



WHITMAN
COLLEGE

CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2019 and 2018

Moss Adams LLP
Certified Public Accountants

WHITMAN COLLEGE
Peter W. Harvey, Chief Financial Officer
Walter R. Froese, CPA, Controller

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Letter from the Chief Financial Officer and Controller

We are pleased to present Whitman's consolidated financial statements for the years ended June 30, 2019 and 2018, for your review. Whitman continues to grow and build upon its success in many ways.

Enrollments were strong this year; however, financial aid provided to students, was also high. Ultimately net student revenues still grew by over \$1.9 million and operating activities contributed a modest surplus to the overall increase in net assets. Once again donors and granting agencies gave generously and the college recorded gifts and grants of over \$17 million. The college's endowments achieved a return of 3.98% this year. In turn the endowment provided over \$24 million to support college operations.

Whitman maintained its strong financial position at June 30, 2019. Assets and net assets grew to \$834 million and \$711 million, respectively. Whitman's endowment, exclusive of farms, grew to \$539 million, 75.9% of total net assets. The College's total liabilities were just 14.8% of assets, and long term debt was only 8.4% of assets. The most flexible net assets, those without donor restrictions, were 41.0% of total net assets. Higher education will always have its challenges. Whitman's strength and flexibility positions the college to confidently face the future.

Accounting standards required the college to change the way it presented its' net assets and related activity this year. The new presentation condenses the categories of net assets and activity shown to those "without donor restrictions", "with donor restrictions" and a total column as shown before. Net assets without donor restrictions include those which are designated by the board. We hope this simplification is beneficial to the reader without losing any necessary detail.

Whitman's strength and success is based on the support of students, families, alumni, faculty, staff and governing board members. Thanks to all for a successful year.

Peter W. Harvey, Chief Financial Officer

Walter R. Froese, Controller

Consolidated Statements of Financial Position
(in thousands)

Whitman College

June 30,	2019	2018
ASSETS		
Cash and cash equivalents	\$ 20,802	\$ 36,694
Inventory and prepaid expenses	1,334	868
Accounts receivable, net	488	429
Student loans, net	1,779	2,192
Deferred compensation	1,047	1,250
Contributions and trusts receivable, net	20,287	14,224
Investments	613,535	600,514
Land, buildings, equipment, and collections, net	<u>175,158</u>	<u>164,754</u>
Total assets	<u><u>\$ 834,430</u></u>	<u><u>\$ 820,925</u></u>
LIABILITIES		
Accounts payable	\$ 3,609	\$ 6,499
Accrued compensation and benefits	7,752	5,952
Deferred revenue and enrollment deposits	1,084	1,045
Deferred compensation	1,047	1,250
Interest rate exchange agreements	12,750	9,490
Refundable advance	2,819	968
Split-interest agreements	14,615	14,066
Other long-term obligations	7,262	6,687
Government loan funds payable	2,251	1,399
Bonds payable	<u>70,140</u>	<u>71,283</u>
Total liabilities	<u>123,329</u>	<u>118,639</u>
Commitments		
NET ASSETS		
Without donor restrictions	291,210	286,287
With donor restrictions	<u>419,891</u>	<u>415,999</u>
Total net assets	<u>711,101</u>	<u>702,286</u>
Total liabilities and net assets	<u><u>\$ 834,430</u></u>	<u><u>\$ 820,925</u></u>

Consolidated Statement of Activities
For the year ended June 30, 2019
(in thousands)

Whitman College

	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING ACTIVITIES			
Revenues			
Tuition and fees	\$ 79,168		\$ 79,168
Room and board charges	10,525		10,525
Less, Institutional financial aid	(31,780)		(31,780)
Net student revenue	<u>57,913</u>		<u>57,913</u>
Contributions and government grants	2,911	\$ 2,384	5,295
Investment return, net	1,016	23	1,039
Other income, net	2,124	3	2,127
Net operating revenues	<u>63,964</u>	<u>2,410</u>	<u>66,374</u>
Endowment support to operations	9,433	15,015	24,448
Net assets released from restrictions	<u>20,235</u>	<u>(20,235)</u>	<u>-</u>
Net resources funding operations	<u>93,632</u>	<u>(2,810)</u>	<u>90,822</u>
Expenses by function			
Instruction	33,661		33,661
Academic support	12,906		12,906
Student services	14,746		14,746
Institutional support	14,866		14,866
Auxiliary operations	14,219		14,219
Total operating expenses	<u>90,398</u>		<u>90,398</u>
Change in net assets from operating activities	<u>3,234</u>	<u>(2,810)</u>	<u>424</u>
NONOPERATING ACTIVITIES			
Contributions	162	12,260	12,422
Investment return, net	7,303	15,581	22,884
Net loss on interest rate exchange agreements	(3,260)		(3,260)
Change in split-interest agreements	30	(13)	17
Other income, net	603	173	776
Endowment support to operations	(9,433)	(15,015)	(24,448)
Net assets released from restrictions	<u>6,284</u>	<u>(6,284)</u>	<u>-</u>
Change in net assets from nonoperating activities	<u>1,689</u>	<u>6,702</u>	<u>8,391</u>
Total change in net assets	4,923	3,892	8,815
Net assets at beginning of year	<u>286,287</u>	<u>415,999</u>	<u>702,286</u>
Net assets at end of year	<u>\$ 291,210</u>	<u>\$ 419,891</u>	<u>\$ 711,101</u>

Consolidated Statement of Activities
For the year ended June 30, 2018
(in thousands)

Whitman College

	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING ACTIVITIES			
Revenues			
Tuition and fees	\$ 74,908		\$ 74,908
Room and board charges	9,492		9,492
Less, Institutional financial aid	<u>(28,395)</u>		<u>(28,395)</u>
Net student revenue	56,005		56,005
Contributions and government grants	2,347	\$ 3,117	5,464
Investment return, net	637		637
Other income, net	<u>2,252</u>	<u>10</u>	<u>2,262</u>
Net operating revenues	<u>61,241</u>	<u>3,127</u>	<u>64,368</u>
Endowment support to operations	9,448	14,888	24,336
Net assets released from restrictions	<u>17,625</u>	<u>(17,625)</u>	<u>-</u>
Net resources funding operations	<u>88,314</u>	<u>390</u>	<u>88,704</u>
Expenses by function			
Instruction	32,676		32,676
Academic support	12,847		12,847
Student services	14,300		14,300
Institutional support	13,848		13,848
Auxiliary operations	<u>12,832</u>		<u>12,832</u>
Total operating expenses	<u>86,503</u>		<u>86,503</u>
Change in net assets from operating activities	<u>1,811</u>	<u>390</u>	<u>2,201</u>
NONOPERATING ACTIVITIES			
Contributions		4,345	4,345
Investment return, net	18,569	38,003	56,572
Net gain on interest rate exchange agreements	3,120		3,120
Change in split-interest agreements	35	2,819	2,854
Other income, net	2,041	75	2,116
Endowment support to operations	(9,448)	(14,888)	(24,336)
Net assets released from restrictions	<u>8,837</u>	<u>(8,837)</u>	<u>-</u>
Change in net assets from nonoperating activities	<u>23,154</u>	<u>21,517</u>	<u>44,671</u>
Total change in net assets	24,965	21,907	46,872
Net assets at beginning of year	<u>261,322</u>	<u>394,092</u>	<u>655,414</u>
Net assets at end of year	<u>\$ 286,287</u>	<u>\$ 415,999</u>	<u>\$ 702,286</u>

Consolidated Statements of Cash Flows
(in thousands)

Whitman College

For the years ended June 30,	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 8,815	\$ 46,872
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation, amortization and accretion	8,151	7,016
Net gain on investments, other assets, and liabilities	(25,465)	(67,340)
Change in value of split-interest agreements	(17)	(2,854)
Restricted contributions	(6,724)	(6,709)
Gifts of securities and real estate	(1,711)	(2,424)
Changes in operating assets and liabilities		
Receivables, inventory and prepaid expenses	(6,737)	5,866
Payables, deferred revenue and enrollment deposits	1,652	3,252
Long-term obligations	547	(210)
Net cash used in operating activities	(21,489)	(16,531)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(57,470)	(85,193)
Sales and maturities of investments	76,976	117,658
Purchases of land, buildings, equipment and collections	(18,500)	(29,917)
Student loan activity, net	413	345
Net cash provided by investing activities	1,419	2,893
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal paid on long-term debt	(1,160)	(825)
Payments to beneficiaries	(1,445)	(1,361)
New split-interest agreements	59	3,488
Contributions restricted to long-term investment and plant	6,724	6,709
Net cash provided by financing activities	4,178	8,011
Net change in cash and cash equivalents	(15,892)	(5,627)
Cash and cash equivalents at beginning of year	36,694	42,321
Cash and cash equivalents at end of year	\$ 20,802	\$ 36,694
Supplemental disclosure of cash flow information		
Cash paid for interest (net of amounts capitalized)	\$ 2,144	\$ 2,501

Organization – Whitman College is an independent, co-educational, non-sectarian, residential, liberal arts and sciences, undergraduate college founded in 1859. Whitman College was chartered by the state of Washington as a degree granting college in 1883. The student body of approximately 1,500 students, is drawn from across the United States and many other countries; however, it is predominantly from the western United States.

Note 1 – Summary of Significant Accounting Policies and Basis of Presentation

Basis of presentation – The consolidated financial statements of Whitman College (the College or Whitman) have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles (GAAP) in the United States of America.

Net asset classifications – The activities and net assets of the College are classified as to whether or not their use is governed by donor imposed restrictions.

Net assets without donor restrictions – Are resources not subject to donor-imposed restrictions such as student tuition payments and board designated endowment funds.

Net assets with donor restrictions – Are resources subject to donor imposed restrictions. Such restrictions may require either the passage of time or some action by the College to fulfill donor restrictions. If a donor has restricted funds to an endowment those funds will be held in perpetuity, the earnings of which will be used as the donor has specified.

Use of estimates – The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions which affect the reported amounts of assets, liabilities and the disclosure of contingencies as well as revenues and expenses. Actual results could differ from those estimates.

Reclassification – Expenses of \$1,004 were moved from Auxiliary operations to Institutional support on the consolidated statement of activities, for the year ended June 30, 2018, to be consistent with amounts shown the following year.

Consolidation – The consolidated financial statements include the accounts of Whitman College, Paul Garrett Whitman College Foundation and the 21st Century Trust. All significant intercompany transactions have been eliminated. The Paul Garrett Whitman College Foundation was dissolved effective June 30, 2019, and all Foundation assets were transferred to Whitman College.

Cash and cash equivalents – Cash equivalents are highly liquid investments maturing within 90 days of the fiscal year-end. College holdings in commingled funds with daily liquidity related to College checking accounts are considered cash equivalents. Cash and cash equivalents held by investment managers are classified as investments. Included in cash and cash equivalents were assets totaling \$0 and \$1,752, as of June 30, 2019 and 2018, respectively, to be used for investment in property, plant, and equipment. Cash balances maintained by the College at various depository and brokerage institutions are often in excess of federally insured limits. The College did not experience any significant losses on its cash equivalents.

Inventory – Inventory consists mainly of books and supplies and is valued at the lower of cost (retail method) or net realizable value.

Note 1 – Summary of Significant Accounting Policies and Basis of Presentation (continued)

Land, buildings, equipment, and collections – Land, buildings, building improvements, equipment, and collections are carried at original cost, or if donated, at fair value on date of the gift. All such assets except land and collections are stated net of accumulated depreciation, which is computed on a straight-line basis over the estimated useful lives of the assets. Any eligible single items over ten thousand dollars and library books are capitalized and depreciated over their estimated useful lives. Estimated useful lives for buildings and building components is 10 to 40 years, for equipment 5 to 10 years, and for books 5 years. Normal repair and maintenance expenses are charged to operations as incurred.

Deferred compensation – Certain employees of the College, at their option, may elect to defer a portion of their wages. Deferred compensation is placed in a separate fund, which is considered College property until the College approves a withdrawal by the employee due to an emergency or retirement. Because the participants are general creditors for these funds, the invested asset is separately recorded along with a separate corresponding liability to the employee. All such accounts are invested through an agent.

Refundable advance – This account consists of vendor incentive payments that will be recognized as a reduction of operating expenses on a straight line basis over the term of the agreement, which expires in 2033.

Revenue and expense recognition – Revenue is reported as an increase to net assets without donor restrictions, unless donor restrictions are imposed. Conditional promises to give are recognized as income when the donor-imposed conditions are substantially met. Operating expenses decrease net assets without donor restrictions; all other expenses are netted into related income.

Statements of activities, operating activities – The College defines operations as activities closely related to its educational and residential mission as well as any necessary ancillary activities. The endowment's support of operations is included as revenue in the operating section and is shown as an expense in the nonoperating section. All other significant transfers have been eliminated. Investment income and gain activity is related to excess operating balances and certain reserves.

Net student revenue – The College recognizes revenue from student tuition and fees and room and board charges within the fiscal year in which the educational and other services are provided. The academic programs are delivered in the Fall (mid-August to mid-December) and Spring (mid-January to mid-May) terms. There is some minor activity that spans from May to August. Payments for these services are due prior to the start of the semester, and are recorded as deferred revenue until the performance obligations are met.

The College provides institutional financial aid to students on both a need and merit basis. Institutional financial aid is provided in the form of scholarships and grants. Such aid is funded by the endowment and gifts and is reported as a reduction of student revenues.

Other income, net – Such revenue consists mainly of sales from the College Bookstore and from events on campus. The revenues are earned and recognized over the course of each term as the goods and services are delivered.

Release from restrictions – Net assets are released from donor restrictions once the purpose for which the net assets were restricted or the completion of a time stipulation is satisfied. Restricted operating activity including contributions and net investment return earned are reported as net assets with donor restrictions and reclassified to net assets without donor restrictions when any donor-imposed restrictions are satisfied. Nonoperating restricted net assets associated with building costs are reclassified to net assets without donor restrictions when the related capital asset is placed in service.

Note 1 – Summary of Significant Accounting Policies and Basis of Presentation (continued)

Expenses by function – Personnel costs, including salaries and benefits, represent the College's primary operating expense. Personnel costs and other operating expenses such as services and supplies, communications and travel are presented by functional areas in the consolidated statements of activities. The cost of operation and maintenance of the physical plant, including the related depreciation and interest costs, is allocated to each functional area based on the estimated square footage used by the function. The College defines its five functional areas as follows:

Instruction – These costs include faculty salaries, related benefits, and other direct costs related to teaching.

Academic support – These are costs, which support the instructional process, but are not directly related to teaching such as the library, academic technology, student academic resources, the theater, and offices directly supporting faculty such as offices of the Provost and Off Campus Studies.

Student services – These are costs to help students succeed in their academic mission and to enhance their overall experience at Whitman. This function includes such services as counseling and health services, admission, financial aid, and the registrar. This function also includes co-curricular programs outside of the classroom such as athletics, internships, and the Outing Program and offices such as the Vice President for Student Affairs.

Institutional support – These are costs incurred to carry out the administration of the College such as the offices of the President and Treasurer, fundraising, communications, human resources, business, administrative technology, safety, and security.

Auxiliary operations – These costs include student housing, food services, and the bookstore. The distinguishing characteristic of auxiliary operations is that they are managed as an essentially self-supporting activity.

Federal income taxes – Whitman College is a qualified not-for-profit organization under Internal Revenue Code Section 501(c)(3) and as such, is generally exempt from federal taxation of income. Contributions to the College are generally tax deductible. The Paul Garrett Whitman College Foundation and the 21st Century Trust are separate tax entities that are consolidated in these financial statements, both of which are qualified 501(c)(3) entities. Management believes they have no uncertain tax positions and in addition, unrelated business income tax for Whitman College and Paul Garrett Whitman Foundation, if any, is immaterial. Some of the College's investment activity may generate income subject to federal taxes. As of June 30, 2019, the College had estimated tax losses of \$1,635. This loss amount is carried forward to offset any positive taxable income in future tax periods and represents a potential tax benefit. Due to the uncertainty of whether future positive income will be sufficient to utilize the loss amounts carried forward and the timing of such, the College has a valuation allowance for the entire tax benefit.

Note 1 – Summary of Significant Accounting Policies and Basis of Presentation (continued)

Risks and uncertainties – The financial instruments of the College are exposed to various risks such as interest rate, market and credit risks. The College seeks to mitigate such risks through prudent investment strategies such as diversified asset classes and investment managers. Due to such risks and market volatility, the values and related activity reported in the consolidated financial statements can vary substantially from year-to-year. Such variations could be material to the consolidated financial statements.

Financial instruments – Where practicable, the College’s financial instruments are stated at fair value. Fair value approximates carrying value for cash and cash equivalents, accounts receivable, accounts payable and government loan funds payable. Investments are stated at fair value. Contributions and trusts receivable are discounted for the present value of expected future cash outflows. Bonds approximate fair value due to having a variable interest rate. The interest rate exchange agreements are carried at fair value. A reasonable calculation of discounted future cash flows from student loan receivables could not be made due to the variability of repayment terms inherent in such loans.

Note 2 – Receivables and Student Loans, Net

	<u>2019</u>	<u>2018</u>
Accounts receivable		
Student and other accounts	\$ 518	\$ 460
Allowance for doubtful accounts	<u>(30)</u>	<u>(31)</u>
Total accounts receivable, net	<u>\$ 488</u>	<u>\$ 429</u>
	<u>2019</u>	<u>2018</u>
Student loans		
Federal Perkins Loan Program	\$ 1,806	\$ 2,225
Less allowance for doubtful accounts	<u>(27)</u>	<u>(33)</u>
Net student loans	<u>\$ 1,779</u>	<u>\$ 2,192</u>

Federal Perkins Loan Program – Program amounts due are guaranteed by the government and student borrowers are not required to put up collateral or obtain co-signers. Qualifying borrowers may, under certain circumstances, defer principal payments and the interest and/or principal may be forgiven. Total government program funds of \$2,251 and \$1,399 as of June 30, 2019 and 2018, respectively, are ultimately refundable to the federal government. The federal government has ceased funding of the program as of July 1, 2017.

Allowances for doubtful accounts are established based upon prior collection experience and current economic factors, which could influence the borrower’s ability to repay per loan terms. At June 30, 2019 and 2018, the past due loan amounts were \$166 and \$146, respectively.

Note 2 – Receivables and Student Loans, Net (continued)

Contributions and trusts – Revenue related to unconditional promises to give is recorded when pledged at the net present value of the expected future inflows of cash using discount rates from 1.3% to 7.0%.

	<u>2019</u>	<u>2018</u>
Within one year	\$ 2,624	\$ 1,312
Between one and five years	3,314	2,395
More than five years	<u>20,370</u>	<u>17,396</u>
Gross receivable	26,308	21,103
Less allowance for uncollectible contributions	(473)	(156)
Less discount to present value	<u>(5,548)</u>	<u>(6,723)</u>
Net receivable	<u>\$ 20,287</u>	<u>\$ 14,224</u>

The College is the recipient of promises to give made by parties related to the College. At June 30, 2019 and 2018, such promises amounted to \$7,828 and \$1,738, at net present value, respectively. Of the net present value outstanding at June 30, 2019, \$5,217 was from two parties related to the College.

Contribution and trust receivables are intended to be used for the following purposes:

	<u>2019</u>	<u>2018</u>
Undesignated	\$ 5,200	\$ -
Operations	4,590	4,459
Plant projects	2,370	1,588
Endowments	<u>14,148</u>	<u>15,056</u>
Gross receivable	<u>\$ 26,308</u>	<u>\$ 21,103</u>

Note 3 – Land, Buildings, Equipment, and Collections

	<u>2019</u>	<u>2018</u>
Buildings	\$ 240,102	\$ 194,461
Accumulated depreciation	<u>(90,188)</u>	<u>(82,902)</u>
	149,914	111,559
Construction in progress	4,720	32,759
Land	<u>16,207</u>	<u>16,164</u>
Net book value of land and buildings	170,841	160,482
Equipment and books	4,973	4,876
Accumulated depreciation	<u>(2,822)</u>	<u>(2,759)</u>
Net book value of equipment and books	2,151	2,117
Collections	<u>2,166</u>	<u>2,155</u>
Net book value of land, buildings, equipment and collections	<u>\$ 175,158</u>	<u>\$ 164,754</u>

The College has commitments on outstanding construction contracts of \$3,306 as of June 30, 2019. For the years ended June 30, 2019 and 2018, interest costs of \$731 and \$793, respectively, were capitalized into the cost of buildings.

Note 4 – Split-Interest Agreements

The College has legal title to certain annuity and life income agreements, subject to interests of beneficiaries, composed predominantly of charitable remainder annuity trusts, charitable remainder unitrusts and perpetual trusts held by third parties. The contracted payments to the beneficiaries take precedence over any other financial claims upon the College.

Actuarial methods are used to record annuity and life income contracts and agreements where the beneficiary of the agreement is guaranteed annual amounts either by specified amounts or percentages of the value of the trusts. The account is credited with investment income and gains, and is charged with investment losses and payments to beneficiaries. Actuarial gains and losses are adjusted annually against the liability account. The liability is based on the present value of estimated future payments discounted at rates between 1.6% and 9.3% either over specified periods or lives estimated according to IRS mortality tables. No obligation has been recorded for contracts that do not guarantee a payment amount. Of the total split-interest contracts payable, the College had obligations for annuity contract payments of \$3,869 and \$4,591 at June 30, 2019 and 2018, respectively.

Note 4 – Split-Interest Agreements (continued)

At June 30, 2019 and 2018, total assets held by the College under split-interest agreements amounted to \$32,205 and \$31,258, respectively, and of those totals \$29,759 and \$28,478, respectively, are included in investments restricted for donor purposes. These investment assets are presented as commingled trusts in the fair value footnote. The College maintains reserves in compliance with applicable state requirements for contracts issued in the respective states. In accordance with state annuity requirements at June 30, 2019, the College has \$498 for the state of California and \$2,978 for the state of Washington.

Note 5 – Other Long-Term Obligations

Asset retirement obligation – The College has accrued obligations for costs required by law to be incurred relative to the retirement of certain College plant assets. At Whitman, such issues generally involve asbestos abatement costs at the retirement of certain buildings. At demolition or renovation, appropriate abatement procedures and the related costs are a legal requirement. The related costs are capitalized and each obligation is carried at the estimated net present value of the expected future costs required at retirement. The Asset Retirement Obligation at June 30, 2019 and 2018, is valued at \$895 and \$866, respectively.

Health insurance terminal obligation – The College has accrued an obligation for estimated costs, which would be incurred if the College's health insurance plan were terminated. The value of such termination costs at June 30, 2019 and 2018, is estimated to be \$590 and \$646, respectively.

Postretirement benefit plan – The College provides postretirement health benefits for all employees who were full-time employees hired prior to June 30, 1992, and retire after reaching a specified age with ten years of service. Employees terminating prior to meeting age and length of service eligibility are not covered under the program. A small number of the currently retired and fully eligible active plan participants under the program are participating in the College's regular health insurance program or modified cost reimbursement under Medicare Supplement. All other participants are limited to the cost of the Medicare supplement at the rate established July 1, 1992, adjusted annually by not more than five percent.

Note 5 – Other Long-Term Obligations (continued)

The calculation and current assumptions used by the College are periodically reviewed by an actuary. At June 30, 2019 and 2018, the College utilized 3.40% and 4.20% discount rates, respectively, to determine the actuarial present value of the obligation, and a 5.0% percent health care cost trend rate for both years. A 1.0% increase in each year of the annual trend rate would increase the accumulated obligation by approximately \$613, and increase the benefit cost components by approximately \$30 for the year. Projected annual benefit payments for the five years after June 30, 2019, are estimated to average \$224 and the total payment amount for the following five years is an estimated \$1,432.

	<u>2019</u>	<u>2018</u>
Post-retirement benefit cost		
Benefits earned	\$ 52	\$ 57
Interest accrued on benefits earned in prior years	<u>196</u>	<u>217</u>
Benefit cost	<u>\$ 248</u>	<u>\$ 274</u>
Benefits paid	<u>\$ 193</u>	<u>\$ 205</u>
Post-retirement benefit obligation		
Current retirees	\$ 2,250	\$ 2,850
Active plan participants	<u>3,527</u>	<u>2,325</u>
Total accumulated benefit obligation	<u>\$ 5,777</u>	<u>\$ 5,175</u>
Board designated investments to fund obligation	<u>\$ 7,474</u>	<u>\$ 7,391</u>

Note 6 – Retirement Plan

The College eligible staff and faculty may participate in a qualified, defined contribution pension plan, which is administered by TIAA. The plan is available to substantially all full-time employees and is funded by employee and College contributions, which are based on levels of compensation. The College's contributions to the plan for the years ended June 30, 2019 and 2018, amounted to \$3,211 and \$3,247, respectively.

Note 7 – Bonds Payable

The state of Washington provides tax-exempt financing capacity to private higher education institutions sited in the state, through Washington Higher Education Facilities Authority (WHEFA). Such bonds were issued, on behalf of Whitman College, and are secured by the general revenues of the College. The related discounts, premium and issuance costs for each bond issue, are amortized on a straight-line basis until maturity. The College’s long-term credit rating is “AA3” by Moody’s Investor Service, Inc.

During 2004, WHEFA issued \$28,770 of variable rate, tax-exempt bonds on behalf of the College to refund bonds previously issued in 1999. The bonds require a single principal payment due October 1, 2029, and were issued at a net discount of \$95. The bonds bear interest at a rate determined weekly through the remarketing process, which rate averaged 1.61% for the year ended June 30, 2019. The College, through an agreement with JP Morgan Chase Bank as the counterparty, has exchanged the variable rate for a fixed rate of 4.34% for the life of the loan.

During 2008, WHEFA issued \$30,395 of variable rate, tax-exempt bonds on behalf of the College to finance building renovations and partially fund a new building. The bonds require annual principal payments through January 1, 2038, and were issued at a net discount of \$112. The bonds bear interest at a rate determined weekly through the remarketing process, which rate averaged 1.57% for the year ended June 30, 2019. The College through, an agreement with Bank of New York Mellon as the counterparty, has exchanged the variable rate for a fixed rate of 3.37% for the life of the loan.

During 2017, WHEFA issued \$17,705 of fixed rate, tax-exempt bonds on behalf of the College to finance two new buildings, a dining commons and residence hall. The bonds require annual principal payments starting January 1, 2019, through January 1, 2047, and were issued at a net premium of \$599. The bonds bear rates between 4% and 5%.

	<u>2019</u>	<u>2018</u>
Series 2004, Variable Rate Demand Revenue Bonds	\$ 28,770	\$ 28,770
Series 2008, Variable Rate Demand Revenue Bonds	24,105	24,960
Series 2017, Revenue Bonds	<u>17,400</u>	<u>17,705</u>
Subtotal WHEFA bonds	70,275	71,435
Unamortized discount/premium and issuance costs	<u>(135)</u>	<u>(152)</u>
Total	<u>\$ 70,140</u>	<u>\$ 71,283</u>

The bond agreements contain various restrictive covenants. The fair value of bonds payable at June 30, 2019, approximates \$69,942 based on discounting the future cash flows through the scheduled maturities at rates available at June 30, 2019. The following schedules are the approximate principal payments required for these bonds.

Note 7 – Bonds Payable (continued)

June 30, 2020	\$ 1,205
June 30, 2021	1,255
June 30, 2022	1,300
June 30, 2023	1,355
June 30, 2024	1,405
Thereafter	<u>63,755</u>
	<u>\$ 70,275</u>

The 2004 and 2008 issues are structured to pay a variable rate of interest. The College, seeking to curtail exposure to rising interest rates and variable debt payments, entered into interest rate exchange agreements for each of those bond issues to synthetically convert the entire notional amount of each issue to a fixed rate of interest. The agreements can be terminated before the maturity date with an adjustment with the counterparty for the respective agreement's fair value at the termination date. The fair value of each of these agreements will be zero if held to their respective termination dates. The net changes in the fair value of these agreements for the years ended June 30, 2019 and 2018, amounted to unrealized (loss) or gain of (\$3,260) and \$3,120, respectively. These year-to-year changes are recorded in the nonoperating section of the consolidated statements of activities.

Note 8 – Fair Value of Assets and Liabilities

Fair value measurements – The College's investments and interest rate exchange agreements are stated at fair value. Fair value is defined as the price received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of assets or liabilities should be based on assumptions market participants would use.

The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 – Inputs reflecting unadjusted quoted prices for identical assets or liabilities in active markets

Level 2 – Inputs other than quoted prices observable for the assets or liability either directly or indirectly, including inputs in markets not considered active or quoted prices for similar assets or liabilities

Level 3 – Unobservable inputs

Note 8 – Fair Value of Assets and Liabilities (continued)

The availability of valuation techniques and observable inputs can vary by instrument and can be affected by a wide variety of factors, including the type, whether it is new and not yet established in the marketplace, and other characteristics particular to the instrument. To the extent valuations are based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Those estimated values do not necessarily represent the amounts that may be ultimately realized due to the occurrence of future circumstances that cannot be reasonably determined. Because of the inherent uncertainty of valuation, those estimated values may be materially higher or lower than the values that would have been used had a ready market existed. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement falls in its entirety is determined by the lowest level input significant to the fair value measurement. There have been no changes in valuation methodologies used at June 30, 2019 and 2018.

Investments in marketable securities, consisting of fixed income funds, balanced funds, and domestic equity funds, are valued based on quoted market prices and are typically classified within Level 1.

Where available, audited investment net asset values are used as a starting point to establish fair value. The College reviews such net asset values for possible adjustments to arrive at fair value. For the years ended June 30, 2019 and 2018, there were no adjustments made to net asset values provided by investment managers.

The commingled trusts are composed of individual annuity trusts, unitrusts, and funds held on Whitman's behalf by other entities. Whitman College is the trustee for the annuity trusts and unitrusts. Such trusts are allocated to a varying mix of publicly traded equity and fixed income securities and real estate investment trusts. These trusts are generally held in trust for the life or lives of the respective beneficiaries or for a set period of time. Funds held on Whitman's behalf by other entities are largely invested in publicly traded equity and fixed income securities, but some are also invested in farm real estate and private notes. Where applicable, market values of such trusts are recorded based on the College's pro-rata share of the trust. These funds are intended to be held in trust by these other entities in perpetuity.

Investments which are valued utilizing unobservable inputs and commingled trusts, which are illiquid by nature of the trust are classified within Level 3. The managers and trustees of such assets generally value their underlying investments at fair value and in accordance with fair value accounting. Investments with no readily available market are generally valued according to the estimated fair value, which attempts to apply a fair value standard by referring to meaningful third-party transactions, comparable public market valuations and/or the income approach. Consideration is also given to the financial condition and operating results of the investment, the amount a fund can reasonably expect to realize upon the sale of an investment, and any other factors deemed relevant. An investment can be carried at acquisition price (cost) if little has changed since the initial investment of the company and is most representative of fair value. Investments with a readily available market (listed on a securities exchange or traded in the over-the-counter market) are valued at quoted market prices or at an appropriate discount from such price if marketability of the securities is restricted.

Note 8 – Fair Value of Assets and Liabilities (continued)

The following tables show the College's assets and liabilities, which are stated at fair value and how they are classified within the valuation hierarchy.

As of June 30, 2019	Level 1	Level 2	Level 3	Total
Investments				
Marketable securities	\$ 49,593	\$ -	\$ -	\$ 49,593
Commingled trusts	-	-	44,823	44,823
Alternative investments	-	-	42	42
	\$ 49,593	\$ -	\$ 44,865	94,458
Investments measured at net asset value				
Equity (long only) funds				234,212
Alternative investments				284,865
				519,077
Total investments				\$ 613,535
Interest rate exchange agreements	\$ -	\$ (12,750)	\$ -	\$ (12,750)
As of June 30, 2018	Level 1	Level 2	Level 3	Total
Investments				
Marketable securities	\$ 59,242	\$ -	\$ -	\$ 59,242
Commingled trusts	-	-	43,670	43,670
Alternative investments	-	-	42	42
	\$ 59,242	\$ -	\$ 43,712	102,954
Investments measured at net asset value				
Equity (long only) funds				213,841
Alternative investments				283,719
				497,560
Total investments				\$ 600,514
Interest rate exchange agreements	\$ -	\$ (9,490)	\$ -	\$ (9,490)

Note 8 – Fair Value of Assets and Liabilities (continued)

Marketable securities held at June 30, 2019 and 2018, are summarized as follows:

	<u>2019</u>	<u>2018</u>
Fixed income funds	\$ 23,196	\$ 31,832
Balanced funds	1,376	1,055
Domestic equity funds	<u>25,021</u>	<u>26,355</u>
Total	<u>\$ 49,593</u>	<u>\$ 59,242</u>

Below additional information about Level 3 assets measured at fair value is presented. Both observable and unobservable inputs may be used to determine the fair value of positions the College has classified within the Level 3 category. As a result, the unrealized gains and losses for assets within the Level 3 category may include changes in fair value attributable to both observable (e.g., changes in market interest rates) and unobservable (e.g. changes to the investment manager's internal valuation models) inputs. Total gains and (losses) in the table below are shown in the Consolidated Statements of Activities. The College's policy is to recognize transfers in and transfers out as of the actual date of the event or change in circumstances causing the transfer.

	<u>Commingled Trusts</u>	<u>Alternative Investments</u>	<u>Total</u>
Level 3 beginning balance, July 1, 2018	\$ 43,670	\$ 42	\$ 43,712
Investment return, net	1,724	5	1,729
Purchases	2,419	-	2,419
Sales	<u>(2,990)</u>	<u>(5)</u>	<u>(2,995)</u>
Level 3 ending balance, June 30, 2019	<u>\$ 44,823</u>	<u>\$ 42</u>	<u>\$ 44,865</u>
	<u>Commingled Trusts</u>	<u>Alternative Investments</u>	<u>Total</u>
Level 3 beginning balance, July 1, 2017	\$ 39,234	\$ 42	\$ 39,276
Investment return, net	2,680	5	2,685
Purchases	4,846	-	4,846
Sales	<u>(3,090)</u>	<u>(5)</u>	<u>(3,095)</u>
Level 3 ending balance, June 30, 2018	<u>\$ 43,670</u>	<u>\$ 42</u>	<u>\$ 43,712</u>

"Investment return, net" is reflected in the Consolidated Statements of Activities in both operating and nonoperating activities. Included in the Consolidated Statements of Activities for Level 3 assets on hand at June 30, 2019 and 2018, is a gain of \$1,314 and \$2,333, respectively.

Note 8 – Fair Value of Assets and Liabilities (continued)

The fair value, unfunded commitments, and redemption restrictions for investments reported at net asset value as of June 30, 2019, are as follows:

	<u>Fair Value at June 30, 2019</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Equity (long only) funds (a)	\$ 234,212	\$ -	Daily-three years	28-90 days
Alternative investments (b)	\$ 35,847	\$ -	At least quarterly	30-65 days
	58,324	\$ -	Beyond quarterly up to 3 years	45-120 days
	<u>190,694</u>	\$ 71,996	Greater than 3 years	N/A
Total alternative investments	<u>\$ 284,865</u>			

The unfunded commitments of \$71,996 represent the College's commitment to make additional investments in 33 limited partnerships.

- (a) Equity (long only) funds are commingled funds whose managers invest in publicly traded domestic and international securities. Some funds participating in securities lending programs may be invested in short term investment vehicles collateralized by cash, US Treasury and/or government agency issues. Investments are well diversified geographically, but managers may overweight investments in specific markets opportunistically.
- (b) The managers of alternative investment funds use a variety of strategies and vehicles to benefit from perceived mispricings in investment markets or to manage risk within their portfolios. Underlying holdings include the following:
- Private securities are illiquid securities most of which were donated to the College. A portion of these assets are held for their income generating capacity while others will be sold at the next available opportunity.
 - Private equity limited partnerships invest in distressed, relative value, venture, buyout, and merger opportunities. Holdings are composed of private equity and debt. There are no redemption rights available for investors other than the liquidation of assets held by the fund, which will result in a distribution of capital to investors.
 - Hedged equity fund managers invest in global long/short primarily publicly traded equities, but also have exposure in private equity, debt, and derivatives.
 - Real asset fund limited partnerships are invested primarily in energy, commodities, and real estate sectors through real asset holdings as well as public/private equity, and debt instruments.
 - Absolute return funds invest to achieve consistent positive returns regardless of the direction of financial markets through the use of arbitrage strategies as well as investments in distressed securities, long/short equity, and private market transactions.

Alternative investments are based on valuations provided by the external investment managers. The Investment Committee, in conjunction with the external investment advisors, monitors and analyzes the valuation of the investments other than commingled trusts on a quarterly basis. The valuations consider variables such as financial performance of investments, recent sales prices of investments, and other pertinent information.

Note 8 – Fair Value of Assets and Liabilities (continued)

Investment returns and classification according to purpose for the years ended June 30, 2019 and 2018, are summarized as follows:

	<u>2019</u>	<u>2018</u>
Investment return, net		
Interest and dividend income	\$ 5,228	\$ 5,793
Realized net gains	7,949	17,398
Unrealized net gain	20,776	46,822
Expenses	<u>(10,030)</u>	<u>(12,804)</u>
Total investment return, net	<u>\$ 23,923</u>	<u>\$ 57,209</u>
Investments according to purpose		
Donor restricted endowment	\$ 381,611	\$ 376,181
Board designated endowment	<u>157,787</u>	<u>158,691</u>
Total endowment investments	539,398	534,872
Other, trusts and reserves	<u>74,137</u>	<u>65,642</u>
Total investments	<u>\$ 613,535</u>	<u>\$ 600,514</u>

Note 9 – Financial Assets – Liquidity

The College's financial assets comprised the following at June 30, 2019:

Cash and cash equivalents	\$ 20,802
Accounts receivable, net	488
Student loans, net	1,779
Contributions and trusts receivable, net	20,287
Investments	<u>613,535</u>
Total financial assets	<u>\$ 656,891</u>

Of those financial assets, the following could readily be made available within one year to meet the general expenses of the College:

Cash and cash equivalents	\$ 17,941
Accounts receivable, net	482
Contributions and trusts receivable, net	331
Investments	<u>33,415</u>
Total financial assets available	<u>\$ 52,169</u>

Note 9 – Financial Assets – Liquidity (continued)

The College monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the College considers all expenses related to and supporting its ongoing mission-related activities.

Student loans receivable are part of a federal program and are not available to meet general expenditures.

In addition to financial assets available to meet general expenses within one year, the following amounts are expected to be released from donor-restricted and board-designated financial assets over the next 12 months to meet expected future construction costs:

Board-designated	\$ 3,650
Donor-restricted	<u>4,280</u>
	<u>\$ 7,930</u>

In addition to financial assets available to meet general expenditures over the next 12 months, the College operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

The College's governing board has designated a portion of its resources without donor restrictions for endowment and other purposes. These funds are invested for long-term appreciation and current income but remain available and may be spent at the discretion of the board. At June 30, 2019, the following amounts were designated for specific purposes by the board:

Enrollment reserve	\$ 2,206
Capital construction reserve	24,649
Board-designated endowment	<u>157,787</u>
	<u>\$ 184,642</u>

Note 10 – Net Assets

	<u>2019</u>	<u>2018</u>
Without donor restrictions:		
Operations and reserves	\$ 21,221	\$ 17,217
Plant related	103,748	101,969
Board designated endowment	157,787	158,691
Trusts and other	6,724	6,893
Split-interest agreements	<u>1,730</u>	<u>1,517</u>
Total net assets without donor restrictions	<u>\$ 291,210</u>	<u>\$ 286,287</u>
With donor restrictions:		
Operations and reserves	\$ 13,295	\$ 18,526
Plant related	3,248	-
Donor restricted endowment	381,611	376,181
Trusts and other	5,877	5,616
Split-interest agreements	<u>15,860</u>	<u>15,676</u>
Total net assets with donor restrictions	<u>\$ 419,891</u>	<u>\$ 415,999</u>

Endowment net assets – The College's endowment consists of approximately 963 individual funds established for a variety of purposes. These funds include both donor-restricted endowment funds, funds designated by the Board of Trustees to function as endowment, and certain funds held in trust by others. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor imposed restrictions.

The College is subject to the requirements of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as enacted by the state of Washington. The College's Board of Trustees has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the College classifies as net assets with donor restrictions required to be held in perpetuity as (a) the original value of the gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument in force at the time the accumulation is added to the fund.

Note 10 – Net Assets (continued)

The remaining portion of a donor-restricted endowment fund that is not required to be held in perpetuity is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the College in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the College considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the College and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the College
7. The investment policies of the College

Endowment net asset composition by type of fund and restriction are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
As of June 30, 2019			
Held for a specific period or purpose	\$ -	\$ 201,724	\$ 201,724
Held in perpetuity	-	179,887	179,887
Board-designated	<u>157,787</u>	<u>-</u>	<u>157,787</u>
Total endowment net assets	<u>\$ 157,787</u>	<u>\$ 381,611</u>	<u>\$ 539,398</u>
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
As of June 30, 2018			
Held for a specific period or purpose	\$ -	\$ 203,149	\$ 203,149
Held in perpetuity	-	173,032	173,032
Board-designated	<u>158,691</u>	<u>-</u>	<u>158,691</u>
Total endowment net assets	<u>\$ 158,691</u>	<u>\$ 376,181</u>	<u>\$ 534,872</u>

Note 10 – Net Assets (continued)

Changes in endowment net assets:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>June 30, 2019</u>
Beginning balance	\$ 158,691	\$ 376,181	\$ 534,872
Investment return, net	7,128	13,584	20,712
Contributions and other	161	6,861	7,022
Endowment payout	(9,433)	(15,015)	(24,448)
Transfers to endowment funds	1,240	-	1,240
Ending balance	<u>\$ 157,787</u>	<u>\$ 381,611</u>	<u>\$ 539,398</u>
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>June 30, 2018</u>
Beginning balance	\$ 142,802	\$ 349,951	\$ 492,753
Investment return, net	15,065	35,504	50,569
Contributions and other	3	5,614	5,617
Endowment payout	(9,448)	(14,888)	(24,336)
Transfers to endowment funds	10,269	-	10,269
Ending balance	<u>\$ 158,691</u>	<u>\$ 376,181</u>	<u>\$ 534,872</u>

Return objectives and risk parameters – The College has adopted investment policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by their endowments and maintain the purchasing power of the endowment assets. The investment policy, as approved by the Board of Trustees, provides general investment guidelines as follows:

	<u>Target</u>	<u>Acceptable Ranges</u>
Fixed income and cash	5.0%	0.0%–15.0%
Developed equity	40.0%	30.0%–50.0%
Private capital	35.0%	25.0%–45.0%
Emerging markets	20.0%	15.0%–25.0%
	<u>100%</u>	

Note 10 – Net Assets (continued)

Strategies employed for achieving objectives – To satisfy its long-term rate-of-return objectives, the College relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The College targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints. Actual returns in any given year are expected to vary from the payout rate.

Performance of the College's investments is reviewed by the College's Investment Committee and reported to the College's Board of Trustees on at least a quarterly basis.

Spending policy – The Board of Trustees authorizes the annual endowment support to operations. The spending rate will be periodically reviewed by the College Investment Committee to reassess anticipated future rates of inflation and the total return on investments. Typically, at least one year's earnings will be accumulated in a new endowment before expenditures begin. Endowment support to operations in the consolidated statements of activities is based on a percentage of the average values for a 12 quarter period lagging one full year. Such percentage for June 30, 2019 and 2018, was 5%. To this amount is added a six-year average of the net income from the College's farms. Deficiencies, should they occur, could be due to the result of unfavorable market fluctuations, or the Board of Trustees' policy, which allows them to continue appropriations from funds with deficiencies. There were no endowment fund deficiencies for the years ended June 30, 2019 or 2018.

Unconsolidated net assets – Whitman's net assets without donor restrictions at June 30, 2019, belong to the two consolidated entities as follows:

21st Century Trust	\$1
The Board of Trustees of Whitman College	\$291,209

Note 11 – Commitments and Contingencies

The College has adopted a self-insured health program, which provides for the payment or reimbursement of all or a portion of eligible medical, prescription drug, vision and dental expenses. The College is self-insured up to the first \$100 for each occurrence and has aggregate loss insurance to cover all medical costs in excess of 120% of expected costs. The accompanying consolidated financial statements include an additional liability, in excess of the health insurance terminal obligation, of \$2,403 and \$707 (included in accrued compensation and benefits on the consolidated statements of financial position) at June 30, 2019 and 2018, respectively. The overall liability is based upon management's review and an independent third-party claims administrator for claims incurred but not reported at year-end. The College maintains a separate cash account, as reserves, to meet these estimated claims.

The College has a \$5,500 unsecured line of credit, which matured May 2019 and was subsequently renewed in August 2019. Interest is based on the Wall Street Journal Prime Rate (5.00% at June 30, 2019) plus 0.75%. There was no balance outstanding at June 30, 2019 and 2018.

The College is subject to legal proceedings arising in the normal course of its various activities. The eventuality of legal action or further, the liability from any such potential action is subject to a great degree of uncertainty. Management currently believes the resolution of all such matters would not have a material effect on these consolidated financial statements.

Note 12 – Other Income, Net

Other income on the consolidated statements of activities is presented in both the operating and nonoperating sections. This other income consists primarily of college bookstore revenues and net revenues from rental properties and farming activities. Such income in the operating section is primarily revenues from the College bookstore. The expenses related to the bookstore are shown in auxiliary expenses. Such income in the nonoperating section includes all of the College’s farming and most of its rental property activity. The College’s total other income related to farm and rental property activities is shown net of expenses. Those expenses total \$1,041 and \$1,153 for the years ended June 30, 2019 and 2018, respectively. For June 30, 2019 and 2018, the College had future commitments to provide grain, on forward contracts, in the amount of \$151 and \$177, respectively.

Note 13 – Analysis of Expense by Function and Natural Categories

	June 30, 2019					
	Instruction	Academic Support	Student Services	Institutional Support	Auxiliary Operations	Total
Personnel	\$ 26,008	\$ 5,862	\$ 7,608	\$ 9,381	\$ 2,736	\$ 51,595
Services and supplies	4,245	3,641	3,045	3,033	7,158	21,122
Communications	92	54	376	993	68	1,583
Travel	343	1,062	1,775	789	83	4,052
Utilities	350	269	227	64	1,047	1,957
Interest	557	429	365	129	664	2,144
Depreciation and amortization	2,066	1,589	1,350	477	2,463	7,945
Total expense	\$ 33,661	\$ 12,906	\$ 14,746	\$ 14,866	\$ 14,219	\$ 90,398

Fund-raising costs (included in the institutional support function)

\$ 3,359

	June 30, 2018					
	Instruction	Academic Support	Student Services	Institutional Support	Auxiliary Operations	Total
Personnel	\$ 26,074	\$ 5,577	\$ 7,991	\$ 9,119	\$ 2,627	\$ 51,388
Services and supplies	3,472	4,087	2,322	2,539	6,103	18,523
Communications	90	65	396	825	81	1,457
Travel	238	961	1,758	734	81	3,772
Utilities	376	290	247	71	1,047	2,031
Interest	650	501	425	150	775	2,501
Depreciation and amortization	1,776	1,366	1,161	410	2,118	6,831
Total expense	\$ 32,676	\$ 12,847	\$ 14,300	\$ 13,848	\$ 12,832	\$ 86,503

Fund-raising costs (included in the institutional support function)

\$ 3,346

Note 14 – Net Assets Released from Restrictions

	<u>2019</u>	<u>2018</u>
Institutional financial aid	\$ 10,231	\$ 9,888
Functional expenses, primarily instruction and academic support	<u>10,004</u>	<u>7,737</u>
Total release for operations	<u>20,235</u>	<u>17,625</u>
Matured life contracts	271	8,080
Other	<u>6,013</u>	<u>757</u>
	<u>6,284</u>	<u>8,837</u>
Total release	<u>\$ 26,519</u>	<u>\$ 26,462</u>

Note 15 – Subsequent Events

Management has evaluated subsequent events for the period after June 30, 2019, through November 8, 2019, the date the consolidated financial statements were issued.

Report of Independent Auditors

To the Board of Trustees
Whitman College

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Whitman College, which comprise the consolidated statements of financial position as of June 30, 2019 and 2018, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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 auditor's 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 Whitman College as of June 30, 2019 and 2018, and the changes in its consolidated net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As of June 30, 2019, the College adopted Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities* (Topic 958): *Presentation of Financial Statement of Not-for-Profit Entities*; ASU 2014-09: *Revenue from Contracts with Customers* (Topic 606); and ASU 2018-08: *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to this matter.

Other Matters***Other Information***

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The Letter from the Chief Financial Officer and Controller and Consolidated Financial Statement Certification are also presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information has not been subjected 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.

Moss Adams LLP

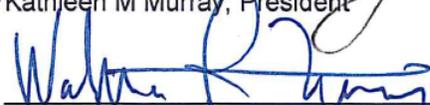
Yakima, Washington
November 8, 2019

We the undersigned, certify that:

1. We have reviewed the consolidated financial statements of Whitman College (the College) for the years ended June 30, 2019 and 2018.
2. Based on our knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary for the consolidated financial statements not to be misleading to the reader.
3. Based on our knowledge, the consolidated financial statements fairly present, in all material respects, the financial condition, results of operations and cash flows of the College as of, and for, the periods presented in this annual report.
4. The undersigned are responsible for establishing and maintaining controls and procedures designed to ensure that the consolidated financial statements of the College are materially correct and in conformity with accounting principles generally accepted in the United States of America. To that end we have:
 - (a) designed such controls and procedures, or caused such controls and procedures, to be designed under our direction to ensure that material information relating to the College is made known to us by others, particularly during the period in which this annual report is being prepared; and
 - (b) evaluated the effectiveness of the College's controls and procedures as of the end of the period covered by this report.
5. The undersigned have disclosed, based on our most recent evaluation of internal control over financial reporting, to the College's auditors and the College's Audit Committee of the Board of Trustees of Whitman College:
 - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to affect, adversely, the College's ability to record, process, summarize and report financial information; and
 - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the College's internal control over financial report.



Kathleen M Murray, President



Walter R. Froese, Controller



Peter W. Harvey, Chief Financial Officer

November 8, 2019

Date