

Wabash.

Independent Auditor's Report and Financial Statements

June 30, 2022 and 2021



W a b a s h C o l l e g e

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I n d e p e n d e n t A u d i t o r ' s R e p o r t

Board of Trustees
Wabash College
Crawfordsville, Indiana

Opinion

We have audited the financial statements of Wabash College (College), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses and cash flow for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Wabash College as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Wabash College's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Wabash College's ability to continue as a going concern for a reasonable period of time.

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

FORVIS,LLP

Indianapolis, Indiana
November 22, 2022

W a b a s h C o l l e g e
S t a t e m e n t s o f F i n a n c i a l P o s i t i o n
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	2 0 2 2	2 0 2 1
A s s e t s		
Cash	\$ 8,336,695	\$ 3,304,104
Accounts receivable	602,697	1,077,084
Prepaid expenses and other	1,094,512	679,437
Contributions receivable	23,911,341	15,527,431
Student loans receivable held by endowment, net of allowance for doubtful accounts of \$847,000 and \$877,000, respectively	3,395,640	3,876,359
Investments	385,308,925	426,422,791
Cash surrender value of life insurance	2,619,495	2,598,737
Charitable remainder trusts	26,165,017	28,845,402
Property and equipment, net	126,792,567	129,567,797
Beneficial interest in perpetual trusts	8,613,166	10,134,485
Total assets	\$ 586,840,055	\$ 622,033,627
L i a b i l i t i e s		
Accounts payable and accrued expenses	\$ 1,670,240	\$ 2,971,647
Interest rate swap agreement	-	192,392
Long-term debt	38,397,600	46,229,200
Capital lease	427,356	530,085
Accumulated postretirement benefit obligation	5,392,058	7,916,058
Annuities and trusts payable	4,755,528	6,362,675
Total liabilities	50,642,782	64,202,057
N e t A s s e t s		
Without donor restrictions	249,765,061	272,685,074
With donor restrictions	286,432,212	285,146,496
Total net assets	536,197,273	557,831,570
Total liabilities and net assets	\$ 586,840,055	\$ 622,033,627

W a b a s h C o l l e g e
S t a t e m e n t s o f A c t i v i t i e s
Y e a r s E n d e d J u n e 3 0 , 2 0 2 2 a n d 2 0 2 1

	2 0 2 2		
	W i t h o u t D o n o r	W i t h D o n o r	T o t a l
	R e s t r i c t i o n s	R e s t r i c t i o n s	
Revenues, Income and Other Support			
Net tuition revenue	\$ 10,498,178	\$ -	\$ 10,498,178
Auxiliary services	9,548,703	-	9,548,703
Investment return designated for current operations	8,625,627	9,354,752	17,980,379
Contributions, gifts and bequests	2,613,209	32,423,370	35,036,579
Government and other grants	2,498,521	-	2,498,521
Change in value of split-interest agreements	-	(3,140,272)	(3,140,272)
Other income	1,583,678	51,740	1,635,418
	<u>35,367,916</u>	<u>38,689,590</u>	<u>74,057,506</u>
Net assets released from restrictions	17,800,394	(17,800,394)	-
Total revenues, income and other support	<u>53,168,310</u>	<u>20,889,196</u>	<u>74,057,506</u>
Expenses			
Instruction	11,994,614	-	11,994,614
Research	2,178,199	-	2,178,199
Public service	2,631,727	-	2,631,727
Academic support and library	3,884,762	-	3,884,762
Student services	11,347,488	-	11,347,488
Management and general	5,357,033	-	5,357,033
Fundraising	2,542,880	-	2,542,880
Auxiliary services	4,702,687	-	4,702,687
Operations and maintenance	8,983,475	-	8,983,475
Interest expense	1,058,374	-	1,058,374
Depreciation expense	5,285,719	-	5,285,719
Total expenses	<u>59,966,958</u>	<u>-</u>	<u>59,966,958</u>
Change in Net Assets Before Other Changes	(6,798,648)	20,889,196	14,090,548
Other Changes			
Investment return greater (less) than amounts designated for current operations	(17,531,097)	(19,603,480)	(37,134,577)
Defined-benefit postretirement health plan - net gain arising during the period	2,306,158	-	2,306,158
Amortization of net loss included in net periodic pension costs	248,164	-	248,164
Amortization of prior service credit included in net periodic pension cost	(1,144,590)	-	(1,144,590)
Change in Net Assets	(22,920,013)	1,285,716	(21,634,297)
Net Assets, Beginning of Year	<u>272,685,074</u>	<u>285,146,496</u>	<u>557,831,570</u>
Net Assets, End of Year	<u>\$ 249,765,061</u>	<u>\$ 286,432,212</u>	<u>\$ 536,197,273</u>

2021

2021		
Without Donor	With Donor	
Restrictions	Restrictions	Total
\$ 11,442,611	\$ -	\$ 11,442,611
8,850,294	-	8,850,294
8,890,614	9,058,219	17,948,833
4,582,656	10,678,073	15,260,729
2,127,914	-	2,127,914
-	7,412,917	7,412,917
1,891,914	48,075	1,939,989
<u>37,786,003</u>	<u>27,197,284</u>	<u>64,983,287</u>
13,441,878	(13,441,878)	-
<u>51,227,881</u>	<u>13,755,406</u>	<u>64,983,287</u>
11,202,153	-	11,202,153
1,577,212	-	1,577,212
3,105,503	-	3,105,503
3,512,630	-	3,512,630
9,334,004	-	9,334,004
5,571,540	-	5,571,540
2,106,668	-	2,106,668
4,322,923	-	4,322,923
8,143,618	-	8,143,618
959,170	-	959,170
5,269,056	-	5,269,056
<u>55,104,477</u>	<u>-</u>	<u>55,104,477</u>
(3,876,596)	13,755,406	9,878,810
38,822,343	40,668,696	79,491,039
616,569	-	616,569
508,346	-	508,346
<u>(1,144,590)</u>	<u>-</u>	<u>(1,144,590)</u>
34,926,072	54,424,102	89,350,174
<u>237,759,002</u>	<u>230,722,394</u>	<u>468,481,396</u>
<u>\$ 272,685,074</u>	<u>\$ 285,146,496</u>	<u>\$ 557,831,570</u>

W a b a s h C o l l e g e

S t a t e m e n t o f F u n c t i o n a l E x p e n s e s

Y e a r E n d e d J u n e 3 0 , 2 0 2 2

(W i t h C o m p a r a t i v e T o t a l s f o r 2 0 2 1

	2022											2021 Totals
	Program Services						Supporting Services					
	Academic						Management and Fundraising					
	Instruction	Research	Public Service	Support and Library	Student Services	Auxiliary Services	Total Programs	General	Fundraising	Total		
Salaries and wages	\$ 8,790,183	\$ 1,379,085	\$ 694,349	\$ 1,549,324	\$ 5,216,864	\$ 207,416	\$ 17,837,221	\$ 3,066,595	\$ 629,825	\$ 21,533,641	\$ 20,394,572	
Employee benefits and taxes	1,944,552	305,079	153,603	342,739	1,154,068	45,884	3,945,925	678,389	139,329	4,763,643	5,375,574	
Postage, marketing and media	141,404	64,929	84,707	990,892	699,203	24,677	2,005,812	183,898	422,854	2,612,564	2,525,244	
Professional services and fees	71,794	61,620	726,156	206,635	900,774	201,762	2,168,741	1,289,096	390,033	3,847,870	3,748,758	
Travel and training	133,553	178,864	333,246	420,826	1,337,389	1,206	2,405,084	246,277	377,644	3,029,005	698,058	
Sporting, theater, and other events	379,855	-	792	2,636	98,790	32	482,105	2,436	63,856	548,397	179,736	
Repairs and maintenance	2,467,771	34,981	34,955	658,155	2,074,614	3,096,098	8,366,574	246,378	45,886	8,658,838	7,876,848	
Utilities	-	75	3,502	1,376	6,600	127,477	139,030	131,342	1,799	272,171	246,934	
Equipment	35,165	22,962	69,535	150,174	456,938	45,253	780,027	216,448	33,081	1,029,556	902,861	
Insurance	-	-	250	-	121,960	-	122,210	550,092	-	672,302	618,046	
Interest	347,392	-	-	-	401,870	270,279	1,019,541	38,833	-	1,058,374	959,170	
Depreciation	1,263,537	58,127	58,126	344,679	1,400,120	2,023,941	5,148,530	134,286	2,903	5,285,719	5,269,056	
Room and board expenses	-	-	-	-	23	3,915,483	3,915,506	-	-	3,915,506	3,704,447	
Cost of goods sold	-	-	-	-	-	439,096	439,096	-	-	439,096	91,436	
Miscellaneous expenses	54,462	115,301	485,756	96,307	1,254,041	7,506	2,013,373	263,945	22,958	2,300,276	2,513,737	
	<u>\$ 15,629,668</u>	<u>\$ 2,221,023</u>	<u>\$ 2,644,977</u>	<u>\$ 4,763,743</u>	<u>\$ 15,123,254</u>	<u>\$ 10,406,110</u>	<u>\$ 50,788,775</u>	<u>\$ 7,048,015</u>	<u>\$ 2,130,168</u>	<u>\$ 59,966,958</u>		
	<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>	

W a b a s h C o l l e g e

S t a t e m e n t o f F u n c t i o n a l E x p e n s e s

Y e a r E n d e d J u n e 3 0 , 2 0 2 1

	2 0 2 1										
	P r o g r a m S e r v i c e s						S u p p o r t i n g S e r v i c e s				
	A c a d e m i c						M a n a g e m e n t				T o t a l
	I n s t r u c t i o n	R e s e a r c h	P u b l i c S e r v i c e	S u p p o r t a n d L i b r a r y	S t u d e n t S e r v i c e s	A u x i l i a r y S e r v i c e s	T o t a l P r o g r a m s	a n d G e n e r a l	F u n d r a i s i n g		
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	
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	
Postage, marketing and media	110,968	29,102	96,538	985,289	588,640	24,202	1,834,739	468,711	221,794	2,525,244	
Professional services and fees	16,716	2,454	798,891	236,980	562,040	414,225	2,031,306	1,326,979	390,473	3,748,758	
Travel and training	18,492	2,958	98,044	29,753	493,759	85	643,091	35,287	19,680	698,058	
Sporting, theater, and other events	71,522	18	14,700	756	62,644	-	149,640	306	29,790	179,736	
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	
Utilities	-	-	7,680	1,274	9,612	112,553	131,119	114,282	1,533	246,934	
Equipment	7,860	59,190	99,860	193,764	291,692	4,259	656,625	216,842	29,394	902,861	
Insurance	-	-	1,500	-	126,910	-	128,410	489,636	-	618,046	
Interest	366,517	-	-	-	275,104	276,994	918,615	40,555	-	959,170	
Room and board expenses	13,405	-	-	-	-	3,691,042	3,704,447	-	-	3,704,447	
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	
Cost of goods sold	-	-	-	-	-	91,436	91,436	-	-	91,436	
Miscellaneous expenses	57,887	41,279	928,812	58,098	944,418	4,362	2,034,856	468,023	10,858	2,513,737	
	<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>	

W a b a s h C o l l e g e
S t a t e m e n t s o f C a s h F l o w s
Y e a r s E n d e d J u n e 3 0 , 2 0 2 2 a n d 2 0 2 1

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Operating Activities		
Change in net assets	\$ (21,634,297)	\$ 89,350,174
Items not requiring (providing) cash flows		
Depreciation	5,285,719	5,269,056
Net realized and unrealized (gains) losses on investments	33,045,377	(83,137,273)
Actuarial (gain) loss on annuity and trust obligations	(1,607,147)	418,900
Change in value of split-interest agreements	2,680,385	(5,537,908)
(Gain) loss on beneficial interest in perpetual trusts	1,521,319	(1,848,558)
Loss disposal of property and equipment	215,330	-
Change in value of interest rate swap agreement	(192,392)	(140,129)
Noncash gifts of real estate and marketable securities	(1,961,093)	(4,752,406)
Contributions restricted for long-term investment	(9,674,284)	(4,733,206)
Contributions restricted for property and equipment	(4,146,482)	(2,712,518)
Changes in		
Receivables	955,106	205,885
Prepaid expenses, cash surrender value of life insurance and other	(435,833)	(285,707)
Contributions receivable	(8,383,910)	10,334,658
Accounts payable and accrued expenses	(1,301,407)	(1,570,092)
Postretirement benefit obligation	(2,524,000)	(845,863)
Net cash provided by (used in) operating activities	(8,157,609)	15,013
Investing Activities		
Purchase of property and equipment	(2,725,819)	(9,479,838)
Purchase of investments	(260,006,708)	(150,532,869)
Proceeds from disposition of investments	270,036,290	156,540,312
Net cash provided by (used in) investing activities	7,303,763	(3,472,395)
Financing Activities		
Proceeds from contributions restricted for		
Investment in endowment	9,674,284	4,733,206
Acquisition of property and equipment	4,146,482	2,712,518
Payments on long-term debt	(23,434,329)	(2,831,600)
Proceeds from issuance of long-term debt	15,500,000	-
Net cash provided by financing activities	5,886,437	4,614,124
Increase in Cash	5,032,591	1,156,742
Cash, Beginning of Year	3,304,104	2,147,362
Cash, End of Year	\$ 8,336,695	\$ 3,304,104
Supplemental Cash Flows Information		
Interest paid	\$ 658,470	\$ 781,749
Capital lease obligation incurred for equipment	-	530,085

W a b a s h C o l l e g e
N o t e s t o F i n a n c i a l S t a t e m e n t s
J u n e 3 0 , 2 0 2 2 a n d 2 0 2 1

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, 2022, the College's cash accounts exceeded federally insured limits by approximately \$3,241,000.

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, and 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.

W a b a s h C o l l e g e
N o t e s t o F i n a n c i a l S t a t e m e n t s
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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 Policy 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 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>Y e a r s</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, 2022 and 2021.

W a b a s h C o l l e g e
 N o t e s t o F i n a n c i a l S t a t e m e n t s
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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 are 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:

N a t u r e o f t h e G i f t	V a l u e R e c o g n i z e d
Gifts that depend on the College overcoming a donor imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, the donor imposed barrier is met
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.

W a b a s h C o l l e g e
N o t e s t o F i n a n c i a l S t a t e m e n t s
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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, 2022 and 2021, approximately \$1,972,135 and \$4,752,406, 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.

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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 and state income taxes on any unrelated business taxable income. The College files tax returns in the appropriate federal and state jurisdictions for tax purposes.

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 institutional, 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 \$3,637,823.

Subsequent Events

Subsequent events have been evaluated through November 22, 2022, which is the date the financial statements were available to be issued.

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Notes to Financial Statements
June 30, 2022 and 2021

Note 2: Investments and Investment Return

Investments at June 30 consisted of the following:

	2022	2021
Cash equivalents	\$ 24,248,052	\$ 27,339,362
Domestic common stocks		
Large cap	4,170,107	4,556,220
Mid cap	100,478	119,315
Small cap	352,342	391,665
Foreign common stocks	1,414,885	1,166,789
Governmental securities	17,484,827	21,032,871
Fixed income securities/funds	24,251,330	27,422,708
	<u>72,022,021</u>	<u>82,028,930</u>
Alternative investments		
Hedge funds	223,581,321	249,128,428
Distressed debt securities	8,219,257	7,913,870
Private equity and venture capital	57,588,566	57,398,543
Real estate	13,124,179	10,927,466
Natural resources	10,773,581	19,025,554
	<u>313,286,904</u>	<u>344,393,861</u>
	<u>\$ 385,308,925</u>	<u>\$ 426,422,791</u>

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

	2022		
	W i t h o u t D o n o r	W i t h D o n o r	
	R e s t r i c t i o n s	R e s t r i c t i o n s	T o t a l
Interest and dividend income	\$ 6,663,938	\$ 7,227,241	\$ 13,891,179
Net realized and unrealized losses	(15,569,408)	(17,475,969)	(33,045,377)
Total investment return	(8,905,470)	(10,248,728)	(19,154,198)
Investment return designated for current operations	(8,625,627)	(9,354,752)	(17,980,379)
Investment return less than amounts designated for current operations	<u>\$ (17,531,097)</u>	<u>\$ (19,603,480)</u>	<u>\$ (37,134,577)</u>

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	2 0 2 1		
	W i t h o u t D o n o r	W i t h D o n o r	T o t a l
	R e s t r i c t i o n s	R e s t r i c t i o n s	
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

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:

	F a i r V a l u e	U n f u n d e d C o m m i t m e n t s	R e d e m p t i o n F r e q u e n c y	R e d e m p t i o n
				N o t i c e P e r i o d
J u n e 3 0 , 2 0 2 2				
Alternative investments				
Hedge funds	\$ 223,581,321	\$ -	Quarterly - annually	30 - 100 days
Distressed debt securities	8,219,257	24,369,339	Not eligible	n/a
Private equity and venture capital	57,588,566	29,945,380	Not eligible	n/a
Real estate	13,124,179	228,881	Not eligible	n/a
Natural resources	10,773,581	1,649,367	Not eligible	n/a
J u n e 3 0 , 2 0 2 1				
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

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, 2022.

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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, 2022.

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.

N o t e 3 : C o n t r i b u t i o n s R e c e i v a b l e

Contributions receivable at June 30 consisted of the following:

	W i t h D o n o r R e s t r i c t i o n s	
	2 0 2 2	2 0 2 1
Due within one year	\$ 9,190,367	\$ 5,982,728
Due in one to five years	11,441,339	10,600,147
Due after five years	6,327,586	337,779
	26,959,292	16,920,654
Less:		
Allowance for uncollectible contributions	(1,506,667)	(946,570)
Unamortized discount	(1,541,284)	(446,653)
	\$ 23,911,341	\$ 15,527,431

Discount rates ranged from 0.43% to 3.25% for 2022 and 2021.

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Notes to Financial Statements
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Note 4: Property and Equipment

Property and equipment at June 30 consists of:

	2022	2021
Land and land improvements	\$ 13,112,679	\$ 12,158,635
Buildings	189,696,398	189,449,781
Machinery and equipment	24,339,698	24,219,437
Vehicles	499,308	518,056
Construction in progress	1,106,973	22,309
	228,755,056	226,368,218
Less accumulated depreciation and amortization	(101,962,489)	(96,800,421)
	\$ 126,792,567	\$ 129,567,797

Note 5: Beneficial Interest in Trusts

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, 2022 and 2021, the College's beneficial interest in remainder trusts administered by outside parties is \$16,931,141 and \$17,936,518, respectively. During the years ended June 30, 2022 and 2021, the College received no new contributions under remainder trusts held by others.

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, 2022 **and** 2021, the value of these trusts was \$9,233,876 and \$10,908,884, respectively. At June 30, the underlying investments in these trusts included the following:

	2022	2021
Exchange - traded funds	\$ 5,013,549	\$ 7,506,879
Other mutual funds	4,220,327	3,402,005
	\$ 9,233,876	\$ 10,908,884

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.

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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 \$8,613,166 and \$10,134,485, which represents the College's share of the fair value of the trust assets at June 30, 2022 and 2021, respectively.

N o t e 6 : L i n e o f C r e d i t

The College has a revolving bank line of credit that expires in April 2023. The total amount available to the College is \$20 million. At June 30, 2022 and 2021, there were no borrowings against this line. Interest is payable monthly at the Commercial Bank Floating Rate (CBFR) Borrowing Rate plus an applicable spread based on the reported ratio of unrestricted cash and investments to funded debt, with the applicable spread ranging between 0.00% and 0.20%. The applicable interest rate was 4.75% and 2.10% on June 30, 2022 and 2021, respectively.

N o t e 7 : L o n g - T e r m D e b t

Long-term debt consists of the following:

	2 0 2 2	2 0 2 1
Indiana Finance Authority Educational Facilities Revenue Refunding Bond, Series 2022	\$ 15,500,000	\$ -
Indiana Finance Authority Educational Facilities Revenue Refunding Bond, Series 2019	22,897,600	24,979,200
Indiana Finance Authority Educational Facilities Revenue Bond, Series 2015	-	11,250,000
Notes payable	-	10,000,000
	\$ 38,397,600	\$ 46,229,200

On June 17, 2022, 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 2022 (the 2022 Bond) on behalf of the College, then sold the bond to the financial institution and loaned the proceeds of \$15,500,000 to the College. The College used the proceeds from the 2022 Bond to facilitate the acquisition, construction, furnishing and equipping of certain educational facilities, as well as to refund the outstanding 2015 bonds. The proceeds of the 2022 Bond were also used to fund the costs of issuance.

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The 2022 Bond matures on January 2, 2036. Interest on the 2022 Bond is due on the first business day of each month commencing on July 1, 2022. The 2022 Bond bears interest at a fixed rate of 3.23% plus an applicable spread based on the reported ratio of unrestricted cash and investments to funded debt (as defined in the bond and loan agreement), with the applicable spread ranging between 0.00% and 0.30%. The interest rate in effect at June 30, 2022 was 3.23%

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 and was subsequently terminated during fiscal year 2022. 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 2.53%.

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. As previously noted, the 2015 Bond was refunded in full using proceeds from the 2022 Bond.

The 2022 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 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 was to mature December 31, 2022. 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. The College paid the outstanding balance of this note in full in March 2022.

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Aggregate annual maturities and sinking fund requirements of long-term debt at June 30, 2022 are:

	L o n g - T e r m D e b t
2023	\$ 2,831,600
2024	3,216,215
2025	3,216,215
2026	3,216,215
2027	3,216,215
Thereafter	22,701,140
	\$ 38,397,600

N o t e 8 : D e r i v a t i v e F i n a n c i a l I n s t r u m e n t

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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N o t e 9 : L e a s e s

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, 2022 and 2021, was approximately \$103,894 and \$107,781, respectively. Minimum annual rental payments required under capital and operating leases, which have remaining terms in excess of one year as of June 30, 2022, were as follows:

	C a p i t a l L e a s e	O p e r a t i n g L e a s e
2023	\$ 116,108	\$ 97,399
2024	116,108	15,724
2025	116,108	12,537
2026	104,800	1,027
	453,124	\$ 126,687
Amounts representing interest	(25,768)	
	\$ 427,356	

Property and equipment include the following property under capital leases at June 30, 2022:

	2 0 2 2
Computer equipment	\$ 530,085
Accumulated depreciation	(132,521)
	\$ 397,564

N o t e 1 0 : A n n u i t i e s a n d T r u s t s P a y a b l e

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, 2022 and 2021 of \$1,199,896 and \$1,542,445, respectively, which represents the present value of the future annuity obligations. The liability has been determined using a discount rate of 3.6%.

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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 3.6% and applicable mortality tables. At June 30, 2022 and 2021, assets held by the College under charitable remainder trusts aggregate \$9,233,876 and \$10,908,884 and the associated liabilities are \$3,555,632 and \$4,820,230, respectively.

N o t e 1 1 : N e t A s s e t s W i t h D o n o r R e s t r i c t i o n s

Net Assets With Donor Restrictions

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

	2 0 2 2	2 0 2 1
Subject to expenditure for specified purpose		
Scholarships	\$ 1,321,750	\$ 2,453,878
Research (including Center for Inquiry)	6,200,398	6,952,655
Public service (including Wabash Center)	11,295,209	5,680,929
Academic support and library	889,829	1,126,537
Student services	1,032,166	1,249,693
Capital projects	2,725,974	1,814,246
Other	2,942,812	2,619,491
Subject to the passage of time	38,029,121	28,789,611
Non-endowed funds		
Scholarships	18,608,284	21,243,259
General operations of the College	12,566,144	12,691,836
Loans	305,252	303,052

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(C o n t i n u e d)

	2 0 2 2	2 0 2 1
Endowments		
Subject to appropriation and expenditure when a specified event occurs		
Scholarships	\$ 63,124,393	\$ 60,501,915
Research	1,421,709	1,367,991
Public service	47,685	47,685
Academic support and library	11,064,185	10,572,954
Student services	9,416,569	9,176,167
Administration	366,319	366,319
Endowed chairs	24,661,895	19,606,376
General operations of the College (General endowment)	23,239,292	23,117,283
Capital projects	609,255	470,673
Loans	302,054	302,054
	134,253,356	125,529,417
Subject to endowment spending policy and appropriation		
Scholarships	26,385,862	35,921,446
Research	594,271	812,209
Public service	19,932	28,312
Academic support and library	5,790,814	7,933,615
Student services	3,936,106	5,448,111
Administration	153,120	217,492
Endowed chairs	8,447,805	8,997,677
General operations of the College (General endowment)	10,553,081	14,874,243
Capital projects	254,667	279,450
Loans	126,259	179,337
	56,261,917	74,691,892
Total endowments	190,515,273	200,221,309
	\$ 286,432,212	\$ 285,146,496

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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.

	2 0 2 2	2 0 2 1
Satisfaction or purpose restrictions		
Scholarships	\$ 6,618,164	\$ 5,191,733
Research (including Center for Inquiry)	1,638,945	1,119,441
Public service (including Wabash Center)	2,651,041	2,585,228
Academic support and library	2,670,950	1,080,458
Student services	2,567,339	1,821,497
Property and equipment acquired and placed in service	440,807	865,677
Other	1,213,148	777,844
	\$ 17,800,394	\$ 13,441,878

N o t e 1 2 : E n d o w m e n t

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, 2022 and 2021 was:

	2 0 2 2		
	W i t h o u t D o n o r	W i t h D o n o r	T o t a l
	R e s t r i c t i o n s	R e s t r i c t i o n s	
Donor-restricted endowment funds			
Amounts required to be maintained in perpetuity	\$ -	\$ 134,253,356	\$ 134,253,356
Accumulated investment gains	-	56,261,917	56,261,917
Board-designated endowment funds	<u>175,666,183</u>	<u>-</u>	<u>175,666,183</u>
Total pooled endowment funds	<u>\$ 175,666,183</u>	<u>\$ 190,515,273</u>	<u>\$ 366,181,456</u>
	2 0 2 1		
	W i t h o u t D o n o r	W i t h D o n o r	T o t a l
	R e s t r i c t i o n s	R e s t r i c t i o n s	
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	<u>197,341,208</u>	<u>-</u>	<u>197,341,208</u>
Total pooled endowment funds	<u>\$ 197,341,208</u>	<u>\$ 200,221,309</u>	<u>\$ 397,562,517</u>

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Changes in endowment net assets for the years ended June 30, 2022 and 2021 were:

	W i t h o u t D o n o r R e s t r i c t i o n s	W i t h D o n o r R e s t r i c t i o n s	T o t a l
Endowment net assets, July 1, 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	197,341,208	200,221,309	397,562,517
Investment return	(9,499,015)	(9,075,304)	(18,574,319)
Contributions received and board designations	-	8,425,724	8,425,724
Appropriation of endowment assets for expenditure	(8,625,627)	(9,354,752)	(17,980,379)
Other changes to endowment funds	<u>(3,550,383)</u>	<u>298,296</u>	<u>(3,252,087)</u>
Endowment net assets, June 30, 2022	<u>\$ 175,666,183</u>	<u>\$ 190,515,273</u>	<u>\$ 366,181,456</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, 2022 and 2021, underwater endowment funds reported in net assets with donor restrictions were as follows:

	2 0 2 2	2 0 2 1
Original gift values	\$ 33,184,987	\$ 7,081,297
Fair value of underwater funds	<u>31,131,473</u>	<u>6,768,533</u>
Underwater endowment funds	<u>\$ (2,053,514)</u>	<u>\$ (312,764)</u>

W a b a s h C o l l e g e

N o t e s t o F i n a n c i a l S t a t e m e n t s

J u n e 3 0 , 2 0 2 2 a n d 2 0 2 1

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 2022 and 2021, 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.

N o t e 1 3 : P e n s i o n P l a n s

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 \$1,768,306 and \$1,828,134 for 2022 and 2021, respectively.

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N o t e 1 4 : P o s t r e t i r e m e n t P l a n

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 \$435,430 to the plan in fiscal year 20223.

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

	<u>2 0 2 2</u>	<u>2 0 2 1</u>
Benefit obligation	\$ 5,392,058	\$ 7,916,058
Funded status	<u>\$ (5,392,058)</u>	<u>\$ (7,916,058)</u>
Accumulated benefit obligation	<u>\$ (5,392,058)</u>	<u>\$ (7,916,058)</u>
Items not yet recognized as a component of net periodic benefit cost		
Net loss (gain)	\$ (770,062)	\$ 1,784,260
Prior service credit	(5,722,944)	(6,867,534)

A liability of \$5,392,058 and \$7,916,058 was recorded at June 30, 2022 and 2021, respectively, for the accumulated benefit obligation in excess of plan assets.

Other significant balances and costs are:

	<u>2 0 2 2</u>	<u>2 0 2 1</u>
Benefit income	\$ (678,838)	\$ (408,165)
Employer contribution	435,430	453,373
Benefits paid	435,430	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 \$76,952 and \$1,144,590, respectively.

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The following amounts have been recognized in the statements of activities for the years ended June 30, 2022 and 2021:

	2 0 2 2	2 0 2 1
Amounts reclassified as components of net periodic pension cost of the period:		
Net loss	\$ 248,164	\$ 508,346
Prior service credit	(1,144,590)	(1,144,590)

Significant assumptions include:

	2 0 2 2	2 0 2 1
Weighted-average assumptions used to determine benefit obligations:		
Discount rate	4.50%	2.75%
Medical trend rate (Pre-65 / Post-65)	7.50% / 6.50%	8.00%
Weighted-average assumptions used to determine benefit costs:		
Discount rate	4.50%	2.50%
Medical trend rate (Pre-65 / Post-65)	7.50% / 6.50%	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 2022 and 2021.

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

2023	\$ 353,312
2024	370,138
2025	355,913
2026	383,809
2027	391,344
2028 - 2032	1,930,602

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N o t e 1 5 : D i s c l o s u r e s A b o u t F a i r V a l u e o f A s s e t s a n d L i a b i l i t i e s

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, 2022. 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.

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 Treasurer's Office. The Treasurer's 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, 2022 and 2021.

	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)
June 30, 2022				
Investments				
Cash equivalents	\$ 24,248,052	\$ 19,989,808	\$ 4,258,244	\$ -
Domestic common stocks				
Large cap	4,170,107	4,170,107	-	-
Mid cap	100,478	100,478	-	-
Small cap	352,342	352,342	-	-
Foreign common stocks	1,414,885	1,414,885	-	-
Governmental securities	17,484,827	17,484,827	-	-
Fixed income securities/funds	24,251,330	4,797,411	19,453,919	-
Total investments classified within the fair hierarchy	72,022,021	\$ 48,309,858	\$ 23,712,163	\$ -
Investments carried at NAV ^(A)	313,286,904			
Total investments	385,308,925			
Charitable remainder trusts	26,165,017	\$ 9,233,876	\$ -	\$ 16,931,141
Beneficial interest in perpetual trusts	8,613,166	-	8,613,166	-
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	-
Total investments classified within the fair hierarchy	82,028,930	\$ 59,184,170	\$ 22,844,760	\$ -
Investments carried at NAV ^(A)	344,393,861			
Total investments	426,422,791			
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)

(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:

	C h a r i t a b l e R e m a i n d e r T r u s t s	I n t e r e s t R a t e S w a p A g r e e m e n t
Balance, July 1, 2020	\$ 14,540,694	\$ 332,521
Change in value of split-interest agreements	-	-
Gain on interest rate swap	3,395,824	-
	<u>-</u>	<u>(140,129)</u>
Balance, June 30, 2021	17,936,518	192,392
Change in value of split-interest agreements	(1,005,377)	-
Termination	-	(192,392)
	<u>-</u>	<u>(192,392)</u>
Balance, June 30, 2022	<u>\$ 16,931,141</u>	<u>\$ -</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 \$16,931,141 and \$17,936,518 at June 30, 2022 and 2021, 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 3.6% at both June 30, 2022 and 2021. 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.

Note 16: Liquidity

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.

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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 \$175,666,183 and \$197,341,208 at June 30, 2022 and 2021, respectively, is subject to an annual spending rate described in Note 12. 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 that matures in April 2023 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, 2022, the level of liquidity and reserves was managed within the policy requirements.

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of June 30, 2022 and 2021, comprise the following:

	2 0 2 2	2 0 2 1
Financial assets available to meet cash needs for general expenditures within one year		
Cash	\$ 8,336,695	\$ 3,304,104
Accounts receivable	602,697	1,077,084
Contributions receivable for general expenditure due within one year	9,190,367	5,982,728
Investment return designated for current operations - 2023	19,163,109	17,980,379
Investments not encumbered by donor or board restrictions	579,845	14,853,972
	\$ 37,872,713	\$ 43,198,267

N o t e 1 7 : R e l a t e d P a r t i e s

The College has adopted a conflict of interest policy that requires trustees, officers, and key employees to submit an annual conflict of interest disclosure. The annual disclosure requires trustees, officers, and key employees to disclose, in writing, any known financial interest that the individual, together with family members, has in any business entity that conducts business with the College.

At June 30, 2022 and 2021, approximately 55% and 26%, respectively, of the contributions receivable balance was due from Board of Trustees’ members. Additionally, approximately 23% and 22% of the contribution, gift and bequest revenue was received from Board of Trustee members for the years ended June 30, 2022 and 2021.

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N o t e 1 8 : R e v e n u e F r o m C o n t r a c t s

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, 10-, 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, 2022 and 2021, the College’s net tuition revenue was comprised of the following components:

	2 0 2 2	2 0 2 1
Student tuition and fees	\$ 36,874,745	\$ 37,980,240
Grants and scholarships	(26,376,567)	(26,537,629)
Net tuition revenue	\$ 10,498,178	\$ 11,442,611

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, and fees. At June 30, 2022, 2021 and 2020, the College had receivables from students totaling \$178,247, \$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 years ended June 30, 2022 and 2021 is as follows:

	2 0 2 2	2 0 2 1
Net tuition revenue	\$ 10,498,178	\$ 11,442,611
Auxiliary services	9,548,703	8,850,294
Other income	1,870,024	1,939,989
	\$ 21,916,905	\$ 22,232,894

The timing of revenue recognition for the years ended June 30, 2022 and 2021 is as follows:

	2 0 2 2	2 0 2 1
Services transferred over time	\$ 20,046,881	\$ 20,292,905
Sales and services transferred at a point in time	1,870,024	1,939,989
	\$ 21,916,905	\$ 22,232,894

W a b a s h C o l l e g e
Notes to Financial Statements
June 30, 2022 and 2021

**Note 19: 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, 2022:

	2022
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	13,235,929
Secured related party receivables	-
Total related party receivables	13,235,929
Property, plant and equipment, net of accumulated depreciation - pre-implementation	106,782,906
Land and land improvements	-
Buildings	9,583,334
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	9,583,334
Property, plant and equipment, including construction in progress, net of accumulated depreciation - post-implementation without outstanding debt for original purchase	10,426,327
Total property and equipment	126,792,567
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	-

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(C o n t i n u e d)

2 0 2 2

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		<u>-</u>
Long-term debt obtained for long-term purposes - pre-implementation		22,897,600
Long-term debt obtained for long-term purposes - post-implementation		15,500,000
Line of credit for construction in progress		-
Operating lease liability - pre-implementation		-
Operating lease liability - post-implementation		-
Total operating lease liability		<u>-</u>
Finance lease liability - pre-implementation		-
Finance lease liability - post-implementation		-
Total finance lease liability		<u>-</u>

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Litigation

The College is subject to claims and lawsuits that arise primarily in the ordinary course of its activities. It is the opinion of management 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. Events could occur that would change this estimate materially in the near term.

Other Discrete Events

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which may negatively affect the financial position, results of operations, and cash flows of the College. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.