Consolidated Financial Report June 30, 2013

# Contents

Independent Auditor's Report	1-2
Consolidated Financial Statements	
Consolidated Statements of Financial Position	3
Consolidated Statements of Activities	4-5
Consolidated Statements of Cash Flows	6
Notes to the Consolidated Financial Statements	7-23



### **Independent Auditor's Report**

Board of Trustees The College of Wooster Wooster, Ohio

## **Report on the Financial Statements**

We have audited the accompanying consolidated financial statements of The College of Wooster which comprise the consolidated statements of financial position as of June 30, 2013 and 2012, and the related consolidated statements of activities and cash flows for the years then ended and the related notes to the consolidated 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 audit to obtain reasonable assurance about whether the consolidated financial statements are free of 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.

# **Independent Auditor's Report (Continued)**

# **Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The College of Wooster as of June 30, 2013 and 2012, 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.

Cleveland, Ohio October 3, 2013

McGladry CCP

# Consolidated Statements of Financial Position June 30, 2013 and 2012

	2013	2012
Assets		
Current Assets		
Cash and cash equivalents	\$ 4,848,695	\$ 3,633,283
Short-term investments	22,644,186	11,022,251
Accounts receivable, net	1,557,158	834,868
Contributions receivable	6,157,753	2,142,158
Receivable from federal government	161,609	105,828
Notes receivable	26,837	141,093
Inventories and prepaid expenses	1,365,919	1,478,841
Total current assets	36,762,157	19,358,322
Contributions receivable, net	6,366,419	8,035,094
Student notes receivable, net	2,906,849	3,677,912
Notes receivable, net	42,267	93,547
Investments	265,813,766	258,078,216
Trusts held by others	6,851,490	6,406,009
Land, buildings and equipment, net	144,092,581	146,955,347
Total assets	\$ 462,835,529	\$ 442,604,447
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 4,625,321	\$ 3,463,049
Accrued salaries and benefits	4,986,088	4,730,150
Prepaid tuition, fees and deposits	1,895,372	2,089,582
Bonds payable	2,086,536	1,965,744
Total current liabilities	13,593,317	12,248,525
Bonds payable	26,588,769	28,111,276
Accrued charitable gift annuity and trust obligations	8,211,514	7,791,446
Accrued postretirement benefit obligations	6,256,879	5,753,315
Other liabilities	2,179,344	1,564,150
Advances from government for student loans	4,003,568	3,985,890
Total liabilities	60,833,391	59,454,602
Net Assets		
Unrestricted	249,682,623	244,817,674
Temporarily restricted	37,321,904	27,593,663
Permanently restricted	114,997,611	110,738,508
Total net assets	402,002,138	383,149,845
Total liabilities and net assets	\$ 462,835,529	\$ 442,604,447

# Consolidated Statement of Activities Year Ended June 30, 2013

(with Comparative Totals as of June 30, 2012)	<b>)</b> Unrestricted	Temporarily Restricted	Permanently Restricted	2013 Total	2012 Total
Operating Revenues	Onlestricted	Restricted	Restricted	Total	Total
Student tuition and fees	\$ 80,300,793	\$ -	\$ -	\$ 80,300,793	\$ 75,230,892
Less institutional financial aid	(44,209,739)	Ť	•	(44,209,739)	(40,803,580)
Net student tuition and fees	36,091,054	-		36,091,054	34,427,312
Contributions, bequests and research grants Contributions and grants designated for	4,128,662	1,775,950		5,904,612	7,585,606
scholarships and student aid	466,144	52,184		518,328	519,423
Investment earnings Interest, dividend and unrealized gains	233,126	59,455		292,581	448,385
•				•	
Investment return designated for operations	12,400,252	1,785,556		14,185,808	14,116,772
Other income	3,367,339	16,700		3,384,039	3,277,402
Auxiliary enterprises	20,656,652	(0.440.4=0)		20,656,652	19,671,522
Net assets released from restrictions	2,116,452	(2,116,452)		- 04 022 074	80,046,422
Total operating revenues	79,459,681	1,573,393	-	81,033,074	80,046,422
Operating Expenses					
Educational and general					
Instruction	28,012,659			28,012,659	28,576,818
Research	1,115,355			1,115,355	919,691
Public service	1,719,688			1,719,688	1,676,055
Academic support	8,538,587			8,538,587	8,013,434
Student services	18,321,720			18,321,720	16,220,096
Institutional support	10,032,603			10,032,603	11,114,623
Total educational and general					
expenses	67,740,612			67,740,612	66,520,717
Auxiliary enterprises	16,330,145			16,330,145	15,682,575
Total operating expenses	84,070,757	-	-	84,070,757	82,203,292
Net increase (decrease) from operations	(4,611,076)	1,573,393	-	(3,037,683)	(2,156,870)
Non-Operating Items					
Contributions and pledges	146,409	8,030,423	3,895,186	12,072,018	4,001,214
Net gain (loss) on endowment investments, net of					
distribution to operations	10,078,401	2,278,781		12,357,182	(20,444,516)
Change in value of split interest agreements	72,148	266,433	(39,891)	298,690	(457,787)
Change in value of trusts held by others	-		445,481	445,481	(832,801)
Gain (loss) on sale/disposition of assets	(1,838,433)			(1,838,433)	15,347
Loss on redemption of bonds	(538,517)			(538,517)	(190,410)
Postretirement liability related changes other	, ,			, , ,	, , ,
than periodic pension costs	(330,297)			(330,297)	(1,051,840)
Asset retirement obligation	(576,148)			(576,148)	(59,156)
Net assets released from restrictions	1,761,172	(1,761,172)		-	- '
Reclassification of net assets	701,290	(659,617)	(41,673)	-	_
Total non-operating items	9,476,025	8,154,848	4,259,103	21,889,976	(19,019,949)
Change in net assets	4,864,949	9,728,241	4,259,103	18,852,293	(21,176,819)
Net assets at beginning of year	244,817,674	27,593,663	110,738,508	383,149,845	404,326,664
Net assets at end of year	\$ 249,682,623	\$ 37,321,904	\$ 114,997,611	\$ 402,002,138	\$ 383,149,845
ivel assets at thu of year	Ψ 243,002,023	ψ 31,321,304	Ψ 114,331,011	Ψ 402,002,130	ψ 303,143,043

# Consolidated Statement of Activities Year Ended June 30, 2012

Year Ended June 30, 2012 (with Comparative Totals as of June 30, 2011)		Temporarily	Permanently	2012	2011
, ,	Unrestricted	Restricted	Restricted	Total	Total
Operating Revenues		•	-	•	•
Student tuition and fees	\$ 75,230,892	\$ -	\$ -	\$ 75,230,892	\$ 70,582,109
Less institutional financial aid	(40,803,580)			(40,803,580)	(37,255,478)
Net student tuition and fees	34,427,312	•	•	34,427,312	33,326,631
Contributions, bequests and research grants	5,737,741	1,847,865		7,585,606	5,381,668
Contributions and grants designated for scholarships and student aid	474,392	45,031		519,423	531,221
Investment earnings					
Interest, dividend and unrealized gains	393,830	54,555		448,385	652,789
Investment return designated for operations	12,983,516	1,133,256		14,116,772	13,891,183
Other income	3,263,664	13,738		3,277,402	3,174,350
Auxiliary enterprises	19,671,522			19,671,522	19,158,028
Net assets released from restrictions	2,348,516	(2,348,516)		-,- ,-	-
Total operating revenues	79,300,493	745,929	-	80,046,422	76,115,870
Operating Expenses					
Educational and general					
Instruction	28,576,818			28,576,818	24,981,207
Research	919,691			919,691	870,375
Public service	1,676,055			1,676,055	1,700,408
Academic support	8,013,434			8,013,434	7,744,905
Student services	16,220,096			16,220,096	15,115,714
Institutional support	11,114,623			11,114,623	10,857,851
Total educational and general	11,114,023			11,114,023	10,037,031
<del>-</del>	66,520,717			66,520,717	61,270,460
expenses					
Auxiliary enterprises	15,682,575 82,203,292	-	<del>-</del>	15,682,575 82,203,292	15,889,002 77,159,462
Total operating expenses	02,203,292			02,203,292	77,139,402
Net increase (decrease) from operations	(2,902,799)	745,929	-	(2,156,870)	(1,043,592)
Non-Operating Items					
Contributions and pledges	109,625	1,073,939	2,817,650	4,001,214	7,588,969
Net gain (loss) on endowment investments, net of					
distribution to operations	(13,338,378)	(7,106,138)		(20,444,516)	18,162,964
Change in value of split interest agreements	(516,954)	(108,890)	168,057	(457,787)	788,440
Change in value of trusts held by others	-		(832,801)	(832,801)	919,093
Gain (loss) on sale/disposition of assets	15,347			15,347	(142,965)
Loss on redemption of bonds	(190,410)			(190,410)	-
Postretirement liability related changes other	, ,			, ,	
than periodic pension costs	(1,051,840)			(1,051,840)	960,979
Asset retirement obligation	(59,156)			(59,156)	(1,053,605)
Net assets released from restrictions	5,004,697	(5,004,697)		-	-
Reclassification of net assets	2,177,662	(2,446,703)	269,041	-	_
Total non-operating items	(7,849,407)	(13,592,489)	2,421,947	(19,019,949)	27,223,875
Change in net assets	(10,752,206)	(12,846,560)	2,421,947	(21,176,819)	26,180,283
Net assets at beginning of year	255,569,880	40,440,223	108,316,561	404,326,664	378,146,381
Net assets at end of year	\$244,817,674	\$ 27,593,663	\$ 110,738,508	\$383,149,845	\$ 404,326,664

# Consolidated Statements of Cash Flows Years Ended June 30, 2013 and 2012

	2013	2012
Cash Flows From Operating Activities		
Change in net assets	\$ 18,852,293	\$ (21,176,819)
Adjustments to reconcile change in net assets		
to net cash provided by (used in) operating activities:		
Depreciation, amortization and accretion	8,081,326	6,960,901
(Gain) loss on disposal of fixed assets	1,838,433	(15,347)
Loss on bond redemption	538,517	190,410
Unrealized and realized (gains) losses on investments	(26,360,928)	6,918,424
Pension changes other than periodic pension costs	330,297	1,051,840
Restricted contributions, bequests and research grants	21,777,544	(3,497,506)
Change in value of split interest agreements	(445,481)	832,801
Changes in assets and liabilities:		
Increase in accounts receivable	(722,290)	(134,053)
(Increase) decrease in receivable from federal government	(55,781)	19,426
Decrease in student notes receivable	771,063	731,723
Decrease in inventories and prepaid expenses	132,870	111,165
(Increase) decrease in contributions receivable	(2,346,920)	3,049,188
Increase (decrease) in accounts payable and accrued liabilities	1,457,256	(1,468,873)
Decrease in accrued annuity, pooled income and		, , ,
trust obligations	420,068	(138,727)
Increase (decrease) in prepaid tuition, fees and deposits	(194,210)	191,682
Increase (decrease) in accrued post retirement liability	173,267	(6,587)
Net cash provided by (used in) operating activities	24,247,324	(6,380,352)
, , , , ,	, ,	
Cash Flows From Investing Activities		
(Increase) decrease in short term investments	(11,621,935)	2,970,204
Decrease in notes receivable	165,536	141,056
Sale of investments	107,834,991	86,852,202
Purchase of investments	(89,209,612)	(75,882,995)
Capital expenditures	(6,545,045)	(13,295,163)
Net cash provided by investing activities	623,935	785,304
Cash Flows From Financing Activities		
Contributions for restricted purposes	(21,777,544)	3,497,506
Proceeds from issuance of long-term debt	5,701,230	8,801,282
Payments on long-term debt	(7,597,211)	(5,470,000)
Net advances from government for student loans	17,678	2,308
Net cash provided by (used in) financing activities	(23,655,847)	6,831,096
Net increase in cash and cash equivalents	1,215,412	1,236,048
Cash and cash equivalents		
Beginning	3,633,283	2,397,235
<del></del>	5,000,200	2,007,200
Ending	\$ 4,848,695	\$ 3,633,283
Cumplemental Disclosure of Cook Flow Information		
Supplemental Disclosure of Cash Flow Information:  Cash paid during the year for interest	\$ 1,095,153	\$ 1,123,257
and pass during the jour for interest	7 .,000,100	¥ 1,120,201

## Note 1. Nature of Organization and Summary of Significant Accounting Policies

**Organization**: The College of Wooster (the College) is a private, not-for-profit institution of higher education located in Wooster, Ohio. The College provides educational services at the undergraduate level. The consolidated financial statements include the College and its two wholly owned subsidiaries, The Wooster Inn Management Company, Ltd. and The Wooster Technology Group, Ltd. The College of Wooster is the sole member of both limited liability companies and both are disregarded for tax purposes. All significant intercompany transactions and accounts have been eliminated.

Wooster Technology Group, Ltd. was organized to administer certain intellectual property owned by the College. The Wooster Inn Management Company, Ltd was organized to manage and administer the use of a College owned inn.

Basis of presentation: The financial statements of the College have been prepared in conformity with accounting principles generally accepted in the United States of America and as recommended by the American Institute of Certified Public Accountants' Audit and Accounting Guide, Not-for-Profit Organizations. These standards include the requirements of the Financial Accounting Standards Board (FASB) Accounting Standard Codification (ASC) 958, Not-for-Profit Entities, which requires the College to report information regarding its financial position and net assets and revenues, gains, expenses and losses be classified as unrestricted, temporarily restricted or permanently restricted based upon the existence or absence of donor-imposed restrictions as follows:

**Unrestricted**: Net assets that are not subject to donor-imposed restrictions. Certain unrestricted net assets are designated for specific purposes by action of the Board of Trustees.

**Temporarily restricted**: Net assets whose use by the College is subject to donor-imposed restrictions that can be fulfilled by actions of the College pursuant to those restrictions or that expire by the passage of time. Temporarily restricted net assets also include the accumulated earnings of donor-restricted funds that have yet to be appropriated for expenditure under the guidance of UPMIFA.

**Permanently restricted**: Net assets subject to donor-imposed restrictions that they be maintained permanently by the College. Generally, donors of these assets permit the College to use all or part of the income earned on these assets.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Expiration of donor-imposed restrictions that simultaneously increase one class of net assets and decrease another are reported as net assets released from restrictions.

**Use of estimates**: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the College to make estimates and assumptions that affect the reported amounts of assets and liabilities, the 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.

Cash and cash equivalents: The College considers all highly liquid investments with original maturities of three months or less to be cash equivalents, consisting of demand deposits with banks and petty cash funds. At various times throughout the year, the College may have cash balances in financial institutions which exceed the amounts that are federally insured. Cash and cash equivalents that are part of the College's investment portfolio are included in long-term investments as these funds are not generally used for short-term operating purposes.

**Short-term investments**: Short-term investments consist of certificates of deposit, U.S. Government agency bonds and notes and corporate obligations. These funds are invested for short-term cash management purposes.

#### **Notes to the Consolidated Financial Statements**

## Note 1. Summary of Significant Accounting Policies (Continued)

Accounts and student notes receivable: Accounts receivable primarily consists of tuition and fees charged to students, on which interest is periodically charged. The College has provided an allowance for uncollectible accounts receivable of \$652,500 and \$629,000 as of June 30, 2013 and 2012, respectively. Student notes receivable primarily includes amounts due under various College based loan programs funded with donor restricted dollars. Receivables are carried at unpaid principal balances, less an allowance for uncollectible loans of approximately \$1,224,000 and \$1,195,000 at June 30, 2013 and 2012, respectively. The College uses the allowance method to estimate uncollectible receivables in these two categories. The allowances are based on management's analysis of delinquent accounts, historical evidence of collections, and current economic conditions.

**Inventories**: Inventories are stated at cost using either the retail inventory method or first-in first-out method and consist primarily of food service supplies and bookstore merchandise.

**Contributions**: Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at the date of the gift. Contributions of services are not recognized unless the services create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Unconditional promises to give that are expected to be received after one year are discounted using a risk-free rate of interest to determine the present value of the estimated future cash flows.

An allowance is made for uncollectible contributions based on management's judgment including such factors as prior collection history, type of contribution, current economic conditions, and the nature of fund-raising activity.

Contributions received with donor-imposed restrictions that are met in the same year as received are reported as unrestricted revenues.

All pledges and gifts for endowment, student loan funds, and capital improvements are reported as non-operating revenue.

**Student loans**: The College participates with the U.S. Department of Education in the Federal Perkins Loan Program for the purpose of granting low interest loans to students demonstrating financial need. After a student's graduation or withdrawal, Perkins loans are to be repaid over a maximum of ten years.

Perkins funds are ultimately refundable to the U.S. Government to the extent funds are available from the program. If the College elected to discontinue its participation in the federal loan program, the College would be required to return most of its loan program assets to the U.S. Government. The College, accordingly, has a liability to the U.S. Government as of June 30, 2013 and 2012 in the amount of \$4,003,568 and \$3,985,890, respectively.

**Investments**: Investments are recorded at estimated fair value. In the case of certain less marketable investments, principally real estate and private equity funds, value is established based on either external events which substantiate a change in fair value or a reasonable methodology that exists to capture and quantify changes in fair value. In some instances, those changes in fair value may require use of estimates. Accordingly, such values may differ from the values that would have been used had a ready market for the investments existed. The estimated values, provided primarily by investment managers, are reviewed and evaluated by College personnel.

**Trusts held by others**: Trusts held by others represent the present value of the estimated income the College will receive in the future from beneficial interests in trusts for which third parties serve as the trustees.

## Note 1. Summary of Significant Accounting Policies (Continued)

Land, buildings and equipment: Land, buildings and equipment are stated at cost or, if contributed, estimated fair value at the date of contribution, less accumulated depreciation. Depreciation is computed on a straight-line basis over the estimated useful life of the related asset. The costs of repairs are expensed when incurred.

The College reviews its investments in real estate for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the real estate to the future undiscounted cash flow expected to be generated by the property and any estimated proceeds from the eventual disposition of the real estate. If the real estate is considered impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the real estate exceeds the fair value of such property. There were no impairment losses recognized in 2013 and 2012.

**Collections and works of art**: Collections are not capitalized under the provisions of Accounting Standards Codification (ASC) 958-605, *Revenue Recognition – Contributions Received*. The College did capitalize collections prior to adopting ASC 958-605. Assets are included in the consolidated statements of financial position as part of land, buildings and equipment.

**Split interest agreements**: The College's split-interest agreements with donors consist of irrevocable charitable gift annuities held and charitable remainder trusts administered by the College or outside trustees. For annuity contracts, the contributed assets are included as part of investments at fair value. Contribution revenue, net of the accompanying obligation is recognized as of the date the donated assets are transferred to the College, and liabilities are recorded at the present value of the estimated future payments to the donors and/or other beneficiaries. The liabilities are adjusted during the term of the annuities consistent with changes in the actuarial assumptions.

The present values of the estimated future cash receipts from charitable remainder trusts are recognized as investments and contribution revenues as of the date the trusts are established. Distributions received from these trusts are recorded as contributions, and the carrying value of the assets is adjusted for changes in the estimates of future receipts.

Conditional asset retirement obligations: ASC 410, Asset Retirement and Environmental Obligations, clarified when an entity is required to recognize a liability for a conditional asset retirement obligation. Management has considered ASC 410, specifically as it relates to its legal obligations to perform asset retirement activities on its existing properties. Management has determined a 25-year settlement date for the asset retirement obligations relating to asbestos removal from various buildings across campus. The College recognizes the fair value of a liability for legal obligations associated with asset retirement 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 assets. 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 College reviews its estimate annually and adjusts the recorded liability as needed. The related liability as of June 30, 2013 and 2012 totaled \$2,027,211 and \$1,451,063, respectively, and is included in other liabilities on the consolidated statements of financial position.

**Tuition and fees**: Tuition and fees are reported as revenues over the academic term earned; tuition and fees collected that are applicable to a future academic term are reported as prepaid tuition, fees and deposits. Revenues and expenditures related to summer school sessions are reported within the fiscal year in which the summer session is substantially completed.

#### **Notes to the Consolidated Financial Statements**

## Note 1. Summary of Significant Accounting Policies (Continued)

**Scholarships**: Scholarships represent tuition reductions awarded to students to reduce the overall cost for tuition and fees. Scholarships are given to students in the course of providing educational services and the amounts, as well as the individual recipients, are determined by the College. Scholarships are reported as a reduction to tuition revenues, as the College does not receive any goods or services in exchange for the discount.

**Auxiliary enterprises**: Revenue from auxiliary enterprises is recognized when goods or services are provided.

Fair value of financial instruments: The carrying amount of cash and cash equivalents, accounts receivable, short-term investments, accounts payable and accrued expenses approximate fair value due to the short maturity of these instruments. The carrying amount of contributions receivable and investments in trusts held by others are recorded at the present value of the discounted future cash flows and therefore approximate fair value. The fair value of student loans receivable and the related advances from the government for student loans in which the College acts as an agent for the U.S. Department of Education Perkins Loan Program are subject to significant restrictions. Accordingly, it is not practical to determine the fair value of such amounts. Investments in debt and equity securities are carried at fair values which are based on quoted market prices for these or similar investments. The carrying value of charitable gift annuities and pooled income funds is actuarially determined based on the present value of the discounted future cash flows using market interest rates on the date of contribution and therefore approximate fair value. For alternative investments where quoted market values of investments may not be readily determined, fair values are based on information provided by the fund managers. Fair values may be based on quoted fair values when available, and estimates that require varying degrees of judgment. Such differences could be material. The carrying amount of the actuarial liability for trusts and annuities payable approximate fair value based on life expectancies and the discounted future cash flows included in the carrying amount. The carrying amount of bonds payable, based on the College's current incremental borrowing rates and maturities for similar types of borrowing arrangements, approximates fair value.

**Federal income tax**: The College qualifies as an organization exempt from Federal income taxation under Section 501(c) (3) of the Internal Revenue Code. As such, the College is generally not subject to federal or state income taxes except for amounts derived from unrelated business activities as defined by the IRC.

The College adopted the accounting standard on accounting for uncertainty in income taxes, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, the College may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the College, the continued tax-exempt status of bonds issued by the College, and various positions related to the potential sources of unrelated business taxable income (UBIT). The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement. The guidance on accounting for uncertainty in income taxes also addresses de-recognition, classification, interest and penalties on income taxes, and accounting in interim periods. At June 30, 2013 and 2012, there were no unrecognized tax benefits identified or recorded as liabilities. With few exceptions, the College is no longer subject to examinations by tax authorities for years prior to 2010.

**Subsequent events**: Management has performed an analysis of the activities and transactions subsequent to June 30, 2013 to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended June 30, 2013. Management has performed their analysis through October 3, 2013, the date the financial statements were available to be issued. No subsequent events as defined by the standard were found.

# **Notes to the Consolidated Financial Statements**

# Note 2. Contributions Receivable

Unconditional promises to give are expected to be realized in the following periods at June 30:

	2013	2012
Unconditional promises expected to be collected in:		
Less than one year	\$ 6,157,753	\$ 2,142,158
One year to five years	1,004,526	1,533,729
Over five years	11,413,080	13,167,465
	18,575,359	16,843,352
	(5.070.000)	(0.000.700)
Unamortized discount	(5,376,920)	(6,098,783)
Allowance for uncollectible pledges	(674,267)	(567,317)
	\$ 12,524,172	\$ 10,177,252
Note 3. Investments		
Investments consisted of the following at June 30:		
	2013	2012
	<b>*</b> • • • • • • • • • • • • • • • • • • •	<b>*</b> * * * * * * * * * * * * * * * * * *
Invested cash	\$ 24,714,909	
Equities	51,776,330	
Equity mutual funds	26,769,288	
Exchange traded funds	3,641,870	14,167,661
Fixed Income		
Mutual funds	3,463,304	-
Corporate obligations	4,127,055	5,418,610
Government agency bonds	8,872,722	16,329,397
Hybrid mutual funds	-	18,610,016
Alternatives		
Hedge funds	113,325,035	123,353,715
Private equity	17,599,477	15,406,929
Fund of funds	11,957,568	11,113,874
Real estate	6,987,923	5,392,994
Split Interest Agreements		
Invested cash	664,602	304,959
Equities	1,394,402	1,835,816
Equity mutual funds	12,950,576	1,907,844
Fixed income mutual funds	185,803	2,172,359
Other	27,088	27,088
	\$ 288,457,952	\$ 269,100,467

At June 30, 2013, the College has made future commitments to fund various alternative investments of \$12,287,000.

#### **Notes to the Consolidated Financial Statements**

## Note 3. Investments (Continued)

The composition of investment return is as follows:

	2013	2012
Interest and dividends, net of investment management fees		
of \$1,424,933 and \$615,611, respectively	\$ 474,643	\$ 1,039,065
Net realized and unrealized gains (losses)	26,360,928	(6,918,424)
	\$ 26,835,571	\$ (5,879,359)

0040

0040

Total investment return is reflected in the statement of activities as follows:

		2013		2012
Operating	_		•	
Interest, dividend and unrealized gains/losses	\$	292,581	\$	448,385
Investment return designated for operations		14,185,808		14,116,772
Total operating	_	14,478,389	•	14,565,157
Non Operating				
Net gain (loss) on endowment investments, net of				
distribution to operations		12,357,182		(20,444,516)
Total investment returns net of fees	\$	26,835,571	\$	(5,879,359)

#### Note 4. Fair Value of Financial Instruments

The Fair Value Measurements and Disclosures Topic of the FASB Accounting Standards Codification defines fair value as the price that would be received for an asset or paid to transfer a liability (exit price) in the College's principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

This guidance establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The Topic describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data. Investments measured using the practical expedient, that do not have any significant redemption restrictions, lock-up periods, gates or other characteristics that would cause report and liquidation date net asset value (NAV) to be significantly different, if redemption were requested at the report date.

Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability. The College reports the fair value of certain Level 3 investments using the practical expedient. The practical expedient allows for the use of net asset value (NAV), either as reported by the investee fund or as adjusted by the College based on various factors, to be used to determine fair value, under certain conditions. The fair value of the investment is based on a combination of audited financial statements of the investees and monthly or quarterly statements received from the investees. These investments would have significant redemption and other restrictions that would limit the Funds' ability to redeem out of the fund at report date NAV.

In many cases, a valuation technique used to measure fair value includes inputs from multiple levels of the fair value hierarchy. The lowest level of significant input determines the placement of the entire fair value measurement in the hierarchy.

#### **Notes to the Consolidated Financial Statements**

## Note 4. Fair Value of Financial Instruments (Continued)

The fair values of invested cash, equities, fixed income investments, and mutual funds that are readily marketable are determined by obtaining quoted prices on nationally recognized securities exchanges (Level 1 inputs). The fair value of the College's investments in invested cash, equities, and mutual funds held as part of split interest agreements are determined by quoted market prices of the underlying assets that are held by trustees (Level 2 inputs).

Hedge funds consist of long/short managers that invest in both public and non-public equity and debt securities as well as credit and multi-strategy managers that invest in distressed securities, futures, contracts, credit facilities, and commodities of currency vehicles. Strategies include long-term appreciation of principal, hedging current market fluctuations for current income achieving superior risk-adjusted total returns, and generating event driven returns. The fair values of the investments in this category have been estimated using the net asset value per share of the investments. Redemption restrictions range from 30 to 105 days at June 30, 2013. Redemption restrictions associated with funds using Level 2 inputs to estimate fair value are less than 93 days and therefore are appropriately classified as Level 2 investments.

Fund of funds are hedge funds consisting of a portfolio of hedge fund investments. The underlying hedge funds may invest domestically, internationally, and/or globally. Fund of funds are typically more illiquid than individual hedge funds due to combining the illiquidity of multiple hedge funds into one investment vehicle. As such, valuations and shareholder statements may be reported on a significant lag.

For other investments for which there is no active market, the College uses other methods for valuing these securities. Information such as historical and current performance of the underlying assets, cash flow projections, liquidity and credit premiums required by a market participant, and financial trend analysis with respect to the individual fund manager, are utilized in determining individual security valuations. Due to current market conditions as well as the limited trading activity of these securities, the market value of the securities is highly sensitive to assumption changes and market volatility (Level 3 inputs).

The other investments include the College's investments in real estate and private equity funds. The fair values of the investments in this category have been estimated using the net asset value per share of the investments, or its equivalent. This valuation methodology includes ownership interests in partners' capital to which a proportionate share of net assets is attributed for each of these funds. Real estate funds include two separate funds with different managers whose strategies include identifying, holding, managing, and disposing of investments in real estate equity and debt securities for income and capital appreciation and to serve as an investment vehicle for entities to invest in a portfolio of real estate funds and other similar pooled real estate investment vehicles diversified across real estate managers, investment strategies, geographies, property sizes, and fund sizes and to provide superior long/term absolute returns by primarily investing in a global long/short portfolio of publicly traded real estate equity securities.

Private equity funds represent investment in limited partnerships that invest in pooled investment vehicles. The College expects to receive dividends and interest over the life of the partnership from investments that cannot be redeemed until the termination of the fund. The average life of a private equity limited partnership ranges from seven to ten years, but may be extended by the general partner beyond this period.

The fair value of beneficial interests in trusts held by others (perpetual trusts) and remainder interests in life income trusts are based on quoted prices of the underlying assets held by trustees. Due to restrictions on these assets that do not allow College redemption rights, fair value is deemed to be based on Level 3 inputs.

The College assesses the levels of the investments at each measurement date, and transfers between levels are recognized on the actual date of the event or change in circumstances that caused the transfer in accordance with the College's accounting policy regarding the recognition of transfers between levels of the fair value hierarchy. There were no significant transfers among levels 1, 2, and 3 during the year.

Note 4. Fair Value of Financial Instruments (Continued)

**Assets measured on a recurring basis**: Assets and liabilities measured at fair value on a recurring basis are summarized below:

basis are summanzed below.	Fa	air Value Meas	sure	ements as of Ju	ne 3	0, 2013 Using	Quo	ted Prices in
	Α	ctive Markets for Identical Assets		Other Observable Inputs		Significant Jnobservable Inputs		
		(Level 1)		(Level 2)		(Level 3)		Total
Investments		,		,		,		
Equities								
Consumer goods	\$	18,178,798	\$	-	\$	-	\$	18,178,798
Consumer services		7,516,555						7,516,555
Energy		5,647,546						5,647,546
Financials		7,471,520						7,471,520
Healthcare		2,750,690						2,750,690
Industrial		2,586,161						2,586,161
Information technology		3,622,955						3,622,955
Materials		3,824,172						3,824,172
Telecommunications		168,600						168,600
Other		9,333						9,333
Equity mutual funds		26,769,288						26,769,288
Exchange traded funds		3,641,870						3,641,870
Fixed Income								
Mutual funds		3,463,304						3,463,304
Corporate obligations		4,127,055						4,127,055
Government agency bonds		8,872,722						8,872,722
Alternatives								
Hedge funds				97,711,524		15,613,511		113,325,035
Private equity						17,599,477		17,599,477
Fund of funds						11,957,568		11,957,568
Real estate						6,987,923		6,987,923
Split interest agreements								
Invested cash				664,602				664,602
Equities				,				,
Consumer goods				68,069				68,069
Consumer services				14,441				14,441
Energy				609,988				609,988
Financials				379,924				379,924
Healthcare				13,541				13,541
Industrial				18,383				18,383
Information technology				182,948				182,948
Materials				107,108				107,108
Equity mutual funds				12,950,576				12,950,576
Fixed income mutual funds				185,803				185,803
Other				100,000		27,088		27,088
Cirio	\$	98,650,569	\$	112,906,907	\$	52,185,567	\$	263,743,043
Invested cash	Ψ	30,000,000	Ψ	, , , , , , , , , , , , , , , , , , , ,	Ψ	52, 100,007	<del>-</del> Ψ	24,714,909
30.00 000							\$	288,457,952
								, ,
Trusts held by others	\$	-	\$	<del>-</del>	\$	6,851,490	\$	6,851,499

Note 4. Fair Value of Financial Instruments (Continued)

	Fair Value Mea	surements as of Ju	ne 30, 2012 Using	Quoted Prices in
	Active Markets	Other	Significant	
	for Identical	Observable	Unobservable	
	Assets	Inputs	Inputs	
	(Level 1)	(Level 2)	(Level 3)	Total
Investments				
Equities	Φ 45 000 000	•	Φ.	Ф. 45 000 000
Consumer goods	\$ 15,688,633	\$ -	\$ -	\$ 15,688,633
Consumer services	5,722,374			5,722,374
Energy	4,407,716			4,407,716
Financials	4,797,429			4,797,429
Healthcare	1,381,525			1,381,525
Industrial	846,948			846,948
Information technology	1,808,502			1,808,502
Materials	3,112,523			3,112,523
Telecommunications Utilities	808,950			808,950
	107,260			107,260
Other	9,333			9,333
Equity mutual funds Exchange traded funds	25,093			25,093
Fixed Income	14,167,661			14,167,661
Corporate obligations	E /110 E10			5 /10 G10
	5,418,610			5,418,610 16,329,397
Government agency bonds  Hybrid mutual funds	16,329,397 18,610,016			18,610,016
Alternatives	10,010,010			10,010,010
		109,394,579	12 050 126	100 050 715
Hedge funds		109,394,379	13,959,136 15,406,929	123,353,715
Private equity Fund of funds			11,113,874	15,406,929
Real estate				11,113,874 5,392,994
			5,392,994	5,392,994
Split interest agreements Invested cash		304,959		304,959
Equities		304,939		304,939
Consumer goods		64,640		64,640
Consumer services		83,098		83,098
Energy		663,312		663,312
Financials		423,752		423,752
Healthcare		258,848		258,848
Industrial		45,921		45,921
Information technology		247,180		247,180
Materials		13,555		13,555
Telecommunications		21,325		21,325
Utilities		14,158		14,158
Other		27		27
Equity mutual funds		1,907,844		1,907,844
Fixed income mutual funds		2,172,359		2,172,359
Other		2,172,000	27,088	27,088
3000	\$ 93,241,970	\$ 115,615,557	\$ 45,900,021	\$ 254,757,548
Invested cash	Ψ 00,2-11,070	ψ 1.10,010,007	ψ .0,000,021	14,342,919
				\$ 269,100,467
	•	•		
Trusts held by others	\$ -	\$ -	\$ 6,406,009	\$ 6,406,009

# Note 4. Fair Value of Financial Instruments (Continued)

The table below presents a reconciliation and income statement classification of gains and losses for all assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended June 30, 2013 and 2012:

Fair Value Measurements Using Significant Unobservable Inputs

	(Level 3)			
	Trusts Held Alterna			Alternative
	by Others			Investments
Ending balance, June 30, 2011	\$	7,238,810	\$	58,416,577
Unrealized/realized gain included in earnings		-		(1,434,808)
Loss on sale of securities		-		(614,545)
Sales		-		(20,045,610)
Purchases		-		9,578,407
Change in value of trusts held by others		(832,801)		-
Ending balance, June 30, 2012		6,406,009		45,900,021
Unrealized/realized gain included in earnings		-		4,290,257
Gain on sale of securities		-		2,056,708
Sales		-		(10,650,711)
Purchases		-		10,589,292
Change in value of trusts held by others		445,481		-
Ending balance, June 30, 2013	\$	6,851,490	\$	52,185,567

## Note 5. Land, Buildings and Equipment

Land, buildings and equipment consisted of the following at June 30:

2013	2012
\$ 16,886,402	\$ 16,069,895
173,128,798	172,244,325
32,601,347	34,211,701
8,043,730	7,830,574
3,535,461	1,086,801
234,195,738	231,443,296
(90,103,157)	(84,487,949)
\$ 144,092,581	\$ 146,955,347
	\$ 16,886,402 173,128,798 32,601,347 8,043,730 3,535,461 234,195,738 (90,103,157)

Depreciation and amortization expense totaled \$7,505,178 and \$6,960,901 for 2013 and 2012, respectively. Interest cost incurred during construction is capitalized as part of the cost of capital projects. Capitalized interested totaled \$274,652 and \$234,994 for 2013 and 2012, respectively.

# **Notes to the Consolidated Financial Statements**

Note 6. Bonds Payable		
Bonds payable consisted of the following at June 30:	2013	2012
State of Ohio, Higher Education Facility Refunding Revenue Bonds (The College of Wooster 2013 Project) bearing interest at an average fixed rate of 1.74% and principal payments due annually beginning September 1, 2013 through September 1, 2021.	\$ 5,770,000	\$ -
State of Ohio, Higher Education Facility Refunding Revenue Bonds (The College of Wooster 2012 Project) bearing interest at an average fixed rate of 3.21% and principal payments due annually beginning September 1, 2012 through September 1, 2033, including net bond premium of \$120,550 at June 30, 2013.	\$ 9,105,550	\$ 9,181,598
State of Ohio, Higher Education Facility Refunding Revenue Bonds (The College of Wooster 2010 Project) bearing interest at an average fixed rate of 3.39% and principal payments due annually beginning September 1, 2011 through September 1, 2028, including net bond discount of \$38,460 and \$40,980 at June 30, 2013 and 2012, respectively.	9,061,540	9,514,020
State of Ohio, Higher Education Facility Refunding Revenue Bonds (The College of Wooster 2005 Project) bearing interest at an average fixed rate of 4.75% and principal payments due annually through September 1, 2020, including net bond premium of \$88,222 and \$231,494 at June 30, 2013 and 2012, respectively.	4,283,222	10,466,494
State of Ohio, Higher Educational Facility Refunding Revenue Bonds (The College of Wooster 2003 Project) bearing interest at an average fixed rate of 5.38% and principal payments due annually through September 1, 2021, including net bond premium of \$4,993 and \$34,908 at June 30, 2013 and 2012, respectively.	454,993	914,908
respectively.	\$ 	\$ 30,077,020

The College has pledged, as collateral for the Revenue Bonds, all present and future unrestricted revenue from tuition and fees, gifts for operations, federal appropriations, state appropriations, federal grants, contracts and sales and services of auxiliary enterprises.

## Note 6. Bonds Payable (Continued)

Aggregate principal maturities, excluding amortized costs, of bonds payable to OHEFC at June 30 are:

	Total	OHEFC Issue 2003	OHEFC Issue 2005	OHEFC Issue 2010	OHEFC Issue 2012	OHEFC Issue 2013
2014	\$ 2,055,000	\$ 450,00	980,000	\$ 465,000	\$ 35,000	\$ 125,000
2015	2,120,000	-	1,020,000	475,000	505,000	120,000
2016	2,200,000	-	1,070,000	485,000	525,000	120,000
2017	2,300,000	-	1,125,000	500,000	550,000	125,000
2018	2,365,000	-	-	515,000	565,000	1,285,000
Thereafter	17,460,000	-	-	6,660,000	6,805,000	3,995,000
	\$ 28,500,000	\$ 450,00	\$ 4,195,000	\$ 9,100,000	\$ 8,985,000	\$ 5,770,000

Interest expense for bonds payable was \$1,110,306 and \$1,059,048 for June 30, 2013 and 2012, respectively.

A portion of the of the proceeds from the OHEFC 2012 bond issue were used for the advance refunding of the OHEFC 2003 bond issue. Proceeds of \$3,715,000 were placed in escrow for the repayment of scheduled debt service on the refunded 2003 bonds. The liability to the College is deemed to have been paid and discharged. Remaining proceeds from the 2012 bonds will be used to pay a portion of the costs related to converting the College's coal burning power plant to natural gas and installing and improving certain other facilities on the College campus.

Proceeds from the OHEFC 2013 bond issue were used for the advance refunding of the OHEFC 2005 bond issue. Proceeds of \$5,770,000 were placed in escrow for the repayment of scheduled debt service on the refunded 2005 bonds. The liability to the College is deemed to have been paid and discharged.

## Note 7. Employee Benefit Plans

**Defined contribution plan**: The College maintains a 403(b) defined contribution retirement plan for substantially all full time employees meeting certain eligibility requirements with the Teacher's Insurance and Annuity Association and College Retirement Equity Funds Company. Participants may elect to make contributions up to the maximum allowable per Section 402(g) of the Internal Revenue Code. For participants that have met the eligibility requirements for employer contributions, the College will contribute (a) 10% of pretax annual compensation and (b) matching contributions equal to a percentage of pretax annual compensation of (a) 0% for employee contributions less than 1.5% of compensation, (b) 1% for employee contributions of 1.5% but less than 3% of compensation, or (c) 2% for employee contributions greater than 3% of compensation. The College's contribution to the plan was \$3,394,000 and \$3,151,500 in 2013 and 2012, respectively.

**Post-retirement medical plan**: The College provides postretirement benefits which include health care and life insurance for eligible employees as of February 28, 1994. No benefit is provided to employees hired on or after March 1, 1994.

Benefits are the same as those provided to non-retired faculty and staff and continue until the age of Medicare eligibility. Retired employees are required to contribute a certain amount of the cost of insurance as determined by the College from time to time.

#### Notes to the Consolidated Financial Statements

# Note 7. Employee Benefit Plans (Continued)

The following table sets forth the funded status and the amounts recognized in the consolidated statement of financial position at June 30:

	2013	2012
Accumulated benefit obligation		
Accumulated benefit obligation	\$ 6,256,879	\$ 5,753,315
Fair value of plan assets	-	-
Unfunded status	\$ (6,256,879)	\$ (5,753,315)

The following table sets forth the costs related to this obligation for the years ended June 30:

Accrued benefit cost         Beginning of year balance       \$ 5,753,315       \$ 4,708,062         Service cost       43,586       44,400         Interest cost       252,854       260,014         Amortization of net (gain) loss       -       (98,138)         Net periodic pension cost       296,440       206,276         Participant contributions       458,287       427,726         Benefits paid       (581,460)       (640,589)         Postretirement liability related changes other than periodic cost       330,297       1,051,840		2013	2012
Service cost       43,586       44,400         Interest cost       252,854       260,014         Amortization of net (gain) loss       - (98,138)         Net periodic pension cost       296,440       206,276         Participant contributions       458,287       427,726         Benefits paid       (581,460)       (640,589)	Accrued benefit cost		
Interest cost         252,854         260,014           Amortization of net (gain) loss         -         (98,138)           Net periodic pension cost         296,440         206,276           Participant contributions         458,287         427,726           Benefits paid         (581,460)         (640,589)	Beginning of year balance	\$ 5,753,315	\$ 4,708,062
Amortization of net (gain) loss         - (98,138)           Net periodic pension cost         296,440         206,276           Participant contributions         458,287         427,726           Benefits paid         (581,460)         (640,589)	Service cost	43,586	44,400
Net periodic pension cost         296,440         206,276           Participant contributions         458,287         427,726           Benefits paid         (581,460)         (640,589)	Interest cost	252,854	260,014
Participant contributions       458,287       427,726         Benefits paid       (581,460)       (640,589)	Amortization of net (gain) loss	-	(98,138)
Benefits paid (581,460) (640,589)	Net periodic pension cost	296,440	206,276
	Participant contributions	458,287	427,726
Postretirement liability related changes other than periodic cost 330,297 1,051,840	Benefits paid	(581,460)	(640,589)
	Postretirement liability related changes other than periodic cost	330,297	1,051,840
Accumulated postretirement liability recognized	Accumulated postretirement liability recognized		
in the statement of financial position \$ 6,256,879 \$ 5,753,315	in the statement of financial position	\$ 6,256,879	\$ 5,753,315

Estimated future net employer benefit payments are as follows:

2014	\$ 325,917
2015	322,773
2016	323,433
2017	320,160
2018	316,258
2019 through 2023	1,487,205

Effective June 1, 2001, the College implemented a self-funded health plan from which these benefits will be paid after that date. The weighted-average annual assumed rate of increase in the health care cost trend rate is 7.00% in 2013 and is assumed to decrease to 5.00% in 2017 and after. The discount rate used for determining the APBO was 4.50% and 4.25% for 2013 and 2012, respectively. The amount of net gain (loss) that has been recognized in net assets but not as a component of pension expense is \$(330,297) and \$(1,051,840) at June 30, 2013 and 2012, respectively.

# **Notes to the Consolidated Financial Statements**

# Note 8. Temporarily Restricted Net Assets

Temporarily restricted net assets are comprised of the following at June 30:

	2013	2012
Endowment Funds		
Split-interest agreements	\$ 2,134,959	\$ 2,309,335
Other endowment funds	13,181,225	11,306,085
Total temporarily-restricted endowment	15,316,184	13,615,420
Expendable Funds Restricted For:		
Operating purposes	7,754,313	5,996,086
Investment in land, buildings and equipment	3,947,061	511,312
Contributions receivable	10,304,346	7,470,845
Total	\$ 37,321,904	\$ 27,593,663

Temporarily restricted net assets are available for the following purposes at June 30:

	2013	2012
Scholarships and prizes	\$ 2,748,068	\$ 2,685,578
Professorship	2,042,122	1,405,104
Academic/administrative support	17,604,622	11,862,804
Operating fund support	2,382,465	2,173,188
Library	45,296	46,116
Wooster Fund	53,937	84,835
Split interest agreements	2,134,959	1,860,599
Loan fund	6,089	4,594
Contributions receivable	10,304,346	7,470,845
	\$ 37,321,904	\$ 27,593,663

# Note 9. Permanently Restricted Net Assets

Permanently restricted net assets are comprised of the following at June 30:

	2013	2012
Endowment Funds		
Split-interest agreements	\$ 3,931,690	\$ 4,476,793
Other endowment funds	101,394,140	96,548,834
Total permanently-restricted endowment	105,325,830	101,025,627
Student loan funds	600,466	600,465
Funds held by others	6,851,490	6,406,009
Contributions receivable	2,219,825	2,706,407
Total	\$ 114,997,611	\$ 110,738,508

# Note 9. Permanently Restricted Net Assets (Continued)

Permanently restricted net assets classified by purpose at June 30:

	2013	2012
Scholarship and prizes	\$ 44,814,168	\$ 42,693,706
Professorships	26,900,869	24,849,351
Academic/administrative support	20,120,045	19,500,613
Operating fund support	4,533,047	4,532,047
Library	3,627,250	3,608,680
Wooster Fund	1,398,761	1,364,437
Split interest agreements	3,931,690	4,476,793
Trusts held by others	6,851,490	6,406,009
Student loan funds	600,466	600,465
Contributions receivable	2,219,825	2,706,407
Total	\$ 114,997,611	\$ 110,738,508

#### Note 10. Endowment Funds

**UPMIFA**: The Board's interpretation of The Uniform Prudent Management of Institutional Funds Act (UPMIFA) is as follows:

The portion of a donor-restricted endowment that the College classifies in permanently restricted net assets is the original gift value plus the value of subsequent gifts to the endowment. It is not reduced by losses on the investments, except to the extent required by the donor, or by appropriations from the endowment fund. The accumulated portion of a donor-restricted fund that is not permanently restricted is considered to be temporarily restricted until appropriated for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA. The College uses the following criteria to determine whether 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 fund
- 3. General economic conditions
- 4. The possible effect of inflation and deflation
- 5. The total return from income and appreciation of investments
- 6. Other resources of the College
- 7. The investment policies of the College

**Investment return objectives and risk parameters**: The College has adopted investment and spending policies for endowment assets that provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Under these policies, as approved by the Board of Trustees, the investment objective is to generate, for each rolling 3 to 5 year period, an average annual total return, plus endowment gifts, sufficient to fund the sum of the level of inflation for academic institutions as defined by the Higher Education Price Index, the annual payout to operations and a premium for growth in principal. Risk, as measured by standard deviation, should be commensurate with a passive portfolio, consisting of a similar asset allocation to the endowment fund.

Strategies to achieve investment objectives: The purpose of the endowment is to meet the current financial needs of the College and to support current operations with the long-term goal of developing and maintaining a strategic advantage compared to institutions with which the College competes for students and faculty. While placing reasonable limits on the use of the investment returns for current financial needs of the College, the College may limit expansion of some programs during the short run. This approach to endowment management ensures that, in the long run, these same programs will benefit on an even a larger scale, thereby maximizing the long-term financial strength and stability of the College.

#### **Notes to the Consolidated Financial Statements**

## Note 10. Endowment Funds (Continued)

**Spending policy and investment objectives**: The annual spending policy, established by the Board of Trustees, is the prior-year payout amount, increased by 1%, limited to a maximum payout equal to 6% of the trailing twelve-quarter moving average endowment market value at December 31 of the calendar year preceding the end of the fiscal year. In establishing this policy, the College considered the long-term expected return on its endowment. This is consistent with the College's objective to maintain the purchasing power of the endowment assets held in perpetuity, as well as to provide additional real growth through new gifts and investment return.

**Endowment funds with deficiencies**: On occasion, unfavorable market fluctuations cause the fair value of assets associated with individual donor restricted endowment funds to fall below the level that the donor or the UPMIFA law requires the College to retain as a fund of perpetual duration. Deficiencies of this nature that are in excess of related temporarily restricted amounts are reported in unrestricted net assets. Such amounts totaled \$4,023,610 and \$10,067,726 as of June 30, 2013 and 2012, respectively.

Endowment asset composition by type of fund at June 30:

, , , ,	•	2	2013	
		Temporarily	Permanently	
	Unrestricted	Restricted	Restricted	Total
Board-designated funds	\$ 130,474,493	\$ -	\$ -	\$ 130,474,493
Donor restricted endowment funds	(4,023,610)	15,316,184	105,325,830	116,618,404
	\$ 126,450,883	\$ 15,316,184	\$ 105,325,830	\$ 247,092,897
	2012			
	,	Temporarily	Permanently	
	Unrestricted	Restricted	Restricted	Total
Board-designated funds  Donor restricted endowment funds	\$ 126,361,710 (10,067,726)	\$ - 13,615,420	\$ - 101,025,627	\$ 126,361,710 104,573,321
Donor roomotod ondowniont lundo	\$ 116,293,984	\$ 13,615,420	\$ 101,025,627	\$ 230,935,031

## **Notes to the Consolidated Financial Statements**

# Note 10. Endowment Funds (Continued)

The following schedules represent changes in endowment investments only. These amounts are included in investments - at market on the statement of financial position at June 30, 2013 and 2012.

		20	013		
	-	Temporarily	Permanently		
	Unrestricted	Restricted	Restricted	Total	
Endowment assets, beginning of year	\$116,293,984	\$ 13,615,420	\$101,025,627	\$230,935,031	
Investment Return Investment income Net appreciation (realized and	(214,758)	583,483	(39,892)	328,833	
unrealized)	17,600,693	8,838,393	-	26,439,086	
Total investment return	17,385,935	9,421,876	(39,892)	26,767,919	
Contributions and other	25,115	-	4,381,768	4,406,883	
Appropriation of endowment assets					
for expenditure	(7,309,146)	(6,876,661)	-	(14,185,807)	
Transfers among funds	54,995	(844,451)	(41,673)	(831,129)	
Endowment assets, end of year	\$126,450,883	\$ 15,316,184	\$105,325,830	\$247,092,897	
	2012				
		20	)12		
		20 Temporarily	Permanently		
	Unrestricted			Total	
Endowment assets, beginning of year	Unrestricted \$127,905,272	Temporarily	Permanently	Total \$246,688,529	
of year Investment Return Investment income		Temporarily Restricted	Permanently Restricted		
of year Investment Return	\$127,905,272	Temporarily Restricted \$ 20,976,221	Permanently Restricted \$ 97,807,036	\$246,688,529	
of year  Investment Return Investment income Net appreciation (depreciation)	\$127,905,272 549,010	Temporarily Restricted \$ 20,976,221 (547,410)	Permanently Restricted \$ 97,807,036	\$246,688,529 169,657	
of year  Investment Return Investment income Net appreciation (depreciation) (realized and unrealized)	\$127,905,272 549,010 (7,569,280)	Temporarily Restricted \$ 20,976,221 (547,410) 630,197	Permanently Restricted \$ 97,807,036 168,057	\$246,688,529 169,657 (6,939,083)	
of year  Investment Return Investment income Net appreciation (depreciation) (realized and unrealized)  Total investment return	\$127,905,272 549,010 (7,569,280) (7,020,270)	Temporarily Restricted \$ 20,976,221 (547,410) 630,197	Permanently Restricted \$ 97,807,036 168,057	\$246,688,529 169,657 (6,939,083) (6,769,426)	
of year  Investment Return Investment income Net appreciation (depreciation) (realized and unrealized) Total investment return  Contributions and other  Appropriation of endowment assets	\$127,905,272 549,010 (7,569,280) (7,020,270) 109,625	Temporarily Restricted  \$ 20,976,221  (547,410)  630,197  82,787	Permanently Restricted \$ 97,807,036 168,057	\$246,688,529 169,657 (6,939,083) (6,769,426) 2,884,168	

## Note 11. Contingencies

The College is involved in litigation and is subject to certain claims that arise in the normal course of operations. In the opinion of management, the ultimate disposition of the litigation and claims will not have a material adverse effect on the College's operations or financial position.