

Wabash College

Independent Auditor's Report and Financial Statements

June 30, 2018 and 2017

Wabash College
June 30, 2018 and 2017

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Independent Auditor's Report

Board of Trustees
Wabash College
Crawfordsville, Indiana

We have audited the accompanying financial statements of Wabash College, which comprise the statements of financial position as of June 30, 2018 and 2017, and the related 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 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 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 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization's preparation and fair presentation of the 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 organization'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 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 financial statements referred to above present fairly, in all material respects, the financial position of Wabash College as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

BKD, LLP

Indianapolis, Indiana
November 8, 2018

Wabash College
Statements of Financial Position
June 30, 2018 and 2017

	2018	2017
Assets		
Cash	\$ 1,598,371	\$ 2,141,358
Accounts receivable	532,705	583,880
Prepaid expenses and other	431,857	397,694
Contributions receivable	16,562,757	6,158,556
Student loans receivable held by endowment	6,371,403	6,925,004
Investments	355,249,760	343,814,818
Cash surrender value of life insurance	2,191,058	2,307,821
Charitable remainder trusts	23,792,445	21,600,536
Interest rate swap agreement	308,175	26,199
Property and equipment, net	123,642,752	127,798,120
Beneficial interest in perpetual trusts	8,504,090	8,230,472
Total assets	\$ 539,185,373	\$ 519,984,458
Liabilities		
Accounts payable and accrued expenses	\$ 2,372,300	\$ 2,986,101
Line of credit	3,469,000	3,469,000
Long-term debt	45,985,714	49,027,600
Accumulated postretirement benefit obligation	9,423,277	9,848,843
Annuities and trusts payable	5,831,658	5,796,626
Total liabilities	67,081,949	71,128,170
Net Assets		
Unrestricted	248,056,995	244,426,878
Temporarily restricted	84,877,585	74,084,118
Permanently restricted	139,168,844	130,345,292
Total net assets	472,103,424	448,856,288
Total liabilities and net assets	\$ 539,185,373	\$ 519,984,458

Wabash College
Statements of Activities
Years Ended June 30, 2018 and 2017

	2018			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Revenues, Income and Other Support				
Student tuition and fees	\$ 34,988,395	\$ -	\$ -	\$ 34,988,395
Grants and scholarships	(22,132,324)	-	-	(22,132,324)
Net student tuition and fees	12,856,071	-	-	12,856,071
Contributions, gifts and bequests	5,923,607	17,628,770	6,903,961	30,456,338
Investment return designated for current operations	12,153,128	7,930,260	140,534	20,223,922
Change in value of split-interest agreements	(220,004)	1,458,275	548,905	1,787,176
Auxiliary services	4,810,807	-	-	4,810,807
Other income	1,085,405	10,672	-	1,096,077
	<u>36,609,014</u>	<u>27,027,977</u>	<u>7,593,400</u>	<u>71,230,391</u>
Net assets released from restrictions	16,026,744	(17,280,005)	1,253,261	-
Total revenues, income and other support	<u>52,635,758</u>	<u>9,747,972</u>	<u>8,846,661</u>	<u>71,230,391</u>
Expenses				
Instruction	11,053,650	-	-	11,053,650
Research	1,659,172	-	-	1,659,172
Public service	3,707,506	-	-	3,707,506
Academic support and library	4,035,313	-	-	4,035,313
Student services	9,012,974	-	-	9,012,974
Management and general	5,009,054	-	-	5,009,054
Fundraising	2,585,209	-	-	2,585,209
Auxiliary services	2,173,369	-	-	2,173,369
Operations and maintenance	6,805,792	-	-	6,805,792
Interest expense	893,764	-	-	893,764
Depreciation expense	5,396,323	-	-	5,396,323
Total expenses	<u>52,332,126</u>	<u>-</u>	<u>-</u>	<u>52,332,126</u>
Change in Net Assets Before Other Changes	303,632	9,747,972	8,846,661	18,898,265
Other Changes				
Investment return in excess of (less than) amounts designated for current operations	3,090,045	1,045,495	(23,109)	4,112,431
Defined-benefit postretirement health plan - net gain arising during the period	342,571	-	-	342,571
Amortization of net loss included in net periodic pension costs	1,038,459	-	-	1,038,459
Amortization of prior service credit included in net periodic pension cost	(1,144,590)	-	-	(1,144,590)
Change in Net Assets	3,630,117	10,793,467	8,823,552	23,247,136
Net Assets, Beginning of Year	<u>244,426,878</u>	<u>74,084,118</u>	<u>130,345,292</u>	<u>448,856,288</u>
Net Assets, End of Year	<u>\$ 248,056,995</u>	<u>\$ 84,877,585</u>	<u>\$ 139,168,844</u>	<u>\$ 472,103,424</u>

2017

Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 33,198,329	\$ -	\$ -	\$ 33,198,329
(19,396,465)	-	-	(19,396,465)
13,801,864	-	-	13,801,864
5,352,657	3,044,621	3,812,566	12,209,844
14,179,316	6,724,742	102,226	21,006,284
157,718	(1,873,585)	1,464,722	(251,145)
5,006,801	-	-	5,006,801
1,404,999	69,308	-	1,474,307
39,903,355	7,965,086	5,379,514	53,247,955
25,037,506	(25,132,945)	95,439	-
64,940,861	(17,167,859)	5,474,953	53,247,955
10,998,663	-	-	10,998,663
1,623,885	-	-	1,623,885
3,230,829	-	-	3,230,829
4,151,968	-	-	4,151,968
8,960,467	-	-	8,960,467
5,044,089	-	-	5,044,089
1,995,659	-	-	1,995,659
2,537,087	-	-	2,537,087
6,688,259	-	-	6,688,259
741,389	-	-	741,389
5,345,534	-	-	5,345,534
51,317,829	-	-	51,317,829
13,623,032	(17,167,859)	5,474,953	1,930,126
3,956,094	3,519,997	925,566	8,401,657
712,466	-	-	712,466
1,165,975	-	-	1,165,975
(1,144,590)	-	-	(1,144,590)
18,312,977	(13,647,862)	6,400,519	11,065,634
226,113,901	87,731,980	123,944,773	437,790,654
\$ 244,426,878	\$ 74,084,118	\$ 130,345,292	\$ 448,856,288

Wabash College
Statements of Cash Flows
Years Ended June 30, 2018 and 2017

	2018	2017
Operating Activities		
Change in net assets	\$ 23,247,136	\$ 11,065,634
Items not requiring (providing) cash flows		
Depreciation and amortization	5,396,323	5,345,534
Net realized and unrealized gains on investments	(17,931,296)	(24,161,434)
Actuarial loss on annuity and trust obligations	35,032	1,510,149
Change in value of split-interest agreements	(2,191,909)	(2,486,220)
Gain on beneficial interest in perpetual trusts	(273,618)	(640,147)
Contributions restricted for long-term investment	(6,903,961)	(3,812,566)
Contributions restricted for property and equipment	(1,351,549)	(4,316,651)
Change in value of interest rate swap agreement	(281,976)	(477,999)
Noncash gifts of real estate and marketable securities	(3,108,082)	(4,311,093)
Changes in		
Receivables	604,776	389,369
Prepaid expenses, cash surrender value of life insurance and other	82,600	(112,608)
Contributions receivable	(10,404,201)	3,107,877
Accounts payable and accrued expenses	(613,801)	(3,198,920)
Postretirement benefit obligation	(425,566)	(748,876)
Net cash used in operating activities	(14,120,092)	(22,847,951)
Investing Activities		
Purchase of property and equipment	(1,240,955)	(5,615,128)
Proceeds from disposition of property and equipment	-	295,773
Purchase of investments	(131,350,700)	(258,666,219)
Proceeds from disposition of investments	140,955,136	280,099,606
Net cash provided by investing activities	8,363,481	16,114,032
Financing Activities		
Proceeds from contributions restricted for		
Investment in endowment	6,903,961	3,812,566
Acquisition of property and equipment	1,351,549	4,316,651
Payments on line of credit	-	(19,000)
Payments on long-term debt	(3,041,886)	(2,831,600)
Net cash provided by financing activities	5,213,624	5,278,617
Decrease in Cash	(542,987)	(1,455,302)
Cash, Beginning of Year	2,141,358	3,596,660
Cash, End of Year	\$ 1,598,371	\$ 2,141,358
Supplemental Cash Flows Information		
Interest paid	\$ 695,340	\$ 785,947
Proceeds from note payable used to terminate interest rate swap agreement	-	1,472,000

Wabash College

Notes to Financial Statements

June 30, 2018 and 2017

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

Nature of Operations

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

Use of Estimates

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

Cash

Interest-bearing and noninterest-bearing transaction accounts are subject to a \$250,000 limit on FDIC insurance per covered institution. At June 30, 2018, the College's cash accounts exceeded federally insured limits by approximately \$1,306,232.

Investments and Investment Return

Investments in equity securities having a readily determinable fair value and in all debt securities are carried at fair value. Investment return includes dividends, interest and realized and unrealized gains and losses on investments.

The College also invests in certain real estate, venture capital, private equity and hedge funds, natural resource and distressed debt funds which are primarily held through limited partnerships. As discussed later in these notes, the College uses net asset value as a practical expedient to estimate the fair value of these funds. Because these investments are not readily marketable and may be subject to withdrawal restrictions, their estimated value is subject to uncertainty and, therefore, may materially differ from the value that would have been used had a ready market for such investments existed.

The College maintains pooled investment accounts for its endowment. Investment income and realized and unrealized gains and losses from securities in the pooled investment accounts are allocated quarterly to the individual endowments based on the relationship of the fair value of the interest of each endowment to the total fair value of the pooled investments accounts, as of December 31 of the prior year.

Wabash College
Notes to Financial Statements
June 30, 2018 and 2017

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

Accounts Receivable

Student and fraternity accounts receivable are stated at the amounts billed for tuition, fees and room and board charges. The College provides an allowance for doubtful accounts, which is based upon a review of outstanding receivables, historical collection information and existing economic conditions. Student accounts receivable are due on July 15 and December 15 of each year for the Fall and Spring semesters, respectively. Accounts past due more than one semester are considered delinquent. Delinquent receivables are written off based on individual credit evaluation and specific circumstances of the student. It is the policy of the College to pursue collection of accounts unless the debt is legally discharged, at which time, the account is written off.

Property and Equipment

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

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

Long-Lived Asset Impairment

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

No asset impairment was recognized during the years ended June 30, 2018 and 2017.

Wabash College

Notes to Financial Statements

June 30, 2018 and 2017

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use by the College has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by the College in perpetuity.

Contributions

Gifts of cash and other assets received without donor stipulations are reported as unrestricted revenue and net assets. Gifts received with a donor stipulation that limits their use are reported as temporarily or permanently restricted revenue and net assets. When a donor stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Gifts and investment income that are originally restricted by the donor and for which the restriction is met in the same time period are recorded as temporarily restricted and then released from restriction.

Gifts of land, buildings, equipment and other long-lived assets are reported as unrestricted revenue and net assets unless explicit donor stipulations specify how such assets must be used, in which case the gifts are reported as temporarily or permanently restricted revenue and net assets. Absent explicit donor stipulations for the time long-lived assets must be held, expirations of restrictions resulting in reclassification of temporarily restricted net assets as unrestricted net assets are reported when the long-lived assets are placed in service.

Unconditional gifts expected to be collected within one year are reported at their net realizable value. Unconditional gifts expected to be collected in future years are reported at the present value of estimated future cash flows. The resulting discount is amortized using the level-yield method and is reported as contribution revenue.

Conditional gifts depend on the occurrence of a specified future and uncertain event to bind the potential donor and are recognized as assets and revenue when the conditions are substantially met and the gift becomes unconditional.

Collections

The College's collections, which were acquired through purchases and contributions since the College's inception, are not recognized as assets in the statements of financial position. Purchases of collection items are reported in the year of acquisition as decreases in unrestricted net assets, or in temporarily or permanently restricted net assets if the assets used to purchase the items were restricted to that use by donor stipulation. Contributions of collection items are not reported in the financial statements. Proceeds from deaccessions or insurance recoveries related to collection items are reported as increases in the appropriate net asset classes.

The College's collections consist primarily of books, artwork and scientific artifacts. Each of the items is cataloged, preserved and cared for, and activities verifying their existence and assessing their condition are performed continuously. The collections are subject to a policy that requires proceeds from the disposition of collection items to be used to acquire other collection items.

Wabash College

Notes to Financial Statements

June 30, 2018 and 2017

In-Kind Contributions

In addition to receiving cash contributions, the College receives in-kind contributions of marketable securities and real estate from various donors. It is the policy of the College to record the estimated fair value of certain in-kind donations as an asset or expense in its financial statements, and similarly increase contribution revenue by a like amount. For the years ended June 30, 2018 and 2017, approximately \$3,108,082 and \$4,311,000, respectively, was received in in-kind contributions.

Government Grants

Support funded by state and federal grants is recognized as the contracted services are performed or as outlays for eligible reimbursement under the grant agreements are incurred. Grant activities and outlays are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

Income Taxes

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

Self Insurance

The College has elected to self-insure certain costs related to employee health and accident benefit programs. Costs resulting from noninsured losses are charged to income when incurred. The College has purchased insurance that limits its exposure for individual claims to \$130,000 with an additional \$50,000 in total of all claims in excess of \$130,000 and that limits its aggregate exposure to \$4,610,822.

Reclassification

Certain reclassifications have been made to the 2017 financial statements to conform to the 2018 financial statement presentation. These reclassifications had no effect on the change in net assets.

Revisions

An immaterial revision was made to the 2017 investment and fair value disclosures to classify three investment funds managed by the College's investment advisor as hedge funds. Fair value of these investment funds was determined using net asset value as a practical expedient. Previously, these investment funds were classified as large cap equity (\$28,027,066), foreign common stock (\$37,388,633) and fixed income securities (\$17,128,789). This change had no effect on the statement of financial position, statement of activities or statement of cash flows.

Wabash College
Notes to Financial Statements
June 30, 2018 and 2017

Subsequent Events

Subsequent events have been evaluated through November 8, 2018, which is the date the financial statements were available to be issued.

Note 2: Investments and Investment Return

Investments at June 30 consisted of the following:

	2018	2017
Cash equivalents	\$ 14,925,191	\$ 7,465,989
Domestic common stocks		
Large cap	8,474,322	8,723,551
Mid cap	340,690	135,624
Small cap	333,788	505,269
Foreign common stocks	9,167,189	1,734,089
Governmental securities	27,821,865	32,242,783
Fixed income securities/funds	39,846,624	33,771,843
	<u>100,909,669</u>	<u>84,579,148</u>
Alternative investments		
Hedge funds	144,621,651	153,587,568
Distressed debt securities	14,931,012	14,160,697
Private equity and venture capital	64,617,611	60,782,404
Real estate	16,217,682	15,628,453
Natural resources	13,952,135	15,076,548
	<u>254,340,091</u>	<u>259,235,670</u>
	<u>\$ 355,249,760</u>	<u>\$ 343,814,818</u>

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

	2018			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Interest and dividend income (net of expenses of \$1,158,410)	\$ 3,848,980	\$ 2,511,569	\$ 44,508	\$ 6,405,057
Net realized and unrealized gains	11,394,193	6,464,186	72,917	17,931,296
Total investment return	15,243,173	8,975,755	117,425	24,336,353
Investment return designated for current operations	<u>(12,153,128)</u>	<u>(7,930,260)</u>	<u>(140,534)</u>	<u>(20,223,922)</u>
Investment return in excess of amounts designated for current operations	<u>\$ 3,090,045</u>	<u>\$ 1,045,495</u>	<u>\$ (23,109)</u>	<u>\$ 4,112,431</u>

Wabash College
Notes to Financial Statements
June 30, 2018 and 2017

	2017			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Interest and dividend income (net of expenses of \$1,136,945)	\$ 3,541,411	\$ 1,679,564	\$ 25,532	\$ 5,246,507
Net realized and unrealized gains	14,593,999	8,565,175	1,002,260	24,161,434
Total investment return	18,135,410	10,244,739	1,027,792	29,407,941
Investment return designated for current operations	(14,179,316)	(6,724,742)	(102,226)	(21,006,284)
Investment return less than amounts designated for current operations	\$ 3,956,094	\$ 3,519,997	\$ 925,566	\$ 8,401,657

Alternative Investments

The fair value of alternative investments presented in the tables above has been estimated using the net asset value per share of the investments. Alternative investments held at June 30 consist of the following:

	June 30, 2018			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Alternative investments				
Hedge funds	\$ 144,621,651	\$ -	Quarterly - annually	30 - 100 days
Distressed debt securities	14,931,012	636,450	Not eligible	n/a
Private equity and venture capital	64,617,611	27,889,278	Not eligible	n/a
Real estate	16,217,682	146,128	Not eligible	n/a
Natural resources	13,952,135	3,655,971	Not eligible	n/a
	June 30, 2017			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Alternative investments				
Hedge funds	\$ 153,587,568	\$ -	Quarterly - annually	30 - 100 days
Distressed debt securities	14,160,697	413,254	Not eligible	n/a
Private equity and venture capital	60,782,404	9,544,275	Not eligible	n/a
Real estate	15,628,453	146,128	Not eligible	n/a
Natural resources	15,076,548	4,083,263	Not eligible	n/a

Hedge Funds includes investments in hedge funds that take both long and short positions across asset classes. Management of the funds has the ability to shift investments among differing investment strategies. The remaining restriction period for these investments ranged from six to twelve months at June 30, 2018.

Wabash College

Notes to Financial Statements

June 30, 2018 and 2017

Distressed Debt Securities includes investments in partnerships that purchase debt securities trading at a discount to their par value. The unofficial definition of distressed debt is any security yielding 10% points more than a U.S. Treasury bond with an equivalent maturity. Under the terms of the partnership agreements, capital is committed for seven to twelve years and may not be redeemed. Typically, the general partner requests capital during the initial three to five year period in order to fund investment activities. Distributions are made throughout and upon dissolution of the partnership.

Private Equity and Venture Capital includes several funds that invest primarily in the equity securities of public or private companies at various stages within their life cycle. These investments are either direct, fund of funds or secondary purchases across multiple strategies (growth equity, company buyout, venture capital, etc.) and are expected to significantly exceed performance of traditional equity indices.

Real Estate includes several real estate funds that invest in residential, multi-family, commercial and distressed properties in the U.S. Distributions from each fund will be made as the underlying investments of the funds are liquidated. It is estimated the underlying assets of the funds will be liquidated over the next one to twelve years.

Natural Resources includes investments in partnerships that invest primarily in oil and gas royalties and timber properties. Under the terms of the partnership agreements, capital is committed for seven to twelve years and may not be redeemed. Typically, the general partner requests capital during the initial three to five year period in order to fund investment activities. Distributions are made throughout and upon dissolution of the partnership.

Note 3: Contributions Receivable

Contributions receivable consisted of the following:

	2018		
	Temporarily Restricted	Permanently Restricted	Total
Due within one year	\$ 3,353,627	\$ 1,227,480	\$ 4,581,107
Due in one to five years	8,260,577	4,270,942	12,531,519
Due after five years	1,020,950	1,065,136	2,086,086
	<u>12,635,154</u>	<u>6,563,558</u>	<u>19,198,712</u>
Less:			
Allowance for uncollectible contributions	(721,641)	(405,319)	(1,126,960)
Unamortized discount	(945,771)	(563,224)	(1,508,995)
	<u>\$ 10,967,742</u>	<u>\$ 5,595,015</u>	<u>\$ 16,562,757</u>

Wabash College
Notes to Financial Statements
June 30, 2018 and 2017

	2017		
	Temporarily Restricted	Permanently Restricted	Total
Due within one year	\$ 1,699,951	\$ 1,614,179	\$ 3,314,130
Due in one to five years	2,303,192	936,883	3,240,075
Due after five years	152,600	300,000	452,600
	4,155,743	2,851,062	7,006,805
Less:			
Allowance for uncollectible contributions	(287,482)	(266,926)	(554,408)
Unamortized discount	(133,036)	(160,805)	(293,841)
	\$ 3,735,225	\$ 2,423,331	\$ 6,158,556

Discount rates ranged from 1.41% to 8.25% for 2018 and 2017.

Note 4: Property and Equipment

Property and equipment at June 30 consists of:

	2018	2017
Land and land improvements	\$ 10,628,048	\$ 10,588,762
Buildings	171,825,016	171,164,773
Machinery and equipment	21,565,293	21,319,396
Vehicles	559,781	559,781
Construction in progress	339,098	43,569
	204,917,236	203,676,281
Less accumulated depreciation and amortization	(81,274,484)	(75,878,161)
	\$ 123,642,752	\$ 127,798,120

Note 5: Beneficial Interest in Trusts

The College is the beneficiary under various perpetual trusts administered by outside parties. Under the terms of these trusts, the College has the irrevocable right to receive income earned on the trust assets in perpetuity, but never receives the assets held in trust. The estimated value of the expected future cash flows is \$8,504,090 and \$8,230,472, which represents the College's share of the fair value of the trust assets at June 30, 2018 and 2017, respectively.

Wabash College
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The College is the beneficiary under various charitable remainder trusts for which it is not the trustee. The College's beneficial interest in these trusts is recorded at fair value, measured by the present value of the estimated expected future benefits to be received when the trust assets are distributed. At June 30, 2018 and 2017, the College's beneficial interest in remainder trusts administered by outside parties is \$15,089,270 and \$13,063,473, respectively. During the years ended June 30, 2018 and 2017, the College received \$105,364 and \$0 of contributions under remainder trusts held by others.

The College is also the beneficiary under various charitable trusts for which the College is the trustee. At June 30, 2018 and 2017, the value of these trusts was \$8,703,175 and \$8,537,063, respectively. At June 30, the underlying investments in these trusts included the following:

	2018	2017
Cash equivalents	\$ 181,254	\$ 7,661
Exchange - traded funds	5,445,333	6,077,487
Other mutual funds	3,076,588	2,451,915
	\$ 8,703,175	\$ 8,537,063

The College is the beneficiary under various revocable trust agreements. The assets of these trusts are not included in the statements of financial position of the College, since the trusts are revocable at the discretion of the grantor.

Note 6: Line of Credit

The College has a \$10 million revolving bank line of credit that expires in December 2018. At June 30, 2018 and 2017, there was \$3,469,000 borrowed against this line. Interest varies with the one-month LIBOR rate plus 1.0%, which was 3.07% and 1.65% on June 30, 2018 and 2017 and is payable monthly. This line of credit was paid off subsequent to year end.

Note 7: Long-Term Debt

Long-term debt consists of the following:

	2018	2017
Indiana Finance Authority Educational Facilities Revenue Bond, Series 2015	\$ 13,500,000	\$ 14,250,000
Indiana Finance Authority Educational Facilities Revenue Refunding Bond, Series 2013	31,224,000	33,305,600
Note payable	1,261,714	1,472,000
	\$ 45,985,714	\$ 49,027,600

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

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

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

The 2013 Bond matures on February 1, 2033, subject to prior redemption, principal amortization and acceleration. Interest on the 2013 Bond is due on the first business day of each month commencing on June 3, 2013. The 2013 Bond bears interest at a fixed or variable rate through February 1, 2020, at which time the 2013 Bond will enter a new interest rate mode at either a fixed or variable rate. At June 30, 2018, the 2013 Bond was subject to variable interest payments at a rate equal to 0.67% of the one-month LIBOR rate plus 0.87%, which was 2.26%.

On November 21, 2016, the College entered into a note payable agreement, the proceeds of which were used to facilitate the termination of the previous interest rate swap agreement. The note matures on December 1, 2023, and bears interest 3.24%. Payments of \$210,286 are due annually on December 1 of each year.

The 2015 Bond and 2013 Bond are subject to certain covenants, including a requirement to maintain a ratio of unrestricted cash and investments to funded debt of at least 1.50 to 1.00 (as defined in the bond and loan agreement), tested annually as of the last day of each fiscal year.

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Aggregate annual maturities and sinking fund requirements of long-term debt at June 30, 2018 are:

	Long-Term Debt
2019	\$ 3,041,886
2020	3,041,886
2021	960,286
2022	960,286
2023	960,286
Thereafter	37,021,084
	\$ 45,985,714

Note 8: Derivative Financial Instrument

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

In November 2016, the College entered into a new interest rate swap agreement whereby the College receives interest from the counterparty at a rate that varies with the one-month LIBOR rate and pays interest at a fixed rate of 1.265% on a notional amount of \$13,210,000 at June 30, 2018.

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

Note 9: Annuities and Trusts Payable

The College has been the recipient of several gift annuities, which require future payments to the donor or their named beneficiaries. The College has recorded a liability at June 30, 2018 and 2017 of \$1,536,001 and \$1,660,457, respectively, which represents the present value of the future annuity obligations. The liability has been determined using a discount rate of 3.4%.

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The College administers various charitable remainder trusts. A charitable remainder trust provides for the payment of distributions to the grantor or other designated beneficiaries over the trust's term (usually the designated beneficiary's lifetime). At the end of the trust's term, the remaining assets are available for the College's use. The portion of the trust attributable to the future interest of the College is recorded in the statements of activities as temporarily restricted contributions in the period the trust is established. Assets held in the charitable remainder trusts are recorded at fair value in the College's statements of financial position. On an annual basis, the College revalues the liability to make distributions to the designated beneficiaries based on actuarial assumptions. The present value of the estimated future payments is calculated using a discount rate of 3.4% and applicable mortality tables. At June 30, 2018 and 2017, assets held by the College under charitable remainder trusts aggregate \$8,703,175 and \$8,537,063 and the associated liabilities are \$4,295,657 and \$4,136,169, respectively.

Note 10: Net Assets

Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30 are available for the following purposes or periods:

	2018	2017
Scholarships	\$ 15,956,309	\$ 15,555,007
Research (including Center for Inquiry)	2,737,793	2,530,649
Public service (including Wabash Center)	10,781,735	6,561,189
Academic support and library	5,332,895	5,051,831
Student services	2,592,119	2,696,869
Capital projects	459,837	1,614,740
Accumulated earnings on unrestricted endowments	30,265,904	24,784,813
Other	1,169,344	1,084,293
For periods after June 30	15,581,649	14,204,727
	<u>\$ 84,877,585</u>	<u>\$ 74,084,118</u>

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Permanently Restricted Net Assets

Permanently restricted net assets at June 30 are restricted to:

	2018	2017
Investment in perpetuity, the income of which is expendable to support		
Scholarships	\$ 68,960,825	\$ 66,181,108
Research	1,057,791	763,786
Public service	47,685	47,660
Academic support and library	4,792,678	3,365,189
Student services	8,208,446	7,824,295
Administration	366,319	316,319
Endowed chairs	14,852,647	14,472,369
General operations of the College (General endowment)	38,796,385	35,330,804
Capital projects	450,673	450,423
Loans	1,635,395	1,593,339
	<u>\$ 139,168,844</u>	<u>\$ 130,345,292</u>

Net Assets Released From Restrictions

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

	2018	2017
Purpose restrictions accomplished		
Scholarships	\$ 5,354,012	\$ 3,978,743
Research (including Center for Inquiry)	941,175	1,267,465
Public service (including Wabash Center)	3,978,588	3,458,292
Academic support and library	2,497,981	1,997,192
Student services	1,109,843	1,102,913
Property and equipment acquired and placed in service	2,404,546	12,899,559
Other	993,860	333,342
	<u>\$ 17,280,005</u>	<u>\$ 25,037,506</u>

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Note 11: Endowment

The College's pooled endowment consists of approximately 400 individual funds established for a variety of purposes. The pooled endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments (board-designated endowment funds). As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with pooled endowment funds, including board-designated endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

The College's Board of Trustees has interpreted the State of Indiana's Prudent Management of Institutional Funds Act (SPMIFA) as requiring 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 permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of donor-restricted endowment funds is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the College in a manner consistent with the standard of prudence prescribed by SPMIFA.

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

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

The composition of net assets by type of pooled endowment fund at June 30, 2018 and 2017 was:

	2018			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ (2,546,888)	\$ 51,546,410	\$ 104,601,079	\$ 153,600,601
Board-designated endowment funds	177,186,148	-	-	177,186,148
Total pooled endowment funds	\$ 174,639,260	\$ 51,546,410	\$ 104,601,079	\$ 330,786,749

Wabash College
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	2017			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Donor-restricted endowment funds	\$ (2,894,385)	\$ 49,723,254	\$ 100,047,952	\$ 146,876,821
Board-designated endowment funds	<u>175,294,771</u>	<u>-</u>	<u>-</u>	<u>175,294,771</u>
Total pooled endowment funds	<u>\$ 172,400,386</u>	<u>\$ 49,723,254</u>	<u>\$ 100,047,952</u>	<u>\$ 322,171,592</u>

Changes in endowment net assets for the years ended June 30, 2018 and 2017 were:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, July 1, 2016	\$ 168,301,650	\$ 46,098,185	\$ 100,328,596	\$ 314,728,431
Investment return	14,885,094	12,835,145	-	27,720,239
Contributions received and board designations	(176,029)	-	3,704,380	3,528,351
Appropriation of endowment assets for expenditure	(10,778,389)	(9,363,623)	-	(20,142,012)
Other changes to endowment funds	<u>168,060</u>	<u>153,547</u>	<u>(3,985,024)</u>	<u>(3,663,417)</u>
Endowment net assets, June 30, 2017	172,400,386	49,723,254	100,047,952	322,171,592
Investment return	12,732,209	11,055,177	-	23,787,386
Contributions received and board designations	(9,022)	-	3,724,134	3,715,112
Appropriation of endowment assets for expenditure	(10,325,409)	(9,232,096)	-	(19,557,505)
Other changes to endowment funds	<u>(158,904)</u>	<u>75</u>	<u>828,993</u>	<u>670,164</u>
Endowment net assets, June 30, 2018	<u>\$ 174,639,260</u>	<u>\$ 51,546,410</u>	<u>\$ 104,601,079</u>	<u>\$ 330,786,749</u>

Amounts of donor-restricted endowment funds classified as permanently and temporarily restricted net assets at June 30, 2018 and 2017, consisted of:

	2018	2017
Permanently restricted net assets - portion of perpetual endowment funds required to be retained permanently by explicit donor stipulation or SPMIFA	<u>\$ 104,601,079</u>	<u>\$ 100,047,952</u>
Temporarily restricted net assets		
Portion of perpetual endowment funds subject to a time restriction under SPMIFA		
With purpose restrictions	\$ 21,280,506	\$ 24,938,441
Without purpose restrictions	<u>30,265,904</u>	<u>24,784,813</u>
	<u>\$ 51,546,410</u>	<u>\$ 49,723,254</u>

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From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the College is required to retain as a fund of perpetual duration pursuant to donor stipulation or SPMIFA. In accordance with accounting principles generally accepted in the United States of America, deficiencies of this nature are reported in unrestricted net assets and aggregated \$2,546,888 and \$2,894,385 at June 30, 2018 and 2017, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after investment of new permanently restricted contributions and continued appropriation for certain purposes that was deemed prudent by the governing body.

The College has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs and other items supported by its endowment while seeking to maintain the purchasing power of the endowment. Endowment assets include those assets of donor-restricted endowment funds the College must hold in perpetuity or for donor-specified periods, as well as those of board-designated endowment funds. Under the College's policies, endowment assets are invested in a manner that is intended to produce results that exceed inflation, spending and the costs of asset management while assuming a prudent level of investment risk. The College expects its endowment funds to provide an average annual rate of return of approximately 6% plus the Consumer Price Index over time. Actual returns in any given year may vary from this amount.

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 current yield (investment income such as dividends and interest) and capital appreciation (both realized and unrealized). 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.

The College's endowment spending policy appropriates a percentage of the twelve quarter moving average of the fair value of the College's pooled endowment to support operations. For fiscal year 2018, the College drew 5.95% for operations. The endowment spending policy in effect for fiscal year 2017 included an additional draw for administrative purposes, which resulted in the College drawing 5.0% for operations, with a total draw of 6.0% when incorporating the draw for administrative expenses. The College's endowment spending policy is consistent with the College's objective to maintain the purchasing power of endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

Note 12: Pension Plans

The College provides noncontributory retirement plans through Teachers Insurance and Annuity Association and College Retirement Equities Fund (TIAA/CREF), a national organization used to fund retirement benefits for educational institutions, and American Funds, a mutual fund company used to fund retirement benefits. These plans cover substantially all employees of the College. The College makes monthly contributions to TIAA/CREF and American Funds to purchase individual annuities. Total amounts expensed in relation to these plans were \$1,546,193 and \$1,429,904 for 2018 and 2017, respectively.

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Note 13: Postretirement Plan

The College sponsors a defined-benefit postretirement health plan that covers both salaried and non-salaried employees who meet the eligibility requirements. The College expects to contribute \$495,243 to the plan in fiscal year 2018.

Effective January 1, 2015, the Medicare retirees were moved from the College's postretirement health plan to a fully insured Medicare Supplement plan. Since prescription drug under this plan is now covered on a secondary basis to Medicare, the College discontinued participation in the Medicare Part D Retiree Drug Subsidy program effective the same day. This change accounted for \$13,735,074 of the decline in the accumulated benefit obligation as of June 30, 2015.

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

	2018	2017
Benefit obligation	\$ 9,423,277	\$ 9,848,843
Funded status	\$ (9,423,277)	\$ (9,848,843)
Accumulated benefit obligation	\$ (9,423,277)	\$ (9,848,843)
Items not yet recognized as a component of net periodic benefit cost		
Net loss	\$ 4,796,149	\$ 6,177,179
Prior service credit	(10,301,304)	(11,445,894)

A liability of \$9,423,277 and \$9,848,843 was recorded at June 30, 2018 and 2017, respectively, for the accumulated benefit obligation in excess of plan assets.

Other significant balances and costs are:

	2018	2017
Benefit cost	\$ 306,117	\$ 450,152
Employer contribution	495,423	465,177
Benefits paid	495,243	465,177

The estimated net loss and prior service credit that will be amortized into net periodic benefit cost over the next fiscal year are \$770,764 and \$1,038,459, respectively.

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The following amounts have been recognized in the statements of activities for the years ended June 30, 2018 and 2017:

	2018	2017
Amounts reclassified as components of net periodic pension cost of the period:		
Net loss	\$ 1,038,459	\$ 1,165,975
Prior service credit	1,144,590	1,144,590

Significant assumptions include:

	2018	2017
Weighted-average assumptions used to determine benefit obligations:		
Discount rate	4.25%	4.00%
Medical trend rate	8.00%	8.00%
Weighted-average assumptions used to determine benefit costs:		
Discount rate	4.00%	3.75%
Medical trend rate	8.00%	8.00%

For measurement purposes, an 8.00% annual rate of increase in the per capita cost of covered health care benefits was assumed for 2018 and 2017.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid as of June 30:

2019	\$ 530,547
2020	551,155
2021	572,373
2022	578,717
2023	563,582
2024 - 2028	2,832,126

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Note 14: Disclosures About Fair Value of Assets and Liabilities

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

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

Following is a description of the valuation methodologies and inputs used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying statements of financial position, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended June 30, 2018. For assets classified within Level 3 of the fair value hierarchy, the process used to develop the reported fair value is described below.

Investments

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

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

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

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Charitable Remainder Trusts

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

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

Beneficial Interest in Perpetual Trust

Fair value is estimated at the present value of the future distributions expected to be received over the term of the agreement, which approximates the fair value of the underlying investments which are primarily held in marketable securities. Due to the nature of the valuation inputs, the interest is classified within Level 2 of the hierarchy.

Interest Rate Swap Agreement

The fair value is estimated by the counterparty using a proprietary model and, therefore, is classified within Level 3 of the valuation hierarchy.

Fair value determinations for Level 3 measurements of investments, charitable remainder trusts and the interest rate swap agreement are the responsibility of the Business Office. The Business Office utilizes the valuations provided by third parties to generate fair value estimates on a monthly or quarterly basis and challenges the reasonableness of the assumptions used and reviews the methodology to ensure the estimated fair value complies with accounting standards generally accepted in the United States.

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Recurring Measurements

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2018 and 2017.

	Fair Value Measurements Using				
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Investments Measured at NAV ^(A)
June 30, 2018					
Investments					
Cash equivalents	\$ 14,925,191	\$ 14,878,301	\$ 46,890	\$ -	\$ -
Domestic common stocks					
Large cap	8,474,322	8,474,322	-	-	-
Mid cap	340,690	340,690	-	-	-
Small cap	333,788	333,788	-	-	-
Foreign common stocks	9,167,189	9,167,189	-	-	-
Governmental securities	27,821,865	27,821,865	-	-	-
Fixed income securities/funds	39,846,624	30,056,949	9,789,675	-	-
Alternative investments					
Hedge funds	144,621,651	-	-	-	144,621,651
Distressed debt securities	14,931,012	-	-	-	14,931,012
Private equity and venture capital	64,617,611	-	-	-	64,617,611
Real estate	16,217,682	-	-	275,000	15,942,682
Natural resources	13,952,135	-	-	-	13,952,135
Total investments	<u>355,249,760</u>	<u>91,073,104</u>	<u>9,836,565</u>	<u>275,000</u>	<u>254,065,091</u>
Charitable remainder trusts	23,792,445	8,703,175	-	15,089,270	-
Beneficial interest in perpetual trusts	8,504,090	-	8,504,090	-	-
Interest rate swap agreement	308,175	-	-	308,175	-
June 30, 2017					
Investments					
Cash equivalents	\$ 7,465,989	\$ 7,465,989	\$ -	\$ -	\$ -
Domestic common stocks					
Large cap	8,723,551	8,723,551	-	-	-
Mid cap	135,624	135,624	-	-	-
Small cap	505,269	505,269	-	-	-
Foreign common stocks	1,734,089	1,734,089	-	-	-
Governmental securities	32,242,783	32,242,783	-	-	-
Fixed income securities/funds	33,771,843	24,202,225	9,569,618	-	-
Alternative investments					
Hedge funds	153,587,568	-	-	-	153,587,568
Distressed debt securities	14,160,697	-	-	-	14,160,697
Private equity and venture capital	60,782,404	-	-	-	60,782,404
Real estate	15,628,453	-	-	1,995,804	13,632,649
Natural resources	15,076,548	-	-	-	15,076,548
Total investments	<u>343,814,818</u>	<u>75,009,530</u>	<u>9,569,618</u>	<u>1,995,804</u>	<u>257,239,866</u>
Charitable remainder trusts	21,600,536	8,537,063	-	13,063,473	-
Beneficial interest in perpetual trusts	8,230,472	-	8,230,472	-	-
Interest rate swap agreement	26,199	-	-	26,199	-

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

	Real Estate	Charitable Remainder Trusts	Interest Rate Swap Agreement
Balance, July 1, 2016	\$ 275,000	\$ 13,110,797	\$ (1,923,800)
Change in value of split-interest agreements	-	(47,324)	-
Contributions	1,720,804	-	-
Payment on adjustment of interest rate swap terms	-	-	1,472,000
Gain on interest rate swap	-	-	477,999
Balance, June 30, 2017	1,995,804	13,063,473	26,199
Change in value of split-interest agreements	-	1,920,433	-
Contributions	-	105,364	-
Sale of real estate	(1,720,804)	-	-
Gain on interest rate swap	-	-	281,976
Balance, June 30, 2018	<u>\$ 275,000</u>	<u>\$ 15,089,270</u>	<u>\$ 308,175</u>

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

Unobservable (Level 3) Inputs

The fair value of the College's interest in charitable remainder trusts held by others is estimated at the present value of the estimated expected future benefits to be received and was \$15,089,270 and \$13,063,473 at June 30, 2018 and 2017, respectively. The fair value of the interest in charitable remainder trusts held by others is based on unobservable inputs such as mortality tables and a discount rate of 3.40%.

The fair value of the College's interest rate swap is based on the counterparty's proprietary model, which is based on forward-looking interest rate curves and discounted cash flows and is considered an unobservable input. No adjustments were made by the College to the fair value.

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Note 15: Functional Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis below. Certain costs have been allocated among the instruction, research, public service, academic support and library, student services, management and general, fund raising and auxiliary services based on the square footage of the College's facilities, estimates of time spent by College personnel and similar methods.

	2018	2017
Instruction	\$ 14,549,531	\$ 14,314,404
Research	1,741,513	1,706,900
Public service	3,789,828	3,326,228
Academic support and library	5,559,407	5,426,081
Student services	11,762,800	11,633,166
Management and general	5,347,366	5,364,201
Fundraising	2,635,967	2,030,962
Auxiliary services	6,945,714	7,515,887
	\$ 52,332,126	\$ 51,317,829

Note 16: Significant Estimates, Concentrations and Contingencies

Concentrations - Contributions

At June 30, 2018 and 2017, approximately 74% and 36%, respectively, of the contributions receivable balance was due from Board of Trustees' members. Additionally, at June 30, 2018, approximately 27% of contributions were received from one donor.

Contingencies

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

Pension Benefit Obligations

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