



BALDWIN-WALLACE COLLEGE

Consolidated Financial Statements and Supplementary Information

June 30, 2012 and 2011

(With Independent Auditors' Report Thereon)

BALDWIN-WALLACE COLLEGE

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BW

Founded in 1845, Baldwin-Wallace College was one of the first colleges in Ohio to admit students without regard to race or gender. Today, BW continues as an independent, coeducational institution, accredited by the Higher Learning Commission. The academic program is rooted in the liberal arts but contains abundant opportunities for career exploration and application.

BW maintains more than sixty academic majors within the following seven divisions: Business Administration, Education, Health and Physical Education, Humanities, Music, Science and Mathematics, and Social Sciences. Undergraduate degrees offered are Bachelor of Arts, Bachelor of Science, Bachelor of Science in Education, Bachelor of Music, and Bachelor of Music Education. Baldwin Wallace offers graduate programs leading to the degrees of Master of Business Administration, Master of Arts in Education, and Master of Medical Science. The institution also has several post-baccalaureate programs and certificate programs in a variety of specialties.

Because of the present wide range of the academic offerings, the institution changed its name to Baldwin Wallace University on July 1, 2012 (immediately after the end of the fiscal year). This name more accurately reflects the current structure.

The campus is in Berea, Ohio, a suburb southwest of Cleveland.

Baldwin Wallace does not discriminate because of race, creed, age, disabilities, national origin, gender, or sexual orientation in admissions, programs, or administration.

The 2011-2012 academic year opened with a total fall semester enrollment of 4,177. This total included 2,963 full-time undergraduate students, 498 part-time undergraduates, and 716 graduate students. The full-time equivalent enrollment was 3,700, down from 3,834 the previous fall.

Total spending for programs and support was \$88,386,310, up just over 2 percent from the previous year. BW continued its long practice of operating with balanced budgets. The operating margin was approximately \$2.6 million. Investment losses on unrestricted funds functioning as endowment and minor non-operating costs brought the increase in unrestricted net assets to \$2,255,697.

The increase in total net assets was \$3,340,714. The net revenue of restricted funds approximated \$8.1 million, but realized and unrealized losses on endowment and similar investments offset \$7.0 million of that amount, leaving a restricted fund increase of \$1.1 million.

Net assets totaled \$239,433,328 at June 30, 2012

The market value of endowment and similar investments at June 30, 2012, was \$113,889,457, down from \$119,746,043 the previous year.

Plant spending totaled approximately \$15.6 million. Construction and major renovations included completion of the Boesel Musical Arts complex, a new welcome center building, an existing residence hall converted into sustainable housing, and new and expanded parking lots and green space. Plant spending

also included lesser renovations to existing buildings, purchases of equipment and furnishings, and the purchase of a house adjacent to campus.

Conservatory of Music and Joint Ventures

During the 2009-2010 fiscal year, BW undertook to have a portion of the south campus designated as the “Baldwin-Wallace College South Campus Historic District” by the National Park Service, and placed on the National Register of Historic Places. The designation includes Marting, Kulas, Kohler, Dietsch, Klein, 63 Beech, Saylor, and Merner-Pfeiffer halls, Lindsay-Crossman Chapel, and the former First Congregational United Church of Christ building purchased during the 2008-2009 year. This designation enables private investors to assist financially with renovations in exchange for federal and state historic renovation tax credits.

On June 28, 2010, The Ohio Historic Preservation Office and the National Park Service approved an application for the renovation of two of the buildings and construction of a third building to serve the Conservatory of Music and its three hundred plus students. BW then formed a for-profit limited liability company, KCM 1, transferred title to the property, and during the 2010-2011 fiscal year admitted a for-profit corporate investor.

The project included renovations to Merner-Pfeiffer and the church building, construction of a four-level building to link the two existing buildings, and new seating for Gamble Auditorium in Kulas Hall. The College has named the church and the connector building the Boesel Musical Arts Center to honor donors Stephen and Jacquelyn Boesel. The new complex includes fifty new soundproofed practice rooms and new and updated rehearsal halls. The Beverlie Buck Mayer Wing, named to honor the mother of donor Beth Swailes, includes voice and instrumental studios and a lounge. Also expanded and renovated are The Riemenschneider Bach Institute and the Jones Music Library. A new geothermal heating system serves this complex.

The College completed the project early in the 2011-2012 fiscal year, and the buildings were ready for use by the start of the fall semester. The investor contributed a total of \$5,046,494, all but \$100,000 of that amount during this fiscal year.

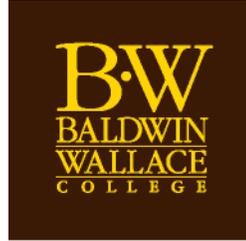
Also during this fiscal year, BW formed another limited liability company, KBS. The purpose is to renovate three residence halls within the historic district—Klein, 63 Beech, and Saylor. BW transferred title to this property to KBS, but as of June 30, 2012, BW was the only member.

The financial statements include the two joint venture companies.

The Richard and Karen Durst Welcome Center. This new building adjacent to Strosacker Union, constructed during this fiscal year, honors President Durst and his wife. It houses the admissions staff. The building includes offices, interview and conference rooms, and an auditorium for audio-visual presentations.

R. Amelia Harding House for Sustainable Living. This renovated housing unit, the former Hanson Hall, is BW’s first Gold LEED certified building. It will house forty-seven students. They will be living in student housing “where watering the roof, monitoring energy consumption, and harvesting fresh food are blended into everyday residence life.”

Parking and green space. BW obtained permission from the City of Berea to close Jacob Street and a portion of Grand Street adjacent to Strosacker Union and the Welcome center. A new parking lot will open on the east end of Jacob for the 2012 fall semester, accompanied by expanded green space. The Grand Street site will contain a walkway and green space.



REPORT OF THE ADMINISTRATION

This report covers the fiscal year 2012 financial statements and related notes of Baldwin-Wallace College, along with supplementary information. The Administration of Baldwin-Wallace is responsible for the preparation and content of these statements. They have prepared the statements from the financial records of the College, in conformity with accounting principles generally accepted in the United States of America.

Statements issued by the Financial Accounting Standards Board govern the form and content of private college and university financial statements. The three basic financial statements are the statements of financial position (assets, liabilities and net assets), activities (revenue and expense), and cash flows. Baldwin-Wallace provides additional analytical and non-financial data, including enrollment, admissions, and fees, as supplementary information.

The College's accounting system includes internal controls designed to provide reasonable assurance, at appropriate cost, of the reliability of its financial records and the proper safeguarding and use of its assets. These controls are based on established policies and procedures, and they are implemented by trained, skilled personnel, with an appropriate segregation of duties.

The independent auditing firm of KPMG LLP has audited the financial statements in accordance with auditing principles generally accepted in the United States of America. Their opinion appears in this report.

The Board of Trustees exercises its responsibility for the financial statements through the Audit Review Committee. The Audit Review Committee has four members. It meets at least annually with members of the Administration and representatives of the independent auditing firm to discuss accounting, reporting and internal control matters.

A handwritten signature in cursive script, reading 'William M. Renoff'.

Vice President for Finance and Administration • 275 Eastland Road • Berea, Ohio 44017-2088
Telephone: 440-826-2401 • Fax: 440-826-8100



KPMG LLP
One Cleveland Center
Suite 2600
1375 East Ninth Street
Cleveland, OH 44114-1796

Independent Auditors' Report

The Board of Trustees
Baldwin-Wallace College:

We have audited the accompanying consolidated statements of financial position of Baldwin-Wallace College (College) as of June 30, 2012 and 2011, and the related consolidated statements of activities and changes in net assets and cash flows for the years then ended. These consolidated financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Baldwin-Wallace College as of June 30, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 2012 on our consideration of the College's internal controls over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audits for the years ended June 30, 2012 and 2011 were conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The supplementary information included in Schedule I for the years ended June 30, 2012 and 2011 is presented for the purpose of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other



records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information, except for that portion marked “unaudited,” on which we express no opinion, is fairly stated in all material respects in relation to the consolidated financial statements as a whole for the years ended June 30, 2012 and 2011.

We have also previously audited, in accordance with auditing standards generally accepted in the United States of America, the statements of financial position of the College as of June 30, 2010 and 2009, and the related statements of activities and changes in net assets and cash flows for the years then ended (none of which is presented herein), and we expressed unqualified opinions on those financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the respective financial statements. The supplementary information included in Schedule I related to the College’s 2010 and 2009 financial statements, except for the portion marked “unaudited,” on which we express no opinion, has been subjected to the auditing procedures applied in the audits of those financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America and, in our opinion, is fairly stated in all material respects in relation to the financial statements as a whole from which it has been derived.

KPMG LLP

Cleveland, Ohio
October 11, 2012

BALDWIN-WALLACE COLLEGE

Consolidated Statements of Financial Position

June 30, 2012 and 2011

Assets	2012	2011
Operating assets:		
Cash and cash equivalents	\$ 3,980,985	7,413,417
Short-term investments	10,237,041	10,217,689
Student accounts receivables, less allowance for doubtful receivables of \$170,000 in 2012 and \$145,000 in 2011	2,817,930	2,448,508
Other receivables, less allowance for doubtful receivables of \$17,000 in 2012 and \$9,000 in 2011	1,166,277	918,306
Inventory	1,688,640	1,482,402
Prepaid expenses	755,150	596,402
Pledges receivables, less allowance for doubtful pledges receivables of \$286,000 in 2012 and \$265,000 in 2011	7,431,305	5,097,395
Student loan notes receivables, less allowance for doubtful receivables of \$580,000 in 2012 and 2011	3,920,205	4,054,493
Other assets	49,670	34,656
Total operating assets	<u>32,047,203</u>	<u>32,263,268</u>
Endowment and other long-term assets:		
Cash and cash equivalents	1,672,617	747,879
Investments, at fair value	112,216,840	118,998,164
Total endowment and other long-term assets	<u>113,889,457</u>	<u>119,746,043</u>
Plant and equipment:		
Grounds	7,528,375	5,798,503
Academic buildings	134,004,300	113,466,477
Residence halls	33,222,074	33,399,306
Residences	3,012,392	3,433,483
Furniture and equipment	21,062,911	19,248,985
	<u>198,830,052</u>	<u>175,346,754</u>
Less accumulated depreciation	(81,755,232)	(76,643,109)
Construction in progress	4,440,329	14,872,373
Net plant assets	<u>121,515,149</u>	<u>113,576,018</u>
Total assets	<u>\$ 267,451,809</u>	<u>265,585,329</u>

See accompanying notes to consolidated financial statements.

BALDWIN-WALLACE COLLEGE
Consolidated Statements of Financial Position
June 30, 2012 and 2011

Liabilities and Net Assets	2012	2011
Liabilities:		
Accounts payable	\$ 2,579,411	2,979,812
Accrued expenses	2,220,813	2,199,174
Deferred revenue and student deposits	3,568,229	3,696,487
Other liabilities	1,457,627	1,416,409
Annuity obligations	3,620,674	3,612,039
Government advances for student loans (Perkins loans)	2,486,727	2,583,794
Long-term debt	12,085,000	13,005,000
Total liabilities	<u>28,018,481</u>	<u>29,492,715</u>
Net assets:		
Unrestricted	57,627,017	55,371,320
Temporarily restricted:		
Program	16,411,731	16,194,038
Student financial aid	7,923,693	8,605,113
Plant and equipment	59,333,150	53,101,857
Total temporarily restricted	<u>83,668,574</u>	<u>77,901,008</u>
Permanently restricted:		
Program	46,923,900	49,844,982
Student financial aid	45,889,233	47,726,246
Plant and equipment	5,324,604	5,249,058
Total permanently restricted	<u>98,137,737</u>	<u>102,820,286</u>
Total net assets	239,433,328	236,092,614
Total liabilities and net assets	<u>\$ 267,451,809</u>	<u>265,585,329</u>

BALDWIN-WALLACE COLLEGE

Consolidated Statements of Activities and Changes in Net Assets

Years ended June 30, 2012 and 2011

	2012	2011
Changes in unrestricted net assets:		
Revenue:		
Tuition and fees	\$ 92,496,615	91,614,975
Less student financial aid grants	(36,250,170)	(34,911,913)
Net tuition and fees	56,246,445	56,703,062
Private gifts and grants	1,422,399	1,646,641
Endowment investment income	1,544,733	1,274,253
Auxiliary enterprises	18,358,427	18,428,886
Other	449,160	563,770
Total other revenue	21,774,719	21,913,550
Net assets released from restrictions:		
Program	4,607,465	4,375,489
Student financial aid grants	4,658,290	4,149,936
Plant and equipment	3,575,485	3,017,740
Total net assets released from restrictions	12,841,240	11,543,165
Total revenue and net assets released from restrictions	90,862,404	90,159,777
Expenses:		
Instruction	37,499,765	35,367,719
Academic support	7,479,271	7,756,745
Libraries	1,812,832	1,819,446
Student services	8,318,643	8,110,701
Organized student activities	5,975,829	5,937,124
Institutional support	13,610,524	13,271,813
Auxiliary enterprises	13,689,446	14,019,035
Total expenses	88,386,310	86,282,583
Realized and unrealized endowment investment gains (losses), net	(220,397)	524,700
Increase in unrestricted net assets	2,255,697	4,401,894

BALDWIN-WALLACE COLLEGE

Consolidated Statements of Activities and Changes in Net Assets

Years ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Changes in temporarily restricted net assets:		
Revenue:		
Private gifts, grants, and pledges	\$ 7,445,859	7,287,954
Endowment investment income	3,318,962	4,181,535
Government grants	2,118,128	1,763,532
Other	5,928,823	634,881
Total revenue	<u>18,811,772</u>	<u>13,867,902</u>
Net assets released from restrictions:		
Program	(4,607,465)	(4,375,489)
Student financial aid grants	(4,658,290)	(4,149,936)
Plant and equipment	(3,575,485)	(3,017,740)
Total net assets released from restrictions	<u>(12,841,240)</u>	<u>(11,543,165)</u>
Total revenues and net assets released from restriction	5,970,532	2,324,737
Realized and unrealized endowment investment gains (losses), net	<u>(202,966)</u>	<u>2,294,301</u>
Increase in temporarily restricted net assets	<u>5,767,566</u>	<u>4,619,038</u>
Changes in permanently restricted net assets:		
Private gifts, grants, and pledges	1,909,886	493,694
Endowment investment income	110,241	181,361
Other	82,702	471,790
Realized and unrealized endowment investment gains (losses), net	<u>(6,785,378)</u>	<u>13,531,547</u>
Increase (decrease) in permanently restricted net assets	<u>(4,682,549)</u>	<u>14,678,392</u>
Increase in net assets	3,340,714	23,699,324
Net assets at beginning of year	<u>236,092,614</u>	<u>212,393,290</u>
Net assets at end of year	<u>\$ 239,433,328</u>	<u>236,092,614</u>

See accompanying notes to consolidated financial statements.

BALDWIN-WALLACE COLLEGE

Consolidated Statements of Cash Flows

Years ended June 30, 2012 and 2011

	2012	2011
Cash flows from operating activities:		
Change in net assets	\$ 3,340,714	23,699,324
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	7,527,281	6,627,559
Net realized and unrealized (gains) losses on investments	7,208,740	(16,350,548)
Change in student accounts and other receivables	(2,951,303)	560,105
Change in inventory and prepaid expenses	(364,986)	402,279
Change in accounts payable and accrued expenses	(235,641)	(322,106)
Change in deferred revenue, annuity obligations, government advances, and other liabilities	(175,472)	620,705
Contributions restricted for long-term investment and plant acquisition	(4,427,100)	(1,768,741)
Dividends, interest, and other restricted for long-term investment and plant acquisition	(5,359,483)	(959,031)
Net cash provided by operating activities	4,562,750	12,509,546
Cash flows from investing activities:		
Purchases of plant and equipment	(15,609,533)	(18,935,867)
Purchases of endowment and similar investments	(15,151,074)	(15,601,537)
Sales of endowment and similar investments	14,723,658	16,456,080
Change in short-term investments	(19,352)	(33,151)
Change in endowment short-term investments	(924,738)	(303,698)
Change in student loans	134,288	120,587
Change in other assets	(15,014)	(1,577)
Net cash used in investing activities	(16,861,765)	(18,299,163)
Cash flows from financing activities:		
Contributions restricted for long-term investment and plant acquisition	4,427,100	1,768,741
Dividends, interest, and other restricted for long-term investment and plant acquisition	5,359,483	959,031
Payments on long-term debt	(920,000)	(880,000)
Net cash provided by financing activities	8,866,583	1,847,772
Net decrease in cash and cash equivalents	(3,432,432)	(3,941,845)
Cash and cash equivalents at beginning of year	7,413,417	11,355,262
Cash and cash equivalents at end of year	\$ 3,980,985	7,413,417
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 652,737	691,342

See accompanying notes to consolidated financial statements.

BALDWIN-WALLACE COLLEGE

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

(1) Nature of Organization

Baldwin-Wallace College (College), founded in 1845, is an independent, coeducational college in the liberal arts tradition. The College, which is accredited by the Higher Learning Commission, maintains more than sixty academic programs within the following 7 divisions: Business Administration, Education, Health and Physical Education, Humanities, Music, Science and Mathematics, and Social Science.

The College formed two for-profit limited liability companies, KCM 1 and KBS. The consolidated financial statements of Baldwin-Wallace College include the accounts of KCM 1 and KBS as described in Note 11. The accounting and reporting policies of the College conform to accounting principles generally accepted in the United States of America. All significant intercompany transactions have been eliminated in consolidation.

(2) Summary of Significant Accounting Policies

(a) Method of Accounting

The accompanying consolidated financial statements of the College have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles.

The College prepares its consolidated financial statements to focus on the organization as a whole and to present balances and transactions classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Unrestricted – Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted – Net assets subject to donor-imposed stipulations that will be met either by actions of the College and/or the passage of time.

Permanently restricted – Net assets subject to donor-imposed stipulations that they are maintained permanently by the College. Generally, the donors of these assets permit the College to use all or part of the income earned on related investments for general or specific purposes.

Revenues are reported as increases in unrestricted net assets, unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets, unless their use is restricted by donor stipulation or by law that limits their use. The College has primarily reported gains or losses on investments as permanently or temporarily restricted net assets as a result of such donor stipulations or law. Expirations of temporary restrictions recognized on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications from temporarily restricted net assets to unrestricted net assets. Temporary restrictions on gifts to acquire long-lived assets are considered to be released over the estimated useful lives of the assets using the College's depreciation policies.

BALDWIN-WALLACE COLLEGE

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

Contributions, including private gifts, grants and pledges (unconditional promises to give), are recognized as revenue in the period received. Contributions of long-lived assets, or of cash or other assets to be used to acquire them, with donor stipulations concerning the use of such long-lived assets, are reported as revenue of the temporarily restricted net asset class. Conditional promises to give are not recognized until the conditions on which they depend are substantially met.

Contributions of assets other than cash are recorded at their estimated fair value at the date of gift, except that contributions of works of art, historical treasures, and similar assets held as part of collections are not recognized or capitalized. Allowance is made for doubtful collection of contributions receivable based upon management's judgment and analysis of the creditworthiness of the donors, past collection experience, and other relevant factors.

(b) Investments

Investments are reported at fair value. With respect to other investment funds such as the College's investments managed by The Common Fund for Nonprofit Organizations (Commonfund), the estimated fair values are provided by external investment managers. Commonfund is an institutional investment manager serving higher education, health care, foundations, and other nonprofits. These estimated fair values are reviewed and evaluated by the College management. Due to the inherent uncertainties of these estimates, these estimated fair values may differ from the values that would have been used had a ready market existed for such investments.

Investment transactions are recorded on the trade date. Realized gains and losses on the sale of investments are calculated on the basis of the specific identification of securities sold. Investment custodial fees are classified as a reduction in investment income for financial reporting purposes.

BALDWIN-WALLACE COLLEGE

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

The table below provides certain information regarding the cumulative amount of unrealized holding losses for marketable equity and debt securities managed by the College and held as of June 30, 2012 and 2011:

	2012		
	Equity securities	Debt and other securities	Total
Unrealized losses less than one year:			
Amount of unrealized losses	\$ (1,318,267)	(4,653)	(1,322,920)
Fair value of related securities held in a loss position	11,039,212	507,853	11,547,065
Number of related security positions	20	2	22
Unrealized losses greater than one year:			
Amount of unrealized losses	(5,452,315)	—	(5,452,315)
Fair value of related securities held in a loss position	37,860,012	—	37,860,012
Number of related security positions	20	—	20
Total unrealized losses	(6,770,582)	(4,653)	(6,775,235)
Unrealized gains	5,929,102	1,859,558	7,788,660
Net unrealized gains	\$ (841,480)	1,854,905	1,013,425

BALDWIN-WALLACE COLLEGE

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

	2011		Total
	Equity securities	Debt and other securities	
Unrealized losses less than one year:			
Amount of unrealized losses	\$ (58,815)	(9,215)	(68,030)
Fair value of related securities held in a loss position	660,172	490,785	1,150,957
Number of related security positions	22	1	23
Unrealized losses greater than one year:			
Amount of unrealized losses	(3,411,176)	(2,570)	(3,413,746)
Fair value of related securities held in a loss position	47,922,055	17,430	47,939,485
Number of related security positions	27	1	28
Total unrealized losses	(3,469,991)	(11,785)	(3,481,776)
Unrealized gains	11,598,228	753,061	12,351,289
Net unrealized gains	\$ 8,128,237	741,276	8,869,513

(c) Inventory

Inventories, which consist of bookstore and other supplies, are valued at the lower of cost or market. Cost is determined using the first-in, first-out method.

(d) Annuities and Perpetual Trusts

The College's split-interest agreements with donors consist of irrevocable charitable remainder trusts, charitable gift annuities, and life income contracts for which the College is either the remainder beneficiary or both the trustee and remainder beneficiary.

Assets held in trust for which the College serves as trustee are included in investments. The fair value of these investments was \$7,414,282 at June 30, 2012 and \$7,374,735 at June 30, 2011. In addition, the present value of the estimated future payments to be made to the donors and/or other beneficiaries is included in liabilities as annuity obligations. The liabilities are adjusted during the term of the trusts for changes in the value of the assets, accretion of the discount, and other changes in the estimates of future benefits. Significant assumptions used in the calculation of the liability include:

- Assumed mortality rates based upon the 1983 Group Annuity Mortality Table and Annuity 2000 Table
- Assumed valuation interest rates of 4.0%, 4.5% and 5.0%

BALDWIN-WALLACE COLLEGE

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

- Assumed annuity payments made annually at the beginning of the year.

Assets held in trust for which the College does not serve as trustee (i.e., perpetual trusts) are included as investments in the consolidated financial statements. The investment balances of \$9,836,267 and \$11,515,708 at June 30, 2012 and 2011, respectively, are recorded at fair value. Changes in the value of the College's beneficial interest in these perpetual trusts are reflected within the statement of activities and changes in net assets as permanently restricted unrealized gains.

(e) Government Advances for Student Loans

The College receives government advances to fund student loans. These advances are recorded as a liability within the statements of financial position. Interest earned through loan repayments is reinvested into the program to fund additional loans.

(f) Deferred Revenue

Revenue and expenses related to academic terms conducted over two fiscal years, such as the summer session, are recognized in the fiscal year in which the program is conducted. Amounts prepaid for future academic terms are included in deferred revenue and student deposits within the statements of financial position.

(g) Plant and Equipment

Plant and equipment are stated at cost. Amounts capitalized are depreciated over the estimated useful life of each class of depreciable asset and is computed on the straight-line method. Estimated useful lives are as follows:

Buildings	50 years
Building additions and renovations	25 years
Computers, telephones, copiers, and vehicles	5 years
Other equipment and furniture	10 years

(h) Impairment of Long-Lived Assets

The College evaluates the recoverability of long-lived assets and the related estimated remaining lives at each fiscal year end. The College records an impairment or change in useful life whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable or the useful life should be modified. No such impairment was recorded in the fiscal years ended June 30, 2012 and 2011.

(i) Asset Retirement Obligations

The College has recorded a liability for conditional asset retirement obligations in other liabilities on the statements of financial position of \$856,000 and \$911,000 at June 30, 2012 and 2011, respectively. Related discount amortization and depreciation in the fiscal years ended June 30, 2012 and 2011 were \$52,000 and \$55,000, respectively.

BALDWIN-WALLACE COLLEGE

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

(j) *Income Taxes*

The College has received a determination letter from the Internal Revenue Service indicating it is a tax-exempt organization as provided for in Section 501(c)(3) of the Internal Revenue Code, except for taxes pertaining to unrelated business income, and is exempt from federal and state income taxes. No provision has been made for income taxes in the accompanying financial statements because, in management's opinion, the College does not have a significant amount of unrelated business income.

The College has adopted ASC 740, *Accounting for Uncertainty of Income Taxes*, which clarifies the accounting for uncertainty in income taxes recognized in an organization's financial statements. ASC 740 prescribes a more-likely than-not recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken. Under ASC 740, tax provisions are evaluated for recognition, derecognition, and measurement using consistent criteria and they will provide more information about the uncertainty in income tax assets and liabilities. Based on the College's evaluation, no provision for uncertain tax positions is required as of June 30, 2012 and 2011.

(k) *Cash and Cash Equivalents and Short-Term Investments*

Cash equivalents consist of short-term highly liquid instruments purchased with an original maturity date of three months or less, except for cash and cash equivalents of endowments and similar funds, which are treated as long-term investment assets.

Short-term investments are reported at fair value and represent the College's operating cash that has been invested in a short-term investment fund, which has underlying investments that are not considered cash equivalents and are reported at fair value based on quoted market prices.

(l) *Use of Estimates*

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

(3) *Long-Term Debt*

On June 1, 2004, the College issued State of Ohio Higher Educational Facility Revenue Bonds (the Bonds) in the amount of \$18,585,000. Issuance costs of \$238,000 were recorded in prepaid expenses at June 30, 2004 and are being amortized over the life of the Bonds. The Bonds were issued pursuant to a Trust Agreement between the Ohio Higher Educational Facility Commission (the Commission) and National City Bank (the Trustee). The Bonds were dated as of June 1, 2004, and are scheduled to mature annually through 2024. Interest is payable beginning December 1, 2004, and semiannually on each June 1 and December 1, at an annual rate ranging from 2.0% to 5.5%. The outstanding debt balance had fair values of approximately \$12,702,000 and \$13,587,000 at June 30, 2012 and 2011, respectively.

BALDWIN-WALLACE COLLEGE

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

The annual principal payments required on bonds payable for 2012 and thereafter are as follows:

Fiscal year ending June 30:		
2013	\$	960,000
2014		1,005,000
2015		695,000
2016		730,000
2017		770,000
Thereafter		7,925,000
	\$	12,085,000

The bond agreements contain certain covenants, including a net revenue covenant whereby the College covenants that it will establish, charge and collect tuition, student fees and charges for services provided by the College such that net revenues available for debt service will equal or exceed, in each fiscal year, 110% of the bond service charges for such fiscal year. The College is in compliance with its covenants as of June 30, 2012.

(4) Investments

Endowment and similar investments include endowment funds, funds functioning as endowment, charitable gift annuities, charitable remainder trusts, and beneficial interests in outside trusts. At June 30, 2012 and 2011, investments and cash and cash equivalents comprised the following:

	2012	2011
Cash and cash equivalents	\$ 1,672,617	747,879
Commonfund:		
Equity funds:		
Emerging Markets Investors	10,089,955	11,492,845
Equity Index	1,153,118	186,638
Other Equities	42,056,197	46,913,532
Fixed income funds:		
High Quality Bond	19,698,838	17,623,201
CFI Real Return Bond	2,234,821	2,006,821
Alternative funds, marketable	10,740,819	11,402,061
Alternative funds, nonmarketable	2,106,473	1,133,954
Common stocks	6,619,323	8,625,037
Preferred stocks	1,035,906	1,923,362
Equity and balanced mutual funds	5,030,156	4,660,896
Fixed income	862,587	867,341
Beneficial interest in perpetual trusts	9,836,267	11,515,708
Limited partnerships and other	752,380	646,768
	\$ 113,889,457	119,746,043

BALDWIN-WALLACE COLLEGE

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

As of June 30, 2012 and 2011, the total net gain (loss) for the year comprises of the following:

	<u>2012</u>	<u>2011</u>
Unrealized net (loss) gain	\$ (7,856,088)	19,479,925
Realized net gain (loss)	<u>647,347</u>	<u>(3,129,377)</u>
Total net (loss) gain for the year	<u>\$ (7,208,741)</u>	<u>16,350,548</u>

Interest income earned on operating cash equivalents and included in other unrestricted revenue was approximately \$37,000 and \$62,000 for the years ended June 30, 2012 and 2011, respectively. Investment income on endowments is recorded within the statements of activities and changes in net assets in the respective net asset category based on donor stipulations. Amounts reported for the years ended June 30, 2012 and 2011 are as follows:

	<u>2012</u>	<u>2011</u>
Unrestricted net assets	\$ 1,544,733	1,274,253
Temporarily restricted net assets	3,318,962	4,181,535
Permanently restricted net assets	110,241	181,361

(5) Fair Value Measurements

The College has adopted the recognition and disclosure provisions prescribed in ASC 820, *Fair Value Measurement and Disclosures*, for financial assets. ASC 820 establishes a framework in generally accepted accounting principles for measuring fair value and expands disclosures about fair value measurements. Although it does not require any new fair value measurements, ASC 820 emphasizes that fair value is a market-based measurement, not an entity-specific measurement, and should be determined based on the assumptions that market participants would use in pricing the asset.

ASC 820 establishes a hierarchy for ranking the quality and reliability of the information used to determine fair values. ASC 820 requires that assets carried at fair value be disclosed according to the following three levels:

Level 1 – Unadjusted quoted prices in active markets for identical assets. Level 1 yields the highest priority to unadjusted quoted prices in active markets for identical assets. A quoted price in an active market provides the most reliable evidence of fair value and shall be used to measure fair value whenever available.

Level 2 – Observable inputs other than quoted prices in Level 1. Inputs such as quoted prices for similar assets in active markets, quoted prices for identical or similar liabilities that are not active, or other inputs that are observable or can be corroborated by observable market data.

Level 3 – Unobservable inputs that are significant to the valuation of assets and are supported by little or no market data. This includes discounted cash flow methodologies, pricing models, and similar techniques that use significant unobservable inputs.

BALDWIN-WALLACE COLLEGE

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

The College has categorized the investments by valuation technique. Level 1 investments include cash equivalents, short term investments and equity securities. These valuations are based on quoted prices from active stock exchanges for identical assets. Level 2 investments include fixed income securities, limited partnerships and other miscellaneous securities. The valuation of these securities are based on quoted prices from active stock exchanges for similar assets, quoted prices in inactive markets, or other observable market data such as matrix pricing and yield curves.

Commonfund management quotes net asset values for each of its funds at the end of each month based on the quoted market price of the fund's underlying securities. The net asset value has been applied as a practical expedient for estimating fair value as the investment can be redeemed at the net asset value. Commonfund investments, excluding non-marketable alternative investments, are classified as Level 2 as the College has the ability to redeem at net asset value on or near the measurement date. The net asset value is also applied as a practical expedient for the valuation of the College's beneficial interest in perpetual trusts. However, the beneficial interest in perpetual trusts is classified as Level 3 as the investments cannot be redeemed at net asset value.

The investments that are valued at their net asset value at June 30, 2012 include the following:

	<u>Fair value</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
SSG Diversifying Company	\$ 2,947,505	Quarterly	95 days
SSG Relative Value & Event Driven Company	3,471,137	Annually	95 days
SSG Global Hedged Equity Company	4,322,177	Quarterly	95 days
Global Distressed Investors LLC4	1,856,507	Annually	120 days
Emerging Market Investors Co. B	10,089,955	Monthly	5 days
Equity Index Fund	1,153,118	Monthly	5 days
Other Equities	42,056,197	Monthly	5 days
High Quality Bond Fund	19,698,838	Monthly	5 days
CFI Real Return Bond Fund	2,234,821	Monthly	5 days
Beneficial interest in perpetual trusts	9,836,267	N/A	N/A

These funds utilize a multi-manager approach, allocating assets to investment Sub-Advisors or investment funds managed by Sub-Advisors (Third Party Investment Funds). The strategies employed by the funds are primarily long-term or full market cycle approaches. The College holds interests in various funds that are illiquid and do not allow for short-term redemption. The fair value for those funds is \$249,967.

The beneficial interest in perpetual trusts represent the College's interest in trusts held by outside parties. These trusts are primarily invested in marketable equity and debt securities.

The College has various alternative investments that have minimum capital commitments. The College has committed to make a total investment of \$4,100,000, of which \$1,974,600 has been invested, leaving \$2,125,400 of outstanding commitments as of June 30, 2012.

BALDWIN-WALLACE COLLEGE

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

The following table presents assets that are measured at fair value on a recurring basis as of June 30, 2012:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and cash equivalents	\$ 3,980,985	—	—	3,980,985
Short-term investments	10,237,041	—	—	10,237,041
Cash equivalents, endowment	1,672,617	—	—	1,672,617
Commonfund:				
Emerging Market Investors Fund	—	10,089,955	—	10,089,955
Equity Index Fund	—	1,153,118	—	1,153,118
Other Equities	—	42,056,197	—	42,056,197
High Quality Bond Fund	—	19,698,838	—	19,698,838
CFI Real Return Bond Fund	—	2,234,821	—	2,234,821
Alternative funds, marketable	—	10,740,819	—	10,740,819
Alternative funds, nonmarketable	—	—	2,106,473	2,106,473
Common stocks	6,619,323	—	—	6,619,323
Preferred stocks	1,035,906	—	—	1,035,906
Equity and balanced mutual funds	5,030,156	—	—	5,030,156
Fixed income	—	862,587	—	862,587
Beneficial interest in perpetual trusts	—	—	9,836,267	9,836,267
Limited partnerships and other	—	752,380	—	752,380
	<u>\$ 28,576,028</u>	<u>87,588,715</u>	<u>11,942,740</u>	<u>128,107,483</u>

The following table presents assets that are measured at fair value on a recurring basis as of June 30, 2011:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and cash equivalents	\$ 7,413,417	—	—	7,413,417
Short-term investments	10,217,689	—	—	10,217,689
Cash equivalents, endowment	747,879	—	—	747,879
Commonfund:				
Emerging Market Investors Fund	—	11,492,845	—	11,492,845
Equity Index Fund	—	186,638	—	186,638
Other Equities	—	46,913,532	—	46,913,532
High Quality Bond Fund	—	17,623,201	—	17,623,201
CFI Real Return Bond Fund	—	2,006,821	—	2,006,821
Alternative funds, marketable	—	11,402,061	—	11,402,061
Alternative funds, nonmarketable	—	—	1,133,954	1,133,954
Common stocks	8,625,037	—	—	8,625,037
Preferred stocks	1,923,362	—	—	1,923,362
Equity and balanced mutual funds	4,660,896	—	—	4,660,896
Fixed income	—	867,341	—	867,341
Beneficial interest in perpetual trusts	—	—	11,515,708	11,515,708
Limited partnerships and other	—	646,768	—	646,768
	<u>\$ 33,588,280</u>	<u>91,139,207</u>	<u>12,649,662</u>	<u>137,377,149</u>

BALDWIN-WALLACE COLLEGE

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

There were no significant transfers between Level 1 and Level 2 investments for the fiscal years ended June 30, 2012 and 2011. The following table presents activity for assets classified as Level 3:

Fair value measurements using unobservable inputs (Level 3)

	Beneficial interest in perpetual trusts	Commonfund alternative funds nonmarketable	Totals
Balance at June 30, 2010	\$ 9,544,508	165,250	9,709,758
Additions	—	875,850	875,850
Investment income	593,455	—	593,455
Payments	(437,859)	—	(437,859)
Realized and unrealized gains	1,815,604	92,854	1,908,458
Balance at June 30, 2011	11,515,708	1,133,954	12,649,662
Additions	—	933,750	933,750
Investment income	354,410	—	354,410
Payments	(354,410)	—	(354,410)
Realized and unrealized gains (losses)	(1,679,441)	38,769	(1,640,672)
Balance at June 30, 2012	\$ 9,836,267	2,106,473	11,942,740

(6) Endowment

The College's endowment consists of approximately 450 individual funds. The donors of these funds have restricted the principal for investment. Some of those donors have also restricted the use of the income as to purpose. The College classifies these funds, sometimes referred to as true endowment, as permanently restricted net assets. The College's Board of Trustees has designated other funds, usually resulting from major bequests or gifts, as funds functioning as endowment. The College classifies these funds as temporarily restricted net assets if the donor restricted the gift as to purpose, or as unrestricted net assets.

As a matter of fundraising practice, the College executes a signed agreement with all true endowment donors. These agreements specify, among other things, that the funds are governed by Baldwin-Wallace endowment policy, and that gains in excess of those required by the spending policy are added to principal, increasing the permanently restricted fund balance by such gains.

The College's spending policy is to withdraw each year an amount not exceeding 5.5% of the average of the June 30 market values for the preceding three years. These withdrawals include all ordinary investment income and the amount of accumulated gains required. The statements of activities and changes in net assets for each of the three net asset classes show these withdrawals as endowment investment income.

From time to time, the fair value of assets associated with individual endowment funds may fall below the level that the donor or legislation requires the College to maintain as a fund of perpetual duration. In accordance with generally accepted accounting principles, deficiencies of this nature would be reported in unrestricted net assets. There were no such deficiencies as of June 30, 2012 and 2011.

BALDWIN-WALLACE COLLEGE

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

The following tables present the endowment net asset composition by fund type as of June 30, 2012 and 2011:

	June 30, 2012			
	Permanently restricted	Temporarily restricted	Unrestricted	Total
Donor-restricted endowment funds	\$ 89,588,735	—	—	89,588,735
Board designated funds	—	5,785,553	3,928,869	9,714,422
	<u>\$ 89,588,735</u>	<u>5,785,553</u>	<u>3,928,869</u>	<u>99,303,157</u>

	June 30, 2011			
	Permanently restricted	Temporarily restricted	Unrestricted	Total
Donor-restricted endowment funds	\$ 92,794,293	—	—	92,794,293
Board designated funds	—	6,806,107	4,149,266	10,955,373
	<u>\$ 92,794,293</u>	<u>6,806,107</u>	<u>4,149,266</u>	<u>103,749,666</u>

The following table presents the changes in endowment net assets held by the College for the years ended June 30, 2012 and 2011:

	Permanently restricted	Temporarily restricted	Unrestricted	Total
Balances June 30, 2010	\$ 79,722,275	6,638,828	3,624,566	89,985,669
Ordinary investment income	1,527,450	364,273	61,322	1,953,045
Investment gains	15,199,012	1,058,653	687,693	16,945,358
Gifts and gift pledges	493,694	500	—	494,194
Transfers and other	486,063	(5,000)	—	481,063
Distributions for expenditure	(4,634,201)	(371,147)	(224,315)	(5,229,663)
Withdrawal for debt payment	—	(880,000)	—	(880,000)
Balances June 30, 2011	92,794,293	6,806,107	4,149,266	103,749,666
Ordinary investment income	1,560,017	265,963	64,717	1,890,697
Investment gains (losses)	(2,489,502)	25,327	(96,556)	(2,560,731)
Gifts and gift pledges	1,909,886	—	—	1,909,886
Transfers and other	70,257	(5,000)	—	65,257
Distributions for expenditure	(4,256,216)	(386,844)	(188,558)	(4,831,618)
Withdrawal for debt payment	—	(920,000)	—	(920,000)
Balances June 30, 2012	<u>\$ 89,588,735</u>	<u>5,785,553</u>	<u>3,928,869</u>	<u>99,303,157</u>

BALDWIN-WALLACE COLLEGE

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

Members of the Baldwin-Wallace College Investment Committee develop investment policy, which is subject to approval by the Board of Trustees. They design the policy to be flexible and subject to revisions as the needs of the College may change. While the endowment is under the responsibility of the Board of Trustees, the Board has delegated authority for investment activities – including appointment, oversight, and evaluation of the Investment Manager – to the Investment Committee, whose members are appointed and serve at the pleasure of the Chairperson of the Board of Trustees. The members of the Investment Committee are all Trustees who volunteer their services on a pro bono basis.

The College's objective is to invest the endowment to seek an average total annual return that exceeds the spending rate plus inflation. The intent is to preserve over time the principal value of the assets as measured in inflation-adjusted terms. The relative objective is to seek competitive investment performance versus appropriate capital market measures. The comparative performance objective is to achieve a total rate of return that is above the median performance of a universe of similarly managed funds.

The endowment has an indefinite time horizon that runs concurrent with the endurance of the College, in perpetuity. As such, the endowment can assume a time horizon that extends well beyond a normal market cycle, and can assume an above-average level of risk as measured by the standard deviation of annual returns. However, it is expected that both professional management and portfolio diversification will smooth volatility and help ensure a reasonable consistency of return.

The assets are managed on a total return basis.

The College believes that its policies and procedures comply with the provisions of the Uniform Prudent Management of Institutional Funds Act.

(7) Retirement Plan

The College participates in the Teachers Insurance and Annuity Association retirement plan, which covers substantially all regular full-time employees. The retirement plan is funded by College contributions ranging from 7% to 10% of the covered employees' regular salary and by required employee contributions ranging from 3% to 5% of regular salary. During the years ended June 30, 2012 and 2011, the College's contributions aggregated approximately \$1,991,000 and \$1,912,000, respectively.

(8) Commitments and Contingencies

Under the terms of federal and state grants, periodic audits are required and certain costs may be questioned as to their allowability in connection with the terms of the grants. Such audits could lead to reimbursement to the grantor agencies. College management believes disallowances, if any, will not be material to the College's consolidated financial statements.

(9) Gift Pledges

Gift pledges totaling \$7,431,305 and \$5,097,395 at June 30, 2012 and 2011, respectively, represent unconditional promises to give. All gift pledges are restricted as to use for various purposes, primarily for plant or endowment. These promises are reported at the present value of estimated future cash flows.

BALDWIN-WALLACE COLLEGE

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

Pledges received through June 30, 2009 were discounted at a rate of 6%, and those received subsequent to June 30, 2009 were discounted at a rate of 3%. Discounts of \$334,485 and \$401,964 were recorded at June 30, 2012 and 2011, respectively.

Gift pledges are expected to be realized as follows:

	2012	2011
In one year or less	\$ 4,911,122	2,395,580
Between one and five years	3,140,668	2,743,779
More than five years	—	625,000
	8,051,790	5,764,359
Less: allowance for uncollectible pledges	(286,000)	(265,000)
Less: discount on pledges	(334,485)	(401,964)
Net pledges receivable	\$ 7,431,305	5,097,395

Conditional promises to give totaled approximately \$17,417,000 as of June 30, 2012. This amount consists of commitments contained in wills and insurance policies. The amount at June 30, 2011, was \$16,754,000. Conditional promises to give are not recorded in the consolidated financial statements.

(10) Line of Credit and Short-term Financing

The College has a \$5,000,000 line of credit for operating funds that bears interest at LIBOR plus 250 basis points. No borrowings were outstanding as of June 30, 2012 and 2011.

The College has secured a bank multiple draw term loan of up to \$10 million to provide interim financing for its South Campus Historic District construction project. The term loan bears interest at LIBOR plus 150 basis points for the first 24 months and LIBOR plus 175 basis points for the next 60 months. There were no amounts drawn as of June 30, 2012 and 2011.

(11) Historic Tax Credits and Limited Liability Companies

During the year ended June 30, 2010, the College created a new historic district containing ten campus buildings, the Baldwin-Wallace College South Campus Historic District. The Ohio Historic Preservation Office and the National Park Service approved this district, which was placed on the National Register of Historic Places on June 7, 2010. On June 28, 2010, The Ohio Historic Preservation Office and the National Park Service approved an application for renovation of two of the buildings and construction of a third building. This development, completed during the year ended June 30, 2012, qualified for Federal and state historic renovation tax credits.

To obtain benefit from the credits, the College formed a for-profit limited liability company, KCM 1, and transferred title to the two buildings to be renovated, Merner-Pfeiffer Hall and an adjacent church building purchased during the 2009 fiscal year, to KCM I. The project included construction of a third building to link the two.

BALDWIN-WALLACE COLLEGE

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

During the year ended June 30, 2011, KCM I admitted a for-profit corporate investor.

Construction work proceeded throughout the 2010-2011 fiscal year and into 2011-2012. The College managed the project. The buildings were ready for use by the start of the fall 2012 semester, and the tax credits were certified.

The investor contributed \$100,000 during the 2010-2011 fiscal year and \$4,946,494 during 2011-2012 and are recorded within other temporarily restricted revenue.

Also during the year ended June 30, 2012, the College formed another limited liability company, KBS. The purpose is a similar joint venture to renovate three residence halls within the historic district--Klein, 63 Beech, and Saylor. The College transferred title to this property to KBS, but as of June 30, 2012, the College was the only member.

(12) Subsequent Events

The College evaluated subsequent events applicable to the year ended June 30, 2012 through October 11 2012 the date the consolidated financial statements are available to be issued. No reportable events, other than those described, have occurred.

BALDWIN-WALLACE COLLEGE

Supplementary Information

Years ended June 30, 2012, 2011, 2010, and 2009

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Significant assets and liabilities (in millions):				
Operating cash and short-term investments	\$ 14.2	17.6	21.5	26.0
Student and other receivables, net	4.0	3.4	3.5	3.4
Gift pledges receivable, net	7.4	5.1	5.5	1.4
Student loan notes (primarily Perkins) receivable, net	3.9	4.1	4.2	4.2
Endowment investments (fair value)	113.9	119.7	103.9	95.8
Physical plant (historical cost)	203.3	190.2	172.9	151.1
Accumulated depreciation	81.8	76.6	71.7	67.8
Accounts payable and accruals	4.8	5.2	5.5	5.6
Annuity obligations	3.6	3.6	3.5	3.5
Long-term debt	12.1	13.0	13.9	14.7
Net assets (in millions):				
Unrestricted:				
Designated operating	\$ 1.1	1.1	1.1	1.1
Functioning as endowment	3.9	4.1	3.6	3.4
Student loan balances	0.5	—	—	—
Designated for plant expenditures	2.7	5.1	9.5	2.8
Plant	49.4	45.1	36.8	36.6
Total	57.6	55.4	51.0	43.9
Temporarily restricted by donors, expendable for specific purposes or at specific times	83.7	77.9	73.3	59.0
Permanently restricted by donors for endowment investment or student loans	98.1	102.8	88.1	80.7
Total net assets	<u>239.4</u>	<u>236.1</u>	<u>212.4</u>	<u>183.6</u>
Enrollment, fall term (unaudited):				
Full-time undergraduate	2,963	3,119	3,180	3,113
Part-time undergraduate	498	509	504	568
Graduate	716	724	713	701
Total	<u>4,177</u>	<u>4,352</u>	<u>4,397</u>	<u>4,382</u>
Full-time equivalent (unaudited)	3,700	3,834	3,882	3,816
Residence hall occupancy, fall term (unaudited)	1,785	1,855	1,911	1,834
New day students, fall term (unaudited):				
Applied	4,321	4,073	4,036	3,846
Admitted	2,629	2,531	2,604	2,491
Enrolled	824	873	908	919

BALDWIN-WALLACE COLLEGE

Supplementary Information

Years ended June 30, 2012, 2011, 2010, and 2009

(In millions)

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Activities summary:				
Tuition and fees	\$ 92.5	91.6	89.5	85.0
Less student financial aid grants	36.3	34.9	32.9	30.5
Net tuition and fees	56.2	56.7	56.6	54.5
Private gifts, grants, and pledges	10.7	9.4	19.8	8.9
Endowment and similar investment income	5.0	5.6	6.2	7.1
Government grants	2.1	1.8	1.5	1.9
Auxiliary enterprise revenue	18.4	18.4	18.0	17.7
Sale of historic renovation tax credits	4.9	0.1	—	—
Other income	1.6	1.6	3.1	1.2
Totals	98.9	93.6	105.2	91.3
Expenses	88.4	86.3	84.6	84.8
Net before investment gains or losses	10.5	7.3	20.6	6.5
Endowment and similar investment gains (losses)	(7.2)	16.4	8.2	(35.5)
Increase (decrease) in net assets	3.3	23.7	28.8	(29.0)
Gift purposes:				
Endowment and similar	2.1	0.6	0.6	0.6
Restricted or allocated for plant	2.9	3.4	14.9	3.6
Annual fund	1.5	1.6	1.5	2.1
Other current use or loan	4.2	3.8	2.8	2.6
Totals	10.7	9.4	19.8	8.9
Distributions of investment income				
Unrestricted	1.5	1.3	1.5	1.7
Restricted for program or financial aid	3.3	3.6	3.9	4.9
Endowment (reinvested per donors' instructions)	0.1	0.5	0.6	0.4
Plant	0.1	0.2	0.2	0.1
Totals	5.0	5.6	6.2	7.1

BALDWIN-WALLACE COLLEGE

Supplementary Information

Years ended June 30, 2012, 2011, 2010, and 2009

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Fees charged per full-time student (unaudited):				
Tuition	\$ 26,396	25,260	24,230	23,524
Residence hall room (double)	4,240	4,056	3,888	3,776
Campus card (food, bookstore)	4,440	4,244	4,072	3,952
	<u>35,076</u>	<u>33,560</u>	<u>32,190</u>	<u>31,252</u>
Student financial aid grants (in millions):				
Unrestricted funds	31.6	30.8	29.4	26.6
Restricted gifts, grants, and endowment earnings	4.7	4.1	3.5	3.9
Total college aid	<u>36.3</u>	<u>34.9</u>	<u>32.9</u>	<u>30.5</u>
Government grants to students administered by the college:				
Pell and other federal	4.8	5.7	4.8	3.2
Ohio Opportunity and other state	1.8	1.6	1.8	3.7
Total government administered	<u>6.6</u>	<u>7.3</u>	<u>6.6</u>	<u>6.9</u>
Total grant aid	<u>42.9</u>	<u>42.2</u>	<u>39.5</u>	<u>37.4</u>
Student financial aid grants as a percentage of tuition revenue from full-time students (unaudited):				
Unrestricted	41%	41%	40%	38%
Restricted gifts, grants, and endowment earnings	6	5	5	6
Total college aid	47	46	45	44
Administered	9	10	9	10
Total	<u>56%</u>	<u>56%</u>	<u>54%</u>	<u>54%</u>
Dollar amounts per full-time equivalent enrollment (unaudited):				
Academic and student services	\$ 13,200	12,400	12,100	12,300
Educational plant and general support	7,100	6,600	6,200	6,300
Gift support	2,900	2,500	5,100	2,700
Endowment market value	30,800	31,200	26,800	25,100

See accompanying independent auditors' report.