
Investment Income (Loss)	(304)	(65,203)	(65,507)	-
Loss on Sale of Property and Equipment	-	-	-	(25,497)
Net Surplus from Nonoperating Activities	1,553,036	18,079,170	19,632,206	(1,576,191)
INCREASE (DECREASE) IN NET ASSETS BEFORE CHANGE IN PENSION LIABILITY	(2,408,447)	17,062,748	14,654,301	(3,524,209)
CHANGE IN PENSION LIABILITY	4,468,376	-	4,468,376	2,932,458
INCREASE (DECREASE) IN NET ASSETS	2,059,929	17,062,748	19,122,677	(591,751)
Net Assets - Beginning of Year	42,331,381	98,907,707	141,239,088	141,830,839
NET ASSETS - END OF YEAR	<u>\$ 44,391,310</u>	<u>\$ 115,970,455</u>	<u>\$ 160,361,765</u>	<u>\$ 141,239,088</u>



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF CONSOLIDATED FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Trustees
Bethel University and Affiliates
St. Paul, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the consolidated financial statements contained in the *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Bethel University and Affiliates (the University) which comprise the balance sheet as of May 31, 2024, and the related statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated February 26, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the University's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the University's consolidated financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2024-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's consolidated financial statements are free of material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Bethel University and Affiliates Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Bethel University and Affiliates response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. Bethel University and Affiliates response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control and compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Minneapolis, Minnesota
February 26, 2025



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER
COMPLIANCE AND REPORT ON THE SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE**

Board of Trustees
Bethel University
St. Paul, Minnesota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Bethel University's (the University) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the University's major federal programs for the year ended May 31, 2024. The University's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the University complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended May 31, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the University and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the University's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the University's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the University's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the University's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, 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 University's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the University's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2024-002 and 2024-003. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the University's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The University's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weakness and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2024-002 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2024-003 to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the University's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The University's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the consolidated financial statements of the University as of and for the years ended May 31, 2024 and 2023, and have issued our report thereon dated February 26, 2025, which contained an unmodified opinion on those consolidated financial statements. Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the consolidated financial statements as a whole.



CliftonLarsonAllen LLP

Minneapolis, Minnesota
February 26, 2025

BETHEL UNIVERSITY AND AFFILIATES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED MAY 31, 2024

Federal Grantor/Program or Cluster Title	Assistance Living Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Education			
Student Financial Assistance Cluster:			
Federal Pell Grant Program	84.063	N/A	\$ 2,523,589
Teacher Education Assistance for College and Higher Education	84.379	N/A	115,927
Federal Supplemental Educational Opportunity Grants	84.007	N/A	429,582
Federal Work Study Program	84.033	N/A	378,603
Federal Perkins Loans Outstanding, Beginning of Year	84.038	N/A	162,726
Federal Direct Student Loans	84.268	N/A	20,086,915
Total Student Financial Assistance			<u>23,697,342</u>
National Science Foundation			
Research and Development Cluster:			
Physics Education and Interdisciplinary Research	47.049	N/A	27,825
Total Research and Development			<u>27,825</u>
Total Expenditures of Federal Awards			<u>\$ 23,725,167</u>

See accompanying Notes to Schedule of Expenditures of Federal Awards.

BETHEL UNIVERSITY AND AFFILIATES
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
MAY 31, 2024

NOTE 1 BASIS OF PRESENTATION

The purpose of the schedule of expenditures of federal awards (the Schedule) is to present a summary of those activities of Bethel University that have been financed by the U.S. government (federal awards). Federal awards received directly from federal agencies are included in the Schedule, as are federal guaranteed loans disbursed by other sources. Additionally, all federal awards passed through from other entities have been included in the Schedule. The University is required to match certain grant agreements, as defined in the grants, and these matching amounts are not included in the Schedule.

The information in the Schedule is presented in accordance with requirements of 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the Schedule presents only a selected portion of the operations of the University, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Bethel University.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The University has elected to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

During the year ended May 31, 2024, the University did not pass any funds through to sub-recipients.

NOTE 3 FEDERAL LOAN PROGRAMS

The University administers the following federal loan programs:

	Assistance Listing Number	Outstanding Balance at May 31, 2024
Federal Perkins Loans	84.038	\$ 600

**BETHEL UNIVERSITY AND AFFILIATES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED MAY 31, 2024**

Section I – Summary of Auditors' Results

Financial Statements

1. Type of auditors' report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified? x yes no
 - Significant deficiency(ies) identified? yes x none reported
3. Noncompliance material to financial Statements noted? yes x no

Federal Awards

1. Internal control over major federal programs:
- Material weakness(es) identified? x yes no
 - Significant deficiency(ies) identified? x yes none reported
2. Type of auditors' report issued on: compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? x yes no

Identification of Major Federal Programs

<u>Federal Assistance Listing Number(s)</u>	<u>Name of Federal Program or Cluster</u>
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84.063, 84.379, 84.007, 84.033, 84.268, 84.038	Student Financial Assistance Cluster
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Dollar threshold used to distinguish between Type A and Type B programs:	Type A - \$750,000; Type B - \$187,500
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Auditee qualified as low-risk auditee?	<u> </u> yes <u> x </u> no
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**BETHEL UNIVERSITY AND AFFILIATES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED MAY 31, 2024**

Section II – Financial Statement Findings

2024 – 001 – Internal Control Over Financial Reporting and Audit Adjustments

Type of Finding:

- Material Weakness in Internal Control over Financial Reporting

Condition: The University required assistance with the preparation of the year-end financial statements, including application of accounting disclosures for the financial statements. Audit adjustments were proposed by the auditors and posted to the University's accounts, which was a necessary step in ensuring that the financial statements were fairly stated under accounting principles generally accepted in the United States of America. In addition, uncorrected misstatements were noted as a result of audit procedures.

Criteria or Specific Requirement: Management is responsible for establishing and maintaining internal controls and for the fair presentation of the financial position, changes in net assets, cash flows, and disclosures in the financial statements, in conformity with accounting principles generally accepted in the United States of America.

Effect: Financial statements could be missing required disclosure information. Additionally, as a result of auditing procedures a significant right of use asset of \$1.2 million, lease liability of \$1.6 million and overstatement of change in net assets of \$375,000 was noted that management decided to have a passed adjustment on.

Cause: The University did not have strong reconciliation procedures at year-end due to transition within their accounting department.

Repeat Finding: Yes.

Recommendation: The University's accounting personnel should modify their procedures to ensure financial statement line items are being properly recorded. The reconciliations of these balances should then be reviewed timely.

Views of Responsible Officials and Planned Corrective Actions: There is no disagreement with the audit finding.

**BETHEL UNIVERSITY AND AFFILIATES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED MAY 31, 2024**

Section III – Findings and Questioned Costs – Major Federal Programs

2024 – 002

Federal Agency: Department of Education

Federal Program Title: Student Financial Assistance Cluster

Federal Assistance Listing Number: Various

Federal Award Identification Number and Year: N/A

Pass-Through Agency: N/A

Pass-Through Number: N/A

Award Period: June 1, 2023 – May 31, 2024

Type of Finding:

- Material Weakness in Internal Control over Compliance
- Other Matters

Criteria or Specific Requirement: The Code of Federal Regulations, 34 CFR 682.610, states that institutions must report accurately the enrollment status of all students regardless if they receive aid from the institution or not. This includes the enrollment effective date and related enrollment status, which must be reported for both the Campus-Level and the Program-Level. In addition, at a minimum, schools are required to certify enrollment every 60 days, and respond within 15 days of the date that NSLDS sends a Roster file to the school or its third-party servicer.

Condition: During our testing, we noted 6 out of the 60 students tested did not have enrollment data certified every 60 days. In 10 of the 60 students tested, the students' status per the institution's records did not match what was reported to NSLDS. Furthermore, 14 out of the 60 students had an incorrect enrollment effective date. Lastly, 1 of the 60 students tested was not reported to NSLDS at all but should have been.

Questioned Costs: None

Context: During our testing, it was noted the University does not have a process in place to ensure timeliness and accuracy of NSLDS reporting.

Cause: The University's processes and controls did not ensure that student status changes were properly reported to NSLDS in a timely manner.

Effect: The University did not comply with Department of Education (ED) regulations by reporting student enrollment status changes timely.

Repeat Finding: Yes – 2023-002

Auditor's Recommendation: We recommend the University review its reporting procedures to ensure that students' statuses are accurately and timely reported to NSLDS as required by regulations.

Views of Responsible Officials and Planned Corrective Actions: There is no disagreement with the audit finding.

**BETHEL UNIVERSITY AND AFFILIATES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED MAY 31, 2024**

Section III – Findings and Questioned Costs – Major Federal Programs (Continued)

2024 – 003

Federal Agency: Department of Education

Federal Program Title: Student Financial Assistance Cluster

Federal Assistance Listing Number: 84.268

Federal Award Identification Number and Year: N/A

Pass-Through Agency: N/A

Pass-Through Number: N/A

Award Period: June 1, 2023 – May 31, 2024

Type of Finding:

- Significant Deficiency in Internal Control over Compliance
- Other Matters

Criteria or Specific Requirement: The Code of Federal Regulations, 34 CFR 668.22(a)(2)(ii) states that in a program offered in modules, a student is not considered to have withdrawn if the student successfully completes one module that includes 49 percent or more of the number of days in the payment period, excluding scheduled breaks of five or more consecutive days and all days between modules.

Condition: During our testing, we noted a return of Title IV (R2T4) calculation was erroneously completely for a student that completed greater than 49% of a modular course. The student returned \$925.74 of unsubsidized direct loans, but should not have done so.

Questioned Costs: \$925

Context: During our testing, we noted a return of Title IV (R2T4) calculation was erroneously completely for a student that completed greater than 49% of a modular course. The student returned \$925 of unsubsidized direct loans, but should not have done so.

Cause: The University used the proper inputs in the R2T4 calculation, but incorrectly concluded that the student had withdrawn and needed to return funds.

Effect: The University is not completing accurate R2T4 calculations as defined by the regulations.

Repeat Finding: No

Auditor's Recommendation: We recommend the University review the R2T4 requirements and implement procedures to ensure the R2T4 calculations are completed timely and accurately.

Views of Responsible Officials and Planned Corrective Actions: There is no disagreement with the audit finding.

