

MACALESTER
COLLEGE

ANNUAL FINANCIAL STATEMENTS
WITH AUDITORS OPINION
FOR YEAR ENDED MAY 31, 1991

Certified Public Accountants

4200 Norwest Center
90 South Seventh Street
Minneapolis, MN 55402Independent Auditors' ReportThe Board of Trustees
Macalester College:

We have audited the accompanying balance sheet of Macalester College (the College) as of May 31, 1991 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. 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, 1991, 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.

As discussed in note 1 to the financial statements, the College adopted the provisions of Statement of Financial Accounting Standards No. 93, Recognition of Depreciation by Not-for-Profit Organizations, which requires the recording of depreciation of long lived tangible assets.

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 Schedules 1 through 5 is presented for purposes 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 9, 1991



MACALESTER COLLEGE

Balance Sheet
May 31, 1991
with comparative figures at May 31, 1990

Assets	1991	1990
Current funds:		
Cash and cash equivalents	\$ 385,802	-
Investments (approximately 85% money market fund & 15% stocks & bonds), at cost which approximates market	8,129,687	6,788,604
Matching gift receivable	1,000,000	-
Notes and accounts receivable, net of allowance for doubtful receivables of \$144,133 (\$132,610 in 1990)	1,546,785	1,497,695
Accrued investment income	1,393,223	581,051
Prepaid expenses	132,657	122,290
Due from plant fund	1,830,864	1,966,864
Total current funds	\$ 14,419,018	10,956,504
Loan funds:		
Cash	\$ 297,558	176,599
Investment in intermediate cash fund, at cost which approximates market	1,566,012	1,446,861
Notes and accounts receivable, net of allowance for doubtful receivables of \$384,624 (\$328,699 in 1990)	2,849,625	2,677,432
Accrued investment income	18,234	20,422
Total loan funds	\$ 4,731,429	4,321,314
High Winds funds (note 7):		
Real estate contracts & accounts receivable	\$ 170,737	170,730
Real estate, at cost	2,096,184	2,122,184
Due from other funds	740,803	598,031
Total High Winds funds	\$ 3,007,724	2,890,945
Endowments and similar funds:		
Cash, principally short-term notes	\$ -	520,305
Investments, at cost (note 3)	73,943,267	61,450,159
Accrued investment income	72,769	80,247
Due from other funds	3,287,830	903,598
Net assets owned by DeWitt Wallace Fund for Macalester College (note 3)	251,784,608	251,784,608
Total endowment & similar funds	\$ 329,088,474	314,738,917
Plant funds (note 6):		
Cash	\$ 77,957	383,826
Investments in U.S. Government securities, at cost which approximates market	1,103,483	734,322
Investment property	30,000	30,000
Mortgage and other receivables	2,169	2,050
Debt financing costs	143,289	153,158
Due from other funds	1,921,826	1,099,731
Investment in plant:		
Land and land improvements	1,224,111	1,222,227
Buildings	48,846,225	44,526,822
Furniture and equipment	1,290,604	1,110,179
Accumulated depreciation (note 1)	(11,487,199)	(10,407,996)
Total net investment in plant	39,873,741	36,451,232
Total plant funds	\$ 43,152,465	38,854,319

See accompanying notes to financial statements.

Liabilities and Fund Balances	1991	1990
Current funds:		
Accounts payable and accrued expenses	\$ 4,033,293	3,716,791
Student deposits	315,272	259,728
Due to other funds	5,489,626	2,333,427
Funds balances:		
Unrestricted:		
Undesignated	19,918	40,279
Designated	1,203,813	1,203,813
Restricted	3,357,096	3,402,466
Total fund balances	4,580,827	4,646,558
Total current funds	\$ 14,419,018	10,956,504
Loan funds:		
Due to other funds	\$ 460,573	267,933
Fund balances - restricted:		
U.S. Government grants refundable	2,123,931	2,012,709
College funds	2,146,925	2,040,672
Total fund balances	4,270,856	4,053,381
Total loan funds	\$ 4,731,429	4,321,314
High Winds funds (note 7):		
Accounts payable	\$ 0	9,000
Rental deposits	16,338	15,329
Fund balance - restricted	2,991,386	2,866,616
Total High Winds funds	\$ 3,007,724	2,890,945
Endowments and similar funds:		
Contracts payable	\$ 335,928	357,077
Fund balances of:		
DeWitt Wallace Fund for Macalester College (note 2)	251,784,608	251,784,608
Macalester College:		
Endowment and term endowment	57,599,717	47,883,598
Quasi-endowment:		
Unrestricted	7,752,851	6,268,538
Restricted	6,617,197	4,342,783
Annuity	392,342	395,663
Life Income	4,605,831	3,706,650
Subtotal-Macalester College	76,967,938	62,597,232
Total combined fund balances	76,967,938	62,597,232
Total endowment & similar funds	\$ 329,088,474	314,738,917
Plant funds (note 6):		
Accounts payable and accrued expenses	\$ 173,960	129,192
Due to current funds	1,830,864	1,966,864
Bonds, mortgages and note payable	7,099,233	7,333,131
Accrued interest payable	106,672	106,672
Fund balances:		
Unrestricted - unexpended	403,400	655,606
Restricted - unexpended:		
Donor	1,059,219	40,872
Debt reserve	445,560	381,482
Net investment in plant (note 1)	32,033,557	28,240,500
Total fund balances	33,941,736	29,318,460
Total plant funds	\$ 43,152,465	38,854,319

MACALESTER COLLEGE

Statement of Changes in Fund Balances Year ended May 31, 1991

-----Current Funds-----					
	Unrestricted Undesignated	Designated	Restricted	Loan Funds	High Winds Fund
	-----	-----	-----	-----	-----
Revenue and other additions:					
Unrestricted current fund revenues \$	30,333,964	-	-	-	-
Federal grants and contracts - restricted	-	-	1,294,753	154,777	-
State grants and contracts	-	-	82,075	-	-
Private gifts, grants and contracts - restricted	-	-	1,239,971	-	-
Endowment income - restricted	-	-	8,739,244	2,191	-
Sales and service of auxiliary enterprises - restricted	-	-	6,919	-	408,159
Other sources	-	-	124,811	3,571	-
Investment income - restricted	-	-	71,522	126,511	43,380
Realized gains (losses) on investments - restricted	-	-	-	-	-
Interest on loans receivable - restricted	-	-	-	62,796	14,522
Expended for plant facilities (including \$28,799 charged to current funds)	-	-	-	-	-
Retirement of indebtedness	-	-	-	-	-
Matured annuity & life income funds	-	-	-	-	-
	-----	-----	-----	-----	-----
Total revenues and other additions	30,333,964	0	11,559,295	349,846	466,061
Expenditures and other deductions:					
Educational and general	22,507,304	-	9,196,578	-	-
Auxiliary enterprises	3,802,929	-	111,414	-	341,291
Loan cancellations	-	-	-	5,468	-
Administrative and collection costs	-	-	-	126,903	-
Expended for plant facilities	-	-	-	-	-
Depreciation expense (note 1)	-	-	-	-	-
Matured life income and annuity	-	-	-	-	-
Interest on indebtedness	-	-	-	-	-
Retirement of indebtedness	-	-	-	-	-
	-----	-----	-----	-----	-----
Total expenditures and other deductions	26,310,233	0	9,307,992	132,371	341,291
Transfer among funds - additions (deductions):					
Mandatory:					
Transfers to endowment	-	-	(22,259)	-	-
Principal and interest	(660,808)	-	-	-	-
Renewals and replacements	(38,802)	-	-	-	-
Prior year gift redesignation	-	-	-	-	-
Nonmandatory:					
To plant for capital improvements	(2,242,226)	-	-	-	-
To quasi-endowment (note 4)	(1,102,256)	-	(2,274,414)	-	-
	-----	-----	-----	-----	-----
Total transfers	(4,044,092)	0	(2,296,673)	0	0
	-----	-----	-----	-----	-----
Net increase (decrease) for the year	(20,361)	0	(45,370)	217,475	124,770
Fund balances at beginning of year	40,279	1,203,813	3,402,466	4,053,381	2,866,616
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Fund balances at end of year	\$ 19,918	1,203,813	3,357,096	4,270,856	2,991,386
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See accompanying notes to financial statements.

-----Endowment Funds-----					-----Plant Funds-----		
True and term	Quasi	DeWitt Wallace Fund for Macalester College	Annuity Funds	Life Income Funds	Unexpended Unrestricted	Restricted	Net investment in plant
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
2,623,477	-	-	-	1,232,121	6,900	793,058	-
-	-	-	-	-	-	4,163,842	-
-	-	-	-	-	-	-	-
-	-	-	10,433	-	2,383	100,000	-
-	-	-	-	-	-	96,223	-
6,570,542	-	-	253	141,655	12,063	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	4,646,114
459,590	-	-	-	-	-	-	369,899
9,653,609	0	0	10,686	1,373,776	21,346	5,153,123	5,016,013
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	3,681	84,870	-	89,629
-	-	-	-	-	1,943,402	3,791,827	-
-	-	-	-	-	-	-	1,133,327
-	-	-	14,007	470,914	-	-	-
-	-	-	-	-	116,000	557,781	-
-	-	-	-	-	136,000	233,898	-
0	0	0	14,007	474,595	2,280,272	4,583,506	1,222,956
62,510	-	-	-	-	-	-	-
-	-	-	-	-	-	660,808	-
-	-	-	-	-	-	38,802	-
-	-	-	-	-	(235,506)	235,506	-
-	-	-	-	-	2,242,226	-	-
-	3,758,727	-	-	-	-	(422,308)	-
62,510	3,758,727	0	0	0	2,006,720	512,808	0
9,716,119	3,758,727	0	(3,321)	899,181	(252,206)	1,082,425	3,793,057
47,883,598	10,611,321	251,784,608	395,663	3,706,650	655,606	422,354	28,240,500
57,599,717	14,370,048	251,784,608	392,342	4,605,831	403,400	1,504,779	32,033,557

MACALESTER COLLEGE

Statement of Current Funds Revenues, Expenditures and Other Changes
Year ended May 31, 1991
with comparative figures for the year ended May 31, 1990

	1991				1990 Total
	Unrestricted		Restricted	Total	
	Undesignated	Designated			
Revenues:					
Tuition and fees (note 6)	\$ 22,189,320	-	18,251	22,207,571	20,631,674
Federal grants and contracts	-	-	1,236,413	1,236,413	1,342,703
State grants and contracts	-	-	82,075	82,075	79,905
Private gifts, grants and contracts	2,186,969	-	1,334,522	3,521,491	3,388,183
Endowment income	661,004	-	6,473,989	7,134,993	5,732,220
Investment income	450,144	-	71,522	521,666	656,725
Realized net gains (losses) on investments	(4,196)	-	-	(4,196)	(2,493)
Sales and services of auxiliary enterprises	4,720,360	-	6,919	4,727,279	4,158,874
Other sources	104,965	-	106,560	211,525	277,900
Matured life income	25,398	-	-	25,398	38,319
Total revenues	30,333,964	-	9,330,251	39,664,215	36,304,010
Expenditures and mandatory transfers:					
Educational and general:					
Instruction	9,353,374	-	2,475,167	11,828,541	10,608,009
Research	-	-	379,003	379,003	506,326
Public service	164,769	-	87,107	251,876	223,009
Academic support	1,599,023	-	478,941	2,077,964	1,975,227
Student services	3,434,460	-	797,021	4,231,481	3,687,644
Institutional support	3,848,974	-	183,571	4,032,545	3,666,667
Operation and maintenance of plant	2,146,304	-	94,818	2,241,122	2,231,594
Student aid, scholarships and prizes	1,960,400	-	4,700,950	6,661,350	5,902,595
Educational and general expenditures	22,507,304	-	9,196,578	31,703,882	28,801,071
Mandatory transfers for:					
Endowment	40,251	-	22,259	62,510	153,874
Principal and interest	453,688	-	-	453,688	717,686
Total educational and general	23,001,243	-	9,218,837	32,220,080	29,672,631
Auxiliary enterprises:					
Expenditures	3,802,929	-	111,414	3,914,343	3,389,657
Mandatory transfer for:					
Principal and interest	207,120	-	-	207,120	243,209
Renewals and replacements	38,802	-	-	38,802	38,802
Total auxiliary enterprises	4,048,851	-	111,414	4,160,265	3,671,668
Total expenditures & mandatory transfers	27,050,094	-	9,330,251	36,380,345	33,344,299
Other transfers and additions (deductions):					
Excess of restricted additions over expenditures	-	-	2,229,044	2,229,044	793,604
Transfers to plant funds	(2,242,226)	-	-	(2,242,226)	(2,171,672)
Transfers to quasi-endowment funds	(1,062,005)	-	(2,274,414)	(3,336,419)	(1,620,669)
Net increase (decrease) in fund balance	\$ (20,361)	-	(45,370)	(65,731)	(39,026)

See accompanying notes to financial statements.

MACALESTER COLLEGE

Notes to Financial Statements

May 31, 1991

(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; (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.

Investment in Plant

Land, buildings and equipment are stated at cost at date of acquisition or fair market value at date of gift.

Change in Accounting for Depreciation

During the fiscal year ended May 31, 1991, the College adopted the provisions of Statement of Financial Accounting Standards no. 93 (SFAS no. 93), Recognition of Depreciation by Not-for-Profit Organizations, which requires the recording of depreciation of long-lived tangible assets.

In addition to recording depreciation, the College made certain adjustments to its accounting records to reflect the results of a capitalization policy change. The College now capitalizes \$100,000 or more of improvements and additions to buildings and \$10,000 or more of individual equipment additions.

Accordingly, a retroactive change in net investment in plant as of May 31, 1990, has been made as follows:

Net investment in plant, as previously reported	\$50,249,852
Adjustments:	
To record accumulated depreciation related to prior years	(10,407,996)
To record plant asset capitalization adjustments	<u>(11,601,356)</u>
Net investment in plant, as restated	<u>\$28,240,500</u>

(Continued)

MACALESTER COLLEGE

Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, ContinuedChange in Accounting for Depreciation, Continued

The College depreciates on a straight-line basis with no salvage value. Buildings and improvements are depreciated over a 40 year life (existing buildings over 40 years plus age of building at May 31, 1990) and equipment over a 5 year life.

Federal Income Taxes

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

Reclassification

Certain amounts in the 1990 financial statements have been reclassified to conform to the 1991 presentation. These charges had no effect on fund balances.

(2) 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, 1991, the market value of the net assets of this fund totaled \$319,809,782 (\$317,190,133 principal, \$969,938 of reinvested dividends and interest and \$1,649,711 undistributed income). Income from the fund is paid over annually to support College 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 1991 total \$21,630,524. This sum includes a grant of \$7,250,000 for the fiscal year ended May 31, 1991.

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.

(3) 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, 1991 (with comparative values at May 31, 1990) were as follows:

(Continued)

MACALESTER COLLEGE

Notes to Financial Statements, Continued

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

	<u>1991</u>	<u>1990</u>
Macalester College		
Cash equivalents	\$ 5,390,267	58,209,232
Common stocks	35,196,463	36,343,813
Preferred stocks	4,448,550	2,312,848
Corporate bonds	20,661,933	5,006,204
U.S. Government obligations	64,653,541	18,567,900
Other	<u>2,009,261</u>	<u>1,070,667</u>
Subtotal market	\$132,360,015	121,510,664
Less units of Macalester endowment held by DeWitt Wallace Fund for Macalester College	<u>(50,353,641)</u>	<u>(47,909,656)</u>
Total market	<u>\$ 82,006,374</u>	<u>73,601,008</u>
Total cost	<u>\$ 73,943,267</u>	<u>61,450,159</u>
DeWitt Wallace Fund for Macalester College		
Common stock	\$267,646,264	203,874,952
Units in the Macalester College endowment	<u>50,353,641</u>	<u>47,909,656</u>
Total market	<u>\$317,999,905</u>	<u>251,784,608</u>
Total cost	<u>\$251,784,608</u>	<u>251,784,608</u>

Included in the market value of preferred stocks at May 31, 1991, is \$4,448,550 relating to 87,503 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.

Included in the market value of common stocks of the DeWitt Wallace Fund for Macalester College at May 31, 1991, is \$267,646,264 relating to 7,729,856 non-voting shares of The Reader's Digest Association, Inc. In June of 1991, a secondary public offering resulted in the sale of 1,772,546 shares, with net proceeds of \$57,111,432 subsequently invested in short term investment funds.

(Continued)

MACALESTER COLLEGE

Notes to Financial Statements, Continued

(4) 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.

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, 1991, 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 of \$2,336,419 in excess of the spending rate for the year ended May 31, 1991 (\$62,005 of unrestricted funds and \$2,274,414 of restricted funds) have been transferred from current funds to quasi-endowment.

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

(5) Pledges

At May 31, 1991, the College had pledges outstanding from individuals, corporations and foundations totalling approximately \$4,505,426. These gifts will be reflected in the financial statements of the College when received.

(6) Plant Funds

Bonds, mortgages and notes payable of the plant funds at May 31, 1991 consist of the following:

Macalester College Dormitory Bonds of 1956 2-3/4%, final series due November 1, 1996 (original amount \$800,000)	\$ 178,000
Macalester College Dormitory Bonds of 1962 3-3/8%, final series due May 1, 2002 (original amount \$2,850,000)	1,220,000
College Housing Program Mortgages at 3%, due in semi-annual installments of \$19,022 including interest, through 2020 (original amount \$880,200)	726,233
Minnesota Higher Education Facilities Authority Mortgage Revenue Bonds of 1985, 8.45% average, final series due 2006 (original amount \$5,075,000)	<u>4,975,000</u> <u>\$7,099,233</u>

(Continued)

MACALESTER COLLEGE

Notes to Financial Statements, Continued

(6) Plant Funds, Continued

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 \$4,347,000 at May 31, 1991) 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 \$452,445. 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 \$652,000 and by pledges of gross stadium and tuition revenues.

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, 1991 is \$921,699. 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 \$673,781 (\$175,455 due to interfund borrowing) during the year ended May 31, 1991.

Annual debt commitments (principal) at May 31, 1991, are as follows:

<u>Fiscal year ending May 31.</u>	<u>Amount</u>
1992	235,066
1993	246,862
1994	273,371
1995	274,896
1996	310,436
after 1996	<u>5,758,602</u>
	<u>\$7,099,233</u>

(Continued)

MACALESTER COLLEGE

Notes to Financial Statements, Continued

(7) 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, 1991, the High Winds fund had real estate contracts receivable of \$162,270 with interest rates ranging from 8% to 14% and maturing at various dates through the year 2020. Additionally, the High Winds fund owns 51 properties surrounding the College campus.

During the year ended May 31, 1991, the High Winds fund charged current funds approximately \$104,820 for use of High Winds property.

(8) Funds Held in Trust by Others

The College is the income beneficiary of a trust with an estimated value of \$6,523,000 which is controlled by independent trustees. For the year ended May 31, 1991, the College received \$181,618 from this trust.

The College was also the income beneficiary of a trust containing preferred stock with a total par value of \$3,986,200. Annually the trust has generated income to the College of approximately \$200,000 per year if the College achieved a balanced budget in the prior year. An incentive of \$202,061 is reflected in the financial statements for the year ended May 31, 1991. On November 1, 1990, the trust matured and the assets of this trust were transferred to the endowment fund of the College at a market value of \$2,074,392 at date of transfer.

(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, 1991 was approximately \$145,000.

Total pension expense for the year ended May 31, 1991 was \$736,463 including \$31,103 paid under the unfunded supplemental plan.

MACALESTER COLLEGE

Schedule 1

Endowment Investment Performance * Year Ended May 31, 1991

	Pooled Funds		Nonpooled Funds		Total Endowment Funds	
	Market	Cost	Market	Cost	Market	Cost
Net assets at May 31, 1991:						
Common stock	\$ 29,655,530	24,150,435	267,646,264	203,874,952	297,301,794	228,025,387
Preferred stocks	4,448,550	4,409,583	-	-	4,448,550	4,409,583
Corporate bonds	20,440,270	19,984,434	-	-	20,440,270	19,984,434
U.S. Government obligations	59,489,918	58,616,791	3,510,706	3,304,715	63,000,624	61,921,506
Real Estate	1,041,000	1,041,000	-	-	1,041,000	1,041,000
Other (including uninvested cash)	8,358,806	8,347,471	27,223	24,992	8,386,029	8,372,463
	123,434,074	116,549,714	271,184,193	207,204,659	394,618,267	323,754,373
		=====		=====		=====
Net assets at May 31, 1990	112,800,521		207,326,164		320,126,685	
Increase in net assets	10,633,553		63,858,029		74,491,582	
Less:						
Initial market value of additions	6,904,304		-		6,904,304	
Net gains for year	\$ 3,729,249		63,858,029		67,587,278	
		=====		=====		=====
Net gains for the year consist of:						
Realized net gains	\$ 6,570,542		-		6,570,542	
Unrealized net gains	(2,841,293)		63,858,029		61,016,736	
Total net gains for year	\$ 3,729,249		63,858,029		67,587,278	
		=====		=====		=====
Pooled investments:						
Market value per unit, including excess endowment earnings funds:						
May 31, 1991	\$ 13.38					
May 31, 1990	12.73					

Net gain per unit	\$ 0.65					
		=====				
Percent gain per unit	5.11%					
		=====				
Total earnings, exclusive of gains	\$ 7,973,581					
Less excess endowment earnings fund	2,336,419					
	\$ 5,637,162					
		=====				
Spendable earnings per current year average units outstanding	\$ 0.62					
		=====				
Spendable earnings as a percent of average current market values	4.84%					
		=====				
Total performance for year (spendable earnings and net gains, including excess endowment earnings funds, as a percent of average current year market values)	9.95%					
		=====				

* - Including the DeWitt Wallace Fund for Macalester College (note 2)

See accompanying auditors' report.

MACALESTER COLLEGE

Schedule 2

Revenue and Expenditures of Certain Dormitories and Dining Facilities (1) Year Ended May 31, 1991

	1956 Dormitory Bonds					1962 Dormitory Bonds				
	Bigelow	Dayton	Turck	Wallace	Total	Doty	Dupre	Kirk	Dining	Total
Operating revenue (2)	\$ 220,020	216,160	260,550	270,200	966,930	289,500	533,158	292,395	1,946,203	3,061,256
Operating expenditures (3);										
Direct charges for repair & maintenance	18,017	20,404	22,686	28,739	89,846	53,080	64,817	36,854	29,056	183,807
Contract food services	-	-	-	-	-	-	-	-	1,202,756	1,202,756
Allocated expenditures for salaries & staff benefits (4)	50,195	27,028	34,750	57,917	169,890	65,639	88,806	54,056	-	208,501
Allocated expenditures for materials, supplies and other services (4)	119,991	59,995	79,994	140,722	400,702	149,988	210,717	129,990	89,993	580,688
Total expenditures	188,203	107,427	137,430	227,378	660,438	268,707	364,340	220,900	1,321,805	2,175,752
Excess of revenue over expenditures	\$ 31,817	108,733	123,120	42,822	306,492	20,793	168,818	71,495	624,398	885,504

- (1) Includes all dormitories and dining facilities financed by the 1956 and 1962 dormitory bonds, both bond issues being between Macalester College and the United States Housing and Home Finance Administrator.
- (2) Operating revenue of the individual dormitories is determined by multiplying the average number of occupants by the per student rental charge.
- (3) Does not include depreciation expense.
- (4) Expenditures are allocated on a square footage basis.

See accompanying auditors' report

MACALESTER COLLEGE

Schedule 3

Analysis of Revenue Fund Accounts, Bond and Interest Sinking Fund Account and Repair and Replacement Reserve Account Year Ended May 31, 1991

	1956 Dormitory Bonds		1962 Dormitory Bonds		
	Revenue Fund Account	Bond and Interest Sinking Fund Account	Revenue Fund Account	Bond and Interest Sinking Fund Account	Repair and Replacement Reserve Account
Balance at May 31, 1990	\$ -	77,220	\$ -	294,484	315,924
Revenue:					
Operating revenue (Schedule 2)	966,930	-	3,061,256	-	-
Investment income	-	6,056	-	30,047	24,688
Total revenue	966,930	6,056	3,061,256	30,047	24,688
Expenditures:					
Repair and replacement expenditures	-	-	-	-	-
Operating expenditures (Schedule 2)	660,438	-	2,175,752	-	-
Debt Service:					
Principal	-	28,000	-	90,000	-
Interest	-	5,280	-	44,212	-
Total expenditures	660,438	33,280	2,175,752	134,212	-
Transfers:					
From revenue fund accounts to sinking fund accounts	(33,280)	33,280	(134,212)	134,212	-
From revenue fund account to repair and replacement reserve account	-	-	(30,000)	-	30,000
To current unrestricted fund from revenue fund accounts and sinking fund accounts	(273,212)	(6,056)	(721,292)	(30,047)	-
Total transfers	(306,492)	27,224	(885,504)	104,165	30,000
Balance at May 31, 1991*	\$ -	77,220	-	294,484	370,612

*Based upon original cost of investments in the bond and interest sinking fund accounts, the College's carrying value of these two sinking fund accounts at May 31, 1991 was \$452,610

See accompanying auditors' report.

MACALESTER COLLEGE

Schedule 4

Analysis of Revenue Fund Accounts, Debt Service Accounts and Repair and Replacement Reserve Accounts Year Ended May 31, 1991

	CHMN 112 Mortgage			CHMN 122 Mortgage		
	Revenue Fund Account	Debt Service Account	Repair and Replacement Reserve Account	Revenue Fund Account	Debt Service Account	Repair and Replacement Reserve Account
Balance at May 31, 1990	\$ -	5,338	17,392	-	18,439	24,380
Revenue:						
Operating revenue	43,488	-	-	21,785,014	-	-
Investment income	-	-	-	-	-	-
Total revenue	43,488	-	-	21,785,014	-	-
Expenditures:						
Repair and replacement expenditures	-	-	-	-	-	-
Operating expenditures	30,252	-	-	-	-	-
Debt Service:						
Principal	-	3,626	-	-	12,271	-
Interest	-	4,914	-	-	17,232	-
Total expenditures	30,252	8,540	-	-	29,503	-
Transfers:						
From revenue fund accounts to debt service accounts	(8,540)	8,540	-	(29,503)	29,503	-
From revenue fund account to repair and replacement reserve account	(1,982)	-	1,982	(6,820)	-	6,820
To current unrestricted fund from revenue fund accounts	(2,714)	-	-	(21,748,691)	-	-
From repair & replacement reserve to debt service reserve	-	-	-	-	-	-
Total transfers	(13,236)	8,540	1,982	(21,785,014)	29,503	6,820
Balance at May 31, 1991	\$ -	5,338	19,374	-	18,439	31,200

See accompanying auditors' report.

MACALESTER COLLEGE

Insurance Coverage

Year ended May 31, 1991

Pursuant to covenants in the 1956 and 1962 dormitory bond indentures and the College Housing Program mortgages payable, the College is required to maintain minimum levels of insurance coverage on certain dormitories and dining facilities. These minimum levels of insurance coverage were maintained during the year ended May 31, 1991.

See accompanying auditors' report.