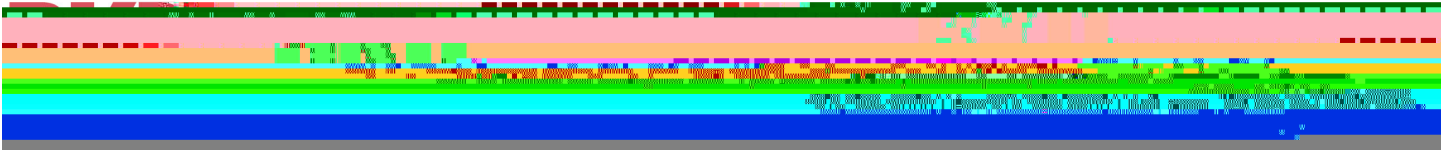


Wabash College

Independent Auditor's Report and Financial Statements

June 30, 2021 and 2020



Opinion

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

Emphasis of Matter

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



Indianapolis, Indiana
January 12, 2022

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

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

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

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Income and Other Support			

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

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

	Instruction	Research	Public Service	Academic Support and Library	Student Services	Auxiliary Services	Total Programs	Management and General	Fundraising	Total	2020 Totals
Salaries and wages	\$ 8,461,342	\$ 1,167,522	\$ 813,964	\$ 1,531,123	\$ 4,978,246	\$ 188,032	\$ 17,140,229	\$ 2,450,513	\$ 803,830	\$ 20,394,572	\$ 21,103,949
Employee benefits and taxes	2,443,961	274,689	245,514	471,313	1,270,600	70,182	4,776,259	-	599,315	5,375,574	5,897,891
Postage, printing and marketing	16,464	1,892	31,415	4,124	261,575	1,530	317,000	3,653	205,968	526,621	517,443
Supplies	82,469	23,972	55,614	505,122	261,529	22,663	951,369	463,004	7,318	1,421,691	1,470,290
Books and media	12,035	3,238	9,509	476,043	65,536	9	566,370	2,054	8,508	576,932	463,954
Professional fees	16,716	2,454	798,891	236,980	562,040	414,225	2,031,306	1,326,979	390,473	3,748,758	2,636,498
Utilities	-	-	7,680	1,274	9,612	112,553	131,119	114,282	1,533	246,934	270,291
Speaking fees	1,207	-	14,700	-	-	-	15,907	-	-	15,907	115,510
Other fees	70,199	-	-	-	29,486	-	99,685	-	29,790	129,475	337,379
Sporting events	-	18	-	756	20,544	-	21,318	306	-	21,624	(13,564)
Theater productions	116	-	-	-	12,614	-	12,730	-	-	12,730	15,512
Interests	116	(r)13.5(og)6.5(ra)9(ms)i	-	-	-	-	-	-	-	-	-

Wabash College

Statement of Functional Expenses

Year Ended June 30, 2020

	Instruction	Research	Public Service	Academic Support and Library	Student Services	Auxiliary Services	Total Programs	Management and General	Fundraising	Total
Salaries and wages	\$ 8,329,750	\$ 838,981	\$ 1,018,777	\$ 1,628,850	\$ 4,922,200	\$ 232,044	\$ 16,970,602	\$ 3,224,757	\$ 908,590	\$ 21,103,949
Employee benefits and taxes	2,426,185	203,259	275,668	499,966	1,292,997	(84,925)	(1,211,571)	(722,523)	(8,660)	(488,977)

See Notes to Financial Statements

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

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

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

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

Nature of Operations

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash

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

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

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

Accounts Receivable

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

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

Property and Equipment

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

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

Long-Lived Asset Impairment

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

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

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

Net Assets

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

Contributions

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

Nature of the Gift

Value Recognized

Conditional gifts, with or without restriction

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

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

Income Taxes

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

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statements of functional expenses. The statements of functional expenses also present the natural classification detail of expenses by function. Certain costs have been allocated among the program, management and general and fund raising categories based on the

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

Note 2: Change in Accounting Principle

In 2021, the College adopted the Financial Accounting Standards Board Accounting Standards Update 2014-09, *Revenue from Contracts with Customers* (Topic 606), (ASU 2014-09) using a modified-retrospective method of adoption to all contracts with students or customers at July 1, 2020. The core guidance in ASU 2014-09 is to recognize revenue to depict the transfer of promised goods or services to customers or students in an amount that reflects the consideration to

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

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

	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividend income	\$ 7,084,521	\$ 7,218,078	\$ 14,302,599
Net real rel(a)18(ld)TJ0and insl(a)18(ld)TJ0g			

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

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

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

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

Note 4: Contributions Receivable

Contributions receivable at June 30 consisted of the following:

	2021	2020
Due within one year	\$ 5,982,728	\$ 8,205,454
Due in one to five years	10,600,147	19,634,252
Due after 0.2(r)15g 1654.4(s)-70384.2(37,e)10.37797		,9200,65(4)TJ -220

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

Note 6: Property and Equipment

Property and equipment at June 30 consists of:

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

Note 7: Beneficial Interest in Trusts

Beneficial Interest in Perpetual Trusts

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

Charitable Remainder Trusts Held by Others

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

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

Charitable Remainder Trusts Held by the College

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

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

Wabash College

Notes to Financial Statements

June 30, 2021 and 2020

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

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

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

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

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

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

On November 21, 2016, the College entered into a note payable agreement, the proceeds of which were used to facilitate the termination of the previous interest rate swap agreement. The note bears interest at 3.24%, with payments of \$210,286 are due annually on December 1 of each year. This businesa12 Tc.0T

Wabash College
Notes to Financial Statements
June 30, 2021 and 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, 2021, which varies with the bank's prime rate plus a spread that is dependent on the College's calculated financial covenant described previously. The College paid \$5,000,000 toward this promissory note on October 18, 2021, in exchange for a term loan with a final maturity date of December 31, 2022.

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

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

Note 10: Derivative Financial Instrument

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

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

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

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

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

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

Note 13: Net Assets With Donor Restrictions

Net Assets With Donor Restrictions

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

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

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

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

Net Assets Released From Restrictions

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

	2021	2020
Satisfaction or purpose restrictions		
Scholarships	\$ 5,191,733	\$ 4,021,668
Research (including Center for Inquiry)	1,119,441	858,983
Public service (including Wabash Center)	2,585,228	4,075,973

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

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

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

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

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

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

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

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

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

2021

2020 72d 79at8.5539

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The College has adopted investment and spending

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Note 16: Postretirement Plan

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

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

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

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

Other significant balances and costs are:

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

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

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Note 17: Disclosures About Fair Value of Assets and Liabilities

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

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

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

Investments

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

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

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

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Charitable Remainder Trusts

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

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

Beneficial Interest in Perpetual Trust

Fair value is estimated at the present value of the future distributions expected to be received over the term of the agreement, which approximates the fair value of the underlying investments which are not fixed income investments. The fair value of the underlying investments 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 not fixed income investments.

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Recurring Measurements

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

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

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

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

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

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

Unobservable (Level 3) Inputs

The fair value of the College's interest in charitable remainder trusts held by others is estimated at the present value of the estimated expected future benefits to be received and was \$17,936,518 and \$14,540,694 at June 30, 2021 and 2020, respectively. Fair value is estimated at the present value of the future distributions expected to be received.

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Transaction Price

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

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

Contract Assets and Liabilities

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

Disaggregation of Revenue

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

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

c(ended June 30

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

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

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

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2021

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Contingencies

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

Pension Benefit Obligations

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