



**BALDWIN WALLACE UNIVERSITY**

Consolidated Financial Statements and Supplementary Information

June 30, 2019 and 2018

(With Independent Auditors' Report Thereon)

# BALDWIN WALLACE UNIVERSITY

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**Baldwin Wallace University**  
**Summary of Operations For the Year Ended June 30, 2019**  
**(unaudited)**

Founded in 1845 as Baldwin Institute, Baldwin Wallace University (BW) was one of the first colleges and universities 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 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.

BW offers graduate programs leading to the degrees of Master of Accountancy, Master of Arts in Education, Master of Arts in Management, 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.

BW 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 2018-2019 academic year opened with a total fall semester enrollment of 3,751. This total included 2,923 full-time undergraduate students, 223 part-time undergraduates, and 605 graduate students. The full-time-equivalent enrollment was 3,383, down 88 from the previous fall.

Billed tuition and fee revenue was \$106,634,837. Offsetting this were financial aid grants awarded by Baldwin Wallace totaling \$47,071,332. Students also received direct federal and state grants amounting to \$7,347,205. BW administers these government grants. The combined grants were 51% of tuition and fees revenue. Additional forms of financial aid included \$31.5 million of Federal Direct Student Loans administered by the University, and \$2.8 million of wages paid to students for campus jobs.

Net assets at June 30 were \$321,452,057. The increase for the year was \$2,935,852. Net operating revenue provided \$544,688 of the increase. Tuition net of financial aid grants plus other operating revenue totaled \$90,252,745. Operating expenses were \$89,708,057. The net increase in non-operating funds was \$2,391,164. This resulted primarily from transactions in donor restricted funds. Contributions restricted by donors as to purpose or time period and other non-operating revenue totaled \$11,565,216. Related expenses were \$12,546,550. Investment gains were \$3,372,498.

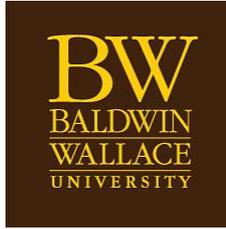
The market value of endowment and similar assets at June 30, 2019 was \$179,533,319, up approximately \$4.8 million from June 30, 2018. The increase included the investment gains and new gifts. The total includes donor restricted endowments (\$144.5 million), funds functioning as endowment, gift annuities, remainder trusts, and beneficial interests in perpetual trusts.

Plant spending totaled approximately \$13.8 million. This included new construction, renovations and improvements to existing buildings, and purchases of equipment and furnishings.

BW completed construction of a new building in July of 2018, in time for the opening of the fall semester. The new building is a 64,000 square foot mixed use facility located on Front Street, adjacent to the Kulas Musical Arts Building. BW partnered with a developer in this project. The developer owns the street level floor, and BW owns the three upper floors. Those floors are a residence hall housing 131 students. The developer divided the street level floor into a number of retail spaces. The University leased two of those spaces. One holds a University owned and operated Starbucks franchise. Next to it is a new campus store named “The Buzz on Front.” It features books and BW clothing items. Textbooks and course materials remain in the bookstore in the Strosacker Union. BW financed most its share of the cost with a long term bank loan.

In April, BW began construction of a new building to house its mathematics, computer science, engineering, and physics programs. Planning and design had been underway for several years. The two-story building will contain approximately 55,000 square feet. Its location is North Campus adjacent to the Thomas Center. This site required the demolition of Ward Hall and several rental houses. The construction timeline calls for the new building to open in January of 2021. Donor restricted gifts and pledges on hand at June 30, 2019 will cover most of the cost of this construction.

See the Supplementary Information section of this report for multi-year comparisons of enrollment, fee, and financial data.



## 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 consolidated 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.

There were three new reporting standards that became mandatory for the year ended June 30, 2019. They include changes to expense reporting, classifications of net assets, method of releasing donor restrictions on plant net assets, and reporting on liquidity. The new standards apply retrospectively to the earliest period shown. Accordingly, the University has restated certain amounts for the year ended June 30, 2018, and has added an additional financial statement, a statement of expenses. Note 2s to the financial statements provides full details about the impact of the new standards on our reported results.

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  
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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, 2019 and 2018, and the related consolidated statements of activities, expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### *Management's Responsibility for the Consolidated 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, 2019 and 2018, and the changes in their net assets, and their cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.



### *Emphasis of Matter*

As discussed in Note 2 to the consolidated financial statements, Baldwin Wallace University adopted Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* and Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers*, during the year ended June 30 2019. Our opinion is not modified with respect to this matter.

### *Other Matters*

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information included in Schedule I for the years ended June 30, 2019 and 2018 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 2019 and 2018 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 audits of the University's 2019 and 2018 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 2019 and 2018 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 2019 and 2018 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 consolidated statements of financial position of the University as of June 30, 2016 and 2015, and the related consolidated statements of activities and cash flows for the years then ended (none of which is presented herein), and we expressed unmodified opinions on those financial statements. 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 respective 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 auditing procedures applied in the audits of the University's 2016 and 2015 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 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 University's 2016 and 2015 consolidated financial statements as a whole.

### *Other Information*

The information presented in the Baldwin Wallace University 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 19, 2019 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 solely 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 effectiveness of the University's 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 19, 2019

**BALDWIN WALLACE UNIVERSITY**

Consolidated Statements of Financial Position

June 30, 2019 and 2018

<b>Assets</b>	<u><b>2019</b></u>	<u><b>2018</b></u>
Operating assets:		
Cash and cash equivalents	\$ 6,271,960	12,981,771
Short term investments	8,546,275	8,377,464
Student accounts receivable, less allowances for doubtful receivables of \$100,000 and \$87,000	4,328,099	3,687,176
Receivables from the federal and state governments	1,421,001	1,245,283
Other receivables, less allowances for doubtful receivables of \$34,000	471,640	727,077
Inventory	1,826,443	1,715,873
Prepaid expenses	5,187,843	2,675,837
Pledges receivable at present value, less allowances for doubtful pledges of \$153,000 and \$135,000	3,981,502	4,149,617
Student loan notes receivable, less allowances for doubtful loans of \$502,000 and \$602,000	3,475,733	3,923,077
Total operating assets	<u>35,510,496</u>	<u>39,483,175</u>
Endowment and similar assets:		
Cash equivalents	3,613,072	2,470,985
Investments at fair value	160,196,700	157,077,493
Beneficial interest in perpetual trusts	15,723,547	15,214,425
Total endowment and similar assets	<u>179,533,319</u>	<u>174,762,903</u>
Property and Equipment:		
Grounds	17,553,647	16,382,912
Educational and general buildings	158,253,527	154,430,140
Residence halls	65,838,362	49,723,519
Residences	4,223,209	4,000,746
Furniture and equipment	29,528,825	28,365,211
Construction in progress	1,940,228	11,681,988
	<u>277,337,798</u>	<u>264,584,516</u>
Accumulated depreciation	<u>(131,445,505)</u>	<u>(122,747,321)</u>
Net property and equipment	<u>145,892,293</u>	<u>141,837,195</u>
Total assets	<u>\$ 360,936,108</u>	<u>356,083,273</u>

**BALDWIN WALLACE UNIVERSITY**

Consolidated Statements of Financial Position

June 30, 2019 and 2018

<b>Liabilities and Net Assets</b>	<b>2019</b>	<b>2018</b>
Liabilities:		
Accounts payable	\$ 1,282,342	1,884,644
Accrued expenses	3,227,006	3,163,338
Deferred revenue and student deposits	2,493,038	2,412,831
Other liabilities	1,617,773	1,391,049
Annuity obligations	4,289,933	4,281,087
U.S. Government advances for Perkins Loans to students	2,125,692	2,059,119
Long-term debt	24,448,267	22,375,000
Total liabilities	39,484,051	37,567,068
Net assets:		
Without donor restrictions:		
Functioning as endowment	4,859,670	4,890,860
Invested in plant	113,412,648	114,592,656
Total without donor restrictions	118,272,318	119,483,516
With donor restrictions:		
Expendable for:		
Program	4,704,961	5,274,962
Student financial aid grants	4,224,993	3,859,159
Plant	16,733,822	14,954,321
Future support	3,981,502	4,149,617
Student loans	1,245,000	1,217,695
Annuities and trusts	22,842,952	22,187,671
Functioning as endowment	4,976,723	7,503,340
Endowment	144,469,786	139,885,924
Total with donor restrictions	203,179,739	199,032,689
Total net assets	321,452,057	318,516,205
Total liabilities and net assets	\$ 360,936,108	356,083,273

See accompanying notes to consolidated financial statements.

**BALDWIN WALLACE UNIVERSITY**

Consolidated Statements of Activities

Years ended June 30, 2019 and 2018

	<b>2019</b>	<b>2018</b>
Changes in net assets without donor restrictions:		
Revenue:		
Tuition and fees	\$ 59,563,505	62,405,039
Contributions	1,522,414	1,698,075
Investment income and gains distribution	1,477,754	1,437,490
Auxiliary enterprises	20,232,513	19,981,347
Other	755,902	671,959
Total revenue	83,552,088	86,193,910
Net assets released from restrictions:		
Program	8,654,208	6,981,393
Student financial aid grants	6,567,029	5,199,174
Property and equipment	2,258,818	1,493,530
Total net assets released from restrictions	17,480,055	13,674,097
Total revenue and restrictions released	101,032,143	99,868,007
Expenses	(102,254,607)	(101,712,758)
Investment gains less distribution, net	11,266	160,353
Change in net assets without donor restrictions	(1,211,198)	(1,684,398)
Changes in net assets with donor restrictions:		
Revenue:		
Contributions	9,562,747	24,722,097
Investment income and gains distribution	5,745,795	5,398,376
Government grants	1,775,253	1,447,272
Other	1,182,078	768,448
Total revenue	18,265,873	32,336,193
Net assets released from restrictions	(17,480,055)	(13,674,097)
Investment gains less distribution, net	3,361,232	6,123,121
Change in net assets with donor restrictions	4,147,050	24,785,217
Change in net assets	2,935,852	23,100,819
Net assets at beginning of year	318,516,205	295,415,386
Net assets at end of year	\$ 321,452,057	318,516,205

See accompanying notes to consolidated financial statements.

**BALDWIN WALLACE UNIVERSITY**

Consolidated Statements of Expenses

Years ended June 30, 2019 and 2018

	<u>Compensation</u>	<u>Plant operation and maintenance</u>	<u>Depreciation</u>	<u>Other</u>	<u>Total</u>
Year ended June 30, 2019:					
Instruction	\$ 33,758,756	4,870,244	4,641,083	3,092,817	46,362,900
Academic support	4,854,041	208,725	198,904	2,004,930	7,266,600
Library	676,569	417,449	397,807	426,779	1,918,604
Student services	6,776,170	556,599	530,409	2,235,950	10,099,128
Student activities	3,855,712	945,313	1,389,523	2,317,151	8,507,699
Institutional support	7,297,010	487,024	464,108	4,953,337	13,201,479
Auxiliary enterprises	4,011,937	1,863,659	2,573,246	6,449,355	14,898,197
Totals	<u>\$ 61,230,195</u>	<u>9,349,013</u>	<u>10,195,080</u>	<u>21,480,319</u>	<u>102,254,607</u>
Salaries and wages	45,299,741	2,700,521	—	—	48,000,262
Benefits	15,930,454	954,017	—	—	16,884,471
Year ended June 30, 2018:					
Instruction	\$ 33,666,498	5,516,576	4,771,918	3,129,123	47,084,115
Academic support	4,972,484	236,425	204,511	1,638,745	7,052,165
Library	652,443	472,849	409,022	387,607	1,921,921
Student services	5,851,082	630,466	545,362	2,176,707	9,203,617
Student activities	3,782,680	975,348	1,149,064	2,239,355	8,146,447
Institutional support	7,911,717	551,658	477,192	4,972,537	13,913,104
Auxiliary enterprises	3,498,573	1,916,260	2,132,715	6,843,841	14,391,389
Totals	<u>\$ 60,335,477</u>	<u>10,299,582</u>	<u>9,689,784</u>	<u>21,387,915</u>	<u>101,712,758</u>
Salaries and wages	46,184,143	2,871,276	—	—	49,055,419
Benefits	14,151,334	994,431	—	—	15,145,765

See accompanying notes to consolidated financial statements.

**BALDWIN WALLACE UNIVERSITY**

Consolidated Statements of Cash Flows

Years ended June 30, 2019 and 2018

	<b>2019</b>	<b>2018</b>
Cash flows from operating activities:		
Change in net assets	\$ 2,935,852	23,100,819
Adjustments to reconcile the change in net assets to net cash provided (used) by operating activities:		
Depreciation	10,195,080	9,689,784
Net gains on endowment and similar investments	(7,372,901)	(6,283,474)
Change in student accounts and other receivables	(561,204)	(1,328,039)
Change in inventory and prepaid expenses	(2,622,576)	(1,181,729)
Change in accounts payable and accrued expenses	(752,428)	223,447
Change in deferred revenue, annuity obligations, government advances, and other liabilities	382,350	343,741
Contribution of beneficial interest in perpetual trust	—	(367,325)
Contributions of equipment	(272,019)	(1,000)
Contributions restricted for long term investment	(5,473,084)	(20,232,494)
Other income restricted for long term investment	(632,173)	(763,908)
Net cash provided (used) by operating activities	(4,173,103)	3,199,822
Cash flows from investing activities:		
Purchases of property and equipment	(13,764,365)	(17,280,721)
Purchases of endowment and similar investments	(44,697,942)	(39,898,883)
Sales of endowment and similar investments	47,300,426	36,327,805
Purchases of short term investments	(169,626)	(7,239,368)
Sales of short term investments	815	3,200,866
Change in student loans	447,344	99,151
Net cash (used) by investing activities	(10,883,348)	(24,791,150)
Cash flows from financing activities:		
Contributions restricted for long-term investment	5,641,199	19,392,980
Other income restricted for long-term investment	632,173	763,908
Issuance of long term debt	3,550,000	10,225,000
Principal payments on debt	(1,476,733)	(980,000)
Net cash provided by financing activities	8,346,639	29,401,888
Net change in cash and cash equivalents	(6,709,812)	7,810,560
Cash and cash equivalents at beginning of period	12,981,771	5,171,211
Cash and cash equivalents at end of period	\$ 6,271,959	12,981,771
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 912,655	617,033
Construction in progress in accounts payable	557,367	771,161

See accompanying notes to consolidated financial statements.

## BALDWIN WALLACE UNIVERSITY

### Notes to Consolidated Financial Statements

June 30, 2019 and 2018

#### **(1) Nature of Organization**

Baldwin Wallace University (the University), 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 Accountancy, Master of Arts in Education, Master of Arts in Management, Master of Business Administration, Master of Medical Science, Master of Public Health, and Master of Science. The University also has certificate programs in a variety of specialties.

As explained in note 11, in previous years the University formed a for-profit limited liability entity, KBS. The consolidated financial statements of Baldwin Wallace University include the accounts of KBS for the years ended June 30, 2019 and 2018. 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 University has prepared the accompanying consolidated financial statements on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (U.S. GAAP).

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 either without donor restrictions or with donor restrictions.

Revenue is reported as increases in net assets without donor restrictions, unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions, unless their use is restricted by donor stipulation. The University has primarily reported gains or losses on investments as net assets with donor restrictions as a result of such donor stipulations or law. Expirations of donor 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 releases to net assets without donor restrictions.

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 net assets with donor restrictions. When the donor restriction expires, that is, when a stipulated time restriction or purpose restriction is met, net assets with donor restrictions are transferred to net assets without donor restrictions. 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

**BALDWIN WALLACE UNIVERSITY**  
Notes to Consolidated Financial Statements  
June 30, 2019 and 2018

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. Alternative investments are valued at fair value for marketable securities and net asset value (NAV) of the University's ownership interest in the partners' capital as a practical expedient for non-marketable securities.

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.

**(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 on the consolidated statements of financial position. The fair value of these investments was \$11,660,622 at June 30, 2019 and \$11,254,333 at June 30, 2018. In addition, the present value of the estimated future payments to be made to the donors and/or other beneficiaries is included as annuity obligations on the consolidated statement of financial position. 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 amounts payable. 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 range between 2.00% and 2.75%
- Assumed annuity payments made annually at the beginning of the year.

Assets held in trust for which the University does not serve as trustee (i.e., perpetual trusts) are also included as assets on the consolidated statement of financial position. The investment balances of \$15,723,547 and \$15,214,425 at June 30, 2019 and 2018, respectively, are recorded at fair value. Changes in the value of the University's beneficial interest in these perpetual trusts are reflected within the consolidated statement of activities as a component of donor restricted endowment and similar investment income.

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**(e) Government Advances for Student Loans**

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

**(f) Student Loans Receivable**

Student loans receivable are reported net of reserves for doubtful loans of \$502,000 as of June 30, 2019 and \$602,000 as of June 30, 2018. The reserve is intended to provide for loans, both in repayment status and not yet in repayment status (borrowers still in school or in the grace period following graduation), that may not be collected.

**(g) 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 begins. Amounts prepaid for future academic terms are included in deferred revenue and student deposits within the consolidated statements of financial position.

**(h) Property and Equipment**

Property and equipment are stated at historical cost. Amounts capitalized are depreciated over the estimated useful life of each class of depreciable asset. Depreciation 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

**(i) 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 or change in estimated useful life was recorded in the fiscal years ended June 30, 2019 and 2018.

**(j) 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 \$894,000 and \$844,000 at June 30, 2019 and 2018, respectively. Related discount amortization and depreciation in the fiscal years ended June 30, 2019 and 2018 were approximately \$54,000 and \$51,000, respectively.

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**(k) Prepaid Expenses**

Prepaid expenses consist of prepaid insurance, maintenance, and other costs associated with future periods.

**(l) 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 and is exempt from federal and state income taxes except for taxes pertaining to unrelated business income. No liability provision has been made for income taxes in the accompanying financial statements. Institutional expense includes minor amounts representing estimated and final payments of the unrelated business income tax.

The University uses 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. Tax provisions are evaluated for recognition, derecognition, and measurement using consistent criteria 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, 2019 and 2018.

**(m) 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 equivalents of endowment and similar funds, which are treated as long term investments.

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

**(n) 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.

**(o) Auxiliary Enterprises**

The University recognizes revenue and expenses related to residence and dining halls, bookstores, vending, and rental houses as auxiliary enterprises on the consolidated statements of activities.

**(p) Student Financial Aid Grants**

Tuition and fees 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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**(q) Functional Classification of Expense**

Expenses are presented by functional classification in accordance with the overall service mission of the University. Each functional classification displays all expenses related to the underlying operations by natural classification. The University allocates a portion of property and equipment operation and maintenance and depreciation expenses to functional areas based on square foot occupancy. Student activities include athletics, the student union, and the recreation and health centers.

**(r) Revenue from Contracts with Customers**

Under Accounting Standards Codification (ASC) Topic 606, revenue from contracts with customers is recognized when control of the promised goods or services is transferred in an amount that reflects the consideration to which the University expects to be entitled in exchange for those goods or services (i.e., the transaction price).

Revenue from student education, residence, and dining services is reflected after reductions from institutional student aid and is recognized as the services are provided over the academic year, which generally aligns with the University's fiscal year. Aid in excess of a student's tuition and fees is reflected as a reduction of residence and dining charges. Disbursements made directly to students for living or other costs are reported as an expense. Payments for student services are generally received prior to the commencement of each academic term and are reported as student deposits to the extent services will be rendered in the following fiscal year.

The composition of revenue from academic programs was as follows for the years ended June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Undergraduate	\$ 95,121,371	95,775,087
Postgraduate and other	<u>11,513,466</u>	<u>11,989,437</u>
Total	106,634,837	107,764,524
Financial aid provided to students	<u>47,071,332</u>	<u>45,359,485</u>
Net	<u>\$ 59,563,505</u>	<u>62,405,039</u>

Auxiliary enterprises revenue consists of the following for the years ended June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Residence and dining services	\$ 17,393,889	16,414,674
Retail operations (bookstore and other)	<u>2,838,624</u>	<u>3,566,673</u>
Total	<u>\$ 20,232,513</u>	<u>19,981,347</u>

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**(s) Recently Issued Accounting Standards**

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Not for Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This update is intended to improve the net asset classification requirements and the information presented in the financial statement and notes about a not-for-profit entity's liquidity, financial performance and cash flows. Main provisions of this guidance include: presentation of two classes of net assets versus the previously required three; and recognition of capital gifts for construction as a net asset without donor restrictions when the associated long-lived asset is placed in service. The guidance also enhances disclosures for board designated amounts, composition of net assets without donor restrictions, liquidity, and expenses by both their natural and functional classification. The University adopted ASU 2016-14 and applied the changes retrospectively. As a result of adopting this standard, certain prior year amounts were reclassified to conform to the presentation requirements of the standard.

The new standards apply to the earliest period shown. Accordingly, the University has restated certain amounts as of July 1, 2017, as shown below:

<u>Net asset classifications</u>	<u>ASU 2016-14 Classifications</u>		<u>Total net assets</u>
	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	
As previously presented:			
Unrestricted	\$ 65,604,655	—	65,604,655
Temporarily restricted	—	84,718,542	84,718,542
Permanently restricted	—	145,092,189	145,092,189
Net assets as previously presented	65,604,655	229,810,731	295,415,386
Reclassification to implement ASU 2016-14:			
Capital gifts for construction	53,197,251	(53,197,251)	—
Totals	<u>\$ 118,801,906</u>	<u>176,613,480</u>	<u>295,415,386</u>

ASU 2014-09, *Revenue from Contracts with Customers*, was issued by the FASB in May 2014 and is intended to improve the financial reporting requirements for revenue from contracts with customers. The ASU establishes a five-step model and application guidance for determining the timing and amount of revenue recognition. The related application guidance in the ASU replaces most existing revenue recognition guidance in GAAP. The ASU became effective for the University for the year ended June 30, 2019. The University's adoption of the ASU did not materially change the timing or amount of revenue recognized by the University. However, the ASU requires that tuition, fees and auxiliary student revenues be presented in the consolidated statement of activities at the transaction price, i.e., reduced by any institutional student aid. Previously, such revenues were presented gross, i.e., at published rates, followed by a reduction for institutional student aid. Accordingly, the University's 2018 consolidated statement of activities has been reclassified to conform to the 2019 presentation.

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ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, was issued by the FASB in June 2018. The new ASU is intended to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonexchange transactions) within the scope of *Topic 958, Presentation of Financial Statements of Not for Profit Entities*, or as exchange transactions subject to other guidance and (2) determining whether a contribution is conditional. The ASU clarifies that a contribution is conditional if the agreement includes one or more barriers that must be overcome for the recipient to be entitled to the assets transferred and a right of return for the transferred assets or a right of release of the promisor's obligation to transfer assets. The ASU became effective for the University for the year ended June 30, 2019. The University's adoption of the ASU on a modified prospective basis did not have a material effect on its consolidated financial statements.

**(3) Long-Term Debt**

The University had the following outstanding principal balances as of June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
State of Ohio Educational Facility Revenue Bonds	\$ 11,135,000	12,150,000
Bank loan	<u>13,313,267</u>	<u>10,225,000</u>
Long-term debt	<u>\$ 24,448,267</u>	<u>22,375,000</u>

**(a) Bonds**

On November 29, 2012, the 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, 2019 and 2018 include net issuance costs of \$96,422 and \$109,695, respectively. The University is amortizing the issuance costs over the life of the bonds using the effective interest method.

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The annual principal payments required on the bonds for 2019 and thereafter are as follows:

Fiscal year ending June 30:	
2020	\$ 1,055,000
2021	1,150,000
2022	1,145,000
2023	1,195,000
2024	1,240,000
Thereafter	<u>5,350,000</u>
	<u>\$ 11,135,000</u>

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 was in compliance with its covenants as of June 30, 2019.

**(b) Bank loan**

During the year ended June 30, 2018, the University substantially financed the construction of a new residence hall with a variable rate bank loan. The loan balance at June 30, 2018 was \$10,225,000. At completion in August 2018, the balance of the variable rate loan was \$13,775,000. The parties converted it to a fixed rate loan. The loan matures through 2043 and has an interest rate of 2.76%.

Fiscal year ending June 30:	
2020	\$ 554,080
2021	554,080
2022	554,080
2023	554,080
2024	554,080
Thereafter	<u>10,542,867</u>
	<u>\$ 13,313,267</u>

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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, 2019 and 2018, investments and cash and cash equivalents comprised the following:

	<u>2019</u>	<u>2018</u>
Cash equivalents	\$ 3,613,072	2,470,985
Commonfund:		
Equity funds	94,255,016	92,141,753
Fixed income funds	35,661,394	33,995,273
Alternative funds, marketable	12,087,514	13,020,770
Alternative funds, nonmarketable	6,258,095	6,153,988
Common stocks	448,773	516,856
Preferred stocks	478,300	502,400
Equity and balanced mutual funds	9,963,760	9,683,588
Fixed income	630,396	602,886
Beneficial interest in perpetual trusts	15,723,547	15,214,425
Other	413,452	459,979
	<u>\$ 179,533,319</u>	<u>174,762,903</u>

**(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. 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.

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**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.

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 valuations 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. Nonmarketable alternative funds are valued at their net asset value (NAV) as a practical expedient in determining fair value. 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.

Level 3 investments include the University's portion of beneficial interests in several perpetual trusts held and administered by others in which the University is an income beneficiary. The primary input utilized in calculating the perpetual trusts' fair value is its net assets, which represents fair market valuation of certain equity, debt, and other instruments held by the perpetual trusts. In this manner, the perpetual trusts' valuation approximates fair market value. As the investments cannot be redeemed at the fair value, the University has classified these investments as Level 3 within the fair value hierarchy table.

The University has various alternative investments that have minimum capital commitments. As of June 30, 2019, the University has committed to make a total investment of \$14,100,000, of which \$7,962,700 has been invested, leaving \$6,137,300 of outstanding commitments. As of June 30, 2018, the University has committed to make a total investment of \$11,100,000, of which \$6,896,350 has been invested, leaving \$4,203,650 of outstanding commitments.

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The following table presents assets that are measured at fair value on a recurring basis as of June 30, 2019:

	<b>Balance at June 30, 2019</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Investments by fair value level:				
Cash and cash equivalents	\$ 6,271,960	6,271,960	—	—
Short-term investments	8,546,275	8,546,275	—	—
Cash equivalents, endowment and similar	3,613,072	3,613,072	—	—
Commonfund:				
Equity funds	94,255,016	94,255,016	—	—
Fixed income funds	35,661,394	35,661,394	—	—
Alternative funds, marketable	12,087,514	12,087,514	—	—
Common stocks	448,773	448,773	—	—
Preferred stocks	478,300	478,300	—	—
Equity and balanced mutual funds	9,963,760	9,963,760	—	—
Fixed income	630,396	—	630,396	—
Beneficial interest in perpetual trusts	15,723,547	—	—	15,723,547
Other	413,452	—	413,452	—
Total assets by fair value level	188,093,459	<u>171,326,064</u>	<u>1,043,848</u>	<u>15,723,547</u>
Investments measured at the net asset value (NAV):				
Alternative funds, nonmarketable	<u>6,258,095</u>			
Total assets at fair value	\$ <u>194,351,554</u>			

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The following table presents assets that are measured at fair value on a recurring basis as of June 30, 2018:

	<b>Balance at June 30, 2018</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Investments by fair value level:				
Cash and cash equivalents	\$ 12,981,771	12,981,771	—	—
Short-term investments	8,377,464	8,377,464	—	—
Cash equivalents, endowment and similar	2,470,985	2,470,985	—	—
Commonfund:				
Equity funds	92,141,753	92,141,753	—	—
Fixed income funds	33,995,273	33,995,273	—	—
Alternative funds, marketable	13,020,770	13,020,770	—	—
Common stocks	516,856	516,856	—	—
Preferred stocks	502,400	502,400	—	—
Equity and balanced mutual funds	9,683,588	9,683,588	—	—
Fixed income	602,886	—	602,886	—
Beneficial interest in perpetual trusts	15,214,425	—	—	15,214,425
Other	459,979	—	459,979	—
	<u>189,968,150</u>	<u>173,690,860</u>	<u>1,062,865</u>	<u>15,214,425</u>
Investments measured at the net asset value (NAV):				
Alternative funds, nonmarketable	<u>6,153,988</u>			
Total assets at fair value	<u>\$ 196,122,138</u>			

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There were no transfers between Level 1 and 2, or 3 investments for the fiscal years ended June 30, 2019 and 2018. Perpetual trusts utilize significant unobservable inputs determined by the external trustees in estimating fair value. The following table presents activity for assets classified as Level 3:

	<b>Fair value measurements using unobservable inputs (Level 3)</b>	<b>Beneficial interest in perpetual trusts</b>
Balance at June 30, 2017	\$	14,086,126
Additions		367,325
Distributions		—
Income and realized gains		988,133
Payments		(665,969)
Unrealized gains		438,810
Balance at June 30, 2018		15,214,425
Additions		—
Distributions		—
Income and realized gains		343,427
Payments		(725,953)
Unrealized gains		891,648
Balance at June 30, 2019	\$	15,723,547

**(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 as Donor Restricted Endowment. The University has designated other funds, usually resulting from major bequests or gifts, as funds functioning as endowment. The University classifies these funds as net assets without donor restrictions.

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. These withdrawals include all ordinary investment income and the amount of accumulated gains required. The consolidated statements of activities for each of the net asset classes show these withdrawals as investment income and gains distribution.

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 U.S. generally accepted accounting principles, deficiencies of this nature would be reported in net assets with donor restrictions. There were no such deficiencies as of June 30, 2019 and 2018.

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The following table presents the changes in endowment net assets held by the University for the years ended June 30, 2019 and 2018:

	<b>Donor restricted endowment</b>	<b>Functioning as Endowment</b>		<b>Total</b>
		<b>With donor restrictions</b>	<b>Without donor restrictions</b>	
Balances June 30, 2017	\$ 132,573,570	7,904,375	4,032,386	144,510,331
Investment income	6,125,889	308,876	214,479	6,649,244
Investment gains	3,068,809	452,014	160,354	3,681,177
Gifts	3,897,556	508,617	—	4,406,173
Transfers and other	227,325	(20,000)	890,528	1,097,853
Distributions for expenditure	<u>(6,007,225)</u>	<u>(1,650,542)</u>	<u>(406,887)</u>	<u>(8,064,654)</u>
Balances June 30, 2018	139,885,924	7,503,340	4,890,860	152,280,124
Investment income	6,389,009	222,253	217,921	6,829,183
Investment gains	2,778,084	78,456	11,266	2,867,806
Gifts	1,677,826	18,920	—	1,696,746
Transfers and other	1,301	(156,102)	—	(154,801)
Distributions for expenditure	<u>(6,262,358)</u>	<u>(2,690,144)</u>	<u>(260,377)</u>	<u>(9,212,879)</u>
Balances June 30, 2019	\$ <u>144,469,786</u>	<u>4,976,723</u>	<u>4,859,670</u>	<u>154,306,179</u>

Members of the 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 assets are managed on a total return basis.

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

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**(7) Retirement Plan**

The University participates in the Teachers Insurance and Annuity Association retirement plan, which covers substantially all regular full-time employees. The defined contribution 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, 2019 and 2018, the University's contributions were approximately \$2,530,000 and \$2,467,000, 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) Pledges Receivable**

Pledges receivable totaling \$4,369,811 and \$4,576,562 at June 30, 2019 and 2018, respectively, represent gross unconditional promises to give. All gift pledges are restricted as to use for various purposes, primarily for property and equipment 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 \$235,309 and \$291,945 were recorded at June 30, 2019 and 2018, respectively.

Gift pledges are expected to be realized as follows:

	<u>2019</u>	<u>2018</u>
In one year or less	\$ 1,739,831	1,542,866
Between one and five years	2,599,182	3,003,473
More than five years	<u>30,798</u>	<u>30,223</u>
	4,369,811	4,576,562
Less:		
Allowance for uncollectible pledges	(153,000)	(135,000)
Discount on pledges	<u>(235,309)</u>	<u>(291,945)</u>
Net pledges receivable	<u>\$ 3,981,502</u>	<u>4,149,617</u>

Conditional promises to give totaled approximately \$33,100,000 as of June 30, 2019. This amount consists of commitments contained in wills and insurance policies. The amount at June 30, 2018, was \$33,400,000. Conditional promises to give are not recorded in the consolidated financial statements.

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**(10) Liquidity and Line Of Credit**

Operating assets available within one year of the financial position date for general expenditure, such as operating expenses, scheduled principal payments on debt, and capital constructions costs not financed with debt, were as follows:

Operating assets at June 30, 2019	\$	35,510,496
Less those unavailable for general expenditure within one year:		
Perkins student loan cash		(149,953)
Joint venture cash		(50,226)
Inventory		(1,826,443)
Prepaid expenses		(5,187,843)
Pledges due beyond one year		(2,589,980)
Student loans (revolving funds)		<u>(3,475,733)</u>
Operating assets available to meet cash needs for general expenditure within one year	\$	<u>22,230,318</u>

To manage liquidity, 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, 2019 and 2018.

**(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 formed two for-profit limited liability companies with corporate investors, KCM I and KBS.

During the year ended June 30, 2017, the parties terminated KCM I, and title to the buildings reverted to the University.

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 net assets with donor restrictions.

**(12) Subsequent Events**

The University evaluated subsequent events applicable to the year ended June 30, 2019 through November 19, 2019 the date the consolidated financial statements are available to be issued. There were no subsequent event matters identified for disclosure in the consolidated financial statements.

## BALDWIN WALLACE UNIVERSITY

## Supplementary Information

Years ended June 30, 2019, 2018, 2017, and 2016

(Certain unaudited information)

	2019	2018	2017	2016
Enrollment, fall semester (unaudited):				
Full-time undergraduate	2,923	2,979	3,058	3,056
Part-time undergraduate	223	229	257	330
Graduate	605	608	646	627
Total	<u>3,751</u>	<u>3,816</u>	<u>3,961</u>	<u>4,013</u>
Full-time-equivalent enrollment	3,383	3,471	3,588	3,575
Residence hall occupancy, fall (unaudited)	1,541	1,687	1,765	1,835
New day students, fall semester (unaudited):				
Applied	4,306	5,232	4,894	4,789
Accepted	3,099	2,989	2,882	2,822
Admitted	788	817	831	911
Fees charged per full-time student (unaudited):				
Tuition	\$ 32,586	31,668	30,776	29,908
Residence hall room (double)	5,518	5,280	5,052	4,834
Campus card (dining halls, bookstore)	5,764	5,516	5,278	5,050
	<u>\$ 43,868</u>	<u>42,464</u>	<u>41,106</u>	<u>39,792</u>
In millions:				
Tuition	\$ 106.6	107.8	107.6	104.3
Student financial aid grants:				
Funds without donor restrictions	\$ 40.5	40.2	39.6	37.9
Funds with donor restrictions for financial aid	6.6	5.2	5.2	4.8
Total university grant aid	<u>\$ 47.1</u>	<u>45.4</u>	<u>44.8</u>	<u>42.7</u>
Government aid grants to students administered by the University				
Pell and other federal	\$ 5.1	5.1	5.0	4.8
Ohio Opportunity and other state	2.2	2.3	1.5	2.1
Total government grant aid administered	<u>\$ 7.3</u>	<u>7.4</u>	<u>6.5</u>	<u>6.9</u>
Total grant aid	<u>\$ 54.4</u>	<u>52.8</u>	<u>51.3</u>	<u>49.6</u>
Student financial aid grants as a percentage of tuition:				
Funds without donor restrictions	38 %	37 %	37 %	36 %
Funds with donor restrictions for financial aid	6	5	5	5
Government, administered	7	7	6	5
Total	<u>51 %</u>	<u>49 %</u>	<u>48 %</u>	<u>46 %</u>

See accompanying independent auditors' report.

## BALDWIN WALLACE UNIVERSITY

## Supplementary Information

Years ended June 30, 2019, 2018, 2017, and 2016

(Certain unaudited information)

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Activities summary:				
Tuition and fees	\$ 106.6	107.8	107.6	104.3
Less student financial aid grants	<u>47.1</u>	<u>45.4</u>	<u>44.8</u>	<u>42.7</u>
Net tuition and fees	59.5	62.4	62.8	61.6
Contributions (purposes detailed below)	11.1	26.4	9.5	7.8
Government grants:				
College Work-Study, Upward Bound, other	1.7	1.5	1.6	1.5
Endowment and similar investments:				
Income and gains distribution	7.2	6.8	6.4	6.1
Auxiliary enterprises:				
Residence and dining halls, bookstore, rentals, vending	20.2	20.0	20.3	20.5
Other income	<u>2.0</u>	<u>1.4</u>	<u>1.5</u>	<u>1.5</u>
Totals	101.7	118.5	102.1	99.0
Expenses	<u>102.2</u>	<u>101.7</u>	<u>101.8</u>	<u>98.5</u>
Net revenue	(0.5)	16.8	0.3	0.5
Loss on sale of donated real estate	—	—	(2.9)	—
Endowment and similar investment gains less distribution	<u>3.4</u>	<u>6.3</u>	<u>12.5</u>	<u>(10.4)</u>
Increase (decrease) in net assets	<u>\$ 2.9</u>	<u>23.1</u>	<u>9.9</u>	<u>(9.9)</u>
Contribution purposes:				
Any use	\$ 1.5	1.7	1.3	1.2
Plant	3.4	14.6	1.2	0.5
Endowment	1.7	3.5	2.4	1.1
Program and financial aid	4.0	5.5	2.4	4.6
Annuities and trusts	<u>0.5</u>	<u>1.1</u>	<u>2.2</u>	<u>0.4</u>
Totals as above	<u>\$ 11.1</u>	<u>26.4</u>	<u>9.5</u>	<u>7.8</u>
Financial position summary:				
Operating assets	\$ 35.5	39.5	24.3	26.6
Endowment and similar assets, at fair value	179.6	174.7	164.5	149.0
Property and equipment, at cost less depreciation allowance	<u>145.9</u>	<u>141.9</u>	<u>133.6</u>	<u>139.1</u>
Total assets	361.0	356.1	322.4	314.7
Liabilities	<u>39.5</u>	<u>37.6</u>	<u>27.0</u>	<u>29.2</u>
Net assets	<u>\$ 321.5</u>	<u>318.5</u>	<u>295.4</u>	<u>285.5</u>

See accompanying independent auditors' report.