

Wabash College

Independent Auditor's Report and Financial Statements

June 30, 2021 and 2020

Wabash College
June 30, 2021 and 2020

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Independent Auditor's Report

Board of Trustees
Wabash College
Crawfordsville, Indiana

We have audited the accompanying financial statements of Wabash College (College), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Wabash College as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 2 to the financial statements, in 2021, the College adopted ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606). Our opinion is not modified with respect to this matter.

BKD, LLP

Indianapolis, Indiana
January 12, 2022

Wabash College
Statements of Financial Position
June 30, 2021 and 2020

	2021	2020
Assets		
Cash	\$ 3,304,104	\$ 2,147,362
Accounts receivable	1,077,084	564,417
Prepaid expenses and other	679,437	649,297
Contributions receivable	15,527,431	25,862,089
Student loans receivable held by endowment, net of allowance for doubtful accounts of \$877,000 each year	3,876,359	4,594,911
Investments	426,422,791	344,540,555
Cash surrender value of life insurance	2,598,737	2,343,170
Charitable remainder trusts	28,845,402	23,307,494
Property and equipment, net	129,567,797	124,826,930
Beneficial interest in perpetual trusts	10,134,485	8,285,927
Total assets	\$ 622,033,627	\$ 537,122,152
Liabilities		
Accounts payable and accrued expenses	\$ 2,971,647	\$ 4,541,739
Interest rate swap agreement	192,392	332,521
Long-term debt	46,229,200	49,060,800
Capital lease	530,085	-
Accumulated postretirement benefit obligation	7,916,058	8,761,921
Annuities and trusts payable	6,362,675	5,943,775
Total liabilities	64,202,057	68,640,756
Net Assets		
Without donor restrictions	272,685,074	237,759,002
With donor restrictions	285,146,496	230,722,394
Total net assets	557,831,570	468,481,396
Total liabilities and net assets	\$ 622,033,627	\$ 537,122,152

Wabash College
Statements of Activities
Years Ended June 30, 2021 and 2020

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Income and Other Support			
Net tuition revenue	\$ 11,442,611	\$ -	\$ 11,442,611
Contributions, gifts and bequests	4,582,656	10,678,073	15,260,729
Government and other grants	2,127,914	-	2,127,914
Investment return designated for current operations	8,890,614	9,058,219	17,948,833
Change in value of split-interest agreements	-	7,412,917	7,412,917
Auxiliary services	8,850,294	-	8,850,294
Other income	1,891,914	48,075	1,939,989
	<u>37,786,003</u>	<u>27,197,284</u>	<u>64,983,287</u>
Net assets released from restrictions	13,441,878	(13,441,878)	-
Total revenues, income and other support	<u>51,227,881</u>	<u>13,755,406</u>	<u>64,983,287</u>
Expenses			
Instruction	11,202,153	-	11,202,153
Research	1,577,212	-	1,577,212
Public service	3,105,503	-	3,105,503
Academic support and library	3,512,630	-	3,512,630
Student services	9,334,004	-	9,334,004
Management and general	5,571,540	-	5,571,540
Fundraising	2,106,668	-	2,106,668
Auxiliary services	4,322,923	-	4,322,923
Operations and maintenance	8,143,618	-	8,143,618
Interest expense	959,170	-	959,170
Depreciation expense	5,269,056	-	5,269,056
Total expenses	<u>55,104,477</u>	<u>-</u>	<u>55,104,477</u>
Change in Net Assets Before Other Changes	(3,876,596)	13,755,406	9,878,810
Other Changes			
Investment return greater (less) than amounts designated for current operations	38,822,343	40,668,696	79,491,039
Defined-benefit postretirement health plan - net gain arising during the period	616,569	-	616,569
Amortization of net loss included in net periodic pension costs	508,346	-	508,346
Amortization of prior service credit included in net periodic pension cost	(1,144,590)	-	(1,144,590)
Change in Net Assets	34,926,072	54,424,102	89,350,174
Net Assets, Beginning of Year	<u>237,759,002</u>	<u>230,722,394</u>	<u>468,481,396</u>
Net Assets, End of Year	<u>\$ 272,685,074</u>	<u>\$ 285,146,496</u>	<u>\$ 557,831,570</u>

2020		
Without Donor Restrictions	With Donor Restrictions	Total
\$ 11,882,959	\$ -	\$ 11,882,959
8,739,152	24,726,157	33,465,309
254,817	-	254,817
11,609,079	7,788,391	19,397,470
(126,392)	(1,207,935)	(1,334,327)
6,951,826	13,900	6,965,726
2,693,048	113,100	2,806,148
<u>42,004,489</u>	<u>31,433,613</u>	<u>73,438,102</u>
15,814,040	(15,814,040)	-
<u>57,818,529</u>	<u>15,619,573</u>	<u>73,438,102</u>
11,404,349	-	11,404,349
1,389,064	-	1,389,064
3,296,910	-	3,296,910
4,120,171	-	4,120,171
9,158,740	-	9,158,740
5,481,765	-	5,481,765
2,624,214	-	2,624,214
3,928,408	-	3,928,408
7,396,878	-	7,396,878
1,402,153	-	1,402,153
5,206,443	-	5,206,443
<u>55,409,095</u>	<u>-</u>	<u>55,409,095</u>
2,409,434	15,619,573	18,029,007
(8,450,522)	(7,300,125)	(15,750,647)
808,205	-	808,205
687,151	-	687,151
<u>(1,144,590)</u>	<u>-</u>	<u>(1,144,590)</u>
(5,690,322)	8,319,448	2,629,126
<u>243,449,324</u>	<u>222,402,946</u>	<u>465,852,270</u>
<u>\$ 237,759,002</u>	<u>\$ 230,722,394</u>	<u>\$ 468,481,396</u>

Wabash College
Statement of Functional Expenses
Year Ended June 30, 2021 (With Comparative Totals for 2020)

	2021										2020 Totals
	Program Services						Supporting Services				
	Instruction	Research	Public Service	Academic Support and Library	Student Services	Auxiliary Services	Total Programs	Management and General	Fundraising	Total	
Salaries and wages	\$ 8,461,342	\$ 1,167,522	\$ 813,964	\$ 1,531,123	\$ 4,978,246	\$ 188,032	\$ 17,140,229	\$ 2,450,513	\$ 803,830	\$ 20,394,572	\$ 21,103,949
Employee benefits and taxes	2,443,961	274,689	245,514	471,313	1,270,600	70,182	4,776,259	-	599,315	5,375,574	5,897,891
Postage, printing and marketing	16,464	1,892	31,415	4,124	261,575	1,530	317,000	3,653	205,968	526,621	517,443
Supplies	82,469	23,972	55,614	505,122	261,529	22,663	951,369	463,004	7,318	1,421,691	1,470,290
Books and media	12,035	3,238	9,509	476,043	65,536	9	566,370	2,054	8,508	576,932	463,954
Professional fees	16,716	2,454	798,891	236,980	562,040	414,225	2,031,306	1,326,979	390,473	3,748,758	2,636,498
Utilities	-	-	7,680	1,274	9,612	112,553	131,119	114,282	1,533	246,934	270,291
Speaking fees	1,207	-	14,700	-	-	-	15,907	-	-	15,907	115,510
Other fees	70,199	-	-	-	29,486	-	99,685	-	29,790	129,475	337,379
Sporting events	-	18	-	756	20,544	-	21,318	306	-	21,624	(13,564)
Theater productions	116	-	-	-	12,614	-	12,730	-	-	12,730	15,512
Interest	366,517	-	-	-	275,104	276,994	918,615	40,555	-	959,170	1,402,153
Insurance	-	-	1,500	-	126,910	-	128,410	489,636	-	618,046	503,297
Repairs and maintenance	2,215,837	30,515	30,492	721,934	1,930,704	2,685,072	7,614,554	220,720	41,574	7,876,848	7,132,639
Equipment	7,860	59,190	99,860	193,764	291,692	4,259	656,625	216,842	29,394	902,861	1,006,463
Room and board expenses	13,405	-	-	-	-	3,691,042	3,704,447	-	-	3,704,447	3,257,098
Travel and training	18,492	2,958	98,044	29,753	493,759	85	643,091	35,287	19,680	698,058	2,896,922
Depreciation	1,230,655	58,266	58,266	459,589	1,264,091	2,066,755	5,137,622	129,822	1,612	5,269,056	5,206,443
Cost of goods sold	-	-	-	-	-	91,436	91,436	-	-	91,436	291,193
Miscellaneous expenses	57,887	41,279	928,812	58,098	944,418	4,362	2,034,856	468,023	10,858	2,513,737	897,734
	<u>\$ 15,015,162</u>	<u>\$ 1,665,993</u>	<u>\$ 3,194,261</u>	<u>\$ 4,689,873</u>	<u>\$ 12,798,460</u>	<u>\$ 9,629,199</u>	<u>\$ 46,992,948</u>	<u>\$ 5,961,676</u>	<u>\$ 2,149,853</u>	<u>\$ 55,104,477</u>	
2020 Totals	<u>\$ 15,351,347</u>	<u>\$ 1,475,497</u>	<u>\$ 3,383,323</u>	<u>\$ 5,517,185</u>	<u>\$ 12,331,029</u>	<u>\$ 8,870,559</u>	<u>\$ 46,928,940</u>	<u>\$ 5,816,233</u>	<u>\$ 2,663,922</u>		<u>\$ 55,409,095</u>

Wabash College
Statement of Functional Expenses
Year Ended June 30, 2020

	2020									
	Program Services						Supporting Services			
	Instruction	Research	Public Service	Academic Support and Library	Student Services	Auxiliary Services	Total Programs	Management and General	Fundraising	Total
Salaries and wages	\$ 8,329,750	\$ 838,981	\$ 1,018,777	\$ 1,628,850	\$ 4,922,200	\$ 232,044	\$ 16,970,602	\$ 3,224,757	\$ 908,590	\$ 21,103,949
Employee benefits and taxes	2,426,185	203,259	275,668	499,966	1,292,997	82,009	4,780,084	433,056	684,751	5,897,891
Postage, printing and marketing	29,933	3,003	33,747	9,314	163,251	2,965	242,213	57,926	217,304	517,443
Supplies	77,149	26,140	299,762	541,164	420,236	10,741	1,375,192	69,871	25,227	1,470,290
Books and media	10,806	1,060	6,521	442,774	1,532	-	462,693	732	529	463,954
Professional fees	18,371	32,017	477,397	123,518	598,626	204,630	1,454,559	662,327	519,612	2,636,498
Utilities	-	-	7,286	1,184	10,504	110,863	129,837	138,804	1,650	270,291
Speaking fees	7,752	21,126	34,200	6,285	46,147	-	115,510	-	-	115,510
Other fees	322,289	-	-	15,081	-	-	337,370	9	-	337,379
Sporting events	-	364	-	1,973	(15,901)	-	(13,564)	-	-	(13,564)
Theater productions	977	-	-	-	14,535	-	15,512	-	-	15,512
Interest	652,449	-	-	-	454,935	294,769	1,402,153	-	-	1,402,153
Insurance	-	-	-	-	139,837	-	139,837	363,460	-	503,297
Repairs and maintenance	2,070,937	27,792	27,770	709,257	1,752,202	2,304,992	6,892,950	201,648	38,041	7,132,639
Equipment	35,515	82,841	75,524	414,467	183,491	13,904	805,742	200,721	-	1,006,463
Room and board expenses	2,454	-	(28)	-	300	3,251,217	3,253,943	455	2,700	3,257,098
Travel and training	62,382	163,034	761,563	413,882	1,100,389	1,078	2,502,328	136,607	257,987	2,896,922
Depreciation	1,224,146	58,642	58,642	690,351	967,309	2,073,023	5,072,113	132,644	1,686	5,206,443
Cost of goods sold	-	-	-	-	9,931	281,262	291,193	-	-	291,193
Miscellaneous expenses	80,252	17,238	306,494	19,119	268,508	7,062	698,673	193,216	5,845	897,734
	<u>\$ 15,351,347</u>	<u>\$ 1,475,497</u>	<u>\$ 3,383,323</u>	<u>\$ 5,517,185</u>	<u>\$ 12,331,029</u>	<u>\$ 8,870,559</u>	<u>\$ 46,928,940</u>	<u>\$ 5,816,233</u>	<u>\$ 2,663,922</u>	<u>\$ 55,409,095</u>

Wabash College
Statements of Cash Flows
Years Ended June 30, 2021 and 2020

	2021	2020
Operating Activities		
Change in net assets	\$ 89,350,174	\$ 2,629,126
Items not requiring (providing) cash flows		
Depreciation	5,269,056	5,206,443
Net realized and unrealized (gains) losses on investments	(83,137,273)	3,356,808
Actuarial (gain) loss on annuity and trust obligations	418,900	(149,331)
Change in value of split-interest agreements	(5,537,908)	1,183,042
(Gain) loss on beneficial interest in perpetual trusts	(1,848,558)	246,556
Change in value of interest rate swap agreement	(140,129)	286,634
Noncash gifts of real estate and marketable securities	(4,752,406)	(4,421,352)
Contributions restricted for long-term investment	(4,733,206)	(5,807,587)
Contributions restricted for property and equipment	(2,712,518)	(8,547,658)
Changes in		
Receivables	205,885	762,443
Prepaid expenses, cash surrender value of life insurance and other	(285,707)	(152,416)
Contributions receivable	10,334,658	(7,821,684)
Accounts payable and accrued expenses	(1,570,092)	2,703,716
Postretirement benefit obligation	(845,863)	(925,831)
Net cash provided by (used in) operating activities	15,013	(11,451,091)
Investing Activities		
Purchase of property and equipment	(9,479,838)	(10,287,805)
Proceeds from disposition of property and equipment	-	75,286
Purchase of investments	(150,532,869)	(153,645,127)
Proceeds from disposition of investments	156,540,312	151,255,159
Net cash used in investing activities	(3,472,395)	(12,602,487)
Financing Activities		
Proceeds from contributions restricted for		
Investment in endowment	4,733,206	5,807,587
Acquisition of property and equipment	2,712,518	8,547,658
Borrowings on note payable	-	10,000,000
Payments on long-term debt	(2,831,600)	(3,883,029)
Net cash provided by financing activities	4,614,124	20,472,216
Increase (Decrease) in Cash	1,156,742	(3,581,362)
Cash, Beginning of Year	2,147,362	5,728,724
Cash, End of Year	\$ 3,304,104	\$ 2,147,362
Supplemental Cash Flows Information		
Interest paid	\$ 781,749	\$ 770,183
Capital lease obligation incurred for equipment	530,085	-

Wabash College
Notes to Financial Statements
June 30, 2021 and 2020

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Wabash College (College) was founded in 1832 as an independent, nonsectarian, liberal arts college for men. The mission of the College is to educate men to think critically, act responsibly, lead effectively and live humanely. This is accomplished through excellence in teaching and learning within a community built on close and caring relationships among students, faculty and staff. The College's revenues and other support are derived principally from student tuition and fees, contributions and investment income.

Use of Estimates

The preparation of 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 and the reported amounts of revenues, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash

Interest-bearing and noninterest-bearing transaction accounts are subject to a \$250,000 limit on FDIC insurance per covered institution. At June 30, 2021, the College's cash accounts exceeded federally insured limits by approximately \$3,106,000.

Investments and Investment Return

Investments in equity securities having a readily determinable fair value and in all debt securities are carried at fair value. Investment return includes dividends, interest and realized and unrealized gains and losses on investments.

The College also invests in certain real estate, venture capital, private equity and hedge funds, natural resource and distressed debt funds, which are primarily held through limited partnerships. As discussed later in these notes, the College uses net asset value as a practical expedient to estimate the fair value of these funds. Because these investments are not readily marketable and may be subject to withdrawal restrictions, their estimated value is subject to uncertainty and, therefore, may materially differ from the value that would have been used had a ready market for such investments existed.

The College maintains pooled investment accounts for its endowment. Investment income and realized and unrealized gains and losses from securities in the pooled investment accounts are allocated quarterly to the individual endowments based on the relationship of the fair value of the interest of each endowment to the total fair value of the pooled investments accounts, as of December 31 of the prior year.

Wabash College

Notes to Financial Statements

June 30, 2021 and 2020

The College has significant investments in stocks, bonds and mutual funds, and is therefore subject to market, credit and interest-rate risk. Investments are made by investment managers engaged by the College and the investments are monitored by management, the College's Investment Committee and an outside investment advisor. Although the fair value of investments is subject to fluctuations on a year-to-year basis, management believes the investment policy is prudent for the long-term welfare of the College and its constituents.

Accounts Receivable

Student and fraternity accounts receivable are stated at the amount of consideration from students, of which the College has an unconditional right to receive. The College provides an allowance for doubtful accounts, which is based upon a review of outstanding receivables, historical collection information and existing economic conditions.

Student and fraternity accounts receivable are ordinarily due on August 1 and December 31 of each year for the Fall and Spring semesters, respectively. Accounts past due more than one semester are considered delinquent. Delinquent receivables are written off based on individual credit evaluation and specific circumstances of the student.

Property and Equipment

Expenditures of \$10,000 or more for property and equipment and which substantially increase the useful lives of existing assets are capitalized at cost. The College provides for depreciation on the straight-line method at rates designed to depreciate the cost of assets over estimated useful lives as follows:

	<u>Years</u>
Buildings	25-50
Machinery and equipment	3-10
Vehicles	5-8

Long-Lived Asset Impairment

The College evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

No asset impairment was recognized during the years ended June 30, 2021 and 2020.

Wabash College
Notes to Financial Statements
June 30, 2021 and 2020

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Net assets without donor restrictions are available for use in general operations and not subject to donor restrictions. A portion of the net assets without donor restrictions is represented by a board-designated endowment. Net assets with donor restrictions are subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Contributions

Contributions are provided to the College either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions. The value recorded for each contribution is recognized as follows:

Nature of the Gift	Value Recognized
<i>Conditional gifts, with or without restriction</i>	
Gifts that depend on the College overcoming a donor imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, <i>i.e.</i> the donor imposed barrier is met
<i>Unconditional gifts, with or without restriction</i>	
Received at date of gift – cash and other assets	Fair value
Received at date of gift – property, equipment and long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present-value discount is amortized using the level-yield method.

Wabash College

Notes to Financial Statements

June 30, 2021 and 2020

When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment and other long-lived assets are reported when those assets are placed in service.

Gifts and investment income that are originally restricted by the donor and for which the restriction is met in the same time period the gift is received are recorded as revenue with donor restrictions and then released from restriction.

Conditional contributions and investment income having donor stipulations which are satisfied in the period the gift is received and the investment income is earned are recorded as revenue with donor restrictions and then released from restriction.

Collections

The College's collections, which were acquired through purchases and contributions since the College's inception, are not recognized as assets in the statements of financial position. Purchases of collection items are reported in the year of acquisition as decreases in net assets without donor restrictions, or in net assets with donor restrictions if the assets used to purchase the items were restricted to that use by donor stipulation. Contributions of collection items are not reported in the financial statements. Proceeds from deaccessions or insurance recoveries related to collection items are reported as increases in the appropriate net asset classes.

The College's collections consist primarily of books, artwork and scientific artifacts. Each of the items is cataloged, preserved and cared for, and activities verifying their existence and assessing their condition are performed continuously. The collections are subject to a policy that requires proceeds from the disposition of collection items to be used to acquire other collection items.

In-Kind Contributions

In addition to receiving cash contributions, the College receives in-kind contributions of marketable securities and real estate from various donors. It is the policy of the College to record the estimated fair value of certain in-kind donations as an asset or expense in its financial statements, and similarly increase contribution revenue by a like amount. For the years ended June 30, 2021 and 2020, approximately \$4,752,406 and \$4,421,352, respectively, was received in in-kind contributions.

Government Grants

Support funded by state and federal grants is recognized as the contracted services are performed or as outlays for eligible reimbursement under the grant agreements are incurred. Grant activities and outlays are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

Wabash College

Notes to Financial Statements

June 30, 2021 and 2020

Income Taxes

The College is exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, the College is subject to federal income tax on any unrelated business taxable income. The College files tax returns in the U.S. federal jurisdiction.

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statements of functional expenses. The statements of functional expenses also present the natural classification detail of expenses by function. Certain costs have been allocated among the program, management and general and fund raising categories based on the square footage of the College's facilities, estimates of time spent by College personnel and similar methods.

Self-Insurance

The College has elected to self-insure certain costs related to employee health and accident benefit programs. Costs resulting from noninsured losses are charged to income when incurred. The College has purchased insurance that limits its exposure for individual claims to \$130,000 with an additional \$50,000 in total of all claims in excess of \$130,000 and that limits its aggregate exposure to \$4,092,361.

Other Discrete Event

As a result of the global spread of the SARS-CoV-2 virus and the incidence of COVID-19, the State of Indiana issued Stay-at-Home Orders and other measures around public gatherings and business operations to slow the spread of the virus. As a result of this guidance, the College moved to a remote-learning environment in March 2020. The College processed credits to students for prorated room, board, and fees in the amount of \$1,879,000, which reduced residence halls, food services and other auxiliary revenue on the statement of activities for the year ended June 30, 2020.

Subsequent Events

Subsequent events have been evaluated through January 12, 2022, which is the date the financial statements were available to be issued.

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Note 2: Change in Accounting Principle

In 2021, the College adopted the Financial Accounting Standards Board Accounting Standards Update 2014-09, *Revenue from Contracts with Customers* (Topic 606), (ASU 2014-09) using a modified-retrospective method of adoption to all contracts with students or customers at July 1, 2020. The core guidance in ASU 2014-09 is to recognize revenue to depict the transfer of promised goods or services to customers or students in an amount that reflects the consideration to which the College expects to be entitled in exchange for those goods or services. The amount to which the College expects to be entitled is calculated as the transaction price and recorded as revenue in exchange for providing educational services to its students. Adoption of ASU 2014-09 resulted in changes in disclosures in the notes to the financial statements and no significant changes in the presentation of the financial statements. The adoption has no impact on overall change in net assets or net cash provided by operating activities previously reported.

Note 3: Investments and Investment Return

Investments at June 30 consisted of the following:

	2021	2020
Cash equivalents	\$ 27,339,362	\$ 11,003,843
Domestic common stocks		
Large cap	4,556,220	11,310,359
Mid cap	119,315	108,380
Small cap	391,665	315,156
Foreign common stocks	1,166,789	1,534,496
Governmental securities	21,032,871	11,832,564
Fixed income securities/funds	27,422,708	46,674,147
	<u>82,028,930</u>	<u>82,778,945</u>
Alternative investments		
Hedge funds	249,128,428	187,289,365
Distressed debt securities	7,913,870	7,124,034
Private equity and venture capital	57,398,543	41,841,612
Real estate	10,927,466	11,081,601
Natural resources	19,025,554	14,424,998
	<u>344,393,861</u>	<u>261,761,610</u>
	<u>\$ 426,422,791</u>	<u>\$ 344,540,555</u>

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The following schedules summarize the investment return and its classification in the statements of activities.

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividend income	\$ 7,084,521	\$ 7,218,078	\$ 14,302,599
Net realized and unrealized gains	40,628,436	42,508,837	83,137,273
Total investment return	47,712,957	49,726,915	97,439,872
Investment return designated for current operations	(8,890,614)	(9,058,219)	(17,948,833)
Investment return in excess of amounts designated for current operations	\$ 38,822,343	\$ 40,668,696	\$ 79,491,039

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividend income	\$ 4,191,562	\$ 2,812,069	\$ 7,003,631
Net realized and unrealized losses	(1,033,005)	(2,323,803)	(3,356,808)
Total investment return	3,158,557	488,266	3,646,823
Investment return designated for current operations	(11,609,079)	(7,788,391)	(19,397,470)
Investment return less than amounts designated for current operations	\$ (8,450,522)	\$ (7,300,125)	\$ (15,750,647)

Alternative Investments

The fair value of alternative investments presented in the tables above has been estimated using the net asset value per share of the investments. Alternative investments held at June 30 consist of the following:

	June 30, 2021			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Alternative investments				
Hedge funds	\$ 249,128,428	\$ -	Quarterly - annually	30 - 100 days
Distressed debt securities	7,913,870	369,339	Not eligible	n/a
Private equity and venture capital	57,398,543	21,882,831	Not eligible	n/a
Real estate	10,927,466	226,555	Not eligible	n/a
Natural resources	19,025,554	2,219,585	Not eligible	n/a

Wabash College
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	June 30, 2020			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Alternative investments				
Hedge funds	\$ 187,289,365	\$ -	Quarterly - annually	30 - 100 days
Distressed debt securities	7,124,034	369,339	Not eligible	n/a
Private equity and venture capital	41,841,612	19,496,089	Not eligible	n/a
Real estate	11,081,601	146,128	Not eligible	n/a
Natural resources	14,424,998	2,397,241	Not eligible	n/a

Hedge Funds includes investments in hedge funds that take both long and short positions across asset classes. Management of the funds has the ability to shift investments among differing investment strategies. The remaining restriction period for these investments ranged from six to twelve months at June 30, 2021.

Distressed Debt Securities includes investments in partnerships that purchase debt securities trading at a discount to their par value. The unofficial definition of distressed debt is any security yielding 10% points more than a U.S. Treasury bond with an equivalent maturity. Under the terms of the partnership agreements, capital is committed for seven to twelve years and may not be redeemed. Typically, the general partner requests capital during the initial three to five year period in order to fund investment activities. Distributions are made throughout and upon dissolution of the partnership.

Private Equity and Venture Capital includes several funds that invest primarily in the equity securities of public or private companies at various stages within their life cycle. These investments are either direct, fund of funds or secondary purchases across multiple strategies (growth equity, company buyout, venture capital, etc.) and are expected to significantly exceed performance of traditional equity indices. Private equity and venture capital investments cannot be redeemed because the investments do not allow for redemption in the first 12 years after acquisition. The remaining restriction period for these investments ranged from six to seven years at June 30, 2021.

Real Estate includes several real estate funds that invest in residential, multi-family, commercial and distressed properties in the U.S. Distributions from each fund will be made as the underlying investments of the funds are liquidated. It is estimated the underlying assets of the funds will be liquidated over the next one to twelve years.

Natural Resources includes investments in partnerships that invest primarily in oil and gas royalties and timber properties. Under the terms of the partnership agreements, capital is committed for seven to twelve years and may not be redeemed. Typically, the general partner requests capital during the initial three to five year period in order to fund investment activities. Distributions are made throughout and upon dissolution of the partnership.

Wabash College
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Note 4: Contributions Receivable

Contributions receivable at June 30 consisted of the following:

	With Donor Restrictions	
	2021	2020
Due within one year	\$ 5,982,728	\$ 8,205,454
Due in one to five years	10,600,147	19,634,252
Due after five years	337,779	613,727
	16,920,654	28,453,433
Less:		
Allowance for uncollectible contributions	(946,570)	(1,640,167)
Unamortized discount	(446,653)	(951,177)
	<u>\$ 15,527,431</u>	<u>\$ 25,862,089</u>

Discount rates ranged from 0.43% to 3.25% for 2021 and 2020.

Note 5: Conditional Grants and Contributions

The College receives its grant support through periodic claims filed with the respective funding sources, not to exceed a limit specified in the funding agreement. During 2021, the College was awarded \$3,857,595 of Higher Education Emergency Relief funds. Because the financial statements of the College are prepared on the accrual basis, all earned portions of this grant not yet received as of June 30, 2021, have been recorded as receivables. Following are the conditional grant commitments that extend beyond June 30, 2021.

	Conditional Grant/ Contribution Amount	Recognized Through June 30, 2021	Funding Available
Conditional upon incurring qualifying expenses subject to the terms of the grantor	<u>\$ 3,857,595</u>	<u>\$ 2,801,603</u>	<u>\$ 1,055,992</u>

Wabash College
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Note 6: Property and Equipment

Property and equipment at June 30 consists of:

	2021	2020
Land and land improvements	\$ 12,158,635	\$ 11,778,872
Buildings	189,449,781	172,198,131
Machinery and equipment	24,219,437	23,441,936
Vehicles	518,056	518,056
Construction in progress	22,309	8,431,389
	226,368,218	216,368,384
Less accumulated depreciation and amortization	(96,800,421)	(91,541,454)
	\$ 129,567,797	\$ 124,826,930

Note 7: Beneficial Interest in Trusts

Beneficial Interest in Perpetual Trusts

The College is the beneficiary under various perpetual trusts administered by outside parties. Under the terms of these trusts, the College has the irrevocable right to receive income earned on the trust assets in perpetuity, but never receives the assets held in trust. The estimated value of the expected future cash flows is \$10,134,485 and \$8,285,927, which represents the College's share of the fair value of the trust assets at June 30, 2021 and 2020, respectively.

Charitable Remainder Trusts Held by Others

The College is the beneficiary under various charitable remainder trusts for which it is not the trustee. The College's beneficial interest in these trusts is recorded at fair value, measured by the present value of the estimated expected future benefits to be received when the trust assets are distributed. At June 30, 2021 and 2020, the College's beneficial interest in remainder trusts administered by outside parties is \$17,936,518 and \$14,540,694, respectively. During the years ended June 30, 2021 and 2020, the College received no new contributions under remainder trusts held by others.

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Charitable Remainder Trusts Held by the College

The College is also the beneficiary under various charitable trusts for which the College is the trustee. At June 30, 2021 and 2020, the value of these trusts was \$10,908,884 and \$8,766,800, respectively. At June 30, the underlying investments in these trusts included the following:

	2021	2020
Cash equivalents	\$ -	\$ 96,549
Exchange - traded funds	7,506,879	5,548,069
Other mutual funds	3,402,005	3,122,182
	<u>\$ 10,908,884</u>	<u>\$ 8,766,800</u>

The College is also the beneficiary under various revocable trust agreements. The assets of these trusts are not included in the statements of financial position of the College, since the trusts are revocable at the discretion of the grantor.

Note 8: Line of Credit

The College has a revolving bank line of credit that expires in April 2022. The total amount available to the College was increased from \$10 million, as of June 30, 2019, to \$20 million at June 30, 2020. At June 30, 2021 and 2020, there were no borrowings against this line. Interest is payable monthly and varies with the one-month LIBOR rate plus 1.10% with a minimum stated rate of 2.10%. The applicable interest rate was 2.10% on June 30, 2021 and 2020.

Note 9: Long-Term Debt

Long-term debt consists of the following:

	2021	2020
Indiana Finance Authority Educational Facilities Revenue Bond, Series 2015	\$ 11,250,000	\$ 12,000,000
Indiana Finance Authority Educational Facilities Revenue Refunding Bond, Series 2019	24,979,200	27,060,800
Notes payable	10,000,000	10,000,000
	<u>\$ 46,229,200</u>	<u>\$ 49,060,800</u>

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On November 5, 2015, the College entered into a bond and loan agreement with the Indiana Finance Authority (Authority) and a financial institution whereby the Authority issued the Indiana Finance Authority Educational Facilities Revenue Bond, Series 2015 (the 2015 Bond) on behalf of the College, then sold the bond to the financial institution and loaned the proceeds of \$15,000,000 to the College. The College used the proceeds from the loan to facilitate the acquisition, construction, furnishing and equipping of new student housing facilities and the remodeling, renovation and improvement of an existing student housing facility. The proceeds of the 2015 Bond were also used to fund the costs of issuance.

The 2015 Bond matures on January 1, 2036, subject to prior redemption, principal amortization and acceleration. Interest on the 2015 Bond is due on the first business day of each month commencing on December 1, 2015. The 2015 Bond bears interest at a fixed rate of 1.95% through November 30, 2022. After that date, the interest rate mode may be adjusted to another mode prescribed by the bond and loan agreement.

On April 15, 2013, the College entered into a bond and loan agreement with the Authority and a financial institution whereby the Authority issued the Indiana Finance Authority Educational Facilities Revenue Refunding Bond, Series 2013 (the 2013 Bond) on behalf of the College, then sold the bond to the financial institution and loaned the proceeds of \$41,632,000 to the College. The College used the proceeds from the loan to facilitate the refunding of the Indiana Educational Facilities Authority Variable Rate Demand Educational Facilities Revenue Bonds, Series 2001 (the 2001 Bonds) and Indiana Educational Facilities Authority Variable Rate Demand Educational Facilities Revenue Bonds, Series 2003 (the 2003 Bonds). The proceeds of the 2013 Bond were also used to fund the costs of issuance related to the 2013 Bond.

The 2013 Bond was scheduled to mature on February 1, 2033, subject to prior redemption, principal amortization and acceleration. Interest on the 2013 Bond was due on the first business day of each month commencing on June 3, 2013. The 2013 Bond was subject to variable interest payments at a rate equal to 0.67% of the one-month LIBOR rate plus 0.87%, which was 2.48%.

On August 30, 2019, the College issued Series 2019 Bonds, which fully refunded the outstanding balance of the 2013 Bond. The interest rate swap related to the 2013 debt continued beyond the date of the refunding of the corresponding bonds. The 2019 Bonds were issued in the amount of \$29,142,000 and mature on February 1, 2037. Interest on the 2019 Bonds is due on the first business day of each month. The 2019 Bonds bear interest at a rate of equal to the sum of 0.67 times the one-month LIBOR rate, plus 87 basis points through August 30, 2019. After that date, the bonds will bear a fixed rate of 2.53%.

The 2015 Bond and 2019 Bonds are collateralized by substantially all of the College's assets and are subject to certain covenants, including a requirement to maintain a ratio of unrestricted cash and investments to funded debt of at least 1.50 to 1.00 (as defined in the bond and loan agreement), tested annually as of the last day of each fiscal year.

On November 21, 2016, the College entered into a note payable agreement, the proceeds of which were used to facilitate the termination of the previous interest rate swap agreement. The note bears interest at 3.24%, with payments of \$210,286 are due annually on December 1 of each year. This note was collateralized by the College's cash balances and was repaid in full during 2020.

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On April 30, 2020, the College entered into a promissory term note for \$10 million, the proceeds of which were used to provide working capital, liquidity and construction of the new Little Giants Stadium. This note matures December 31, 2022, and bears interest at 2.45% at June 30, 2021, which varies with the bank's prime rate plus a spread that is dependent on the College's calculated financial covenant described previously. The College paid \$5,000,000 toward this promissory note on October 18, 2021, in exchange for a term loan with a final maturity date of December 31, 2022.

Aggregate annual maturities and sinking fund requirements of long-term debt at June 30, 2021 are:

	Long-Term Debt
2022	\$ 2,831,600
2023	12,831,600
2024	2,831,600
2025	2,831,600
2026	2,831,600
Thereafter	22,071,200
	\$ 46,229,200

Note 10: Derivative Financial Instrument

As a strategy to maintain acceptable levels of exposure to the risk of changes in future cash flows due to interest rate fluctuations, the College entered into an interest rate swap agreement for a portion of its variable rate debt.

In November 2016, the College entered into a new interest rate swap agreement whereby the College receives interest from the counterparty at a rate that varies with the one-month LIBOR rate and pays interest at a fixed rate of 1.265% on a notional amount of \$8,797,500 at June 30, 2021.

Under the interest rate swap agreement, the College pays or receives the net interest amount monthly, with the monthly settlements included in interest expense, unless related to the construction of new facilities, in which case, the settlements are capitalized as a cost of the project. The agreement is recorded at its fair value with subsequent changes in fair value reflected as interest expense, unless capitalized.

On October 18, 2021, the College also paid \$154,900 to terminate the interest rate swap agreement.

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Note 11: Leases

The College leases computer equipment through a capital lease that expires in 2026. The College also rents various items of equipment and vehicles under long-term noncancelable operating leases, which expire at various dates through August 31, 2025. Rental expense for these leases included in the statements of activities for the years ended June 30, 2021 and 2020, was approximately \$107,781 and \$110,714, respectively. Minimum annual rental payments required under capital and operating leases, which have remaining terms in excess of one year as of June 30, 2021, were as follows:

	Capital Lease	Operating Lease
2022	\$ 116,108	\$ 103,894
2023	116,108	97,399
2024	116,108	15,724
2025	116,108	12,537
2026	104,800	1,027
	569,232	\$ 230,581
Amounts representing interest	(39,147)	
	<u>\$ 530,085</u>	

Property and equipment include the following property under capital leases at June 30, 2021:

	2021
Computer equipment	\$ 530,085
Accumulated depreciation	-
	<u>\$ 530,085</u>

Note 12: Annuities and Trusts Payable

The College has been the recipient of several gift annuities, which require future payments to the donor or their named beneficiaries. The College has recorded a liability at June 30, 2021 and 2020 of \$1,542,445 and \$1,908,903, respectively, which represents the present value of the future annuity obligations. The liability has been determined using a discount rate of 1.2%.

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The College administers various charitable remainder trusts. A charitable remainder trust provides for the payment of distributions to the grantor or other designated beneficiaries over the trust's term (usually the designated beneficiary's lifetime). At the end of the trust's term, the remaining assets are available for the College's use. The portion of the trust attributable to the future interest of the College is recorded in the statements of activities as contributions with donor restrictions in the period the trust is established. Assets held in the charitable remainder trusts are recorded at fair value in the College's statements of financial position. On an annual basis, the College revalues the liability to make distributions to the designated beneficiaries based on actuarial assumptions. The present value of the estimated future payments is calculated using a discount rate of 1.2% and applicable mortality tables. At June 30, 2021 and 2020, assets held by the College under charitable remainder trusts aggregate \$10,908,884 and \$8,766,800 and the associated liabilities are \$4,820,230 and \$4,034,872, respectively.

Note 13: Net Assets With Donor Restrictions

Net Assets With Donor Restrictions

Net assets with donor restrictions at June 30 are restricted for the following purposes or periods:

	<u>2021</u>	<u>2020</u>
Subject to expenditure for specified purpose		
Scholarships	\$ 2,453,878	\$ 1,295,549
Research (including Center for Inquiry)	6,952,655	1,794,817
Public service (including Wabash Center)	5,680,929	8,615,234
Academic support and library	1,126,537	1,043,420
Student services	1,249,693	925,541
Capital projects	1,814,246	2,333,108
Other	2,619,491	824,378
Subject to the passage of time	28,789,611	26,270,598
Non-endowed funds		
Scholarships	21,243,259	17,152,941
General operations of the College	12,691,836	14,630,883
Loans	303,052	434,625

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	(Continued)	
	2021	2020
Endowments		
Subject to appropriation and expenditure when a specified event occurs		
Scholarships	\$ 60,501,915	\$ 57,425,107
Research	1,367,991	1,283,641
Public service	47,685	47,685
Academic support and library	10,572,954	8,239,773
Student services	9,176,167	9,028,848
Administration	366,319	366,319
Endowed chairs	19,606,376	17,768,776
General operations of the College (General endowment)	23,117,283	23,399,185
Capital projects	470,673	455,673
Loans	302,054	302,054
	125,529,417	118,317,061
Subject to endowment spending policy and appropriation		
Scholarships	35,921,446	17,934,093
Research	812,209	400,886
Public service	28,312	14,892
Academic support and library	7,933,615	3,300,965
Student services	5,448,111	2,819,746
Administration	217,492	114,403
Endowed chairs	8,997,677	4,302,492
General operations of the College (General endowment)	14,874,243	7,960,120
Capital projects	279,450	142,309
Loans	179,337	94,333
	74,691,892	37,084,239
Total endowments	200,221,309	155,401,300
	\$ 285,146,496	\$ 230,722,394

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Net Assets Released From Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

	2021	2020
Satisfaction or purpose restrictions		
Scholarships	\$ 5,191,733	\$ 4,021,668
Research (including Center for Inquiry)	1,119,441	858,983
Public service (including Wabash Center)	2,585,228	4,075,973
Academic support and library	1,080,458	1,201,131
Student services	1,821,497	702,336
Property and equipment acquired and placed in service	865,677	665,185
Other	777,844	4,288,764
	\$ 13,441,878	\$ 15,814,040

Note 14: Endowment

The College's pooled endowment consists of approximately 400 individual funds established for a variety of purposes. The pooled endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments (board-designated endowment funds). As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with pooled endowment funds, including board-designated endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

The College's Board of Trustees has interpreted the State of Indiana's Prudent Management of Institutional Funds Act (SPMIFA) as requiring preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the College considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The College has interpreted SPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law.

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Additionally, in accordance with SPMIFA, the College considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. Duration and preservation of the fund
2. Purposes of the College and the fund
3. General economic conditions
4. Possible effect of inflation and deflation
5. Expected total return from investment income and appreciation or depreciation of investments
6. Other resources of the College
7. Investment policies of the College

The composition of net assets by type of pooled endowment fund at June 30, 2021 and 2020 was:

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds			
Amounts required to be maintained in perpetuity	\$ -	\$ 125,529,417	\$ 125,529,417
Accumulated investment gains	-	74,691,892	74,691,892
Board-designated endowment funds	197,341,208	-	197,341,208
Total pooled endowment funds	\$ 197,341,208	\$ 200,221,309	\$ 397,562,517
	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds			
Amounts required to be maintained in perpetuity	\$ -	\$ 118,317,061	\$ 118,317,061
Accumulated investment gains	-	37,084,239	37,084,239
Board-designated endowment funds	162,143,464	-	162,143,464
Total pooled endowment funds	\$ 162,143,464	\$ 155,401,300	\$ 317,544,764

Wabash College
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Changes in endowment net assets for the years ended June 30, 2021 and 2020 were:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, July 1, 2019	\$ 170,416,737	\$ 154,847,378	\$ 325,264,115
Investment return	803,301	813,299	1,616,600
Contributions received and board designations	-	8,031,564	8,031,564
Appropriation of endowment assets for expenditure	(9,061,182)	(8,684,405)	(17,745,587)
Other changes to endowment funds	<u>(15,392)</u>	<u>393,464</u>	<u>378,072</u>
Endowment net assets, June 30, 2020	162,143,464	155,401,300	317,544,764
Investment return	46,834,694	46,665,795	93,500,489
Contributions received and board designations	861,012	5,871,740	6,732,752
Appropriation of endowment assets for expenditure	(8,927,920)	(9,058,219)	(17,986,139)
Other changes to endowment funds	<u>(3,570,042)</u>	<u>1,340,693</u>	<u>(2,229,349)</u>
Endowment net assets, June 30, 2021	<u>\$ 197,341,208</u>	<u>\$ 200,221,309</u>	<u>\$ 397,562,517</u>

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the College is required to retain as a fund of perpetual duration pursuant to donor stipulation or SPMIFA. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after investment of new restricted contributions and continued appropriation for certain purposes that was deemed prudent by the governing body. At June 30, 2021 and 2020, underwater endowment funds reported in net assets with donor restrictions were as follows:

	2021	2020
Original gift values	\$ 7,081,297	\$ 61,894,850
Fair value of underwater funds	<u>6,768,533</u>	<u>55,047,720</u>
Underwater endowment funds	<u>\$ (312,764)</u>	<u>\$ (6,847,130)</u>

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The College has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs and other items supported by its endowment while seeking to maintain the purchasing power of the endowment. Endowment assets include those assets of donor-restricted endowment funds the College must hold in perpetuity or for donor-specified periods, as well as those of board-designated endowment funds. Under the College's policies, endowment assets are invested in a manner that is intended to produce results that exceed inflation, spending and the costs of asset management while assuming a prudent level of investment risk. The College expects its endowment funds to provide an average annual rate of return of approximately 6% plus the Consumer Price Index over time. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate of return objectives, the College relies on a total return strategy in which investment returns are achieved through both current yield (investment income such as dividends and interest) and capital appreciation (both realized and unrealized). The College targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

The College's endowment spending policy appropriates a percentage of the twelve quarter moving average of the fair value of the College's pooled endowment to support operations. For fiscal year 2021 and 2020, the College drew 5.5% for operations. The College's endowment spending policy is consistent with the College's objective to maintain the purchasing power of endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return. The College has a policy that permits spending from underwater endowment funds depending on the degree to which the fund is underwater, unless otherwise precluded by donor stipulations or laws and regulations.

Note 15: Pension Plans

The College provides noncontributory retirement plans through Teachers Insurance and Annuity Association and College Retirement Equities Fund (TIAA/CREF), a national organization used to fund retirement benefits for educational institutions, and American Funds, a mutual fund company used to fund retirement benefits. These plans cover substantially all employees of the College.

The College makes monthly contributions to TIAA/CREF and American Funds to purchase individual annuities. Total amounts expensed in relation to these plans were \$1,828,134 and \$1,782,224 for 2021 and 2020, respectively.

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Note 16: Postretirement Plan

The College sponsors a defined-benefit postretirement health plan that covers both salaried and non-salaried employees who meet the eligibility requirements. The College expects to contribute \$453,373 to the plan in fiscal year 2021.

The College uses a June 30 measurement date for this plan and information about the plan's funded status follows:

	<u>2021</u>	<u>2020</u>
Benefit obligation	\$ 7,916,058	\$ 8,761,921
Funded status	<u>\$ (7,916,058)</u>	<u>\$ (8,761,921)</u>
Accumulated benefit obligation	<u>\$ (7,916,058)</u>	<u>\$ (8,761,921)</u>
Items not yet recognized as a component of net periodic benefit cost		
Net loss	\$ 1,784,260	\$ 2,909,175
Prior service credit	(6,867,534)	(8,012,124)

A liability of \$7,916,058 and \$8,761,921 was recorded at June 30, 2021 and 2020, respectively, for the accumulated benefit obligation in excess of plan assets.

Other significant balances and costs are:

	<u>2021</u>	<u>2020</u>
Benefit cost (income)	\$ (408,165)	\$ (103,988)
Employer contribution	453,373	475,077
Benefits paid	453,373	475,077

The estimated net loss and prior service credit that will be amortized into net periodic benefit cost over the next fiscal year are \$248,164 and \$508,346, respectively.

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The following amounts have been recognized in the statements of activities for the years ended June 30, 2021 and 2020:

	2021	2020
Amounts reclassified as components of net periodic pension cost of the period:		
Net loss	\$ 508,346	\$ 687,151
Prior service credit	(1,144,590)	(1,144,590)

Significant assumptions include:

	2021	2020
Weighted-average assumptions used to determine benefit obligations:		
Discount rate	2.75%	2.50%
Medical trend rate	8.00%	8.00%
Weighted-average assumptions used to determine benefit costs:		
Discount rate	2.50%	3.50%
Medical trend rate	8.00%	8.00%

For measurement purposes, an 8.00% annual rate of increase in the per capita cost of covered health care benefits was assumed for 2021 and 2020.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid as of June 30:

2022	\$ 435,430
2023	431,050
2024	441,812
2025	426,772
2026	456,902
2027 - 2031	2,297,867

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Note 17: Disclosures About Fair Value of Assets and Liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. There is a hierarchy of three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

Following is a description of the valuation methodologies and inputs used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying statements of financial position, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended June 30, 2021. For assets classified within Level 3 of the fair value hierarchy, the process used to develop the reported fair value is described below.

Investments

Domestic Common Stocks and Foreign Common Stocks: Where quoted market prices are available in an active market, domestic and foreign common stocks are classified within Level 1 of the valuation hierarchy.

Fixed Income Securities/Funds: Where quoted market prices are available in an active market, fixed income securities/funds are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics or discounted cash flows and are classified as Level 2.

Alternative Investments: As a practical expedient, fair value of alternative investments is determined using the net asset value (or its equivalent) supplied by the respective fund managers. Alternative investments are therefore classified within the Investments Measured at NAV of the valuation hierarchy.

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Charitable Remainder Trusts

The fair value of charitable remainder trusts held by others is estimated at the present value of future distributions expected to be received by the College over the term of the agreement based on life expectancy tables and discount rates that approximate the average return on the endowment. Due to the nature of the valuation inputs, the interest in charitable remainder trusts held by others is classified within Level 3 of the hierarchy.

The fair value of the investments in charitable remainder trusts held by the College are based on quoted market prices available in active markets, and are therefore classified within Level 1 of the hierarchy. The underlying securities of the charitable remainder trusts held by the College consist primarily of domestic and foreign common stocks and fixed income funds.

Beneficial Interest in Perpetual Trust

Fair value is estimated at the present value of the future distributions expected to be received over the term of the agreement, which approximates the fair value of the underlying investments which are primarily held in marketable securities. Due to the nature of the valuation inputs, the interest is classified within Level 2 of the hierarchy.

Interest Rate Swap Agreement

The fair value is estimated by the counterparty using a proprietary model and, therefore, is classified within Level 3 of the valuation hierarchy.

Fair value determinations for Level 3 measurements of investments, charitable remainder trusts and the interest rate swap agreement are the responsibility of the Business Office. The Business Office utilizes the valuations provided by third parties to generate fair value estimates on a monthly or quarterly basis and challenges the reasonableness of the assumptions used and reviews the methodology to ensure the estimated fair value complies with accounting standards generally accepted in the United States.

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Recurring Measurements

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2021 and 2020.

	Fair Value Measurements Using				
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Investments Measured at NAV ^(A)
June 30, 2021					
Investments					
Cash equivalents	\$ 27,339,362	\$ 23,081,118	\$ 4,258,244	\$ -	\$ -
Domestic common stocks					
Large cap	4,556,220	4,556,220	-	-	-
Mid cap	119,315	119,315	-	-	-
Small cap	391,665	391,665	-	-	-
Foreign common stocks	1,166,789	1,166,789	-	-	-
Governmental securities	21,032,871	21,032,871	-	-	-
Fixed income securities/funds	27,422,708	8,836,192	18,586,516	-	-
Alternative investments					
Hedge funds	249,128,428	-	-	-	249,128,428
Distressed debt securities	7,913,870	-	-	-	7,913,870
Private equity and venture capital	57,398,543	-	-	-	57,398,543
Real estate	10,927,466	-	-	275,000	10,652,466
Natural resources	19,025,554	-	-	-	19,025,554
Total investments	<u>426,422,791</u>	<u>59,184,170</u>	<u>22,844,760</u>	<u>275,000</u>	<u>344,118,861</u>
Charitable remainder trusts	28,845,402	10,908,884	-	17,936,518	-
Beneficial interest in perpetual trusts	10,134,485	-	10,134,485	-	-
Interest rate swap agreement	(192,392)	-	-	(192,392)	-
June 30, 2020					
Investments					
Cash equivalents	\$ 11,003,843	\$ 8,573,786	\$ 2,430,057	\$ -	\$ -
Domestic common stocks					
Large cap	11,310,359	11,310,359	-	-	-
Mid cap	108,380	108,380	-	-	-
Small cap	315,156	315,156	-	-	-
Foreign common stocks	1,534,496	1,534,496	-	-	-
Governmental securities	11,832,564	11,832,564	-	-	-
Fixed income securities/funds	46,674,147	38,442,498	8,231,649	-	-
Alternative investments					
Hedge funds	187,289,365	-	-	-	187,289,365
Distressed debt securities	7,124,034	-	-	-	7,124,034
Private equity and venture capital	41,841,612	-	-	-	41,841,612
Real estate	11,081,601	-	-	275,000	10,806,601
Natural resources	14,424,998	-	-	-	14,424,998
Total investments	<u>344,540,555</u>	<u>72,117,239</u>	<u>10,661,706</u>	<u>275,000</u>	<u>261,486,610</u>
Charitable remainder trusts	23,307,494	8,766,800	-	14,540,694	-
Beneficial interest in perpetual trusts	8,285,927	-	8,285,927	-	-
Interest rate swap agreement	(332,521)	-	-	(332,521)	-

(A) Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts included are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of financial position.

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The following is a reconciliation of the beginning and ending balances of recurring fair value measurements recognized in the accompanying statements of financial position using significant unobservable (Level 3) inputs:

	Charitable Remainder Trusts	Interest Rate Swap Agreement
Balance, July 1, 2019	\$ 14,812,121	\$ (45,887)
Change in value of split-interest agreements	(271,427)	-
Gain on interest rate swap	-	378,408
Balance, June 30, 2020	14,540,694	332,521
Change in value of split-interest agreements	3,395,824	-
Loss on interest rate swap	-	(140,129)
Balance, June 30, 2021	<u>\$ 17,936,518</u>	<u>\$ 192,392</u>

The College occasionally recognizes transfers from Level 3 to Level 2 as a result of the expiration of fund lock-up provisions. The expiration of these provisions allows the College to redeem its interest in these funds at net asset value within a reasonable period of time. Such transfers are recognized as of the end of the year.

Unobservable (Level 3) Inputs

The fair value of the College's interest in charitable remainder trusts held by others is estimated at the present value of the estimated expected future benefits to be received and was \$17,936,518 and \$14,540,694 at June 30, 2021 and 2020, respectively. Fair value is estimated at the present value of the future distributions expected to be received over the term of the agreement using a discount rate of 1.2% at both June 30, 2021 and 2020. Due to the nature of the valuation inputs, the interest is classified within Level 3 of the hierarchy.

The fair value of the College's interest rate swap is based on the counterparty's proprietary model, which is based on forward-looking interest rate curves and discounted cash flows and is considered an unobservable input. No adjustments were made by the College to the fair value.

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Note 18: Liquidity

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of June 30, 2021 and 2020, comprise the following:

	2021	2020
Financial assets available to meet cash needs for general expenditures within one year		
Cash	\$ 3,304,104	\$ 2,147,362
Accounts receivable	1,077,084	564,417
Contributions receivable for general expenditure due within one year	5,982,728	8,205,454
Investment return designated for current operations - 2022	17,980,379	17,986,139
Investments not encumbered by donor or board restrictions	14,583,972	18,179,435
	\$ 42,928,267	\$ 47,082,807

The College receives significant contributions restricted by donors and considers contributions restricted for programs which are ongoing, major and central to its annual operations to be available to meet cash needs for general expenditures.

The College's endowment funds consist of donor-restricted endowments and funds designated by the board as endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure, but fulfill key operating needs of the College.

The board-designated endowment of \$197,341,208 and \$162,143,464 at June 30, 2021 and 2020, respectively, is subject to an annual spending rate described in Note 14. Although the College does not intend to spend from this board-designated endowment (other than amounts appropriated for general expenditure as part of the Board's annual budget approval and appropriation), these amounts could be made available if necessary. To help manage unanticipated liquidity needs, the College has a line of credit in the amount of \$20 million which it could draw upon.

The College manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. During the year ended June 30, 2021, the level of liquidity and reserves was managed within the policy requirements.

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Note 19: Revenue From Contracts

Net tuition revenues consisted primarily of tuition, net of scholarships, and fees derived from courses taught by the College. Tuition revenue is recognized pro-rata over the applicable period of instruction. A contract is entered into with a student and covers a course or semester. Revenue recognition occurs once a student starts attending a course. Residence hall (room and board) revenue includes housing, 15- or 19-meal plans, and fee revenues that were recognized over the period the services were provided. Other income, which mostly includes program revenue, would be recognized when the services were provided at a point in time. For the years ended June 30, 2021 and 2020, the College's net tuition revenue was comprised of the following components:

	2021	2020
Student tuition and fees	\$ 37,980,240	\$ 36,975,946
Grants and scholarships	(26,537,629)	(25,092,987)
Net tuition revenue	\$ 11,442,611	\$ 11,882,959

Performance Obligations

The College has identified performance obligations associated with the provision of its educational instruction and other educational services, housing services, and other academic related services and used the output measure for recognition as the period of time over which the services are provided to students. The College has identified performance obligations such as book sales or certain merchandise sales and other ancillary activities and recognized revenue at the point in time goods or services are provided to its customers. The College maintains an institutional tuition refund policy, which provides for all or a portion of tuition to be refunded if a student withdrew during certain limited, stated refund periods. If a student withdraws at a time when only a portion, or none of the tuition is refundable, then in accordance with its revenue recognition policy, the College continued to recognize the tuition that is not refunded pro-rata over the applicable period of instruction. The College does not record revenue on amounts that may be refunded. However, for students that take out financial aid to pay their tuition and for which a return of such money to the Department of Education under Title IV is required as a result of his or her withdrawal, the College reassessed collectability for these students each semester for the estimated revenue that will be returned and recognized the revenue in future periods when payment was received, if any. The College's main education programs have starting and ending dates that do not significantly differ from its fiscal year-end.

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Transaction Price

Because all of its performance obligations relate to contracts with a duration of less than one year, the College has elected to apply the optional exemption provided in FASB ASC 606-10-50-14(a) and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. There are no significant unsatisfied or partially unsatisfied performance obligations at the end of the reporting period.

The College determines the transaction price based on standard charges for goods and services provided, reduced by certain institutional scholarships and aid in accordance with the College's policies for granting certain merit based aid.

Contract Assets and Liabilities

The College's receivables represent unconditional rights to consideration from its contracts with students. Revenue is recognized as performance obligations are satisfied, which is ratably over the academic term. Generally, the College bills students prior to the beginning of the semester, and student accounts receivable are due in full before classes begin. Included in each invoice to the student are all educational related items including tuition, net of scholarships, housing, educational materials, fees, etc. At June 30, 2021 and 2020, the College had receivables from students totaling \$235,553 and \$134,606, respectively. The College does not have any contract assets outside of receivables. The College has no significant contract liabilities for student deposits or student credit balances.

Disaggregation of Revenue

The composition of contract revenue with students for the year ended June 30, 2021 is as follows:

	2021
Net tuition revenue	\$ 11,442,611
Auxiliary services	8,485,889
Other income	1,939,989
	\$ 21,868,489

The timing of revenue recognition for the year ended June 30, 2021 is as follows:

	2021
Services transferred over time	\$ 19,928,500
Sales and services transferred at a point in time	1,939,989
	\$ 21,868,489

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Note 20: U.S. Department of Education Financial Responsibility Ratio Information

The following information is required by the U.S. Department of Education for the year ended June 30, 2021:

	2021
Annuities with donor restrictions	\$ -
Term endowments with donor restrictions	-
Life income funds with donor restrictions	-
Total annuities, term endowments and life income funds with donor restrictions	-
Unsecured related party receivables	4,639,539
Secured related party receivables	-
Total related party receivables	4,639,539
Property, plant and equipment, net of accumulated depreciation - pre-implementation	110,767,238
Land and land improvements	-
Buildings	9,833,333
Machinery and equipment	-
Vehicles	-
Construction in progress	-
Less: Accumulated depreciation	-
Property, plant and equipment, including construction in progress, net of accumulated depreciation - post-implementation with outstanding debt for original purchase	9,833,333
Property, plant and equipment, including construction in progress, net of accumulated depreciation - post-implementation without outstanding debt for original purchase	8,967,226
Total property and equipment	129,567,797

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	(Continued)
	2021
Right-of-use lease asset - operating leases, net of accumulated amortization - pre-implementation	\$ -
Right-of-use lease asset - operating leases, net of accumulated amortization - post-implementation	-
Total right-of-use lease asset - operating leases	-
Right-of-use lease asset - finance leases, net of accumulated amortization - pre-implementation*	-
Right-of-use lease asset - finance leases, net of accumulated amortization - post-implementation*	-
Total right-of-use lease asset - financing leases	-
Long-term debt obtained for long-term purposes - pre-implementation	36,229,200
Long-term debt obtained for long-term purposes - post-implementation	10,000,000
Line of credit for construction in progress	-
Operating lease liability - pre-implementation	-
Operating lease liability - post-implementation	-
Total operating lease liability	-
Finance lease liability - pre-implementation	-
Finance lease liability - post-implementation	-
Total finance lease liability	-

Note 21: Significant Estimates, Concentrations and Contingencies

Concentrations - Contributions

At June 30, 2021 and 2020, approximately 26% and 35%, respectively, of the contributions receivable balance was due from Board of Trustees' members. Additionally, at June 30, 2021 and 2020, approximately 54% and 52%, respectively, of contributions were received from five and two donors, respectively.

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Contingencies

The College is subject to claims and lawsuits that arise primarily in the ordinary course of its activities. It is the opinion of management that the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the financial position, change in net assets and cash flows of the College.

Pension Benefit Obligations

The College has a defined-benefit postretirement health plan whereby it agrees to provide certain postretirement health benefits to eligible employees. The benefit obligation is the actuarial present value of all benefits attributed to service rendered prior to the valuation date. It is reasonably possible that events could occur that would change the estimated amount of this liability in the near term.