CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2023 and 2022

Moss Adams LLP
Certified Public Accountants

WHITMAN COLLEGE
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As Whitman College's operations normalize during a time in which the world continues to shift to the endemic chapter of COVID-19, the College's accompanying financial statements for the years ended June 30, 2023 and 2022 reflect its financial sustainability, fundamental strength, and flexibility to strategically and confidently face the future amid ongoing challenges in higher education. These challenges include lower enrollments, tuition discount pressures, changing demographics, attracting and retaining a talented workforce, and social and economic instability.

Student enrollment of 1,468 and an overall discount rate of 49% were both slightly below the College's budget for the year ended June 30, 2023, resulting in net student revenues held steady. The College's consolidated statement of activities for the year ended June 30, 2023 show the following:

- Net student revenue was $55.6 million, a decline of $1.1 million due to an increase of institutional financial aid awarded to students;
- Contributions and grants remained consistent with $24.8 million received at net present value;
- The endowment contributed $30.8 million in support of operations (with and without donor restrictions), an increase of $3.6 million;
- Operating expenses were $98.2 million, an increase of $7.6 million;
- Net activity from operations contributed $2.5 million to net assets; and
- Overall, net assets increased by $60.4 million at year-end.

Whitman College has strengthened its financial position as of June 30, 2023. Assets and net assets grew to $1.02 billion and $896.4 million, respectively. The College's investment strategies continue to support the institution's operations with stability during a period of financial turbulence. The overall increase to net assets was largely due to an economic upturn in the market, resulting in an investment return of $75.9 million, net of $1.8 million in taxes paid. Whitman's endowment realized an investment return of 10.7% and grew to $699.3 million, or 78% of total net assets. The College's total liabilities were just 11.8% of assets, and long-term bond debt was only 7.5% of assets. The most flexible net assets, those without donor restrictions, were 39.5% of total net assets. Finally, as another sign of financial strength, the College's most recent long-term credit rating received by Moody's Investor Service, Inc. was AA3.

Recently, the College publicly launched its campaign "Upward Together" to advance its liberal arts mission by realizing the following priorities: access and affordability; academic excellence and distinction; vibrant campus community; advancing diversity, equity, and inclusion; strong graduate launches for all students; and the Whitman Fund in order to help meet our students' immediate needs. This campaign for Whitman College is a call to action to move Whitman forward, grow its impact, and continually rise upward, together. Whitman's success could not happen without the support of our students, families, alumni, faculty, staff, Board of Trustees, and friends. Our thanks to all our friends, alumni, donors, and stakeholders for building an even brighter future for Whitman College.

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Consolidated Statements of Financial Position (in thousands) Whitman College

June 30,	2023	2022
ASSETS		
Cash, cash equivalents, and restricted cash	$ 49,733	$ 63,454
Inventory and prepaid expenses	1,167	649
Accounts receivable, net	721	727
Student loans, net	576	738
Deferred compensation	1,155	1,047
Contributions and trusts receivable, net	23,771	17,908
Investments	766,138	701,545
Property, plant, and equipment, net	173,015	165,687
Total Assets	$1,016,276	$ 951,755
LIABILITIES		
Accounts payable	$ 4,302	$ 1,535
Accrued compensation and benefits	7,710	8,195
Deferred revenue and enrollment deposits	1,680	1,863
Deferred compensation	1,155	1,047
Taxes payable	50	1,500
Refundable advance	2,032	2,218
Split-interest agreements	13,993	13,912
Asset retirement obligation	4,779	988
Health insurance terminal obligation	671	561
Farm beneficiary payments obligation	1,558	-
Postretirement benefits payable	4,618	4,875
Government loan funds payable	682	989
Bonds payable	76,626	78,058
Total Liabilities	119,856	115,741
NET ASSETS		
Without donor restrictions	354,254	334,353
With donor restrictions	542,166	501,661
Total Net Assets	896,420	836,014
Total Liabilities and Net Assets	$1,016,276	$ 951,755

Consolidated Statement of Activities
For the Year Ended June 30, 2023
(in thousands)

	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING ACTIVITIES			
Revenues			
Tuition and fees net of institutional financial aid	$ 43,835		$ 43,835
(Institutional financial aid - $41,505)			
Room and board charges	11,783		11,783
Net student revenue	55,618		55,618
Contributions and government grants	2,572	$ 6,891	9,463
Investment return, net	3,342	47	3,389
Other income, net	1,237	190	1,427
Net Operating Revenues	62,769	7,128	69,897
Endowment support to operations	11,672	19,108	30,780
Net assets released from restrictions	23,655	(23,655)	-
Net Resources Funding Operations	98,096	2,581	100,677
Expenses By Function			
Instruction	32,425		32,425
Academic support	13,694		13,694
Student services	19,846		19,846
Institutional support	17,330		17,330
Auxiliary operations	14,928		14,928
Total Operating Expenses	98,223		98,223
Change in Net Assets From Operating Activities	(127)	2,581	2,454
NONOPERATING ACTIVITIES			
Contributions	1,842	13,538	15,380
Investment return, net	25,285	47,200	72,485
Change in split-interest agreements	(533)	(984)	(1,517)
Other income, net	1,926	458	2,384
Endowment support to operations	(11,672)	(19,108)	(30,780)
Net assets released from restrictions	3,180	(3,180)	-
Change in Net Assets From Nonoperating Activities	20,028	37,924	57,952
Total Change in Net Assets	19,901	40,505	60,406
Net Assets at Beginning of Year	334,353	501,661	836,014
Net Assets at End of Year	$ 354,254	$ 542,166	$ 896,420

Consolidated Statement of Activities
For the Year Ended June 30, 2022
(in thousands)

	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING ACTIVITIES			
Revenues			
Tuition and fees net of institutional financial aid (Institutional financial aid - $40,174)	$ 44,785		$ 44,785
Room and board charges	11,909		11,909
Net student revenue	56,694		56,694
Contributions and government grants	3,845	$ 3,378	7,223
Investment return / (loss), net	(939)	10	(929)
Other income, net	637	9	646
Net Operating Revenues	60,237	3,397	63,634
Endowment support to operations	10,407	16,820	27,227
Net assets released from restrictions	23,424	(23,424)	-
Net Resources Funding Operations	94,068	(3,207)	90,861
Expenses By Function			
Instruction	31,797		31,797
Academic support	12,498		12,498
Student services	17,050		17,050
Institutional support	15,518		15,518
Auxiliary operations	13,762		13,762
Total Operating Expenses	90,625		90,625
Change in Net Assets From Operating Activities	3,443	(3,207)	236
NONOPERATING ACTIVITIES			
Contributions	863	17,075	17,938
Investment loss, net	(60,190)	(109,359)	(169,549)
Net gain on interest rate exchange agreements	1,179	-	1,179
Change in split-interest agreements	(50)	3,626	3,576
Other income, net	1,639	484	2,123
Endowment support to operations	(10,407)	(16,820)	(27,227)
Net assets released from restrictions	7,555	(7,555)	-
Change in Net Assets From Nonoperating Activities	(59,411)	(112,549)	(171,960)
Total Change in Net Assets	(55,968)	(115,756)	(171,724)
Net Assets at Beginning of Year	390,321	617,417	1,007,738
Net Assets at End of Year	$ 334,353	$ 501,661	$ 836,014

(in thousands)

For the Years Ended June 30,	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 60,406	$ (171,724)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation, amortization, and accretion	8,729	8,813
Net (gain) / loss on investments, other assets, and liabilities	(83,959)	162,652
Change in value of split-interest agreements	1,517	(3,576)
Contributions restricted to long-term investment and plant	(12,639)	(23,113)
Gifts of collections and investment real estate	(1,754)	(595)
Changes in operating assets and liabilities		
Receivables, inventory, and prepaid expenses	(5,602)	5,911
Payables, deferred revenue, and enrollment deposits	156	(2,814)
Long-term obligations	5,029	(1,397)
Net cash used in operating activities	(28,117)	(25,843)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(63,498)	(238,433)
Sales and maturities of investments	81,635	262,932
Purchases of land, buildings, equipment, and collections	(14,316)	(5,122)
Student loan activity, net	162	284
Net cash provided by investing activities	3,983	19,661
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal paid on long-term debt	(1,245)	(51,400)
Proceeds from bond issue	-	62,383
Cost to issue bonds	-	(782)
Payments to beneficiaries	(1,550)	(1,545)
New split-interest agreements	569	1,338
Contributions restricted to long-term investment and plant	12,639	23,113
Net cash provided by financing activities	10,413	33,107
Net change in cash and cash equivalents	(13,721)	26,925
Cash, cash equivalents, and restricted cash at beginning of year	63,454	36,529
Cash, cash equivalents, and restricted cash at end of year	$ 49,733	$ 63,454
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest (net of amounts capitalized)	$ 2,331	$ 2,390
Cash paid for income taxes (net of refunds)	$ 3,245	$ 1,752

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 and the 21st Century Trust. All significant intercompany transactions have been eliminated.

Cash, Cash Equivalents, and Restricted Cash – Cash equivalents are highly liquid investments with original maturities of three months or less. 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. Restricted cash consisted of funds for the Federal Perkins Loan program of $185 and $326 as of June 30, 2023 and 2022, respectively.

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.

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

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.

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 21st Century Trust is a separate qualified 501(c)(3) tax entity that is consolidated in these financial statements. For the years ended June 30, 2023 and 2022, management estimates that the College has generated unrelated business income from its investment activity of approximately $633 and $8,000, respectively, which is taxed at the federal corporate tax rate of 21% and various state income tax rates. As a result, management estimates that the College has incurred a tax liability at June 30, 2023 and 2022 totaling approximately $133 and $1,700, respectively, of which $20 and $800, respectively, net of tax estimates paid, have been recorded as taxes payable on the consolidated statements of financial position.

On December 22, 2017, the Tax Cuts and Jobs Act (the “Act”) was enacted. The Act impacts the College in the addition of a federal excise tax of 1.4% on its net investment income for the years ended June 30, 2023 and 2022, due to the College meeting the threshold of its endowment value being over $500 per tuition-paying student as of June 30, 2022 and 2021, respectively. The College records an estimate for related tax expense based on currently available regulatory guidance of the Act, and continues to evaluate the impact of the Act on current and future tax positions. An estimate of the College’s tax liability for the federal excise tax at June 30, 2023 and 2022 totaling approximately $30 and $700, respectively, which has been recorded as taxes payable on the consolidated statements of financial position.

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.

Asset Retirement Obligation – Asset retirement obligation includes legal environmental obligations associated with the retirement of long-lived assets. These liabilities are recorded at fair value when incurred and are capitalized by increasing the carrying amount of the associated long-lived asset. The fair value of each obligation is measured based on the present value of estimated future retirement costs. Asset retirement costs are depreciated on a straight-line basis over the useful life of the associated asset. Subsequent to the initial recognition, period-to-period changes in the carrying amount of the liability are recorded due to the passage of time and revisions to either the timing or amount of the original estimated cash flows. The liability is removed when the related obligation is settled.

Revenue and Expense Recognition – Revenue is reported as an increase to net assets without donor restrictions, unless donor restrictions are imposed. 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.

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

Net Student Revenue – The College recognizes revenue from student tuition and fees and room and board charges within the 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, gifts, and other revenue without donor restrictions of the College and is reported as a reduction of student revenues. As of June 30, 2023 and 2022, the College provided institutional financial aid of $41,505 and $40,174, respectively.

Contributions – Unconditional contributions, including promises to give, are recognized as revenue in the period received and are reported as increases in the appropriate category of net assets. Unconditional promises to give are initially recorded at fair value using the present value of future cash flows, discounted using a risk adjusted rate. Subsequent measurements of unconditional promises to give do not represent fair value. Contributions that include a measurable barrier or those for which the College has limited discretion over how the contribution should be spent and a right of return or release from future obligations are recorded as conditional contributions. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are met. Contributions of assets other than cash are recorded at their estimated fair value at the date of receipt. Contributions to be received in future periods are discounted at an appropriate discount rate. Amortized discounts are recorded as additional contribution revenue and are subject to donor-imposed restrictions.

Government Grants – Revenues from government grants are considered to be contributions as the transactions are non-reciprocal in nature and contain a right of return. As such, revenues from grants are recognized when the conditions are met, that is, as allowable expenditures under such agreements are incurred, and reported as increases in net assets without donor restrictions. As restrictions were met in the same period, these grants were reported as changes in net assets without donor restrictions.

Other Income, Net – Such revenue consists mainly of sales from the College Bookstore and net revenues from rental properties and farming activities The revenues are recognized over the course of each term as the goods and services are delivered.

Receivables and Student Loans, Net – Collectability of student accounts, notes receivable, and contributions receivable are reviewed both individually and in the aggregate. Allowances have been established based on experience, and balances deemed uncollectible are written off through a charge to bad debt expense or the provision for doubtful accounts and a decrease to accounts, notes, or contributions receivable. The College follows federal guidelines for determining when student loans are delinquent or past due for both federal and institutional loans.

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

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

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

Academic Support – These are costs 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 College. 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 Outdoor 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 the Vice President for Finance and Administration, 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.

Reclassification – Certain items previously reported in the prior year consolidated financial statements have been reclassified for consistency with current year presentations. These reclassifications had no net effect on the College's financial position, activities and changes in net assets, or cash flows.

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.

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.

(in thousands)

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

Recent Accounting Pronouncements – On June 16, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-13, *Measurement of Credit Losses on Financial Instruments (Topic 326),* which replaces the current GAAP incurred loss impairment methodology with one that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The guidance is effective for annual reporting periods beginning after December 15, 2022. Management is currently evaluating the impact this will have on the College's future financial statements.

Note 2 – Receivables and Student Loans, Net, and Related Parties

	2023	2022
Accounts Receivable		
Student and other accounts	$ 767	$ 773
Allowance for doubtful accounts	(46)	(46)
Total accounts receivable, net	$ 721	$ 727

	2023	2022
Student Loans		
Federal perkins loan program	$ 585	$ 750
Less allowance for doubtful accounts	(9)	(12)
Total student loans, net	$ 576	$ 738

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 $682 and $989 as of June 30, 2023 and 2022, 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, 2023 and 2022, the past due loan amounts were $202 and $175, respectively.

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 0.62% to 6.48%.

The College is the recipient of promises to give made by parties related to the College. At June 30, 2023 and 2022, such promises amounted to $10,177 and $5,176, respectively, at net present value. Of the net present value outstanding at June 30, 2023, $6,319 was from two parties related to the College.

(in thousands)

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

	2023	2022
Within one year	$ 2,279	$ 3,020
Between one and five years	3,438	3,760
More than five years	25,126	16,013
Total contributions and trusts receivable, gross	30,843	22,793
Less allowance for uncollectible contributions	(622)	(296)
Less discount to present value	(6,450)	(4,589)
Total contributions and trusts receivable, net	$ 23,771	$ 17,908

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

	2023	2022
Undesignated	$ 700	$ 2,231
Operations	4,175	4,340
Plant projects	10,945	969
Endowments	15,023	15,253
Total contributions and trusts receivable, gross	$ 30,843	$ 22,793

Note 3 – Property, Plant, and Equipment

Property, plant, and equipment consisted of the following at June 30:

	2023	2022
Buildings	$ 258,224	$ 252,376
Accumulated depreciation	(118,160)	(110,055)
Net book value of buildings	140,064	142,321
Land	18,514	16,769
Construction in progress	9,072	1,670
Net book value of land and buildings	167,650	160,760
Equipment and books	5,296	4,366
Accumulated depreciation	(3,253)	(2,617)
Net book value of equipment and books	2,043	1,749
Collections	3,322	3,178
Net book value of property, plant, and equipment	$ 173,015	$ 165,687

Note 3 – Property, Plant, and Equipment (continued)

The College has commitments on outstanding construction contracts of $4,899 as of June 30, 2023. For the years ended June 30, 2023 and 2022, interest costs of $176 and $66, 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 $3,116 and $2,860 at June 30, 2023 and 2022, respectively.

At June 30, 2023 and 2022, total assets held by the College under split-interest agreements amounted to $30,118 and $29,852, respectively, and of those totals, $29,106 and $27,374, respectively, are included in investments restricted for donor purposes. These investment assets are presented as commingled trusts in the Fair Value of Assets and Liabilities note 8. The remainder of the total assets held by the College under split-interest agreements are included in contributions and trusts receivable restricted for donor purposes. The College had time and purpose restricted split interest agreements of $15,133 and $14,642 for the years ended June 30, 2023 and 2022, respectively. These amounts are presented in the Net Assets note 10 within total net assets with and without 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, 2023, the College has reserves of $450 for the state of California and $2,428 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.

(in thousands)

Note 5 – Other Long-Term Obligations (continued)

The following schedule summarize the College's asset retirement obligation activity:

	2023	2022
Asset retirement obligation, beginning of the year	$ 988	$ 955
Obligations settled	(63)	-
Obligations incurred	3,680	-
Accretion expense	174	33
Asset retirement obligation, end of the year	$ 4,779	$ 988

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, 2023 and 2022, is estimated to be $671 and $561, respectively.

Farm Beneficiary Payments Obligation – The College was gifted a farm during the year ended June 30, 2023. Per the signed gift annuity agreement, as consideration of the property transferred by the donor, the College will pay an annual annuity of $65 for the life of the donor. TIAA Kaspick, the College's third-party gift and endowment manager, used the farm's appraised value in calculating the gift annuity market value and the associated annual beneficiary payments to be made; however, the farm is not held in trust and is instead owned by the College. The College has recognized the farm as land for $1,610 in property, plant, and equipment on the consolidated statement of financial position at June 30, 2023. The College will make annual payments to TIAA Kaspick to cover the beneficiary payment plus administrative fees from the farm's annual net income. The value of such future payments is estimated to be $1,558 at June 30, 2023.

Postretirement Benefits Payable – 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 5%.

The calculation and current assumptions used by the College are periodically reviewed by an actuary. At June 30, 2023 and 2022, the College utilized 4.80% and 4.34% discount rates, respectively, to determine the actuarial present value of the obligation, and a 5% health care cost trend rate for both years. A 1% increase in each year of the annual trend rate would increase the accumulated obligation by approximately $379, and increase the benefit cost components by approximately $21 for the year. Projected annual benefit payments for the five years after June 30, 2023, are estimated to average $238 and the total payment amount for the following five years is an estimated $1,514.

(in thousands)

Note 5 – Other Long-Term Obligations (continued)

	2023	2022
Post-retirement benefit cost		
Benefits earned	$ 22	$ 24
Interest accrued on benefits earned in prior years	222	212
Total post-retirement benefit cost	$ 244	$ 236
Post-retirement benefits paid	$ 205	$ 214
Post-retirement benefit obligation		
Current retirees	$ 1,262	$ 1,440
Active plan participants	3,356	3,435
Total accumulated benefit obligation	$ 4,618	$ 4,875
Board-designated investments to fund obligation	$ 7,820	$ 7,304

Note 6 – Retirement Plan

The College's 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, 2023 and 2022, amounted to $3,407 and $3,152, respectively.

Note 7 – Bonds Payable

The state of Washington provides taxable and 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 premium, discounts, and issuance costs for each bond issue are amortized using the effective-interest method until maturity. The College's long-term credit rating is "AA3" by Moody's Investor Service, Inc.

On January 5, 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 are secured by revenues, gains, and other support without donor restrictions and bear rates between 4% and 5%, which averaged 4.40% for the year ended June 30, 2023.

(in thousands)

Note 7 – Bonds Payable (continued)

On November 30, 2021, WHEFA issued $21,825 of fixed rate, tax-exempt bonds Series 2021A and $36,240 of fixed rate, taxable bonds Series 2021B on behalf of the College to refinance the Series 2008 and Series 2004 bonds previously issued, respectively. The proceeds of these Series 2021A and 2021B bonds also paid off the interest rate exchange agreements that were valued at $4,491 and $7,014, respectively, at closing. The Series 2021A bonds require annual principal payments starting January 1, 2023 through January 1, 2038, and were issued at a net premium of $4,318. The bonds bear interest rates between 4% and 5%, which averaged 4.52% for the year ended June 30, 2023. The Series 2021B bonds require a single principal payment due January 1, 2029 and bear interest at 2.34%. Both bonds are secured by revenues, gains, and other support without donor restrictions.

	2023	2022
Series 2017, Revenue Refunding Bonds (Tax-Exempt)	$ 16,055	$ 16,415
Series 2021A, Revenue Refunding Bonds (Tax-Exempt)	20,940	21,825
Series 2021B, Revenue Refunding Bonds (Taxable)	36,240	36,240
Subtotal WHEFA bonds	73,235	74,480
Unamortized bond premiums	4,269	4,543
Unamortized bond discounts and issuance costs	(878)	(965)
Subtotal unamortized bond premiums, discounts, and issuance costs	3,391	3,578
Total bonds payable	$ 76,626	$ 78,058

The bond agreements contain annual reporting requirements. The following schedules are the approximate principal payments required for these bonds:

June 30, 2024	$ 1,380
June 30, 2025	1,450
June 30, 2026	1,520
June 30, 2027	1,595
June 30, 2028	1,670
Thereafter	65,620
	$ 73,235

Note 8 – Fair Value of Assets and Liabilities

Borleske Stadium Association – The College is a one-third member of the Borleske Stadium Association (the Association), a Washington non-profit corporation. The Association was formed in the early 1920's to operate the stadium and grounds for the community of Walla Walla, the Walla Walla School District, and Whitman College. Each member pays dues to the Association, of which the College paid $80 and $78 for the years ended June 30, 2023 and 2022, respectively. The College accounts for the investment under the equity method of accounting and estimated its one-third share of the Association's net assets at June 30, 2023 to be $185, which is presented in investments on the consolidated statement of financial position.

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

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

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, 2023 and 2022.

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, 2023 and 2022, 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.

(in thousands)

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

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. 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.

The College measures the fair value for certain investments that are not exchange traded using net asset value as a practical expedient. The practical expedient would not be used if it was determined to be probable that the College will sell the investment for an amount different from the reported net asset value. In accordance with FASB ASC Subtopic 820-10, an investment measured at fair value using the net asset value per share practical expedient has not been classified in the fair value hierarchy.

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, 2023	**Level 1**	**Level 2**	**Level 3**	**Total**
Investments in the fair value hierarchy:				
Marketable securities	$ 122,452	$ -	$ -	$ 122,452
Commingled trusts	-	-	44,107	44,107
Alternative investments	-	-	42	42
Total	$ 122,452	$ -	$ 44,149	166,601
Investments measured at net asset value:				
Equity (long only) funds				280,766
Alternative investments				318,586
Total				599,352
Total investments measured at fair value				765,953
Investments under the equity method:				
Borleske Stadium Association				185
Total investments				$ 766,138

(in thousands)

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

As of June 30, 2022	Level 1	Level 2	Level 3	Total
Investments in the fair value hierarchy:				
Marketable securities	$ 111,960	$ -	$ -	$ 111,960
Commingled trusts	-	-	42,062	42,062
Alternative investments	-	-	42	42
Total	$ 111,960	$ -	$ 42,104	154,064
Investments measured at net asset value:				
Equity (long only) funds				261,692
Alternative investments				285,789
Total				547,481
Total investments				$ 701,545

Marketable securities held at June 30, 2023 and 2022, are summarized as follows:

	2023	2022
Fixed income funds	$ 57,416	$ 54,438
Balanced funds	1,616	1,514
Domestic equity funds	63,420	56,008
Total	$ 122,452	$ 111,960

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, 2022	$ 42,062	$ 42	$ 42,104
Investment return, net	3,200	8	3,208
Purchases	1,799	-	1,799
Sales	(2,954)	(8)	(2,962)
Level 3 ending balance, June 30, 2023	$ 44,107	$ 42	$ 44,149

(in thousands)

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

	Commingled Trusts	Alternative Investments	Total
Level 3 beginning balance, July 1, 2021	$ 49,367	$ 42	$ 49,409
Investment return / (loss), net	(7,016)	47	(6,969)
Purchases	2,858	-	2,858
Sales	(3,147)	(47)	(3,194)
Level 3 ending balance, June 30, 2022	$ 42,062	$ 42	$ 42,104

"Investment return / (loss), 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, 2023 and 2022, is a gain of $2,798 and a gain of $7,396, respectively.

The fair value, unfunded commitments, and redemption restrictions for investments reported at net asset value as of June 30, 2023, are as follows:

	Fair Value at June 30, 2023	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Equity (long only) funds (a)	$ 280,766	$ -	Daily-three years	10-90 days
Alternative investments (b)	530	$ -	At least quarterly	30-65 days
	35,017	$ -	Beyond quarterly up to 3 years	45-90 days
	283,039	$ 103,706	Greater than 3 years	N/A
Total alternative investments	318,586			
Total investments measured at net asset value	$ 599,352			

The unfunded commitments of $103,706 represent the College's commitment to make additional investments in 33 limited partnerships.

(a) Equity (long only) funds are commingled funds whose managers invest in publicly traded domestic and international securities. Some funds participating in securities lending programs may be invested in short-term investment vehicles collateralized by cash, US Treasury, and/or government agency issues. Investments are well diversified geographically, but managers may overweight investments in specific markets opportunistically.

(b) The managers of alternative investment funds use a variety of strategies and vehicles to benefit from perceived mispricings in investment markets or to manage risk within their portfolios. Underlying holdings include the following:

- Private securities are illiquid securities, most of which were donated to the College. A portion of these assets are held for their income-generating capacity while others will be sold at the next available opportunity.

(in thousands)

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

- 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.

Investment returns or losses and classification according to purpose for the years ended June 30, 2023 and 2022, are summarized as follows:

	2023	2022
Investment return / (loss), net		
Interest and dividend income	$ 8,510	$ 6,068
Realized net gains	28,817	16,976
Unrealized net gain / (loss)	54,382	(192,093)
Expenses	(15,835)	(1,429)
Total investment return / (loss), net	$ 75,874	$ (170,478)
Investments according to purpose		
Donor-restricted endowment	$ 498,024	$ 466,113
Board-designated endowment	201,286	189,348
Total endowment investments	699,310	655,461
Other, trusts and reserves	66,828	46,084
Total investments	$ 766,138	$ 701,545

(in thousands)

Note 9 – Financial Assets Liquidity

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

	2023	2022
Cash, cash equivalents, and restricted cash	$ 49,733	$ 63,454
Accounts receivable, net	721	727
Student loans, net	576	738
Contributions and trusts receivable, net	23,771	17,908
Investments	766,138	701,545
Total financial assets	$ 840,939	$ 784,372

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:

	2023	2022
Cash and cash equivalents	$ 35,858	$ 33,737
Accounts receivable, net	721	727
Contributions and trusts receivable, net	285	340
Investments	37,001	32,189
Total financial assets available	$ 73,865	$ 66,993

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:

	2023	2022
Board-designated	$ 4,951	$ 4,098
Donor-restricted	1,685	1,163
	$ 6,636	$ 5,261

In addition to financial assets available to meet general expenditures over the next 12 months, the College operates with a balanced budget.

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.

(in thousands)

Note 9 – Financial Assets Liquidity (continued)

At June 30, 2023 and 2022, the following amounts were designated for specific purposes by the board:

	2023	2022
Enrollment reserve	$ 2,967	$ 2,717
Capital construction reserve	31,969	31,267
Board-designated endowment	201,286	189,348
	$ 236,222	$ 223,332

Note 10 – Net Assets

Total Net Assets – 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 $542,166 and $501,661 total net assets with donor restrictions, total net assets held in perpetuity were $229,236 and $224,119 for the years ended June 30, 2023 and 2022, respectively.

	2023	2022
Without donor restrictions		
Operations and reserves	$ 28,507	$ 28,442
Plant related	115,165	109,833
Board-designated endowment	201,286	189,348
Trusts and other	8,304	5,432
Split-interest agreements	992	1,298
Total net assets without donor restrictions	$ 354,254	$ 334,353
With donor restrictions		
Operations and reserves	$ 20,136	$ 17,706
Plant related	1,015	625
Donor restricted endowment	498,024	466,113
Trusts and other	7,858	2,575
Split-interest agreements	15,133	14,642
Total net assets with donor restrictions	$ 542,166	$ 501,661

Endowment Net Assets – The College's endowment consists of approximately 1,016 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.

(in thousands)

Note 10 – Net Assets (continued)

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

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

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

	Without Donor Restrictions	With Donor Restrictions	Total
As of June 30, 2023			
Held for a specific period or purpose	$ -	$ 280,950	$ 280,950
Held in perpetuity	-	217,074	217,074
Board-designated	201,286	-	201,286
Total endowment net assets	$ 201,286	$ 498,024	$ 699,310

	Without Donor Restrictions	With Donor Restrictions	Total
As of June 30, 2022			
Held for a specific period or purpose	$ -	$ 254,515	$ 254,515
Held in perpetuity	-	211,598	211,598
Board-designated	189,348	-	189,348
Total endowment net assets	$ 189,348	$ 466,113	$ 655,461

Changes in endowment net assets consisted of the following:

	Without Donor Restrictions	With Donor Restrictions	June 30, 2023
Beginning balance	$ 189,348	$ 466,113	$ 655,461
Investment return, net	20,478	45,554	66,032
Contributions and other	1	5,465	5,466
Endowment payout	(11,672)	(19,108)	(30,780)
Transfers to endowment funds	3,131	-	3,131
Ending balance	$ 201,286	$ 498,024	$ 699,310

(in thousands)

Note 10 – Net Assets (continued)

	Without Donor Restrictions	With Donor Restrictions	June 30, 2022
Beginning balance	$ 241,906	$ 570,809	$ 812,715
Investment loss, net	(44,797)	(109,709)	(154,506)
Contributions and other	6	21,833	21,839
Endowment payout	(10,407)	(16,820)	(27,227)
Transfers to endowment funds	2,640	-	2,640
Ending balance	$ 189,348	$ 466,113	$ 655,461

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, 2023 and 2022, 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. Such deficiencies amounted to $496 and $2,019 as of June 30, 2023 and 2022 for 15 and 25 endowment funds, respectively, with an original gift value of $14,972 and $21,821 as of June 30, 2023 and 2022, respectively.

(in thousands)

Note 10 – Net Assets (continued)

Unconsolidated Net Assets – Whitman's net assets without donor restrictions at June 30, 2023, belong to the two consolidated entities as follows:

21st Century Trust	$	1
The Board of Trustees of Whitman College	$	354,253

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 $150 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 $2,283 and $2,774 (included in accrued compensation and benefits on the consolidated statements of financial position) at June 30, 2023 and 2022, 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 $6,500 unsecured line of credit, which matured December 31, 2022 and was subsequently renewed with a maturity of December 31, 2023. Interest is based on the New York Prime Rate (8.25% at June 30, 2023) plus 1.50%. There was no balance outstanding at June 30, 2023 and 2022.

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 $1,308 and $1,217 for the years ended June 30, 2023 and 2022, respectively. For June 30, 2023 and 2022, the College had future commitments to provide grain, on forward contracts, in the amount of $0 and $228, respectively.

(in thousands)

Note 13 – Analysis of Expense by Function and Natural Categories

	June 30, 2023					
	Instruction	Academic Support	Student Services	Institutional Support	Auxiliary Operations	Total
Personnel	$ 25,751	$ 6,264	$ 9,412	$ 10,064	$ 2,842	$ 54,333
Services and supplies	2,969	4,038	5,612	4,628	7,162	24,409
Communications	56	42	364	657	70	1,189
Travel	473	907	2,381	1,267	190	5,218
Utilities	432	333	283	81	1,392	2,521
Interest	606	466	396	140	723	2,331
Depreciation and amortization	2,138	1,644	1,398	493	2,549	8,222
Total expense	$ 32,425	$ 13,694	$ 19,846	$ 17,330	$ 14,928	$ 98,223
Fund-raising costs (included in the institutional support function)				$ 4,194		

	June 30, 2022					
	Instruction	Academic Support	Student Services	Institutional Support	Auxiliary Operations	Total
Personnel	$ 25,946	$ 5,753	$ 8,116	$ 8,647	$ 2,518	$ 50,980
Services and supplies	2,298	3,773	4,842	4,634	6,574	22,121
Communications	73	46	332	756	65	1,272
Travel	325	499	1,698	770	75	3,367
Utilities	330	253	215	59	1,160	2,017
Interest	621	478	406	143	742	2,390
Depreciation and amortization	2,204	1,696	1,441	509	2,628	8,478
Total expense	$ 31,797	$ 12,498	$ 17,050	$ 15,518	$ 13,762	$ 90,625
Fund-raising costs (included in the institutional support function)				$ 3,460		

Note 14 – Net Assets Released from Restrictions

	2023	2022
Institutional financial aid	$ 11,785	$ 12,286
Functional expenses, primarily instruction and academic support	11,870	11,138
Total release for operations	23,655	23,424
Matured life contracts	295	516
Other	2,885	7,039
Total release for nonoperations	3,180	7,555
Total release from restrictions	$ 26,835	$ 30,979

Note 15 – Subsequent Events

Management has evaluated subsequent events for the period after June 30, 2023, through November 14, 2023, 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 pandemic has impacted the College's operations during the years ended June 30, 2023 and 2022.

As COVID-19 becomes endemic, the College will continue to closely monitor its impact on its operations, including the impact on its students and employees. The duration and intensity of the economic uncertainty may influence student enrollment and housing decisions, donor decisions, investment performance, employee retention and morale, and may also negatively impact collections of the College's receivables. The College will take any appropriate steps as necessary to minimize the financial impact.

Report of Independent Auditors

The Board of Trustees
Whitman College

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Whitman College, which comprise the consolidated statements of financial position as of June 30, 2023 and 2022, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Whitman College as of June 30, 2023 and 2022, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Whitman College and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Whitman College's ability to continue as a going concern for one year after the date that the consolidated financial statements are issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Whitman College's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Whitman College's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control–related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards and notes to schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the schedule of financial responsibility data (supplementary information) are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The Letter from the Vice President of Finance and Administration and the Assistant Vice President for Finance and Controller and Consolidated Financial Statement Certification have 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2023, on our consideration of Whitman College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Whitman College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Whitman College's internal control over financial reporting and compliance.

Moss Adams LLP

Yakima, Washington
November 14, 2023

We, the undersigned, certify that:

1. We have reviewed the consolidated financial statements of Whitman College (the College) for the years ended June 30, 2023 and 2022.
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.

Sarah R. Bolton

Dr. Sarah R. Bolton
President

Jeff Hamrick

Jeff Hamrick, Ph.D., CFA, FRM
Vice President for Finance and Administration

Darlene Wilson

Darlene R. Wilson, CPA
Assistant Vice President for Finance and Controller

November 14, 2023
Date

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Report of Independent Auditors on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

The Board of Trustees
Whitman College

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Whitman College, which comprise the consolidated statement of financial position as of June 30, 2023, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated November 14, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Whitman College's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Whitman College's internal control. Accordingly, we do not express an opinion on the effectiveness of Whitman College's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of Whitman College's consolidated financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Whitman College's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Moss Adams LLP

Yakima, Washington
November 14, 2023

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Report of Independent Auditors on Compliance for the Major Federal Program and Report on Internal Control over Compliance Required by the Uniform Guidance

The Board of Trustees
Whitman College

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited Whitman College's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on Whitman College's major federal program for the year ended June 30, 2023. Whitman College's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Whitman College complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2023.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States *(Government Auditing Standards)*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Whitman College and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Whitman College's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Whitman College's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Whitman College's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Whitman College's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards,* and the Uniform Guidance, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Whitman College's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Whitman College's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Whitman College's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Moss Adams LLP

Yakima, Washington
November 14, 2023

Section I – Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified	
Internal control over financial reporting:		
• Material weakness(es) identified?	☐ Yes	☒ No
• Significant deficiency(ies) identified?	☐ Yes	☒ None reported
Noncompliance material to financial statements noted?	☐ Yes	☒ No

Federal Awards

Internal control over major federal programs:		
• Material weakness(es) identified?	☐ Yes	☒ No
• Significant deficiency(ies) identified?	☐ Yes	☒ None reported
Any audit findings disclosed that are required to be reported in accordance with section 2 CFR, Section 200.516(a)?	☐ Yes	☒ No

Identification of major federal programs and type of auditor's report issued on compliance for major federal programs:

Federal Assistance Listing Number(s)	*Name of Federal Program or Cluster*	*Type of Auditor's Report Issued on Compliance for Major Federal Programs*
Various	Student Financial Assistance Cluster	Unmodified

Dollar threshold used to distinguish between type A and type B programs:	$750,000	
Auditee qualified as low-risk auditee?	☒ Yes	☐ No

Section II – Financial Statement Findings Required to be Reported by *Government Auditing Standards*

None reported

Section III – Federal Award Findings and Questioned Costs Required to be Reported by the Uniform Guidance

None reported

None reported

Supplementary Information

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Assistance Listing Number	Pass-through Entity Identifying Number*	Passed through to Subrecipients	Federal Expenditures
U.S. Department of Education:				
Student Financial Assistance Cluster:				
Federal Supplemental Educational Opportunity Grant Program	84.007		$ -	$ 242,329
Federal Work-Study Program	84.033		-	182,730
Federal Perkins Loan (Note C)	84.038		-	749,742
Federal Pell Grant Program	84.063		-	1,122,723
Federal Direct Student Loans	84.268		-	4,111,901
Total U.S. Department of Education			-	6,409,425
Research and Development Cluster:				
National Department of Defense:				
University of Melbourne - Research and Technology Development	12.910	753575117	-	23,907
National Science Foundation:				
Mathematical and Physical Sciences	47.049		-	236,622
Geosciences	47.050		-	120,520
Biological Sciences	47.074		-	33,040
University of Missouri, Columbia - Biological Sciences	47.074	153890272.000	-	18,786
Northeastern University - Social, Behavioral and Economic Sciences	47.075	001423631	-	413
Northeastern University - Social, Behavioral and Economic Sciences	47.075	001423631	-	16,622
University of Northern Colorado - Education and Human Resources	47.076	073410185	-	15,794
Total National Science Foundation			-	441,797
Total Research and Development Cluster			-	465,704
Total Expenditures of Federal Awards			$ -	$ 6,875,129

* All awards are direct from the named federal agency unless indicated by a pass-through entity identifying number in this column.

Note A – Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Whitman College (the College) under programs of the federal government for the year ended June 30, 2023. The information in this schedule is presented in accordance with the requirements of Title 2, U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the College, it is not intended to and does not present the consolidated financial position, statement of activities, or cash flows of the College.

Note B – Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts, if any, shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available. The College has elected not to use the 10-percent *de minimis* indirect cost rate allowed under the Uniform Guidance.

Note C – Federal Perkins Loan Program Administration

Whitman College administers the following loan balances outstanding at June 30, 2023:

	Assistance Listing Number	Outstanding Balance at June 30, 2023
Federal Perkins Loan Program	84.038	$ 575,752

Section 498(c)(1) of the Higher Education Act authorizes the secretary of the U.S. Department of Education ("ED") to establish ratios and other criteria for determining whether an institution has sufficient financial responsibility.

On September 23, 2019, Section 668.172 of the current regulation was revised. The September 23 regulation clarified the inputs needed to correctly calculate an institution's composite score and also requires the timely notification (within 10 days) and recalculation of the composite score if certain triggering events occur. These triggering events stem from:

- Major: Final federal or state administrative action or proceedings
- Discretionary (any 2):
  - Accrediting agency action
  - Violation of loan agreements
  - Licensing violations
  - High annual dropout rates
  - Cohort default rates > 30%

For the year ended June 30, 2023, Whitman College did not experience any triggering events.

Section 668.172 also established a methodology based on three ratios—primary reserve, equity, and net income—that measure different aspects of financial health and are combined into a composite score to measure financial responsibility. Several mathematical steps are required to combine an institution's ratio results into a composite score:

- Determine the value of each ratio;
- Calculate a strength factor score for each ratio using the appropriate algorithm;
- Calculate a weighted score for each ratio by multiplying the strength factor score by its corresponding weighted percentage; and
- Add the weighted scores to arrive at the composite score.

Institutions receiving a composite score of 1.5 or greater are considered financially responsible. An institution that fails the financial responsibility standards may continue to participate in Title IV programs under provisional certifications for three years. To continue to participate in Title IV programs under provisional certification, an institution will be required to provide surety to the ED of 10 percent or more of its previous year's Title IV funding, as determined by the ED.

(in thousands)

The following are the results of the College's composite score calculations:

Primary Reserve Ratio Calculation	Reference	June 30, 2023		
Net assets without donor restrictions	SOFP	$ 354,254		
Net assets with donor restrictions	SOFP	542,166	^^	
Total net assets		896,420		
Less:				
Annuities with donor restrictions	^	(2,287)	^^	
Term endowments with donor restrictions	^	(166)	^^	
Life income funds with donor restrictions	^	(12,680)	^^	
Net assets with donor restrictions: restricted in perpetuity (less annuities)	Note 10	(229,236)	^^	
Unsecured related party receivables	Note 2	(10,177)		
Unsecured other related party assets	N/A	-		
Property, plant, and equipment - pre-implementation	*	(141,310)		
Property, plant, and equipment - post-implementation with outstanding debt for original purchase	**	-		
Property, plant, and equipment - post-implementation without outstanding debt for original purchase	***	(22,633)		
Construction in progress	*****	(9,072)		
Lease right-of-use asset pre-implementation	N/A	-		
Lease right-of-use asset post-implementation	****	-		
Intangible assets	SOFP	-		
Add:				
Post-employment and pension liabilities	Note 5	4,618		
Long-term debt for long term purposes pre-implementation	†	16,055		
Long-term debt for long term purposes post-implementation	††	57,180		
Line of credit for construction in progress	N/A	-		
Pre-implementation right-of-use lease liabilities	N/A	-		
Post-implementation right-of-use lease liabilities	N/A	-		
Total expendable net assets				$ 546,712
Total expenses without donor restrictions	SOA	$ 98,223		
Add:				
Non-operating and net investment losses:				
Change in value of split-interest agreements	SOA	533		
Net investment losses	SOA	-		
Pension - related changes other than net periodic costs	N/A	-		
Total expenses without donor restrictions and losses without donor restrictions				$ 98,756
Primary reserve ratio				5.5
Net assets with donor restrictions: other for purpose or time (not included in the calculation)	Σ^^			(297,797)

(in thousands)

Equity Ratio Calculation	Reference	June 30, 2023	
Net assets without donor restrictions	SOFP	$ 354,254	
Net assets with donor restrictions	SOFP	542,166	
		896,420	
Less:			
Lease right-of-use assets pre-implementation	N/A	-	
Intangible assets	N/A	-	
Unsecured related-party receivables	Note 2	(10,177)	
Unsecured related-party other assets	N/A	-	
Add:			
Pre-implementation right-of-use lease liabilities	N/A	-	
Modified net assets			$ 886,243
Total assets	SOFP	$ 1,016,276	
Less:			
Lease right-of-use assets pre-implementation	N/A	-	
Intangible assets	N/A	-	
Unsecured related-party receivables	Note 2	(10,177)	
Unsecured related-party other assets	N/A	-	
Modified assets			$ 1,006,099
Equity ratio			0.9

Net Income Ratio Calculation	Reference	For the Year Ended June 30, 2023	
Change in net assets without donor restrictions	SOA		$ 19,901
Total operating revenue, gains, and other support without donor restrictions	SOA	$ 98,096	
Add:			
Investment return appropriated for spending (without donor restriction)	SOA	(11,672)	
Non-operating revenue and other gains (without donor restriction):			
Contributions	SOA	1,842	
Investment return, net	SOA	25,285	
Other income, net	SOA	1,926	
Net assets released from restrictions	SOA	3,180	
Total revenue and gains without donor restrictions			$ 118,657
Net income ratio			0.2

(in thousands)

The following tables reconcile amounts in the scores above to footnotes in the audited consolidated financial statements

	Reference			
Property, plant, and equipment - pre-implementation		$	141,310	*
Property, plant, and equipment - post-implementation with outstanding debt for original purchase			-	**
Property, plant, and equipment - post-implementation without outstanding debt for original purchase			22,633	***
Lease right-of-use assets post-implementation			-	****
Construction in progress	Note 3		9,072	*****
Total property, plant, and equipment at June 30, 2023	Note 3	$	173,015	
Total split-interest agreements with donor restrictions at June 30, 2023	Note 10	$	15,133	Σ^
Long-term debt for long-term purposes pre-implementation				
WHEFA series 2017 (tax-exempt)	Note 7	$	16,055	
Total long-term debt for long-term purposes pre-implementation			16,055	†
Long-term debt for long-term purposes post-implementation				
WHEFA series 2021A (tax-exempt)	Note 7		20,940	
WHEFA series 2021B (taxable)	Note 7		36,240	
Total long-term debt for long-term purposes post-implementation			57,180	††
Line of credit for construction in progress	N/A		-	
Total long-term debt at June 30, 2023	Note 7	$	73,235	

(in thousands)

Step 1: Calculate the strength factor score for each ratio by using the following algorithms:
- Primary Reserve strength factor score = 10 x the primary reserve ratio result
- Equity strength factor score = 6 x the equity ratio result
- Negative net income ratio result: Net Income strength factor = 1 + (25 x net income ratio result)
- Positive net income ratio result: Net income strength factor = 1 + (50 x net income ratio result)
- Zero result for net income ratio: Net income strength factor = 1

If the strength factor score for any ratio is greater than or equal to 3, the strength factor score for the ratio is 3.

If the strength factor score for any ratio is less than or equal to -1, the strength factor score for the ratio is -1.

Step 2: Calculate the weighted score for each ratio and calculate the composite score by adding the three weighted scores
- Primary Reserve weighted score = 40% x the primary reserve strength factor score
- Equity weighted score = 40% x the equity strength factor score
- Net Income weighted score = 20% x the net income strength factor score
- Composite Score = the sum of all weighted scores
- Round the composite score to one digit after the decimal point to determine the final score

	As of and for the year ended June 30, 2023			
RATIO DESCRIPTION	**Ratio**	**Strength Factor**	**Weight**	**Composite Scores**
Primary Reserve Ratio	5.5	3.0	40%	1.2
Equity Ratio	0.9	3.0	40%	1.2
Net Income Ratio	0.2	3.0	20%	0.6
Composite Score				3.0