

# **WHITWORTH UNIVERSITY**

## **CONSOLIDATED FINANCIAL STATEMENTS** Including Independent Auditors' Report

As of and for the Years Ended June 30, 2017 and 2016

# WHITWORTH UNIVERSITY

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## INDEPENDENT AUDITORS' REPORT

To the President and Board of Trustees  
Whitworth University  
Spokane, Washington

We have audited the accompanying consolidated financial statements of Whitworth University and subsidiaries (the "University"), which comprise the consolidated statements of financial position as of June 30, 2017 and 2016, 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.

### ***Auditors' 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 auditors' 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 financial position of Whitworth University and subsidiaries as of June 30, 2017 and 2016, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Baker Tilly Virchow Krause, LLP*

Minneapolis, Minnesota  
October 6, 2017

# WHITWORTH UNIVERSITY

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As of June 30, 2017 and 2016

<b>ASSETS</b>		
	2017	2016
Cash and cash equivalents	\$ 4,951,882	\$ 2,181,608
Receivables		
Student accounts, net of allowance for doubtful accounts of \$270,000 in 2017 and \$250,000 in 2016	1,090,381	954,731
Contributions, net	5,118,089	4,185,327
Other	748,966	1,010,724
Other assets	1,695,570	1,657,687
Student loans receivable, net	3,797,893	4,025,043
Long-term investments	163,215,649	150,068,223
Deposits held by trustee	5,278,894	5,619,664
Land, buildings and equipment, net	104,263,968	105,384,937
Land, buildings and equipment held for sale, net	2,726,480	2,726,548
Assets held in trust by others	20,029,825	19,401,831
<b>TOTAL ASSETS</b>	<b>\$ 312,917,597</b>	<b>\$ 297,216,323</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable and other liabilities	\$ 2,156,540	\$ 3,445,275
Accrued payroll and related benefits	8,091,755	6,325,704
Student deposits	2,272,191	1,777,232
Deferred revenue	2,055,842	2,063,671
Asset retirement obligations	990,336	920,633
Accrued interest payable	957,251	1,030,303
Long-term debt	81,177,861	75,807,286
Annuities payable	10,286,195	9,900,906
Federal student loan funds	3,397,916	3,394,621
Total Liabilities	111,385,887	104,665,631
<b>NET ASSETS</b>		
Unrestricted	63,876,897	67,909,157
Temporarily restricted	50,323,511	41,095,189
Permanently restricted	87,331,302	83,546,346
Total Net Assets	201,531,710	192,550,692
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 312,917,597</b>	<b>\$ 297,216,323</b>

**WHITWORTH UNIVERSITY**

CONSOLIDATED STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2017  
With Comparative Totals for 2016

	2017			2016 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
<b>REVENUES, GAINS AND OTHER SUPPORT</b>				
<b>OPERATING REVENUES</b>				
Tuition and fees	\$ 97,140,578			\$ 94,887,881
Less: Scholarships and grants	(45,003,297)			(42,735,086)
Net tuition and fees	52,137,281			52,152,795
Government grants	864,929			787,947
Contributions and gifts	2,658,225	\$ 1,369,839		2,965,783
Long-term investment income and gains allocated for operations	502,360	3,260,878		3,690,785
Other sources	1,594,166	6,000		1,600,493
Investment returns	2,043,203			1,797,625
Auxiliary enterprises revenues	13,114,273			12,913,620
	72,914,437	4,636,717		75,909,048
Net assets released from restrictions - operating	4,272,284	(4,272,284)		
Total Operating Revenues, Gains and Other Support	77,186,721	364,433		75,909,048
<b>OPERATING EXPENSES</b>				
Program expenses				
Instruction	32,150,485			31,380,123
Public service	1,238,848			1,012,642
Academic support	7,707,122			7,874,198
Student services	13,782,013			13,353,704
Auxiliary enterprises	11,381,468			11,689,410
Support expenses				
Institutional support	13,905,680			13,591,728
Allocable expenses				
Operation and maintenance of plant	5,569,968			6,488,101
Interest	3,918,204			4,135,183
Unfunded depreciation, amortization, and accretion	7,234,431			7,268,014
Less: Allocated expenses	(16,722,603)			(17,891,298)
Total Operating Expenses	80,165,616			78,901,805
<b>Change in Net Assets from Operating Activities</b>	(2,978,895)	364,433		(2,992,757)
<b>NONOPERATING ACTIVITIES</b>				
Long-term investment income and gains (losses), net of amount allocated for operations	1,452,491	9,976,348		(5,208,049)
Change in value of assets held in trust by others		28,301	\$ 799,244	(862,581)
Contributions and gifts	728,985	2,166,691	2,541,114	6,933,738
Adjustment to actuarial liability for annuities payable	49,623	43,551	447,914	(359,021)
Other sources	688,355	23	(3,316)	638,693
Loss on debt refinancing	(7,113,593)			(7,113,593)
Adjustment to prior service cost and actuarial liability for retiree health plan	(210,251)			360,095
Net assets released from restrictions - nonoperating	3,351,025	(3,351,025)		
<b>Change in Net Assets from Nonoperating Activities</b>	(1,053,365)	8,863,889	3,784,956	1,502,875
<b>Change in Net Assets</b>	(4,032,260)	9,228,322	3,784,956	(1,489,882)
Net Assets - Beginning of Year	67,909,157	41,095,189	83,546,346	194,040,574
<b>NET ASSETS - END OF YEAR</b>	\$ 63,876,897	\$ 50,323,511	\$ 87,331,302	\$ 192,550,692

**WHITWORTH UNIVERSITY**

CONSOLIDATED STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>REVENUES, GAINS AND OTHER SUPPORT</b>				
<b>OPERATING REVENUES</b>				
Tuition and fees	\$ 94,887,881			\$ 94,887,881
Less: Scholarships and grants	<u>(42,735,086)</u>			<u>(42,735,086)</u>
Net tuition and fees	52,152,795			52,152,795
Government grants	787,947			787,947
Contributions and gifts	2,172,402	\$ 793,381		2,965,783
Long-term investment income and gains allocated for operations	637,340	3,053,445		3,690,785
Other sources	1,585,993	14,500		1,600,493
Investment income	1,797,625			1,797,625
Auxiliary enterprises revenues	<u>12,913,620</u>			<u>12,913,620</u>
	72,047,722	3,861,326		75,909,048
Net assets released from restrictions - operating	<u>4,000,917</u>	<u>(4,000,917)</u>		
Total Operating Revenues, Gains and Other Support	<u>76,048,639</u>	<u>(139,591)</u>		<u>75,909,048</u>
<b>OPERATING EXPENSES</b>				
Program expenses				
Instruction	31,380,123			31,380,123
Public service	1,012,642			1,012,642
Academic support	7,874,198			7,874,198
Student services	13,353,704			13,353,704
Auxiliary enterprises	11,689,410			11,689,410
Support expenses				
Institutional support	13,591,728			13,591,728
Allocable expenses				
Operation and maintenance of plant	6,488,101			6,488,101
Interest	4,135,183			4,135,183
Unfunded depreciation, amortization, and accretion	7,268,014			7,268,014
Less: Allocated expenses	<u>(17,891,298)</u>			<u>(17,891,298)</u>
Total Operating Expenses	<u>78,901,805</u>			<u>78,901,805</u>
<b>Change in Net Assets from Operating Activities</b>	<u>(2,853,166)</u>	<u>(139,591)</u>		<u>(2,992,757)</u>
<b>NONOPERATING ACTIVITIES</b>				
Long-term investment income and gains (losses), net of amount allocated for operations	(577,514)	(4,630,535)		(5,208,049)
Change in value of assets held in trust by others		145,793	\$ (1,008,374)	(862,581)
Contributions and gifts	217,325	2,894,626	3,821,787	6,933,738
Adjustment to actuarial liability for annuities payable	58,699	(34,761)	(382,959)	(359,021)
Other sources	575,011	470	63,212	638,693
Adjustment to prior service cost and actuarial liability for retiree health plan	360,095			360,095
Net assets released from restrictions - nonoperating	<u>9,111,746</u>	<u>(9,111,746)</u>		
<b>Change in Net Assets from Nonoperating Activities</b>	<u>9,745,362</u>	<u>(10,736,153)</u>	<u>2,493,666</u>	<u>1,502,875</u>
<b>Change in Net Assets</b>	6,892,196	(10,875,744)	2,493,666	(1,489,882)
Net Assets - Beginning of Year	<u>61,016,961</u>	<u>51,970,933</u>	<u>81,052,680</u>	<u>194,040,574</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 67,909,157</u>	<u>\$ 41,095,189</u>	<u>\$ 83,546,346</u>	<u>\$ 192,550,692</u>

# WHITWORTH UNIVERSITY

## CONSOLIDATED STATEMENTS OF CASH FLOWS For the Years Ended June 30, 2017 and 2016

	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 8,981,018	\$ (1,489,882)
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation, amortization and accretion	7,234,431	7,268,014
Loss on debt refinancing	7,113,593	
Adjustment to prior service cost and actuarial liability for retiree health plan	210,251	(360,095)
Adjustment to actuarial liability for annuities payable	(541,088)	359,021
Net (gains) losses on investments	(12,568,720)	4,193,171
Change in value of assets held in trust by others	(827,545)	862,581
Change in allowance on student accounts receivable	20,000	25,000
Loan cancellations, assignments and write-offs	65,872	226,380
Loss from disposal of assets		25,978
Change in assets		
Student accounts receivable	(155,650)	(76,186)
Other receivables	261,758	(297,055)
Other assets	(37,883)	(715,166)
Contributions receivable for operations	(858,134)	(29,955)
Change in liabilities		
Accounts payable, other liabilities and accrued interest payable	(277,885)	783,602
Accrued payroll and related benefits	1,555,800	(16,834)
Student deposits	494,959	76,169
Deferred revenue	(7,829)	(101,001)
Contributions restricted for plant and long-term investment	(5,436,790)	(6,933,738)
Net Cash Flows From Operating Activities	5,226,158	3,800,004
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Student loans receivable		
Principal repayments	707,892	729,497
Advances	(546,614)	(818,478)
Purchases of land, buildings and equipment	(7,271,566)	(9,847,921)
Drawdowns of deposits held by trustee	51,481	105,163
Proceeds from sales of long-term investments	32,924,275	38,702,334
Purchases of long-term investments	(35,228,973)	(42,224,426)
Net Cash Flows From Investing Activities	(9,363,505)	(13,353,831)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Contributions received restricted for plant and long-term investment	5,362,162	9,109,981
Proceeds from issuance of long-term debt	4,000,000	
Payments on long-term debt	(1,565,000)	(1,360,000)
Payments to annuitants	(892,836)	(902,597)
Net change in federal student loan funds	3,295	(170,352)
Net Cash Flows From Financing Activities	6,907,621	6,677,032
<b>Net Change in Cash and Cash Equivalents</b>	2,770,274	(2,876,795)
CASH AND CASH EQUIVALENTS - Beginning of Year	2,181,608	5,058,403
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 4,951,882	\$ 2,181,608



# WHITWORTH UNIVERSITY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2017 and 2016

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### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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Whitworth University, a higher education institution founded in 1890, was incorporated in 1972 as a tax-exempt charitable organization under Section 501(c)(3) of the Internal Revenue Code and is located in Spokane, Washington. Whitworth University's primary source of revenue comes from tuition. Other sources of revenue include room and board, gifts, and investment earnings. The financial statements have been prepared on the accrual basis of accounting. The more significant accounting policies are summarized below:

**Consolidation** - The consolidated financial statements include the accounts of Whitworth University, Whitworth Costa Rica Limited, and The Whitworth Foundation (the "Foundation"), collectively referred to as the "University." The purpose of Whitworth Costa Rica Limited is to provide educational services to Whitworth University students at a campus located in Costa Rica and the purpose of the Foundation is to seek out and obtain deferred gifts to support Whitworth University. See Note 21 for summarized financial information related to these entities. All transactions and balances between the entities have been eliminated in the consolidated financial statements.

**Net Asset Classification** - For the purposes of financial reporting, the University classifies resources into three net asset categories pursuant to any donor-imposed restrictions and applicable law. Accordingly, the net assets of the University are classified in the accompanying financial statements in the categories that follow:

**Permanently Restricted Net Assets** - Net assets subject to donor-imposed stipulations that they be maintained permanently by the University. Generally, the donors of these assets permit the University to use all or part of the income earned on related investments for general or specific purposes.

**Temporarily Restricted Net Assets** - Net assets subject to donor-imposed stipulations that will be met by action of the University and/or the passage of time.

**Unrestricted Net Assets** - Net assets not subject to donor-imposed stipulations.

Revenues from sources other than contributions are generally reported as increases in unrestricted net assets. Expenses are reported as decreases in unrestricted net assets. Income earned on donor restricted funds is initially classified as temporarily restricted net assets and is reclassified as unrestricted net assets when expenses are incurred for their intended purpose.

Contributions, including unconditional promises to give, are recognized as revenues in the period received and are reported as increases in the appropriate categories of net assets in accordance with donor restrictions. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of property and equipment without donor stipulations concerning the use of such long-lived assets are reported as unrestricted revenues. Contributions of cash or other assets to be used to acquire property and equipment are reported as temporarily restricted revenues; the restrictions are considered to be met and released as the asset is constructed or, if purchased, when it is placed in service.

WHITWORTH UNIVERSITY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
As of and for the Years Ended June 30, 2017 and 2016

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**

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In the absence of donor stipulations or law to the contrary, losses on the investments of a donor-restricted endowment fund reduce temporarily restricted net assets to the extent that donor-imposed temporary restrictions on net appreciation of the fund have not been met before the loss occurs. Any remaining loss reduces unrestricted net assets. If losses reduce the assets of a donor-restricted endowment fund below the level required by the donor stipulations or law, gains that restore the fair value of the assets of the endowment fund to the required level are classified as increases in unrestricted net assets. Gains and losses on investments of endowment funds created by a board designation of unrestricted funds are classified as changes in unrestricted net assets.

**Tuition and Fees and Auxiliary Revenues** - Tuition revenue is recognized in the period the classes are provided. Revenue from auxiliary enterprises is recognized when goods or services are provided. Financial assistance in the form of scholarships and grants that cover a portion of tuition, living and other costs is reflected as a reduction of tuition and fees revenues.

**Cash and Cash Equivalents** - The University considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents do not include investments the University has both the ability and intent to hold long-term. Certain cash held by the University is restricted for the Perkins Loan Fund.

**Student Accounts Receivables** - Student accounts receivables include amounts due to the University for tuition and fees. An allowance for doubtful accounts is recorded annually based on historical experience and management's evaluation of receivables at the end of each year. Bad debts are expensed when deemed uncollectible. Recoveries of student accounts previously written-off are recorded when received. Receivables are generally unsecured.

**Deposits Held by Trustee** - Deposits held by trustee include amounts restricted for construction and debt service as required by the trust indentures. The assets are comprised of cash equivalents and government bonds.

**Land, Buildings and Equipment** - Land, buildings, improvements and equipment are recorded at cost at the date of acquisition or at fair value at the date of gift, less accumulated depreciation. Normal repair and maintenance expenses are charged to operations as incurred. The University capitalizes land, buildings, and equipment expenditures in excess of \$5,000. Title to land and buildings is principally in the name of the University.

Buildings, improvements, and equipment are depreciated using the straight-line method over the following estimated useful lives:

Buildings	30 to 40 years
Building and other improvements	5 to 30 years
Equipment	5 to 8 years

Upon sale or retirement of property and equipment, the related cost and accumulated depreciation are removed from the accounts and the resulting gains or losses are reflected in the statement of activities.

Land, buildings and equipment held for sale on the statements of financial position relates to the University's property located in Costa Rica. Beginning at the end of 2016, these assets are no longer being depreciated.

WHITWORTH UNIVERSITY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
As of and for the Years Ended June 30, 2017 and 2016

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**

**Impairment of Long-Lived Assets** - The University reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Recoverability of these assets is determined by comparing the forecasted undiscounted net cash flows of the operation to which the assets relate to the carrying amount. If the operation is determined to be unable to recover the carrying amount of its assets, then assets are written down first, followed by other long-lived assets of the operation to fair value. Fair value is determined based on discounted cash flows or appraised values, depending on the nature of the assets. As of June 30, 2017 and 2016, there were no impairment losses recognized for long-lived assets.

**Assets Held in Trust by Others** - The University has been designated as beneficiary of several trusts managed by outside foundations. Some of these trusts generate income that is distributed to the University on a periodic basis. Those trusts are generally invested in marketable securities, real estate, or contracts collateralized by real estate.

**Deferred Revenue** - Certain revenue related to summer and fall courses and programs is deferred and recognized as revenue in the same period expenses are recognized. Students are generally billed for courses and programs prior to the start of the course or program.

**Asset Retirement Obligations** - The University recognizes the fair value of a liability for legal obligations associated with asset retirements in the period in which it is incurred, if a reasonable estimate of the fair value of the obligation can be made. When the liability is initially recorded, the cost of the retirement obligation is capitalized by increasing the carrying value of the related asset. Over time, the liability is accreted to its present value each year and the capitalized cost associated with the retirement obligation is depreciated over the useful life of the related asset. Upon settlement of the obligation, any difference between the cost to settle the asset retirement obligation and the liability recorded is recognized as a gain or loss in the statement of activities. The University reviews its estimates annually and adjusts the recorded liability as needed.

Substantially all of the University's asset retirement obligations relate to estimated costs to remove asbestos from campus facilities. The estimate of the losses that are probable for asbestos removal was calculated using the expected cash flow approach and based on an inventory of the University's long-lived assets combined with an estimate of the current market prices to remove the asbestos. The University utilized a credit-adjusted risk-free rate to discount the asset retirement obligation.

Changes in the accrual for asset retirement obligations during the years ended June 30, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Balance, Beginning of the year	\$ 920,633	\$ 918,473
Abatements	(1,272)	(16,457)
Accretion expense	<u>70,975</u>	<u>18,617</u>
Balance, End of the year	<u>\$ 990,336</u>	<u>\$ 920,633</u>

**Federal Student Loan Funds** - Funds provided by the United States government under the Federal Perkins Loan Program are loaned to qualified students and may be reloaned after collections. These funds are ultimately refundable to the government and are included as liabilities in the statements of financial position. Revenues from other government grants are recognized as they are earned in accordance with the agreement. Any funding received before it is earned is recorded as a refundable advance. Expenses incurred before cash is received are recorded as receivables.

WHITWORTH UNIVERSITY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
As of and for the Years Ended June 30, 2017 and 2016

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**

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**Income Tax Status** - The Internal Revenue Service has determined that both the University and Foundation are exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. Accordingly, the University and Foundation are not subject federal income taxes except to the extent they generate income from certain activities not substantially related to their tax-exempt purpose (unrelated trade or business activities). Donations to the University and Foundation are tax deductible. Whitworth Costa Rica Limited is a taxable corporation for purposes of Costa Rican income tax law.

The University follows the accounting standards for contingencies in evaluating uncertain tax positions. This guidance prescribes recognition threshold principles for the financial statement recognition of tax positions taken or expected to be taken on a tax return that are not certain to be realized. No liability has been recognized by the University for uncertain tax positions as of June 30, 2017 and 2016. The University's tax returns are subject to review and examination by federal authorities.

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

**Fund-Raising and Advertising Expenses** - Fund-raising expenses totaled \$2,837,000 and \$2,920,000 for the years ended June 30, 2017 and 2016, respectively. Advertising costs are expensed when incurred.

**Functional Allocation of Expenses** - The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain expenses have been allocated among the programs and supporting services benefited.

**New Accounting Pronouncements Not Yet Effective** - In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers*. This new accounting guidance outlines a single comprehensive model for entities to use in accounting for revenue from contracts with customers. ASU No. 2014-09 is effective for fiscal years beginning after December 15, 2017 (fiscal year 2019). Early application is permitted for all entities for fiscal years beginning after December 15, 2016. The University is assessing the impact this new standard will have on its financial statements.

In February 2016, FASB issued ASU No. 2016-02, *Leases*. ASU No. 2016-02 was issued to increase transparency and comparability among entities. Lessees will need to recognize nearly all lease transactions (other than leases that meet the definition of a short-term lease) on the statement of financial position as a lease liability and a right-of-use asset (as defined). Lessor accounting under the new guidance will be similar to the current model. ASU No. 2016-02 is effective for fiscal years beginning after December 15, 2018 (fiscal year 2020). Early application is permitted. Upon adoption, lessees and lessors will be required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach, which includes a number of optional practical expedients that entities may elect to apply. The University is assessing the impact this standard will have on its financial statements.

## WHITWORTH UNIVERSITY

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2017 and 2016

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#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

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***New Accounting Pronouncements Not Yet Effective*** (cont) - In August 2016, FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The new guidance improves and simplifies the current net asset classification requirements and information presented in financial statements and notes that is useful in assessing a not-for-profit's liquidity, financial performance and cash flows. ASU 2016-14 is effective for fiscal years beginning after December 15, 2017 (fiscal year 2019), with early adoption permitted. ASU 2016-14 is to be applied retroactively with transition provisions. The University is assessing the impact this standard will have on its financial statements.

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#### NOTE 2 - FAIR VALUE MEASUREMENTS

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***Fair Value Hierarchy*** - Fair value is defined in the accounting guidance as the exchange price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the assets or liability in an orderly transaction between market participants at the measurement date. Under this guidance, a three-level hierarchy is used for fair value measurements which are based on the transparency of information, such as the pricing source, used in the valuation of an asset or liability as of the measurement date.

Financial instruments measured and reported at fair value are classified and disclosed in one of the following three categories.

Level 1 - Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity can access at the measurement date.

Level 2 - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. This includes quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, or market-corroborated inputs.

Level 3 - Inputs are unobservable for the asset or liability. Unobservable inputs reflect the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk) using the best information available in the circumstances, which may include using the reporting entity's own data.

#### ***Valuation Techniques and Inputs***

Level 1 - Level 1 assets include:

- > Investments in equity securities for which quoted prices are readily available.
- > Investments in certain fixed income securities (U.S. Treasury notes) as they trade with sufficient frequency and volume to enable the University to obtain pricing information on an ongoing basis.
- > Investments in mutual funds for which quoted prices are readily available.

**WHITWORTH UNIVERSITY**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
As of and for the Years Ended June 30, 2017 and 2016

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**NOTE 2 - FAIR VALUE MEASUREMENTS (cont.)**

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Level 2 - Level 2 assets include:

- > Investments in certain fixed income securities (corporate bonds and notes) for which quoted prices are not readily available. The fair values are estimated using Level 2 inputs based on multiple sources of information, which may include market data and/or quoted market prices from either markets that are not active or are for the same or similar assets in active markets.

Level 3 - Level 3 assets include:

- > Assets held in trust by others for which quoted prices are not readily available. The fair values are estimated using an income approach by calculating the present value of the future distributions expected to be received based on a combination of Level 2 inputs (interest rates and yield curves) and significant unobservable inputs (entity specific estimates of cash flows). Since the University has an irrevocable right to receive the income earned from the trusts' assets, the fair value of the University's beneficial interest is estimated to approximate the fair value of the trusts' assets.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls has been determined based on the lowest level input that is significant to the fair value measurement in its entirety. The assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

Alternative investments in privately-held investment funds are measured at fair value using the net asset value per share (or its equivalent) of such investment funds as a practical expedient for fair value. The University has estimated the fair value of privately-held investment funds by using the net asset value provided by the investee as of June 30.

There have been no changes in the techniques and inputs used as of June 30, 2017 and 2016.

While the University believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

**WHITWORTH UNIVERSITY**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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**NOTE 2 - FAIR VALUE MEASUREMENTS (cont.)**

The following table presents information about the University's assets measured at fair value on a recurring basis as of June 30, 2017:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<b>ASSETS</b>				
Equity securities	\$ 1,238,200	\$ 1,238,200		
Fixed income securities	11,625,177	2,256,714	\$ 9,368,463	
Mutual funds				
Domestic equity	28,730,557	28,730,557		
Domestic fixed income	36,607,554	36,607,554		
International equity	33,320,610	33,320,610		
International fixed income	644,902	644,902		
Assets held in trust by others	<u>20,029,825</u>			\$ 20,029,825
Subtotal by valuation hierarchy	132,196,825	<u>\$ 102,798,537</u>	<u>\$ 9,368,463</u>	<u>\$ 20,029,825</u>
Alternative investments measured using net asset value	<u>46,150,863</u>			
Total assets at fair value	<u>\$ 178,347,688</u>			

The following table presents information about the University's assets measured at fair value on a recurring basis as of June 30, 2016:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<b>ASSETS</b>				
Equity securities	\$ 2,774,921	\$ 2,774,921		
Fixed income securities	11,990,629	5,702,655	\$ 6,287,974	
Mutual funds				
Domestic equity	28,048,127	28,048,127		
Domestic fixed income	41,212,884	41,212,884		
International equity	19,732,839	19,732,839		
International fixed income	605,466	605,466		
Assets held in trust by others	<u>19,401,831</u>			\$ 19,401,831
Subtotal by valuation hierarchy	123,766,697	<u>\$ 98,076,892</u>	<u>\$ 6,287,974</u>	<u>\$ 19,401,831</u>
Alternative investments measured using net asset value	<u>44,003,148</u>			
Total assets at fair value	<u>\$ 167,769,845</u>			

**WHITWORTH UNIVERSITY**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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**NOTE 2 - FAIR VALUE MEASUREMENTS (cont.)**

The following table presents a reconciliation of the statement of financial position amounts for assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended June 30, 2017:

	<u>Balances June 30, 2016</u>	<u>Realized and unrealized gains</u>	<u>Purchases and additions</u>	<u>Sales and distributions</u>	<u>Net transfers in (out) of Level 3</u>	<u>Balances June 30, 2017</u>
Assets						
Assets held in trust by others	\$ 19,401,831	\$ 827,545	\$	\$ (199,551)	\$	\$ 20,029,825

The amount of total gains for the period included in change in net assets attributable to the change in unrealized gains relating to Level 3 assets still held at June 30, 2017. \$ 827,545

The following table presents a reconciliation of the statement of financial position amounts for assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended June 30, 2016:

	<u>Balances June 30, 2015</u>	<u>Realized and unrealized losses</u>	<u>Purchases and additions</u>	<u>Sales and distributions</u>	<u>Net transfers in (out) of Level 3</u>	<u>Balances June 30, 2016</u>
Assets						
Assets held in trust by others	\$ 20,523,845	\$ (862,581)	\$ 33,033	\$ (292,466)	\$	\$ 19,401,831

The amount of total losses for the period included in change in net assets attributable to the change in unrealized losses relating to Level 3 assets still held at June 30, 2016. \$ (862,581)



**WHITWORTH UNIVERSITY**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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**NOTE 2 - FAIR VALUE MEASUREMENTS (cont.)**

The University uses the NAV as a practical expedient to determine fair value of all underlying investments which (a) do not have a readily determinable fair value; and (b) prepare their financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company.

The following table lists the alternative investments in which NAV was utilized as the practical expedient for estimating fair value by major category as of June 30, 2017 and 2016:

	Funds of Funds				
	Hedge Funds	Commodities	Real Assets	Limited Partnerships	Private Equity Funds
Fair value, June 30, 2017	\$20,777,957	\$1,656,357	\$9,735,022	\$4,536,297	\$9,445,230
Fair value, June 30, 2016	\$18,603,663	\$1,750,075	\$10,010,177	\$5,491,970	\$8,147,263
Significant Investment Strategy	Low correlation to standard markets indexes	Low correlation to standard markets indexes	Fund of funds vehicle through which clients can invest in private equity real estate fund or income producing real properties	The fund of funds vehicle expects to invest in partnerships or other commingled funds with portfolio manager that invest in high yield securities, public and private debt, bank loans, trade claims, equity or other distressed obligations	Direct investment in private companies to create gains
Remaining Life	Indefinite	Indefinite	Minimum of 10 years	Minimum of 16 years	4 years
Dollar Amount of Unfunded Commitments	Open	Open	\$1,174,939	\$779,297	\$1,287,646
Timing to Draw Down Commitments	N.A.	N.A.	3 to 5 years	3 to 5 years	3 to 5 years
Redemption Terms	One year lock-up period; after that quarterly or annually	Quarterly	With 90 days advance notice	Not Allowed	Not Allowed
Redemption Restrictions	N.A.	N.A.	As liquidity becomes available after redemption request	N.A.	N.A.
Redemption Restrictions in Place at Year End	N.A.	N.A.	N.A.	N.A.	N.A.

WHITWORTH UNIVERSITY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
As of and for the Years Ended June 30, 2017 and 2016

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**NOTE 3 - RESTRICTIONS AND LIMITATIONS ON NET ASSET BALANCES**

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Permanently restricted net assets consist of the following at June 30:

	<u>2017</u>	<u>2016</u>
Endowment funds	\$ 80,020,230	\$ 76,761,705
Long term investment funds	698,485	771,000
Student loan funds	1,142,336	1,145,651
Annuity, life income and similar funds	<u>5,470,251</u>	<u>4,867,990</u>
	<u>\$ 87,331,302</u>	<u>\$ 83,546,346</u>

Temporarily restricted net assets consist of the following at June 30:

Gifts and other unexpended revenues and gains available for:		
Scholarships, instruction and other departmental support	\$ 1,164,047	\$ 910,874
Acquisition of buildings and equipment	1,320,155	2,087,917
Earnings not yet appropriated for spending	46,614,799	36,915,439
Annuity, life income and similar funds	<u>1,224,510</u>	<u>1,180,959</u>
	<u>\$ 50,323,511</u>	<u>\$ 41,095,189</u>

Unrestricted net assets consist of the following at June 30:

For current operations	\$ 11,343,248	\$ 10,233,029
Plant	34,874,281	41,614,599
Endowment funds - board designated	15,249,786	13,701,569
Annuity, life income and similar funds	<u>2,409,582</u>	<u>2,359,960</u>
	<u>\$ 63,876,897</u>	<u>\$ 67,909,157</u>

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**NOTE 4 - NET ASSETS RELEASED FROM RESTRICTIONS**

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Net assets released from temporary donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of events specified by the donors totaled \$7,623,309 and \$13,112,663 during the years ended June 30, 2017 and 2016, respectively. The expenses related to capital expenditures (\$3,351,025 and \$9,111,746 related to 2017 and 2016, respectively), scholarships, instruction and other departmental support.

**WHITWORTH UNIVERSITY**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
As of and for the Years Ended June 30, 2017 and 2016

**NOTE 5 - CONTRIBUTIONS RECEIVABLE**

Unconditional promises to give are included in the consolidated financial statements as contributions receivable and revenue of the appropriate net asset category. Receivables are recorded net of a discount to reflect the estimated present value of the expected future cash flows to be received. Contributions receivable include the following unconditional promises to give at June 30:

	2017	2016
Unrestricted - construction projects	\$ 1,525,917	\$ 2,591,201
Unrestricted - operating	675,000	
Temporarily restricted		
Current scholarships, departmental programs and activities	478,808	278,728
Building construction and remodeling	1,118,431	
Permanently restricted - endowment for scholarships and departmental programs and activities	1,975,177	1,951,812
Gross unconditional promises to give	5,773,333	4,821,741
Less: Allowance for uncollectible promises	(400,000)	(400,000)
Less: Unamortized discount	(255,244)	(236,414)
Net contributions receivable	\$ 5,118,089	\$ 4,185,327
Amounts due in:		
Within one year	\$ 3,069,928	
One to five years	2,686,729	
Greater than five years	16,676	
	\$ 5,773,333	

Promises due in more than one year were discounted at rates ranging between 2% and 6% at June 30, 2017 and 2016. Promises due in less than one year were not discounted.

Amounts due from members of the Board of Trustees were approximately \$2,205,000 and \$1,691,000 as of June 30, 2017 and 2016, respectively. For the years ended June 30, 2017 and 2016, contributions (new pledges and cash gifts) from members of the Board of Trustees were approximately \$1,472,000 and \$3,459,000, respectively.

**WHITWORTH UNIVERSITY**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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**NOTE 6 - LONG TERM INVESTMENTS AND DEPOSITS HELD BY TRUSTEE**

The following summarizes the University's investments and deposits held by trustee at June 30:

	<u>2017</u>	<u>2016</u>
At fair value		
Equity securities	\$ 1,238,200	\$ 2,774,921
Fixed income securities	11,625,177	11,990,629
Mutual funds		
Domestic equity	28,730,557	28,048,127
Domestic fixed income	36,607,554	41,212,884
International equity	33,320,610	19,732,839
International fixed income	644,902	605,466
Other investments		
Equity index fund (hedge fund)	11,522,942	9,796,201
Funds of funds		
Hedge funds	9,255,015	8,807,462
Commodities	1,656,357	1,750,075
Real assets	9,735,022	10,010,177
Limited partnerships	4,536,297	5,491,970
Private equity funds	<u>9,445,230</u>	<u>8,147,263</u>
Total other investments	46,150,863	44,003,148
At cost		
Cash and short-term investments	5,990,830	3,079,121
Real estate	758,600	904,600
Annuity contracts	1,244	1,304
Single premium life insurance policy	154,229	150,669
Cash surrender value of life insurance policies	<u>3,271,777</u>	<u>3,184,179</u>
	<u>\$ 168,494,543</u>	<u>\$ 155,687,887</u>

Long-term investments and deposits held by trustee are allocated as follows at June 30:

Long-term investments	\$ 163,215,649	\$ 150,068,223
Deposits held by trustee (Note 10)	<u>5,278,894</u>	<u>5,619,664</u>
	<u>\$ 168,494,543</u>	<u>\$ 155,687,887</u>

Investments, in general, are subject to various risks, including credit, interest and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the consolidated financial statements.

Through the University's investment in other investments, the University is indirectly involved in investment activities such as securities lending, trading in futures, forward contracts and other derivative products. Derivatives are used to adjust portfolio risk exposure. While these instruments may contain varying degrees of risk, the University's risk with respect to such transactions is limited to its respective capital balance in each investment. These interests have varying degrees of liquidity.

**WHITWORTH UNIVERSITY**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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**NOTE 7 - LIFE INSURANCE POLICIES**

The University and Foundation have received gifts of several life insurance policies and are designated as both the owner and beneficiary of these life insurance policies. At June 30, 2017 and 2016, the insurance coverage aggregated approximately \$6,456,000 and \$6,453,000, respectively, and the cash surrender value totaled \$3,271,777 and \$3,184,179, respectively. Premium payments are required to be made by the donor or the University to continue coverage to the maturity dates.

**NOTE 8 - CONSTRUCTION IN PROGRESS**

At June 30, 2017, the following projects were in progress:

	<u>Costs to Date</u>	<u>Estimated Completion Date</u>	<u>Funding Source</u>
Pine Bowl improvements	\$ 334,406	9/1/2017	Gifts
Chapel addition	75,949	9/1/2018	Gifts/Grant
Science building remodeling	53,610	9/1/2017	Operations
Triangle project	86,400	9/1/2017	Gifts
Pool evacuator and ground improvements	299,735	12/31/2017	Operations
Athletics administration building	<u>107,925</u>	9/1/2019	Debt/Gifts
	<u>\$ 958,025</u>		

Remaining commitments on signed construction contracts approximate \$2,255,275 as of June 30, 2017.

**NOTE 9 - LAND, BUILDINGS AND EQUIPMENT**

Land, buildings and equipment and the related accumulated depreciation amounts are as follows at June 30, 2017:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
Land	\$ 5,876,315			\$ 5,876,315
Buildings	130,711,351	\$ 13,866,212		144,577,563
Buildings and other improvements	24,502,824	161,595	\$ (734,584)	23,929,835
Equipment	18,851,103	1,960,984	(438,017)	20,374,070
Construction in progress	<u>10,854,654</u>	<u>958,024</u>	<u>(10,854,653)</u>	<u>958,025</u>
	<u>190,796,247</u>	<u>16,946,815</u>	<u>(12,027,254)</u>	<u>195,715,808</u>
Less: Accumulated Depreciation for:				
Buildings	(57,653,084)	(4,527,131)		(62,180,215)
Buildings and other improvements	(11,512,732)	(1,125,613)	734,584	(11,903,761)
Equipment	<u>(13,518,946)</u>	<u>(1,560,455)</u>	<u>438,017</u>	<u>(14,641,384)</u>
Total Accumulated Depreciation	<u>(82,684,762)</u>	<u>(7,213,199)</u>	<u>1,172,601</u>	<u>(88,725,360)</u>
	<u>\$ 108,111,485</u>	<u>\$ 9,733,616</u>	<u>\$ (10,854,653)</u>	<u>\$ 106,990,448</u>

Reconciliation to statement of net position

Land, buildings and equipment, net	\$ 104,263,968
Land, buildings and equipment held for sale, net	<u>2,276,480</u>
	<u>\$ 106,990,448</u>

**WHITWORTH UNIVERSITY**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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**NOTE 9 - LAND, BUILDINGS AND EQUIPMENT (cont.)**

Land, buildings and equipment and the related accumulated depreciation amounts are as follows at June 30, 2016:

	Beginning Balance	Additions	Deductions	Ending Balance
Land	\$ 5,876,315			\$ 5,876,315
Buildings	130,102,375	\$ 851,814	\$ (242,838)	130,711,351
Buildings and other improvements	24,823,106	250,294	(570,576)	24,502,824
Equipment	18,412,706	990,191	(551,794)	18,851,103
Construction in progress	1,714,879	9,323,487	(183,712)	10,854,654
	<u>180,929,381</u>	<u>11,415,786</u>	<u>(1,548,920)</u>	<u>190,796,247</u>
Less: Accumulated Depreciation for:				
Buildings	(53,338,087)	(4,557,835)	242,838	(57,653,084)
Buildings and other improvements	(10,916,916)	(1,166,392)	570,576	(11,512,732)
Equipment	(12,540,001)	(1,504,760)	525,815	(13,518,946)
Total Accumulated Depreciation	<u>(76,795,004)</u>	<u>(7,228,987)</u>	<u>1,339,229</u>	<u>(82,684,762)</u>
	<u>\$ 104,134,377</u>	<u>\$ 4,186,799</u>	<u>\$ (209,691)</u>	<u>\$ 108,111,485</u>
Reconciliation to statement of net position				
Land, buildings and equipment, net				\$ 105,384,937
Land, buildings and equipment held for sale, net				<u>2,726,548</u>
				<u>\$ 108,111,485</u>

The University has pledged its property of the core campus located in Spokane, Washington to the repayment of its obligations under the loan agreements for the Series 2012 and 2016 Revenue Bonds (see Note 10).

**NOTE 10 - LONG-TERM DEBT**

The University had the following long-term debt outstanding at June 30:

	2017	2016
Revenue and Refunding Bonds - 2009 Series		\$ 57,825,000
Discount on 2009 Series Revenue and Refunding Bonds		(499,278)
Revenue Bonds - 2012 Series	\$ 18,445,000	18,720,000
Premium on 2012 Series Revenue Bonds	409,809	423,029
Revenue and Refunding Bonds - 2016 Series	60,535,000	
Premium on 2016 Series Revenue and Refunding Bonds	<u>2,395,828</u>	
	81,785,637	76,468,751
Less deferred debt acquisition costs, net	<u>(607,776)</u>	<u>(661,465)</u>
	<u>\$ 81,177,861</u>	<u>\$ 75,807,286</u>

WHITWORTH UNIVERSITY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
As of and for the Years Ended June 30, 2017 and 2016

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**NOTE 10 - LONG-TERM DEBT** (cont.)

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**2009 Series Revenue and Refunding Bonds** - In November 2009, the University entered into a loan and security agreement with the Washington Higher Education Facilities Authority for the Authority to sell Series 2009 Revenue and Refunding Bonds in the amount of \$63,720,000 and loan the proceeds to the University. The bonds were issued for the purpose of refinancing the Series 1998, Series 2001 and Series 2006 bonds and for construction and plant improvement projects. These projects included a new residence hall at an estimated cost of approximately \$11,000,000 and a new science building at an estimated cost of approximately \$31,000,000.

The outstanding principal balances on the Series 1998 bonds and Series 2001 bonds were paid in full and retired during 2010 using the proceeds of the Series 2009 Bonds. With respect to the Series 2006 bonds, proceeds from the Series 2009 bonds were placed in an escrow account held to defease the bonds in October 2027. The balance in the escrow account, which is not recorded on the University's statement of financial position, at June 30, 2017 was \$10,873,694. The outstanding balance on the Series 2006 bonds, which is not recorded on the University's statement of financial position, was \$9,460,000 at June 30, 2017.

See below for the information on the 2016 Series bonds that reflects the refinancing of the 2009 Series bonds.

**2012 Series Revenue Bonds** - In February 2012, the University entered into a loan and security agreement with the Washington Higher Education Facilities Authority for the Authority to sell Series 2012 Revenue Bonds in the amount of \$19,500,000 and loan the proceeds to the University. The bonds were issued for the purpose of remodeling and expanding the dining facilities, building a new campus recreation center, residence hall design and furniture, various infrastructure projects, and updating certain underground steam distribution lines.

Interest is payable on the Series 2012 bonds semi-annually on each October 1 and April 1 at rates ranging from 3.00% to 5.25%. Serial bonds are payable in amounts ranging from \$290,000 to \$345,000 on October 1, 2017 through October 1, 2022. Term bonds in the amounts of \$2,000,000, \$2,565,000, \$3,310,000, and \$8,675,000 are due on October 1, 2027, 2032, 2037, and 2046, respectively. The term bonds are subject to annual sinking fund payments on October 1, in the years 2023 to 2046, in amounts varying from \$360,000 to \$1,180,000.

**2016 Series Revenue and Refunding Bonds** - In December 2016, the University entered into a loan and security agreement with the Washington Higher Education Facilities Authority for the Authority to sell Series 2016A Nontaxable Revenue and Refunding Bonds in the amount of \$47,660,000 and Series 2016B Taxable Refunding Revenue Bonds in the amount of \$12,875,000 and loan the proceeds to the University. The bonds were issued for the purpose of refinancing the outstanding balance of the Series 2009 bonds previously issued by the Authority and lent to the University in November 2009 and for the construction of a new athletics administration building and other facility improvements for the University. With respect to the Series 2009 bonds, proceeds from the 2016A and 2016B Series bonds were placed in an escrow account held to defease the Series 2009 bonds in October 2019. The balance in that escrow account, which is not recorded on the University's financial statements, at June 30, 2017 was \$62,209,504. The outstanding balance on the Series 2009 bonds, which is not recorded on the University's financial statements, was \$57,825,000 at June 30, 2017.

Interest is payable on the Series 2016 bonds semi-annually on each October 1 and April 1 at rates ranging from 2.31% to 5.00%. Serial bonds are payable in amounts ranging from \$1,460,000 to \$3,435,000 on October 1, 2017 through October 1, 2036. Term bonds schedule to mature on October 1, 2040, which was the same term of the refunded 2009 Series bonds, are subject to mandatory sinking fund redemptions in the amounts of \$3,610,000, \$3,795,000, \$3,990,000, and \$4,195,000 on October 1, 2037, 2038, 2039, and 2040, respectively. The University not required to establish a reserve fund for the 2016 Series bonds.

**WHITWORTH UNIVERSITY**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE 10 - LONG-TERM DEBT (cont.)**

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The University has pledged its unrestricted revenues and property of the core campus located in Spokane, Washington (see Note 9) to the repayment of its obligations under the loan agreements. As a condition of the issuance of the bonds, the University has agreed to certain covenants for the protection of bond owners, including maintaining in each fiscal year income available for debt service at least equal to 1.00 times annual debt service for such fiscal year beginning after the date of issuance of the bonds and continuing through the fiscal year that is two fiscal years after the last of the new facilities is placed in service, and 1.25 times annual debt service in each other fiscal year. The University was in compliance with these debt covenants as of June 30, 2017 and 2016.

Deposits held by trustee (Note 6) at June 30, 2017 include debt service reserves related to the Series 2012 bonds and \$3,948,519 of unspent bond proceeds for construction related to the Series 2016 bonds. The balance at June 30, 2016 included debt service reserves related to the Series 2009 and 2012 bonds.

The approximate principal and sinking fund payment requirements for all long-term debt for the five years subsequent to June 30, 2016 are:

<u>Year Ended June 30</u>	<u>Principal</u>
2018	\$ 1,750,000
2019	1,795,000
2020	1,850,000
2021	1,915,000
2022	1,985,000

Certain costs related to the issuance of debt have been deferred and are being amortized over the term of the debt issue. Accumulated amortization approximated \$59,000 and \$166,000 at June 30, 2017 and 2016, respectively.

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**NOTE 11 - SPLIT INTEREST AGREEMENTS**

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The University's investment portfolio contains split interest agreements held by the Foundation. Under a split interest agreement, a donor makes an initial gift to a trust or directly to the Foundation, in which the University has a beneficial interest but is not the sole beneficiary. The terms of some agreements do not allow donors to revoke their gifts. The time period covered by the agreement is expressed either as a specific number of years (or in perpetuity) or as the remaining life of an individual or individuals designated by the donor. The assets are invested and administered by the Foundation and distributions are made to a beneficiary or beneficiaries during the term of the agreement. At the end of the agreement's term, the remaining assets covered by the agreement are distributed to or retained by either the University or another beneficiary or beneficiaries.

Most of the Foundation's agreements consist of irrevocable charitable remainder trusts and charitable gift annuities. Donors may impose restrictions on the University's use of all or a portion of any assets received. The Foundation recognizes a liability for estimated distributions to beneficiaries under these annuity agreements. The Foundation used the applicable discount rates in effect at the time the agreements were received by the Foundation in calculating the present values.

The University maintains separate reserve funds adequate to meet future payments under its charitable gift annuity contracts as required by governing states' laws. The total amount held in separate reserve funds was \$1,186,231 and \$1,230,880, respectively, as of June 30, 2017 and 2016.



**WHITWORTH UNIVERSITY**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE 12 - EMPLOYEE BENEFIT PLANS**

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The University provides a defined contribution plan for the benefit of substantially all faculty and administration personnel. All costs relating to this plan are being funded currently. The University contributes a fixed percentage of each participant's salary to the plan. The University's contribution to this plan was approximately \$2,239,000 and \$2,289,000 in 2017 and 2016, respectively.

In addition to providing retirement benefits, the University pays a portion of the premiums for certain health care benefits provided to selected retired employees who reach retirement age while working for the University. Certain retired employees are required to contribute a portion of the cost of their medical insurance coverage. The University accrues for these benefits over the service lives of the employees rather than expense the cost of premiums as they are paid. The plan is unfunded, and the accrued postretirement benefit obligation is included in accrued payroll and related benefits on the statements of financial position.

The University measures postretirement plan obligations as of June 30.

The University is part of a Voluntary Employee Benefit Association (VEBA) in order to help fund the costs of healthcare for employees who have met certain eligibility requirements. The University contributed approximately \$238,000 and \$230,000 annually to the VEBA plan in 2017 and 2016, respectively.

**WHITWORTH UNIVERSITY**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
As of and for the Years Ended June 30, 2017 and 2016

**NOTE 12 - EMPLOYEE BENEFIT PLANS (cont.)**

The following is a reconciliation of the benefit obligation, which is included in accrued payroll and related benefits on the statements of financial position, and the value of plan assets at June 30:

	2017	2016
<b>Change in projected benefit obligation</b>		
Benefit obligation at July 1	\$ 2,222,487	\$ 2,582,582
Interest cost	94,380	88,245
Service cost	21,859	28,957
Actuarial (gain) loss	163,249	(418,081)
Estimated benefits paid	(69,237)	(59,216)
Projected benefit obligation at June 30	\$ 2,432,738	\$ 2,222,487
<b>Change in plan assets</b>		
Fair value of plan assets at July 1	\$ -	\$ -
Employer contribution	66,528	62,455
Participant contribution	13,507	8,099
Actual benefits paid	(80,035)	(70,554)
Fair value of plan assets at June 30	\$ -	\$ -
<b>Funded status</b>		
Underfunded status at June 30	\$ (2,432,738)	\$ (2,222,487)
<b>Amounts recognized in the statements of financial position consist of:</b>		
Noncurrent assets	\$ -	\$ -
Current liabilities	99,000	84,000
Noncurrent liabilities	2,333,738	2,138,487
Net amount recognized	\$ 2,432,738	\$ 2,222,487
<b>Amounts not recognized as components of net periodic benefit cost consist of:</b>		
Unrecognized prior service cost	\$ -	\$ -
Unrecognized net gain	(1,764,550)	(2,115,376)
Unrecognized net transition obligation	-	-
Net amount not recognized	\$ (1,764,550)	\$ (2,115,376)
<b>Net periodic post retirement benefit expense for the year ended June 30 is comprised of the following:</b>		
Service cost	\$ 21,859	\$ 28,957
Interest cost	94,380	88,245
Net amortization and deferral	(187,578)	(191,640)
Net periodic benefit cost	\$ (71,339)	\$ (74,438)

**WHITWORTH UNIVERSITY**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
As of and for the Years Ended June 30, 2017 and 2016

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**NOTE 12 - EMPLOYEE BENEFIT PLANS (cont.)**

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The University expects to contribute approximately \$240,000 to its postretirement plan in 2018. These payments have been estimated based on the same assumptions used to measure the University's benefit obligation. Benefit payments, which reflect expected future service, as appropriate, are expected to be paid as follows:

Year Ending June 30:	
2018	\$ 99,250
2019	100,508
2020	104,116
2021	108,805
2022	110,377
2023 – 2027	549,558

The estimated interest cost, service cost, net loss and expected benefits paid for the year ended June 30, 2018, and the estimated benefit obligation at June 30, 2018 are as follows:

<b>Change in projected benefit obligation</b>	
Benefit obligation at July 1, 2017	\$ 2,432,738
Interest cost	94,092
Service cost	22,666
Actuarial loss/(gain)	114,714
Expected benefits paid	<u>(76,671)</u>
Projected benefit obligation at June 30, 2018	<u>\$ 2,587,539</u>

The above assumptions and calculations are based on information as of June 30, 2017 and 2016, the measurement dates for the Plan. The accrued benefit cost represents the full obligation for the retirees and the current service cost for eligible employees at June 30, 2017. A 9% rate of increase in the per capita costs of covered health care benefits was initially assumed, decreasing 0.5% per year to an ultimate level of 5%. A discount rate range of 3.75% and 4.25% was used to determine the accumulated postretirement benefit obligation for 2017 and 2016, respectively.

Increasing the assumed health care cost trend rate by one percentage point would increase the accumulated post-retirement benefit obligation as of June 30, 2017, to \$2,616,262 and the aggregate of the service and interest cost components of net periodic post-retirement benefit costs for 2017 to approximately \$44,400.

It is reasonably possible that changes in these estimates could occur in the near term and that actual results could differ from these estimates and could have a material impact on the financial statements.

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**NOTE 13 - CREDIT QUALITY OF STUDENT LOANS RECEIVABLE**

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The University issues uncollateralized loans to students based on financial need. Student loans are funded through Federal government loan programs or institutional resources. Student loans receivable are carried at the amount of unpaid principal less an estimate for doubtful accounts. Allowances for doubtful accounts are established based on prior collection experience and current economic factors which, in management's judgment, could influence the ability of loan recipients to repay the amounts per the loan terms. At June 30, 2017 and 2016, student loans receivable represented approximately 1.2% and 1.4% of total assets, respectively.

**WHITWORTH UNIVERSITY**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
As of and for the Years Ended June 30, 2017 and 2016

**NOTE 13 - CREDIT QUALITY OF STUDENT LOANS RECEIVABLE (cont.)**

At June 30, 2017 and 2016, student loans consisted of the following:

	2017	2016
Federal government programs	\$ 3,549,940	\$ 3,909,222
Institution programs	554,318	422,186
	<u>4,104,258</u>	<u>4,331,408</u>
Less allowance for doubtful accounts:		
Beginning of year	(306,365)	(306,365)
Write-offs		
End of year	<u>(306,365)</u>	<u>(306,365)</u>
Student loans receivable, net	<u>\$ 3,797,893</u>	<u>\$ 4,025,043</u>

Funds advanced by the Federal government of \$3,397,916 and \$3,394,621 at June 30, 2017 and 2016, respectively, are ultimately refundable to the government and are classified as liabilities in the statement of financial position.

After a student is no longer enrolled in an institution of higher education and after a grace period, interest is charged on student loans receivable and is recognized as it is charged. Student loans receivable through the loan programs are considered to be past due if a payment is not made within 30 days of the payment due date, at which time, late charges are charged and recognized. The Federal Perkins Loan Program receivables may be assigned to the U.S. Department of Education. Students may be granted a deferment, forbearance, or cancellation of their student loan receivable based on eligibility requirements defined by the U.S. Department of Education.

A student loan receivable is considered to be delinquent if any portion of the receivable balance is outstanding for more than 60 days after the billing date. At June 30, 2017 and 2016, the following amounts were past due under student loan programs:

	Amounts Past Due			
	Less than 240 days	Less than 2 years	More than 2 years	Total
June 30, 2017	\$ 73,684	\$ -	\$ 155,064	\$ 228,748
2016	60,120	-	110,782	170,902

**WHITWORTH UNIVERSITY**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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**NOTE 14 - ENDOWMENTS**

The University's endowment consists of approximately 325 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the governing board to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the governing board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

**Interpretation of Relevant Law** - The University's governing board has interpreted the State of Washington enacted version of Uniform Prudent Management of Institutional Funds Act (UPMIFA) as allowing the University to appropriate for expenditure or accumulate so much of an endowment fund as the University determines is prudent for the uses, benefits, purposes and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift instrument. Unless stated otherwise in the gift instrument, the assets in an endowment fund shall be donor-restricted assets until appropriated for expenditure by the Board of Trustees. As a result of this interpretation, the University has not changed the way permanently restricted net assets are classified. See Note 1 for further information on net asset classifications.

The remaining portion of the fund, which consists of earnings and gains/losses from the investment of such funds net of expenditures, is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the University in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the University considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the endowment fund
- (2) The purposes of the University and the endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation or deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the University
- (7) The investment policy of the University

The following table summarizes endowment net asset composition by type of fund as of June 30, 2017:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds		\$ 46,614,799	\$ 80,020,230	\$ 126,635,029
Board-designated endowment funds	\$ 15,249,786			15,249,786
<b>Total endowment net assets</b>	<b><u>\$ 15,249,786</u></b>	<b><u>\$ 46,614,799</u></b>	<b><u>\$ 80,020,230</u></b>	<b><u>\$ 141,884,815</u></b>

The following table summarizes endowment net asset composition by type of fund as of June 30, 2016:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds		\$ 36,915,439	\$ 76,761,705	\$ 113,677,144
Board-designated endowment funds	\$ 13,701,569			13,701,569
<b>Total endowment net assets</b>	<b><u>\$ 13,701,569</u></b>	<b><u>\$ 36,915,439</u></b>	<b><u>\$ 76,761,705</u></b>	<b><u>\$ 127,378,713</u></b>

**WHITWORTH UNIVERSITY**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
As of and for the Years Ended June 30, 2017 and 2016

**NOTE 14 - ENDOWMENTS (cont.)**

Change in endowment net assets for June 30, 2017 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, June 30, 2016	\$ 13,701,569	\$ 36,915,439	\$ 76,761,705	\$ 127,378,713
Investment return:				
Investment income	244,341	1,983,335		2,227,676
Net appreciation - realized and unrealized	<u>1,612,989</u>	<u>10,857,525</u>		<u>12,470,514</u>
Total investment return	1,857,330	12,840,860		14,698,190
Change in value of assets held in trust by others		28,301	799,244	827,545
Contributions	63,511	31,000	2,482,093	2,576,604
Transfers and matured deferred gifts	129,736	60,077	(22,812)	167,001
Appropriation of endowment assets for expenditure	<u>(502,360)</u>	<u>(3,260,878)</u>		<u>(3,763,238)</u>
Endowment net assets, June 30, 2017	<u>\$ 15,249,786</u>	<u>\$ 46,614,799</u>	<u>\$ 80,020,230</u>	<u>\$ 141,884,815</u>

Change in endowment net assets for June 30, 2016 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, June 30, 2015	\$ 13,926,352	\$ 40,902,279	\$ 74,603,254	\$ 129,431,885
Investment return:				
Investment income	277,446	1,756,938		2,034,384
Net depreciation - realized and unrealized	<u>(551,845)</u>	<u>(3,639,331)</u>		<u>(4,191,176)</u>
Total investment return	(274,399)	(1,882,393)		(2,156,792)
Change in value of assets held in trust by others		(113,639)	(1,008,374)	(1,122,013)
Contributions		27,477	3,704,690	3,732,167
Transfers and matured deferred gifts	524,092	1,035,160	(537,865)	1,021,387
Appropriation of endowment assets for expenditure	<u>(474,476)</u>	<u>(3,053,445)</u>		<u>(3,527,921)</u>
Endowment net assets, June 30, 2016	<u>\$ 13,701,569</u>	<u>\$ 36,915,439</u>	<u>\$ 76,761,705</u>	<u>\$ 127,378,713</u>

**Return Objectives and Risk Parameters** - The University has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the University must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the governing board, the endowment assets are invested in a manner that is intended to produce results that exceed the 4.5% spending rate plus the rate of inflation as measured by the Consumer Price Index (CPI) for urban consumers while assuming a moderate level of investment risk. The University expects its endowment funds, over time, to provide an average annual rate of approximately 8% to 9% annually. Actual returns in any year may vary from this amount.

# WHITWORTH UNIVERSITY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2017 and 2016

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### NOTE 14 - ENDOWMENTS (cont.)

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**Strategies Employed for Achieving Objectives** - To satisfy its long-term rate-of-return objectives, the University 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 University 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.

**Spending Policy and How the Investment Objectives Relate to Spending Policy** - The University has a policy of appropriating for distribution each year approximately 4.5% of its endowment fund's average fair value over the prior three years through the fiscal year-end preceding the fiscal year in which the distribution is planned. The University's spending policy follows a model that includes the Higher Education Price Index (HEPI) which requires annual adjustments based on changes in the costs of education. In establishing this policy, the University considered the long-term expected return on its endowment. Accordingly, over the long term, the University expects the current spending policy to allow its endowment to grow at an average of 4% to 5% annually. This is consistent with the University's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

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### NOTE 15 - CONCENTRATIONS

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Financial instruments that potentially subject the University to concentrations of credit risk consist principally of cash and cash equivalents, receivables and investments. Cash and cash equivalents in excess of federally insured limits are subject to the usual risks of balances in excess of those limits. The majority of the University's cash and cash equivalents are on deposit with a single bank. Investments are diversified in order to limit credit risk. Student notes and receivables are due from a variety of sources concentrated primarily in the northwestern United States. For 2017 and 2016, the University received significant gifts from one donor totaling 16% and two donors totaling 40% of contribution revenue, respectively. In addition, the University's students receive a substantial amount of support from state and federal student financial assistance programs which are subject to audit by governmental agencies. A significant reduction in the level of this support, if this were to occur, could have an adverse effect on the University's programs and activities.

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### NOTE 16 - COMMITMENT

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The University rents space in Spokane for its downtown campus, which houses some of its graduate and adult undergraduate programs. The lease term is through 2022. Rent expense was approximately \$200,500 and \$195,000 in 2017 and 2016, respectively. Future minimum lease commitments are as follows:

Year Ending June 30:		
2018	\$	214,400
2019		221,500
2020		228,200
2021		235,600
2022		242,700

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### NOTE 17 - RELATED PARTY TRANSACTIONS

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The University has been conducting business transactions with Avista Utilities for many years; in April 2011, an officer of Avista Utilities was selected as a member of the University Board of Trustees. The University paid approximately \$1,200,000 to Avista Utilities for electricity and natural gas during each of the years ended June 30, 2017 and 2016.

**WHITWORTH UNIVERSITY**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
As of and for the Years Ended June 30, 2017 and 2016

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**NOTE 18 - SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION**

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Supplemental cash flow information for June 30 is as follows:

	<u>2017</u>	<u>2016</u>
Interest paid (net of capitalized interest)	\$ 3,991,256	\$ 4,150,819
Capitalized interest	99,573	
Noncash investing and financing activities		
Construction in progress included in accounts payable	433,313	1,517,215
Summary of bond issue:		
Par amount of bonds issued	60,535,000	
Premium	2,446,804	
Reserve funds used for principal and interest on retired debt	5,081,418	
Funds deposited to escrow account for construction projects	(4,000,000)	
Funds deposited to escrow for debt service on retired bonds	(63,653,384)	
Funds used towards costs of issuance	(409,837)	

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**NOTE 19 - ALLOCATION OF EXPENSES**

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Expenses by natural classification for the years ended June 30 were as follows:

	<u>2017</u>	<u>2016</u>
Salaries and wages	\$ 36,424,588	\$ 34,316,235
Benefits	9,232,693	9,218,577
Travel, professional development and cultivation	2,191,603	2,334,622
Materials and supplies	1,480,623	1,382,419
Maintenance of facilities and equipment	3,851,176	4,726,305
Utilities, insurance and taxes	4,240,529	3,987,395
General services, postage, print shop, board bill	11,432,022	11,322,735
Interest	3,918,204	4,135,183
Depreciation, amortization and accretion	7,234,431	7,268,014
Other expenses	159,747	210,320
Total operating expenses	<u>\$ 80,165,616</u>	<u>\$ 78,901,805</u>

The 2017 salaries and wages include \$1.7 million of accrued costs related to a voluntary separation incentive program implemented in fiscal 2017.

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**NOTE 20 - SHORT-TERM CREDIT ARRANGEMENT**

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The University has an unsecured \$4,000,000 line of credit through Wells Fargo Bank. Borrowings under this line of credit bear interest at an annual rate of 1.50% above the Daily One Month LIBOR in effect from time to time. Interest is payable on the last day of each month. Principal, and any unpaid interest, is due on January 2, 2018. In addition, the agreement requires the University to comply with certain covenants. At June 30, 2017 and 2016, there were no outstanding borrowings under this arrangement.



**WHITWORTH UNIVERSITY**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
As of and for the Years Ended June 30, 2017 and 2016

**NOTE 21 - CONSOLIDATING STATEMENT OF FINANCIAL POSITION**

The consolidated statement of financial position as of June 30, 2017 is presented below:

	Whitworth University	Whitworth Costa Rica Limited	Foundation	Total
<b>ASSETS</b>				
Cash and cash equivalents	\$ 4,665,385	\$ 11,335	\$ 275,162	\$ 4,951,882
Note receivable (payable)	2,749,532	(2,749,532)		
Student accounts receivable, net	1,090,381			1,090,381
Contributions receivable, net	5,118,089			5,118,089
Other receivables	748,966			748,966
Other assets	1,695,570			1,695,570
Student loans receivable, net	3,797,893			3,797,893
Long-term investments	144,100,273		19,115,376	163,215,649
Deposits held by trustee	5,278,894			5,278,894
Land, buildings and equipment	104,263,968			104,263,968
Land, buildings and equipment, held for sale		2,726,480		2,726,480
Assets held in trust by others	20,029,825			20,029,825
	<u>20,029,825</u>	<u>2,726,480</u>	<u>19,115,376</u>	<u>20,029,825</u>
<b>Total Assets</b>	<b><u>\$ 293,538,776</u></b>	<b><u>\$ (11,717)</u></b>	<b><u>\$ 19,390,538</u></b>	<b><u>\$ 312,917,597</u></b>
<b>LIABILITIES AND NET ASSETS</b>				
Accounts payable and other liabilities	\$ 2,156,335	\$ 205		\$ 2,156,540
Accrued payroll and related benefits	8,091,755			8,091,755
Student deposits	2,272,191			2,272,191
Deferred revenue	2,055,842			2,055,842
Asset retirement obligations	990,336			990,336
Accrued interest payable	957,251			957,251
Long-term debt	81,177,861			81,177,861
Annuities payable			\$ 10,286,195	10,286,195
Federal student loan funds	3,397,916			3,397,916
<b>Total Liabilities</b>	<b><u>101,099,487</u></b>	<b><u>205</u></b>	<b><u>10,286,195</u></b>	<b><u>111,385,887</u></b>
<b>Net Assets</b>				
Unrestricted	61,479,237	(11,922)	2,409,582	63,876,897
Temporarily restricted	49,099,001		1,224,510	50,323,511
Permanently restricted	81,861,051		5,470,251	87,331,302
<b>Total Net Assets</b>	<b><u>192,439,289</u></b>	<b><u>(11,922)</u></b>	<b><u>9,104,343</u></b>	<b><u>201,531,710</u></b>
<b>Total Liabilities and Net Assets</b>	<b><u>\$ 293,538,776</u></b>	<b><u>\$ (11,717)</u></b>	<b><u>\$ 19,390,538</u></b>	<b><u>\$ 312,917,597</u></b>

**NOTE 22 - SUBSEQUENT EVENTS**

The University has evaluated subsequent events through October 6, 2017 which is the date that the financial statements were issued.