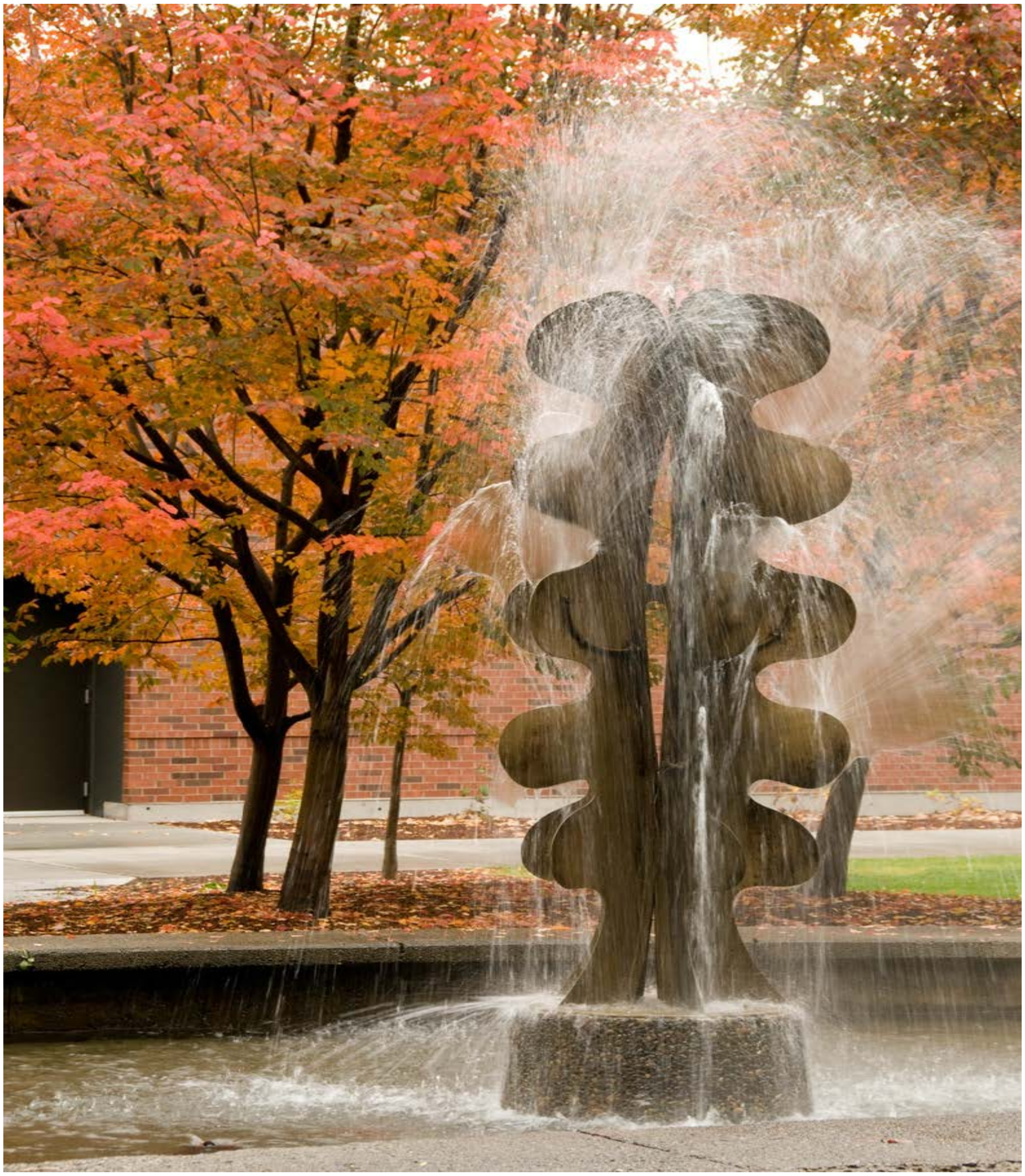
CONSOLIDATED FINANCIAL STATEMENTS

WHITMAN COLLEGE

June 30, 2015 and 2014



Fountain of Vibrant Waters, 1992, George Tsutakawa - Dedicated to Nadine and Robert Skotheim, Whitman's 10th president.

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

We are pleased to present Whitman's consolidated financial statements for the year ended June 30, 2015 for your review.

Although both the increase in net student revenue and investment returns of 3.1% were modest compared to the prior year Whitman remains in a strong financial position. Assets and net assets both increased over the prior year and are over $731 million and $632 million respectively. The College's investments total almost $551 million. College total liabilities are 13.5% of assets and total debt is only 7.6% of assets. The College last incurred additional debt in 2008.

Whitman College's *Now is the Time Campaign* ended June 30, 2015. The eight year campaign raised over $165 million in gifts and bequests, which was well beyond its total goal of $150 million. The campaign helped launch new professorships and a new Computer Science department. It bolstered Whitman's ability to award financial aid and provided new internship opportunities for students. The successful conclusion of this campaign is due to the support and enthusiasm of many alumni and friends of Whitman.

Whitman's endowment value was over $485 million at June 30, 2015 and supports about thirty percent of the College's Education and General budget. As funds from pledged contributions and bequests come to the College that support will grow to provide additional funds for students with financial need, to hire and maintain a high quality faculty, and to enhance the educational experience for Whitman students.

The success and strength of Whitman doesn't happen without the support of its community. The guidance and support of governing board members, alumni, faculty and staff are both essential and appreciated.

Peter W. Harvey, Treasurer

Walter R. Froese, Controller

Consolidated Statement of Financial Position

Whitman College

(in thousands)

June 30,	2015	2014
ASSETS		
Cash and cash equivalents	$ 12,383	$ 30,556
Accounts receivable, net	560	433
Inventory and prepaid expenses	756	630
Contributions and trusts receivable, net	21,375	23,719
Student loans, net	2,970	3,041
Deferred compensation	1,417	1,329
Investments	550,989	522,969
Land, buildings, equipment and collections, net	140,616	142,747
Total assets	$ 731,066	$ 725,424
LIABILITIES		
Accounts payable	$ 2,156	$ 3,061
Accrued compensation and benefits	5,669	5,696
Deferred revenue and enrollment deposits	1,304	1,524
Interest rate exchange agreements	12,820	10,880
Split-interest agreements	9,052	9,560
Deferred compensation	1,417	1,329
Other long-term obligations	7,151	7,949
Government loan funds payable	3,460	3,449
Bonds and mortgage payable	55,881	57,010
Total liabilities	98,910	100,458
Commitments		
NET ASSETS		
Unrestricted	252,855	251,326
Temporarily restricted	206,689	213,970
Permanently restricted	172,612	159,670
Total net assets	632,156	624,966
Total liabilities and net assets	$ 731,066	$ 725,424

Consolidated Statement of Activities
For the year ended June 30, 2015
(in thousands)

Whitman College

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
OPERATING ACTIVITIES				
Revenues				
Tuition and fees	$ 68,663			$ 68,663
Room and board charges	8,499			8,499
Less, Institutional financial aid	(23,075)			(23,075)
Net student revenue	54,087			54,087
Contributions and government grants	3,556	$ 182		3,738
Investment return, net	357	4		361
Other income, net	2,263	36		2,299
Net operating revenues	60,263	222		60,485
Endowment support to operations	8,192	11,846		20,038
Net assets released from restrictions	14,856	(14,856)		-
Net resources funding operations	83,311	(2,788)		80,523
Expenses by function				
Instruction	29,126			29,126
Academic support	12,194			12,194
Student services	12,419			12,419
Institutional support	10,862			10,862
Auxiliary operations	13,259			13,259
Total operating expenses	77,860			77,860
Change in net assets from operating activities	5,451	(2,788)		2,663
NONOPERATING ACTIVITIES				
Contributions	19	1,472	$ 10,110	11,601
Investment return, net	4,956	9,600	(30)	14,526
Net loss on interest rate exchange agreements	(1,940)			(1,940)
Change in split-interest agreements	(138)	(625)	(87)	(850)
Other income, net	1,124	104		1,228
Donor redesignations of net asset restrictions		(2,949)	2,949	-
Endowment support to operations	(8,192)	(11,846)		(20,038)
Net assets released from restrictions	249	(249)		-
Change in net assets from nonoperating activities	(3,922)	(4,493)	12,942	4,527
Total change in net assets	1,529	(7,281)	12,942	7,190
Net assets at beginning of year	251,326	213,970	159,670	624,966
Net assets at end of year	$ 252,855	$ 206,689	$ 172,612	$ 632,156

See notes to consolidated financial statements.

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	(23,502)			(23,502)
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	2,376	5		2,381
Net operating revenues	59,914	3,400		63,314
Endowment support to operations	7,556	10,974		18,530
Net assets released from restrictions	13,039	(13,039)		-
Net resources funding operations	80,509	1,335		81,844
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	13,116			13,116
Total operating expenses	76,345			76,345
Change in net assets from operating activities	4,164	1,335		5,499
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	752	(752)		-
Change in net assets from nonoperating activities	17,616	34,301	11,304	63,221
Total change in net assets	21,780	35,636	11,304	68,720
Net assets at beginning of year, as restated	229,546	178,334	148,366	556,246
Net assets at end of year	$ 251,326	$ 213,970	$ 159,670	$ 624,966

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Whitman College

(in thousands)

For the years ended June 30,	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 7,190	$ 68,720
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation, amortization and accretion	6,583	6,490
Net gain on investments, other assets, and liabilities	(14,673)	(76,817)
Change in value of split-interest agreements	850	2,074
Restricted contributions	(8,372)	(8,607)
Gifts of securities and real estate	(7,886)	(1,879)
Changes in operating assets and liabilities		
Receivables, inventory and prepaid expenses	2,625	(2,213)
Payables, deferred revenue and enrollment deposits	(793)	1,838
Long-term obligations	(821)	(634)
Net cash from operating activities	(15,297)	(11,028)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(116,583)	(94,442)
Sales and maturities of investments	111,814	114,402
Purchases of land, buildings, equipment and collections	(4,457)	(6,406)
Proceeds from sale of real estate	257	538
Change in student loans	56	(18)
Net cash from investing activities	(8,913)	14,074
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal paid on bonds and mortgage payable	(1,155)	(1,110)
Payments to beneficiaries	(1,281)	(1,212)
New split-interest agreements	101	313
Contributions restricted to long-term investment and plant	8,372	8,607
Net cash from financing activities	6,037	6,598
Net change in cash and cash equivalents	(18,173)	9,644
Cash and cash equivalents at beginning of year	30,556	20,912
Cash and cash equivalents at end of year	$ 12,383	$ 30,556
Supplemental disclosure of cash flow information:		
Cash paid for interest (net of amounts capitalized)	$ 2,106	$ 1,890

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 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 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.

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. College holdings in commingled funds with daily liquidity related to College checking accounts are considered cash equivalents. Cash and cash equivalents held by investment managers are classified as investments. Cash balances maintained by the College at various depository and brokerage institutions are often in excess of federally insured limits. The College did not experience any significant losses on its cash equivalents.

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

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

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 $3,823 and $3,911 at June 30, 2015 and 2014, respectively.

At June 30, 2015 and 2014, total assets held by the College under split-interest agreements amounted to $30,116 and $30,284, respectively, and of those totals $23,393 and $24,496 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, 2015, the College has $182 for the State of California and $3,488 for Washington State.

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

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. Student tuition and fees are recorded as revenue in the year during which the related academic services are rendered. Deferred revenue consists primarily of tuition and fees related to the following fiscal year.

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.

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.

(in thousands)
Dollar amounts in thousands. 8

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

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 zero. 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.

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

Financial Instruments – Where practicable, the College's financial instruments are stated at fair value. Fair value approximates carrying value for cash and cash equivalents, accounts receivable, accounts payable and government loan funds payable. Investments are stated at fair value. Contributions and trusts receivable are discounted for the present value of expected future cash outflows. Bonds approximate fair value due to having a variable interest rate. The 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

	2015	2014
Accounts receivable		
Student and other accounts	$ 600	$ 467
Allowance for doubtful accounts	(40)	(34)
Total accounts receivable, net	$ 560	$ 433

(in thousands)
Dollar amounts in thousands. 9

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

	2015	2014
Student loans		
Federal Perkins Loan Program	$ 3,015	$ 3,087
Less: allowance for doubtful accounts	(45)	(46)
Net student loans	$ 2,970	$ 3,041

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 $3,460 and $3,449 as of June 30, 2015 and 2014, respectively, are ultimately refundable to the Federal government.

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, 2015 and 2014, the past due loan amounts were $207 and $153, 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 7.0%.

	2015	2014
Within one year	$ 2,678	$ 5,418
Between one and five years	5,921	5,723
More than five years	22,873	22,187
Gross receivable	31,472	33,328
Less allowance for uncollectible contributions	(514)	(496)
Less discount to present value	(9,583)	(9,113)
Net receivable	$ 21,375	$ 23,719

The College is the recipient of promises to give made by parties related to the College. At June 30, 2015 and 2014, such promises amounted to $6,054 and $7,223, respectively.

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

	2015	2014
Undesignated	$ 988	$ 1,628
Operations	12,327	12,346
Plant projects	193	140
Endowments	17,964	19,214
Gross receivable	$ 31,472	$ 33,328

(in thousands)
Dollar amounts in thousands. 10

Note 3 – Land, Buildings, Equipment, and Collections

	2015	2014
Buildings	$ 186,083	$ 181,917
Accumulated depreciation	(68,753)	(63,961)
	117,330	117,956
Construction in progress	1,409	3,141
Land	17,934	18,117
Net book value of land and buildings	136,673	139,214
Equipment and books	5,296	6,303
Accumulated depreciation	(3,207)	(4,180)
Net book value of equipment and books	2,089	2,123
Collections	1,854	1,410
Net book value of land, buildings , equipment and collections	$ 140,616	$ 142,747

The College has commitments on outstanding construction contracts of $2,339 as of June 30, 2015. For the years ended June 30, 2015 and 2014, interest costs of $87 and $106 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, 2015 and 2014 is valued at $799 and $776, 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, 2015 and 2014 is estimated to be $958 and $918, respectively.

Salary Continuation Plans – These plans are offered to certain faculty nearing retirement age. The plans provide participants with a reduced salary for four to five years with a continuation of benefits. For the plans which did not explicitly require future services, the College accrued a liability for the net present value of the expected future participant payments. As of June 30, 2015, all participants are in plans requiring future service. As such, the liability at June 30, 2015 and 2014 is estimated to be zero and $991, respectively.

(in thousands)
Dollar amounts in thousands. 11

Note 5 – Other Long-Term Obligations (continued)

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, 2015 and 2014, the College utilized 4.00% and 4.31% 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 $579, and increase the benefit cost components by approximately $36 for the year. Projected annual benefit payments for the five years after June 30, 2015 are estimated to average $219 and the total payment amount for the following five years is an estimated $1,394.

	2015	2014
Post-retirement benefit cost		
Benefits earned	$ 77	$ 78
Interest accrued on benefits earned in prior years	216	227
Benefit cost	$ 293	$ 305
Benefits paid	$ 189	$ 199
Post-retirement benefit obligation		
Current retirees	$ 2,661	$ 2,479
Active plan participants	2,733	2,785
Total accumulated benefit obligation	$ 5,394	$ 5,264
Board designated investments to fund obligation	$ 6,929	$ 6,755

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, 2015 and 2014 amounted to $2,925 and $2,786, respectively.

(in thousands)
Dollar amounts in thousands. 12

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, 2015 and 2014 amounted to unrealized losses of $1,940 and $220, respectively. These year-to-year changes are recorded in the nonoperating section of the Consolidated Statements of Activities.

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 rate averaged .06% for the year ended June 30, 2015. 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 rate averaged 0.05% for the year ended June 30, 2015. 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.

	2015	2014
WHEFA Series 2004, Variable Rate Demand Revenue Bonds	$ 28,770	$ 28,770
WHEFA Series 2008, Variable Rate Demand Revenue Bonds	27,345	28,085
Subtotal WHEFA bonds	56,115	56,855
Mortgage note - 5.0% interest rate, matures 2016	252	667
	56,367	57,522
Unamortized discount and issuance cost	(486)	(512)
Total	$ 55,881	$ 57,010

The mortgage is secured by a real estate property. The bond agreements contain various restrictive covenants as defined in each agreement. The fair value of bonds and the mortgage payable at June 30, 2015 approximates $56,357 based on discounting the future cash flows through the scheduled maturities at rates available at June 30, 2015. The following schedules are the approximate principal payments required for these bonds and mortgage.

June 30, 2016	$ 1,017
June 30, 2017	795
June 30, 2018	825
June 30, 2019	855
June 30, 2020	890
Thereafter	51,985
	$ 56,367

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 College adopted, effective June 30, 2015, the Financial Accounting Standards Board update related to Fair Value Measurement – Topic 820. This update removes the requirement to categorize investments measured using the net asset value per share/unit practical expedient within the fair value hierarchy. This update has been applied retrospectively and the prior year disclosures have been revised accordingly.

At June 30, 2014, $4,526 of Level 1 marketable securities were misclassified as Level 3 in the fair value hierarchy. The prior year presentation has been revised to classify these marketable securities in Level 1.

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, 2015 and 2014.

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, 2015 and 2014, there were no adjustments made to net asset values provided by investment managers.

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. 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 also invested in farm real estate and private notes. Where applicable, market values of such trusts are recorded based on the College's pro-rata share of the trust. These funds are intended to be held in trust by these other entities in perpetuity.

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

(in thousands)
Dollar amounts in thousands. 15

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

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

As of June 30, 2015	Level I	Level 2	Level 3	Total
Investments				
Marketable securities	$ 66,183	$ -	$ -	$ 66,183
Commingled trusts	-	-	37,226	37,226
Alternative investments	-	-	42	42
	$ 66,183	$ -	$ 37,268	103,451
Investments measured at net asset value				
Equity (long only) funds				180,214
Alternative investments				267,324
				447,538
Total investments				$ 550,989
Interest rate exchange agreements	$ -	$ 12,820	$ -	$ 12,820

As of June 30, 2014	Level I	Level 2	Level 3	Total
Investments				
Marketable securities	$ 71,102	$ -	$ -	$ 71,102
Commingled trusts	-	-	38,961	38,961
Alternative investments	-	-	42	42
	$ 71,102	$ -	$ 39,003	110,105
Investments measured at net asset value				
Equity (long only) funds				142,324
Alternative investments				270,540
				412,864
Total investments				$ 522,969
Interest rate exchange agreements	$ -	$ 10,880	$ -	$ 10,880

Marketable securities held at June 30, 2015 and 2014 are summarized as follows:

	2015	2014
Fixed income funds	$ 41,541	$ 30,403
Balanced funds	779	732
Domestic equity funds	23,863	35,435
Commodity funds	-	4,532
Total	$ 66,183	$ 71,102

(in thousands)
Dollar amounts in thousands. 16

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

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 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, 2014	$ 38,961	$ 42	$ 39,003
Investment return, net	130	9	139
Purchases	185	-	185
Sales	(2,050)	-	(2,050)
Transfers	-	(9)	(9)
Level 3 ending balance, June 30, 2015	$ 37,226	$ 42	$ 37,268

	Commingled Trusts	Alternative Investments	Total
Level 3 beginning balance, July 1, 2013	$ 35,488	$ 42	$ 35,530
Investment return, net	5,462	12	5,474
Purchases	1,933	-	1,933
Sales	(3,922)	-	(3,922)
Transfers	-	(12)	(12)
Level 3 ending balance, June 30, 2014	$ 38,961	$ 42	$ 39,003

"Investment return, net" is reflected in the Consolidated Statement of Activities in both operating and nonoperating activities. Included in the Consolidated Statement of Activities for Level 3 assets on hand at June 30, 2015 and 2014 is a loss of $927 and a gain of $4,722, respectively.

(in thousands)
Dollar amounts in thousands. 17

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

The fair value, unfunded commitments, and redemption restrictions for investments reported at net asset value as of June 30, 2015 are as follows:

	Fair Value at June 30, 2015	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Equity (long only) funds (a)	$ 180,214	$ -	Monthly-three years	10-60 days
Alternative investments (b)	$ 59,700	$ -	At least quarterly	30-90 days
	86,242	$ -	Beyond quarterly up to 3 years	45-120 days
	121,382	$ 51,830	Greater than 3 years	N/A
Total alternative investments	$ 267,324			

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

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

- Private securities are illiquid securities most of which were donated to the College. A portion of these assets are held for their income generating capacity while others will be sold at the next available opportunity.
- Private equity limited partnerships invest in distressed, relative value, venture, buyout, and merger opportunities. Holdings are composed of private equity and debt. There are no redemption rights available for investors other than the liquidation of assets held by the fund, which will result in a distribution of capital to investors.
- Hedged equity fund managers invest in global long/short primarily publicly traded equities, but also have exposure in private equity, debt, and derivatives.
- Real asset fund limited partnerships are invested primarily in energy, commodities, and real estate sectors through real asset holdings as well as public/private equity, and debt instruments.
- Absolute return funds invest to achieve consistent positive returns regardless of the direction of financial markets through the use of arbitrage strategies as well as investments in distressed securities, long/short equity, and private market transactions.

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 other than commingled trusts on a quarterly basis. The valuations consider variables such as financial performance of investments, recent sales prices of investments, and other pertinent information.

(in thousands)
Dollar amounts in thousands. 18

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

Investment returns and classification according to purpose for the years ended June 30, 2015 and 2014 are summarized as follows:

	2015	2014
Investment return, net		
Interest and dividend income	$ 6,460	$ 4,580
Realized net gains	8,876	9,491
Unrealized net gain (loss)	7,722	67,326
Expenses	(8,171)	(8,088)
Total investment return, net	$ 14,887	$ 73,309
Investments according to purpose		
Donor restricted endowment	$ 338,281	$ 328,521
Trustee designated endowment	147,236	148,612
Total endowment investments	485,517	477,133
Other, trusts and reserves	65,472	45,836
Total investments	$ 550,989	$ 522,969

The College was committed to invest a total of $150,950 across 23 limited partnerships. At June 30, 2015, future payments necessary to meet those commitments totaled $51,830.

Note 9 – Net Assets

	2015	2014
Unrestricted:		
Operations and reserves	$ 14,731	$ 10,620
Plant facilities	80,307	82,780
Endowments	147,236	148,612
Trusts and other	9,071	7,700
Split-interest agreements	1,510	1,614
Total unrestricted net assets	$ 252,855	$ 251,326
Temporarily restricted:		
Restricted for specific purposes	$ 7,832	$ 11,367
Endowments	180,889	185,215
Trusts and other	5,916	5,778
Split-interest agreements	12,052	11,610
Total temporarily restricted net assets	$ 206,689	$ 213,970
Permanently restricted:		
Endowments	$ 157,392	$ 143,306
Trusts and other	7,769	9,064
Split-interest agreements	7,451	7,300
Total permanently restricted net assets	$ 172,612	$ 159,670

(in thousands)
Dollar amounts in thousands. 19

Note 9 – Net Assets (continued)

Endowment Net Assets – The College's endowment consists of approximately 910 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

	UR	TR	PR	Total
As of June 30, 2015				
Donor-restricted endowment funds	$ -	$ 180,889	$ 157,392	$ 338,281
Board-designated endowment funds	147,236	-	-	147,236
Total endowment net assets	$ 147,236	$ 180,889	$ 157,392	$ 485,517

	UR	TR	PR	Total
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	$ 148,612	$ 185,215	$ 143,306	$ 477,133

(in thousands)
Dollar amounts in thousands. 20

Note 9 – Net Assets (continued)

Changes in endowment net assets:

	UR	TR	PR	June 30, 2015
Beginning balance	$ 148,612	$ 185,215	$ 143,306	$ 477,133
Investment return, net	4,127	7,515	-	11,642
Contributions and other	7	5	14,086	14,098
Endowment support to operations	(8,192)	(11,846)	-	(20,038)
Transfers to endowment funds	2,682	-	-	2,682
Ending balance	$ 147,236	$ 180,889	$ 157,392	$ 485,517

	UR	TR	PR	June 30, 2014
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	$ 148,612	$ 185,215	$ 143,306	$ 477,133

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 the Board of Trustees, provides general investment guidelines as follows:

	Target	Acceptable Ranges
Fixed income and cash	5%	0% - 15%
Global equity	50%	40% - 60%
Private equity/opportunistic	20%	15% - 25%
Real assets	10%	5% - 15%
Absolute return	15%	10% - 20%
	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.

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, 2015 and 2014 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, 2015.

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 $1,026 and $1,467 (included in accrued compensation and benefits on the Consolidated Statements of Financial Position) at June 30, 2015 and 2014, 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 has a $5,500 unsecured line of credit which matures April 2016. Interest is based on the Wall Street Journal Prime Rate (3.25% at June 30, 2015) plus .75%. There was no balance outstanding at June 30, 2015 and 2014.

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 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 $1,522 and $1,548 for the years ended June 30, 2015 and 2014, respectively. For June 30, 2015 and 2014, the College had future commitments to provide grain, on forward contracts, in the amount of $596 and $372, respectively.

(in thousands)
Dollar amounts in thousands. 22

Note 12 – Expenses by Natural Classification

	2015	2014
Personnel	$ 45,037	$ 44,145
Services and supplies	17,246	17,254
Communications	1,382	1,151
Travel	3,786	3,490
Utilities	2,001	1,948
Interest expense	2,082	2,096
Depreciation and amortization	6,326	6,261
Total expense	$ 77,860	$ 76,345
Fund-raising costs (included in the institutional support function)	$ 3,118	$ 2,850

Note 13 – Net Assets Released from Restrictions

	2015	2014
Institutional financial aid	$ 7,078	$ 6,359
Functional expenses, primarily instruction and academic support	7,778	6,680
Total release for operations	14,856	13,039
Matured life contracts	-	141
Other, primarily plant related	249	611
	249	752
Total release	$ 15,105	$ 13,791

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, 2015, 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 statements of financial position as of June 30, 2015 and 2014, 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, 2015 and 2014, 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.

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's financial statements. The Letter from the Treasurer and Controller and Consolidated Financial Statement Certification has not been subjected to the auditing procedures applied in the audit of the consolidated financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Moss Adams LLP

Yakima, Washington
November 5, 2015

We the undersigned, certify that:

1. We have reviewed the consolidated financial statements of Whitman College (the College) for the years ended June 30, 2015 and 2014.

2. Based on our knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary for the consolidated financial statements not to be misleading to the reader.

3. Based on our knowledge, the consolidated financial statements fairly present, in all material respects, the financial condition, results of operations and cash flows of the College as of, and for, the periods presented in this annual report.

4. The undersigned are responsible for establishing and maintaining controls and procedures designed to ensure that the consolidated financial statements of the College are materially correct and in conformity with accounting principles generally accepted in the United States of America. To that end we have:

   (a) designed such controls and procedures, or caused such controls and procedures, to be designed under our direction to ensure that material information relating to the College is made known to us by others, particularly during the period in which this annual report is being prepared: and

   (b) evaluated the effectiveness of the College's controls and procedures as of the end of the period covered by this report.

5. The undersigned have disclosed, based on our most recent evaluation of internal control over financial reporting, to the College's auditors and the College's Audit Committee of the Board of Trustees of Whitman College:

   (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to affect, adversely, the College's ability to record, process, summarize and report financial information; and

   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the College's internal control over financial report.

Kathleen M Murray

Kathleen M Murray, President

Peter W. Harvey, Treasurer and CFO

Walter R. Froese, Controller

November 5, 2015
Date