



HIGHER EDUCATION
FACILITIES AUTHORITY

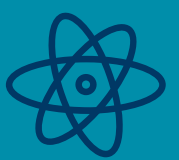


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MISSION OF THE AUTHORITY

THE MISSION OF THE MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY IS TO ASSIST ELIGIBLE INSTITUTIONS OF HIGHER EDUCATION IN THE STATE OF MINNESOTA IN FINANCING THEIR CAPITAL NEEDS IN AN EFFICIENT AND COST-EFFECTIVE MANNER.

Within the framework of *Minnesota Statutes 136A.25–136A.42*, the Authority works to assist educational institutions primarily through the issuance of tax-exempt debt obligations on their behalf. The Authority also actively seeks to develop financing programs that may be of benefit to institutions, and shall make its staff and technical resources available to institutions whenever the application of those resources may prove beneficial in the development or implementation of institutional debt financing plans. The Authority shall, where appropriate, actively seek to have laws and regulations amended to empower the authority to provide such assistance. The Authority will also endeavor to inform and update educational institutions on the various strategies of debt financing, refinancing, post sale compliance, and legal or regulatory challenges to the debt issued for the benefit of the educational institution.

The Authority shall conduct its activities in strict accordance with all applicable laws and regulations. The Authority will not act as a regulatory body with respect to the internal policies and activities, financial or otherwise, of any educational institution, except as may be required by law and prudent fiscal policy in the course of providing assistance to such educational institutions.



MHEFA STAFF



Barry W. Fick
Executive Director



Amanda G. Lee
Operations Manager

INDEPENDENT AUDITOR FY2025

BerganKDV, Ltd.
Minneapolis, Minnesota

MHEFA BOARD MEMBERS



CHAIR

David Rowland

Member with Municipal Finance Expertise
Executive Vice President,
Co-Chief Investment Officer
The Travelers Companies, Inc.
Resident of Edina, Minnesota
Term expires January 2029



SECRETARY

Bonnie M. Anderson Rons

General Member
Retired Banker
Resident of Rosemount, Minnesota
Term expires January 2027



VICE CHAIR

Nancy Sampair

General Member
Retired Banker
Resident of Saint Paul, Minnesota
Term expires January 2026



Gary D. Benson

Member with Construction Expertise
Retired Director of Project
Planning & Development
Kraus-Anderson Construction Company
Resident of New Brighton, Minnesota
Term expires January 2027



Mary Thao

Member with Higher Education Affiliation
Vice President and Controller,
Finance & Administration
St. Catherine University
Resident of Circle Pines, Minnesota
Term expired January 2025
(served until new member appointed April 2025, as allowed by statute)



Paul Cerkvenik

Ex-officio, Non-voting Member
President
Minnesota Private College Council



Erich Heppner

Member with Higher Education Affiliation
Director of Student Life
Central Lakes College
Resident of Staples, Minnesota
Term expires January 2029
(appointed April 2025)



Mikeya Griffin

General Member
Executive Director
Rondo Community Land Trust
Resident of Saint Paul, Minnesota
Term expires January 2026



Kenneth C. Westphal

Member Residing Outside of Metro
Retired Non-Profit University CFO
Resident of St. Peter, MN
Term expires January 2028



Mary F. Ives

Member Residing Outside of Metro
Member with Higher Education Affiliation
Emeritus Trustee of the College of
St. Scholastica
Real Estate Agent and Business Owner-
Operator of Hospitality Properties
Resident of Grand Rapids, Minnesota
Term expires January 2028



Poawit Yang

Ex-officio Member
CFO
Minnesota Office of Higher Education

LETTER FROM THE CHAIR

Greetings:

ON BEHALF OF THE MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY AND ITS BORROWERS, I am pleased to present the Authority's Annual Report for the fiscal year ended June 30, 2025, including audited financial statements. This Report includes information about the Authority services provided to nonprofit institutions of higher education in the State of Minnesota.

The 2025 State Legislature passed a bill authorizing the Authority to assist borrowers in financing not-for-profit healthcare capital projects, in addition to the existing not-for-profit Higher Education capital projects financing authority. This change comes with a slightly revised name for the Authority. As of August 1, 2025, we will be known as the Minnesota Health and Education Facilities Authority.

The Authority's mission remains to provide cost-effective conduit financing assistance, generally through tax-exempt financing, and related services for capital projects to colleges and universities, with the additional scope to now include nonprofit healthcare organizations.

The Authority receives no federal or state financial support for its operating or financing operations. The Authority provides its services to Minnesota's nonprofit borrowers at no cost to Minnesota taxpayers. The bonds the Authority issues are not backed by either direct or indirect credit of the State. All Authority operating expenses are paid through fees assessed to borrowers in connection with each borrower's respective financing.

While the Authority did not complete any new financings in fiscal year 2025, the Authority continued its ongoing work with borrowers on Rating Agency communication, government agency and bank filings, along with general financial guidance related to Authority debt issuance. At the end of fiscal year 2025, the total principal outstanding for Authority-issued debt was \$1,229,303,316. The statutory limit on outstanding debt issued by the Authority was increased from \$1.3 billion to \$2 billion during the 2024 Legislative Session. Therefore, as of June 30, 2025, the statutory limit on outstanding debt was \$2 billion. Throughout the year, the Authority provides ongoing services that enhance the financing assistance provided to Minnesota nonprofit borrowers.

The Authority proudly serves as a consistent source of financing assistance and related services to Minnesota's nonprofit colleges and universities and is excited to bring our expertise to Minnesota's healthcare organizations as well. During fiscal year 2025, the Authority held a Roundtable Discussion for borrower staff, plus an annual conference that brought together college and university leaders, industry representatives, and Authority partners for important higher education topic discussions. As we have since 1971, through the combined efforts of the Authority Board Members, staff and advisors, the Authority will continue to provide service to our borrowers and the industry in an efficient and cost-effective manner.



Respectfully submitted,

A handwritten signature in dark ink, appearing to read "David Rowland".

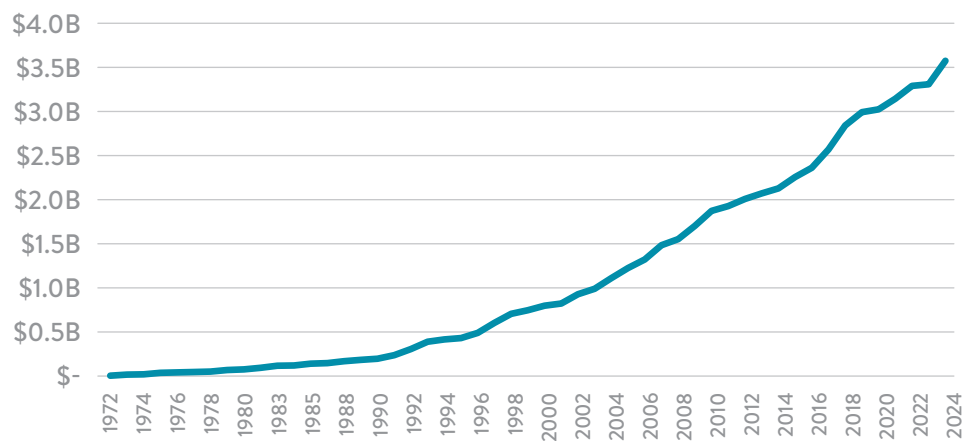
David Rowland

Chair, Fiscal Year 2025

AUTHORITY DEBT ISSUE CAPACITY and ISSUE SUMMARY

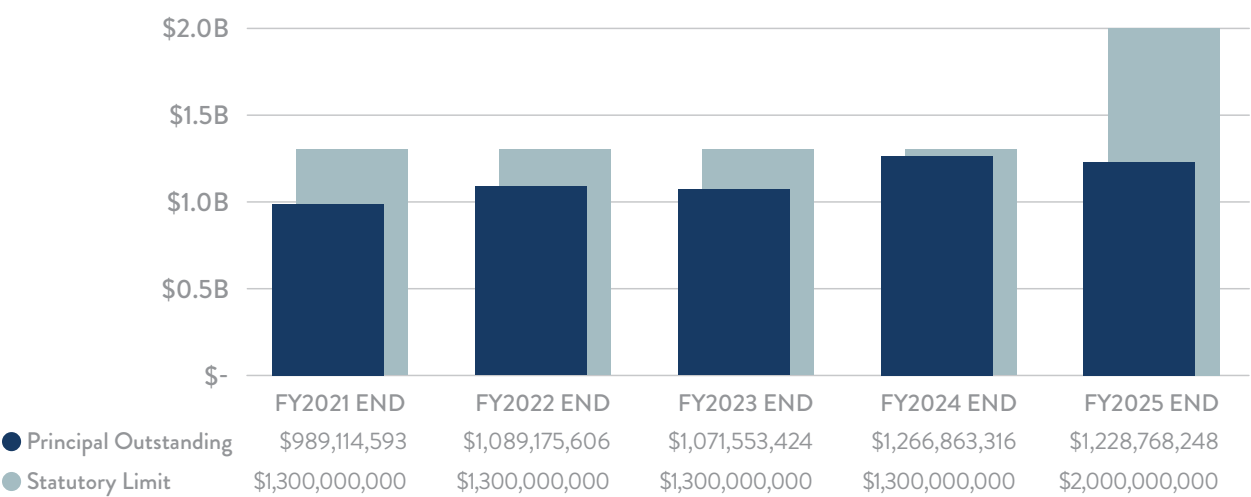
Since the inception of the Authority, it has issued 255* Bond and Note issues. This number includes new money financing, refunding financing and retirement of debt issues. The total issuance since the 1971 founding of the Authority is \$3.57 billion. Of this amount, Borrowers have to date successfully repaid nearly \$2.35 billion.

ACCUMULATED ISSUANCE TOTAL



Beginning in Fiscal Year 2025, the Authority’s outstanding principal balance limit was increased by the State of Minnesota Legislature from \$1.3 billion to \$2 billion. The Authority did not issue any new financings in Fiscal Year 2025, resulting in the outstanding principal balance on Authority-issued debt decreasing from \$1,266,863,316 to \$1,228,768,248.

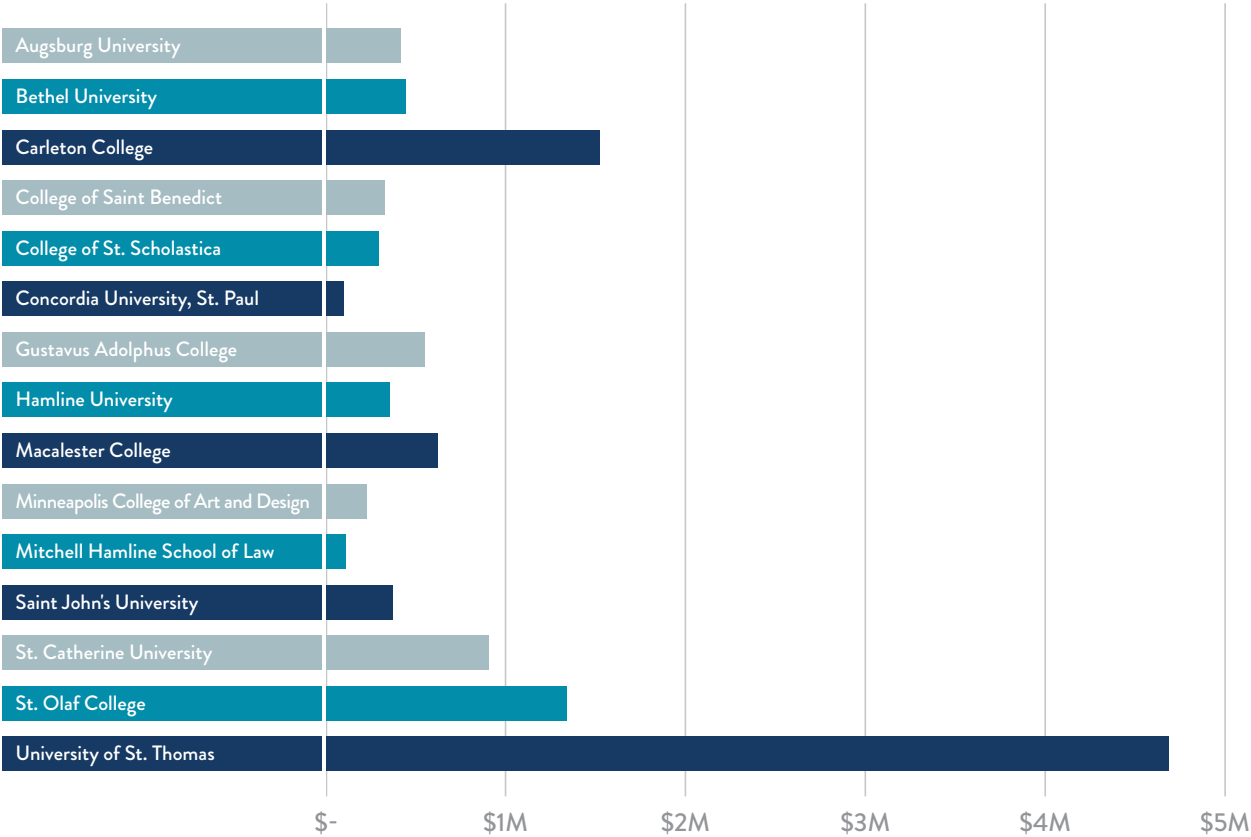
5-YEAR PRINCIPAL OUTSTANDING VS. STATUTORY LIMIT



* Although there were no new financings in fiscal year 2025, the total number of issuances has been revised from 253, as reported in fiscal year 2024, to 255 in fiscal year 2025. This adjustment reflects a change in classification, whereby two prior financings consisting of multiple series are now counted as separate issues – consistent with the treatment of all other multi-series financings.

The outstanding principal balance is a cumulative total of 48 outstanding Authority debt issues from 15 different Colleges and Universities in the State of Minnesota.

AMOUNT OUTSTANDING AT FISCAL 2025
YEAR END BY COLLEGE/UNIVERSITY



AUGSBURG
UNIVERSITY.



Colleges and Universities with AUTHORITY-ISSUED OUTSTANDING DEBT

Amounts of debt for issues described below reflect the original issue amounts.

AUGSBURG UNIVERSITY

- Augsburg Series 2016A in the amount of \$32,240,000 and Series 2016B in the amount of \$13,680,000 issued December 2016. The proceeds were used to finance a portion of a Science, Business and Religion Center.



AUGSBURG UNIVERSITY Hagfors Center for Science, Business and Religion / Photo by Courtney Perry

BETHEL UNIVERSITY

- Bethel Series 2017 issued July 2017 in the amount of \$44,565,000. The proceeds were used for the renovation of four residence halls and to refund Bethel Series Six-R.



BETHEL UNIVERSITY Nelson-Larson Science Center



CARLETON COLLEGE Lilac Hill Townhomes

CARLETON COLLEGE

- Carleton Series 2017 issued May 2017 in the amount of \$124,900,000. The proceeds were used for the construction of several campus buildings, various utility infrastructure improvements, and to refund Carleton Series Five-G, Six-T and Seven-D.
- Carleton Series 2023 issued September 2023 in the amount of \$60,495,000. The proceeds were used for demolition and construction of various facilities, including 11 student townhomes and a multipurpose Student Health and Counseling Center.

COLLEGE OF SAINT BENEDICT

- Saint Benedict Series Eight-K issued April 2016 in the amount of \$34,360,000. The proceeds were used to finance improvements on the campus including acquisition and renovation of three buildings, renovation of academic, residential and library buildings, development of sports fields, upgrades to the power plant and other improvements.
- Saint Benedict Series 2017 issued December 2017 in the amount of \$8,605,000. The proceeds were used to refund Saint Benedict Series Six-V and Seven-M.



COLLEGE OF SAINT BENEDICT Schoenecker Commons

THE COLLEGE OF ST. SCHOLASTICA

- St. Scholastica Series Seven-R issued October 2012 in the amount of \$9,380,000. The proceeds were used to refund St. Scholastica Series Five-R.
- St. Scholastica Series 2019 issued September 2019 in the amount of \$29,075,000. The proceeds were used to refund St. Scholastica Series Six-S, Seven-H and Seven-J.



THE COLLEGE OF ST. SCHOLASTICA Science Center

CONCORDIA UNIVERSITY, ST. PAUL

- Concordia University Series Six-Q issued October 2007 in the amount of \$18,155,000. The proceeds were used for the construction a 300-bed residence hall.



CONCORDIA UNIVERSITY, ST. PAUL Holst Hall

GUSTAVUS ADOLPHUS COLLEGE

- Gustavus Series Seven-W issued July 2013 in the amount of \$11,410,000. The proceeds were used to refund Gustavus Series Five-X.
- Gustavus Series 2017 issued September 2017 in the amount of \$52,515,000. The proceeds were used to refund Gustavus Series Seven-B and to renovate and expand two science and fine arts buildings on campus.



GUSTAVUS ADOLPHUS COLLEGE Nobel Hall

HAMLIN UNIVERSITY

- Hamline Series 2017B issued December 2017 in the amount of \$34,650,000. The proceeds were used to refund Hamline Series Seven-E and Seven-K2.
- Hamline Series 2021 issued June 2021 in the amount of \$9,725,000 as a Private Bank Placement. The proceeds were used to refund Hamline Series Seven-Y2, to renovate a residence hall, and for the conversion of the north campus heating system from high pressure steam to low pressure steam.



MACALESTER COLLEGE Turck Hall

MACALESTER COLLEGE

- Macalester Series Five-Q issued February 2003 in the amount of \$15,300,000. The proceeds were used for the renovation, refurbishing and data wire upgrades to Doty Hall, Wallace Hall and Turck Hall and to install fire sprinkler systems in Doty, Wallace, Turck, Bigelow, Dupre, 30 Macalester and Kirk Halls.
- Macalester Series Eight-J issued October 2015 in the amount of \$22,660,000. The proceeds were used to refund a portion of Macalester Series Six-P and to finance a number of infrastructure renovation and improvements on the campus.
- Macalester Series 2017 issued November 2017 in the amount of \$40,315,000. The proceeds were used to refund Macalester Series Six-P and Seven-I and to construct a new theater, dance and art building on campus.
- Macalester Series 2021 issued April 2021 in the amount of \$12,870,000. The proceeds were used to refund Macalester Series Seven-S and partially fund the replacement of several roofs on the Macalester campus.

MINNEAPOLIS COLLEGE OF ART AND DESIGN

- Minneapolis College of Art and Design (“MCAD”) Series Eight-D issued March 2015 in the amount of \$7,845,000. The proceeds were used to refund MCAD Series Six-K and Six-Z.
- Minneapolis College of Art and Design (“MCAD”) Series 2018 issued May 2018 in the amount of \$3,643,000 as a Private Bank Placement. The proceeds were used for roof repair and renovation of studio and classroom space.
- Minneapolis College of Art and Design (“MCAD”) Series 2022 issued March 2022 in the amount of \$1,500,000 as a Private Bank Placement. The proceeds were used to purchase two properties adjacent to campus.
- Minneapolis College of Art and Design (“MCAD”) Series 2023A issued June 2023 in the amount of \$13,120,000 as a Private Bank Placement. The proceeds were used to acquire an apartment building adjacent to the College campus, which will be converted to student housing, administrative space and gallery space for use by the College.

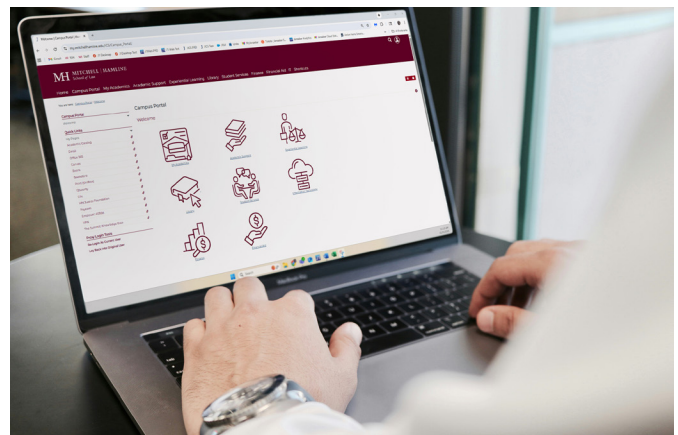


MINNEAPOLIS COLLEGE OF ART AND DESIGN The Hive

- Minneapolis College of Art and Design (“MCAD”) Series 2023B issued June 2023 in the amount of \$5,253,000 as a Private Bank Placement. The proceeds were used to fund a portion of the acquisition cost and transaction and conversion expenses for the apartment building purchased with the Series 2023A proceeds.

MITCHELL HAMLINE SCHOOL OF LAW

- Mitchell Hamline School of Law Series 2022A issued March 2022 in the amount of \$12,425,000. The proceeds were used to refinance Series Seven-V and to finance a portion of various campus construction projects and improvements.
- Mitchell Hamline School of Law Series 2022B issued March 2022 in the amount of \$998,000. The proceeds were used to finance the Mitchell Hamline School of Law Series Seven-V Swap Termination payment.



MITCHELL HAMLINE SCHOOL OF LAW ERP/SIS
(Enterprise Resource Planning/Student Information System)



SAINT JOHN'S UNIVERSITY Dietrich Reinhart Learning Commons

SAINT JOHN'S UNIVERSITY

- Saint John's Series Eight-H issued August 2015 in the amount of \$13,815,000. The proceeds were used to refund Saint John's Series Eight-H.
- Saint John's Series Eight-I issued December 2015 in the amount of \$18,275,000. The proceeds were used for the construction of a Learning Commons building and improvements to the Alcuin Library.
- Saint John's Series 2017 issued September 2017 in the amount of \$7,595,000. The proceeds were used to refund Saint John's Series Six-U.
- Saint John's Series 2021 issued June 2021 in the amount of \$21,560,000. The proceeds were used to demolish an existing residence hall and construct a new residence facility in its place, reimburse the University for renovations already completed to the University's Science Center, renovate two floors of a residence hall, construct a pedestrian bridge connecting lower campus and upper campus across Stumpf Lake, and various capital improvement and renovation projects on existing residence facilities and student commons on campus.

ST. CATHERINE UNIVERSITY

- St. Catherine Series 2018A issued September 2018 in the amount of \$49,770,000. The proceeds were used to refund St. Catherine Series Five-N2 and Eight-B, and to provide funding for a portion of new construction projects on the University's Saint Paul campus.
- St. Catherine Series 2018B issued September 2018 in the amount of \$20,765,000. These Bonds were issued as taxable and the proceeds were used to refund St. Catherine Series Seven-Q.
- St. Catherine Series 2023 issued July 2023 in the amount of \$21,235,000. The proceeds were used to renovate student residence halls and apartments, science and technology spaces, and to pay for other small renovation projects.



ST. CATHERINE UNIVERSITY Students working in one of the newly renovated science study spaces in the Mendel building

ST. OLAF COLLEGE

- St. Olaf Series Eight-G issued July 2015 in the amount of \$53,745,000. The proceeds were used to refund portions of St. Olaf College Series Six-O and Five-M2, and for the renovation of various campus buildings.
- St. Olaf Series Eight-N issued September 2016 in the amount of \$22,845,000. The proceeds were used to refund a portion of St. Olaf Series Seven-F.
- St. Olaf Series 2021 issued March 2021 in the amount of \$57,335,000. The proceeds were used to fund construction of a residential tower, construction and furnishing of ten townhome residences, and renovations to an existing residential building.
- St. Olaf Series 2024 issued March 2024 in the amount of \$25,000,000 as a Private Bank Placement. The proceeds were used to renovate residence halls, construct a new facilities operations building, and to complete other various improvements to infrastructure and roof replacements.



ST. OLAF COLLEGE New residential building and townhouses on St. Olaf Avenue

UNIVERSITY OF ST. THOMAS

- St. Thomas Series Seven-U issued March 2013 in the amount of \$25,685,000. The proceeds were used to refund St. Thomas Series Five-L and Five-Z.
- St. Thomas Series Eight-L issued March 2016 in the amount of \$55,355,000. The proceeds were used to refund St. Thomas Series Six-W and Six-X.
- St. Thomas Series 2017A issued December 2017 in the amount of \$60,750,000. The proceeds of were used to refund St. Thomas Series Seven-A.
- St. Thomas Series 2019 issued May 2019 in the amount of \$80,525,000. The proceeds were used to construct, equip, and furnish two new residence halls, including the demolition of a current residence hall and faculty residence.
- St. Thomas Series 2020A issued July 2020 in the amount of \$9,610,000 as a Private Bank Placement. The proceeds were used to refund St. Thomas Series 2017C.
- St. Thomas Series 2020B issued July 2020 in the amount of \$9,135,000 as a Private Bank Placement. The proceeds were used to renovate a residence hall and the Child Development Center/Center for Well-Being.
- St. Thomas Series 2022A Green Bonds issued June 2022 in the amount of \$60,720,000. The proceeds were used to fund a LEED Gold certified STEAM (Science, Technology, Engineering, Arts, Math) building.

Continued on page 13



UNIVERSITY OF ST. THOMAS Lee & Penny Anderson Arena

- St. Thomas Series 2022B issued June 2022 in the amount of \$70,280,000. The proceeds were used to fund renovation of several buildings on campus and to fund the acquisition of land for future Athletic Complex projects.
- St. Thomas Series 2024A issued March 2024 in the amount of \$94,440,000. The proceeds were used for site planning, design, and demolition in preparation for and construction of a multipurpose arena.
- St. Thomas Series 2024B Green Bonds issued March 2024 in the amount of \$50,000,000. The Series 2024B Bonds were issued in two subseries, 2024B-1 and 2024B-2. The proceeds were used for site planning, design, and demolition in preparation for and construction of a multipurpose arena. The St. Thomas Series 2024B Bonds have a shorter final maturity than the St. Thomas Series 2024A Bonds.
- St. Thomas Series 2024C (Taxable) Green Bonds issued March 2024 in the amount of \$14,950,000. The proceeds were used for the estimated taxable portion of use associated with a multipurpose arena.

INDEPENDENT AUDITOR'S REPORT



ANDERSON HALL
Carleton College

Report on the Audit of the **FINANCIAL STATEMENTS**

OPINION

We have audited the financial statements of the Minnesota Higher Education Facilities Authority as of and for the year ended June 30, 2025, and the related notes to the basic financial statements, which collectively comprise the Authority's basic financial statements as listed in the Table of Contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of Minnesota Higher Education Facilities Authority as of June 30, 2025, and the respective changes in financial position and its cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

BASIS FOR OPINION

We conducted our audit 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 Minnesota Higher Education Facilities Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

RESPONSIBILITIES OF MANAGEMENT FOR THE FINANCIAL STATEMENTS

The management of Minnesota Higher Education Facilities Authority 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 Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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 opinions. 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.

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 Authority'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, which raise substantial doubt about the Authority'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.

REQUIRED SUPPLEMENTARY INFORMATION

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, which follows this report letter, and Required Supplementary Information as listed in the Table of Contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB), who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Required Supplementary Information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

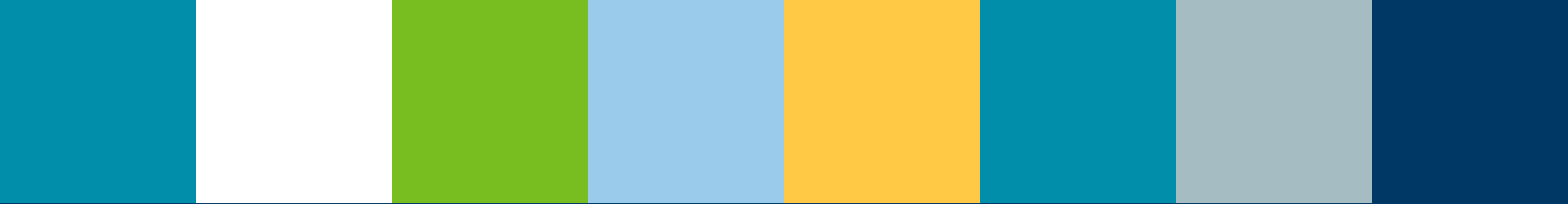
REPORT ON SUMMARIZED COMPARATIVE INFORMATION

The financial statements include partial prior year comparative information. Such information does not include all of the information required to constitute a presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Authority's financial statements for the year ended June 30, 2024, from which such partial information was derived.

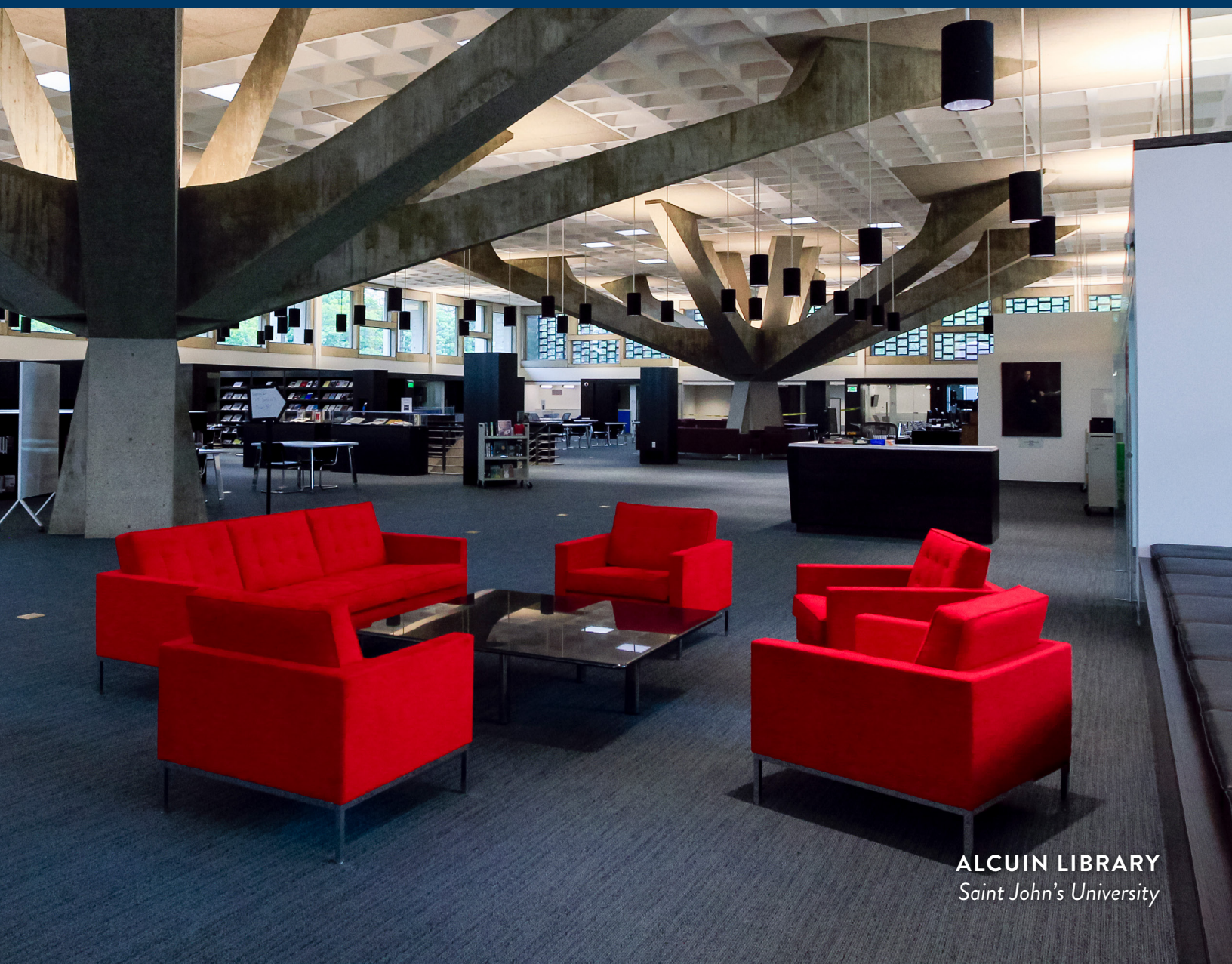
We have previously audited the Authority's June 30, 2024, financial statements and our report, dated September 30, 2024, expressed an unmodified opinion on the financial statements of the Authority. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2024, is consistent, in all material respects, with the audited financial statements from which it has been derived.

BerganKDV, Ltd.
Minneapolis, Minnesota
September 22, 2025





MANAGEMENT DISCUSSION *and* ANALYSIS



ALCUIN LIBRARY
Saint John's University

MANAGEMENT DISCUSSION *and* ANALYSIS

This discussion and analysis of the financial performance of the Minnesota Higher Education Facilities Authority (the Authority) is supplementary information required by the Government Accounting Standards Board (GASB). It introduces the basic financial statements and provides an analytical overview of the Authority's financial activities for the fiscal year ended June 30, 2025.

The Authority was created by the Minnesota legislature in 1971 (Sections 136A.25 through 136A.42, *Minnesota Statutes*) to assist Minnesota nonprofit institutions of higher education with their capital financing needs.

On June 12, 2025, the Governor of Minnesota signed legislation passed by the Minnesota Legislature expanding the scope of the Authority. The Authority is now authorized to provide capital financing for nonprofit healthcare institutions in addition to providing capital financing for eligible nonprofit higher education institutions.



THE AUTHORITY WAS CREATED
BY THE MINNESOTA LEGISLATURE
IN 1971 TO ASSIST MINNESOTA
NONPROFIT INSTITUTIONS OF
HIGHER EDUCATION WITH THEIR
CAPITAL FINANCING NEEDS.

This change became effective on August 1, 2025. As this annual report covers the fiscal year ending June 30, 2025, all references to the Authority within this report reflect its status, statutes, and name as of June 30, 2025, unless otherwise indicated.

In alignment with this expansion, on the August 1, 2025 effective date the legislation was amended, the Authority's name changed from the "*Minnesota Higher Education Facilities Authority*" to the "*Minnesota Health and Education Facilities Authority*."

The Authority consists of eight members appointed by the Governor, and a representative of the Minnesota Office of Higher Education. The President of the Minnesota Private College Council is an advisory, non-voting member. The Authority employs two full-time staff. To maintain strong internal control procedures and policies, the staff segregates duties as much as possible to protect the financial integrity of all activities. Procedures and policies have been developed and documented to safeguard the Authority's assets. These procedures and policies are regularly reviewed and updated.

The Authority is authorized to issue revenue bonds whose aggregate outstanding principal amount at any time cannot exceed a statutory limit set by the legislature. From 2010 to June 30, 2024, that limit was \$1.3 billion. As of July 1, 2024, the Authority's limit was raised to \$2 billion. The Authority has had 255* issues (including refunded and retired issues) totaling over \$3.57 billion of which \$1,228,768,248 is outstanding as of June 30, 2025.

Bonds issued by the Authority are payable only from the loan repayments, rentals, and other revenues and moneys pledged for their payment. The bonds of the Authority do not represent or constitute a debt or pledge of the full faith or credit or moral obligation of the State of Minnesota. The operations of the

Authority are financed solely from fees paid by the participating institutions and investment income. The Authority has no taxing power. The Authority receives no funding from the State of Minnesota. All operating and bond issuance costs are paid by the borrower institution.

Educational institutions eligible for assistance by the Authority are primarily private nonprofit educational institutions authorized to provide a program of education beyond the high school level. Public community and technical colleges in the State are also eligible for assistance, limited to financing of child-care and parking facilities. Pursuant to special legislation, the Authority has twice issued bonds on behalf of a public community college to finance student housing facilities.

The Authority may issue bonds for a wide range of projects, including facilities for housing, academic, athletic, and administrative purposes, parking, student centers, and other buildings and equipment to be used for instruction, research, or operations. The Authority is also authorized to issue revenue bonds to refund outstanding bonds of the Authority and any other outstanding debt.

An annual conference on higher education finance issues has been offered for many years by the Authority. During fiscal year 2025, the conference was held in April, and provided an opportunity for Authority borrowers, along with legal and finance professionals, to share information relevant to higher education capital financings. A second, smaller roundtable-style conference was held during fiscal year 2025, allowing CFO staff from borrower schools to discuss Authority services, common issues between schools, and to ask questions of the Authority or other borrowers.

The Authority regularly reviews its policies and procedures to effectively provide financing assistance to Minnesota's nonprofit colleges and universities. Through the Authority's coordination of efforts of the borrowers, Authority's staff, advisors, as well as other public finance professionals, tax-exempt financing continues to be a vital tool for higher education. The Authority works with all these groups to continue providing affordable financing to the private colleges and universities.

** Although there were no new financings in fiscal year 2025, the total number of issuances has been revised from 253, as reported in fiscal year 2024, to 255 in fiscal year 2025. This adjustment reflects a change in classification, whereby two prior financings consisting of multiple series are now counted as separate issues – consistent with the treatment of all other multi-series financings.*

OVERVIEW OF THE FINANCIAL STATEMENTS

The three basic statements presented within the financial report are as follows:

- **Statements of Net Position** – This statement presents information reflecting the Authority's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Net position represents the amount of total assets and deferred outflows of resources less total liabilities and deferred inflows of resources. The statement of net position is categorized as to current and noncurrent assets and liabilities. For purposes of the financial statements, current assets and liabilities are those assets and liabilities with immediate liquidity or which are collectible or becoming due within one year of the statement date.
- **Statement of Revenues, Expenses, and Changes in Net Position** – This statement reflects the operating revenues and expenses during the year. Operating revenue is from administrative fees charged to colleges and universities. The change in net position for an enterprise fund is similar to net profit or loss for any other business enterprise.
- **Statement of Cash Flows** – The statement of cash flows is presented on the direct method of reporting which reflects cash flows from operating, capital, and investing activities. Cash collections and payments are reflected in this statement to arrive at the net increase or decrease in cash for the year.

The following summarizes the financial position and results of operations of the Authority for the years ended June 30, 2025 and 2024.

	2025	2024
Assets		
Current assets	\$ 2,431,525	\$ 2,367,104
Noncurrent assets	222,424	172,664
Total assets	2,653,949	2,539,76
Deferred Outflows of Resources		
Pension related items	54,813	38,155
Liabilities		
Current liabilities	84,877	79,908
Long term liabilities	161,395	166,369
Total liabilities	246,272	246,277
Deferred Inflows of Resources		
Pension related items	73,151	23,543
Net Position		
Net investment in capital assets	35,642	18,611
Unrestricted	2,353,697	2,289,492
Total net position	\$ 2,389,339	\$ 2,308,103
Operating Revenues	\$ 544,114	\$ 562,502
Operating Expenses	(561,791)	(493,874)
Operating Income (Loss)	(17,677)	68,628
Nonoperating Revenues (Expenses)		
Interest income	95,070	93,653
Net change in fair value of investments	9,420	9,330
Interest expense	(5,577)	(6,472)
Total nonoperating revenues (expenses)	98,913	96,511
Change in Net Position	81,236	165,139
Net Position		
Beginning of year	2,308,103	2,142,964
End of year	\$ 2,389,339	\$ 2,308,103

FINANCIAL HIGHLIGHTS

The Authority did not complete any financings during fiscal year 2025. This compares to six financings completed in fiscal year 2024 with a total principal amount of \$266,120,000.

FACTORS EXPECTED TO AFFECT FUTURE FINANCIAL POSITION AND OPERATION

The Authority has two revenue sources: the administrative fee charged to borrowers and interest earnings generated on its accumulated operating reserve. The administrative fee is based on the outstanding principal amount of each series of bonds at the time of billing. The administrative fee is billed to each borrower on the anniversary of the bond closing. The Authority annually calculates the operating cost and strives to have the Board set the revenue goal to generate sufficient revenue to cover operating costs, ensure sufficient accumulated operating reserves to offset risk, and maintain stable discount rates for its borrowers.

Beginning in fiscal year 1997, the Authority's annual administrative fee has been reduced and is less than the allowable maximum of 0.125%. In fiscal year 2025, the Authority reduced the maximum allowable annual administrative fee to all borrowers by 65%. The maximum allowable fee for fiscal year 2026 will again be reduced by 65%. The Authority has maintained a 65% fee reduction each year since fiscal year 2017. Although future reductions in the maximum allowable fee are not guaranteed, the Authority is committed to providing its services at an affordable level to its borrowers.

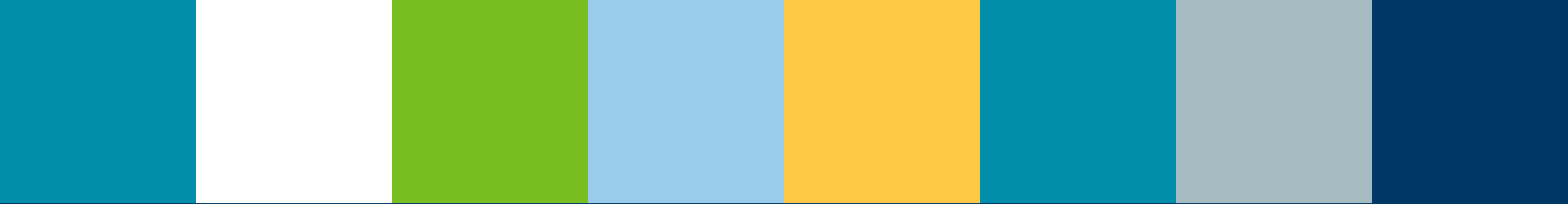
The interest earnings generated on accumulated operating reserves varies depending on the level of reserves and market interest rates. The Authority does not rely on interest earnings to generate a material level of income to support operations. Operating reserves are designated to offset identified risk factors and are kept to a level that is not in excess of a reasonably required reserve.

REQUESTS FOR INFORMATION

This financial report is designed to provide interested parties with a general overview of the Authority's finances. If you have questions about this report or need additional financial information, contact:

Minnesota Higher Education Facilities Authority
(known as Minnesota Health and Education Facilities Authority
as of August 1, 2025)

860 Blue Gentian Road, Suite 145
Eagan, Minnesota 55121
651-296-4690 phone
651-297-5751 fax
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www.mnhefa.org



BASIC FINANCIAL STATEMENTS



OLE AVENUE PROJECT
St. Olaf College

STATEMENT OF NET POSITION

June 30, 2025 (with Partial Comparative Information as of June 30, 2024)

	2025	2024
Assets		
Current assets		
Cash and cash equivalents	\$ 491,767	\$ 491,104
Investments	1,904,293	1,794,873
Accounts receivable	12,705	51,831
Interest receivable	19,607	27,979
Prepaid items	3,153	1,317
Total current assets	2,431,525	2,367,104
Noncurrent assets		
Security deposit receivable	4,000	4,000
Equipment	77,859	74,744
Less accumulated depreciation	(45,557)	(38,155)
Leased building	180,841	180,841
Subscription asset	91,080	—
Less accumulated amortization	(85,799)	(48,766)
Total noncurrent assets	222,424	172,664
Total assets	2,653,949	2,539,768
Deferred Outflows of Resources		
Pension related items	54,813	38,155
Total assets and deferred outflows of resources	\$ 2,708,762	\$ 2,577,923

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STATEMENT OF NET POSITION *continued*

June 30, 2025 (with Partial Comparative Information as of June 30, 2024)

	2025	2024
Liabilities		
Current liabilities		
Accounts payable	\$ 33,108	\$ 41,635
Lease liability	25,223	23,351
Subscription liability	26,546	—
Compensated absences payable	—	14,922
Total current liabilities	84,877	79,908
Noncurrent liabilities		
Lease liability	101,479	126,702
Subscription liability	29,534	—
Compensated absences payable	28,406	14,921
Net pension liability	1,976	24,746
Total noncurrent liabilities	161,395	166,369
Total liabilities	246,272	246,277
Deferred Inflows of Resources		
Pension related items	73,151	23,543
Net Position		
Net investment in capital assets	35,642	18,611
Unrestricted	2,353,697	2,289,492
Total net position	2,389,339	2,308,103
Total liabilities, deferred inflows of resources, and net position	\$ 2,708,762	\$ 2,577,923

See notes to basic financial statements.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Year ended June 30, 2025 (with Partial Comparative Information for the Year Ended of June 30, 2024)

	2025	2024
Operating Revenues		
Annual administrative fees	\$ 543,114	\$ 560,502
Other income	1,000	2,000
Total operating revenues	544,114	562,502
Operating Expenses		
Payroll, payroll taxes, and employee benefits	353,849	317,154
Legal, audit, and consulting expense	75,246	47,357
Rent	20,177	20,934
Depreciation and amortization	44,435	30,747
Other general and administrative expenses	68,084	77,682
Total operating expenses	561,791	493,874
Operating income (loss)	(17,677)	68,628
Nonoperating Revenues (Expenses)		
Interest income	95,070	93,653
Change in fair value of investments	9,420	9,330
Interest expense	(5,577)	(6,472)
Total nonoperating revenues (expenses)	98,913	96,511
Change in net position	81,236	165,139
Net Position		
Beginning of year	2,308,103	2,142,964
End of year	\$ 2,389,339	\$ 2,308,103

See notes to basic financial statements.

STATEMENT OF CASH FLOWS

Year ended June 30, 2025 (with Partial Comparative Information for the Year Ended of June 30, 2024)

	2025	2024
Cash Flows - Operating Activities		
Cash received from annual administrative and other fees	\$ 583,240	\$ 514,148
Cash payments to employees	(360,170)	(300,170)
Cash payments to suppliers for goods and services	(158,806)	(156,942)
Net cash flows - operating activities	64,264	57,036
Cash Flows - Capital and Related Financing Activities		
Lease and subscription liability principal payments	(58,351)	(21,552)
Interest paid on leases	(5,577)	(6,472)
Purchase of capital assets	(3,115)	—
Net cash flows - capital and related financial activities	(67,043)	(28,024)
Cash Flows - Investing Activities		
Interest received	103,442	85,147
Investment purchases	(100,000)	(50,000)
Net cash flows - investing activities	3,442	35,147
Net change in cash and cash equivalents	663	64,159
Cash and Cash Equivalents		
Beginning of year	491,104	426,945
End of year	\$ 491,767	\$ 491,104

Continued on page 29

STATEMENT OF CASH FLOWS *continued*

Year ended June 30, 2025 (with Partial Comparative Information for the Year Ended of June 30, 2024)

	2025	2024
Reconciliation of Operating Income (Loss) to Net Cash Flows - Operating Activities		
Operating income (loss)	\$ (17,677)	\$ 68,628
Adjustments to reconcile operating income (loss) to net cash flows - operating activities		
Depreciation and amortization expense	44,435	30,747
Accounts receivable	39,126	(48,354)
Prepaid items	(1,836)	1,465
Accounts payable	(8,527)	12,651
Deferred outflows, inflows, and liability related to pension activity	10,180	(9,561)
Compensated absences payable	(1,437)	1,460
Total adjustments	81,941	(11,592)
Net cash flows - operating activities	\$ 64,264	\$ 57,036
Noncash Activities		
Acquisition of subscription assets through liability issuance	\$ 91,080	\$ —
Net change in fair value of investments	9,420	9,330
Total noncash activities	\$ 100,500	\$ 9,330

See notes to basic financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Authority is a state agency created to assist nonprofit institutions of higher education in financing the construction of educational facilities. The Authority finances projects through the issuance of bonds; the principal and interest of which are paid by the lease/loan payments collected from the higher education institutions. For the year-ended June 30, 2025, the Authority was authorized to have a maximum of \$2 billion of revenue bonds outstanding. Bonds issued by the Authority are payable only from specified revenues and collateral and do not constitute a debt of the State of Minnesota.

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The Authority utilizes the accrual basis of accounting and is reported using the economic resources measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The operating revenues of the Authority consist principally of annual administrative fees paid by the participating institutions. While the annual administrative fee rate for new bond issues has changed periodically, the fee rate remains constant for the life of the bonds, with the exception of fee reductions for operating reserve stabilization purposes. The fees for bonds outstanding as of June 30, 2025, are 0.125% of the outstanding balance of the bonds. In an effort to stabilize its unrestricted net position balance, the Authority periodically evaluates the administrative fees charged to participating institutions. For the year ended June 30, 2025, the Authority required participating institutions to pay 35% of the contractual administrative fees.

C. Cash and Investments

Cash and investment balances are invested to the extent available in various securities as authorized by state law. Securities in which the Authority may invest include government bonds, notes, bills, mortgages, and other securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities or organizations created by an act of Congress.

Subject to applicable law, the Authority may also invest in general obligation (G.O.) or revenue bonds of any state or any political subdivision provided the G.O. bonds are rated AA or better for states and AAA or better for political subdivisions and revenue bonds are rated AAA or better for both. Time deposits are allowed, provided they are fully insured by Federal Deposit Insurance Corporation (FDIC) insurance. In some cases, investment agreements with corporations rated AA by Standard & Poor's (S&P) or AA by Moody's are allowed as well as repurchase agreements fully collateralized by U.S. government securities. Commercial paper maturing in 270 days or less and rated within the top two categories without gradation by either S&P's or Moody's is also allowed.

The Authority's cash and cash equivalents are considered to be cash on hand, deposits, and highly liquid debt instruments purchased with original maturities of three months or less from the date of acquisition. Investments are stated at fair value.

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments held by investment pools are measured at amortized cost.

D. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. Prepaid items are recorded as an expense at the time of consumption.

E. Capital Assets

Capital assets, which include office furniture and equipment, are stated at historical cost and depreciated on the straight-line method over the estimated useful lives of the assets, generally three years for software and computer or electronic equipment and ten years for furniture. The Authority's threshold for capitalization of assets is \$2,000 and an expected useful life of more than three years.

F. Conduit Debt

The Authority issues tax exempt instruments (bonds, notes, or other obligations), which do not constitute a debt of the Authority. These debt instruments are limited obligations of the Authority, payable solely from payments made by the related borrowing institutions and related assets held by trustees. The Authority has no general liability with respect to these obligations and has no beneficial interest in the related assets held by trustees. Acting solely in an agency capacity, the Authority serves as a financing conduit, bringing the ultimate borrower and the ultimate lender together. The Authority has elected to exclude these obligations and the related assets held by trustees, from the basic financial statements.

G. Compensated Absences

The liability for compensated absences reported in the Statement of Net Position consists of leave that has not been used that is attributable to services already rendered, accumulates, and is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. The liability also includes amounts for leave that has been used for time off but has not yet been paid in cash or settled through noncash means and certain other types of leave. The Authority compensates all employees upon termination of employment for unused vacation up to a maximum of 275 hours. As of June 30, 2025, the Authority recorded a liability for all unused vacation up to this limit. Authority employees accrue sick leave at the rate of four hours for each ten-day pay period of full-time service. Employees are compensated for unused sick leave upon termination of employment only if they meet the requirements of the plan under which they are employed. Employees working under the managerial plan who meet the requirements of

the plan shall be paid a sum equal to the regular rate of pay at the time of separation multiplied by 35% of the accumulated but unused sick leave. Unused sick leave is not included in the compensated absences liability as it is assumed that employees will use the most recently earned time first.

H. Lease Liability and Right-to-Use Lease Asset

The right-to-use lease asset is amortized on a straight-line basis over the life of the related lease. The discount rate used to calculate the present value of the lease payments should be the Federal Home Loan Bank of Des Moines Fixed Rate Advances 5-year rate, rounded to the nearest 1% at the commencement of the lease.

The lease term includes the noncancellable period of the lease. The Authority's threshold for capitalization of right-to-use lease assets is \$10,000.

I. Subscription Liability and Right-to-Use Subscription Asset

The right-to-use subscription asset is amortized on a straight-line basis over the life of the related subscription arrangement. The discount rate used to calculate the present value of the lease payments should be the Federal Home Loan Bank of Des Moines Fixed Rate Advances 5-year rate, rounded to the nearest 1% at the commencement of the lease. The lease term includes the noncancellable period of the subscription arrangement. The Authority's threshold for capitalization of right-to-use subscription assets is \$10,000.

J. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The Authority has one item that qualifies for reporting in this category: deferred outflows of resources related to pensions is recorded for various estimate differences that will be amortized and recognized over future years.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Authority has one type of item which qualifies for reporting in this category: deferred inflows of resources related to pensions is recorded for various estimate differences that will be amortized and recognized over future years.

K. Pensions

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Minnesota State Retirement System (MSRS) and additions to/deductions from MSRS's fiduciary net position have been determined on the same basis as they are reported by MSRS. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

L. Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources in the basic financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any obligations used to build or acquire the capital assets.

M. Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expense during the reporting period. Actual results could differ from those estimates.

N. Comparative Data

Comparative data for the prior year has been presented only for certain sections of the accompanying financial statements in order to provide an understanding of the changes in the Authority's financial position and operations. This data has been restated where necessary for comparable classifications.

NOTE 2 – DEPOSITS AND INVESTMENTS

A. Deposits

Deposits are maintained at depository banks authorized by the Authority.

Custodial Credit Risk – Deposits: As of June 30, 2025, the Authority's bank balance of \$196,935 was not exposed to custodial credit risk because it was insured through FDIC insurance.

As of June 30, 2025, the Authority's carrying value of deposits was as follows:

Deposits	<u>\$196,756</u>
----------------	------------------

Custodial Credit Risk – Deposits: This is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority has a deposit policy that requires the Authority's deposits be collateralized in an amount equal to 110% of an amount exceeding FDIC coverage.

B. Investments

As of June 30, 2025, the Authority had the following investments:

Investment	Maturities	Amount	S & P Rating
Bank of India, NY Certificate of Deposit	10/08/25	\$ 99,860	N/A
Enterprise Bank, PA Certificate of Deposit	01/30/26	175,209	N/A
Texas Heritage National Bank Certificate of Deposit	02/02/26	175,201	N/A
Mountain Commerce Bank Certificate of Deposit	03/16/26	200,829	N/A
Flagstar Bank Certificate of Deposit	07/24/26	100,642	N/A
Blue Ridge Bank Certificate of Deposit	10/20/26	100,115	N/A
Minnwest Bank Certificate of Deposit	12/28/26	200,145	N/A
BMW Bank North America Certificate of Deposit	04/19/27	149,504	N/A
Sallie Mae Bank, UT Certificate of Deposit	07/26/27	101,037	N/A
BMW Bank North America Certificate of Deposit	10/18/27	99,573	N/A
Morgan Stanley Certificate of Deposit	03/13/28	200,494	N/A
Texas Exchange Bank Certificate of Deposit	05/04/28	200,830	N/A
UBS Bank Certificate of Deposit	07/24/28	100,854	N/A
Wells Fargo Money Market	N/A	295,011	AAAm
Total Investments		\$2,199,304	

Concentration of Credit Risk: This is the risk of loss attributed to the magnitude of an investment in a single issuer. The Authority's policy states the Authority should consider the credit quality in the selection of individual securities of any single issuer in excess of 5% of the Authority's total investments. As of June 30, 2025, investments with eight separate issuers exceeded the 5% threshold.

Custodial Credit Risk – Investments: This is the risk that in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Authority's investment policy does not address custodial credit risk for investments other than to follow the overall framework provided by *Minnesota Statutes*. Investments of the Authority are not registered in the Authority's name. The securities are held in bank safekeeping in third party depositories under the bank's name and ownership. Pursuant to federal banking laws and regulations, the bank's customer accounts are segregated from and not considered part of the bank's assets. Thus, the account ownership of assets in bank safekeeping accounts remain vested in the customers and are protected from claims of creditors of the bank.

Interest Rate Risk: This is the risk that market value of securities will fall due to the changes in market interest rates. The Authority's investment policy states the Authority's investments should be made with consideration for cash flow requirements, taking into account budgeted expenditures.

Credit Risk: This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations. The Authority's investment policy requires their investments to be rated in the top two categories by S&P or Moody's.

The Authority has the following recurring fair value measurements as of June 30, 2025:

Type of Investments	Total	Level 1	Level 2	Level 3
Money market	\$ 295,011	\$ 295,011	\$ —	\$ —
Certificates of deposit	1,904,293	—	1,904,293	—
Total	\$ 2,199,304	\$ 295,011	\$ 1,904,293	\$ —

Deposits and investments are presented in the June 30, 2025, basic financial statements as follows:

Cash and cash equivalents	\$ 491,767
Investments	1,904,293
Total deposits and investments	\$ 2,396,060

NOTE 3 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2025, was as follows:

Capital Assets	Beginning Balance	Increases	Decreases	Ending Balance
Office furniture and equipment	\$ 74,744	\$ 3,115	\$ —	\$ 77,859
Leased building	180,841	—	—	180,841
Subscription asset	—	91,080	—	91,080
Less accumulated depreciation	(38,155)	(7,402)	—	(45,557)
Less accumulated amortization	(48,766)	(37,033)	—	(85,799)
Total capital assets	\$ 168,664	\$ 49,760	\$ —	\$ 218,424

NOTE 4 – LONG-TERM LIABILITIES**A. Components of Long-Term Liabilities**

The Authority has a lease liability related to office space through November 2029 with monthly rent increasing each year through the end of the lease term. The lease liability relates to a right-to-use building asset. The Authority has a subscription liability related to debt management software through February 2028 with annual payments due in February. The subscription liability relates to a right-to-use subscription asset.

B. Minimum Debt Payments for Lease Liability

Minimum annual principal and interest payments required to retire the lease liability:

Year Ended June 30,	LEASE LIABILITY		
	Principal	Interest	Total
2026	\$ 25,223	\$ 4,609	\$ 29,832
2027	27,172	3,564	30,736
2028	29,199	2,441	31,640
2029	31,310	1,235	32,545
2030	13,798	138	13,936
Total	\$ 126,702	\$ 11,987	\$ 138,689

Year Ended June 30,	SUBSCRIPTION LIABILITY		
	Principal	Interest	Total
2026	\$ 26,546	\$ 4,354	\$ 30,900
2027	29,534	2,293	31,827
Total	\$ 56,080	\$ 6,647	\$ 62,727

C. Changes in Long-Term Liabilities

Changes in long-term liability activity for the year ended June 30, 2025, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Leased liability	\$ 150,053	\$ —	\$ 23,351	\$ 126,702	\$ 25,223
Subscription liability	—	91,080	35,000	56,080	26,546
Compensated absences	29,843	37,886	39,323	28,406	—
Total long-term liabilities	\$ 179,896	\$ 128,966	\$ 97,674	\$ 211,188	\$ 51,769

NOTE 5 – CONDUIT DEBT

As of June 30, 2025, there were 47 conduit bond issues and leases outstanding with an aggregate principal balance outstanding of \$1,228,768,248 as follows:

College/University	Final Maturity	INDEBTEDNESS	
		Issued	Outstanding
Series Five-Q, Macalester College Variable Rate Demand Revenue Bonds, February 2003	2033	\$ 15,300,000	\$ 15,300,000
Series Six-Q, Concordia University, St. Paul Revenue Bonds, October 2007	2037	18,155,000	10,100,000
Series Seven-R, College of St. Scholastica Revenue Bonds, October 2012	2032	9,380,000	4,505,000
Series Seven-U, University of St. Thomas Revenue Bonds, March 2013	2027	25,685,000	4,440,000
Series Seven-W, Gustavus Adolphus College Revenue Bonds, July 2013	2034	11,410,000	6,665,000
Series Eight-D, Minneapolis College of Art and Design Revenue Bond, March 2015	2026	7,845,000	825,000
Series Eight-G, St. Olaf College Revenue Bonds, July 2015	2032	53,745,000	30,690,000
Series Eight-H, St. John's University Revenue Bonds, August 2015	2026	13,815,000	945,000
Series Eight-I, St. John's University Revenue Bonds, December 2015	2035	18,275,000	11,765,000
Series Eight-J, Macalester College Revenue Bonds, September 2015	2032	22,660,000	9,340,000
Series Eight-K, College of St. Benedict Revenue Bonds, April 2016	2043	34,360,000	28,090,000
Series Eight-L, University of St. Thomas Revenue Bonds, March 2016	2039	55,355,000	38,020,000
Series Eight-N, St. Olaf College Revenue Bonds, September 2016	2035	22,845,000	20,835,000
Series 2016A, Augsburg College Revenue Bonds, December 2016	2046	32,240,000	31,500,000
Series 2016B, Augsburg College Revenue Bonds, December 2016	2046	13,680,000	10,310,000
Series 2017, Carleton College Revenue Bonds, May 2017	2047	124,900,000	91,765,000

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College/University	Final Maturity	INDEBTEDNESS	
		Issued	Outstanding
Series 2017, Bethel University Revenue and Refunding Bonds, July 2017	2047	\$ 44,565,000	\$ 44,565,000
Series 2017, Gustavus Adolphus College Revenue Bonds, September 2017	2047	52,515,000	48,410,000
Series 2017, St. John's University Revenue and Refunding Bonds, September 2017	2033	7,595,000	4,855,000
Series 2017, Macalester College Revenue and Refunding Bonds, November 2017	2048	40,315,000	26,575,000
Series 2017B, Hamline University Revenue and Refunding Bonds, December 2017	2047	34,650,000	29,040,000
Series 2017A, University of St. Thomas Revenue Bonds, December 2017	2037	60,750,000	48,580,000
Series 2017, College of St. Benedict Revenue and Refunding Bonds, December 2017	2036	8,605,000	4,895,000
Series 2018, Minneapolis College of Art and Design Revenue Note, May 2018	2028	3,643,000	2,702,065
Series 2018A, St. Catherine University Revenue and Refunding Bonds, September 2018	2045	49,770,000	48,475,000
Series 2018B, St. Catherine University Taxable Revenue Refunding Bonds, September 2018	2050	20,765,000	20,765,000
Series 2019, University of St. Thomas Revenue Bonds, May 2019	2044	80,525,000	75,200,000
Series 2019, College of St. Scholastica Revenue Refunding Bonds, September 2019	2040	29,075,000	24,810,000
Series 2020A, University of St. Thomas Revenue Refunding Note, October 2020	2032	9,610,000	6,415,000
Series 2020B, University of St. Thomas Revenue Note, October 2020	2030	9,135,000	5,670,000
Series 2021, St. Olaf College Revenue Bonds, March 2021	2050	57,335,000	57,335,000
Series 2021, Macalester College Revenue Refunding Bonds, April 2021	2043	12,870,000	11,200,000
Series 2021, St. John's University Revenue Bonds, September 2021	2041	21,560,000	19,845,000
Series 2021, Hamline University Revenue Refunding Note, June 2021	2032	9,725,000	6,440,000

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College/University	Final Maturity	INDEBTEDNESS	
		Issued	Outstanding
Series 2022, Minneapolis College of Art and Design Revenue Note, March 2022	2032	\$ 1,500,000	\$ 906,183
Series 2022A, Mitchell Hamline School of Law Revenue Note, March 2022	2038	12,425,000	10,705,000
Series 2022B, Mitchell Hamline School of Law Revenue Note, March 2022	2034	998,000	792,000
Series 2022A, University of St. Thomas Revenue Refunding Bonds, May 2022	2053	60,720,000	60,720,000
Series 2022B, University of St. Thomas Revenue Refunding Bonds, May 2022	2053	70,280,000	70,280,000
Series 2023A, Minneapolis College of Art and Design Revenue Note, June 2023	2043	13,120,000	13,120,000
Series 2023B, Minneapolis College of Art and Design Revenue Note, June 2023	2043	5,253,000	5,253,000
Series 2023, St. Catherine University Revenue Bonds, July 2023	2053	21,235,000	21,235,000
Series 2023, Carleton College Revenue Bonds, September 2023	2053	60,495,000	60,495,000
Series 2024, St. Olaf College Revenue Note, March 2024	2055	25,000,000	25,000,000
Series 2024A, University of St. Thomas Revenue Bonds, March 2024	2054	94,440,000	94,440,000
Series 2024B, University of St. Thomas Revenue Bonds, March 2024	2030	50,000,000	50,000,000
Series 2024C, University of St. Thomas Revenue Bonds, March 2024	2036	14,950,000	14,950,000
Total		\$ 1,463,074,000	\$ 1,228,768,248

A summary of changes in conduit debt outstanding for the year ended June 30, 2025, is presented below.

Conduit debt – July 1, 2024	\$ 1,266,863,316
Additions	
Revenue bonds issued	—
Reductions	
Principal retirements	(38,095,068)
Conduit debt – June 30, 2025	\$ 1,228,768,248

NOTE 6 – RISK MANAGEMENT

The Authority is exposed to various risk of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. In order to protect against these risks of loss, the Authority purchases commercial insurance through the State of Minnesota Department of Administration Risk Management Division.

During the year ended June 30, 2025, there were no significant reductions in insurance coverage from the prior year. Settled claims have not exceeded the Authority’s commercial coverage in any of the past three years.

NOTE 7 – STATE EMPLOYEES RETIREMENT FUND

A. Plan Description

The State Employees Retirement Fund (SERF) is administered by the Minnesota State Retirement System (MSRS) and is established and administered in accordance with *Minnesota Statutes* Chapters 352 and 356. SERF includes the General Employees Retirement Plan (General Plan), which is a multiple-employer, cost-sharing defined benefit plan, and three single-employer defined benefit plans: the Military Affairs Plan, the Transportation Pilots Plan, and the Fire Marshals Plan. Only certain employees of the Department of Military Affairs, the Department of Transportation, and the State Fire Marshal’s Office are eligible to be members of those plans, but all state of Minnesota employees who are not members of another plan are covered by the General Plan. The Transportation Pilots Plan has been closed to new entrants since July 1, 2008, and there are no active contributing participants in the plan.

B. Benefits Provided

MSRS provides retirement, disability, and death benefits to plan members and their beneficiaries. Benefit provisions are established by state statute and can only be modified by the state legislature. Benefits are based on a member’s age, years of credit, and the highest average salary for any sixty successive months of allowable service at termination of service. Benefit increases are provided to benefit recipients each January and are related to the funded ratio of the plan. Annuitants receive benefit increases of 2.0% each year. When the fund reaches a 90% funded status for two consecutive years, annuitants will receive a 2.5% increase.

Retirement benefits can be computed using one of two methods: the Step formula and the Level formula. Members hired before July 1, 1989, may use the Step or Level formula, whichever is greater. Members hired on or after July 1, 1989, must use the Level formula. Each formula converts years and months of service to a certain percentage. Under the Step formula, members receive 1.2% of the high-five average salary for each of the first ten years of covered service, plus 1.7% for each year thereafter. It also includes full benefits under the Rule of 90 (age plus years of allowable service equals 90). In contrast, the Level formula does not include the Rule of 90. Under the Level formula, members receive 1.7% of the high-five average salary for all years of covered service, and full benefits are available at normal retirement age.

C. Contributions

Minnesota Statutes Chapter 352 sets the rates for employer and employee contributions. Eligible General Plan members were required to contribute 6.0% of their annual covered salary in fiscal year 2025, while participating employers were required to contribute 6.25% of covered salary in fiscal year 2025. The member contribution rate was reduced from 6.0% to 5.5% of pay for two years effective July 1, 2023, to June 30, 2025. The Authority’s contribution to the General Plan for the fiscal year ending June 30, 2025, was \$15,935. These contributions were equal to the contractually required contributions for each year as set by state statute.

D. Actuarial Assumptions

The Authority’s net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

INFLATION 2.25% per year	ACTIVE MEMBER PAYROLL GROWTH 3.00% per year	INVESTMENT RATE OF RETURN 7.00% per year
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Salary increases were based on a service-related table. Mortality rates were based on Pub-2010 mortality tables using projection scale MP-2021, with adjustments to match fund experience.

Actuarial assumptions used in the June 30, 2024, valuation were based on the results of an actuarial experience study for state employees covering fiscal years 2018-2022.

The SBI, which manages the investments of MSRS, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method. Best-estimates of expected future real rates of return (expected rates, net of inflation) were developed for each major asset class. These asset class estimates, and target allocations are combined to produce a geometric, expected long-term rate of return as summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return (Geometric Mean)
Domestic equity	33.5%	5.10%
International equity	16.5%	5.30%
Fixed income	25.0%	0.75%
Private markets	25.0%	5.90%
Total	100%	

The following changes were made in actuarial assumptions and plan provisions.

- The adjustments applied to the mortality table rates were modified slightly, and the mortality improvement scale was updated from MP-2019 to MP-2021.
- Assumed rates of salary increases were modified, resulting in a decrease in gross salary increase rates.
- Assumed rates of retirement were changed, resulting in slightly higher unreduced (Normal) retirement rates, slightly lower Rule of 90 rates, slightly higher early retirement rates for Tier 1 members, and slightly lower early retirement rates for Tier 2 members.
- Assumed rates of withdrawal were changed as recommended, reflecting more assumed terminations for males and fewer terminations for females.
- Assumed rates of disability were lowered.
- Assumed percent married for retirees was changed from 80 to 75 percent for males and from 60 to 65 percent for females.
- Minor changes to form of payment assumptions and missing participant data assumptions were made.
- The actuarial equivalent factors were updated to reflect changes in assumptions.

E. Discount Rate

A Single Discount Rate used to measure the total pension liability as of June 30, 2024, was 7.00%. This Single Discount Rate was based on an expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.97%. The projection of cash flows used to determine this Single Discount Rate assumed that employee and employer contributions will be made at the current statutory contribution rates. Based on these assumptions, the pension plan's fiduciary net position and future contributions were sufficient to finance the benefit payments of current plan members through fiscal year 2124. As a result, the discount rate is the long-term expected rate of return on pension plan investments which, was applied to all periods of projected benefit payments to determine the total pension liability.

F. Net Pension Liability

As of June 30, 2025, the Authority reported a liability of \$1,976 for its proportionate share of MSRS net pension liability. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Authority's proportion of the net pension liability was based on the Authority's contributions received by MSRS during the measurement period July 1, 2023, through June 30, 2024, relative to the total employer contributions received from all of MSRS's participating employers. As of the plan's year-end of June 30, 2024, the Authority's proportionate share was 0.00763% at the end of the measurement period and 0.00333% for the beginning of the period.

G. Pension Liability Sensitivity

The following presents the Authority's proportionate share of the net pension liability, calculated using the discount rate disclosed in Note 7.E. above, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current discount rate:

	1% Decrease in Discount Rate 6.00%	Current Discount Rate 7.00%	1% Increase in Discount Rate 8.00%
Authority's proportionate share of the net pension liability (asset)	\$ 135,967	\$ 1,976	\$ (109,319)

H. Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the MSRS Annual Comprehensive Financial Report, available on the MSRS website at www.msrs.state.mn.us.

I. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2025, the Authority recognized pension expense of (\$894). As of June 30, 2025, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 14,491	\$ 159
Changes of assumptions	22,281	36,130
Net difference between projected and actual earnings on investments	—	36,770
Changes in proportion	1,254	92
Contributions paid to MSRS subsequent to the measurement date	16,787	—
Total	\$ 54,813	\$ 73,151

The \$16,787 reported as deferred outflows of resources related to pensions resulting from Authority contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2026.

Other amounts reported as deferred outflows of resources and (deferred inflows of resources) will be recognized in pension expense as follows:

Year Ended June 30	Pension Expense Amount
2026	\$ (10,665)
2027	2,292
2028	(17,505)
2029	(9,247)
	\$ (35,125)

NOTE 8 – STATE UNCLASSIFIED EMPLOYEES’ RETIREMENT PROGRAM

Pension fund information is provided by the Minnesota State Retirement System (MSRS), who prepares and publishes their own stand-alone Annual Comprehensive Financial Report (ACFR), including financial statements and required supplementary information. Copies of the report may be obtained directly from MSRS at 60 Empire Drive, #300, St. Paul, Minnesota 55103-3000.

The statutory authority for State Unclassified Employees’ Retirement Program (SUERP) is *Minnesota Statutes* Chapter 352D. Only certain unclassified employees are covered by this defined contribution program. The cash value may not be withdrawn prior to termination of the covered employee.

The funding requirement for SUERP is 6.0% for employees and 6.25% for the employer. Actual contributions were 100% of required contributions. Required contributions for the Authority were:

Year	Amount
2025	\$ —
2024	—
2023	8,342

The Authority’s sole participant in the SUERP elected to move to the MSRS State Employee Retirement Fund effective July 1, 2023.

NOTE 9 – SUBSEQUENT EVENTS

On September 4, 2025, St. Olaf College issued \$29,230,000 of revenue bonds to refund, on a current refunding basis, the outstanding principal of the Authority’s Series Eight-G bonds, to be paid and redeemed in full on December 1, 2025.

On June 12, 2025, the Governor of Minnesota signed legislation passed by the Minnesota Legislature expanding the scope of the Authority. The Authority is now authorized to provide capital financing for nonprofit healthcare institutions in addition to providing capital financing for eligible nonprofit higher education institutions. This change became effective on August 1, 2025. In alignment with this expansion, on the August 1, 2025 effective date the legislation was amended, the Authority’s name changed from the “Minnesota Higher Education Facilities Authority” to the “Minnesota Health and Education Facilities Authority.”

REQUIRED SUPPLEMENTARY INFORMATION



E/STUDIO GALLERY
Minneapolis College of Art and Design

REQUIRED SUPPLEMENTARY INFORMATION

STATE EMPLOYEES RETIREMENT FUND, LAST TEN YEARS

A. Schedule of Authority's Share of Net Pension Liability

For Plan's Year Ended June 30	Authority's Proportion of the Net Pension Liability (Asset)	Authority's Proportionate Share of the Net Pension Liability (Asset)	Authority's Covered- Employee Payroll	Authority's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2024	0.00763%	\$ 1,976	\$ 239,680	0.82%	99.82%
2023	0.00333%	24,746	94,176	26.28%	94.54%
2022	0.00337%	42,840	87,088	45.49%	90.60%
2021	0.00335%	2,117	84,256	2.43%	99.53%
2020	0.00317%	31,991	78,944	37.97%	91.25%
2019	0.00320%	34,126	75,030	43.23%	90.73%
2018	0.00319%	33,308	71,200	44.39%	90.56%
2017	0.00350%	192,979	78,927	271.04%	62.73%
2016	0.00480%	440,386	97,600	557.96%	47.51%
2015	0.00480%	54,876	92,180	56.23%	88.32%

See notes to required supplementary information.

STATE EMPLOYEES RETIREMENT FUND, LAST TEN YEARS *(continued)*
B. Schedule of Authority's Contributions

For Fiscal Year Ended June 30,	Contractually Required Contribution	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Authority's Covered- Employee Payroll	Contributions as a Percentage of Covered- Employee Payroll
2025	\$ 15,935	\$ 15,935	\$ —	\$ 254,960	6.250%
2024	14,980	14,980	—	239,680	6.250%
2023	5,886	5,886	—	94,176	6.250%
2022	5,443	5,443	—	87,088	6.250%
2021	5,266	5,266	—	84,256	6.250%
2020	4,934	4,934	—	78,944	6.250%
2019	4,408	4,408	—	75,030	5.875%
2018	3,916	3,916	—	71,200	5.500%
2017	4,341	4,341	—	78,927	5.500%
2016	5,368	5,368	—	97,600	5.500%

See notes to required supplementary information.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

STATE EMPLOYEES RETIREMENT FUND

Fiscal Year 2024 Changes Since the Fiscal Year 2023 Actuarial Valuation

Changes in Actuarial Assumptions

- The adjustments applied to the mortality table rates were modified slightly, and the mortality improvement scale was updated from MP-2019 to MP-2021.
- Assumed rates of salary increases were modified, resulting in a decrease in gross salary increase rates.
- Assumed rates of retirement were changed, resulting in slightly higher unreduced (Normal) retirement rates, slightly lower Rule of 90 rates, slightly higher early retirement rates for Tier 1 members, and slightly lower early retirement rates for Tier 2 members.
- Assumed rates of withdrawal were changed as recommended, reflecting more assumed terminations for males and fewer terminations for females.
- Assumed rates of disability were lowered.
- Assumed percent married for retirees was changed from 80 to 75 percent for males and from 60 to 65 percent for females.
- Minor changes to form of payment assumptions and missing participant data assumptions were made.

Changes to Plan Provisions

- The actuarial equivalent factors were updated to reflect changes in assumptions.

Fiscal Year 2023 Changes Since the Fiscal Year 2022 Actuarial Valuation

Changes in Actuarial Assumptions

- The long-term rate of return assumption increased from 6.75% to 7.00%.
- The single discount rate increased from 6.75% to 7.00%.

Changes to Plan Provisions

- The member contribution rate was changed from 6.00% to 5.50% for pay for two years, effective July 1, 2023.
- A one-time direct state aid contribution of \$76.4 million was contributed to the Plan on October 1, 2023.
- The benefit increase delay for early retirements on or after January 1, 2024, was eliminated.
- A 1.00% one-time, non-compounding benefit increase was paid in a lump sum by March 31, 2024.
- The vesting period for members hired after June 30, 2010, was changed from five years to three years.

Fiscal Year 2022 Changes Since the Fiscal Year 2021 Actuarial Valuation

Changes in Actuarial Assumptions

- The investment return and single discount rates increased from 6.5% to 6.75%.

Changes to Plan Provisions

- No changes

Fiscal Year 2021 Changes Since the Fiscal Year 2020 Actuarial Valuation

Changes in Actuarial Assumptions

- The investment return and single discount rates decreased from 7.5% to 6.5%.

Changes to Plan Provisions

- No changes

Fiscal Year 2020 Changes Since the Fiscal Year 2019 Actuarial Valuation

Changes in Actuarial Assumptions

- The price inflation assumption was decreased from 2.50% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.00%.
- Assumed salary increase rates were changed, resulting in proposed rates that average 0.25% less than the previous rates.
- Assumed rates of retirement were changed, resulting in more unreduced (normal) retirements, fewer Rule of 90 retirements and fewer early retirements.
- Assumed rates of termination were changed, resulting in new rates which are generally lower than the previous rates for years 1-5 and slightly higher thereafter.
- Assumed rates of disability were changed, resulting in fewer predicted disability retirements.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The mortality improvement scale was changed from Scale MP-2015 to Scale MP-2018. The base mortality table for disabled annuitants was changed from the RP-2014 disable annuitant mortality table (with future mortality improvement according to Scale MP-2015) to the Pub-2010 General/Teacher disabled annuitant mortality table (with future mortality improvement according to Scale MP-2018), with adjustments.
- The percent married assumption for female members was changed from 65% to 60%.
- The assumed age difference was changed from three years younger for males to 2 years younger.
- The assumed number of married male new retirees electing the 50% and 100% Joint and Survivor options changed from 15% to 10% to 65%, respectively. The assumed number of married female new retirees electing the 100% Joint and Survivor option changed from 30% to 40%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

Changes to Plan Provisions

- No changes

Fiscal Year 2019 Changes Since the Fiscal Year 2018 Actuarial Valuation

Changes in Actuarial Assumptions

- No changes

Changes to Plan Provisions

- No changes

Fiscal Year 2018 Changes Since the Fiscal Year 2017 Actuarial Valuation

Changes in Actuarial Assumptions

- The single discount rate changed from 5.42% to 7.50%.

Changes to Plan Provisions

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Member contributions increased from 5.50% to 5.75% of pay, effective July 1, 2018, and 6.00% of pay effective July 1, 2019.
- Employer contributions increased from 5.50% to 5.875% of pay, effective July 1, 2018, and 6.25% of pay effective July 1, 2019.
- Interest credited on member contributions will decrease from 4.0% to 3.0%, beginning July 1, 2018.
- Deferred augmentation was changed to 0.0% for future accruing benefits effective January 1, 2019.
- Contribution stabilizer provisions were repealed.
- Post-retirement benefit increases were changed from 2.0% to 2.5% per year increase based upon funded ratio, to a fixed rate of 1.0% for five years beginning January 1, 2019, and 1.5% per year thereafter.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches Normal Retirement Age.

Fiscal Year 2017 Changes Since the Fiscal Year 2016 Actuarial Valuation

Changes in Actuarial Assumptions:

- The Combined Service Annuity loads were changed from 1.2% for active members and 40.0% for deferred members, to 0.0% for active members, 4.0% for vested deferred members, and 5.0% for non-vested deferred members.
- The single discount rate changed from 4.17% to 5.42%.

Changes to Plan Provisions:

- Actuarial equivalent factors were updated to reflect current mortality and interest assumptions, effective January 1, 2017.

Fiscal Year 2016 Changes Since the Fiscal Year 2015 Actuarial Valuation

Changes in Actuarial Assumptions

- Assumed salary increase rates were changed to rates that average 0.2% greater than the previous rates.
- Assumed rates of retirement were changed, resulting in fewer unreduced retirements and fewer Rule of 90 retirements. Distinct rates for reduced (early) retirements were adopted for members hired prior to July 1, 1989, and members hired after June 30, 1989.
- Assumed rates of termination were changed, with new rates generally greater than the previous rates for years 3 through 9 and less than the previous rates after 15 years.
- Assumed rates of disability for females were reduced to 75.0% of previous rates. Rates for male members were lowered by utilizing the same disability rates as for females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2014), white collar adjustments, with age adjustments. The mortality improvement scale was changed from Scale AA to Scale MP-2015. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table (no projection for future mortality improvement) to the RP-2014 disabled annuitant mortality table (with future mortality improvement according to Scale MP-2015), with age adjustments.
- The percent married assumption was change from 85% of active male members and 70% of female members to 80% of active male members and 65% of active female members.
- The assumed number of married male new retirees electing the 75% Joint & Survivor option changed from 10% to 15%. The assumed number of married female new retirees electing the 75% and 100% Joint & Survivor options changed from 0% to 10% and from 25% to 30%, respectively. The corresponding number of married new retirees electing the life annuity option was adjusted accordingly.
- The assumed post-retirement benefit increase rate was changed from 2.0% per year through 2043 and 2.5% per year thereafter, to 2.0% per year for all future years.
- The long-term expected rate of return on pension plan investments was changed from 7.90% to 7.50%.
- The single discount rate changed from 7.90% to 4.17%.
- The inflation assumption was changed from 2.75% to 2.50%.
- The payroll growth assumption was changed from 3.50% to 3.25%.

Fiscal Year 2015 Changes Since the Fiscal Year 2014 Actuarial Valuation

Changes in Actuarial Assumptions

- The assumed post-retirement benefit increase rate was changed from 2.0% per year through 2015 and 2.5% per year thereafter, to 2.0% per year through 2043 and 2.5% per year thereafter.
- The Contribution Stabilizer statutes were revised to make changes to contribution rates less prescriptive and more flexible.

Changes to Plan Provisions

- Effective July 1, 2015, if the 2.5% post-retirement benefit increase is triggered and the funded ratio subsequently drops below 80.0% for the most recent valuation year or 85.0% for two consecutive years, the post-retirement benefit increase will change to 2.0% until the plan again reaches a 90.0% funded ratio for two consecutive years.

GOODBYE MHEFA, HELLO MHEFA!

A Retrospective and a New Era

Since 1971, we have been the Minnesota Higher Education Facilities Authority. That name has served us well, showing our focus on providing low-cost financing for capital projects needed by Minnesota nonprofit colleges and universities. This report is the final version under that name.

At the Authority's request, the Minnesota State Legislature approved legislation that took effect August 1, 2025 that expands our mission to include healthcare. This expansion ensures our ability to continue to provide cost-effective financing to Minnesota nonprofit higher education and now adds the ability to provide low-cost financing for capital projects needed by Minnesota nonprofit healthcare institutions as well.

With our expanded mission, we are now the Minnesota Health and Education Facilities Authority. We will continue to be known as "MHEFA," with a more encompassing mission. We look forward to continuing to serve our current higher education and our new healthcare clients with the same high service levels we are known for.



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