

Research Update:

# Grinnell College, IA Revenue Bond Rating Affirmed At 'AAA'

October 6, 2025

## Overview

- S&P Global Ratings affirmed its 'AAA' long-term rating on [Grinnell College](#), Iowa's revenue bonds.
- The outlook is stable.

## Rationale

### Security

A general obligation of Grinnell College secures the bonds. As of June 30, 2025, college had about \$207 million in fixed-rate debt outstanding, which fully amortizes by 2052. The debt has a bullet payment of roughly \$61 million due in 2052; however, this poses little to no risk to the college given the size of its financial resources and liquidity.

The college does not have any additional debt plans within our outlook period.

### Credit highlights

We assessed Grinnell's enterprise risk profile as extremely strong, characterized by enrollment that grew slightly in fall 2023 and fall 2024, but is expected to be slightly weaker in fall 2025 according to management given a larger outgoing graduating class and less international students, in large part due to changing federal policies. About 19% of students were international in fall 2025. Grinnell has maintained an exceptional acceptance rate below 15% the past few years, along with a fairly high matriculation rate, a geographically diverse student body, a solid management team, and excellent student quality. The financial risk profile is very strong, characterized by abundant financial resource ratios and consistent full accrual operating surpluses. Combined, these factors lead to an anchor of 'aa+'. As our criteria indicate, the final rating can be within one notch of the anchor. In our opinion, the 'AAA' long-term rating is supported by the college's significant cash and investments to debt.

The 'AAA' long-term rating reflects the college's unsecured general obligation pledge, supported by our view of the college's:

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## Grinnell College, IA Revenue Bond Rating Affirmed At 'AAA'

- Healthy demand profile with very selective demand metrics, demonstrated by an acceptance rate of about 13%, combined with excellent student quality given the college's reputation;
- Exceptional geographic diversity, with just 8% of students coming from Iowa;
- Track record of positive operations with substantial margins;
- Above-average financial resource ratios relative to other 'AAA' rated colleges and universities; and
- Impressive endowment of approximately \$2.8 billion as of June 30, 2025. and \$2.6 billion as of June 30, 2024;

The above factors are partially offset by the slightly above-average debt burden of just over 5.7% of fiscal 2025 expenses when smoothing the series 2021 issuance only.

Founded in 1846, the college is a private, undergraduate liberal arts institution on an attractive 190-acre campus in the city of Grinnell, about 60 miles east of Des Moines. We view enrollment as fairly stable historically, though it fluctuated a bit through the pandemic. Most students live on campus, and almost all attend full time.

### Environmental, social, and governance

We analyzed the college's environmental, social, and governance (ESG) credit factors pertaining to its market position, management and governance, and financial performance. We view Grinnell's ESG factors as neutral in our credit rating analysis.

### Rating above the sovereign

Grinnell's bonds are eligible to be rated above the sovereign because of a moderate sensitivity to country risk. Grinnell's revenues and reserves are the sole source of security on the bonds. Under our criteria, "[Ratings Above The Sovereign--Corporate And Government Ratings: Methodology And Assumptions](#)," Nov. 19, 2013. Furthermore, the institutional framework in the U.S. is predictable, with institutions like Grinnell having significant autonomy, and independent treasury management. Financial flexibility is demonstrated by the large endowment market value, which is invested globally, low relative debt levels and the largely serial amortization of the debt portfolio.

## Outlook

The stable outlook reflects our expectation that the college will maintain its solid full-time-equivalent enrollment and stellar demand metrics, sustain its robust financial resource ratios, and maintain surpluses or at least close to break-even operating performance on a GAAP basis.

### Downside scenario

We could consider a negative rating action during the outlook period if enrollment were to decline materially; if operations were to be consistently negative, excluding additional endowment draws used for capital projects; if financial resource ratios were to weaken substantially; or if the college were to issue significant debt without commensurate growth in financial resources.

## Credit Opinion

### Enterprise Risk Profile--Extremely Strong

#### Market position and demand

Grinnell's demand profile continues to be very solid, though enrollment could decline slightly in fall 2025. The college continues to be highly selective liberal arts, with a selectivity rate of about 13% in fall 2024, and matriculation remains fairly high at about 31%, but down slightly the past two years. The college continues to garner large interest both nationally and internationally, with about 92% of students attending from outside of the state. The college has increased its recruitment efforts and is offering more student aid as it continues to make Grinnell accessible for all students. For fall 2025, enrollment is down roughly 5% due to a larger graduating class coupled with international student enrollment losses. The college has put steps in place to mitigate enrollment losses like this in the future. In our opinion, the demand metrics are still fairly comparable with those of peer institutions, but further degradation could weaken the college's demand metrics relative to those of similarly rated peers.

The college has raised its total tuition and fees by approximately 5% over the past two years, while simultaneously increasing its tuition discount rate as part of its commitment to a no-loan policy. It admits domestic students on a need-blind basis and guarantees to meet 100% of each student's demonstrated financial need. Additionally, the college has extended its test-optional admission policy through 2026, positioning itself as one of fewer than 10 institutions that combine need-blind admissions with robust financial aid policies.

We do not view the college as having a strong history of fundraising for the rating category, but it has improved. The college completed the largest fundraising campaign in its history in 2021, raising \$189 million on a goal of \$175 million over about eight years. Current fundraising efforts are focused on the endowment and unrestricted gifts to the Pioneer Fund. We view the improved fundraising positively, as it could help the college improve its revenue diversity in the future.

#### Management and governance

The college named Dr. Anne F. Harris, who was the former dean and vice president of academic affairs of Grinnell, as its 14th president in July 2020 with a contract extension to 2030. The management team has remained fairly stable, in our opinion, with the only changes recently of hiring a new vice president for development. We believe the general stability will help Grinnell continue to meet its goals. The college adopted its new strategic plan in 2023 that will emphasize the college's mission of serving the common good through academic excellence, a diverse and equitable community, and social responsibility.

Overall, the college's financial practices are conservative. Operations have consistently been positive during the past several years, which offsets the fact that management does not budget for full depreciation. Management reports that the college funds its facility maintenance expenses through a combination of the operating budget and reserve funds, and the funding demand is projected on a one-year and 10-year outlook that is updated at least once annually. The college has formal policies for endowment, investments, and debt. It operates according to an actively managed, ongoing strategic plan, and has a formal reserve and liquidity policy.

Grinnell adopted a new strategic plan in spring of 2023 after a communitywide information-gathering period to understand Grinnell and the goals major constituents had for the college. The

strategic plan emphasizes four key principles of the college: Grinnell as catalyst, belonging and connection, collective equity, and shared goals and common ground. We believe management has been successful over the past two years in achieving its goals and believe it continues to have the people in place to do so.

## Financial Risk Profile--Very Strong

### Financial performance

Grinnell has produced full accrual surpluses during the past 10 years, including in fiscal 2025 and fiscal 2024. Fiscal 2025 and fiscal 2024 are inflated by one-time endowment draws for capital needs, though. Excluding about \$38.2 million and \$10.6 million, respectively, net operating margins were about 2%. Net tuition revenue, auxiliary revenue, and endowment draws have increased the past few years, and are also the main revenue drivers for the college, resulting in a significant improvement in margins. The college endowment draw for operations was 4.1% in fiscal 2025, excluding the supplemental draw for capital. Beginning in fiscal year 2023-2024, the college approved a new hybrid spending policy that combines the components of constant growth and market value in the spending formula, which aims to provide an appropriate level of support to the college's current operations while preserving the endowment purchasing power for future generations. With improvements in the endowment, revenue continues to increase, including in fiscal 2024, and we expect continued growth over the long term. While expenses have increased, the college has managed those expenses adequately to produce consistent full accrual surpluses. For fiscal 2026, the college budgeted for a \$5 million surplus; however, this does not include slightly weaker enrollment projections. Given the college's fairly conservative budgeting practices, we still anticipate a surplus in fiscal 2026.

### Financial resources

Financial resource ratios are excellent and well above the 'AAA' rating category medians due to the college's large unrestricted endowment and conservative endowment spending rate, and remain a key credit strength for the college. Cash and investments grew further in fiscal 2025, and resources relative to operations and debt remain consistent with the rating and in fiscal 2025 were \$2.9 billion, which equaled 11.5x operating expenses and 14.2x of debt. We expect that cash and investments will continue to grow given the college's conservative endowment draws, consistent surpluses, and modest fundraising. As identified in the annual financial report, as of fiscal 2025, Grinnell has about \$207 million as of fiscal 2025 in assets available for expenditures within one year, up from \$185 million in fiscal 2024.

Grinnell's endowment is largely unrestricted, and management attributes its growth during the past two decades largely to the college's investment strategy, planning, and budget discipline, rather than fundraising. The endowment's market value as of June 30, 2025, was \$2.8 billion, of which approximately \$1.9 billion was unrestricted. As of June 30, 2025 the endowment asset allocation was about 32% public equities, 39% in private equities, 20% in marketable alternatives, 8% in cash and fixed income, and 2% in real assets. Management estimates that approximately 19% of endowment could be liquidated in 30 days. We understand that unfunded capital commitments as of June 30, 2025 about 16% of the portfolio, which we consider conservative relative to that of peer institutions with similar-sized endowments.

## Debt and contingent liabilities

As of June 30, 2025, the college had \$206 million of debt, all of which is fixed rate with no swap contracts. The college has series 2014, series 2017, and series 2021 debt outstanding. We believe this fixed-rate debt profile is conservative and does not expose the college to put and interest-rate risk. Financial resource ratios relative to debt remains above average for the 'AAA' rating category, and we expect they will remain stable. Since the series 2021 bonds are structured with a bullet with a final maturity in 2052, we've smoothed total debt service over a 30-year period. The maximum annual debt service burden after smoothing is just slightly above average at about 5.7% of fiscal 2025 adjusted operating expenses. The college has no debt plans in the immediate future.

The college has a \$30 million line of credit with the Northern Trust Co. for general corporate purposes and liquidity backstop. It plans to add a new line to provide additional liquidity.

## Grinnell College, Iowa--enterprise and financial statistics

	--Fiscal year ended June 30--				
	2025	2024	2023	2022	2021
<b>Enrollment and demand</b>					
Full-time-equivalent enrollment	1,748	1,730	1,724	1,728	1,470
Undergraduates as a % of total enrollment	100.0	100.0	100.0	100.0	100.0
First-year acceptance rate (%)	14.5	12.7	10.7	10.5	19.2
First-year matriculation rate (%)	30.9	36.1	40.6	42.5	23.3
First-year retention rate (%)	93.0	93.0	93.0	93.0	81.0
Six-year graduation rate (%)	88.0	87.0	88.0	87.0	87.0
<b>Financial performance</b>					
Adjusted operating revenue (\$000s)	298,684	253,902	232,266	212,233	181,583
Adjusted operating expense (\$000s)	255,893	237,600	224,940	209,977	178,116
Net operating margin (%)	16.7	6.9	3.3	1.1	1.9
Change in unrestricted net assets (\$000s)	139,600	113,053	21,110	(296,744)	565,514
Tuition discount (%)	67.1	66.9	65.5	65.2	60.9
Student dependence (%)	47.0	51.5	53.6	56.5	47.8
Health care operations dependence (%)	N.A.	N.A.	N.A.	N.A.	N.A.
<b>Financial resources</b>					
Endowment market value (\$000s)	2,847,380	2,670,849	2,505,851	2,484,419	2,931,550
Cash and investments (\$000s)	2,952,778	2,762,007	2,642,012	2,631,354	3,090,564
Cash and investments to operations (%)	1,153.9	1,162.5	1,174.5	1,253.2	1,735.1
Cash and investments to debt (%)	1,427.9	1,310.1	1,232.7	1,207.2	1,395.5
<b>Debt</b>					
Outstanding debt (\$000s)	206,792	210,824	214,325	217,975	221,470
Current MADS burden (%)	5.7	6.2	6.5	6.0	7.3
Average age of plant (years)	16.6	18.6	18.5	17.5	17.4

Total adjusted operating revenue = unrestricted revenue less realized and unrealized gains/losses and financial aid. Total adjusted operating expense = unrestricted expense plus financial aid expense. Net operating margin = 100\*(net adjusted operating income/adjusted operating expense). Student dependence = 100\*(gross tuition revenue + auxiliary revenue) / adjusted operating revenue. Current MADS burden = 100\*(maximum annual debt service expense/adjusted operating expenses). Cash and investments = cash + short-term and long-term investments. Average age of plant = accumulated

Grinnell College, Iowa--enterprise and financial statistics

	--Fiscal year ended June 30--				
	2025	2024	2023	2022	2021
depreciation/depreciation and amortization expense. N.A.--Not available. MNR--Median not reported. MADS--Maximum annual debt service.					

Ratings List

Ratings Affirmed

Education

Grinnell Coll, IA General Obligation	AAA/Stable
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The ratings appearing below the new issues represent an aggregation of debt issues (ASID) associated with related maturities. The maturities similarly reflect our opinion about the creditworthiness of the U.S. Public Finance obligor's legal pledge for payment of the financial obligation. Nevertheless, these maturities may have different credit ratings than the rating presented next to the ASID depending on whether or not additional legal pledge(s) support the specific maturity's payment obligation, such as credit enhancement, as a result of defeasance, or other factors.

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