

MACALESTER
COLLEGE

**ANNUAL FINANCIAL STATEMENTS
WITH AUDITORS OPINION
FOR YEAR ENDED MAY 31, 1990**

Certified Public Accountants

4200 Norwest Center
90 South Seventh Street
Minneapolis, MN 55402

Independent Auditors' Report

The Board of Trustees
Macalester College:

We have audited the accompanying balance sheet of Macalester College as of May 31, 1990 and the related statements of changes in fund balances and current funds revenues, expenditures and other changes for the year then ended. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards for financial and compliance audits contained in the U.S. General Accounting Office Standards for Audit of Governmental Organizations, Programs, Activities, and Functions. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Macalester College at May 31, 1990, and the changes in fund balances and the current funds revenues, expenditures and other changes for the year then ended in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information included in Schedule I is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

KPMG Peat Marwick

August 10, 1990



MACALESTER COLLEGE
Balance Sheet
May 31, 1990
with comparative figures at May 31, 1989

Assets	1990	1989
Current funds:		
Investments (approximately 85% money market fund & 15% stocks & bonds), at cost which approximates market	\$ 6,788,604	7,404,149
Notes and accounts receivable, net of allowance for doubtful receivables of \$132,610 (\$143,573 in 1989)	1,497,695	1,089,687
Accrued investment income	581,051	563,777
Prepaid expenses	122,290	114,142
Due from plant fund	1,966,864	1,695,710
	\$ 10,956,504	10,867,465
Loan funds:		
Cash	\$ 176,599	149,792
Investment in pooled bond fund at cost which approximates market	1,446,861	1,574,695
Notes and accounts receivable, net of allowance for doubtful receivables of \$328,699 (\$307,530 in 1989)	2,677,432	2,392,005
Accrued interest and deposits	20,422	23,953
	\$ 4,321,314	4,140,445
High Winds funds (note 6):		
Real estate contracts & accounts receivable	\$ 170,730	369,396
Real estate, at cost	2,122,184	1,721,334
Due from other funds	598,031	687,568
	\$ 2,890,945	2,778,298
Endowments and similar funds:		
Cash, principally short-term notes	\$ 520,305	635,402
Investments, at cost (note 2)	61,450,159	53,382,568
Accrued investment income	80,247	74,716
Due from other funds	903,598	1,318,395
Net assets owned by DeWitt Wallace Fund for Macalester College (note 2)	251,784,608	0
	\$ 314,738,917	55,411,081
Plant funds (note 5):		
Cash	\$ 383,826	100,383
Investments in U.S. Government securities at cost which approximates market	734,322	1,042,682
Investment property	30,000	30,000
Mortgage and other receivables	2,050	1,573
Debt financing costs	153,158	163,029
Due from other funds	1,099,731	1,014,793
Investment in plant:		
Land and land improvements	1,188,354	1,188,354
Buildings	45,301,983	42,910,718
Furniture and equipment	8,974,025	8,220,262
Library books	2,996,222	2,804,561
	58,460,584	55,123,895
	\$ 60,863,671	57,476,355

See accompanying notes to financial statements.

<u>Liabilities and Fund Balances</u>	<u>1990</u>	<u>1989</u>
Current funds:		
Accounts payable and accrued expenses	\$ 3,716,791	3,241,491
Student deposits	259,728	261,256
Due to other funds	2,333,427	2,679,134
Funds balances:		
Unrestricted:		
Undesignated	40,279	269,443
Designated	1,203,813	1,203,813
Restricted	3,402,466	3,212,328
Total fund balances	4,646,558	4,685,584
Total current funds	\$ 10,956,504	10,867,465
Loan funds:		
Due to other funds	\$ 267,933	341,622
Fund balances - restricted:		
U.S. Government grants refundable	2,012,709	1,967,178
College funds	2,040,672	1,831,645
Total fund balances	4,053,381	3,798,823
Total loan funds	\$ 4,321,314	4,140,445
High Winds funds (note 6):		
Accounts payable	\$ 9,000	3,057
Rental deposits	15,329	13,383
Fund balance - restricted	2,866,616	2,761,858
Total High Winds funds	\$ 2,890,945	2,778,298
Endowments and similar funds:		
Contracts payable	\$ 357,077	237,522
Fund balances of:		
DeWitt Wallace Fund for Macalester College (note 8)	251,784,608	0
Macalester College:		
Endowment and term endowment	47,883,598	42,623,335
Quasi-endowment:		
Unrestricted	6,268,538	4,799,253
Restricted	4,342,783	3,739,317
Annuity	395,663	257,515
Life Income	3,706,650	3,754,139
Subtotal-Macalester College	62,597,232	55,173,559
Total combined fund balances	314,381,840	55,173,559
Total endowment & similar funds	\$ 314,738,917	55,411,081
Plant funds (note 5):		
Accounts payable and accrued expenses	\$ 129,192	723,233
Due to current funds	1,966,864	1,695,710
Bonds, mortgages and note payable	7,333,131	7,845,377
Accrued interest payable	106,672	106,672
Fund balances:		
Unrestricted - unexpended	655,606	97,112
Restricted - unexpended:		
Donor	40,872	18,063
Debt reserve	381,482	320,024
Net investment in plant	50,249,852	46,670,164
Total fund balances	51,327,812	47,105,363
Total plant funds	\$ 60,863,671	57,476,355

MACALESTER COLLEGE
Statement of Changes in Fund Balances
Year ended May 31, 1990

-----Current Funds-----					
	Unrestricted Undesignated	Designated	Restricted	Loan funds	High Winds fund

Revenue and other additions:					
Unrestricted current fund revenues \$	28,330,615	-	-	-	-
Federal grants and contracts - restricted	-	-	1,511,150	157,681	-
State grants and contracts	-	-	79,905	-	-
Private gifts, grants and contracts - restricted	-	-	1,039,852	-	-
Recognition of assets held by DeWitt Wallace Fund for Macalester (note 8)	-	-	-	-	-
Endowment income - restricted	-	-	5,885,198	1,987	-
Sales and service of auxiliary enterprises - restricted	-	-	7,412	-	354,450
Other sources	-	-	125,203	2,930	-
Investment income - restricted	-	-	118,279	131,184	61,799
Realized gains (losses) on investments - restricted	-	-	-	(2,720)	(635)
Interest on loans receivable - restricted	-	-	-	53,201	50,900
Expended for plant facilities (including \$473,455 charged to current funds)	-	-	-	-	-
Retirement of indebtedness	-	-	-	-	-
Matured Annuity Fund	-	-	-	-	-

Total revenues and other additions	28,330,615	0	8,766,999	344,263	466,514

Expenditures and other deductions:					
Educational and general	20,857,557	-	7,943,514	-	-
Auxiliary enterprises	3,378,182	-	11,475	-	361,756
Loan cancellations	-	-	-	2,929	-
Administrative and collection costs	-	-	-	86,776	-
Expended for plant facilities	-	-	-	-	-
Matured life income and annuity	-	-	-	-	-
Interest on indebtedness	-	-	-	-	-
Retirement of indebtedness	-	-	-	-	-

Total expenditures and other deductions	24,235,739	0	7,954,989	89,705	361,756

Transfer among funds - additions (deductions):					
Mandatory:					
Transfers to endowment	(150,000)	-	(3,874)	-	-
Principal and interest	(960,895)	-	-	-	-
Renewals and replacements	(38,802)	-	-	-	-
Prior year gift redesignation	14,532	-	(14,532)	-	-
Nonmandatory:					
To plant for capital improvements	(2,171,672)	-	-	-	-
To quasi-endowment (note 3)	(1,017,203)	-	(603,466)	-	-

Total transfers	(4,324,040)	0	(621,872)	0	0

Net increase (decrease) for the year	(229,164)	0	190,138	254,558	104,758
Fund balance at beginning of year	269,443	1,203,813	3,212,328	3,798,823	2,761,858

Fund balances at end of year	\$ 40,279	1,203,813	3,402,466	4,053,381	2,866,616
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See accompanying notes to financial statements.

MACALESTER COLLEGE
Statement of Current Funds Revenues, Expenditures and Other Changes
Year ended May 31, 1990
with comparative figures for the year ended May 31, 1989

	1990				
	Unrestricted Undesignated	Designated	Restricted	Total	1989 Total
Revenues:					
Tuition and fees (note 5)	\$ 20,616,943	-	14,731	20,631,674	18,444,855
Federal grants and contracts	-	-	1,342,703	1,342,703	1,230,546
State grants and contracts	-	-	79,905	79,905	43,040
Private gifts, grants and contracts	2,201,282	-	1,186,901	3,388,183	3,425,383
Endowment income	619,228	-	5,112,992	5,732,220	4,894,525
Investment income	538,446	-	118,279	656,725	626,253
Realized net gains (losses) on investments	(2,493)	-	-	(2,493)	(10,091)
Sales and services of auxiliary enterprises	4,151,462	-	7,412	4,158,874	3,864,437
Other sources	167,428	-	110,472	277,900	283,601
Matured annuity	38,319	-	-	38,319	54,936
Total revenues	28,330,615	-	7,973,395	36,304,010	32,857,485
Expenditures and mandatory transfers:					
Educational and general:					
Instruction	8,288,068	-	2,319,941	10,608,009	9,692,677
Research	-	-	506,326	506,326	320,097
Public service	175,235	-	47,774	223,009	204,846
Academic support	1,710,319	-	264,908	1,975,227	1,841,295
Student services	3,143,301	-	544,343	3,687,644	3,435,503
Institutional support	3,495,741	-	170,926	3,666,667	3,634,636
Operation and maintenance of plant	2,183,136	-	48,458	2,231,594	2,043,804
Student aid, scholarships and prizes	1,861,757	-	4,040,838	5,902,595	5,323,630
Educational and general expenditures	20,857,557	-	7,943,514	28,801,071	26,496,488
Mandatory transfers for:					
Endowment	150,000	-	3,874	153,874	57,280
Prior year gift redesignation	(14,532)	-	14,532	0	-
Principal and interest	717,686	-	-	717,686	717,685
Total educational and general	21,710,711	-	7,961,920	29,672,631	27,271,453
Auxiliary enterprises:					
Expenditures	3,378,182	-	11,475	3,389,657	3,142,411
Mandatory transfer for:					
Principal and interest	243,209	-	-	243,209	235,934
Renewals and replacements	38,802	-	-	38,802	38,802
Total auxiliary enterprises	3,660,193	-	11,475	3,671,668	3,417,147
Total expenditures & mandatory transfers	25,370,904	-	7,973,395	33,344,299	30,688,600
Other transfers and additions (deductions):					
Excess of restricted additions over expenditures	-	-	793,604	793,604	1,406,935
Transfers to plant funds	(2,171,672)	-	-	(2,171,672)	(2,216,971)
Transfers to quasi-endowment funds	(1,017,203)	-	(603,466)	(1,620,669)	(532,255)
Net increase (decrease) in fund balance	\$ (229,164)	-	190,138	(39,026)	826,594

See accompanying notes to financial statements.

MACALESTER COLLEGE

Notes to Financial Statements

May 31, 1990

(1) Summary of Significant Accounting Policies

The financial statements are presented in accordance with generally accepted accounting principles. The more significant accounting policies are summarized below.

Accrual Basis

The financial statements of Macalester College (the College) are prepared on the accrual basis. The statement of current funds revenues, expenditures and other changes is a statement of financial activities of current funds relating to the current reporting period. It does not purport to present the results of operations or the net income or loss for the period as would a statement of income or a statement of revenues and expenses.

To the extent that current funds are used to finance plant assets, the amounts so provided are accounted for as (1) expenditures, in the case of normal replacement of movable equipment and library books; (2) mandatory transfers, in the case of required provisions for principal and interest on indebtedness and renewals and replacements of plant; and (3) transfers of a nonmandatory nature, in other cases.

Fund Accounting

In order to ensure observance of limitations and restrictions placed on the use of the resources available to the College, the accounts of the College are maintained in accordance with the principles of "fund accounting." This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds that are in accordance with activities or objectives specified. Separate accounts are maintained for each fund. Accordingly, all financial transactions have been recorded and reported by fund group.

Within each fund group, fund balances restricted by outside sources are so indicated and are distinguished from unrestricted funds allocated for specific purposes by action of the governing board. Externally restricted funds may only be utilized in accordance with the purposes established by the source of such funds and are in contrast with unrestricted funds over which the governing board retains full control to use in achieving any of its institutional purposes.

Endowment funds are subject to the restrictions of gift instruments requiring in perpetuity that the principal be invested and the income only be utilized. Term endowment funds are similar to endowment funds except that, upon the passage of a stated period of time, or the happening of a particular event, all or a part of the principal may be expended. Quasi-endowment funds have been established by the governing board for the same purpose as endowment funds; however, any portion of quasi-endowment funds may be utilized.

(Continued)

MACALESTER COLLEGE

Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, ContinuedFund Accounting, Continued

All gains and losses arising from the sale, collection or other disposition of investments and other noncash assets are accounted for in the fund which owns such assets. Ordinary income derived from investments, receivables and the like is accounted for in the fund owning such assets, except for the income derived from investments of endowment funds, which income is accounted for in the fund to which it is restricted or, if unrestricted, as revenues in unrestricted current funds.

Other unrestricted revenue is accounted for in the unrestricted current fund. Restricted gifts, grants, appropriations, endowment income and other restricted resources are accounted for in the appropriate restricted funds. Restricted current funds are reported as revenues and expenditures when expended for current operating purposes. Pledges are not reflected in the financial statements until the assets are actually received which is consistent with common practice. Pell grants are reflected as a current restricted fund.

Designated Fund

The Board of Trustees of the College has designated \$1,203,813 of current unrestricted funds as an income stabilization fund which is intended to provide a spending reserve for future time periods. The establishment of this fund provides better management of the use of restricted funds under a trust which requires the College to achieve a balanced budget (see note 7).

Investment in Plant

Land, buildings and equipment are stated at cost at date of acquisition or fair market value at date of gift. Library books are capitalized at a stated value of \$5 each for acquisitions through August 31, 1973, \$9 through May 31, 1981, \$10 through May 31, 1982, \$20 through May 31, 1984, and actual cost thereafter. Disposals have been accounted for by use of the same stated values. Depreciation on buildings and equipment is not recorded.

Federal Income Taxes

The College is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code.

(Continued)

MACALESTER COLLEGE

Notes to Financial Statements, Continued

(2) Investments - Endowments and Similar Funds (including the DeWitt Wallace Fund for Macalester College)

Investments are stated at cost, adjusted where appropriate for amortization of premiums and accrual of discounts. Investments received by gift are stated at market value at the date of acquisition. Quoted market values of investments of the endowment and similar funds at May 31, 1990 (with comparative values at May 31, 1989) were as follows:

	<u>1990</u>	<u>1989</u>
Macalester College		
Cash equivalents	\$ 58,209,232	3,669,387
Common stocks	36,343,813	32,768,890
Preferred stocks	2,312,848	2,301,892
Corporate bonds	5,006,204	4,766,312
U.S. Government obligations	18,567,900	20,206,708
Other	<u>2,007,551</u>	<u>1,471,733</u>
Subtotal market	\$122,447,548	65,184,922
Less units of Macalester endowment held by DeWitt Wallace Fund for Macalester College	<u>-47,909,656</u>	<u>0</u>
Total market	<u>\$ 74,537,892</u>	<u>65,184,922</u>
Total cost	<u>\$ 61,450,159</u>	<u>53,382,568</u>
DeWitt Wallace Fund for Macalester College		
Common stock	\$203,874,952	0
Units in the Macalester College endowment	<u>47,909,656</u>	<u>0</u>
Total market	<u>\$251,784,608</u>	<u>0</u>
Total cost	<u>\$251,784,608</u>	<u>0</u>

Included in the market value of preferred stocks at May 31, 1990, is \$2,312,848 relating to 45,981 shares of The Reader's Digest Association, Inc. preferred stock which is not publicly traded. Additionally, the College has agreed not to sell such shares of stock without first offering the shares to The Reader's Digest Association, Inc.

(3) Valuation and Performance of Endowments and Quasi-Endowment Funds (including the DeWitt Wallace Fund for Macalester College)

The majority of the assets of the endowment funds have been placed in an investment pool, on a market value basis, with each individual fund within the pool subscribing to or disposing of units on the basis of the market value per unit at the beginning of the fiscal quarter within which the transaction takes place.

(Continued)

MACALESTER COLLEGE

Notes to Financial Statements, Continued

(3) Continued

Since 1983, the College has followed an endowment spending policy that requires endowment income over a predetermined level (excess endowment earnings) to be transferred to quasi-endowment fund balance. Each year the Board of Trustees sets a spending rate which is used to allocate endowment income under the terms of the endowments. For the year ended May 31, 1990, a spending rate approximating 6.0% was used based upon a sixteen-quarter moving average of investment market value. Endowment income is shown at actual earnings on the Statement of Changes in Fund Balances.

Earnings over the spending rate of \$620,669 for the year ended May 31, 1990 (\$17,203 of unrestricted funds and \$603,466 of restricted funds) have been transferred from current funds to quasi-endowment.

The following tabulations summarize the changes in relationship between cost and market value of endowment fund net assets and the tabulation of spendable earnings rate and total performance of the pooled endowment funds.

	<u>Net Assets</u>		<u>Net</u>
	<u>Market</u>	<u>Cost</u>	<u>Unrealized</u> <u>Gain/(Loss)</u>
End of period	\$ 320,126,685	310,279,527	9,847,158
Beginning of period	<u>59,473,271</u>	<u>51,161,906</u>	<u>8,311,365</u>
Unrealized net gains for the year			1,535,792
Realized net gains for the year			<u>4,548,575</u>
Total net gains for the year			<u>\$6,084,367</u>
Tabulation of spendable earnings rate and total performance on pooled endowment funds:			
Spendable earnings (total earnings less excess endowment earnings funds) as a percentage of average current year market value			<u>4.62%</u>
Total performance (spendable earnings and net gains/losses, including excess endowment earnings fund,) as a percentage of average current year market value			<u>16.56%</u>

Additional information pertaining to market values and earnings of the pooled endowment funds is included in Schedule 1.

(Continued)

MACALESTER COLLEGE

Notes to Financial Statements, Continued

(4) Pledges

At May 31, 1990, the College had pledges outstanding from individuals, corporations and foundations totalling approximately \$4,562,835. These gifts will be reflected in the financial statements of the College when received.

(5) Plant Funds

Bonds, mortgages and notes payable of the plant funds at May 31, 1990 consist of the following:

Macalester College Dormitory Bonds of 1956 2-3/4%, final series due November 1, 1996 (original amount \$800,000)	\$ 206,000
Macalester College Dormitory Bonds of 1962 3-3/8%, final series due May 1, 2002 (original amount \$2,850,000)	1,310,000
College Housing Program Mortgages at 3%, due in semi-annual installments of \$19,022 including interest, through 2020	742,131
Minnesota Higher Education Facilities Authority Mortgage Revenue Bonds of 1985, 8.45% average, final series due 2006 (current balance is original amount)	<u>5,075,000</u>
	<u>\$7,333,131</u>

To secure the required annual principal and interest payments on the 1962 bonds, the College has: (a) granted a mortgage lien and pledged the revenue from certain dormitories and dining room facilities (the aggregate carrying value of such pledged facilities approximated \$4,517,074 at May 31, 1990) and (b) met the sinking fund requirements of the bond indentures by depositing with a trustee certain Wallace Endowment Fund securities having a carrying value of \$421,387. The 1962 indenture also requires the College to transfer \$30,000 annually to a repair and replacement reserve.

The College is involved in the College Housing Program of the Department of Housing and Urban Development. The funds received under this program have been used to rehabilitate student dormitories and dining areas. The mortgages under this program are secured by a lien on the College's stadium carried at approximately \$672,000 and by pledges of gross stadium and tuition revenues.

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MACALESTER COLLEGE

Notes to Financial Statements, Continued

(5) Plant Funds, Continued

During the year ended May 31, 1987, the Plant Fund borrowed \$1,067,699 from Current Funds to finance renovations associated with the vacation of East Old Main. The interfund loan bears an interest rate equivalent to the average current funds investment income rate, and is interim financing until permanent funding is received. The balance as of May 31, 1990 is \$1,057,699. A second interfund loan was made during the year ended May 31, 1988 from Current Funds to Plant Fund, for interim financing of Old Main renovations. The loan is non-interest bearing, in the amount of \$309,316. A third interfund loan was made during the years ended May 31, 1989 and 1990, again from Current Funds to Plant Fund, for interim financing of administrative computing equipment and software acquisitions. The loan is in the amount of \$599,849 and bears an interest rate equivalent to the average current funds investment income rate. In addition to the above interfund loans, certain Plant Fund construction projects, carried negative cash balances on an interim basis. Interest costs were assessed, and the corresponding income recognized in the Current Fund.

Total interest costs on plant funds debt aggregated \$694,416 (\$117,800 due to interfund borrowing) during the year ended May 31, 1990.

Annual debt commitments (principal) at May 31, 1990, are as follows:

<u>Fiscal year ending May 31.</u>	<u>Amount</u>
1991	233,898
1992	235,066
1993	246,862
1994	273,371
1995	274,896
after 1995	<u>6,069,038</u>
	<u>\$7,333,131</u>

(6) High Winds Fund

The High Winds fund is subject to the provisions of an agreement between the College and a major benefactor which provides, among other things, for physical segregation and administration of such funds in accordance with the provisions of such agreement. The purpose of the High Winds fund is to maintain and improve the beauty, serenity and security of the area surrounding the College campus.

At May 31, 1990, the High Winds fund had real estate contracts receivable of \$168,479 with interest rates ranging from 8% to 14% and maturing at various dates through the year 2001. Additionally, the High Winds fund owns 51 properties surrounding the College campus.

During the year ended May 31, 1990, the High Winds fund charged current funds approximately \$86,950 for use of High Winds property.

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MACALESTER COLLEGE

Notes to Financial Statements, Continued

(7) Funds Held in Trust by Others

The College is the income beneficiary of a trust with an estimated value of \$6,412,000 which is controlled by independent trustees. For the year ended May 31, 1990, the College received \$193,400 from this trust. The College does not have legally enforceable rights to either the principal or future income.

The College is also the income beneficiary of a trust containing preferred stock with a total par value of \$3,986,200 and estimated value of \$1,960,000. Through 1990/91 the trust will generate income to the College of approximately \$200,000 per year if the College achieves a balanced budget in the prior year. On November 1, 1990, the assets of this trust will be transferred to the endowment fund of the College. An incentive of \$201,831 relating to the year ended May 31, 1989, is reflected in the financial statements for the year ended May 31, 1990.

(8) DeWitt Wallace Fund for Macalester College

The above-named fund was established for the benefit of Macalester College in 1980. It is governed by an independent Board of Directors, two of whom are representatives of the Reader's Digest Association, Inc., two of whom are the representatives of Macalester College, and two of whom are independent directors. It is a separate New York Not-for-Profit Corporation which has been classified by the Internal Revenue Service as a supporting organization under Section 509(a)(3) and recognized as tax exempt under Section 501(c)(3).

As of May 31, 1990, the assets of this fund totaled \$254,062,640 (\$251,784,608 principal and \$2,278,032 undistributed income). Income from the fund is paid over annually to support the College's scholarship programs, its recruitment efforts, its Distinguished Visitors and Faculty Development Program, and such other programs as may be agreed upon by the College and the Directors of the fund. Grants made by the fund to the College from 1982 to 1990 total \$14,380,524. This sum includes a grant of \$3,880,000 for the fiscal year ended May 31, 1990.

By agreement dated May 24, 1990, the fund delegated to the College investment responsibility for \$47,909,656 of the fund's principal. Pursuant to this agreement, the fund purchased 3,763,739 unitized shares of the College's Endowment Fund for investment purposes.

(9) Pension Plans

The College provides pension benefits to substantially all employees. Certain academic and non-academic personnel are covered under contributory plans with Teachers Insurance and Annuity Association and College Retirement Equities Fund. A plan covering union employees is funded by deposits with trustees based on a fixed rate of contribution per hour worked. The College has no liability for these pension plans once deposits are made to the administrators. The College has an unfunded pension plan which supplements retirement benefits of certain professional and staff employees not fully covered by other plans. The unfunded liability under the supplemental plan at May 31, 1990 was approximately \$156,000.

Total pension expense for the year ended May 31, 1990 was \$648,614 including \$35,019 paid under the unfunded supplemental plan.

MACALESTER COLLEGE
Endowment Investment Performance *
Year Ended May 31, 1990

	Pooled Investments		Nonpooled		Total Endowment Funds	
	Market	Cost	Market	Cost	Market	Cost
Net assets at May 31, 1990:						
Common stock	\$ 32,037,991	22,323,814	203,874,952	203,874,952	235,912,943	226,198,766
Preferred stocks	2,312,848	2,386,073			2,312,848	2,386,073
Corporate bonds	4,697,877	4,731,421			4,697,877	4,731,421
U.S. Government obligations	13,802,312	14,118,155	3,423,969	3,304,515	17,226,281	17,422,670
Real Estate	743,000	743,000			743,000	743,000
Other (including uninvested cash)	59,206,493	58,772,605	27,243	24,992	59,233,736	58,797,597
	112,800,521	103,075,068	207,326,164	207,204,459	320,126,685	310,279,527
Net assets at May 31, 1989	56,017,360		3,455,911		59,473,271	
Increase in net assets	56,783,161		203,870,253		260,653,414	
Less:						
Initial market value of additions	50,652,955		203,916,092		254,569,047	
Net gains for year	\$ 6,130,206		(45,839)		6,084,367	
Net gains for the year consist of:						
Realized net gains	\$ 4,548,575		-		4,548,575	
Unrealized net gains	1,581,631		(45,839)		1,535,792	
Total net gains for year	\$ 6,130,206		(45,839)		6,084,367	
Pooled investments:						
Market value per unit, including excess endowment earnings funds:						
May 31, 1990	\$ 12.73					
May 31, 1989	11.37					
Net gain per unit	\$ 1.36					
Percent gain per unit	11.94%					
Total earnings, exclusive of gains	\$ 3,443,615					
Less excess endowment earnings fund	620,669					
Total spendable earnings	\$ 2,822,946					
Spendable earnings per current year average units outstanding	\$ 0.57					
Spendable earnings as a percent of average current market values	4.62%					
Total performance for year (spendable earnings and net gains, including excess endowment earnings funds, as a percent of average current year market values)	16.56%					

* - Including the DeWitt Wallace Fund for Macalester College (note 8)
See accompanying auditors' report.