

Wabash College

Independent Auditor's Report and Financial Statements

June 30, 2020 and 2019

Wabash College
June 30, 2020 and 2019

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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, which comprise the statements of financial position as of June 30, 2020 and 2019, 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, 2020 and 2019, 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.

BKD, LLP

Indianapolis, Indiana
December 22, 2020

Wabash College
Statements of Financial Position
June 30, 2020 and 2019

	2020	2019
Assets		
Cash	\$ 2,147,362	\$ 5,728,724
Accounts receivable	564,417	489,132
Prepaid expenses and other	649,297	543,096
Contributions receivable	25,862,089	18,040,405
Student loans receivable held by endowment, net of allowance for doubtful accounts of \$876,684 each year	4,594,911	5,432,639
Investments	344,540,555	341,086,043
Cash surrender value of life insurance	2,343,170	2,296,955
Charitable remainder trusts	23,307,494	24,490,536
Property and equipment, net	124,826,930	119,820,854
Beneficial interest in perpetual trusts	8,285,927	8,532,483
Total assets	\$ 537,122,152	\$ 526,460,867
Liabilities		
Accounts payable and accrued expenses	\$ 4,541,739	\$ 1,838,023
Interest rate swap agreement	332,521	45,887
Long-term debt	49,060,800	42,943,829
Accumulated postretirement benefit obligation	8,761,921	9,687,752
Annuities and trusts payable	5,943,775	6,093,106
Total liabilities	68,640,756	60,608,597
Net Assets		
Without donor restrictions	237,759,002	243,449,324
With donor restrictions	230,722,394	222,402,946
Total net assets	468,481,396	465,852,270
Total liabilities and net assets	\$ 537,122,152	\$ 526,460,867

Wabash College
Statements of Activities
Years Ended June 30, 2020 and 2019

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Income and Other Support			
Student tuition and fees	\$ 36,975,946	\$ -	\$ 36,975,946
Grants and scholarships	(25,092,987)	-	(25,092,987)
Net student tuition and fees	11,882,959	-	11,882,959
Contributions, gifts and bequests	8,739,152	24,980,974	33,720,126
Investment return designated for current operations	11,609,079	7,788,391	19,397,470
Change in value of split-interest agreements	(126,392)	(1,207,935)	(1,334,327)
Auxiliary services	6,951,826	13,900	6,965,726
Other income	2,693,048	113,100	2,806,148
	41,749,672	31,688,430	73,438,102
Net assets released from restrictions	16,068,857	(16,068,857)	-
Total revenues, income and other support	57,818,529	15,619,573	73,438,102
Expenses			
Instruction	11,404,349	-	11,404,349
Research	1,389,064	-	1,389,064
Public service	3,296,910	-	3,296,910
Academic support and library	4,120,171	-	4,120,171
Student services	9,158,740	-	9,158,740
Management and general	5,481,765	-	5,481,765
Fundraising	2,624,214	-	2,624,214
Auxiliary services	3,928,408	-	3,928,408
Operations and maintenance	7,396,878	-	7,396,878
Interest expense	1,402,153	-	1,402,153
Depreciation expense	5,206,443	-	5,206,443
Total expenses	55,409,095	-	55,409,095
Change in Net Assets Before Other Changes	2,409,434	15,619,573	18,029,007
Other Changes			
Investment return less than amounts designated for current operations	(8,450,522)	(7,300,125)	(15,750,647)
Defined-benefit postretirement health plan - net gain (loss) arising during the period	808,205	-	808,205
Amortization of net loss included in net periodic pension costs	687,151	-	687,151
Amortization of prior service credit included in net periodic pension cost	(1,144,590)	-	(1,144,590)
Change in Net Assets	(5,690,322)	8,319,448	2,629,126
Net Assets, Beginning of Year	243,449,324	222,402,946	465,852,270
Net Assets, End of Year	\$ 237,759,002	\$ 230,722,394	\$ 468,481,396

2019		
Without Donor Restrictions	With Donor Restrictions	Total
\$ 37,138,388	\$ -	\$ 37,138,388
(24,296,925)	-	(24,296,925)
12,841,463	-	12,841,463
6,737,084	15,150,653	21,887,737
12,515,913	8,286,716	20,802,629
48,454	500,048	548,502
8,724,799	-	8,724,799
1,595,747	278,237	1,873,984
42,463,460	24,215,654	66,679,114
18,232,537	(18,232,537)	-
60,695,997	5,983,117	66,679,114
11,303,744	-	11,303,744
1,422,923	-	1,422,923
3,364,562	-	3,364,562
4,046,041	-	4,046,041
9,891,848	-	9,891,848
5,368,952	-	5,368,952
2,715,832	-	2,715,832
4,327,243	-	4,327,243
8,271,690	-	8,271,690
1,601,243	-	1,601,243
5,170,435	-	5,170,435
57,484,513	-	57,484,513
3,211,484	5,983,117	9,194,601
(9,613,071)	(5,079,712)	(14,692,783)
(379,146)	-	(379,146)
770,764	-	770,764
(1,144,590)	-	(1,144,590)
(7,154,559)	903,405	(6,251,154)
250,603,883	221,499,541	472,103,424
\$ 243,449,324	\$ 222,402,946	\$ 465,852,270

Wabash College
Statement of Functional Expenses
Year Ended June 30, 2020 (With Comparative Totals for 2019)

	2020							Total	2019 Totals		
	Program Services				Supporting Services						
	Instruction	Research	Public Service	Academic Support and Library	Student Services	Auxiliary Services	Total Programs			Management and General	Fundraising
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	\$ 20,123,865
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	5,880,749
Postage, printing and marketing	29,933	3,003	33,747	9,314	163,251	2,965	242,213	57,926	217,304	517,443	680,323
Supplies	77,149	26,140	299,762	541,164	420,236	10,741	1,375,192	69,871	25,227	1,470,290	1,445,742
Books and media	10,806	1,060	6,521	442,774	1,532	-	462,693	732	529	463,954	534,581
Professional fees	18,371	32,017	477,397	123,518	598,626	204,630	1,454,559	662,327	519,612	2,636,498	2,410,605
Utilities	-	-	7,286	1,184	10,504	110,863	129,837	138,804	1,650	270,291	294,684
Speaking fees	7,752	21,126	34,200	6,285	46,147	-	115,510	-	-	115,510	388,036
Other fees	322,289	-	-	15,081	-	-	337,370	9	-	337,379	484,003
Sporting events	-	364	-	1,973	(15,901)	-	(13,564)	-	-	(13,564)	344,724
Theater productions	977	-	-	-	14,535	-	15,512	-	-	15,512	23,587
Interest	652,449	-	-	-	454,935	294,769	1,402,153	-	-	1,402,153	1,601,243
Insurance	-	-	-	-	139,837	-	139,837	363,460	-	503,297	522,745
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	8,000,212
Equipment	35,515	82,841	75,524	414,467	183,491	13,904	805,742	200,721	-	1,006,463	723,107
Room and board expenses	2,454	-	(28)	-	300	3,251,217	3,253,943	455	2,700	3,257,098	4,217,770
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	3,700,793
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	5,170,435
Cost of goods sold	-	-	-	-	9,931	281,262	291,193	-	-	291,193	279,644
Miscellaneous expenses	80,252	17,238	306,494	19,119	268,508	7,062	698,673	193,216	5,845	897,734	657,665
	<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>	
2019 Totals	<u>\$ 15,575,235</u>	<u>\$ 1,511,502</u>	<u>\$ 3,453,117</u>	<u>\$ 5,310,624</u>	<u>\$ 13,358,221</u>	<u>\$ 9,761,401</u>	<u>\$ 48,970,100</u>	<u>\$ 5,754,640</u>	<u>\$ 2,759,773</u>		<u>\$ 57,484,513</u>

Wabash College
Statement of Functional Expenses
Year Ended June 30, 2019

	2019									
	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	\$ 7,959,677	\$ 818,949	\$ 844,464	\$ 1,600,163	\$ 4,863,198	\$ 260,061	\$ 16,346,512	\$ 2,499,473	\$ 1,277,880	\$ 20,123,865
Employee benefits and taxes	2,440,694	207,397	239,625	515,751	1,275,491	93,198	4,772,156	684,657	423,936	5,880,749
Postage, printing and marketing	40,625	3,927	40,139	8,809	185,206	4,927	283,633	217,854	178,836	680,323
Supplies	97,061	57,011	321,965	540,735	369,022	18,974	1,404,768	28,845	12,129	1,445,742
Books and media	16,599	2,509	25,552	486,377	2,512	-	533,549	901	131	534,581
Professional fees	1,183	37,745	631,416	59,323	505,716	182,592	1,417,975	681,317	311,313	2,410,605
Utilities	-	-	6,932	3,051	37,618	112,138	159,739	131,604	3,341	294,684
Speaking fees	17,591	18,794	46,472	10,437	226,095	-	319,389	68,647	-	388,036
Other fees	483,959	-	-	-	44	-	484,003	-	-	484,003
Sporting events	-	-	-	996	343,728	-	344,724	-	-	344,724
Theater productions	1,589	-	-	449	21,549	-	23,587	-	-	23,587
Interest	753,394	-	-	-	535,305	312,544	1,601,243	-	-	1,601,243
Insurance	-	-	-	-	139,837	-	139,837	382,908	-	522,745
Repairs and maintenance	2,290,438	30,945	30,921	611,765	1,999,287	2,731,985	7,695,341	262,490	42,381	8,000,212
Equipment	95,740	22,316	50,005	83,822	246,502	16,030	514,415	207,697	995	723,107
Room and board expenses	22,672	23,691	325,618	8,636	195,917	3,633,094	4,209,628	8,142	-	4,217,770
Travel and training	82,845	210,179	585,878	690,922	1,322,958	3,177	2,895,959	302,240	502,594	3,700,793
Depreciation	1,227,657	57,635	57,635	656,680	937,578	2,108,493	5,045,678	123,197	1,560	5,170,435
Cost of goods sold	-	-	-	-	-	279,644	279,644	-	-	279,644
Miscellaneous expenses	43,511	20,404	246,495	32,708	150,658	4,544	498,320	154,668	4,677	657,665
	<u>\$ 15,575,235</u>	<u>\$ 1,511,502</u>	<u>\$ 3,453,117</u>	<u>\$ 5,310,624</u>	<u>\$ 13,358,221</u>	<u>\$ 9,761,401</u>	<u>\$ 48,970,100</u>	<u>\$ 5,754,640</u>	<u>\$ 2,759,773</u>	<u>\$ 57,484,513</u>

Wabash College
Statements of Cash Flows
Years Ended June 30, 2020 and 2019

	2020	2019
Operating Activities		
Change in net assets	\$ 2,629,126	\$ (6,251,154)
Items not requiring (providing) cash flows		
Depreciation	5,206,443	5,170,435
Net realized and unrealized losses on investments	3,356,808	208,040
Actuarial (gain) loss on annuity and trust obligations	(149,331)	261,448
Change in value of split-interest agreements	1,183,042	(698,091)
(Gain) loss on beneficial interest in perpetual trusts	246,556	(28,393)
Change in value of interest rate swap agreement	286,634	354,062
Noncash gifts of real estate and marketable securities	(4,421,352)	(3,666,270)
Contributions restricted for long-term investment	(5,807,587)	(6,953,096)
Contributions restricted for property and equipment	(8,547,658)	(1,287,024)
Changes in		
Receivables	762,443	982,337
Prepaid expenses, cash surrender value of life insurance and other	(152,416)	(217,136)
Contributions receivable	(7,821,684)	(1,477,648)
Accounts payable and accrued expenses	2,703,716	(534,277)
Postretirement benefit obligation	(925,831)	264,475
Net cash used in operating activities	(11,451,091)	(13,872,292)
Investing Activities		
Purchase of property and equipment	(10,287,805)	(1,653,957)
Proceeds from disposition of property and equipment	75,286	305,420
Purchase of investments	(153,645,127)	(242,915,378)
Proceeds from disposition of investments	151,255,159	260,537,325
Net cash provided by (used in) investing activities	(12,602,487)	16,273,410
Financing Activities		
Proceeds from contributions restricted for		
Investment in endowment	5,807,587	6,953,096
Acquisition of property and equipment	8,547,658	1,287,024
Borrowings on note payable	10,000,000	-
Payments on line of credit	-	(3,469,000)
Payments on long-term debt	(3,883,029)	(3,041,885)
Net cash provided by financing activities	20,472,216	1,729,235
Increase (Decrease) in Cash	(3,581,362)	4,130,353
Cash, Beginning of Year	5,728,724	1,598,371
Cash, End of Year	\$ 2,147,362	\$ 5,728,724
Supplemental Cash Flows Information		
Interest paid	\$ 770,183	\$ 886,948

Wabash College
Notes to Financial Statements
June 30, 2020 and 2019

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, 2020, the College's cash accounts exceeded federally insured limits by approximately \$1,449,000.

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, 2020 and 2019

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 amounts billed for tuition, fees and room and board charges. 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 accounts receivable are due on July 15 and December 15 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. It is the policy of the College to pursue collection of accounts unless the debt is legally discharged, at which time, the account is written off.

Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Student receivables are written off when deemed uncollectible. Recoveries of student accounts previously written off are recorded when received. Receivables are generally unsecured.

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, 2020 and 2019.

Wabash College
Notes to Financial Statements
June 30, 2020 and 2019

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, 2020 and 2019

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, 2020 and 2019, approximately \$4,421,352 and \$3,666,270, 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, 2020 and 2019

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 \$3,724,443.

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 December 22, 2020, which is the date the financial statements were available to be issued.

Wabash College
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Note 2: Investments and Investment Return

Investments at June 30 consisted of the following:

	<u>2020</u>	<u>2019</u>
Cash equivalents	\$ 11,003,843	\$ 18,987,803
Domestic common stocks		
Large cap	11,310,359	10,742,574
Mid cap	108,380	348,331
Small cap	315,156	461,677
Foreign common stocks	1,534,496	2,920,661
Governmental securities	11,832,564	261,973
Fixed income securities/funds	<u>46,674,147</u>	<u>42,987,528</u>
	<u>82,778,945</u>	<u>76,710,547</u>
Alternative investments		
Hedge funds	187,289,365	178,753,518
Distressed debt securities	7,124,034	7,785,304
Private equity and venture capital	41,841,612	43,708,225
Real estate	11,081,601	15,695,203
Natural resources	<u>14,424,998</u>	<u>18,433,246</u>
	<u>261,761,610</u>	<u>264,375,496</u>
	<u>\$ 344,540,555</u>	<u>\$ 341,086,043</u>

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

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

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	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividend income	\$ 3,801,160	\$ 2,516,726	\$ 6,317,886
Net realized and unrealized gains (losses)	(898,318)	690,278	(208,040)
Total investment return	2,902,842	3,207,004	6,109,846
Investment return designated for current operations	(12,515,913)	(8,286,716)	(20,802,629)
Investment return less than amounts designated for current operations	\$ (9,613,071)	\$ (5,079,712)	\$ (14,692,783)

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, 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

	June 30, 2019			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Alternative investments				
Hedge funds	\$ 178,753,518	\$ -	Quarterly - annually	30 - 100 days
Distressed debt securities	7,785,304	621,339	Not eligible	n/a
Private equity and venture capital	43,708,225	24,848,303	Not eligible	n/a
Real estate	15,695,203	146,128	Not eligible	n/a
Natural resources	18,433,246	3,095,971	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, 2020.

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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, 2020.

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.

Note 3: Contributions Receivable

Contributions receivable at June 30 consisted of the following:

	With Donor Restrictions	
	2020	2019
Due within one year	\$ 8,205,454	\$ 5,382,155
Due in one to five years	19,634,252	13,540,960
Due after five years	613,727	1,822,685
	28,453,433	20,745,800
Less:		
Allowance for uncollectible contributions	(1,640,167)	(1,202,811)
Unamortized discount	(951,177)	(1,502,584)
	\$ 25,862,089	\$ 18,040,405

Discount rates ranged from 0.43% to 3.25% for 2020 and 2019.

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Note 4: 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 2020, the College was awarded \$810,922 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, 2020, have been recorded as receivables. Following are the conditional grant commitments that extend beyond June 30, 2020.

	Conditional Grant/ Contribution Amount	Recognized Through June 30, 2020	Funding Available
Conditional upon incurring qualifying expenses subject to the terms of the grantor	\$ 810,922	\$ 131,250	\$ 679,672

Note 5: Property and Equipment

Property and equipment at June 30 consists of:

	2020	2019
Land and land improvements	\$ 11,778,872	\$ 10,910,420
Buildings	172,198,131	171,937,028
Machinery and equipment	23,441,936	22,647,425
Vehicles	518,056	559,781
Construction in progress	8,431,389	148,174
	216,368,384	206,202,828
Less accumulated depreciation and amortization	(91,541,454)	(86,381,974)
	\$ 124,826,930	\$ 119,820,854

Note 6: Beneficial Interest in 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 \$8,285,927 and \$8,532,483, which represents the College's share of the fair value of the trust assets at June 30, 2020 and 2019, respectively.

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, 2020 and 2019, the College's beneficial interest in remainder trusts administered by outside parties is \$14,540,694 and \$14,812,121, respectively. During the years ended June 30, 2020 and 2019, the College received \$0 and \$171,623 of contributions under remainder trusts held by others.

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The College is also the beneficiary under various charitable trusts for which the College is the trustee. At June 30, 2020 and 2019, the value of these trusts was \$8,766,800 and \$9,678,415, respectively. At June 30, the underlying investments in these trusts included the following:

	2020	2019
Cash equivalents	\$ 96,549	\$ 164,870
Exchange - traded funds	5,548,069	5,960,757
Other mutual funds	3,122,182	3,552,788
	\$ 8,766,800	\$ 9,678,415

The College is 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 7: Line of Credit

The College has a revolving bank line of credit that expires in April 2021. 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, 2020 and 2019, 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% and 3.40% on June 30, 2020 and 2019.

Note 8: Long-Term Debt

Long-term debt consists of the following:

	2020	2019
Indiana Finance Authority Educational Facilities Revenue Bond, Series 2015	\$ 12,000,000	\$ 12,750,000
Indiana Finance Authority Educational Facilities Revenue Refunding Bond, Series 2013	-	29,142,400
Indiana Finance Authority Educational Facilities Revenue Refunding Bond, Series 2019	27,060,800	-
Notes payable	10,000,000	1,051,429
	\$ 49,060,800	\$ 42,943,829

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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.

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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.

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, 2020, which varies with the bank's prime rate plus a spread that is dependent on the College's calculated financial covenant described previously.

Aggregate annual maturities and sinking fund requirements of long-term debt at June 30, 2020 are:

	Long-Term Debt
2021	\$ 2,831,600
2022	2,831,600
2023	12,831,600
2024	2,831,600
2025	2,831,600
Thereafter	24,902,800
	\$ 49,060,800

Note 9: 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 \$10,317,500 at June 30, 2020.

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.

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Note 10: Operating Leases

The College 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, 2020 and 2019, was approximately \$110,714 and \$17,586, respectively. Minimum annual rental payments required under noncancelable operating leases, which have remaining terms in excess of one year as of June 30, 2020, were as follows:

2021	\$ 107,781
2022	103,894
2023	97,399
2024	15,724
2025	12,537
Thereafter	<u>1,027</u>
	<u>\$ 338,362</u>

Note 11: 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, 2020 and 2019 of \$1,908,903 and \$1,611,346, respectively, which represents the present value of the future annuity obligations. The liability has been determined using a discount rate of 0.6%.

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 0.6% and applicable mortality tables. At June 30, 2020 and 2019, assets held by the College under charitable remainder trusts aggregate \$8,766,800 and \$9,678,415 and the associated liabilities are \$4,034,872 and \$4,481,760, respectively.

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Note 12: 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>2020</u>	<u>2019</u>
Subject to expenditure for specified purpose		
Scholarships	\$ 1,295,549	\$ 1,424,973
Research (including Center for Inquiry)	1,794,817	2,053,306
Public service (including Wabash Center)	8,615,234	9,413,436
Academic support and library	1,043,420	3,172,256
Student services	925,541	484,166
Capital projects	2,333,108	1,436,594
Other	824,378	730,908
Subject to the passage of time	26,270,598	12,838,573
Non-endowed funds		
Scholarships	17,152,941	17,745,664
General operations of the College	14,630,883	17,170,151
Loans	434,625	1,085,541
Endowments		
Subject to appropriation and expenditure when a specified event occurs		
Scholarships	57,425,107	52,690,209
Research	1,283,641	1,141,291
Public service	47,685	47,685
Academic support and library	8,239,773	5,906,846
Student services	9,028,848	8,858,027
Administration	366,319	366,319
Endowed chairs	17,768,776	17,007,974
General operations of the College (General endowment)	23,399,185	23,280,977
Capital projects	455,673	453,173
Loans	302,054	302,054
	<u>118,317,061</u>	<u>110,054,555</u>
Subject to endowment spending policy and appropriation		
Scholarships	17,934,093	11,939,781
Research	400,886	208,802
Public service	14,892	12,659
Academic support and library	3,300,965	1,634,743
Student services	2,819,746	1,258,179
Administration	114,403	177,320
Endowed chairs	4,302,492	10,067,652
General operations of the College (General endowment)	7,960,120	19,106,488
Capital projects	142,309	54,274
Loans	94,333	332,925
	<u>37,084,239</u>	<u>44,792,823</u>
Total endowments	<u>155,401,300</u>	<u>154,847,378</u>
	<u>\$ 230,722,394</u>	<u>\$ 222,402,946</u>

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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.

	<u>2020</u>	<u>2019</u>
Satisfaction or purpose restrictions		
Scholarships	\$ 4,021,668	\$ 5,240,365
Research (including Center for Inquiry)	858,983	1,146,281
Public service (including Wabash Center)	4,075,973	4,045,797
Academic support and library	1,201,131	1,451,604
Student services	702,336	1,883,658
Property and equipment acquired and placed in service	665,185	-
Other	4,543,581	4,464,832
	<u>\$ 16,068,857</u>	<u>\$ 18,232,537</u>

Note 13: 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, 2020 and 2019 was:

	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
	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds			
Amounts required to be maintained in perpetuity	\$ -	\$ 110,054,555	\$ 110,054,555
Accumulated investment gains	-	44,792,823	44,792,823
Board-designated endowment funds	170,416,737	-	170,416,737
Total pooled endowment funds	\$ 170,416,737	\$ 154,847,378	\$ 325,264,115

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Changes in endowment net assets for the years ended June 30, 2020 and 2019 were:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, July 1, 2018	\$ 177,186,148	\$ 153,600,601	\$ 330,786,749
Investment return	(216,438)	4,802,022	4,585,584
Contributions received and board designations	3,301,922	5,339,593	8,641,515
Appropriation of endowment assets for expenditure	(9,914,598)	(9,008,796)	(18,923,394)
Other changes to endowment funds	<u>59,703</u>	<u>113,958</u>	<u>173,661</u>
Endowment net assets, June 30, 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	<u>\$ 162,143,464</u>	<u>\$ 155,401,300</u>	<u>\$ 317,544,764</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, 2020 and 2019, underwater endowment funds reported in net assets with donor restrictions were as follows:

	2020	2019
Original gift values	\$ 61,894,850	\$ 51,628,082
Fair value of underwater funds	<u>55,047,720</u>	<u>47,377,705</u>
Underwater endowment funds	<u>\$ (6,847,130)</u>	<u>\$ (4,250,377)</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 2020 and 2019, the College drew 5.5% and 5.875%, respectively, 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 14: 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 \$1,782,224 and \$1,749,973 for 2020 and 2019, respectively.

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Note 15: 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 \$475,077 to the plan in fiscal year 2020.

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

	<u>2020</u>	<u>2019</u>
Benefit obligation	\$ 8,761,921	\$ 9,687,752
Funded status	<u>\$ (8,761,921)</u>	<u>\$ (9,687,752)</u>
Accumulated benefit obligation	<u>\$ (8,761,921)</u>	<u>\$ (9,687,752)</u>
Items not yet recognized as a component of net periodic benefit cost		
Net loss	\$ 2,909,175	\$ 4,404,531
Prior service credit	(8,012,124)	(9,156,714)

A liability of \$8,761,921 and \$9,687,752 was recorded at June 30, 2020 and 2019, respectively, for the accumulated benefit obligation in excess of plan assets.

Other significant balances and costs are:

	<u>2020</u>	<u>2019</u>
Benefit cost (income)	\$ (103,988)	\$ 42,050
Employer contribution	475,077	530,547
Benefits paid	475,077	530,547

The estimated net loss and prior service credit that will be amortized into net periodic benefit cost over the next fiscal year are \$508,346 and \$687,15, respectively.

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The following amounts have been recognized in the statements of activities for the years ended June 30, 2020 and 2019:

	2020	2019
Amounts reclassified as components of net periodic pension cost of the period:		
Net loss	\$ 687,151	\$ 770,764
Prior service credit	1,144,590	1,144,590

Significant assumptions include:

	2020	2019
Weighted-average assumptions used to determine benefit obligations:		
Discount rate	2.50%	3.50%
Medical trend rate	8.00%	8.00%
Weighted-average assumptions used to determine benefit costs:		
Discount rate	3.50%	4.25%
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 2020 and 2019.

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

2021	\$ 453,373
2022	464,463
2023	456,548
2024	459,100
2025	442,232
2026 - 2030	2,347,481

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Note 16: 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, 2020. 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, 2020 and 2019.

	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, 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)	-
June 30, 2019					
Investments					
Cash equivalents	\$ 18,987,803	\$ 16,377,370	\$ 2,610,433	\$ -	\$ -
Domestic common stocks					
Large cap	10,742,574	10,742,574	-	-	-
Mid cap	348,331	348,331	-	-	-
Small cap	461,677	461,677	-	-	-
Foreign common stocks	2,920,661	2,920,661	-	-	-
Governmental securities	261,973	261,973	-	-	-
Fixed income securities/funds	42,987,528	39,503,577	3,483,951	-	-
Alternative investments					
Hedge funds	178,753,518	-	-	-	178,753,518
Distressed debt securities	7,785,304	-	-	-	7,785,304
Private equity and venture capital	43,708,225	-	-	-	43,708,225
Real estate	15,695,203	-	-	275,000	15,420,203
Natural resources	18,433,246	-	-	-	18,433,246
Total investments	<u>341,086,043</u>	<u>70,616,163</u>	<u>6,094,384</u>	<u>275,000</u>	<u>264,100,496</u>
Charitable remainder trusts	24,490,536	9,678,415	-	14,812,121	-
Beneficial interest in perpetual trusts	8,532,483	-	8,532,483	-	-
Interest rate swap agreement	(45,887)	-	-	(45,887)	-

(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 statement 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:

	Real Estate	Charitable Remainder Trusts	Interest Rate Swap Agreement
Balance, July 1, 2018	\$ 275,000	\$ 15,089,270	\$ 308,175
Change in value of split-interest agreements	-	(277,149)	-
Gain on interest rate swap	-	-	(354,062)
Balance, June 30, 2019	275,000	14,812,121	(45,887)
Change in value of split-interest agreements	-	(271,427)	-
Loss on interest rate swap	-	-	378,408
Balance, June 30, 2020	<u>\$ 275,000</u>	<u>\$ 14,540,694</u>	<u>\$ 332,521</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 \$14,540,694 and \$14,812,121 at June 30, 2020 and 2019, respectively. The fair value of the interest in charitable remainder trusts held by others is based on unobservable inputs such as mortality tables and a discount rate of 2.80%.

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 17: Liquidity

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of June 30, 2020 and 2019, comprise the following:

	2020	2019
Financial assets available to meet cash needs for general expenditures within one year		
Cash	\$ 2,147,362	\$ 5,728,724
Accounts receivable	564,417	489,132
Contributions receivable for general expenditure due within one year	8,205,454	5,382,154
Investment return designated for current operations - 2021	17,986,139	17,745,000
Investments not encumbered by donor or board restrictions	18,179,435	13,308,969
	\$ 47,082,807	\$ 42,653,979

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 \$162,143,464 and \$170,416,737 at June 30, 2020 and 2019, respectively, is subject to an annual spending rate described in Note 13. 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, 2020, the level of liquidity and reserves was managed within the policy requirements.

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Note 18: 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, 2020:

	2020
Annuities with donor restrictions	\$ 204,038
Term endowments with donor restrictions	-
Life income funds with donor restrictions	-
Total annuities, term endowments and life income funds with donor restrictions	204,038
Unsecured related party receivables	10,304,722
Secured related party receivables	-
Total related party receivables	10,304,722
Property and equipment, including construction in progress, net of accumulated depreciation - pre-implementation	119,820,854
Property and equipment, including construction in progress, net of accumulated depreciation - post-implementation with outstanding debt for original purchase	8,232,964
Property and equipment, including construction in progress, net of accumulated depreciation - post-implementation without outstanding debt for original purchase	(3,226,888)
Total property and equipment	124,826,930
Long-term debt obtained for long-term purposes - pre-implementation	39,060,800
Long-term debt obtained for long-term purposes - post-implementation	10,000,000

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Note 19: Significant Estimates, Concentrations and Contingencies

Concentrations - Contributions

At June 30, 2020 and 2019, approximately 35% and 72%, respectively, of the contributions receivable balance was due from Board of Trustees' members. Additionally, at June 30, 2020 and 2019, approximately 52% and 14%, respectively, of contributions were received from two and one donor, respectively.

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.