Knox College

Financial Report
June 30, 2026

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RSM US LLP

Independent Auditor's Report

Board of Trustees
Knox College

Opinion

We have audited the financial statements of Knox College (the College), which comprise the statements of financial position as of June 30, 2026 and 2025, the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the College as of June 30, 2026 and 2025, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the College and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern for a reasonable period of time.

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

RSM US LLP

Davenport, Iowa
November 2, 2026

Knox College

Statements of Financial Position
Years Ended June 30, 2026 and 2025

	2026	2025
Assets		
Cash and cash equivalents	**$ 4,394,249**	$ 4,339,885
Grants and contracts receivable	**1,148,515**	943,234
Students and other accounts receivable, less allowances of 2026—$2,127,317; 2025—$1,876,332	**997,685**	856,770
Inventories	**191,199**	203,896
Other assets, principally prepaid expenses, deferred charges and land held for sale	**2,970,064**	3,671,631
Pledges receivable, less discount and allowance of 2026—$1,000,783; 2025—$1,210,572	**5,056,302**	6,384,071
Loans receivable, less allowance for doubtful loans of 2026—$25,455; 2025—$31,488	**243,852**	627,606
Restricted cash	**111,453**	260,772
Deposits held in trust for capital projects	**11,281,616**	11,458,857
Land, buildings and equipment, net of accumulated depreciation	**66,967,985**	67,970,701
Investments	**177,098,769**	171,449,663
Beneficial interest in perpetual trust	**19,560,409**	17,964,418
Total assets	**$ 290,022,098**	$ 286,131,504
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued liabilities	**$ 2,992,897**	$ 5,098,238
Accrued payroll including employee benefits	**2,385,138**	2,507,013
Student deposits	**77,440**	77,740
Accrual for medical claims	**320,000**	421,248
Deferred revenues	**433,180**	1,155,565
Line of credit	**-**	1,665,671
Annuities payable	**1,140,348**	1,156,610
Postretirement benefit obligation	**1,543,313**	1,482,902
Federal equity in loan programs	**75,484**	252,316
Finance lease liabilities	**-**	331
Bonds payable, net of deferred bond financing costs	**56,115,351**	56,713,993
Total liabilities	**65,083,151**	70,531,627
Net assets:		
Without donor restrictions	**21,794,474**	26,476,930
With donor restrictions	**203,144,473**	189,122,947
Total net assets	**224,938,947**	215,599,877
Total liabilities and net assets	**$ 290,022,098**	$ 286,131,504

See notes to financial statements.

Knox College

Statement of Activities
Year Ended June 30, 2026

	Without Donor Restriction	With Donor Restriction	Total
Revenues, gains and other support:			
Tuition and fees	$ 63,006,858	$ -	$ 63,006,858
Less student aid and scholarships	(47,775,393)	-	(47,775,393)
Net tuition and fees	15,231,465	-	15,231,465
Contributions	10,057,610	9,589,385	19,646,995
Federal grants and contracts	158,337	1,490,973	1,649,310
Investment return, net	2,649,195	21,509,668	24,158,863
Auxiliary enterprises	11,471,614	81,399	11,553,013
Miscellaneous	581,629	136,853	718,482
Net assets released from restrictions	20,209,646	(20,209,646)	-
Total revenues, gains and other support	60,359,496	12,598,632	72,958,128
Expenses:			
Program services:			
Instruction	17,827,054	-	17,827,054
Academic support	4,831,927	-	4,831,927
Athletics	3,872,043	-	3,872,043
Student services	7,884,566	-	7,884,566
Auxiliary enterprises	11,497,214	-	11,497,214
Supporting services:			
Management and general	15,098,607	-	15,098,607
Fundraising	3,970,130	-	3,970,130
Total expenses	64,981,541	-	64,981,541
Other changes in net assets:			
Net periodic benefit cost	142,291	-	142,291
Other components of net periodic benefit cost	(202,702)	-	(202,702)
Adjustments of amounts due under annuity and life income agreements	-	(173,097)	(173,097)
Change in value of beneficial interest in perpetual trust	-	1,595,991	1,595,991
Total other changes in net assets	(60,411)	1,422,894	1,362,483
Change in net assets	(4,682,456)	14,021,526	9,339,070
Net assets, beginning of year	26,476,930	189,122,947	215,599,877
Net assets, end of year	$ 21,794,474	$ 203,144,473	$ 224,938,947

See notes to financial statements.

Knox College

Statement of Activities
Year Ended June 30, 2025

	Without Donor Restriction	With Donor Restriction	Total
Revenues, gains and other support:			
Tuition and fees	$ 62,800,967	$ -	$ 62,800,967
Less student aid and scholarships	(45,883,731)	-	(45,883,731)
Net tuition and fees	16,917,236	-	16,917,236
Contributions	5,950,518	11,538,622	17,489,140
Federal grants and contracts	194,269	953,417	1,147,686
Investment return, net	1,804,268	12,751,902	14,556,170
Auxiliary enterprises	10,966,639	130,982	11,097,621
Miscellaneous	556,716	46,047	602,763
Net assets released from restrictions	24,155,583	(24,155,583)	-
Total revenues, gains and other support	60,545,229	1,265,387	61,810,616
Expenses:			
Program services:			
Instruction	17,315,393	-	17,315,393
Academic support	4,928,605	-	4,928,605
Athletics	4,156,763	-	4,156,763
Student services	8,883,620	-	8,883,620
Auxiliary enterprises	13,402,802	-	13,402,802
Supporting services:			
Management and general	13,271,525	-	13,271,525
Fundraising	4,928,688	-	4,928,688
Total expenses	66,887,396	-	66,887,396
Other changes in net assets:			
Net periodic benefit cost	137,677	-	137,677
Other components of net periodic benefit cost	316,655	-	316,655
Adjustments of amounts due under annuity and life income agreements	-	(173,937)	(173,937)
Change in value of beneficial interest in perpetual trust	-	1,266,066	1,266,066
Total other changes in net assets	454,332	1,092,129	1,546,461
Change in net assets	(5,887,835)	2,357,516	(3,530,319)
Net assets, beginning of year	32,364,765	186,765,431	219,130,196
Net assets, end of year	$ 26,476,930	$ 189,122,947	$ 215,599,877

See notes to financial statements.

Knox College

Statement of Functional Expenses
Year Ended June 30, 2026

	Program Services						Supporting Services			
	Instruction	Academic Support	Athletics	Student Services	Auxiliary Enterprises	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses
Compensation—salaries, wages and benefits	$ 13,790,333	$ 2,109,892	$ 2,075,503	$ 4,652,746	$ 2,853,645	$ 25,482,119	$ 7,836,376	$ 2,709,492	$ 10,545,868	$ 36,027,987
Office and department supplies and equipment	2,219,465	153,021	339,218	898,722	5,718,722	9,329,148	277,995	487,674	765,669	10,094,817
Depreciation and amortization	917,584	1,093,216	557,428	107,540	1,385,677	4,061,445	733,245	244,148	977,393	5,038,838
Professional technical services	352,552	1,326,513	99,696	1,414,240	16,298	3,209,299	1,531,565	293,162	1,824,727	5,034,026
Dining supplies	-	-	-	-	3,317	3,317	-	-	-	3,317
Travel, meetings and meals	442,107	13,304	723,807	688,681	1,100	1,868,999	359,888	184,255	544,143	2,413,142
Occupancy	32,284	88,447	-	-	943,815	1,064,546	1,438,069	1,626	1,439,695	2,504,241
Debt service	71,052	47,534	41,183	30,637	132,858	323,264	2,091,017	49,773	2,140,790	2,464,054
Insurance	1,677	-	35,208	92,000	441,782	570,667	830,452	-	830,452	1,401,119
Total expenses	$ 17,827,054	$ 4,831,927	$ 3,872,043	$ 7,884,566	$ 11,497,214	$ 45,912,804	$ 15,098,607	$ 3,970,130	$ 19,068,737	$ 64,981,541

See notes to financial statements.

Knox College

Statement of Functional Expenses
Year Ended June 30, 2025

	Program Services						Supporting Services			
	Instruction	Academic Support	Athletics	Student Services	Auxiliary Enterprises	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses
Compensation—salaries, wages and benefits	$ 13,582,963	$ 2,155,249	$ 2,235,661	$ 5,104,888	$ 3,369,930	$ 26,448,691	$ 7,598,899	$ 3,057,490	$ 10,656,389	$ 37,105,080
Office and department supplies and equipment	1,479,064	149,550	442,350	870,043	7,153,134	10,094,141	-	598,871	598,871	10,693,012
Depreciation and amortization	929,029	1,034,923	572,708	118,871	1,323,673	3,979,204	701,018	244,355	945,373	4,924,577
Professional technical services	357,728	1,513,775	90,178	1,856,521	64,846	3,883,048	1,912,334	462,470	2,374,804	6,257,852
Dining supplies	-	-	-	-	59,104	59,104	-	-	-	59,104
Travel, meetings and meals	690,263	13,388	731,188	827,455	165	2,262,459	386,614	510,831	897,445	3,159,904
Occupancy	56,929	-	-	121	861,168	918,218	1,296,227	-	1,296,227	2,214,445
Debt service	215,229	61,720	49,478	105,721	150,315	582,463	595,567	54,671	650,238	1,232,701
Insurance	4,188	-	35,200	-	420,467	459,855	780,866	-	780,866	1,240,721
Total expenses	$ 17,315,393	$ 4,928,605	$ 4,156,763	$ 8,883,620	$ 13,402,802	$ 48,687,183	$ 13,271,525	$ 4,928,688	$ 18,200,213	$ 66,887,396

See notes to financial statements.

Knox College

Statements of Cash Flows
Years Ended June 30, 2026 and 2025

	2026	2025
Cash flows from operating activities:		
Change in net assets	**$ 9,339,070**	$ (3,530,319)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Allowance for credit losses	**244,953**	230,823
Discount and allowance on pledges receivable	**(209,789)**	263,340
Depreciation	**4,964,905**	4,889,915
Amortization	**73,933**	34,662
Change in actuarial liability on annuities and life income funds	**176,529**	265,016
Gain on sale of land, buildings and equipment	**(19,744)**	-
Realized and unrealized gains on investments, net	**(19,174,076)**	(8,199,652)
Change in value of beneficial interest in perpetual trust	**(1,595,991)**	(1,266,066)
Contributions restricted for investment in endowment	**(987,317)**	(3,776,761)
Change in operating assets and liabilities:		
Grants and contracts receivable	**(205,281)**	391,632
Students and other accounts receivable	**(391,901)**	834,418
Inventories	**12,697**	5,312
Other assets	**701,567**	(2,233,109)
Pledges receivable	**1,537,558**	(1,917,134)
Accounts payable and accrued liabilities	**(2,482,091)**	732,325
Accrued payroll including employee benefits	**(121,875)**	(8,970)
Student deposits	**(300)**	(485,897)
Accrual for medical claims	**(101,248)**	120,056
Deferred revenues	**(722,385)**	(233,958)
Postretirement benefit obligation	**60,411**	(455,027)
Federal equity in loan programs	**(176,832)**	(10,811)
Net cash used in operating activities	**(9,077,207)**	(14,350,205)
Cash flows from investing activities:		
Proceeds on payments of loans receivable	**389,787**	146,578
Purchase of land, buildings and equipment	**(3,686,318)**	(13,063,865)
Proceeds from sale of land, buildings and equipment	**120,623**	-
Decrease (increase) deposits held in trust for capital projects	**177,241**	(6,032,931)
Proceeds from sale of investments	**41,849,865**	29,119,538
Purchase of investments	**(28,324,895)**	(19,601,937)
Net cash provided by (used in) investing activities	**10,526,303**	(9,432,617)

(Continued)

Knox College

Statements of Cash Flows (Continued)
Years Ended June 30, 2026 and 2025

	2026	2025
Cash flows from financing activities:		
Proceeds from contributions restricted for investment of endowment	**$ 987,317**	$ 3,776,761
Proceeds from bond issuance	**-**	17,411,276
Payments on bonds payable	**(672,575)**	(4,330,051)
Line of credit draws	**-**	2,000,000
Line of credit payments	**(1,665,671)**	(334,329)
Payments of annuity obligations	**(192,791)**	(187,426)
Principal payments on capital lease obligations	**(331)**	(1,570)
Net cash (used in) provided by financing activities	**(1,544,051)**	18,334,661
Change in cash, cash equivalents and restricted cash	**(94,955)**	(5,448,161)
Cash, cash equivalents and restricted cash:		
Beginning	**4,600,657**	10,048,818
Ending	**$ 4,505,702**	$ 4,600,657
Cash and cash equivalents	**$ 4,394,249**	$ 4,339,885
Restricted cash	**111,453**	260,772
	$ 4,505,702	$ 4,600,657
Supplemental disclosure of cash flow information:		
Interest paid	**$ 2,406,615**	$ 1,551,163
Supplemental schedule of noncash investing and financing activities:		
Purchases of land, buildings and equipment financed with accounts payable	**$ 376,750**	$ 268,453

See notes to financial statements.

Note 1. Significant Accounting Policies

Organization: Knox College (the College) is a private, nonprofit institution of higher education located in Galesburg, Illinois. The College provides education and training services for students and allows students to study abroad at the undergraduate level. The College also performs research, training, and other services under grants, contracts, and similar agreements with sponsoring organizations.

Basis of accounting: The accompanying consolidated financial statements were prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). Revenues and support are reported when earned or unconditionally received. Expenses are recorded when purchases of materials or services are made. Revenues earned and expenses incurred applicable to the current period are accrued, while those applicable to future periods are deferred.

Basis of presentation: The Not-for-Profit Entities topic of the Financial Accounting Standards Board Accounting Standards Codification requires that information regarding the College's financial position is reported based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Without donor restrictions: Net assets that are not subject to donor-imposed stipulations may be designated for specific purposes by action of the Board of Trustees or may otherwise be limited by contractual agreements with outside parties.

With donor restrictions: Net assets whose use by the College is subject to donor-imposed stipulations that can be fulfilled by actions of the College pursuant to those stipulations or that expire by passage of time are temporary in nature. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Generally, the donors of these assets permit the College to use all or part of the income earned on these assets for specified purposes.

Classification of revenues, expenses, gains and losses: Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation. Expirations of donor-imposed stipulations that simultaneously increase one class of net assets and decrease another are reported as net assets released from restrictions.

Use of estimates: The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents: Cash and cash equivalents consist principally of funds deposited in cash management accounts with original maturities of less than 90 days. At June 30, 2026 and 2025, the College's cash balances exceeded federally insured limits by $3,381,017 and $841,244, respectively. The College has not experienced any losses in these accounts and believes it is not exposed to any significant credit risk in cash and cash equivalents.

Note 1. Significant Accounting Policies (Continued)

Restricted cash: At June 30, 2026 and 2025, restricted cash consisted of deposits for the following:

	2026	2025
Perkins loans	$ 111,453	$ 260,772

Grants and contracts receivable: Grants and contracts receivable consist of amounts due from government agencies within one year and are stated at net realizable value. Grants and contracts receivable are considered fully collectible, and accordingly, no allowance has been recorded.

Students and other accounts receivable: Student accounts receivable are stated at the amounts billed to students, less applied scholarships and loan proceeds, plus any accrued and unpaid interest and net of any anticipated credit losses. Tuition and fees are generally due at the beginning of the term unless the student has established a payment plan. A late fee may be charged to all accounts not paid in full at the start of the term or enrolled in a payment plan approximately one month prior to the start of the term. Charges that are past due without any payments for approximately five months are sent to collections and subsequently written off if there are no payments for one year.

Loans receivable: Student loans receivable consist of amounts due under the Federal Perkins Loan Program and are stated at their outstanding principal amounts. Principal and interest payments on loans generally do not commence until after the borrower graduates or otherwise ceases enrollment. Loans that are past due for at least one payment are considered delinquent. Interest is accrued on loans with a delinquent balance greater than nine months.

Allowance for credit losses: The allowance for credit losses is the College’s best estimate of the amount of probable credit losses in the College’s existing receivables and is based upon economic factors, historical loss patterns, forward-looking forecasts, the number of days that billings are past due, and an evaluation of the potential risk of loss associated with specific accounts.

Inventories: Inventories consist of administrative supplies and food service. All inventories are stated at the lower of cost (first-in, first-out method) or net realizable value.

Collections: The College has collections of valuable artwork, papers and other memorabilia that were donated to the College. These items are on display and are used by educators, researchers, historians, and others. These contributed collections are not reflected on the financial statements. However, all proceeds from any sales of collections, or items in a collection, must be used to acquire other items for collections or to maintain the collections. As of June 30, 2026 and 2025, there were no unspent proceeds from the sale of collections.

Investments: Equity investments and debt securities are stated at fair value based on quoted market prices. Investment return is recognized based on the presence, or absence, of donor-imposed restrictions and is reported net of external and direct internal expenses.

Note 1. Significant Accounting Policies (Continued)

Land, buildings and equipment: Land, buildings and equipment are stated at cost at date of acquisition or fair value at date of donation in the case of gifts. The College generally capitalizes all assets with a cost of $10,000 or more. Depreciation is computed using the straight-line method over their estimated useful lives:

	Years
Land improvements	20
Buildings	20-45
Equipment and furniture	3-20

Deferred revenues: Deferred revenue consists primarily of student tuition, housing, and other fees received that are nonrefundable prior to the beginning of an academic term. Revenue from prepaid tuition is deferred and recognized over the periods to which the revenue relates.

Federal equity in loan programs: U.S. government loan funds refundable under the Perkins Loan program are distributable to the federal government upon liquidation of the revolving loan program and thus are reflected as a liability in the accompanying statements of financial position.

Deposits held in trust for capital projects: Deposits held in trust represent proceeds from a long-term debt described in Note 11, $11,281,616 and $11,458,857, and accrued interest of $0 at June 30, 2026 and 2025, respectively, to be used for capital projects of the College. The proceeds shall be disbursed as needed to finance or reimburse costs relating to the capital projects as detailed in the agreements.

Tuition and fees: Revenues from tuition and fees are derived from education services provided to students. Generally, tuition and other fees are paid upfront and recorded in contract liabilities as deferred revenue in advance of the date when education services are provided to the student.

The nature of tuition and fees gives rise to variable consideration in the form of institutional scholarships awarded to students to defray the costs of the academic programs, which reduce the transaction price (tuition and fees). Scholarships awarded to students were $47,775,393 and $45,883,731 at June 30, 2026 and 2025, respectively. Payments for tuition are due prior to the start of the academic term.

Tuition and fees revenues are recognized ratably over the academic terms. The College generally uses the time elapsed method, an input measure, as it best depicts the simultaneous consumption and delivery of services.

The College’s refund policy permits students who officially withdraw by the appropriate date as published to be eligible for a refund. Refunds generally result in a reduction of deferred revenue during the period that the student drops or withdraws from a class.

Auxiliary enterprises: The College’s auxiliary enterprises exist primarily to furnish goods and services to students, faculty and staff. Managed as essentially self-supporting activities, the College’s auxiliary enterprises consist of residence halls, dining facilities and the bookstore. Payments for housing and dining services are due prior to the start of the academic term. Performance obligations are delivered over the academic terms; consequently, associated revenues are earned and recognized over the course of each term as services are delivered. Housing and dining services performed under these contracts are considered a single performance obligation, as such services are regarded as a bundled series of distinct goods and services with the same timing and pattern of transfer to the resident. Sales revenue from the bookstore is recognized at a point in time at delivery of the goods.

Note 1. Significant Accounting Policies (Continued)

Significant judgments: There are no significant judgments involved in the recognition of revenue due to the passage of time.

Various economic factors could affect the recognition of revenues and cash flows, including the demand for services, ability to provide services, availability of labor and prompt payment.

All tuition and fees and auxiliary revenues are recognized over time, except for bookstore sales, which are not material to the financial statements.

Contract balances: The timing of revenue recognition, billings and cash collections results in billed accounts receivable (contract assets) and student deposits (contract liabilities) on the statements of financial position. Contract liabilities are released as the performance obligations are met. The following table provides information about the beginning and ending contract assets and liabilities for the years ended June 30, 2026, 2025 and 2024:

	2026	2025	2024
Contract assets	$ 300,971	$ -	$ 451,108
Contract liabilities	77,440	90,880	612,292

Contributions: Contributions received, including unconditional promises, are recognized as revenues when the donor's commitment is received. Unconditional promises are recognized at the estimated present value of the future cash flows, net of allowances. Promises of noncash assets are recorded at their fair value. Conditional promises are recorded when donor stipulations are substantially met. Conditional contributions as of both June 30, 2026 and 2025 were $3,200,000.

Grants: Grant revenue is derived from cost-reimbursable federal, state grants and foundations, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the College has incurred expenditures in compliance with specific grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable grant advances in deferred revenue in the statements of financial position. The College had refundable grant advances of $433,240 and $1,142,425 for the years ended June 30, 2026 and 2025, respectively. At June 30, 2026 and 2025, the College had conditional grant awards remaining of $2,630 and $192,249, respectively. These awards are conditional upon incurring allowable expenditures under the grants. Grant revenue is classified as income without donor restrictions unless the use of the income is limited by donor restrictions.

Functional allocation of expenses: Expenses are recognized when they are incurred. The costs of providing various programs have been summarized on a functional basis in the statements of activities and in the statements of functional expenses. The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Expenses specifically identifiable with a program, including payroll and related expenses, are charged to that program. Certain costs, primarily occupancy, depreciation and debt service, have been allocated among functional categories based on square footage or direct benefit to the function. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the College.

Note 1. Significant Accounting Policies (Continued)

Operations: Revenues received and expenses incurred in conducting the programs and services of the College are presented in the financial statements as operating activities. Nonoperating results include postretirement benefits related changes, adjustments of amounts due under annuity and life income agreements and change in value of beneficial interest in perpetual trust.

Subsequent events: Management has evaluated subsequent events through November 2, 2026, on which the financial statements are available for issuance.

In July 2026, the College entered into a new line of credit with U.S. Bank, N.A. Additional information regarding the line of credit is included in Note 10.

Note 2. Income Tax Status

The College is a not-for-profit entity as described in Section 501(c)(3) of the Internal Revenue Code (IRC) and is exempt from federal income taxes on related income pursuant to Section 501(a) of the IRC and similar provisions of the state tax code. The College is not classified as a private foundation. The College evaluates its uncertain tax positions on an annual basis, and there have been no recorded uncertain tax positions in 2026, 2025 or 2024. Therefore, no provision or liability for income taxes has been included in the financial statements. The College files various federal or state non-profit tax returns.

Note 3. Liquidity and Availability of Resources

The College's financial assets available within one year of the statements of financial position date for general expenditures for operations for the years ended June 30 are as follows:

	2026	2025
Cash and cash equivalents	$ 4,394,249	$ 4,339,885
Grants and contracts receivable	1,148,515	943,234
Students and other receivables	997,685	856,770
Pledge receivables	5,056,302	6,384,071
Restricted cash	111,453	260,772
Investments	177,098,769	171,449,663
Beneficial interest in perpetual trust	19,560,409	17,964,418
	208,367,382	202,198,813
Less those unavailable for general expenditure:		
Board designated net assets	(16,785,951)	(18,364,746)
Net assets with donor restrictions	(203,144,473)	(189,122,947)
Financial assets available to meet cash needs for general expenditures	(11,563,042)	(5,288,880)
Liquidity resources:		
Board approved appropriation from endowment investments for fiscal year 2027 and 2026 operating budget	23,036,780	10,678,394
Total financial assets available to meet cash needs for general expenditures within one year	$ 11,473,738	$ 5,389,514

Note 3. Liquidity and Availability of Resources (Continued)

The College monitors liquidity to meet operating needs, liabilities and other contractual commitments, while striving to maximize the investment of its available needs. A portion of resources has been designated by the Board of Trustees for endowment to be invested for long-term appreciation and current income but remain available and may be spent at the discretion of the Board. These funds are reported in Note 17 as board designated funds. In 2025, the College had an available line of credit of $2,000,000.

Note 4. Pledges Receivable

Unconditional promises to give are included in the financial statements as pledges receivable and revenue of the appropriate net asset category. Pledges are recorded after discounting to the present value of the future cash flows at a rate ranging from 0.29% to 4.33% for the years ended June 30, 2026 and 2025.

Unconditional promises at June 30, 2026 and 2025, are expected to be realized in the following periods:

	2026	2025
In one year or less	$ 204,073	$ 4,247,537
Between two years and five years	5,853,012	3,347,106
	6,057,085	7,594,643
Less discount	(438,972)	(501,231)
Less allowance	(561,811)	(709,341)
Total pledges receivable	$ 5,056,302	$ 6,384,071

Note 5. Loans Receivable

Loans receivable at June 30, 2026 and 2025, consist of the following:

	2026	2025
Perkins loan program	$ 12,122	$ 363,098
Less allowance for credit losses	(12,122)	(18,155)
Total Perkins loan program	-	344,943
College loan fund—student loans	242,881	266,659
Less allowance for credit losses	(13,333)	(13,333)
Total college loan fund—student loans	229,548	253,326
Other loans receivable	14,304	29,337
Total loans receivable	$ 243,852	$ 627,606

Federal Perkins Loans are loans for which the College acts as an agent for the Federal government in administering the loan program. The Perkins Loan portfolio is guaranteed by the United States Department of Education. There are no impaired or nonperforming loans and no modifications to loan terms executed by the College since past-due loans are turned over to the Department of Education. Under federal law, the authority for schools to award new Perkins Loans ended on September 30, 2017. Final disbursements were permitted through June 30, 2018.

Note 5. Loans Receivable (Continued)

The College determined the allowance for estimated credit losses on these student loans by considering historical default rates based upon economic factors, forward looking forecasts and analyzing the aging of past-due loans.

Classes of loans as of June 30, 2026:

	Not in Repayment	Current	<270 Days	>270 Days to 2 Years	2-5 Years	More Than 5 Years	Total
Perkins:							
Loan fund	$ -	$ 7,875	$ 4,242	$ 4	$ 1	$ -	$ 12,122
College:							
Loan fund	61,319	26,983	16,382	32,069	88,356	17,772	242,881
Total	$ 61,319	$ 34,858	$ 20,624	$ 32,073	$ 88,357	$ 17,772	$ 255,003
Percentage of total loan portfolio	24.0%	13.7%	8.1%	12.6%	34.6%	7.0%	100.0%

Classes of loans as of June 30, 2025:

	Not in Repayment	Current	<270 Days	>270 Days to 2 Years	2-5 Years	More Than 5 Years	Total
Perkins:							
Loan fund	$ 3,917	$ 251,228	$ 33,957	$ 65,039	$ 8,957	$ -	$ 363,098
College:							
Loan fund	83,848	31,861	40,709	32,543	68,198	9,500	266,659
Total	$ 87,765	$ 283,089	$ 74,666	$ 97,582	$ 77,155	$ 9,500	$ 629,757
Percentage of total loan portfolio	13.9%	45.0%	11.9%	15.5%	12.2%	1.2%	100.0%

Note 6. Investments

Investments recorded at fair value at June 30, 2026 and 2025, consisted of the following:

	2026	2025
Mutual funds	$ 87,818,119	$ 78,649,242
Marketable equity securities	87,020,108	90,167,876
Corporate bonds	24,762	24,275
U.S. government agency securities	720,962	756,818
Certificates of deposit	1,046,046	1,256,387
Life insurance	468,772	595,065
Total investments	$ 177,098,769	$ 171,449,663

The College invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the value of investment securities will occur in the near term and that such changes could materially affect the fair value and the amounts reported in the statements of financial position.

Note 7. Beneficial Interest in Perpetual Trust

The College is the beneficiary of a perpetual trust held and administered by a third-party trustee. Under the terms of the trust, the College has the right to receive the income earned on the trust assets in perpetuity. The fair value of the beneficial interest in the trust is recognized as an asset and as a contribution restricted in perpetuity at the date the trust is established. The College's estimate of fair value is based on fair value information received from the trustee. The trust assets consist of, but are not limited to, cash and cash equivalents, corporate and government bonds, mutual funds, and equity securities. These assets are not subject to the control or direction of the College. Gains and losses, which are not distributed by the trust, and income are reflected as change in value of beneficial interest in perpetual trust in the statements of activities. Income of $226,934 and $457,788 was received from this trust in 2026 and 2025, respectively.

Note 8. Fair Value Measurements

U.S. GAAP establishes a framework for measuring fair value. That framework uses a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. U.S. GAAP requires the College to maximize the use of observable inputs when measuring fair value. The hierarchy describes three levels of inputs, which are as follows:

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

Level 2: Quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in inactive markets; or inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3: Significant unobservable inputs.

In many cases, a valuation technique used to measure fair value includes inputs from more than one level of the fair value hierarchy. The lowest level of significant input determines the placement of the entire fair value measurement in the hierarchy. The categorization of an investment within the hierarchy reflects the relative ability to observe the fair value measure and does not necessarily correspond to the perceived risk of that investment.

Valuation techniques: Following is a description of the valuation techniques used for assets and liabilities measured at fair value on a recurring basis. There have been no changes to the techniques used during the years ended June 30, 2026 and 2025.

Mutual funds and marketable equity securities: Valued at the closing quoted price in an active market. Corporate bonds: The investment grade corporate bonds held by the College generally do not trade in active markets on the measurement date. Therefore, corporate debt securities are valued using inputs including yields currently available on comparable securities of issuers with similar credit ratings, recent market price quotations (where observable), bond spreads, and fundamental data relating to the issuer.

U.S. government agency securities and collateralized mortgage obligations: Valued by a pricing service using models that incorporate market observable data such as reported sales of similar securities, broker quotes, yields, bids, offers and reference data.

Beneficial interest in perpetual trust: Valued using the fair value of the assets held in the trust reported by the trustee as of June 30, 2026 and 2025. The College considers the measurement of its beneficial interest in the perpetual charitable trust to be a Level 3 measurement within the hierarchy because even though that measurement is based on the unadjusted fair value of trust assets reported by the trustee, the College will never receive those assets or have the ability to direct the trustee to redeem them.

Note 8. Fair Value Measurements (Continued)

Fair value measurements recorded on a recurring basis at June 30, 2026, were as follows:

	Assets at Fair Value as of June 30, 2026			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets:				
Investments:				
Mutual funds	$ 87,596,319	$ 221,800	$ -	$ 87,818,119
Marketable equity securities	87,020,108	-	-	87,020,108
Corporate bonds	-	24,762	-	24,762
U.S. government agency securities	-	720,962	-	720,962
Subtotal	$ 174,616,427	$ 967,524	$ -	$ 175,583,951
Life insurance contracts (contract value)				468,772
Certificates of deposit				1,046,046
Total investments				$ 177,098,769
Beneficial interest in perpetual trust	$ -	$ -	$ 19,560,409	$ 19,560,409

Note 8. Fair Value Measurements (Continued)

Fair value measurements recorded on a recurring basis at June 30, 2025, were as follows:

	Assets at Fair Value as of June 30, 2025			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets:				
Investments:				
Mutual funds	$ 78,478,816	$ 170,426	$ -	$ 78,649,242
Marketable equity securities	90,167,876	-	-	90,167,876
Corporate bonds	-	24,275	-	24,275
U.S. government agency securities	-	756,818	-	756,818
Subtotal	$ 168,646,692	$ 951,519	$ -	169,598,211
Life insurance contracts (contract value)				595,065
Certificates of deposit				1,256,387
Total investments				$ 171,449,663
Beneficial interest in perpetual trust	$ -	$ -	$ 17,964,418	$ 17,964,418

The following tables present additional information about assets and liabilities measured at fair value on a recurring basis for which the College has utilized Level 3 inputs to determine fair value for the years ended June 30, 2026 and 2025:

	2026	2025
Balance, beginning	$ 17,964,418	$ 16,698,352
Interest in distribution of perpetual trust	(827,778)	(748,590)
Total income and realized/unrealized gains	2,423,769	2,014,656
Balance, ending	$ 19,560,409	$ 17,964,418

Note 9. Land, Buildings and Equipment

The following is a summary of land, buildings and equipment as of June 30, 2026 and 2025, respectively:

	2026	2025
Land and campus expansion	$ 722,899	$ 722,899
Land—campus and grounds	2,610,903	2,610,903
Land improvements	12,560,313	12,560,313
Buildings:		
Educational and general	80,741,320	80,842,200
Auxiliary enterprises	38,447,606	38,417,481
Equipment and furniture	31,517,955	30,716,932
Construction in process	11,558,931	8,327,010
Subtotal	178,159,927	174,197,738
Less accumulated depreciation	(111,191,942)	(106,227,037)
Net land, buildings and equipment	$ 66,967,985	$ 67,970,701

Construction in progress at June 30, 2026, consisted primarily of the Heating Plant Replacement Project, SMC Phase II Renovation Project, and Campus Wireless Infrastructure Upgrade Project. The Heating Plant project includes replacement of end-of-life boiler and absorber equipment in the central plant. The Wireless project includes upgrades to the campus wireless network infrastructure, including switches and wireless access points. The SMC Phase II project involves renovations to chemistry classrooms and laboratories, HVAC systems, restrooms, and environmental science laboratory space. As of June 30, 2026, the College had outstanding construction commitments related to these projects totaling $15,324,008.

Note 10. Lines of Credit

The College had an available line of credit of $2,000,000 (bearing interest at the Wall Street Journal Prime Rate) for operating purposes. The line of credit expired on February 26, 2026. Outstanding borrowings of the line of credit as of June 30, 2026 and 2025, were $0 and $1,665,671, respectively.

The line of credit agreement contains various covenants including availability of certain financial records, maintenance of insurance, and certain financial reporting requirements.

In July 2026, the College entered into a new $7,500,000 line of credit with U.S. Bank, N.A. Borrowings under the line of credit bear interest at 1.85% plus one-month Term SOFR and are payable on demand. The line of credit is secured by pledged investment assets. In October 2026, the College borrowed $3,000,000 under the line of credit.

Note 11. Long-Term Debt

Long-term debt outstanding as of June 30, 2026 and 2025, is as follows:

	2026	2025
Bonds payable:		
Revenue bonds:		
Series 2021A	$ 35,675,000	$ 36,150,000
Series 2025A	12,000,000	12,000,000
Series 2025B	6,265,000	6,265,000
	53,940,000	54,415,000
Series 2021A unamortized original issue premium	3,544,629	3,760,039
Series 2025A unamortized original issue discount	(335,438)	(456,497)
Less deferred bond issuance costs	(1,033,840)	(1,004,549)
	$ 56,115,351	$ 56,713,993

Repayment terms and collateral relating to the long-term debt are summarized as follows:

In December 2021, the College borrowed $36,150,000 under a loan agreement with the City of Galesburg, Illinois (the City). The City issued $36,150,000 aggregate principal amount tax-exempt fixed revenue bonds titled City of Galesburg, Knox County, Illinois Revenue Bonds, Series 2021A, due October 1, 2046. Pursuant to the loan agreement dated December 2021, the City loaned the proceeds of the bond issue to the College. The proceeds are to be used for repayment of Series 1996 and Series 1999 revenue bonds, term loan, related issuance costs and fees and to fund a project fund in the amount of $5,000,000 to be used towards costs of acquisition, construction, and renovation of certain educational facilities. The loan agreement contains various options where the borrower may prepay the loan based on circumstances defined in the agreement.

In conjunction with the 2021A bonds, at June 30, 2026 and 2025, there is a $3,544,629 and $3,760,039, respectively, issue premium that is being amortized over the life of the bonds using the effective interest method following the schedule and rates below.

Interest under the loan agreement is paid semi-annually, and the interest rate is determined as defined in the agreement as below:

2021A	Rate	Amount
Description:		
Serial bonds final payment due October 1, 2031	5.00%	$ 3,390,000
Term bonds due October 1, 2036	4.00%	3,625,000
Term bonds due October 1, 2041	4.00%	4,425,000
Term bonds due October 1, 2046	4.00%	24,235,000
		$ 35,675,000

In June 2025, the College borrowed $12,000,000 under a loan agreement with the City. The City issued $12,000,000 aggregate principal amount tax-exempt fixed revenue bonds titled City of Galesburg, Knox County, Illinois Revenue Bonds, Series 2025A, due October 1, 2045. Pursuant to the loan agreement dated June 2025, the City loaned the proceeds of the bond issue to the College. The proceeds are to be used towards costs of acquisition, construction, and renovation of certain educational facilities, finance working capital expenditures, and pay costs of issuance in connection with the issuance of the Series 2025 Bonds.

Note 11. Long-Term Debt (Continued)

In conjunction with the 2025A bonds, as of June 30, 2026 and 2025, there is a $335,438 and $456,497, respectively, issue discount that is being amortized over the life of the bonds using the effective interest rate method following the schedule and rates below.

Interest under the loan agreement is paid semi-annually, and the interest rate is determined as defined in the agreement as below:

2025A	Rate	Amount
Description:		
Term bonds due October 1, 2040	5.25%	$ 2,000,000
Term bonds due October 1, 2045	6.00%	5,000,000
Term bonds due October 1, 2045	5.50%	5,000,000
		$ 12,000,000

In June 2025, the College borrowed $6,265,000 under a loan agreement with the City. The City issued $6,265,000 aggregate principal amount taxable fixed revenue bonds titled City of Galesburg, Knox County, Illinois Revenue Bonds, Series 2025B, due October 1, 2035. Pursuant to the loan agreement dated June 2025, the City loaned the proceeds of the bond issue to the College. The proceeds are to be used towards costs of acquisition, construction, and renovation of certain educational facilities, finance working capital expenditures, and pay costs of issuance in connection with the issuance of the Series 2025 Bonds.

Interest under the loan agreement is paid semi-annually, and the interest rate is determined as defined in the agreement as below:

2025B	Rate	Amount
Description:		
Serial bonds final payment due October 1, 2026	6.20%	$ 710,000
Term bonds due October 1, 2028	6.40%	1,555,000
Term bonds due October 1, 2030	6.25%	1,750,000
Term bonds due October 1, 2035	6.75%	2,250,000
		$ 6,265,000

Interest expense and fees related to long-term debt, including finance lease obligations, was $2,457,346 and $1,232,701 for the years ended June 30, 2026 and 2025, respectively.

These aforementioned agreements contain several covenants with which the College believes it is in compliance at June 30, 2026 and 2025. The bonds are secured by a pledge of future revenues and income.

Note 11. Long-Term Debt (Continued)

Maturities of the long-term debt described above are as follows:

Years ending June 30:	
2027	$ 1,205,000
2028	1,280,000
2029	1,350,000
2030	1,430,000
2031	1,500,000
Thereafter	47,175,000
Total	$ 53,940,000

The College is amortizing debt issuance costs of $1,225,376 over the life of the bonds. At June 30, 2026 and 2025, debt issuance costs, net of accumulated amortization, of $1,033,840 and $1,004,549, respectively, are included net of the bonds payable on the statements of financial position. Amortization expense was $29,292 and $34,662 for the years ended June 30, 2026 and 2025, respectively.

Note 12. Annuities Payable

The College administers various split-interest agreements, including charitable remainder trusts, charitable gift annuities, and life income agreements whereby donors may contribute assets to a pooled fund or individual trust under the control of the College in exchange for a designated beneficiary right to receive a specified annual return during their lifetimes. Annuity funds held in investments totaled $3,974,450 and $3,966,972 at June 30, 2026 and 2025, respectively. Upon the death of the beneficiary, the remaining assets are available for the College's use. For remainder trusts and gift annuities, the difference between the annuity amount invested and the present value of future payments, determined on an actuarial basis, is recognized as contribution income at the date of the gift. The actuarial liability is revalued annually and any surplus or deficiency is recognized as a change in value in the statements of activities.

Under life income agreements, contribution revenue is recognized based on the present value of the annuity amount invested to be received upon the beneficiary's death. The difference between the contribution revenue recognized and the annuity amount invested is held as deferred income in the annuities payable. The actuarial liability is revalued annually and any surplus or deficiency is recognized as change in value in the statements of activities.

The present value of the estimated future payments to beneficiaries, or amounts to be received under life income agreements, is calculated based on the beneficiary's age and discount rate established at the time of the gift utilizing current Internal Revenue Service actuarial tables. The annuity liability was $1,140,348 and $1,156,610 as of June 30, 2026 and 2025, respectively. The discount rates used range from 1.4% to 10.0%.

Note 13. Net Assets

Net assets with donor restrictions are available for the following as of June 30, 2026 and 2025:

	2026	2025
Funds received for property and equipment	$ 8,883,066	$ 2,513,805
Term endowment funds	3,577,132	4,027,444
Operating funds from gifts and grants	7,880,935	6,964,329
Split interest agreements	2,508,474	2,272,433
Undistributed earnings on endowment funds	50,871,308	47,118,956
Total	$ 73,720,915	$ 62,896,967

The portion of net assets with donor restrictions representing original gift amounts required to be retained in perpetuity by explicit donor stipulations or Illinois Uniform Prudent Management of Institutional Funds Act (UPMIFA) as of June 30, 2026 and 2025:

	2026	2025
Donor-specified educational activities	$ 26,941,815	$ 27,286,840
Scholarships	41,796,017	40,565,467
Professorships (endowed chairs)	34,896,375	34,057,668
Library	4,224,097	4,124,779
Prizes	1,106,730	1,091,272
Subtotal endowments	108,965,034	107,126,026
College loan funds	481,438	479,488
Annuity funds	279,065	518,436
Beneficial interest in perpetual trust	19,698,021	18,102,030
Total	$ 129,423,558	$ 126,225,980

The Board of Trustees has chosen to place the following limitations on net assets without donor restrictions, as of June 30, 2026 and 2025:

	2026	2025
Designated for endowment purposes	$ 16,785,951	$ 18,364,746
Undesignated	5,008,523	8,112,184
Net assets without donor restrictions	$ 21,794,474	$ 26,476,930

Note 13. Net Assets (Continued)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by the passage of time as follows during the years ended June 30, 2026 and 2025:

	2026	2025
Instruction	$ 6,994,078	$ 5,663,036
Academic support	631,933	573,072
Student services	119,935	2,774,129
Scholarships and fellowships	7,018,825	4,435,870
Athletics	-	81,548
Operations, maintenance and other	5,444,875	10,627,928
Total	$ 20,209,646	$ 24,155,583

Note 14. Retirement Plan

Academic and certain other employees of the College are participants in a 403(b) retirement plan sponsored by the Teachers Insurance and Annuity Association. Under this plan, the employees are eligible to participate and are fully vested after completion of two years of service and attainment of certain age requirements, as defined in the plan. The College matches employee contributions up to a percentage of each employee's pay. Contributions to the defined contribution plan totaled $899,151 and $738,536 in the years ended June 30, 2026 and 2025, respectively.

During the fiscal year ended June 30, 2016, the College initiated a 457(b) retirement plan sponsored by the Teachers Insurance and Annuity Association. This plan is open to certain employees as defined by the Board of Trustees. The College does not make contributions to the 457(b) retirement plan.

Note 15. Commitments and Contingencies

The College is obligated to pay for the health care costs of its employees. The College sponsors a self-funded health plan to pay medical claims of the College's employees and their covered dependents and to minimize the total cost of the annual insurance to the College. Medical claims exceeding $115,000 at June 30, 2026 and 2025, per covered person, are covered through a private insurance carrier subject to aggregate limitations as provided by the underlying policies. The cost of this plan was $5,262,790 and $6,012,687 for the years ended June 30, 2026 and 2025, respectively.

Note 16. Postretirement Benefits

The College provides postretirement medical, dental and life insurance coverage to eligible employees who are 55 years of age, have 10 or more consecutive years of service, and were hired prior to January 1, 1992. The related coverage is treated as a form of deferred compensation and accrued over the employment period. The plan is unfunded.

Note 16. Postretirement Benefits (Continued)

The following sets forth the plan's accumulated benefit obligation in excess of plan assets reconciled with amounts reported in the College's statements of financial position as postretirement benefit obligation at June 30, 2026 and 2025, respectively.

	2026	2025
Change in benefit obligation:		
Accumulated postretirement benefit obligation (APBO) at beginning of year	$ 1,482,902	$ 1,937,929
Interest cost	72,847	96,571
Actuarial loss	(42,842)	(359,203)
Net benefits paid	(149,623)	(192,395)
Amendments	180,029	-
Accrued postretirement benefit liability	$ 1,543,313	$ 1,482,902

Net periodic postretirement benefit cost for 2026 and 2025, reported in the College's statements of activities as net periodic benefit cost, includes:

	2026	2025
Interest cost	$ 72,847	$ 96,571
Amortization of prior service cost	6,326	6,326
Recognized actuarial gain	(221,464)	(240,574)
Total	$ (142,291)	$ (137,677)

The following are items not yet recognized as a component of net periodic benefit cost (NPBC):

	2026	2025
Beginning balance	$ 967,655	$ 842,700
Amount recognized in current year under NPBC	(221,464)	(240,574)
Obligation loss incurred in current year	42,842	359,203
Amortization of prior service cost	6,326	6,326
Amendments	(180,029)	-
Ending balance	$ 615,330	$ 967,655

The following benefit payments, which reflect future service, are expected to be paid:

Years ending June 30:	
2027	$ 205,399
2028	210,482
2029	176,235
2030	145,311
2031	136,361
Thereafter	552,618
Total	$ 1,426,406

Note 16. Postretirement Benefits (Continued)

Employer contributions for the years ended June 30, 2026 and 2025, were $149,623 and $192,395, respectively.

Annual health care cost trend rates of 8.00% for participants under age 65 and 6.50% for participants age 65 and over were assumed for 2026 and 2025, respectively. The health care cost trend rates are assumed to gradually decrease to an ultimate rate of 4.50%, with the year in which the ultimate rate is reached varying by participant group and year. The discount rate for the net periodic postretirement benefit cost was 5.17% and 5.24% for the years ended June 30, 2026 and 2025, respectively.

The following weighted average assumptions were used in the measurement of the College's benefit obligations:

	2026	2025
Discount rate as of end of period	5.23%	5.17%
Health care trend rate:		
Initial (Pre-65/Post-65)	8.00%/7.00%	8.00%/6.50%
Ultimate (Pre-65/Post-65)	4.50%/4.50%	4.50%/4.50%
Years to ultimate (Pre-65/Post-65)	16/10	14/8
Dental trend rate	4.00%	4.00%

The plan was amended effective July 1, 2003, to revise the date of participation to the later of the employee's date of hire or age 45. This change has been recognized as a curtailment and has resulted in the immediate recognition of gains and losses.

Note 17. Endowment

The College's endowment consists of several individual funds established for a variety of purposes: scholarships, professorships, library, lectureships, research, prizes, and donor-specified educational activities. Included in these funds are both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

In addition, the College includes in its endowment to be held in perpetuity, a beneficial interest in a perpetual trust administered by a third-party trustee, the income from which is restricted to scholarships. The College also holds a portion of term endowments related to donor-specified spending for scholarships, professorships, library and prizes that are not subject to the passage of time.

The Board of Trustees of the College has interpreted the State of Illinois UPMIFA, as requiring the preservation of the fair value of the original gift. Further, prudent spending may allow permanently endowed funds to fall below historic value on a temporary basis unless prohibited by the terms of the gift. The College classifies as assets restricted in perpetuity: (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of donor-restricted endowment funds is classified as with donor restriction on a temporary basis until those amounts are appropriated for expenditure by the College in a manner consistent with the standard of prudence prescribed by Illinois UPMIFA.

Note 17. Endowment (Continued)

The Board of Trustees has adopted investment and spending policies for the College's endowment funds that attempt to provide a predictable stream of funding while maintaining the purchasing power of the assets. The Board of Trustees does not allow spending from underwater endowment funds. In accordance with UPMIFA, as adopted by the State of Illinois, the College considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. the duration and preservation of the endowment fund;
2. the purposes of the institution and the endowment fund;
3. general economic conditions;
4. the possible effect of inflation or deflation;
5. the expected total return from income and the appreciation of investments;
6. other resources of the College; and
7. the investment policy of the College.

The College invests certain endowment assets to maximize long-term total return. Authorized spending from the endowment is based on a 12-quarter moving average market value of the endowment.

For the years ended June 30, 2026 and 2025, the Board of Trustees authorized endowment spending representing 6.75% and 7.0% of the average endowment value. There was a supplemental draw authorized by the Board of Trustees in 2026 which increased the total endowment draw percentage to 13.5%.

From time-to-time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the College is required to retain as a fund of perpetual duration pursuant to donor stipulation or Illinois UPMIFA. Such endowments are often referred to as underwater endowments. As of June 30, 2026, there were three donor-restricted funds underwater with a total book value of $352,145 and a total fair value of $240,688. As of June 30, 2025, there were four donor-restricted funds underwater with a total book value of $446,045 and a total fair value of $353,220.

Endowment net asset composition by type of fund as of June 30, 2026:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor restricted	$ -	$ 165,564,320	$ 165,564,320
Board designated	16,785,951	-	16,785,951
	$ 16,785,951	$ 165,564,320	$ 182,350,271

Note 17. Endowment (Continued)

During the year ended June 30, 2026, the College had the following endowment-related activities:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning	$ 18,364,746	$ 158,272,426	$ 176,637,172
Investment total return	2,172,326	20,283,551	22,455,877
Contributions	-	5,023,493	5,023,493
Appropriation of endowment assets for expenditure	(3,751,121)	(18,015,150)	(21,766,271)
Endowment net assets, ending	$ 16,785,951	$ 165,564,320	$ 182,350,271

Endowment net asset composition by type of fund as of June 30, 2025:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor restricted	$ -	$ 158,272,426	$ 158,272,426
Board designated	18,364,746	-	18,364,746
	$ 18,364,746	$ 158,272,426	$ 176,637,172

During the year ended June 30, 2025, the College had the following endowment-related activities:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning	$ 22,944,386	$ 151,570,183	$ 174,514,569
Investment total return	1,584,445	11,607,364	13,191,809
Contributions	-	3,776,761	3,776,761
Appropriation of endowment assets for expenditure	(6,164,085)	(8,681,882)	(14,845,967)
Endowment net assets, ending	$ 18,364,746	$ 158,272,426	$ 176,637,172

Amounts of endowment funds classified as net assets with donor restrictions at June 30, 2026 and 2025, consisted of:

.	2026	2025
Net assets with donor restrictions:		
Portion of endowment funds required to be retained permanently by explicit stipulation of Illinois UPMFA	$ 111,115,880	$ 107,126,026
Portion of endowment funds subject to time and purpose restricted under Illinois UPMIFA	50,871,308	47,118,956
Term endowment funds subject to time restrictions	3,577,132	4,027,444
Total	$ 165,564,320	$ 158,272,426

Note 18. Related-Party Transactions

All Trustees are required to complete a Trustee's Annual Statement Regarding Trustee Responsibilities and Conflicts of Interest each year. In addition, all Officers of the College and any employees having any responsibility or influence over purchasing decisions must complete an Employee Statement Concerning Conflicts of Interest.

As of June 30, 2026 and 2025, approximately $1,800,000 (35%) and $4,740,000 (74%), respectively, of contributions receivable were due from related parties, primarily members of the Board of Trustees. Approximately $1,760,000 (9%) and $2,000,000 (11%) of all contribution revenue for the fiscal years ended June 30, 2026 and 2025, respectively, was received from related parties primarily members of the Board of Trustees.