



BALDWIN WALLACE UNIVERSITY

Consolidated Financial Statements and Supplementary Information

June 30, 2016 and 2015

(With Independent Auditors' Report Thereon)

BALDWIN WALLACE UNIVERSITY

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Baldwin Wallace Summary of Operations

Founded in 1845 as Baldwin Institute, BW was one of the first colleges and universities in Ohio to admit students without regard to race or gender. Today, Baldwin Wallace University continues as an independent, coeducational institution, accredited by the Higher Learning Commission. The academic program is rooted in the liberal arts but includes a wide range of majors, minors, and other programs containing abundant opportunities for career exploration and application.

Undergraduate degrees offered are the Bachelor of Arts, Bachelor of Fine Arts, Bachelor of Science, Bachelor of Science in Education, Bachelor of Music, Bachelor of Music Education, and Accelerated Bachelor of Science in Nursing.

Baldwin Wallace offers graduate programs leading to the degrees of Master of Arts in Education, Master of Business Administration, Master of Medical Science (Physician Assistant), Master of Public Health, and Master of Science (Speech Language Pathology). BW also has certificate programs in a variety of specialties.

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

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

The 2015-2016 academic year opened with a total fall semester enrollment of 4,013. This total included 3,056 full-time undergraduate students, 330 part-time undergraduates, and 627 graduate students. The full-time-equivalent enrollment was 3,575, up 70 from the previous fall.

Total spending for programs and support was \$98,505,301, up 2 percent from the previous year. BW continued its long practice of operating with balanced budgets. The operating margin was \$2,282,243. With non-operating expenses of \$446,490 and \$411,330 of investment losses on unrestricted funds functioning as endowment, the increase in unrestricted net assets was \$1,424,423.

Total net assets decreased \$9,905,184, to \$285,554,313. Total investment losses of approximately \$10.4 million were the principal factor. Before investment losses, temporarily restricted net assets were down \$3 million, but permanently restricted net assets (endowment and student loan funds) were up \$1.7 million.

The market value of endowment and similar investments and cash equivalents at June 30, 2016 was \$148,999,095, down approximately \$7 million from June 30, 2015. New endowment gifts and ordinary income added to principal partially offset the investment losses. These investments provided income of \$8 million for operations and student financial aid. They include true endowments (\$120 million), funds functioning as endowment, gift annuities, remainder trusts, and beneficial interest in outside trusts.

Plant spending totaled approximately \$9.2 million. This included renovations and improvements to existing buildings and purchases of equipment and furnishings. The University also completed work started the previous year to renovate a recently purchased building to house the new graduate program in Speech Pathology. The building is adjacent to the north campus.



Report of the Administration

This report covers the consolidated financial statements and related notes of Baldwin Wallace University, 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 University, 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 nonfinancial data, including enrollment, admissions, and fees, as supplementary information.

The University'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 consolidated 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 consolidated financial statements through the Audit Review Committee. The committee 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 blue ink that reads "William M. Reniff". The signature is written in a cursive style.

William M. Reniff
Vice President for Finance and Administration



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

Independent Auditors' Report

The Board of Trustees
Baldwin Wallace University:

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Baldwin Wallace University (University), which comprise the consolidated statements of financial position as of June 30, 2016 and 2015, and the related consolidated statements of activities and cash flows for the years ended June 30, 2016 and 2015, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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



Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Baldwin Wallace University, as of June 30, 2016 and 2015, and the changes in its net assets, and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the consolidated financial statements as a whole. The supplementary information included in Schedule I for the years ended June 30, 2016 and 2015 is presented for purposes 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 supplementary information included in Schedule I related to the University's 2016 and 2015 consolidated financial statements, except for that portion marked "unaudited," on which we express no opinion, has been subjected to the auditing procedures applied in the audit 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 supplementary information included in Schedule I related to the University's 2016 and 2015 consolidated financial statements, 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.

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 University as of June 30, 2014 and 2013, 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. The supplementary information included in Schedule I for the years ended June 30, 2014 and 2013 is presented for purposes 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 respective consolidated financial statements. The supplementary information included in Schedule I related to the University's 2014 and 2013 consolidated financial statements, except for that portion marked "unaudited," on which we express no opinion, has been subjected to auditing procedures applied in the audits of the University's 2014 and 2013 consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those consolidated financial statements or to those 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 supplementary information included in Schedule I related to the University's 2014 and 2013 consolidated financial statements, except for that portion marked "unaudited" on which we express no opinion, is fairly stated, in all material respects, in relation to the University's 2014 and 2013 consolidated financial statements as a whole.



Other Information

The information presented in the Baldwin Wallace Summary of Operations and Report of the Administration is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information has not been subject to the auditing procedures applied in the audit of the consolidated financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2016 on our consideration of the University's internal control 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

KPMG LLP

Cleveland, Ohio
November 16, 2016

BALDWIN WALLACE UNIVERSITY
Consolidated Statements of Financial Position
June 30, 2016 and 2015

Assets	2016	2015
Assets:		
Cash and cash equivalents	\$ 4,789,547	5,301,315
Short-term investments	7,315,931	10,286,195
Student accounts receivable, less allowance for doubtful receivables of \$109,000 in 2016 and \$121,000 in 2015	3,603,331	3,551,008
Receivables from the federal and state governments	28,465	232,212
Other receivables, less allowance for doubtful receivables of \$34,000 in 2016 and \$32,000 in 2015	258,686	241,556
Inventory	2,201,238	2,134,470
Prepaid expenses	1,449,208	743,950
Pledges receivable, less allowance for doubtful pledges of \$138,000 in 2016 and \$153,000 in 2015	3,042,530	3,772,005
Student loan notes receivable, less allowance for doubtful loans of \$602,000 in 2016 and 2015	3,909,879	3,816,631
Total assets	26,598,815	30,079,342
Endowment and similar assets:		
Cash equivalents	4,632,532	2,727,984
Investments, at fair value	144,366,563	153,000,420
Total endowment and similar assets	148,999,095	155,728,404
Plant and equipment:		
Grounds	13,760,797	13,095,200
Educational and general buildings	154,870,585	150,750,324
Residence halls	48,434,134	47,742,952
Residences	3,495,606	3,263,218
Furniture and equipment	26,887,119	23,802,655
	247,448,241	238,654,349
Less accumulated depreciation	(108,325,265)	(100,720,125)
Construction in progress	—	1,026,012
Net plant assets	139,122,976	138,960,236
Total assets	\$ 314,720,886	324,767,982

See accompanying notes to consolidated financial statements.

BALDWIN WALLACE UNIVERSITY
Consolidated Statements of Financial Position
June 30, 2016 and 2015

Liabilities and Net Assets	2016	2015
Liabilities:		
Accounts payable	\$ 1,848,483	1,885,229
Accrued expenses	2,590,667	2,650,794
Deferred revenue and student deposits	3,484,644	2,922,223
Other liabilities	1,149,421	1,183,358
Annuity obligations	3,820,966	3,383,593
Government advances for student loans (Perkins loans)	2,187,392	2,268,288
Long-term debt	14,085,000	15,015,000
Total liabilities	29,166,573	29,308,485
Net assets:		
Unrestricted	63,932,654	62,508,231
Temporarily restricted:		
Program	19,866,513	22,512,676
Student financial aid	6,197,107	6,658,951
Plant and equipment	65,501,996	66,509,811
Total temporarily restricted	91,565,616	95,681,438
Permanently restricted:		
Program	68,185,875	72,772,879
Student financial aid	56,021,204	58,211,751
Plant and equipment	5,848,964	6,285,198
Total permanently restricted	130,056,043	137,269,828
Total net assets	285,554,313	295,459,497
Total liabilities and net assets	\$ 314,720,886	324,767,982

BALDWIN WALLACE UNIVERSITY

Consolidated Statements of Activities

Years ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Changes in unrestricted net assets:		
Revenue:		
Tuition and fees	\$ 104,262,387	98,085,300
Less student financial aid grants	(42,698,863)	(39,563,392)
Net tuition and fees	61,563,524	58,521,908
Private gifts and grants	1,197,160	1,915,256
Endowment and similar investment income	1,321,097	1,442,805
Auxiliary enterprises	20,455,073	19,387,142
Other	1,013,310	830,084
Total revenue	<u>85,550,164</u>	<u>82,097,195</u>
Net assets released from restrictions:		
Program	6,110,216	5,417,561
Student financial aid grants	4,785,273	4,900,157
Plant and equipment	3,895,401	4,447,260
Total net assets released from restrictions	<u>14,790,890</u>	<u>14,764,978</u>
Total revenue and net assets released from restrictions	<u>100,341,054</u>	<u>96,862,173</u>
Expenses:		
Instruction	43,328,415	41,413,844
Academic support	7,424,209	7,148,893
Libraries	1,951,994	1,889,267
Student services	9,081,006	9,049,938
Organized student activities	7,882,325	7,928,858
Institutional support	14,612,609	14,708,191
Auxiliary enterprises	14,224,743	13,987,606
Total expenses	98,505,301	96,126,597
Endowment and similar investment losses	(411,330)	(177,619)
Change in unrestricted net assets	<u>1,424,423</u>	<u>557,957</u>

BALDWIN WALLACE UNIVERSITY

Consolidated Statements of Activities

Years ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Changes in temporarily restricted net assets:		
Revenue:		
Private gifts, grants, and pledges	\$ 5,136,744	8,359,753
Endowment and similar investment income	4,695,240	4,475,240
Government grants	1,560,856	1,605,339
Other	394,258	480,661
Total revenue	<u>11,787,098</u>	<u>14,920,993</u>
Net assets released from restrictions:		
Program	(6,110,216)	(5,417,561)
Student financial aid grants	(4,785,273)	(4,900,157)
Plant and equipment	(3,895,401)	(4,447,260)
Total net assets released from restrictions	<u>(14,790,890)</u>	<u>(14,764,978)</u>
Endowment and similar investment losses	(1,112,030)	(463,148)
Change in temporarily restricted net assets	<u>(4,115,822)</u>	<u>(307,133)</u>
Changes in permanently restricted net assets:		
Revenue:		
Private gifts, grants, and pledges	1,482,197	14,425,735
Endowment and similar investment income	129,927	127,787
Other	55,677	338,110
Total revenue	<u>1,667,801</u>	<u>14,891,632</u>
Endowment and similar investment losses	(8,881,586)	(2,683,824)
Change in permanently restricted net assets	<u>(7,213,785)</u>	<u>12,207,808</u>
Change in net assets	(9,905,184)	12,458,632
Net assets at beginning of year	<u>295,459,497</u>	<u>283,000,865</u>
Net assets at end of year	<u>\$ 285,554,313</u>	<u>295,459,497</u>

See accompanying notes to consolidated financial statements.

BALDWIN WALLACE UNIVERSITY

Consolidated Statements of Cash Flows

Years ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Increase (decrease)in net assets	\$ (9,905,184)	12,458,632
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	8,978,298	8,858,148
Net losses (gains) on endowment and similar investments	10,404,946	3,324,591
Change in student accounts and other receivables	232,377	2,840,750
Change in inventory and prepaid expenses	(772,026)	53,178
Change in accounts payable and accrued expenses	(77,606)	178,043
Change in deferred revenue, annuity obligations, government advances, and other liabilities	884,961	(1,092,672)
Contributions restricted for long-term investment	(2,521,300)	(16,103,959)
Other income restricted for long-term investment	(2,672,392)	(1,856,058)
Net cash provided by operating activities	<u>4,552,074</u>	<u>8,660,653</u>
Cash flows from investing activities:		
Purchases of plant and equipment	(9,160,305)	(7,699,684)
Purchases of endowment and similar investments	(15,324,077)	(41,680,677)
Sales of endowment and similar investments	13,552,988	23,405,317
Change in short-term investments	2,970,264	(5,024,555)
Change in endowment and similar cash equivalents	(1,904,548)	632,076
Change in student loans	(93,248)	75,938
Change in other assets	—	53,894
Net cash used in investing activities	<u>(9,958,926)</u>	<u>(30,237,691)</u>
Cash flows from financing activities:		
Contributions restricted for long-term investment	3,152,692	17,135,810
Other income restricted for long-term investment	2,672,392	4,772,220
Principal payments on bonds	(930,000)	(915,000)
Net cash provided by financing activities	<u>4,895,084</u>	<u>20,993,030</u>
Change in cash and cash equivalents	(511,768)	(584,008)
Cash and cash equivalents at beginning of year	<u>5,301,315</u>	<u>5,885,323</u>
Cash and cash equivalents at end of year	\$ <u><u>4,789,547</u></u>	\$ <u><u>5,301,315</u></u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 512,163	530,612

See accompanying notes to consolidated financial statements.

BALDWIN WALLACE UNIVERSITY
Notes to Consolidated Financial Statements
June 30, 2016 and 2015

(1) Nature of Organization

Baldwin Wallace, founded in 1845, is an independent, coeducational university in the liberal arts tradition, accredited by the Higher Learning Commission. Undergraduate degrees granted are the Bachelor of Arts, Bachelor of Fine Arts, Bachelor of Science, Bachelor of Science in Education, Bachelor of Music, Bachelor of Music Education, and Accelerated Bachelor of Science in Nursing. Graduate degrees granted are Master of Arts in Education, Master of Business Administration, Master of Medical Science, Master of Public Health, and Master of Science.

The University formed two for-profit limited liability companies, KCM 1 and KBS. The consolidated financial statements of Baldwin Wallace University include the accounts of KCM 1 and KBS as described in note 11. The accounting and reporting policies of the University conform to U.S. generally accepted accounting principles. 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 University have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles.

The University 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 University and/or the passage of time.

Permanently restricted – Net assets subject to donor-imposed stipulations that they are maintained permanently by the University. Generally, the donors of these assets permit the University 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 University 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 University's depreciation policies.

BALDWIN WALLACE UNIVERSITY

Notes to Consolidated Financial Statements

June 30, 2016 and 2015

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 investment funds such as the University'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 nonprofit institutions. These estimated fair values are reviewed and evaluated by the University 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 UNIVERSITY

Notes to Consolidated Financial Statements

June 30, 2016 and 2015

The table below provides certain information regarding the cumulative amount of unrealized holding losses for marketable equity and debt securities managed by the University and held as of June 30, 2016 and 2015:

	2016		
	Equity securities	Debt and other securities	Total
Unrealized losses less than one year:			
Amount of unrealized losses	\$ (146,866)	—	(146,866)
Fair value of related securities held in a loss position	926,836	—	926,836
Number of related security positions	12	—	12
Unrealized losses greater than one year:			
Amount of unrealized losses	(4,720,668)	—	(4,720,668)
Fair value of related securities held in a loss position	26,507,032	—	26,507,032
Number of related security positions	18	—	18
Total unrealized losses	(4,867,534)	—	(4,867,534)
Unrealized market appreciation	20,847,769	2,126,674	22,974,443
Net unrealized	\$ 15,980,235	2,126,674	18,106,909

BALDWIN WALLACE UNIVERSITY
Notes to Consolidated Financial Statements
June 30, 2016 and 2015

	2015		Total
	Equity securities	Debt and other securities	
Unrealized losses less than one year:			
Amount of unrealized losses	\$ (702,975)	(21,873)	(724,848)
Fair value of related securities held in a loss position	28,381,758	3,750	28,385,508
Number of related security positions	15	1	16
Unrealized losses greater than one year:			
Amount of unrealized losses	(229,940)	—	(229,940)
Fair value of related securities held in a loss position	572,045	—	572,045
Number of related security positions	11	—	11
Total unrealized losses	(932,915)	(21,873)	(954,788)
Unrealized market appreciation	24,460,247	1,371,280	25,831,527
Net unrealized	\$ 23,527,332	1,349,407	24,876,739

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

Assets held in trust for which the University serves as trustee are included in investments. The fair value of these investments was \$8,857,961 at June 30, 2016 and \$8,534,829 at June 30, 2015. 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 2012 Individual Annuity Reserving Mortality Table
- Assumed valuation interest rates of 2.25%, 2.5% and 3.0%
- Assumed annuity payments made annually at the beginning of the year.

BALDWIN WALLACE UNIVERSITY
Notes to Consolidated Financial Statements
June 30, 2016 and 2015

Assets held in trust for which the University does not serve as trustee (i.e., perpetual trusts) are included as investments in the consolidated financial statements. The investment balances of \$11,254,620 and \$11,523,573 at June 30, 2016 and 2015, respectively, are recorded at fair value. Changes in the value of the University's beneficial interest in these perpetual trusts are reflected within the statement of activities and changes in net assets as a component of permanently restricted unrealized gains (losses).

(e) Government Advances for Student Loans

The University 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 and Student Deposits

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 historical 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
Pianos and other musical instruments	35 years

(h) Impairment of Long-Lived Assets

The University evaluates the recoverability of long-lived assets and the related estimated remaining lives at each fiscal year end. The University 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, 2016 and 2015.

(i) Asset Retirement Obligations

The University has recorded a liability for conditional asset retirement obligations in other liabilities on the consolidated statements of financial position of approximately \$752,000 and \$710,000 at June 30, 2016 and 2015. Related discount amortization and depreciation in the fiscal years ended June 30, 2016 and 2015 were approximately \$3,000, respectively.

BALDWIN WALLACE UNIVERSITY
Notes to Consolidated Financial Statements
June 30, 2016 and 2015

(j) *Income Taxes*

The University 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 University does not have a significant amount of unrelated business income.

The University has adopted Accounting Standards Codification (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 University's evaluation, no provision for uncertain tax positions is required as of June 30, 2016 and 2015.

(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 University'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.

(m) *Auxiliary Enterprises*

The University recognizes revenue and expenses related to residence and dining halls, as well as bookstore operations, as auxiliary enterprises on the consolidated statement of activities.

(n) *Student Financial Aid Grants*

Education revenues are reported net of student financial aid grants. A student financial aid grant represents the difference between the stated charge for tuition and fees and the amount that is billed to the student and/or third parties making payments on behalf of the student.

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Notes to Consolidated Financial Statements
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(3) Long-Term Debt

On November 29, 2012, Baldwin Wallace University issued State of Ohio Higher Educational Facility Revenue Bonds with a par value of \$16,025,000. The University issued the bonds pursuant to a trust agreement between the Ohio Higher Educational Facility Commission and US Bank as trustee. The bonds are dated December 1, 2012, and they mature through 2042. Interest is payable semi-annually on each December 1 and June 1, at annual rates ranging from 0.6% to 4.0%.

The University used the proceeds from the bonds to pay the capital costs of certain major building renovations, and to repay State of Ohio Higher Educational Facility Revenue Bonds issued June 1, 2004.

Prepaid expenses at June 30, 2016 include net issuance costs of \$139,426. The University is amortizing the issuance costs over the life of the bonds.

The annual principal payments required on the bonds for 2016 and thereafter are as follows:

Fiscal year ending June 30:	
2017	\$ 955,000
2018	980,000
2019	1,015,000
2020	1,055,000
2021	1,150,000
Thereafter	<u>8,930,000</u>
	<u>\$ 14,085,000</u>

The outstanding debt balance had estimated fair values of \$15,055,008 and \$15,016,692 at June 30, 2016 and 2015, respectively. The fair value of the outstanding debt was determined based on observable rates currently available for debt instruments with similar maturities, which are considered Level 2 inputs (see note 5).

The bond agreement contains certain covenants, including a fees covenant. The University covenants that it will establish and collect charges for its services in each fiscal year such that the gross cash receipts are sufficient to pay all expenses, all obligations imposed by the bond agreements, and all other indebtedness and obligations due in such fiscal year. The University is in compliance with its covenants as of June 30, 2016.

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(4) Investments

Endowment and similar assets include endowment funds, funds functioning as endowment, charitable gift annuities, charitable remainder trusts, and beneficial interests in outside trusts. At June 30, 2016 and 2015, investments and cash and cash equivalents comprised the following:

	<u>2016</u>	<u>2015</u>
Cash equivalents	\$ 4,632,532	2,727,984
Common fund:		
Equity funds	83,457,741	86,581,685
Fixed income funds	28,494,582	27,813,141
Alternative funds, marketable	8,910,115	15,162,218
Alternative funds, nonmarketable	2,554,776	2,366,423
Common stocks	826,864	754,754
Preferred stocks	970,090	1,193,500
Equity and balanced mutual funds	7,207,169	6,957,752
Fixed income	315,016	111,623
Beneficial interest in perpetual trusts	11,254,620	11,523,573
Other	375,590	535,751
	<u>\$ 148,999,095</u>	<u>155,728,404</u>

As of June 30, 2016 and 2015, the total net gain or loss for the year comprises of the following:

	<u>2016</u>	<u>2015</u>
Unrealized net loss	\$ (6,769,830)	(6,733,934)
Realized net (loss) gain	<u>(3,635,116)</u>	<u>3,409,343</u>
Total net loss	<u>\$ (10,404,946)</u>	<u>(3,324,591)</u>

Interest income earned on operating cash equivalents and included in other unrestricted revenue was approximately \$40,000 and \$30,000 for the years ended June 30, 2016 and 2015, respectively. Investment income on endowment and similar assets is recorded within the consolidated 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, 2016 and 2015 are as follows:

	<u>2016</u>	<u>2015</u>
Unrestricted net assets	\$ 1,321,097	1,442,805
Temporarily restricted net assets	4,695,240	4,475,240
Permanently restricted net assets	129,927	127,787

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Notes to Consolidated Financial Statements
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(5) Fair Value Measurements

The University 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 2 financial instruments include student accounts receivable, pledges receivable, student loan notes receivable and annuity obligations.

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. Level 3 financial instruments include asset retirement obligations.

During the year ended June 30, 2016, the University management re-evaluated certain investments and determined that Commonfund investments, excluding nonmarketable alternative investments, have a readily determinable fair value. As a result, these investments which were previously disclosed as Level 2, are now presented as Level 1. The presentation of these investments as of June 30, 2015 has been revised to conform to the Level 1 presentation.

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.

The University holds interests in various funds that are illiquid and do not allow for short-term redemption. Alternative funds, nonmarketable are valued at their net asset value as a practical expedient in determining fair value. These funds are presented as Level 3. The fair value of those funds as of June 30, 2016 and 2015 is \$2,554,776 and \$2,366,423, respectively. 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 beneficial interest in perpetual trusts represents the University's interest in trusts held by outside parties. The net asset value is also applied as a practical expedient for the valuation of the University's beneficial

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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 University has various alternative investments that have minimum capital commitments. As of June 30, 2016, the University has committed to make a total investment of \$7,100,000, of which \$3,273,600 has been invested, leaving \$3,826,400 of outstanding commitments. As of June 30, 2015, the University had committed to make a total investment of \$4,600,000, of which \$2,796,250 has been invested, leaving \$1,803,750 of outstanding commitments.

The following table presents assets that are measured at fair value on a recurring basis as of June 30, 2016:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and cash equivalents	\$ 4,789,547	—	—	4,789,547
Short-term investments	7,315,931	—	—	7,315,931
Cash equivalents, endowment and similar	4,632,532	—	—	4,632,532
Commonfund:				
Equity funds	83,457,741	—	—	83,457,741
Fixed income funds	28,494,582	—	—	28,494,582
Alternative funds, marketable	8,910,115	—	—	8,910,115
Alternative funds, nonmarketable	—	—	2,554,776	2,554,776
Common stocks	826,824	—	—	826,864
Preferred stocks	970,000	—	—	970,090
Equity and balanced mutual funds	7,207,169	—	—	7,207,169
Fixed income	—	315,016	—	315,016
Beneficial interest in perpetual trusts	—	—	11,254,620	11,254,620
Other	—	375,590	—	375,590
Receivables (pending cash activity)	—	2,329,327	—	2,329,327
	<u>\$ 146,604,441</u>	<u>3,019,933</u>	<u>13,809,396</u>	<u>163,433,900</u>

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The following table presents assets that are measured at fair value on a recurring basis as of June 30, 2015:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and cash equivalents	\$ 5,301,315	—	—	5,301,315
Short-term investments	10,286,195	—	—	10,286,195
Cash equivalents, endowment and similar	2,727,984	—	—	2,727,984
Commonfund:				
Equity funds	86,581,685	—	—	86,581,685
Fixed income funds	27,813,141	—	—	27,813,141
Alternative funds, marketable	15,162,218	—	—	15,162,218
Alternative funds, nonmarketable	—	—	2,366,423	2,366,423
Common stocks	754,754	—	—	754,754
Preferred stocks	1,193,500	—	—	1,193,500
Equity and balanced mutual funds	6,957,752	—	—	6,957,752
Fixed income	—	111,623	—	111,623
Beneficial interest in perpetual trusts	—	—	11,523,573	11,523,573
Other	—	535,751	—	535,751
	<u>\$ 156,778,544</u>	<u>647,374</u>	<u>13,889,996</u>	<u>171,315,914</u>

BALDWIN WALLACE UNIVERSITY
Notes to Consolidated Financial Statements
June 30, 2016 and 2015

The University's policy is to reflect transfers between levels at the end of the year in which a change in circumstances results in a transfer. Except as noted above, there were no other transfers between Level 1 and 2, or 3 investments for the fiscal years ended June 30, 2016 and 2015. 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, 2014	\$ 11,805,934	2,018,672	13,824,606
Additions	—	293,500	293,500
Distributions	—	(491,326)	(491,326)
Investment income	540,679	—	540,679
Payments	(540,679)	—	(540,679)
Realized and unrealized gains (losses)	(282,361)	545,577	263,216
Balance at June 30, 2015	11,523,573	2,366,423	13,889,996
Additions	—	412,250	412,250
Distributions	—	(414,956)	(414,956)
Investment income	573,904	—	573,904
Payments	(573,904)	—	(573,904)
Realized and unrealized gains (losses)	(268,953)	191,059	(77,894)
Balance at June 30, 2016	\$ 11,254,620	2,554,776	13,809,396

(6) Endowment

The University's endowment consists of approximately 500 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 University classifies these funds, sometimes referred to as true endowment, as permanently restricted net assets. The University's Board of Trustees has designated other funds, usually resulting from major bequests or gifts, as funds functioning as endowment. The University 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 University executes a signed agreement with all true endowment donors. These agreements specify, among other things, that the funds are governed by Baldwin Wallace University 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.

BALDWIN WALLACE UNIVERSITY

Notes to Consolidated Financial Statements

June 30, 2016 and 2015

The University's current spending policy is to withdraw each year an amount not exceeding 5% of the average of the June 30 market values for the preceding three years. This is a change from prior years, when the percentage was 5.5%. These withdrawals include all ordinary investment income and the amount of accumulated gains required. The consolidated 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 University 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, 2016 and 2015.

The following tables present the endowment net asset composition by fund type as of June 30, 2016 and June 30, 2015.

		June 30, 2016			
		Permanently restricted	Temporarily restricted	Unrestricted	Total
Donor-restricted endowment funds	\$	120,203,720	7,485,999	—	127,689,719
Board designated funds		—	—	3,849,558	3,849,558
	\$	120,203,720	7,485,999	3,849,558	131,539,277

		June 30, 2015			
		Permanently restricted	Temporarily restricted	Unrestricted	Total
Donor-restricted endowment funds	\$	127,320,271	10,503,631	—	137,823,902
Board designated funds		—	—	4,448,664	4,448,664
	\$	127,320,271	10,503,631	4,448,664	142,272,566

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Notes to Consolidated Financial Statements

June 30, 2016 and 2015

The following table presents the changes in endowment net assets held by the University for the years ended June 30, 2016 and 2015:

	<u>Permanently restricted</u>	<u>Temporarily restricted</u>	<u>Unrestricted</u>	<u>Total</u>
Balances June 30, 2014	\$ 114,952,078	8,036,721	4,686,284	127,675,083
Investment income	5,243,861	577,227	179,709	6,000,797
Investment losses	(2,496,282)	(361,113)	(177,619)	(3,035,014)
Gifts and gift pledges	14,422,927	4,129,399	—	18,552,326
Transfers and other	335,892	(391,954)	—	(56,062)
Distributions for expenditure	(5,138,205)	(716,404)	(239,710)	(6,094,319)
Withdrawal for debt payment	—	(770,245)	—	(770,245)
Balances June 30, 2015	127,320,271	10,503,631	4,448,664	142,272,566
Investment income	5,448,640	331,816	175,019	5,955,475
Investment losses	(8,762,349)	(966,709)	(411,330)	(10,140,388)
Gifts and gift pledges	1,482,197	988	—	1,483,185
Transfers and other	54,009	—	—	54,009
Distributions for expenditure	(5,339,048)	(2,383,727)	(362,795)	(8,085,570)
Withdrawal for debt payment	—	—	—	—
Balances June 30, 2016	<u>\$ 120,203,720</u>	<u>7,485,999</u>	<u>3,849,558</u>	<u>131,539,277</u>

Members of the Baldwin Wallace University 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 University 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 University'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 University, 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.

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

(7) Retirement Plan

The University participates in the Teachers Insurance and Annuity Association retirement plan, which covers substantially all regular full-time employees. The retirement plan is funded by University 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, 2016 and 2015, the University's contributions were approximately \$2,272,000 and \$2,155,000, 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. University management believes disallowances, if any, will not be material to the University's consolidated financial statements.

(9) Gift Pledges Receivable

Gift pledges totaling \$3,325,059 and \$4,130,871 at June 30, 2016 and 2015, respectively, represent gross 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.

Pledges received were discounted at a rate of 3%. Discounts of \$144,529 and \$205,866 were recorded at June 30, 2016 and 2015, respectively.

Gift pledges are expected to be realized as follows:

	2016	2015
In one year or less	\$ 2,019,394	2,008,296
Between one and five years	1,285,518	2,022,575
More than five years	20,147	100,000
	3,325,059	4,130,871
Less:		
Allowance for uncollectible pledges	(138,000)	(153,000)
Discount on pledges	(144,529)	(205,866)
Net pledges receivable	\$ 3,042,530	3,772,005

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Conditional promises to give totaled approximately \$23,840,598 as of June 30, 2016. This amount consists of commitments contained in wills and insurance policies. The amount at June 30, 2015, was \$22,686,000. Conditional promises to give are not recorded in the consolidated financial statements.

(10) Line of Credit

The University 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, 2016 and 2015.

(11) Historic Tax Credits and Limited Liability Companies

During the year ended June 30, 2010, the University created a historic district containing ten campus buildings, the Baldwin Wallace University 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. Within this district, the University can develop renovation projects that qualify for federal and state historic renovation tax credits. To obtain benefit from such credits, the University has formed two for-profit limited liability companies with corporate investors, KCM I and KBS.

KCM I renovated two adjacent buildings and constructed a third building to link the two, for the use of the Conservatory of Music. The work occurred during the years ended June 30, 2012 and 2011. The investor's payment for tax credits was included as an increase to temporarily restricted net assets during the year ended June 30, 2012.

KBS renovated and expanded three residence halls, Klein, 63 Beech, and Saylor. This work took place during the 2013 and 2014 fiscal years. The University opened Klein and 63 Beech for fall semester 2013 and Saylor for spring semester 2014. KBS received payment for the tax credits during the fiscal year ended June 30, 2014 and that amount was included as an increase to temporarily restricted net assets.

(12) Subsequent Events

The University evaluated subsequent events applicable to the year ended June 30, 2016 through November 16, 2016 the date the consolidated financial statements are available to be issued. No reportable events, other than those described, have occurred.

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Supplementary Information

Years ended June 30, 2016, 2015, 2014, and 2013

(Certain unaudited information)

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Assets and liabilities (in millions):				
Operating cash and short-term investments	\$ 12.1	15.6	11.1	13.4
Student and other receivables, net	3.9	4.0	9.6	4.2
Gift pledges receivable, net	3.0	3.8	5.2	6.0
Student loan notes (primarily Perkins) receivable, net	3.9	3.8	3.9	3.7
Inventories and prepaid expenses	3.7	2.9	2.9	2.8
Endowment and similar assets, fair value	149.0	155.7	141.4	124.8
Physical plant (historical cost)	247.4	239.7	234.1	223.3
Accumulated depreciation	(108.3)	(100.7)	(94.4)	(87.4)
Total assets	<u>314.7</u>	<u>324.8</u>	<u>313.8</u>	<u>290.8</u>
Accounts payable and accruals	4.4	4.5	4.0	4.8
Deferred revenue and student deposits	3.5	2.9	3.5	4.8
Other liabilities	7.2	6.9	7.4	7.9
Long-term debt	14.1	15.0	15.9	17.0
Total liabilities	<u>29.2</u>	<u>29.3</u>	<u>30.8</u>	<u>34.5</u>
Net assets (in millions):				
Expendable, unrestricted	(1.1)	(1.4)	0.3	4.3
Expendable, restricted	15.0	15.5	16.9	16.5
Functioning as endowment	11.3	14.9	12.7	11.5
Endowment	120.2	127.4	114.9	98.7
Annuities and trusts	16.3	16.7	17.0	14.6
Student loans	1.7	1.6	1.5	1.3
Plant	122.1	120.8	119.7	109.4
Total net assets	<u>\$ 285.5</u>	<u>295.5</u>	<u>283.0</u>	<u>256.3</u>
Enrollment, fall term (unaudited):				
Full-time undergraduate	3,056	2,969	2,959	2,981
Part-time undergraduate	330	401	426	474
Graduate	627	617	675	718
Total	<u>4,013</u>	<u>3,987</u>	<u>4,060</u>	<u>4,173</u>
Full-time equivalent	3,575	3,505	3,616	3,719
Residence hall occupancy, fall term (unaudited)	1,835	1,816	1,817	1,811
New day students, fall term (unaudited):				
Applied	4,789	4,598	4,689	4,145
Admitted	2,822	2,944	2,931	2,576
Enrolled	911	881	907	881

BALDWIN WALLACE UNIVERSITY

Supplementary Information

Years ended June 30, 2016, 2015, 2014, and 2013

(Certain unaudited information)

(In millions)

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Activities summary:				
Tuition and fees	\$ 104.3	98.1	95.5	94.0
Less student financial aid grants	42.7	39.6	39.1	37.4
Net tuition and fees	61.6	58.5	56.4	56.6
Private gifts, grants, and pledges	7.8	24.7	11.9	13.3
Endowment and similar investment income	6.1	6.0	5.8	5.1
Government grants	1.5	1.6	1.5	1.6
Auxiliary enterprise revenue	20.5	19.4	18.6	18.6
Other income	1.5	1.6	0.9	1.3
Totals	99.0	111.8	95.1	96.5
Expenses	98.5	96.1	89.6	89.6
Net revenue	0.5	15.7	5.5	6.9
Value from historic renovation tax credits	—	—	5.2	—
Endowment and similar investment (losses) gains	(10.4)	(3.3)	16.0	9.9
Increase (decrease) in net assets	\$ (9.9)	12.4	26.7	16.8
Gift purposes:				
Endowment	\$ 1.5	14.4	4.7	2.5
Plant	0.5	1.5	1.7	6.4
Unrestricted	1.2	1.9	1.3	1.4
Program or financial aid	4.6	6.9	4.2	3.0
Totals	\$ 7.8	24.7	11.9	13.3
Distributions of investment income:				
Unrestricted	\$ 1.3	1.4	1.4	1.3
Program or financial aid	4.5	4.3	4.1	3.6
Endowment (reinvested per donors' instructions)	0.1	0.1	0.1	0.1
Plant	0.2	0.2	0.2	0.1
	\$ 6.1	6.0	5.8	5.1

BALDWIN WALLACE UNIVERSITY

Supplementary Information

Years ended June 30, 2016, 2015, 2014, and 2013

(Certain unaudited information)

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Fees charged per full-time student (unaudited):				
Tuition	\$ 29,908	28,814	27,840	27,060
Residence hall room (double)	4,834	4,648	4,470	4,340
Campus card (food, bookstore)	5,050	4,856	4,670	4,540
	<u>\$ 39,792</u>	<u>38,318</u>	<u>36,980</u>	<u>35,940</u>
Student financial aid grants (in millions):				
Unrestricted funds	\$ 37.9	34.7	34.0	32.6
Restricted gifts, grants, and endowment earnings	4.8	4.9	5.1	4.8
Total university aid	<u>42.7</u>	<u>39.6</u>	<u>39.1</u>	<u>37.4</u>
Government grants to students administered by the University:				
Pell and other federal	4.8	4.9	4.9	5.0
Ohio Opportunity and other state	2.1	2.2	1.9	2.2
Total government administered	<u>6.9</u>	<u>7.1</u>	<u>6.8</u>	<u>7.2</u>
Total grant aid	<u>\$ 49.6</u>	<u>46.7</u>	<u>45.9</u>	<u>44.6</u>
Student financial aid grants as a percentage of tuition revenue from full-time students (unaudited):				
Unrestricted	42%	42%	43%	42%
Restricted gifts, grants, and endowment earnings	5	6	6	6
Total university aid	<u>47</u>	<u>48</u>	<u>49</u>	<u>48</u>
Administered	<u>8</u>	<u>9</u>	<u>9</u>	<u>9</u>
Total	<u>55%</u>	<u>57%</u>	<u>58%</u>	<u>57%</u>
Dollar amounts per full-time equivalent enrollment (unaudited):				
Academic and student services	\$ 15,800	15,600	14,100	13,500
Educational plant and general support	8,000	8,000	7,000	7,000
Gift support	2,200	7,000	3,300	3,600
Endowment market value	41,700	44,400	39,100	33,600

See accompanying independent auditors' report.