

MACALESTER
COLLEGE

**ANNUAL FINANCIAL STATEMENTS
WITH AUDITORS OPINION
FOR YEAR ENDED MAY 31, 1992**

Certified Public Accountants

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Independent Auditors' ReportThe Board of Trustees
Macalester College:

We have audited the accompanying balance sheet of Macalester College (the College) as of May 31, 1992 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 the College at May 31, 1992, 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 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 7, 1992



Balance Sheet
 May 31, 1992
 with comparative figures at May 31, 1991

Assets	1992	1991
Current funds:		
Cash and cash equivalents	\$ 589,017	385,802
Investments (approximately 85% money market fund & 15% stocks & bonds), at cost which approximates market	9,484,218	8,129,687
Matching gift receivable	0	1,000,000
Notes and accounts receivable, net of allowance for doubtful receivables of \$176,428 (\$144,133 in 1991)	1,529,951	1,546,785
Accrued investment income	1,755,445	1,393,223
Prepaid expenses	158,340	132,657
Due from plant fund	1,579,864	1,830,864
Total current funds	\$ 15,096,835	14,419,018
Loan funds:		
Cash	\$ 108,624	297,558
Investment in intermediate cash fund, at cost which approximates market	1,677,211	1,566,012
Notes and accounts receivable, net of allowance for doubtful receivables of \$428,424 (\$384,624 in 1991)	3,005,282	2,849,625
Accrued investment income	19,160	18,234
Total loan funds	\$ 4,810,277	4,731,429
High Winds funds (note 7):		
Real estate contracts & accounts receivable	\$ 166,861	170,737
Real estate, at cost	2,174,063	2,096,184
Due from other funds	777,071	740,803
Total High Winds funds	\$ 3,117,995	3,007,724
Endowments and similar funds:		
Cash, principally short-term notes	\$ 33,770	0
Investments, at cost (note 3)	85,227,436	73,943,267
Accrued investment income	76,642	72,769
Due from other funds	3,926,396	3,287,830
Net assets owned by DeWitt Wallace Fund for Macalester College (note 3)	262,145,139	251,784,608
Total endowment & similar funds	\$ 351,409,383	329,088,474
Plant funds (note 6):		
Cash	\$ 116,797	77,957
Investments in U.S. Government securities, at cost which approximates market	1,125,636	1,103,483
Investment property	30,000	30,000
Other receivables	549	2,169
Debt financing costs	142,180	143,289
Due from other funds	112,185	1,921,826
Investment in plant:		
Land and land improvements	1,224,111	1,224,111
Buildings	56,141,573	48,846,225
Furniture and equipment	1,593,186	1,290,604
Accumulated depreciation (note 1)	(12,832,505)	(11,487,199)
Total net investment in plant	46,126,365	39,873,741
Total plant funds	\$ 47,653,712	43,152,465

See accompanying notes to financial statements.

<u>Liabilities and Fund Balances</u>	<u>1992</u>	<u>1991</u>
Current funds:		
Accounts payable and accrued expenses	\$ 5,378,192	4,033,293
Student deposits	266,860	315,272
Due to other funds	4,501,111	5,489,626
Funds balances:		
Unrestricted:		
Undesignated	49,096	19,918
Designated	1,203,813	1,203,813
Restricted	3,697,763	3,357,096
Total fund balances	4,950,672	4,580,827
Total current funds	\$ 15,096,835	14,419,018
Loan funds:		
Due to other funds	\$ 314,541	460,573
Fund balances - restricted:		
U.S. Government grants refundable	2,223,545	2,123,931
College funds	2,272,191	2,146,925
Total fund balances	4,495,736	4,270,856
Total loan funds	\$ 4,810,277	4,731,429
High Winds funds (note 7):		
Rental deposits	14,105	16,338
Fund balance - restricted	3,103,890	2,991,386
Total High Winds funds	\$ 3,117,995	3,007,724
Endowments and similar funds:		
Contracts payable	\$ 390,949	335,928
Fund balances of:		
DeWitt Wallace Fund for Macalester College (note 2)	262,145,139	251,784,608
Macalester College:		
Endowment and term endowment	65,500,164	57,599,717
Quasi-endowment:		
Unrestricted	9,015,003	7,752,851
Restricted	9,395,420	6,617,197
Annuity	439,927	392,342
Life Income	4,522,781	4,605,831
Subtotal-Macalester College	88,873,295	76,967,938
Total combined fund balances	351,018,434	328,752,546
Total endowment & similar funds	\$ 351,409,383	329,088,474
Plant funds (note 6):		
Accounts payable and accrued expenses	\$ 0	173,960
Due to current funds	1,579,864	1,830,864
Bonds, mortgages and note payable	6,864,167	7,099,233
Accrued interest payable	106,671	106,672
Fund balances:		
Unrestricted - unexpended	2,588,403	403,400
Restricted - unexpended:		
Donor	1,285,150	1,059,219
Debt reserve	504,995	445,560
Net investment in plant (note 1)	34,724,462	32,033,557
Total fund balances	39,103,010	33,941,736
Total plant funds	\$ 47,653,712	43,152,465

Statement of Changes in Fund Balances
Year ended May 31, 1992

-----Current Funds-----

	Unrestricted Undesignated	Designated	Restricted	Loan Funds	High Winds Fund
Revenue and other additions:					
Unrestricted current fund revenues \$	32,065,956	-	-	-	-
Federal grants and contracts - restricted	-	-	1,538,417	157,267	-
State grants and contracts	-	-	50,759	-	-
Private gifts, grants and contracts - restricted	-	-	1,276,718	30	-
Endowment income - restricted	-	-	14,981,984	2,261	-
Sales and service of auxiliary enterprises - restricted	-	-	5,445	-	419,640
Other sources	-	-	171,182	2,719	-
Investment income - restricted	-	-	37,424	120,791	35,620
Realized gains (losses) on investments - restricted	-	-	-	-	-
Interest on loans receivable - restricted	-	-	-	70,048	13,543
Expended for plant facilities (including \$180,100 charged to current funds)	-	-	-	-	-
Retirement of indebtedness	-	-	-	-	-
Matured annuity & life income funds	-	-	-	-	-
Total revenues and other additions	32,065,956	0	18,061,929	353,116	468,803
Expenditures and other deductions:					
Educational and general	19,373,405	-	14,858,401	-	-
Auxiliary enterprises	3,889,470	-	31,968	-	356,299
Loan cancellations	-	-	-	4,368	-
Administrative and collection costs	-	-	-	123,868	-
Expended for plant facilities	-	-	-	-	-
Depreciation expense (note 1)	-	-	-	-	-
Matured life income and annuity	-	-	-	-	-
Interest on indebtedness	-	-	-	-	-
Retirement of indebtedness	-	-	-	-	-
Total expenditures and other deductions	23,262,875	0	14,890,369	128,236	356,299
Transfer among funds - additions (deductions):					
Mandatory:					
Transfers to endowment	-	-	(36,543)	-	-
Principal and interest	(647,266)	-	-	-	-
Renewals and replacements	(38,802)	-	-	-	-
Nonmandatory:					
To plant for capital improvements	(7,004,638)	-	-	-	-
To quasi-endowment (note 4)	(1,083,197)	-	(2,794,350)	-	-
Total transfers	(8,773,903)	0	(2,830,893)	0	0
Net increase (decrease) for the year	29,178	0	340,667	224,880	112,504
Fund balances at beginning of year	19,918	1,203,813	3,357,096	4,270,856	2,991,386
Fund balances at end of year \$	49,096	1,203,813	3,697,763	4,495,736	3,103,890

See accompanying notes to financial statements.

Statement of Current Funds Revenues, Expenditures and Other Changes
Year ended May 31, 1992
with comparative figures for the year ended May 31, 1991

	1992			Total	1991 Total
	Unrestricted Undesignated	Unrestricted Designated	Restricted		
Revenues:					
Tuition and fees (note 6)	\$ 23,548,465	-	27,923	23,576,388	22,207,571
Federal grants and contracts	-	-	1,363,001	1,363,001	1,236,413
State grants and contracts	-	-	50,759	50,759	82,075
Private gifts, grants and contracts	2,146,526	-	1,223,335	3,369,861	3,521,491
Endowment income	801,121	-	12,075,765	12,876,886	7,134,993
Investment income	411,128	-	37,424	448,552	521,666
Realized net gains (losses) on investments	(2,839)	-	-	(2,839)	(4,196)
Sales and services of auxiliary enterprises	4,897,441	-	5,445	4,902,886	4,727,279
Other sources	238,193	-	143,260	381,453	211,525
Matured life income	25,921	-	-	25,921	25,398
Total revenues	32,065,956	-	14,926,912	46,992,868	39,664,215
Expenditures and mandatory transfers:					
Educational and general:					
Instruction	4,848,496	-	7,187,251	12,035,747	11,828,541
Research	-	-	482,644	482,644	379,003
Public service	176,485	-	75,455	251,940	251,876
Academic support	1,583,682	-	728,053	2,311,735	2,077,964
Student services	3,319,121	-	1,049,326	4,368,447	4,231,481
Institutional support	4,514,595	-	260,130	4,774,725	4,032,545
Operation and maintenance of plant	2,273,442	-	70,457	2,343,899	2,241,122
Student aid, scholarships and prizes	2,657,584	-	5,005,085	7,662,669	6,661,350
Educational and general expenditures	19,373,405	-	14,858,401	34,231,806	31,703,882
Mandatory transfers for:					
Endowment	-	-	36,543	36,543	62,510
Principal and interest	446,938	-	-	446,938	453,688
Total educational and general	19,820,343	-	14,894,944	34,715,287	32,220,080
Auxiliary enterprises:					
Expenditures	3,889,470	-	31,968	3,921,438	3,914,343
Mandatory transfer for:					
Principal and interest	200,328	-	-	200,328	207,120
Renewals and replacements	38,802	-	-	38,802	38,802
Total auxiliary enterprises	4,128,600	-	31,968	4,160,568	4,160,265
Total expenditures & mandatory transfers	23,948,943	-	14,926,912	38,875,855	36,380,345
Other transfers and additions (deductions):					
Excess of restricted additions over expenditures	-	-	3,135,017	3,135,017	2,229,044
Transfers to plant funds	(7,004,638)	-	-	(7,004,638)	(2,242,226)
Transfers to quasi-endowment funds	(1,083,197)	-	(2,794,350)	(3,877,547)	(3,336,419)
Net increase (decrease) in fund balance	\$ 29,178	0	340,667	369,845	(65,731)

See accompanying notes to financial statements.

MACALESTER COLLEGE

Notes to Financial Statements

May 31, 1992

(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.

Accounting for Depreciation

The College has 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.

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.

(Continued)

MACALESTER COLLEGE

Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, ContinuedFund Accounting, ContinuedFederal Income Taxes

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

(2) DeWitt Wallace Fund for Macalester College

The above-named fund was established for the benefit of the 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 the 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, 1992, the market value of the net assets of this fund totaled \$398,380,303 (\$392,995,433 principal, \$2,616,452 of reinvested dividends and interest and \$2,768,418 of other 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 1992 total \$30,415,524. This sum includes a grant of \$8,785,000 for the fiscal year ended May 31, 1992.

As of May 31, 1992, \$113,320,112 (at current market value) of the Fund's assets were invested in the College's pooled endowment fund. This represented 7,905,139 unitized shares of the pooled endowment fund. The College acts as an investment manager for these assets of the Fund pursuant to an agreement dated May 24, 1990.

(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, 1992 (with comparative values at May 31, 1991) 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>1992</u>	<u>1991</u>
Macalester College		
Cash equivalents	\$ 30,038,974	5,390,267
Common stocks	48,615,324	35,196,463
Preferred stocks	4,374,899	4,448,550
Corporate bonds	32,159,977	20,661,933
U.S. Government obligations	86,286,454	64,653,541
Other	<u>1,474,142</u>	<u>2,009,261</u>
Subtotal market	\$202,949,770	132,360,015
Less units of Macalester endowment held by DeWitt Wallace Fund for Macalester College	<u>(113,320,112)</u>	<u>(50,353,641)</u>
Total market	<u>\$ 89,629,658</u>	<u>82,006,374</u>
Total cost	<u>\$ 85,227,436</u>	<u>73,943,267</u>
DeWitt Wallace Fund for Macalester College		
Common stock	\$282,227,561	267,646,264
Units in the Macalester College endowment	<u>113,320,112</u>	<u>50,353,641</u>
Total market	<u>\$395,547,673</u>	<u>317,999,905</u>
Total cost	<u>\$262,145,139</u>	<u>251,784,608</u>

Included in the market value of preferred stocks at May 31, 1992, is \$4,374,899 relating to 87,659 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, 1992, is \$282,227,561 relating to 5,957,310 non-voting shares of The Reader's Digest Association, Inc.

(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, 1992, a spending rate approximating 5.75% 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 \$2,778,223 in excess of the spending rate for the year ended May 31, 1992 (\$68,273 of unrestricted funds and \$2,709,950 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, 1992, the College had pledges outstanding from individuals, corporations and foundations totalling approximately \$2,139,856. 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, 1992 consist of the following:

Macalester College Dormitory Bonds of 1956 2-3/4%, final series due November 1, 1996 (original amount \$800,000)	\$ 149,000
Macalester College Dormitory Bonds of 1962 3-3/8%, final series due May 1, 2002 (original amount \$2,850,000)	1,130,000
College Housing Program Mortgages at 3%, due in semi-annual installments of \$19,022 including interest, through 2020 (original amount \$880,200)	710,167
Minnesota Higher Education Facilities Authority Mortgage Revenue Bonds of 1985, 8.45% average, final series due 2006 (original amount \$5,075,000)	4,875,000
	<u>\$6,864,167</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, 1992) 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 \$452,387. 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 \$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, 1992 is \$1,057,700. 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 \$73,316. 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 \$448,848 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 \$612,924 (\$125,650 due to interfund borrowing) during the year ended May 31, 1992.

Annual debt commitments (principal) at May 31, 1992, are as follows:

<u>Fiscal year ending May 31.</u>	<u>Amount</u>
1993	246,862
1994	273,371
1995	274,896
1996	310,436
1997	352,994
after 1997	<u>5,405,608</u>
	<u>\$6,864,167</u>

(Continued)

MACALESTER COLLEGE

Notes to Financial Statements, Continued

(6) Plant Funds, Continued

In June of 1992, \$15,670,000 of revenue bonds were issued on behalf of the College by the Minnesota Higher Education Facilities Authority (MHEFA). The average maturity of the issued bonds was 21 years, at an average rate of 6.33%. The bonds were secured by a pledge by the Authority and a reserve account of \$1,300,120, funded by bond sale proceeds.

The balance of the proceeds, net of issuance costs and issuance discounts of \$372,513, will be used to retire the balance of MHEFA Revenue Bonds of 1985 as of 9/1/92, and to finance campus improvements totaling \$9,650,000.

As of May 31, 1992, capital expenditures to be financed by this debt issue totaling \$4,047,920 had been made.

(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, 1992, the High Winds fund had real estate contracts receivable of \$156,582 with interest rates ranging from 8% to 14% and maturing at various dates through the year 2020. Additionally, the High Winds fund owns 52 properties surrounding the College campus.

During the year ended May 31, 1992, the High Winds fund charged current funds approximately \$106,000 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 \$6,654,000 which is controlled by independent trustees. For the year ended May 31, 1992, the College received \$313,091 from this trust.

(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, 1992 was approximately \$113,000.

Total pension expense for the year ended May 31, 1992 was \$940,233 including \$28,677 paid under the unfunded supplemental plan.

Endowment Investment Performance *
Year Ended May 31, 1992

	Pooled Funds		Nonpooled Funds		Total Endowment Funds	
	Market	Cost	Market	Cost	Market	Cost
Net assets at May 31, 1992:						
Common stock	\$ 42,908,520	39,617,347	282,243,729	157,137,158	325,152,249	196,754,505
Preferred stocks	4,374,899	4,417,296	0	0	4,374,899	4,417,296
Corporate bonds	31,241,477	29,865,880	0	0	31,241,477	29,865,880
U.S. Government obligations	80,928,351	76,688,705	3,672,069	3,317,820	84,600,420	80,006,525
Real Estate	1,268,000	1,268,000	0	0	1,268,000	1,268,000
Other (including uninvested cash)	33,604,942	33,711,720	0	0	33,604,942	33,711,720
	194,326,189	185,568,948	285,915,798	160,454,978	480,241,987	346,023,926
Net assets at May 31, 1991	123,434,074		271,184,193		394,618,267	
Increase in net assets	70,892,115		14,731,605		85,623,720	
Less:						
Initial market value of additions	62,535,554		(57,111,432)		5,424,122	
Net gains for year	\$ 8,356,561		71,843,037		80,199,598	
Net gains for the year consist of:						
Realized net gains	\$ 6,516,700		10,360,531		16,877,231	
Unrealized net gains	1,839,861		61,482,506		63,322,367	
Total net gains for year	\$ 8,356,561		71,843,037		80,199,598	
Pooled investments:						
Market value per unit, including excess endowment earnings funds:						
May 31, 1992	\$ 14.34					
May 31, 1991	13.38					
Net gain per unit	\$ 0.96					
Percent gain per unit	7.17%					
Total earnings, exclusive of gains	\$ 10,537,148					
Less excess endowment earnings fund	2,778,223					
Total spendable earnings	\$ 7,758,925					
Spendable earnings per current year average units outstanding	\$ 0.62					
Spendable earnings as a percent of average current market values	4.45%					
Total performance for year (spendable earnings and net gains, including excess endowment earnings funds, as a percent of average current year market values)	11.62%					

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

See accompanying auditors' report.

Revenue and Expenditures of Certain Dormitories and Dining Facilities (1)
Year Ended May 31, 1992

	1956 Dormitory Bonds					1962 Dormitory Bonds				
	Bigelow	Dayton	Turck	Wallace	Total	Doty	Dupre	Kirk	Dining	Total
Operating revenue (2)	\$ 228,072	220,848	276,576	281,736	1,007,232	300,312	554,704	304,440	2,037,202	3,196,658
Operating expenditures (3);										
Direct charges for repair & maintenance	9,073	10,523	17,777	22,931	60,304	33,451	68,969	23,243	31,852	157,515
Contract food services	-	-	-	-	-	-	-	-	1,287,190	1,287,190
Allocated expenditures for salaries & staff benefits (4)	55,917	30,109	38,711	64,519	189,256	73,122	98,929	60,218	-	232,269
Allocated expenditures for materials, supplies and other services (4)	119,688	59,844	79,792	140,369	399,693	149,610	210,188	129,662	89,766	579,226
Total expenditures	184,678	100,476	136,280	227,819	649,253	256,183	378,086	213,123	1,408,808	2,256,200
Excess of revenue over expenditures	\$ 43,394	120,372	140,296	53,917	357,979	44,129	176,618	91,317	628,394	940,458

- (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.

Analysis of Revenue Fund Accounts, Bond and Interest Sinking Fund Account
and Repair and Replacement Reserve Account
Year Ended May 31, 1992

	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, 1991	\$ -	77,220	\$ -	294,484	370,612
Revenue:					
Operating revenue (Schedule 2)	1,007,232	-	3,196,658	-	-
Investment income	-	4,308	-	20,597	20,632
Total revenue	1,007,232	4,308	3,196,658	20,597	20,632
Expenditures:					
Repair and replacement expenditures	-	-	-	-	-
Operating expenditures (Schedule 2)	649,253	-	2,256,200	-	-
Debt Service:					
Principal	-	29,000	-	90,000	-
Interest	-	4,496	-	41,175	-
Total expenditures	649,253	33,496	2,256,200	131,175	-
Transfers:					
From revenue fund accounts to sinking fund accounts	(33,496)	33,496	(131,175)	131,175	-
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	(324,483)	(4,308)	(779,283)	(20,597)	-
Total transfers	(357,979)	29,188	(940,458)	110,578	30,000
Balance at May 31, 1992*	\$ -	77,220	\$ -	294,484	421,244

*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, 1992 was \$452,387

See accompanying auditors' report.

Analysis of Revenue Fund Accounts, Debt Service Accounts
and Repair and Replacement Reserve Accounts
Year Ended May 31, 1992

	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, 1991	\$ -	5,338	19,374	-	18,439	31,200
Revenue:						
Operating revenue	46,230	-	-	23,132,634	-	-
Investment income	-	-	-	-	-	-
Total revenue	46,230	-	-	23,132,634	-	-
Expenditures:						
Repair and replacement expenditures	-	-	-	-	-	-
Operating expenditures	31,042	-	-	-	-	-
Debt Service:						
Principal	-	3,424	-	-	12,642	-
Interest	-	4,804	-	-	16,861	-
Total expenditures	31,042	8,228	-	-	29,503	-
Transfers:						
From revenue fund accounts to debt service accounts	(8,228)	8,228	-	(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	(4,978)	-	-	(23,096,311)	-	-
From repair & replacement reserve to debt service reserve	-	-	-	-	-	-
Total transfers	(15,188)	8,228	1,982	(23,132,634)	29,503	6,820
Balance at May 31, 1992	\$ -	5,338	21,356	-	18,439	38,020

See accompanying auditors' report.

MACALESTER COLLEGE

Insurance Coverage

Year ended May 31, 1992

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, 1992.

See accompanying auditors' report.