

CONSOLIDATED FINANCIAL STATEMENTS

**WHITMAN
COLLEGE**

June 30, 2014 and 2013



Moss Adams LLP
Certified Public Accountants

WHITMAN COLLEGE
Peter W. Harvey, Treasurer
Walter R. Froese, CPA, Controller

WHITMAN COLLEGE

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Letter from the Treasurer and Controller

Whitman College's consolidated financial statements for the year ended June 30, 2014 are provided for your review.

Whitman added to another strong year financially. Assets and net assets increased by 11% and 12% respectively. Once again the main factors of that growth are a positive investment return of 14.5% and contributions to the College. The College last incurred additional debt in 2008 and its obligations on bonds and mortgages are only 7.9% of assets and total liabilities are just under 14% of assets. The College's investments total almost \$523 million.

Whitman College's *Now is the Time Campaign* will end June 30, 2015. At the end of this September, the campaign had raised about \$147 million towards its total goal of \$150 million in gifts and bequests. The campaign has focused on strengthening the College's endowment, and donors have responded with significant new contributions to endowment.

As reported in the National Association of College and University Business Officers (NACUBO) Endowment Study for June 30, 2014, Whitman's endowment value of \$504,524,000 has grown by over 13% for the year. Endowments two years old or less contributed almost \$800,000 in new budget support this year to provide access to students with financial need, funds to hire and maintain a high quality faculty, and funds to enhance and create new programs. Endowment support to the College's budget will continue to grow as pledged contributions and bequests come to the College.

Another indication of continued success at Whitman is the recent and strong growth in student applications. The applicant pool for Fall of 2014 of 3,807 is up over 1,100 applicants compared to Fall of 2013. This is due in large part to focused effort by Admission staff to grow the pool of applications.

The strength of the College and its continued success is dependent on the efforts and commitment of its students, faculty, staff, parents, trustees, and many others. Thanks to all for your part in another successful year at Whitman.

Peter W. Harvey, Treasurer

Walter R. Froese, Controller

Consolidated Statement of Financial Position
(in thousands)

Whitman College

June 30,	2014	2013
ASSETS		
Cash and cash equivalents	\$ 30,556	\$ 20,912
Accounts receivable, net	433	263
Inventory and prepaid expenses	630	846
Contributions and trusts receivable, net	23,719	19,552
Student loans, net	3,041	3,046
Deferred compensation	1,329	1,126
Investments	522,969	467,050
Land, buildings, equipment and collections, net	<u>142,747</u>	<u>142,681</u>
Total assets	<u><u>\$ 725,424</u></u>	<u><u>\$ 655,476</u></u>
LIABILITIES		
Accounts payable	\$ 3,061	\$ 1,706
Accrued compensation and benefits	5,696	4,972
Deferred revenue and enrollment deposits	1,524	1,550
Interest rate exchange agreements	10,880	10,660
Split-interest agreements	9,560	9,129
Deferred compensation	1,329	1,126
Other long-term obligations	7,949	8,560
Government loan funds payable	3,449	3,434
Bonds and mortgage payable	<u>57,010</u>	<u>58,093</u>
Total liabilities	<u>100,458</u>	<u>99,230</u>
Commitments		
NET ASSETS		
Unrestricted	251,326	229,546
Temporarily restricted	213,970	178,334
Permanently restricted	<u>159,670</u>	<u>148,366</u>
Total net assets	<u>624,966</u>	<u>556,246</u>
Total liabilities and net assets	<u><u>\$ 725,424</u></u>	<u><u>\$ 655,476</u></u>

Consolidated Statement of Activities
For the year ended June 30, 2014
(in thousands)

Whitman College

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
OPERATING ACTIVITIES				
Revenues				
Tuition and fees	\$ 68,501			\$ 68,501
Room and board charges	8,482			8,482
Less, Institutional financial aid	<u>(23,502)</u>			<u>(23,502)</u>
Net student revenue	53,481			53,481
Contributions and government grants	2,587	\$ 3,395		5,982
Investment return, net	1,470			1,470
Other income, net	<u>2,376</u>	<u>5</u>		<u>2,381</u>
Net operating revenues	<u>59,914</u>	<u>3,400</u>		<u>63,314</u>
Endowment support to operations	7,556	10,974		18,530
Net assets released from restrictions	<u>13,039</u>	<u>(13,039)</u>		<u>-</u>
Net resources funding operations	<u>80,509</u>	<u>1,335</u>		<u>81,844</u>
Expenses by function				
Instruction	28,485			28,485
Academic support	12,073			12,073
Student services	12,338			12,338
Institutional support	10,333			10,333
Auxiliary operations	<u>13,116</u>			<u>13,116</u>
Total operating expenses	<u>76,345</u>			<u>76,345</u>
Change in net assets from operating activities	<u>4,164</u>	<u>1,335</u>		<u>5,499</u>
NONOPERATING ACTIVITIES				
Contributions	222	462	\$ 10,016	10,700
Investment return, net	23,214	46,694	1,931	71,839
Net loss on interest rate exchange agreements	(220)			(220)
Change in split-interest agreements	(8)	(1,302)	(764)	(2,074)
Other income, net	1,212	294		1,506
Donor redesignations of net asset restrictions		(121)	121	-
Endowment support to operations	(7,556)	(10,974)		(18,530)
Net assets released from restrictions	<u>752</u>	<u>(752)</u>		<u>-</u>
Change in net assets from nonoperating activities	<u>17,616</u>	<u>34,301</u>	<u>11,304</u>	<u>63,221</u>
Total change in net assets	<u>21,780</u>	<u>35,636</u>	<u>11,304</u>	<u>68,720</u>
Net assets at beginning of year	<u>229,546</u>	<u>178,334</u>	<u>148,366</u>	<u>556,246</u>
Net assets at end of year	<u>\$ 251,326</u>	<u>\$ 213,970</u>	<u>\$ 159,670</u>	<u>\$ 624,966</u>

Consolidated Statement of Activities
For the year ended June 30, 2013
(in thousands)

Whitman College

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
OPERATING ACTIVITIES				
Revenues				
Tuition and fees	\$ 62,961			\$ 62,961
Room and board charges	8,191			8,191
Less, Institutional financial aid	<u>(22,367)</u>			<u>(22,367)</u>
Net student revenue	48,785			48,785
Contributions and government grants	2,394	\$ 2,774		5,168
Investment return, net	1,266			1,266
Other income, net	<u>2,685</u>	<u>37</u>		<u>2,722</u>
Net operating revenues	<u>55,130</u>	<u>2,811</u>		<u>57,941</u>
Endowment support to operations	6,983	10,491		17,474
Net assets released from restrictions	<u>12,778</u>	<u>(12,778)</u>		<u>-</u>
Net resources funding operations	<u>74,891</u>	<u>524</u>		<u>75,415</u>
Expenses by function				
Instruction	27,046			27,046
Academic support	11,473			11,473
Student services	11,207			11,207
Institutional support	9,870			9,870
Auxiliary operations	<u>12,909</u>			<u>12,909</u>
Total operating expenses	<u>72,505</u>			<u>72,505</u>
Change in net assets from operating activities	<u>2,386</u>	<u>524</u>		<u>2,910</u>
NONOPERATING ACTIVITIES				
Contributions	224	1,530	\$ 8,313	10,067
Investment return, net	18,164	32,245	1,285	51,694
Net income on interest rate exchange agreements	6,260			6,260
Change in split-interest agreements	(146)	710	(512)	52
Other income, net	2,869	246		3,115
Donor redesignations of net asset restrictions		(474)	474	-
Endowment support to operations	(6,983)	(10,491)		(17,474)
Net assets released from restrictions	<u>494</u>	<u>(494)</u>		<u>-</u>
Change in net assets from nonoperating activities	<u>20,882</u>	<u>23,272</u>	<u>9,560</u>	<u>53,714</u>
Total change in net assets	<u>23,268</u>	<u>23,796</u>	<u>9,560</u>	<u>56,624</u>
Net assets at beginning of year, as restated	<u>206,278</u>	<u>154,538</u>	<u>138,806</u>	<u>499,622</u>
Net assets at end of year	<u>\$ 229,546</u>	<u>\$ 178,334</u>	<u>\$ 148,366</u>	<u>\$ 556,246</u>

Consolidated Statement of Cash Flows
(in thousands)

Whitman College

For the years ended June 30,	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 68,720	\$ 56,624
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation, amortization and accretion	6,490	6,364
Net gain on investments, other assets, and liabilities	(76,817)	(58,736)
Change in value of split-interest agreements	2,074	(52)
Restricted contributions	(8,607)	(10,603)
Gifts of securities and real estate	(1,879)	(9,189)
Changes in operating assets and liabilities		
Receivables, inventory and prepaid expenses	(2,213)	1,141
Payables, deferred revenue and enrollment deposits	1,838	270
Long-term obligations	(634)	1,520
Net cash from operating activities	<u>(11,028)</u>	<u>(12,661)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(94,442)	(100,583)
Sales and maturities of investments	114,402	112,354
Purchases of land, buildings, equipment and collections	(6,406)	(4,491)
Proceeds from sale of real estate	538	1,816
Change in student loans	(18)	83
Net cash from investing activities	<u>14,074</u>	<u>9,179</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal paid on bonds and mortgage payable	(1,110)	(1,085)
Payments to beneficiaries	(1,212)	(1,271)
New split-interest agreements	313	287
Contributions restricted to long-term investment and plant	8,607	10,603
Net cash from financing activities	<u>6,598</u>	<u>8,534</u>
Net change in cash and cash equivalents	9,644	5,052
Cash and cash equivalents at beginning of year	<u>20,912</u>	<u>15,860</u>
Cash and cash equivalents at end of year	<u>\$ 30,556</u>	<u>\$ 20,912</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest (net of amounts capitalized)	<u>\$ 1,890</u>	<u>\$ 2,195</u>

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 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) 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 according to donor imposed restrictions on the balance thereof.

Unrestricted activities and net assets – Are resources not subject to donor-imposed restrictions.

Temporarily restricted activities and net assets – Are resources which require either the passage of time or some action by the College to fulfill donor restrictions. Contributions restricted by a donor for the acquisition of land, buildings and equipment are reported as temporarily restricted revenues. Such restrictions are released once the related assets are placed into service.

Permanently restricted activities and net assets – Are the net value of contributions received or promised, a donor has directed to be maintained as an endowment, the earnings of which are to 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.

Policy Change – The College offers opportunities for students, usually in their junior year, to participate in study programs off campus. In the past and through the year ended June 30, 2013, students paid these programs directly. For students participating in certain types of programs they still received Whitman financial aid. For other programs, students took a leave from Whitman and would have received no institutional financial aid while attending their respective off-campus study programs. Effective for the year ended June 30, 2014, the College changed its policy governing student participation in off-campus study programs to help control program costs, to make all offered programs accessible to all students regardless of their financial need and to better ensure these programs are of high quality and complement Whitman's academic program. Under the new policy all students pay Whitman's standard tuition and the College pays each program directly. Consequently for the year ended June 30, 2014 the College recognized additional tuition revenue and instruction expenses of \$3,357 and \$2,395, respectively.

Consolidation – The consolidated financial statements include the accounts of Whitman College, the Paul Garrett Whitman College Foundation, and the 21st Century Trust. All significant intercompany transactions have been eliminated.

Cash and Cash Equivalents – Cash equivalents are highly liquid investments with an original maturity of three months or less. 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 investments.

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

Inventory – Inventory consists mainly of books and supplies and is valued at the lower of cost (retail method) or market. The value of inventories is not greater than the expected realizable value.

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

Split-interest Agreements – The College has legal title to certain annuity and life income agreements subject to life 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 4.0% and 9.2% either over specified periods or lives estimated according to IRS mortality tables. No obligation has been recorded for contracts which do not guarantee a payment amount. Of the total split-interest contracts payable, the College had obligations for annuity contract payments of \$3,911 and \$3,846 at June 30, 2014 and 2013, respectively.

At June 30, 2014 and 2013, total assets held by the College under split-interest agreements amounted to \$30,284 and \$27,041, respectively, and of those totals \$24,496 and \$22,235 are included in investments restricted for donor purposes, respectively. These investment assets are presented as commingled trusts in the fair value footnote. The College maintains reserves in compliance with applicable state requirements for contracts issued in the respective states. In accordance with state annuity requirements at June 30, 2014, the College has \$180 for the State of California and \$3,582 for Washington State.

The College's unrestricted net assets meet the minimum amount required to issue annuities in the State of Washington.

Deferred Revenue – Deferred revenue consists primarily of tuition and fees related to the following fiscal year.

Revenue and Expense Recognition – Revenue is reported as an increase to unrestricted net assets, unless donor restrictions are imposed. Conditional promises to give are recognized as income when the donor-imposed conditions are substantially met. When temporary restrictions are met, either by the passage of time or purpose has been fulfilled, the net assets are released to the unrestricted category. Operating expenses decrease unrestricted net assets; all other expenses are netted into related income.

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

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

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

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

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

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

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

Auxiliary operations – These costs include student housing, food services, and the bookstore.

Federal Income Taxes – Whitman College is a qualified not-for-profit organization under Internal Revenue Code Section 501(c)(3) and as such, is generally exempt from federal taxation of income. Contributions to the College are generally tax deductible. The Paul Garrett Whitman College Foundation and the 21st Century Trust are separate tax entities which are consolidated in these financial statements, both of which are qualified 501(c)(3) entities. Management believes they have no uncertain tax positions and in addition, unrelated business income tax for Whitman College and Paul Garrett Whitman Foundation, if any, is immaterial. The 21st Century Trust has accrued a liability for income taxes of \$533,000. The federal tax returns (Forms 990 and 990-T) filed by the College are subject to examination by the Internal Revenue Service up to three years from the extended due date of each return. Generally, the College's federal tax filings for June 30, 2011 are the last fiscal year still subject to such examination.

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

Financial Instruments – Where practicable, the College's financial instruments are stated at fair value. Fair value approximates carrying value for cash and cash equivalents, accounts receivable, accounts payable and government grants payable. Investments are stated at fair value. Contributions and trusts receivable are discounted for the present value of expected future cash outflows. Bonds approximate fair value due to having a variable interest rate. The bonds would be considered level 2 on the fair value hierarchy as described in Note 8. The interest rate exchange agreements are carried at fair value. A reasonable calculation of discounted future cash flows from student loan receivables could not be made due to the variability of repayment terms inherent in such loans.

Note 2 – Receivables and Student Loans, Net

	2014	2013
Accounts receivable		
Student and other accounts	\$ 467	\$ 300
Allowance for doubtful accounts	(34)	(37)
	<u>\$ 433</u>	<u>\$ 263</u>
Total accounts receivable, net		
	<u>\$ 433</u>	<u>\$ 263</u>
	2014	2013
Student loans		
Federal Perkins Loan Program	\$ 3,087	\$ 3,086
Other loan programs	-	33
Less: allowance for doubtful accounts	(46)	(73)
	<u>\$ 3,041</u>	<u>\$ 3,046</u>
Net student loans		
	<u>\$ 3,041</u>	<u>\$ 3,046</u>

Federal Perkins Loan Program – Program amounts due are guaranteed by the government and student borrowers are not required to put up collateral or obtain co-signers. Qualifying borrowers may, under certain circumstances, defer principal payments and the interest and/or principal may be forgiven. The availability of funds for loans is dependent on the level of repayments and cancellations of outstanding loans. Total government Program funds of \$3,449 and \$3,434 as of June 30, 2014 and 2013, respectively, are ultimately refundable to the Federal government.

Other Loan Programs – Includes several federal programs as well as an institutional program, all of which are now closed to any future borrowers. Because of the length of time outstanding and the lack of contact with the related borrowers, the College determined these balances to be uncollectible and they were written off against their related allowance at June 30, 2014.

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. Institutional loan balances are written off only when deemed to be permanently uncollectible. At June 30, 2014 and 2013, the past due amounts related to all loan programs were \$153 and \$220, 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 4.0% to 7.04%. The College is the recipient of promises to give made by parties related to the College. At June 30, 2014 and 2013, such promises amounted to \$7,223 and \$7,206, respectively.

	2014	2013
Within one year	\$ 5,418	\$ 4,291
Between one and five years	5,723	3,208
More than five years	22,187	21,049
Gross receivable	<u>33,328</u>	<u>28,548</u>
Less allowance for uncollectible contributions	(496)	(396)
Less discount to present value	(9,113)	(8,600)
	<u>\$ 23,719</u>	<u>\$ 19,552</u>
Net receivable		
	<u>\$ 23,719</u>	<u>\$ 19,552</u>

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

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

	<u>2014</u>	<u>2013</u>
Undesignated	\$ 1,628	\$ 4,201
Operations	12,346	8,808
Plant projects	140	426
Endowments	<u>19,214</u>	<u>15,113</u>
Gross receivable	<u>\$ 33,328</u>	<u>\$ 28,548</u>

Note 3 – Land, Buildings, Equipment, and Collections

	<u>2014</u>	<u>2013</u>
Buildings	\$ 181,917	\$ 177,220
Accumulated depreciation	<u>(63,961)</u>	<u>(58,894)</u>
	117,956	118,326
Construction in progress	3,141	2,249
Land	<u>18,117</u>	<u>18,211</u>
Net book value of land and buildings	<u>139,214</u>	<u>138,786</u>
Equipment and books	6,303	6,785
Accumulated depreciation	<u>(4,180)</u>	<u>(4,245)</u>
Net book value of equipment and books	<u>2,123</u>	<u>2,540</u>
Collections	<u>1,410</u>	<u>1,355</u>
Net book value of land, buildings , equipment and collections	<u>\$ 142,747</u>	<u>\$ 142,681</u>

The College has commitments on outstanding construction contracts of \$833 as of June 30, 2014. As of June 30, 2014 and 2013, interest costs of \$106 and \$63 were capitalized into the cost of buildings respectively.

Note 4 – 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.

Note 5 – Other Long-Term Obligations

Asset Retirement Obligation – The College has accrued obligations for costs required by law to be incurred relative to the retirement of certain College plant assets. At Whitman such issues generally involve asbestos abatement costs at the retirement of certain buildings. At demolition or renovation appropriate abatement procedures and the related costs are a legal requirement. The related costs are capitalized and each obligation is carried at the estimated net present value of the expected future costs required at retirement. The Asset Retirement Obligation at June 30, 2014 and 2013 is valued at \$776 and \$793, respectively.

Health Insurance Terminal Obligation – The College has accrued an obligation for estimated costs which would be incurred if the College's health insurance plan were terminated. The value of such termination costs at June 30, 2014 and 2013 is estimated to be \$918 and \$879, respectively.

Salary Continuation Plans – These plans are offered to certain faculty nearing retirement age. The plans provide certain faculty with a reduced salary for four to five years with a continuation of benefits in the plan which requires future services by the participants, such payments are expensed. For the plan where future services are not explicitly required, the College accrues a liability for the net present value of the expected future participant payments. The liability at June 30, 2014 and 2013 is estimated to be \$991 and \$1,555, respectively.

Postretirement Benefit Plan – The College provides postretirement health benefits for all employees who were full-time employees hired prior to June 30, 1992, and retire after reaching a specified age with 10 years of service. Employees terminating prior to meeting age and length of service eligibility are not covered under the program. A small number of the currently retired and fully eligible active plan participants under the program are participating in the College's regular health insurance program or modified cost reimbursement under Medicare Supplement. All other participants are limited to the cost of the Medicare supplement at the rate established July 1, 1992, adjusted annually by not more than five percent.

The calculation and current assumptions used by the College are periodically reviewed by an actuary. At June 30, 2014 and 2013, the College utilized 4.31% and 3.97% discount rates, respectively, to determine the actuarial present value of the obligation, and a five percent health care cost trend rate for both years. A one percentage point increase in each year of the annual trend rate would increase the accumulated obligation by approximately \$577, and increase the benefit cost components by approximately \$38, for the year. Projected annual benefit payments for the next five years are estimated to average \$231 and the aggregate amount for the following five years ended June 30, 2014 is estimated to be \$1,474.

Note 5 – Other Long-Term Obligations (continued)

	<u>2014</u>	<u>2013</u>
Post-retirement benefit cost		
Benefits earned	\$ 78	\$ 109
Interest accrued on benefits earned in prior years	<u>227</u>	<u>236</u>
Benefit cost	<u>\$ 305</u>	<u>\$ 345</u>
Benefits paid	<u>\$ 199</u>	<u>\$ 193</u>
Post-retirement benefit obligation		
Current retirees	\$ 2,479	\$ 3,037
Active plan participants	<u>2,785</u>	<u>2,296</u>
Total accumulated benefit obligation	<u>\$ 5,264</u>	<u>\$ 5,333</u>
Board designated investments to fund obligation	<u>\$ 6,755</u>	<u>\$ 6,016</u>

Note 6 – Retirement Plan

The College participates in a qualified, defined contribution pension plan, which is administered by the Teachers Insurance and Annuity Association and College Retirement Equities Fund. The plan covers substantially all full-time employees and is funded by employee and College contributions, which are based on levels of compensation. The College contributions to the plan for the years ended June 30, 2014 and 2013 amounted to \$2,786 and \$2,650, respectively.

Note 7 – Bonds and Mortgage Payable

The State of Washington provides tax-exempt financing capacity to private higher education institutions sited in the state, through Washington Higher Education Facilities Authority (WHEFA). The College has issued such bonds in both 2004 and 2008. Both bond issues are secured by the general revenues of the College. The related discounts and issuance costs for each bond issue are amortized on a straight-line basis until maturity.

Both issues were structured to pay a variable rate of interest. The College, seeking to curtail exposure to rising interest rates and variable debt payments, has entered into interest rate exchange agreements for each issue to synthetically convert the entire notional amount of each bond issue to a fixed rate of interest. The agreements can be terminated before the maturity date with an adjustment with the counterparty for the respective agreement's fair value at the termination date. The net changes in the fair value of these interest rate exchange agreements for the years ended June 30, 2014 and 2013 amounted to unrealized loss of \$220 and gain of \$6,260, respectively. These year-to-year changes are recorded in the nonoperating section of the Consolidated Statements of Activities.

Note 7 – Bonds and Mortgage Payable (continued)

WHEFA 2004 – This series is a bullet structure which matures October 1, 2029. The bonds pay a variable rate of interest based on the SIFMA index, which averaged .15% for the year ended June 30, 2014. The College through an agreement with JP Morgan Chase Bank as the counterparty has exchanged the variable rate for a fixed rate of 4.34% for the life of the loan.

WHEFA 2008 – This series matures January 1, 2038. The bonds pay a variable rate of interest based on 67% of the one month LIBOR index, which averaged .22% for the year ended June 30, 2014. The College through an agreement with GK Baum Financial Services Corporation as the counterparty has exchanged the variable rate for a fixed rate of 3.37% for the life of the loan.

	<u>2014</u>	<u>2013</u>
WHEFA Series 2004, Variable Rate Demand Revenue Bonds	\$ 28,770	\$ 28,770
WHEFA Series 2008, Variable Rate Demand Revenue Bonds	28,085	28,800
Subtotal WHEFA bonds	<u>56,855</u>	<u>57,570</u>
Mortgage note - 5.0% interest rate, matures 2016	<u>667</u>	<u>1,062</u>
	57,522	58,632
Unamortized discount and issuance cost	<u>(512)</u>	<u>(539)</u>
Total	<u>\$ 57,010</u>	<u>\$ 58,093</u>

The mortgage is secured by a real estate property. The loan agreements contain various restrictive covenants as defined in each agreement. The fair value of bonds and the mortgage payable at June 30, 2014 approximates \$57,509 based on discounting the future cash flows through the scheduled maturities at rates available at June 30, 2014. The following schedules are the approximate principal payments required for these bonds and mortgages.

June 30, 2015	\$ 1,155
June 30, 2016	1,017
June 30, 2017	795
June 30, 2018	825
June 30, 2019	855
Thereafter	<u>52,875</u>
	<u>\$ 57,522</u>

Note 8 – Fair Value of Assets and Liabilities

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

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

- Level 1** – Inputs reflecting unadjusted quoted prices for identical assets or liabilities in active markets
- Level 2** – Inputs other than quoted prices observable for the assets or liability either directly or indirectly, including inputs in markets not considered active or quoted prices for similar assets or liabilities
- Level 3** – Unobservable inputs

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. Accordingly, the degree of judgment exercised by the College in determining fair value is greatest for instruments categorized in Level 3. 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, 2014 and 2013.

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

Values of investments and interest rate exchange agreements which are not established by an active market but do track or are established by observable inputs, such as a market based index or a blend of indices, are typically classified within Level 2. 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, 2014 and 2013, there were no adjustments made to net asset values provided by investment managers.

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

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

The commingled trusts are composed of individual annuity trusts, unitrusts and funds held on Whitman's behalf by other entities. Each trust is allocated to a varying mix of equity and fixed income securities. The mix is based upon the underlying risk tolerances of the annuity and unitrust holders and fund managers. These trusts are valued using a discount rate of 4.0% to 7.04% and life expectancy of 3 to 33 years. Funds held on Whitman's behalf by other entities are composed largely of publicly traded domestic equity and fixed income securities but some also have exposure to 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.

The table below shows 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, 2014	Level I	Level II	Level III	Total
Investments				
Marketable securities	\$ 66,576	\$ -	\$ -	\$ 66,576
Commingled trusts	-	-	38,961	38,961
Equity (long only) funds	-	142,324	-	142,324
Alternative investments	-	29,303	245,805	275,108
Total investments	<u>\$ 66,576</u>	<u>\$ 171,627</u>	<u>\$ 284,766</u>	<u>\$ 522,969</u>
Interest rate exchange agreements	<u>\$ -</u>	<u>\$ 10,880</u>	<u>\$ -</u>	<u>\$ 10,880</u>
As of June 30, 2013	Level I	Level II	Level III	Total
Investments				
Marketable securities	\$ 92,468	\$ -	\$ -	\$ 92,468
Commingled trusts	-	-	35,488	35,488
Equity (long only) funds	-	95,997	-	95,997
Alternative investments	-	45,366	197,731	243,097
Total investments	<u>\$ 92,468</u>	<u>\$ 141,363</u>	<u>\$ 233,219</u>	<u>\$ 467,050</u>
Interest rate exchange agreements	<u>\$ -</u>	<u>\$ 10,660</u>	<u>\$ -</u>	<u>\$ 10,660</u>

To conform to current year presentation, \$13,450 and \$12,790 of commingled trusts have been reclassified from level II to level III assets for June 30, 2013 and 2012, respectively. This change also affects the reconciliation on the following page.

Marketable securities held at June 30, 2014 and 2013 are summarized as follows:

	2014	2013
Fixed income funds	\$ 30,403	\$ 52,697
Balanced funds	732	586
Domestic equity funds	30,909	32,333
Commodity funds	4,532	6,852
Total	<u>\$ 66,576</u>	<u>\$ 92,468</u>

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

Below additional information about Level 3 assets and liabilities 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 Statement 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, 2013	\$ 35,488	\$ 197,731	\$ 233,219
Investment return, net	5,462	32,496	37,958
Purchases	1,933	53,345	55,278
Sales	<u>(3,922)</u>	<u>(37,767)</u>	<u>(41,689)</u>
Level 3 ending balance, June 30, 2014	<u>\$ 38,961</u>	<u>\$ 245,805</u>	<u>\$ 284,766</u>

	Commingled Trusts	Alternative Investments	Total
Level 3 beginning balance, July 1, 2012	\$ 33,611	\$ 202,709	\$ 236,320
Investment return, net	3,760	27,177	30,937
Purchases	491	23,989	24,480
Sales	<u>(2,374)</u>	<u>(56,144)</u>	<u>(58,518)</u>
Level 3 ending balance, June 30, 2013	<u>\$ 35,488</u>	<u>\$ 197,731</u>	<u>\$ 233,219</u>

"Investment return, net" is reflected in the Consolidated Statement of Activities in both operating and nonoperating activities. Net unrealized gains on investments included in the Consolidated Statement of Activities for Level 3 assets on hand at June 30, 2014 and 2013 is approximately \$36,679 and \$24,364, respectively.

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

The fair value, unfunded commitments, and redemption restrictions for Level 2 and 3 investments reported at net asset value as of June 30, 2014 are as follows:

	<u>Fair Value at June 30, 2014</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Equity (long only) funds (a)	\$ 142,324	\$ -	Monthly-semi annually	10-30 days
Alternative investments (b)	\$ 74,079	\$ -	At least quarterly	5-90 days
	83,784	\$ -	Beyond quarterly up to 3 years	30-120 days
	117,245	\$ 41,576	Greater than 3 years	N/A
Total alternative investments	<u>\$ 275,108</u>			

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

Securities classified within Level 3 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 on a quarterly basis. The valuations consider variables such as financial performance of investments, recent sales prices of investments, and other pertinent information.

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

Investment returns and classification according to purpose for the years ended June 30, 2014 and 2013 are summarized as follows:

	<u>2014</u>	<u>2013</u>
Investment return, net		
Interest and dividend income	\$ 4,580	\$ 3,637
Realized net gains	9,491	16,793
Unrealized net gain (loss)	67,326	40,033
Expenses	<u>(8,088)</u>	<u>(7,503)</u>
Total investment return, net	<u>\$ 73,309</u>	<u>\$ 52,960</u>
Investments according to purpose		
Donor restricted endowment	\$ 328,521	\$ 286,770
Trustee designated endowment	<u>148,612</u>	<u>127,772</u>
Total endowment investments	477,133	414,542
Other, trusts and reserves	<u>45,836</u>	<u>52,508</u>
Total investments	<u>\$ 522,969</u>	<u>\$ 467,050</u>

The College was committed to invest a total of \$162,950 across 22 limited partnerships. At June 30, 2014, future payments necessary to meet those commitments totaled \$41,576.

Note 9 – Net Assets

	<u>2014</u>	<u>2013</u>
Unrestricted:		
Operations and reserves	\$ 10,620	\$ 7,969
Plant facilities	82,780	79,869
Endowments	148,612	127,772
Trusts and other	7,700	12,586
Split-interest agreements	<u>1,614</u>	<u>1,350</u>
Total unrestricted net assets	<u>\$ 251,326</u>	<u>\$ 229,546</u>
Temporarily restricted:		
Restricted for specific purposes	\$ 11,367	\$ 9,349
Endowments	185,215	150,747
Trusts and other	5,778	8,075
Split-interest agreements	<u>11,610</u>	<u>10,163</u>
Total temporarily restricted net assets	<u>\$ 213,970</u>	<u>\$ 178,334</u>
Permanently restricted:		
Endowments	\$ 143,306	\$ 136,023
Trusts and other	9,064	6,114
Split-interest agreements	<u>7,300</u>	<u>6,229</u>
Total permanently restricted net assets	<u>\$ 159,670</u>	<u>\$ 148,366</u>

Note 9 – Net Assets (continued)

Endowment Net Assets – The College's endowment consists of approximately 880 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds, funds designated by the Board of Trustees to function as endowments, 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 permanently restricted net assets (a) the original value of the gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument in force at the time the accumulation is added to the fund.

The remaining portion of a donor-restricted endowment fund not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the College in a manner consistent with the standard of prudence prescribed by 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:

UR - Unrestricted

TR - Temporarily

PR - Permanently restricted

	<u>UR</u>	<u>TR</u>	<u>PR</u>	<u>Total</u>
As of June 30, 2014				
Donor-restricted endowment funds	\$ -	\$ 185,215	\$ 143,306	\$ 328,521
Board-designated endowment funds	148,612	-	-	148,612
Total endowment net assets	<u>\$ 148,612</u>	<u>\$ 185,215</u>	<u>\$ 143,306</u>	<u>\$ 477,133</u>
	<u>UR</u>	<u>TR</u>	<u>PR</u>	<u>Total</u>
As of June 30, 2013				
Donor-restricted endowment funds	\$ -	\$ 150,747	\$ 136,023	\$ 286,770
Board-designated endowment funds	127,772	-	-	127,772
Total endowment net assets	<u>\$ 127,772</u>	<u>\$ 150,747</u>	<u>\$ 136,023</u>	<u>\$ 414,542</u>

Note 9 – Net Assets (continued)

Changes in endowment net assets:

	<u>UR</u>	<u>TR</u>	<u>PR</u>	<u>June 30, 2014</u>
Beginning balance	\$ 127,772	\$ 150,747	\$ 136,023	\$ 414,542
Investment return, net	19,688	45,436	-	65,124
Contributions and other	8	6	7,283	7,297
Endowment support to operations	(7,556)	(10,974)	-	(18,530)
Transfers to endowment funds	8,700	-	-	8,700
Ending balance	<u>\$ 148,612</u>	<u>\$ 185,215</u>	<u>\$ 143,306</u>	<u>\$ 477,133</u>

	<u>UR</u>	<u>TR</u>	<u>PR</u>	<u>June 30, 2013</u>
Beginning balance	\$ 115,039	\$ 131,678	\$ 127,028	\$ 373,745
Investment return, net	14,994	29,560	-	44,554
Contributions and other	20	-	8,995	9,015
Endowment support to operations	(6,983)	(10,491)	-	(17,474)
Transfers to endowment funds	4,702	-	-	4,702
Ending balance	<u>\$ 127,772</u>	<u>\$ 150,747</u>	<u>\$ 136,023</u>	<u>\$ 414,542</u>

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

	<u>Target</u>	<u>Acceptable Ranges</u>
Fixed income and cash	5%	0% - 15%
Global equity	45%	35% - 55%
Private equity/opportunistic	20%	15% - 25%
Real assets	20%	10% - 30%
Absolute return	10%	5% - 20%
	<u>100%</u>	

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.

Note 9 – Net Assets (continued)

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 as temporarily restricted 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 twelve quarter period lagging one full year. Such percentage for June 30, 2014 and 2013 was 5.0%.

Note 10 – Commitments and Contingencies

In order to provide liability insurance coverage the College has taken an equity position in the College Liability Insurance Company, Ltd. (CLIC). Part of CLIC's capital is a \$2,000 standby letter of credit for which the College is contingently liable on a pro rata basis. In the event the losses of CLIC exceed its capital and primary coverage, the maximum contingent liability to the College approximates \$152 for the year ended June 30, 2014.

Effective January 1, 1985, the College adopted a self-insured health program, which provides for the payment or reimbursement of all or a portion of eligible medical, prescription drug, vision and dental expenses. The College is self-insured up to the first \$100 for each occurrence and stop loss insurance has been purchased to cover amounts above the threshold. In addition, the College has an excess-loss contract to cover catastrophic situations. The accompanying consolidated financial statements include a reserve liability of \$1,467 and \$1,034 (included in accrued compensation and benefits on the Consolidated Statements of Financial Position) at June 30, 2014 and 2013, respectively. This reserve amount is based upon review by the College and an independent third-party claims administrator for claims incurred but not paid at year end. The College maintains a separate cash account to meet these estimated claims.

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.

The College has a \$5,500 unsecured line of credit which matures April 2015. Interest is based on the Wall Street Journal (prime rate 3.25% at June 30, 2014). There was no balance outstanding at June 30, 2014 and 2013.

Note 11 – Other Income, Net

Other income on the Consolidated Statements of Activities is presented in both the operating and nonoperating sections. This other income is primarily 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 \$1,548 and \$1,589 for the years ended June 30, 2014 and 2013, respectively. For June 30, 2014 and 2013, the College had future commitments to provide grain, on forward contracts, in the amount of \$372 and \$346, respectively.

Note 12 – Expenses by Natural Classification

	<u>2014</u>	<u>2013</u>
Personnel	\$ 44,145	\$ 43,924
Services and supplies	17,254	14,008
Communications	1,151	1,128
Travel	3,490	3,339
Utilities	1,948	1,801
Interest expense	2,096	2,195
Depreciation and amortization	<u>6,261</u>	<u>6,110</u>
Total expense	<u>\$ 76,345</u>	<u>\$ 72,505</u>
Fund-raising costs (included in the institutional support function)	<u>\$ 2,850</u>	<u>\$ 2,819</u>

Note 13 – Net Assets Released from Restrictions

	<u>2014</u>	<u>2013</u>
Institutional financial aid	\$ 6,359	\$ 6,309
Functional expenses, primarily instruction and academic support	6,680	6,469
Total release for operations	<u>13,039</u>	<u>12,778</u>
Matured life contracts	141	-
Other, primarily plant related	611	494
	<u>752</u>	<u>494</u>
Total release	<u>\$ 13,791</u>	<u>\$ 13,272</u>

Note 14 – Subsequent Events

Subsequent events are events or transactions that occur after the Consolidated Statement of Financial Position date but before the consolidated financial statements are issued. The College recognizes in the consolidated financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the Consolidated Statement of Financial Position, including the estimates inherent in the process. The College's consolidated financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the Consolidated Statement of Financial Position but arose after the Consolidated Statement of Financial Position date and before the consolidated financial statements are to be issued.

The College has evaluated subsequent events through November 5, 2014, which is the date the consolidated financial statements are to be issued.

REPORT OF INDEPENDENT AUDITORS

To the Board of Trustees
Whitman College

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Whitman College, which comprise the consolidated statement of financial position as of June 30, 2014 and 2013, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

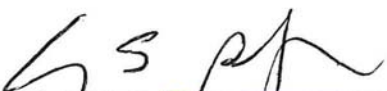
In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Whitman College as of June 30, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Moss Adams LLP

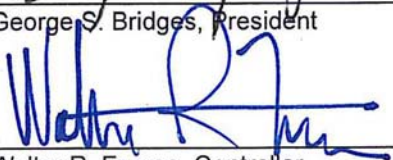
Yakima, Washington
November 5, 2014

We the undersigned, certify that:

1. We have reviewed the consolidated financial statements of Whitman College (the College) for the years ended June 30, 2014 and 2013.
2. Based on our knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary for the consolidated financial statements not to be misleading to the reader.
3. Based on our knowledge, the consolidated financial statements fairly present, in all material respects, the financial condition, results of operations and cash flows of the College as of, and for, the periods presented in this annual report.
4. The undersigned are responsible for establishing and maintaining controls and procedures designed to ensure that the consolidated financial statements of the College are materially correct and in conformity with accounting principles generally accepted in the United States of America. To that end we have:
 - (a) designed such controls and procedures, or caused such controls and procedures, to be designed under our direction to ensure that material information relating to the College is made known to us by others, particularly during the period in which this annual report is being prepared; and
 - (b) evaluated the effectiveness of the College's controls and procedures as of the end of the period covered by this report.
5. The undersigned have disclosed, based on our most recent evaluation of internal control over financial reporting, to the College's auditors and the College's Audit Committee of the Board of Trustees of Whitman College:
 - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to affect, adversely, the College's ability to record, process, summarize and report financial information; and
 - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the College's internal control over financial report.



George S. Bridges, President



Walter R. Froese, Controller



Peter W. Harvey, Treasurer and CFO

November 5, 2014

Date