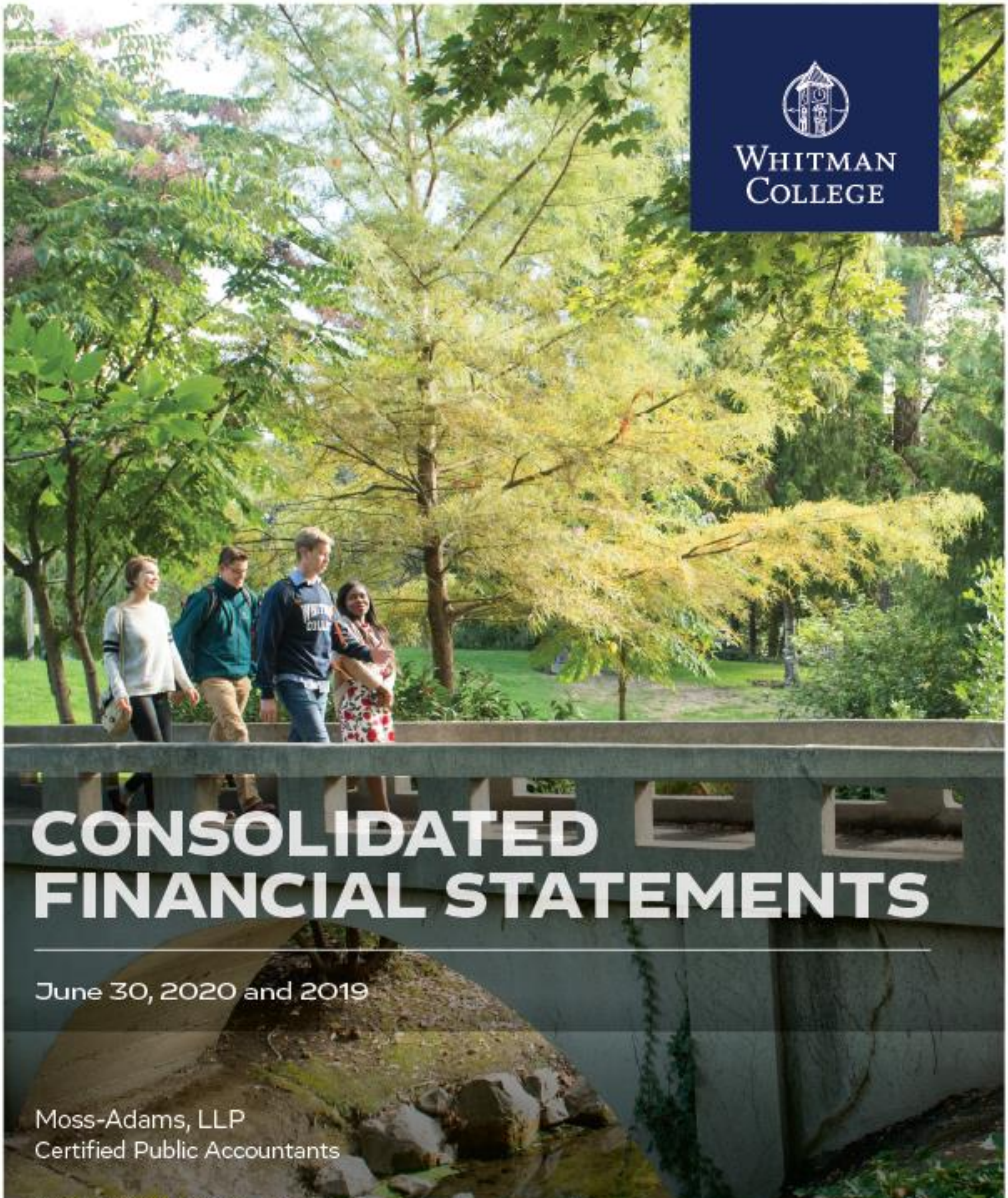

Whitman College

CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2020 and 2019

Moss-Adams, LLP
Certified Public Accountants

WHITMAN COLLEGE
Peter W. Harvey, Chief Financial Officer
Ronaldo C. Edwards, CPA, Controller

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Letter from the Chief Financial Officer and Controller

We are pleased to present Whitman College's consolidated financial statements for the years ended June 30, 2020 and 2019, for your review. Though challenged by the COVID-19 pandemic and having to implement difficult fiscal policies, the College was able to withstand the financial pressures and set itself up for sustainable growth and build on its successes for the future.

Enrollments were strong in the year, growing gross tuition revenue by $4.9 million; however, financial aid provided to students as well as COVID-19 related room and board credits saw net student revenues remain flat. Strong results from other operating activities contributed to the $3.3 million operating surplus of the overall $24.3 million increase in net assets. The strong growth in total net assets was once again a result of the great work by our Development team as well as a very solid investment strategy. The College recorded gifts and grants of over $19 million as well as $36.9 million in net investments; growth of $2.0 million and $13.0 million, respectively. Expenses increased slightly over last fiscal year as well as SWAP valuation losses. This was offset by a 6.54% endowment return; a 64% increase over the prior fiscal year. In turn, the endowment provided $25.5 million to support college operations. Of note, the College was awarded $764 thousand in CARES Act funding, of which $550 thousand was used by the College to support student needs ($275 thousand) and the rest was used to support College operations ($275 thousand).

Whitman continues to maintain its strong financial position at June 30, 2020. Assets and net assets grew to $862 million and $735 million, respectively. Whitman's endowment, exclusive of farms, grew to $561 million, 76.3% of total net assets. The College's total liabilities were just 14.7% of assets, and long-term bond debt was only 8.0% of assets. The most flexible net assets, those without donor restrictions, were 40.5% of total net assets. With the ongoing challenges in Higher education from lower enrollments, tuition discount pressures, changing demographics, and social & economic instability, Whitman's foundational financial strength and flexibility positions the College to confidently face the future.

The College changed the way in which it discloses tuition revenue. As per FASB ASC 606, revenue should be recognized based on the transaction price (net of any reductions or consideration payable to customers). Thus, reductions (institutional aid) are recognized as the College recognizes the revenue. The Statements of Activities now show tuition and fees net of institutional aid (with the actual aid shown in parentheses). Institutional aid is also now disclosed in Note 1 of the notes to the financial statements.

With ongoing uncertainty from the pandemic, Whitman will face fiscal challenges in the upcoming years. However, Whitman is in a great position to overcome those challenges thanks to the support of students, families, alumni, faculty, staff, and governing board members. Thanks to all for a successful year and an optimistic future.

Peter W. Harvey, Chief Financial Officer

Ronaldo C. Edwards, CPA, Controller

(in thousands)

June 30,	2020	2019
ASSETS		
Cash and cash equivalents	$ 24,579	$ 20,802
Inventory and prepaid expenses	802	1,334
Accounts receivable, net	1,160	488
Student loans, net	1,353	1,779
Deferred compensation	1,140	1,047
Contributions and trusts receivable, net	27,948	20,287
Investments	629,988	613,535
Land, buildings, equipment, and collections, net	175,084	175,158
Total assets	$ 862,054	$ 834,430
LIABILITIES		
Accounts payable	$ 2,248	$ 3,609
Accrued compensation and benefits	8,455	7,752
Deferred revenue and enrollment deposits	3,233	1,084
Deferred compensation	1,140	1,047
Interest rate exchange agreements	16,887	12,750
Refundable advance	2,619	2,819
Split-interest agreements	13,530	14,615
Other long-term obligations	7,942	7,262
Government loan funds payable	1,695	2,251
Bonds payable	68,952	70,140
Total liabilities	126,701	123,329
Commitments		
NET ASSETS		
Without donor restrictions	297,765	291,210
With donor restrictions	437,588	419,891
Total net assets	735,353	711,101
Total liabilities and net assets	$ 862,054	$ 834,430

Consolidated Statement of Activities
For the Year Ended June 30, 2020
(in thousands)

Whitman College

	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING ACTIVITIES			
Revenues			
Tuition and fees net of institutional financial aid (Institutional financial aid - $34,744)	$ 49,356		$ 49,356
Room and board charges	9,135		9,135
Net student revenue	58,491		58,491
Contributions and government grants	4,450	$ 3,882	8,332
Investment return, net	668	6	674
Other income, net	1,770	20	1,790
Net operating revenues	65,379	3,908	69,287
Endowment support to operations	9,903	15,567	25,470
Net assets released from restrictions	20,504	(20,504)	
Net resources funding operations	95,786	(1,029)	94,757
Expenses by function			
Instruction	33,514		33,514
Academic support	12,865		12,865
Student services	15,392		15,392
Institutional support	15,056		15,056
Auxiliary operations	14,624		14,624
Total operating expenses	91,451		91,451
Change in net assets from operating activities	4,335	(1,029)	3,306
NONOPERATING ACTIVITIES			
Contributions	94	11,514	11,608
Investment return, net	12,496	23,718	36,214
Net loss on interest rate exchange agreements	(4,137)		(4,137)
Change in split-interest agreements	155	1,046	1,201
Other income, net	1,307	223	1,530
Endowment support to operations	(9,903)	(15,567)	(25,470)
Net assets released from restrictions	2,208	(2,208)	
Change in net assets from nonoperating activities	2,220	18,726	20,946
Total change in net assets	6,555	17,697	24,252
Net assets at beginning of year	291,210	419,891	711,101
Net assets at end of year	$ 297,765	$ 437,588	$ 735,353

See notes to consolidated financial statements.

(in thousands)

	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING ACTIVITIES			
Revenues			
Tuition and fees net of institutional financial aid (Institutional financial aid - $31,780)	$ 47,388		$ 47,388
Room and board charges	10,525		10,525
Net student revenue	57,913		57,913
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	63,964	2,410	66,374
Endowment support to operations	9,433	15,015	24,448
Net assets released from restrictions	20,235	(20,235)	
Net resources funding operations	93,632	(2,810)	90,822
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	90,398		90,398
Change in net assets from operating activities	3,234	(2,810)	424
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	6,284	(6,284)	
Change in net assets from nonoperating activities	1,689	6,702	8,391
Total change in net assets	4,923	3,892	8,815
Net assets at beginning of year	286,287	415,999	702,286
Net assets at end of year	$ 291,210	$ 419,891	$ 711,101

(in thousands)

For the years ended June 30,	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 24,252	$ 8,815
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation, amortization and accretion	8,420	8,151
Net gain on investments, other assets, and liabilities	(45,041)	(25,465)
Change in value of split-interest agreements	(1,201)	(17)
Contributions restricted to long-term investment and plant	(4,874)	(6,724)
Gifts of securities and real estate	(1,544)	(1,711)
Changes in operating assets and liabilities		
Receivables, inventory and prepaid expenses	(7,534)	(6,737)
Payables, deferred revenue and enrollment deposits	735	1,652
Long-term obligations	650	547
Net cash used in operating activities	(26,137)	(21,489)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(129,509)	(57,470)
Sales and maturities of investments	164,245	76,976
Purchases of land, buildings, equipment and collections	(7,931)	(18,500)
Student loan activity, net	426	413
Net cash provided by investing activities	27,231	1,419
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal paid on long-term debt	(1,205)	(1,160)
Payments to beneficiaries	(1,509)	(1,445)
New split-interest agreements	523	59
Contributions restricted to long-term investment and plant	4,874	6,724
Net cash provided by financing activities	2,683	4,178
Net change in cash and cash equivalents	3,777	(15,892)
Cash and cash equivalents at beginning of year	20,802	36,694
Cash and cash equivalents at end of year	$ 24,579	$ 20,802
Supplemental disclosure of cash flow information		
Cash paid for interest (net of amounts capitalized)	$ 2,655	$ 2,144

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.

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. 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 the 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 summer 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. As of June 30, 2020 and 2019, the College provided institutional financial aid of $34,744 and $31,780, respectively.

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.

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

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.

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 that 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, 2020, the College had estimated tax losses of $2,893. This loss amount is carried forward to offset any positive taxable income in future tax periods and represents a potential tax benefit. The College has a valuation allowance for the entire tax benefit.

(in thousands)
Dollar amounts in thousands. 9

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.

Upcoming standards – On September 17, 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2020-07 on Topic 958, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The FASB ASU requires nonprofits to change their financial statement presentation and disclosure of contributed nonfinancial assets, or gifts-in-kind. The FASB issued the update in an effort to improve transparency in reporting nonprofit gifts-in-kind. The FASB ASU requires the new standard to be applied retrospectively, with amendments taking effect for annual reporting periods beginning after June 15, 2021, and interim periods within annual reporting periods beginning after June 15, 2022. The ASU does allow for early adoption. This change will have no material effect on the College's statement of position, activities, or cash flow.

Note 2 – Receivables and Student Loans, Net

	2020	2019
Accounts receivable		
Student and other accounts	$ 1,203	$ 518
Allowance for doubtful accounts	(43)	(30)
Total accounts receivable, net	$ 1,160	$ 488

	2020	2019
Student loans		
Federal Perkins Loan Program	$ 1,374	$ 1,806
Less allowance for doubtful accounts	(21)	(27)
Net student loans	$ 1,353	$ 1,779

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 $1,695 and $2,251 as of June 30, 2020 and 2019, 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, 2020 and 2019, the past due loan amounts were $152 and $166, respectively.

(in thousands)
Dollar amounts in thousands. 10

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 0.6% to 6.3%.

	2020	2019
Within one year	$ 5,044	$ 2,624
Between one and five years	13,538	3,314
More than five years	15,112	20,370
Gross receivable	33,694	26,308
Less allowance for uncollectible contributions	(789)	(473)
Less discount to present value	(4,957)	(5,548)
Net receivable	$ 27,948	$ 20,287

The College is the recipient of promises to give made by parties related to the College. At June 30, 2020 and 2019, such promises amounted to $13,771 and $7,828, respectively, at net present value. Of the net present value outstanding at June 30, 2020, $10,486 was from five parties related to the College.

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

	2020	2019
Undesignated	$ 5,685	$ 5,200
Operations	5,119	4,590
Plant projects	7,505	2,370
Endowments	15,385	14,148
Gross receivable	$ 33,694	$ 26,308

(in thousands)
Dollar amounts in thousands. 11

Note 3 – Land, Buildings, Equipment, and Collections

	2020	2019
Buildings	$ 245,386	$ 240,102
Accumulated depreciation	(97,772)	(90,188)
	147,614	149,914
Construction in progress	6,520	4,720
Land	16,537	16,207
Net book value of land and buildings	170,671	170,841
Equipment and books	5,465	4,973
Accumulated depreciation	(3,611)	(2,822)
Net book value of equipment and books	1,854	2,151
Collections	2,559	2,166
Net book value of land, buildings, equipment, and collections	$ 175,084	$ 175,158

The College has commitments on outstanding construction contracts of $493 as of June 30, 2020. For the years ended June 30, 2020 and 2019, interest costs of $221 and $731, 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 1.2% and 9.2% 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 $3,257 and $3,869 at June 30, 2020 and 2019, respectively.

Note 4 – Split-Interest Agreements (continued)

At June 30, 2020 and 2019, total assets held by the College under split-interest agreements amounted to $27,941 and $32,205, respectively, and of those totals, $25,424 and $29,759, respectively, are included in investments restricted for donor purposes. These investment assets are presented as commingled trusts in the fair value footnote. The College had time and purpose restricted split interest agreements of $5,822 and $5,984 for the years ended June 30, 2020 and 2019, respectively. These amounts are presented in the Net Assets footnote 10 within total net assets with donor restrictions.

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, 2020, the College has reserves of $496 for the state of California and $2,431 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, 2020 and 2019, is valued at $925 and $895, respectively.

Health insurance terminal obligation – The College has accrued an obligation for estimated costs that would be incurred if the College’s health insurance plan were terminated. The value of such termination costs at June 30, 2020 and 2019, is estimated to be $637 and $590, respectively. These amounts are presented in other long-term obligations on the consolidated statements of financial position.

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 10 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.

(in thousands)
Dollar amounts in thousands. 13

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, 2020 and 2019, the College utilized 2.38% and 3.40% 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 $685, and increase the benefit cost components by approximately $26 for the year. Projected annual benefit payments for the five years after June 30, 2020, are estimated to average $245 and the total payment amount for the following five years is an estimated $1,569.

	2020	2019
Post-retirement benefit cost		
Benefits earned	$ 55	$ 52
Interest accrued on benefits earned in prior years	152	196
Benefit cost	$ 207	$ 248
Benefits paid	$ 211	$ 193
Post-retirement benefit obligation		
Current retirees	$ 2,625	$ 2,250
Active plan participants	3,755	3,527
Total accumulated benefit obligation	$ 6,380	$ 5,777
Board designated investments to fund obligation	$ 6,452	$ 7,474

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, 2020 and 2019, amounted to $3,479 and $3,211, respectively.

(in thousands)
Dollar amounts in thousands. 14

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 1.18% for the year ended June 30, 2020. 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 1.19% for the year ended June 30, 2020. 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%, which averaged 4.39% for the year ended June 30,2020.

	2020	2019
Series 2004, Variable Rate Demand Revenue Bonds	$ 28,770	$ 28,770
Series 2008, Variable Rate Demand Revenue Bonds	23,215	24,105
Series 2017, Revenue Bonds	17,085	17,400
Subtotal WHEFA bonds	69,070	70,275
Unamortized discount/premium and issuance costs	(118)	(135)
Total	$ 68,952	$ 70,140

(in thousands)
Dollar amounts in thousands. 15

Note 7 – Bonds Payable (continued)

The bond agreements contain various restrictive covenants. The fair value of bonds payable at June 30, 2020, approximates $68,411 based on discounting the future cash flows through the scheduled maturities at rates available at June 30, 2020. The following schedules are the approximate principal payments required for these bonds.

June 30, 2021	$ 1,255
June 30, 2022	1,300
June 30, 2023	1,355
June 30, 2024	1,405
June 30, 2025	1,465
Thereafter	62,290
	$ 69,070

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, 2020 and 2019, amounted to unrealized loss of $4,137 and $3,260, 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, 2020 and 2019.

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, 2020 and 2019, 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 that 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.

(in thousands)
Dollar amounts in thousands. 17

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, 2020	Level I	Level 2	Level 3	Total
Investments				
Marketable securities	$ 89,392	$ -	$ -	$ 89,392
Commingled trusts	-	-	40,295	40,295
Alternative investments	-	-	42	42
	$ 89,392	$ -	$ 40,337	129,729
Investments measured at net asset value				
Equity (long only) funds				225,763
Alternative investments				274,496
				500,259
Total investments				$ 629,988
Interest rate exchange agreements	$ -	$ (16,887)	$ -	$ (16,887)

As of June 30, 2019	Level I	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)

(in thousands)
Dollar amounts in thousands. 18

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

Marketable securities held at June 30, 2020 and 2019, are summarized as follows:

	2020	2019
Fixed income funds	$ 40,442	$ 23,196
Balanced funds	1,416	1,376
Domestic equity funds	47,534	25,021
Total	$ 89,392	$ 49,593

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.

	Commingled Trusts	**Alternative Investments**	**Total**
Level 3 beginning balance, July 1, 2019	$ 44,823	$ 42	$ 44,865
Investment return, net	(33)	4	(29)
Purchases	1,205		1,205
Sales	(5,700)	(4)	(5,704)
Level 3 ending balance, June 30, 2020	$ 40,295	$ 42	$ 40,337

	Commingled Trusts	**Alternative Investments**	**Total**
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	(2,990)	(5)	(2,995)
Level 3 ending balance, June 30, 2018	$ 44,823	$ 42	$ 44,865

"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, 2020 and 2019, is a loss of $(565) and a gain of $1,314, respectively.

(in thousands)
Dollar amounts in thousands. 19

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, 2020, are as follows:

	Fair Value at June 30, 2020	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Equity (long only) funds (a)	$ 225,763	$ -	Daily-three years	10-90 days
Alternative investments (b)	$ 18,917	$ -	At least quarterly	30-65 days
	49,823	$ -	Beyond quarterly up to 3 years	45-90 days
	205,756	$ 129,581	Greater than 3 years	N/A
Total alternative investments	$ 274,496			

The unfunded commitments of $129,581 represent the College's commitment to make additional investments in 37 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.

(in thousands)
Dollar amounts in thousands. 20

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

Investment returns and classification according to purpose for the years ended June 30, 2020 and 2019, are summarized as follows:

	2020	2019
Investment return, net		
Interest and dividend income	$ 5,232	$ 5,228
Realized net gains	13,508	7,949
Unrealized net gain	35,650	20,776
Expenses	(17,502)	(10,030)
Total investment return, net	$ 36,888	$ 23,923
Investments according to purpose		
Donor-restricted endowment	$ 395,719	$ 381,611
Board-designated endowment	164,934	157,787
Total endowment investments	560,653	539,398
Other, trusts and reserves	69,335	74,137
Total investments	$ 629,988	$ 613,535

Note 9 – Financial Assets – Liquidity

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

	2020	2019
Cash and cash equivalents	$ 24,579	$ 20,802
Accounts receivable, net	1,160	488
Student loans, net	1,353	1,779
Contributions and trusts receivable, net	27,948	20,287
Investments	629,988	613,535
Total financial assets	$ 685,028	$ 656,891

(in thousands)
Dollar amounts in thousands. 21

Note 9 – Financial Assets – Liquidity (continued)

Of those financial assets, the following could readily be made available within one year to meet the general expenses of the College at June 30:

	2020	2019
Cash and cash equivalents	$ 19,739	$ 17,941
Accounts receivable, net	1,125	482
Contributions and trusts receivable, net	917	331
Investments	36,385	33,415
Total financial assets available	$ 58,166	$ 52,169

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 at June 30:

	2020	2019
Board-designated	$ 2,099	$ 3,650
Donor-restricted	1,450	4,280
	$ 3,549	$ 7,930

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.

(in thousands)
Dollar amounts in thousands. 22

Note 9 – Financial Assets – Liquidity (continued)

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, 2020 and 2019, the following amounts were designated for specific purposes by the board:

	2020	2019
Enrollment reserve	$ 2,331	$ 2,206
Capital construction reserve	26,310	24,649
Board-designated endowment	164,934	157,787
	$ 193,575	$ 184,642

Note 10 – Net Assets

	2020	2019
Without donor restrictions		
Operations and reserves	$ 20,060	$ 21,221
Plant related	102,832	103,748
Board designated endowment	164,934	157,787
Trusts and other	8,712	6,724
Split-interest agreements	1,227	1,730
Total net assets without donor restrictions	$ 297,765	$ 291,210
With donor restrictions:		
Operations and reserves	$ 15,103	$ 13,295
Plant related	505	3,248
Donor restricted endowment	395,719	381,611
Trusts and other	13,078	5,877
Split-interest agreements	13,183	15,860
Total net assets with donor restrictions	$ 437,588	$ 419,891

Total net assets held in perpetuity – The College's total net assets with donor restrictions consist of assets that are restricted to time or purpose, and assets held in perpetuity. Of the $437,588 and $419,891 total net assets with donor restrictions, total net assets held in perpetuity were $197,503 and $192,952 for the years ended June 30, 2020 and 2019, respectively.

Note 10 – Net Assets (continued)

Expendable net assets – The College's expendable assets are those available for operations. This consist mainly of net assets without donor restrictions and time or purpose restricted net assets, adjusted for net property, plant, and equipment; plant related debt; related-party receivable; post-employment liabilities; split-interest agreements; and annuities. The College had $6,989 of gift annuities and $5,822 of split interest agreements for a total of $12,811 in net assets with donor restrictions at year end June 30, 2020.

Endowment net assets – The College's endowment consists of approximately 970 individual funds established for a variety of purposes. These funds include 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.

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

(in thousands)
Dollar amounts in thousands. 24

Note 10 – Net Assets (continued)

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

	Without Donor Restrictions	With Donor Restrictions	Total
As of June 30, 2020			
Held for a specific period or purpose	$ -	$ 209,934	$ 209,934
Held in perpetuity	-	185,785	185,785
Board-designated	164,934	-	164,934
Total endowment net assets	$ 164,934	$ 395,719	$ 560,653

	Without Donor Restrictions	With Donor Restrictions	Total
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	157,787	-	157,787
Total endowment net assets	$ 157,787	$ 381,611	$ 539,398

Changes in endowment net assets:

	Without Donor Restrictions	With Donor Restrictions	June 30, 2020
Beginning balance	$ 157,787	$ 381,611	$ 539,398
Investment return, net	11,694	23,772	35,466
Contributions and other	4	5,903	5,907
Endowment payout	(9,903)	(15,567)	(25,470)
Transfers to endowment funds	5,352	-	5,352
Ending balance	$ 164,934	$ 395,719	$ 560,653

	Without Donor Restrictions	With Donor Restrictions	June 30, 2019
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	$ 157,787	$ 381,611	$ 539,398

(in thousands)
Dollar amounts in thousands. 25

Note 10 – Net Assets (continued)

As shown above, investment return, net, without donor restrictions was $11,694 less the endowment payout of $9,903, for a total endowment return, net of appropriations for operations, of $1,791 for the year ended June 30, 2020.

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:

	Target	Acceptable Ranges
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%
	100%	

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, 2020 and 2019, 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, 2020 or 2019.

Unconsolidated net assets – Whitman’s net assets without donor restrictions at June 30, 2020, belong to the two consolidated entities as follows:

21st Century Trust	$ 1
The Board of Trustees of Whitman College	$ 297,764

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 $2,768 and $2,403 (included in accrued compensation and benefits on the consolidated statements of financial position) at June 30, 2020 and 2019, 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 July 2020 with an increased line amount to $6,500. Interest is based on the New York Prime Rate (3.25% at June 30, 2020) plus 1.50%. There was no balance outstanding at June 30, 2020 and 2019.

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 $1,135 and $1,041 for the years ended June 30, 2020 and 2019, respectively. For June 30, 2020 and 2019, the College had future commitments to provide grain, on forward contracts, in the amount of $0 and $151, respectively.

(in thousands)
Dollar amounts in thousands. 27

Note 13 – Analysis of Expense by Function and Natural Categories

	June 30, 2020					
	Instruction	Academic Support	Student Services	Institutional Support	Auxiliary Operations	Total
Personnel	$ 27,061	$ 6,044	$ 8,582	$ 9,370	$ 3,001	$ 54,058
Services and supplies	3,082	3,580	3,002	3,275	7,078	20,017
Communications	69	36	320	1,099	74	1,598
Travel	177	801	1,445	612	86	3,121
Utilities	314	241	205	52	1,033	1,845
Interest	690	531	451	159	823	2,654
Depreciation and amortization	2,121	1,632	1,387	489	2,529	8,158
Total expense	$ 33,514	$ 12,865	$ 15,392	$ 15,056	$ 14,624	$ 91,451
Fund-raising costs (included in the institutional support function)	$ 3,748					

	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					

(in thousands)
Dollar amounts in thousands. 28

Note 14 – Net Assets Released from Restrictions

	2020	2019
Institutional financial aid	$ 9,061	$ 10,231
Functional expenses, primarily instruction and academic support	11,443	10,004
Total release for operations	20,504	20,235
Matured life contracts	609	271
Other	1,599	6,013
	2,208	6,284
Total release	$ 22,712	$ 26,519

Note 15 – Subsequent Events

Management has evaluated subsequent events for the period after June 30, 2020, through November 6, 2020, the date the consolidated financial statements were issued.

Note 16 – Risks and Uncertainties

In March 2020, the World Health Organization declared the novel coronavirus (COVID-19) a global pandemic. The related adverse public health developments, including orders to shelter-in-place, travel restrictions, and mandated business closures, have adversely affected workforces, organizations, their customers, economies, and financial markets globally, leading to increased market volatility and disruptions in normal business operations, including the College’s operations.

The College transitioned its students to online learning and almost all of its employees to remote work in mid-March of 2020. The College consults with Walla Walla Community Health officials to develop plans to bring employees back to on-campus work and students back to in-person instruction. Restrictions on the student housing have had the most significant impact to revenues. The College refunded $1,267 of student room and board after March 13, 2020, when the College ceased on-campus instruction.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Securities (“CARES”) Act was signed into law. Fifty percent of the emergency funds received by institutions must go directly to students in the form of emergency financial aid grants to cover expenses related to the disruption of campus operations due to COVID-19; the College distributed $275 directly to students. The Act allowed Institutions to use the remaining emergency funds to cover costs associated with significant changes to the delivery of instruction due to COVID-19; the College used the remaining $275 to help offset room and board refunds to students.

Note 16 – Risks and Uncertainties (continued)

The College Administration has been closely monitoring the impact of COVID-19 on the College's operations, including the impact on its students and employees. The duration and intensity of the pandemic is uncertain but may influence student enrollment and housing decisions, donor decisions, investment performance, and may also negatively impact collections of College receivables. The College will take appropriate steps as necessary to minimize the financial impact.

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, 2020 and 2019, 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, 2020 and 2019, 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.

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 6, 2020

We, the undersigned, certify that:

1. We have reviewed the consolidated financial statements of Whitman College (the College) for the years ended June 30, 2020 and 2019.
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 reporting.

DocuSigned by:
Kathleen Murray
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Kathleen M. Murray, President

DocuSigned by:
Peter Harvey
1348CDA0B5B0414...
Peter W. Harvey, Chief Financial Officer

DocuSigned by:
Ronaldo C. Edwards
7B600EBC02504F5...
Ronaldo C. Edwards, Controller

November 6, 2020
Date