



BALDWIN WALLACE UNIVERSITY

Financial Statements and Supplementary Information

June 30, 2021 and 2020

(With Independent Auditors' Report Thereon)

BALDWIN WALLACE UNIVERSITY

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BALDWIN WALLACE UNIVERSITY

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Baldwin Wallace University
Summary of Operations
For the Year Ended June 30, 2021
(unaudited)

Founded in 1845 as Baldwin Institute, Baldwin Wallace University (BW) was one of the first colleges and universities in Ohio to admit students without regard to race or gender. Today, BW continues as an independent, coeducational institution, accredited by the Higher Learning Commission. The academic program is rooted in the liberal arts but includes a wide range of majors, minors, and other programs containing abundant opportunities for career exploration and application.

Undergraduate degrees offered are the Bachelor of Arts, Bachelor of Fine Arts, Bachelor of Science, Bachelor of Science in Education, Bachelor of Music, Bachelor of Music Education, and Bachelor of Science in Nursing.

BW offers graduate programs leading to the degrees of Master of Accountancy, Master of Arts in Education, Master of Business Administration, Master of Medical Science (Physician Assistant), Master of Public Health, and Master of Science (Speech Language Pathology). BW also has certificate programs in a variety of specialties.

Baldwin Wallace University does not discriminate because of race, creed, age, disabilities, national origin, gender, gender orientation, or sexual orientation in admissions, programs, or administration.

The campus is in Berea, Ohio, a suburb southwest of Cleveland.

COVID-19

Unlike the previous year, BW was able to maintain on-campus instruction throughout both semesters of the 2020-2021 academic year. The University's COVID protocols required the wearing of masks indoors in the company of others, maintaining social distancing, and adhering to guidelines on residential living, group gatherings, use of labs and practice rooms, and athletics. Facilities adaptations and added technology helped enable social distancing. Classes employed blended instruction that included in-person and synchronous remote instruction. The BW health Center and local health partners provided COVID care and testing, including required random testing. The University reserved rooms for isolation of infected residential students and delivered meals to them.

Expenditures directly related to these adaptations and services totaled approximately \$5 million. Of this amount, \$2.3 million was capital spending, primarily for computer hardware and software. Supplies and contracted services accounted for most of the \$2.7 million of expense. Government grants for COVID relief covered all of these direct expenditures. Additional government COVID relief grants provided nearly \$4 million in extra financial aid for students.

During the previous year, the University had stopped on-campus instruction and gone to virtual only in the middle of the spring semester. This action had caused the University to make partial refunds of room and campus card charges.

(Continued)

**Summary of Operations
As of June 30, 2021
(unaudited)**

Enrollment and Tuition

The 2020-2021 academic year opened with a total fall semester enrollment of 3,400. This total included 2,712 full-time undergraduate students, 149 part-time undergraduates, and 539 graduate students. The full-time-equivalent enrollment was 3,137, down 96 from the previous fall.

Billed tuition and fee revenue totaled \$101,732,037. Offsetting this were financial aid grants awarded by Baldwin Wallace of \$52,140,562. Students also received direct federal and state grants amounting to \$6,484,667. BW administers these government grants. The combined grants were 58 percent of tuition and fees billed. Additional forms of financial aid included Federal Direct Student Loans administered by the University and wages paid to students for campus jobs.

Tuition revenue net of the University aid grants was \$49,591,475, down \$6,176,500 from the previous year.

Expenses

Expenses totaled \$96,239,180, down approximately \$9 million. Employee compensation accounted for over half of this reduction. Last year the University offered voluntary separation incentives to both faculty and staff employees who met eligibility requirements pertaining to length and type of service. Forty-four persons accepted and retired as of June 30, 2020. The administration replaced just fourteen of these positions. The cost of the incentives was \$3,304,169 and was recorded as an expense in the 2019-2020 Statement of Activities.

Contributions

Contribution revenue for the year was \$10,893,199. Contributions for investment in endowment and plant were \$5,706,959. The remaining \$5,186,240 is for items such as scholarships or other operations.

Endowment and Similar Assets

BW benefited from the strong financial markets. The fair value of endowment and similar assets at June 30, 2021 was \$215,022,341, up \$37,023,167 from June 30, 2020. Investment gains and ordinary income totaled \$46,671,349. The distribution for use in operations was \$7,691,584, leaving \$38,979,765 invested. Other changes in the asset value resulted from contributions invested.

The fair value amount includes donor restricted endowments of \$176,398,153, funds functioning as endowment, gift annuities, remainder trusts, and beneficial interests in perpetual trusts.

Plant

Plant spending totaled \$19,119,558. This included new construction, renovations and improvements to existing buildings, and purchases of equipment and furnishings.

In December, BW completed construction of a new building to house its mathematics, computer science, engineering, and physics programs. Those departments occupied the building and held classes there spring semester. Construction had been underway for two years. The two-story building contains approximately 55,000 square feet. Its location is North Campus adjacent to the Thomas Center. This site required the demolition of Ward Hall and several rental houses. Donor restricted gifts and pledges covered the full cost of the building, furnishings, and equipment. The University named this building the Austin E. Knowlton Center in recognition of a major contribution from the Austin E. Knowlton Foundation.

**Summary of Operations
As of June 30, 2021
(unaudited)**

The University also undertook a substantial renovation of a former office building purchased in 2019. The location is adjacent to the campus. Use of this building will bring together the graduate level physician assistant program, the 15-month accelerated nursing program for persons who already have a bachelor degree, and a new 4-year undergraduate nursing program. The 22,000 square foot building will contain classrooms, clinical labs, and conference space. Construction was nearly complete at year-end. The University intends to put this building into service in fiscal year 2022.

Net Assets

Net assets at June 30, 2021 totaled \$356,805,561. Following is a summary of the changes in net assets for the year:

Change in net assets without donor restrictions:

Current operations:

Tuition and other revenue	\$ 70,157,227
Donor restrictions released by fulfillment of operating purposes	23,576,282
Expenses	<u>(92,083,307)</u>

Net revenue from current operations	1,650,202
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Other revenue	181,828
Donor restrictions released by purchases of furniture and equipment	91,272
Donor restrictions released by placement of new building in service	24,146,827
Depreciation of plant assets acquired with donor restricted funds	(3,812,014)
Other expenses	(343,859)
Undistributed investment gains	<u>658,953</u>

Change in net assets without donor restrictions	<u>22,573,209</u>
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Change in net assets with donor restrictions:

Contributions and other revenue	29,356,294
Total of donor restrictions released	(47,814,381)
Undistributed investment gains	<u>38,320,812</u>

Change in net assets with donor restrictions	<u>19,862,725</u>
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Change in net assets	<u><u>\$ 42,435,934</u></u>
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See the Supplementary Information Section of this report for multi-year comparisons of enrollment, fee, and financial data.



Report of the Administration

This report covers the financial statements and related notes of Baldwin Wallace University, along with supplementary information. The Administration of Baldwin Wallace is responsible for the preparation and content of these statements. They have prepared the statements from the financial records of the University, in conformity with accounting principles generally accepted in the United States of America.

Statements issued by the Financial Accounting Standards Board govern the form and content of private college and university financial statements. The three basic financial statements are the statements of financial position (assets, liabilities and net assets), activities (revenue and expense), functional expenses, and cash flows. Baldwin-Wallace provides additional analytical and nonfinancial data, including enrollment, admissions, and fees, as supplementary information.

The University's accounting system includes internal controls designed to provide reasonable assurance, at appropriate cost, of the reliability of its financial records and the proper safeguarding and use of its assets. These controls are based on established policies and procedures, and they are implemented by trained, skilled personnel, with an appropriate segregation of duties.

The independent auditing firm of KPMG LLP has audited the financial statements in accordance with auditing principles generally accepted in the United States of America. Their opinion appears in this report on pages 5 and 6.

The Board of Trustees exercises its responsibility for the financial statements through the Audit Review Committee. The committee meets at least annually with members of the Administration and representatives of the independent auditing firm to discuss accounting, reporting and internal control matters.

A handwritten signature in blue ink, reading 'William M. Reniff', enclosed in a rectangular box.

William M. Reniff
Vice President for Finance and Administration



KPMG LLP
One Cleveland Center
Suite 2600
1375 East Ninth Street
Cleveland, OH 44114-1796

Independent Auditors' Report

The Board of Trustees
Baldwin Wallace University:

Report on the Financial Statements

We have audited the accompanying financial statements of Baldwin Wallace University (the University), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the year 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 financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements referred to above present fairly, in all material respects, the financial position of Baldwin Wallace University as of June 30, 2021 and 2020, and the changes in their net assets and their cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.



Emphasis of Matter

As discussed in Note 2 to the financial statements, the University has changed its method for accounting for leasing transactions as of July 1, 2019 due to the adoption of Financial Accounting Standards Board's Accounting Standards Update No. 2016-02, *Leases (Topic 842)*, as amended. Our opinion is not modified with respect to this matter.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying note 11, financial responsibility standards, as of and for the year ended June 30, 2021, is presented for purposes of additional analysis as required by the US Department of Education, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, note 11 is fairly stated, in all material respects, in relation to the financial statements as a whole.

The supplementary information included in Schedule I for the years ended June 30, 2021 and 2020 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The supplementary information included in Schedule I related to the University's 2021 and 2020 financial statements, except for that portion marked "unaudited," on which we express no opinion, has been subjected to the auditing procedures applied in the audits of the University's 2021 and 2020 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information included in Schedule I related to the University's 2021 and 2020 financial statements, except for that portion marked "unaudited" on which we express no opinion, is fairly stated, in all material respects, in relation to the University's 2021 and 2020 financial statements as a whole.

We have also previously audited, in accordance with auditing standards generally accepted in the United States of America, the statements of financial position of the University as of June 30, 2019 and 2018, and the related statements of activities and cash flows for the years then ended (none of which is presented herein), and we expressed unmodified opinions on those financial statements. The supplementary information included in Schedule I for the years ended June 30, 2019 and 2018 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the respective financial statements. The supplementary information included in Schedule I related to the University's 2019 and 2018 financial statements, except for that portion marked "unaudited," on which we express no opinion, has been subjected to auditing procedures applied in the audits of the University's 2019 and 2018 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information included in Schedule I related to the University's 2019 and 2018 financial statements, except for that portion marked "unaudited" on which we express no opinion, is fairly stated, in all material respects, in relation to the University's 2019 and 2018 financial statements as a whole.



Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2021, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

KPMG LLP

Cleveland, Ohio
November 15, 2021

BALDWIN WALLACE UNIVERSITY

Statements of Financial Position

June 30, 2021 and 2020

Assets	2021	2020
Operating assets:		
Cash and cash equivalents	\$ 1,513,963	1,682,103
Short term investments	721,286	7,215,202
Student accounts receivable, less allowances for doubtful receivables of \$77,000 and \$98,000, respectively	3,087,467	3,430,393
Receivables from the federal and state governments	2,571,525	1,084,960
Other receivables, less allowances for doubtful receivables of \$34,000 and \$34,000, respectively	483,655	639,346
Inventory	1,505,854	1,540,965
Prepaid expenses	594,768	870,479
Right-of-use assets	1,788,182	2,313,384
Pledges receivable at present value, less allowances for doubtful pledges of \$300,000 and \$295,000, respectively	7,477,148	9,658,626
Student loan notes receivable, less allowances for doubtful loans of \$374,000 and \$374,000, respectively	2,508,375	3,008,669
Total operating assets	<u>22,252,223</u>	<u>31,444,127</u>
Endowment and similar assets:		
Cash equivalents	3,271,088	2,701,354
Investments at fair value	191,554,217	159,394,343
Beneficial interest in perpetual trusts	20,197,036	15,903,477
Total endowment and similar assets	<u>215,022,341</u>	<u>177,999,174</u>
Property and equipment:		
Grounds	18,141,618	18,014,038
Educational and general buildings	185,074,422	161,546,585
Residence halls	67,384,731	66,887,373
Residences	3,025,890	2,985,545
Furniture and equipment	33,108,051	29,713,102
Construction in progress	1,964,730	14,293,605
	<u>308,699,442</u>	<u>293,440,248</u>
Accumulated depreciation	<u>(146,203,922)</u>	<u>(138,038,864)</u>
Net property and equipment	<u>162,495,520</u>	<u>155,401,384</u>
Total assets	<u>\$ 399,770,084</u>	<u>364,844,685</u>

BALDWIN WALLACE UNIVERSITY

Statements of Financial Position

June 30, 2021 and 2020

Liabilities and Net Assets	2021	2020
Liabilities:		
Accounts payable	\$ 2,178,144	3,226,574
Accrued expenses	2,950,714	3,165,574
Notes payable	5,000,000	—
Deferred revenue and student deposits	1,901,810	7,970,164
Lease obligations	1,788,182	2,313,384
Other liabilities	2,583,121	5,017,894
Annuity obligations	3,974,134	4,128,193
U.S. Government advances for Perkins Loans to students	1,453,311	1,814,088
Long-term debt	21,135,107	22,839,187
Total liabilities	<u>42,964,523</u>	<u>50,475,058</u>
Net assets:		
Without donor restrictions:		
Functioning as endowment	5,077,672	4,646,132
Invested in plant	117,680,342	95,538,673
Total without donor restrictions	<u>122,758,014</u>	<u>100,184,805</u>
With donor restrictions:		
Expendable for-		
Program	4,845,226	4,678,601
Student financial aid grants	5,062,471	4,422,561
Plant	2,823,025	10,251,119
Invested in plant under construction	1,917,129	13,220,827
Future support	7,477,148	9,658,626
Student loans	1,093,088	1,154,824
Annuities and trusts	30,223,029	22,984,437
Functioning as endowment	4,208,278	3,910,582
Endowment	176,398,153	143,903,245
Total with donor restrictions	<u>234,047,547</u>	<u>214,184,822</u>
Total net assets	<u>356,805,561</u>	<u>314,369,627</u>
Total liabilities and net assets	<u>\$ 399,770,084</u>	<u>364,844,685</u>

See accompanying notes to financial statements.

BALDWIN WALLACE UNIVERSITY

Statements of Activities

Years ended June 30, 2021 and 2020

	2021	2020
Changes in net assets without donor restrictions:		
Revenue:		
Tuition and fees	\$ 49,591,475	55,767,975
Contributions	1,727,999	1,422,575
Investment income and gains distribution	1,544,016	1,548,280
Auxiliary enterprises	17,208,257	16,088,633
Other	267,308	526,492
Total revenue	70,339,055	75,353,955
Net assets released from restrictions:		
Program	13,747,194	7,229,730
Student financial aid grants	9,438,446	7,083,872
New building placed in service	24,146,827	—
Other plant	481,914	1,234,957
Total net assets released from restrictions	47,814,381	15,548,559
Total revenue and restrictions released	118,153,436	90,902,514
Expenses	(96,239,180)	(105,602,320)
Investment gains (losses) after distribution	658,953	(83,538)
Voluntary employee separation incentives	—	(3,304,169)
Change in net assets without donor restrictions	22,573,209	(18,087,513)
Changes in net assets with donor restrictions:		
Revenue:		
Contributions	9,165,200	18,071,015
Investment income and gains distribution	6,147,568	6,057,265
Government grants, program and student financial aid	1,423,287	1,574,928
Government grants, COVID relief	12,179,604	2,291,500
Other	440,635	465,751
Total revenue	29,356,294	28,460,459
Net assets released from restrictions	(47,814,381)	(15,548,559)
Investment gains (losses) after distribution	38,320,812	(1,906,817)
Change in net assets with donor restrictions	19,862,725	11,005,083
Change in net assets	42,435,934	(7,082,430)
Net assets at beginning of year	314,369,627	321,452,057
Net assets at end of year	\$ 356,805,561	314,369,627

See accompanying notes to financial statements.

BALDWIN WALLACE UNIVERSITY

Statements of Functional Expenses

Years ended June 30, 2021 and 2020

	<u>Compensation</u>	<u>Plant operation and maintenance</u>	<u>Depreciation</u>	<u>Other</u>	<u>Total</u>
Year ended June 30, 2021:					
Instruction	\$ 31,814,807	5,271,276	4,986,276	886,995	42,959,354
Academic support	4,130,528	302,970	207,761	1,793,178	6,434,437
Library	550,822	605,940	415,523	369,102	1,941,387
Student services	5,421,258	706,930	484,777	1,339,709	7,952,674
Student activities	3,529,172	1,601,485	1,330,017	1,013,768	7,474,442
Institutional support	8,302,303	706,930	484,777	8,358,427	17,852,437
Auxiliary enterprises	3,626,717	2,603,033	2,547,324	2,847,375	11,624,449
Totals	<u>\$ 57,375,607</u>	<u>11,798,564</u>	<u>10,456,455</u>	<u>16,608,554</u>	<u>96,239,180</u>
Salaries and wages	\$ 43,763,386	2,578,690			46,342,076
Benefits	13,612,221	896,215			14,508,436
Year ended June 30, 2020:					
Instruction	\$ 33,340,494	5,255,670	4,566,059	2,044,746	45,206,969
Academic support	4,684,373	225,243	195,688	2,279,758	7,385,062
Library	679,972	450,486	391,377	395,465	1,917,300
Student services	5,934,400	600,648	521,836	1,918,738	8,975,622
Student activities	3,810,321	1,541,004	1,312,544	1,523,005	8,186,874
Institutional support	9,201,556	525,567	456,606	9,997,826	20,181,555
Auxiliary enterprises	4,026,086	2,491,283	2,595,720	4,635,849	13,748,938
Totals	<u>\$ 61,677,202</u>	<u>11,089,901</u>	<u>10,039,830</u>	<u>22,795,387</u>	<u>105,602,320</u>
Salaries and wages	\$ 46,437,080	2,688,762			49,125,842
Benefits	15,240,122	989,791			16,229,913

See accompanying notes to financial statements.

BALDWIN WALLACE UNIVERSITY

Statements of Cash Flows

Years ended June 30, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Change in net assets	\$ 42,435,934	(7,082,430)
Adjustments to reconcile the change in net assets to net cash used by operating activities:		
Depreciation	10,456,455	10,039,831
Net gains on endowment and similar investments	(46,150,582)	(4,040,926)
Change in student accounts and other receivables	(987,948)	1,066,041
Change in inventory and prepaid expenses	310,822	4,602,842
Change in accounts payable and accrued expenses	186,746	(868,048)
Change in deferred revenue, annuity obligations, government advances, and other liabilities	(9,017,963)	8,403,903
Loss on property sale and contributions of equipment, net	46,931	—
Contributions restricted for long-term investment	(7,888,437)	(14,617,325)
Other income restricted for long-term investment	(760,058)	(575,061)
Net cash used by operating activities	(11,368,100)	(3,071,173)
Cash flows from investing activities:		
Improvements and purchases of property and equipment	(19,119,558)	(16,798,073)
Sale of property	72,000	—
Purchases of endowment and similar investments	(27,096,733)	(102,934,076)
Sales of endowment and similar investments	36,224,148	108,509,147
Purchases of short term investments	(6,084)	(3,158,233)
Sales of short term investments	6,500,000	4,489,306
Change in student loans	500,294	467,064
Net cash used by investing activities	(2,925,933)	(9,424,865)
Cash flows from financing activities:		
Contributions restricted for long-term investment	10,069,915	8,940,201
Other income restricted for long-term investment	760,058	575,061
Short-term bank loan	5,000,000	—
Long-term debt principal payments	(1,704,080)	(1,609,080)
Net cash provided by financing activities	14,125,893	7,906,182
Net change in cash and cash equivalents	(168,140)	(4,589,856)
Cash and cash equivalents at beginning of period	1,682,103	6,271,959
Cash and cash equivalents at end of period	\$ 1,513,963	1,682,103
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 886,364	952,840
Construction in progress in accounts payable	1,300,812	2,750,848

See accompanying notes to financial statements.

BALDWIN WALLACE UNIVERSITY

Notes to Financial Statements

June 30, 2021 and 2020

(1) Nature of Organization

Baldwin Wallace University (the University), founded in 1845, is an independent, coeducational university in the liberal arts tradition, accredited by the Higher Learning Commission. Undergraduate degrees granted are the Bachelor of Arts, Bachelor of Fine Arts, Bachelor of Science, Bachelor of Science in Education, Bachelor of Music, Bachelor of Music Education, and Bachelor of Science in Nursing. Graduate degrees granted are Master of Accountancy, Master of Arts in Education, Master of Business Administration, Master of Medical Science, Master of Public Health, and Master of Science. The University also has certificate programs in a variety of specialties.

(2) Summary of Significant Accounting Policies

(a) Method of Accounting

The University has prepared the accompanying financial statements on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (U.S. GAAP).

The University prepares its financial statements to focus on the organization as a whole and to present balances and transactions classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as either without donor restrictions or with donor restrictions.

Revenue is reported as increases in net assets without donor restrictions, unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions, unless their use is restricted by donor stipulation. The University has primarily reported gains or losses on investments as net assets with donor restrictions as a result of such donor stipulations or law. Expirations of donor restrictions recognized on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as releases to net assets without donor restrictions.

Contributions, including private gifts, grants and pledges (unconditional promises to give), are recognized as revenue in the period received. Contributions of long-lived assets, or of cash or other assets to be used to acquire them, with donor stipulations concerning the use of such long-lived assets, are reported as revenue of net assets with donor restrictions. When the donor restriction expires, that is, when a stipulated time restriction or purpose restriction is met, net assets with donor restrictions are transferred to net assets without donor restrictions. 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 gift, except that contributions of works of art, historical treasures, and similar assets held as part of collections are not recognized or capitalized. Allowance is made for doubtful collection of contributions receivable based upon management's judgment and analysis of the creditworthiness of the donors, past collection experience, and other relevant factors.

BALDWIN WALLACE UNIVERSITY

Notes to Financial Statements

June 30, 2021 and 2020

(b) Investments

Investments are reported at fair value. With respect to investment funds such as the University's investments managed by The Common Fund for Nonprofit Organizations (Commonfund), the estimated fair values are provided by external investment managers. Commonfund is an institutional investment manager serving higher education, health care, foundations, and other nonprofit institutions. These estimated fair values are reviewed and evaluated by the University management. Due to the inherent uncertainties of these estimates, these estimated fair values may differ from the values that would have been used had a ready market existed for such investments. Alternative investments are valued at fair value for marketable securities and net asset value (NAV) of the University's ownership interest in the partners' capital as a practical expedient for non-marketable securities.

Investment transactions are recorded on the trade date. Realized gains and losses on the sale of investments are calculated on the basis of the specific identification of securities sold. Investment custodial fees are classified as a reduction in investment income for financial reporting purposes.

(c) Inventory

Inventories, which consist of bookstore and other supplies, are valued at the lower of cost or market. Cost is determined using the first-in, first-out method.

(d) Annuities and Perpetual Trusts

The University's split-interest agreements with donors consist of irrevocable charitable remainder trusts, charitable gift annuities, and life income contracts for which the University is either the remainder beneficiary or both the trustee and remainder beneficiary.

Assets held in trust for which the University serves as trustee are included in investments on the statements of financial position. The fair value of these investments was \$14,242,903 at June 30, 2021 and \$11,468,065 at June 30, 2020. In addition, the present value of the estimated future payments to be made to the donors and/or other beneficiaries is included as annuity obligations on the statements of financial position. The liabilities are adjusted during the term of the trusts for changes in the value of the assets, accretion of the discount, and other changes in the estimates of future amounts payable. Significant assumptions used in the calculation of the liability include:

- Assumed mortality rates based upon the 2012 Individual Annuity Reserving Mortality Table
- Assumed valuation interest rates range between 2.00% and 2.75%
- Assumed annuity payments made annually at the beginning of the year.

Assets held in trust for which the University does not serve as trustee (i.e., perpetual trusts) are also included as assets on the statements of financial position. The investment balances of \$20,197,036 and \$15,903,477 at June 30, 2021 and 2020, respectively, are recorded at fair value. Changes in the value of the University's beneficial interest in these perpetual trusts are reflected within the statements of activities as a component of donor restricted endowment and similar investment income.

BALDWIN WALLACE UNIVERSITY

Notes to Financial Statements

June 30, 2021 and 2020

(e) Government Advances for Student Loans

The University receives government advances to fund student loans. These advances are recorded as a liability within the statements of financial position. Interest earned through loan repayments is reinvested into the program to fund additional loans.

(f) Student Loans Receivable

Student loans receivable are reported net of reserves for doubtful loans of \$374,000 as of June 30, 2021 and 2020. The reserve is intended to provide for loans, both in repayment status and not yet in repayment status (borrowers still in school or in the grace period following graduation), that may not be collected.

(g) Deferred Revenue and Student Deposits

Revenue and expenses related to academic terms conducted over two fiscal years, such as the summer session, are recognized over the two fiscal years. Amounts prepaid for future academic terms are included in deferred revenue and student deposits within the statements of financial position.

(h) Property and Equipment

Property and equipment are stated at historical cost. Amounts capitalized are depreciated over the estimated useful life of each class of depreciable asset. Depreciation is computed on the straight-line method. Estimated useful lives are as follows:

Buildings	50 years
Building additions and renovations	25 years
Computers, telephones, copiers, and vehicles	5 years
Other equipment and furniture	10 years
Pianos and other musical instruments	35 years

(i) Leases

Starting July 1, 2019, the University accounts for leases in accordance with ASC Topic 842, Leases. The University determines if an arrangement is or contains a lease at contract inception. The University recognizes a right-of-use (ROU) asset and a lease obligation at the lease commencement date.

For operating leases, the lease obligation is initially and subsequently measured at the present value of the unpaid lease payments at the lease commencement date. The discount rate utilized for the fiscal years ended June 30, 2020 and 2021 was 2.76 percent. The ROU asset is subsequently measured throughout the lease term at the carrying amount of the lease obligation, plus (minus) any prepaid (accrued) lease payments. Lease expenses for lease payments are recognized on a straight-line basis over the lease term.

BALDWIN WALLACE UNIVERSITY

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For finance leases, the lease obligation is initially measured in the same manner as operating leases and is subsequently measured at amortized cost using the effective-interest method. The ROU asset is subsequently amortized using the straight-line method from the lease commencement date to the earlier of the end of its useful life or lease term, unless the lease transfers ownership to the University or the University is reasonably certain to exercise an option to purchase the underlying asset.

(j) Impairment of Long-Lived Assets

The University evaluates the recoverability of long-lived assets and the related estimated remaining lives at each fiscal year end. The University records an impairment or change in useful life whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable or the useful life should be modified. No such impairment or change in estimated useful life was recorded in the fiscal years ended June 30, 2021 and 2020.

(k) Asset Retirement Obligations

The University has recorded a liability for conditional asset retirement obligations in other liabilities on the statements of financial position of approximately \$1,003,000 and \$947,000 at June 30, 2021 and 2020, respectively. Related discount amortization and depreciation in the fiscal years ended June 30, 2021 and 2020 were approximately \$61,000 and \$57,000, respectively.

(l) Prepaid Expenses

Prepaid expenses consist of prepaid insurance, maintenance, and other costs associated with future periods.

(m) Income Taxes

The University has received a determination letter from the Internal Revenue Service indicating it is a tax-exempt organization as provided for in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes except for taxes pertaining to unrelated business income. No liability provision has been made for income taxes in the accompanying financial statements. Institutional support expense includes minor amounts representing estimated and final payments of the unrelated business income tax.

The University uses a more-likely than-not recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken. Tax provisions are evaluated for recognition, derecognition, and measurement using consistent criteria about the uncertainty in income tax assets and liabilities. Based on the University's evaluation, no provision for uncertain tax positions is required as of June 30, 2021 and 2020.

(n) Cash and Cash Equivalents and Short-Term Investments

Cash equivalents consist of short-term highly liquid instruments purchased with an original maturity date of three months or less, except for cash equivalents of endowment and similar funds, which are treated as long term investments.

BALDWIN WALLACE UNIVERSITY

Notes to Financial Statements

June 30, 2021 and 2020

Short-term investments are reported at fair value and represent the University's operating cash and endowment and similar cash that has been invested in short-term investment funds, which have underlying investments that are not considered cash equivalents and are reported at fair value based on quoted market prices.

(o) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the disclosure of contingent assets and liabilities and the reported amounts of revenue, expenses, gains, and losses during the reporting period. Actual results could differ from those estimates.

(p) Auxiliary Enterprises

The University recognizes revenue and expenses related to residence and dining halls, bookstores, vending, and rental houses as auxiliary enterprises on the statements of activities.

(q) Student Financial Aid Grants

Tuition and fees are reported net of student financial aid grants. A student financial aid grant represents the difference between the stated charge for tuition and fees and the amount that is billed to the student and/or third parties making payments on behalf of the student.

(r) Functional Classification of Expense

Expenses are presented by functional classification in accordance with the overall service mission of the University. Each functional classification displays all expenses related to the underlying operations by natural classification. The University allocates a portion of property and equipment operation and maintenance and depreciation expenses to functional areas based on square foot occupancy. Student activities include athletics, the student union, and the recreation and health centers.

(s) Revenue from Contracts with Customers

Under Accounting Standards Codification (ASC) Topic 606, revenue from contracts with customers is recognized when control of the promised goods or services is transferred in an amount that reflects the consideration to which the University expects to be entitled in exchange for those goods or services (i.e., the transaction price).

Revenue from student education, residence, and dining services is reflected after reductions from institutional student aid and is recognized as the services are provided over the academic year, which generally aligns with the University's fiscal year. Aid in excess of a student's tuition and fees is reflected as a reduction of residence and dining charges. Disbursements made directly to students for living or other costs are reported as an expense. Payments for student services are generally received prior to the commencement of each academic term and are reported as student deposits to the extent services will be rendered in the following fiscal year.

BALDWIN WALLACE UNIVERSITY

Notes to Financial Statements

June 30, 2021 and 2020

The composition of revenue from academic programs was as follows for the years ended June 30, 2021 and 2020:

	2021	2020
Undergraduate	\$ 93,471,213	95,508,081
Postgraduate and other	8,260,824	8,312,607
Total	101,732,037	103,820,688
Less:		
Financial aid grants provided to students	(52,140,562)	(48,052,713)
Net	\$ 49,591,475	55,767,975

Auxiliary enterprises revenue consists of the following for the years ended June 30, 2021 and 2020:

	2021	2020
Residence and dining services	\$ 16,620,890	13,719,646
Retail operations (bookstore and other)	587,367	2,368,987
Total	\$ 17,208,257	16,088,633

(t) Recently Issued Accounting Standards

In February 2016, the FASB issued Accounting Standard Update (ASU) 2016-02 *Leases (Topic 842)*. The new standard establishes an ROU model that requires a lessee to recognize a ROU asset and lease liability on the balance sheet for all leases with a term longer than 12 months. Leases will be classified as either operating or finance with classification affecting the pattern and classification of expense recognition in the statement of activities.

The new standard was adopted by the University on July 1, 2019. The University elected the option to apply the transition requirements in Topic 842 at the effective date of July 1, 2019. All leases that existed at the effective date were recognized and measured using a retrospective approach. The impact of the adoption on the financial statements was an increase on July 1, 2019 in the ROU asset and an increase in lease obligations to record the lease liability for finance and operating leases of \$2,313,384 and \$1,788,182 for the fiscal years ended June 30, 2020 and 2021, respectively.

BALDWIN WALLACE UNIVERSITY

Notes to Financial Statements

June 30, 2021 and 2020

(3) Long-Term Debt

The University had the following outstanding principal balances as of June 30, 2021 and 2020:

	2021	2020
State of Ohio Educational Facility Revenue Bonds	\$ 8,930,000	10,080,000
Bank loan	12,205,107	12,759,187
Long-term debt	\$ 21,135,107	22,839,187

(a) Bonds

On November 29, 2012, the University issued State of Ohio Higher Educational Facility Revenue Bonds with a par value of \$16,025,000. The University issued the bonds pursuant to a trust agreement between the Ohio Higher Educational Facility Commission and US Bank as trustee. The bonds are dated December 1, 2012, and they mature through 2042. Interest is payable semi-annually on each December 1 and June 1, at variable rates ranging from 0.6% to 4.0%.

The University used the proceeds from the bonds to pay the capital costs of certain major building renovations, and to repay State of Ohio Higher Educational Facility Revenue Bonds issued June 1, 2004.

Prepaid expenses at June 30, 2021 and 2020 include net issuance costs of \$74,004 and \$84,569, respectively. The University is amortizing the issuance costs over the life of the bonds using the effective interest method.

The annual principal payments required on the bonds for 2021 and thereafter are as follows:

Fiscal year ending June 30:	
2022	\$ 1,145,000
2023	1,195,000
2024	1,240,000
2025	1,280,000
2026	170,000
Thereafter	3,900,000
	\$ 8,930,000

The bond agreement contains certain restrictive financial covenants, including provisions relating to certain fees and net revenue. The University was in compliance with its covenants as of June 30, 2021 and 2020.

BALDWIN WALLACE UNIVERSITY

Notes to Financial Statements

June 30, 2021 and 2020

(b) Bank loan

During the year ended June 30, 2018, the University substantially financed the construction of a new residence hall with a variable rate bank loan. At completion in August 2018, the balance of the variable rate loan was \$13,775,000. The parties converted it to a fixed rate loan immediately after completion. The loan matures through 2043 and has an interest rate of 2.76%.

Fiscal year ending June 30:	
2022	\$ 554,080
2023	554,080
2024	554,080
2025	554,080
2026	554,080
Thereafter	<u>9,434,707</u>
	<u>\$ 12,205,107</u>

(4) Investments

Endowment and similar assets include endowment funds, funds functioning as endowment, charitable gift annuities, charitable remainder trusts, and beneficial interests in outside trusts. At June 30, 2021 and 2020, these assets comprised the following:

	2021	2020
Cash equivalents	\$ 3,271,088	2,701,354
Commonfund:		
Equity funds	110,460,817	92,406,390
Fixed income funds	41,930,279	36,908,778
Alternative funds, marketable	12,939,725	11,607,291
Alternative funds, nonmarketable	11,453,156	6,726,245
Common stocks	700,212	446,535
Preferred stocks	646,350	671,450
Equity and balanced mutual funds	12,964,674	10,160,415
Fixed income	394,833	351,735
Beneficial interest in perpetual trusts	20,197,036	15,903,477
Other	<u>64,171</u>	<u>115,504</u>
	<u>\$ 215,022,341</u>	<u>177,999,174</u>

BALDWIN WALLACE UNIVERSITY

Notes to Financial Statements

June 30, 2021 and 2020

(5) Fair Value Measurements

The University has adopted the recognition and disclosure provisions prescribed in ASC 820, *Fair Value Measurement and Disclosures*, for financial assets. ASC 820 establishes a framework in generally accepted accounting principles for measuring fair value and expands disclosures about fair value measurements. ASC 820 emphasizes that fair value is a market-based measurement, not an entity-specific measurement, and should be determined based on the assumptions that market participants would use in pricing the asset.

ASC 820 establishes a hierarchy for ranking the quality and reliability of the information used to determine fair values. ASC 820 requires that assets carried at fair value be disclosed according to the following three levels:

Level 1 – Unadjusted quoted prices in active markets for identical assets. Level 1 yields the highest priority to unadjusted quoted prices in active markets for identical assets. A quoted price in an active market provides the most reliable evidence of fair value and shall be used to measure fair value whenever available.

Level 2 – Observable inputs other than quoted prices in Level 1. Inputs such as quoted prices for similar assets in active markets, quoted prices for identical or similar liabilities that are not active, or other inputs that are observable or can be corroborated by observable market data. Level 2 financial instruments include student accounts receivable, pledges receivable, student loan notes receivable and annuity obligations.

Level 3 – Unobservable inputs that are significant to the valuation of assets and are supported by little or no market data. This includes discounted cash flow methodologies, pricing models, and similar techniques that use significant unobservable inputs. Level 3 financial instruments include asset retirement obligations.

Level 1 investments include cash and cash equivalents, short term investments and Commonfund equity funds, fixed income funds and marketable alternative funds. These valuations are based on quoted prices from active stock exchanges for identical assets. Level 2 investments include fixed income securities, limited partnerships and other miscellaneous securities. The valuations of these securities are based on quoted prices from active stock exchanges for similar assets, quoted prices in inactive markets, or other observable market data such as matrix pricing and yield curves.

The University holds interests in various funds that are illiquid and do not allow for short-term redemption. Nonmarketable alternative funds are valued at their net asset value (NAV) as a practical expedient in determining fair value. These funds utilize a multi-manager approach, allocating assets to investment Sub-Advisors or investment funds managed by Sub-Advisors (Third Party Investment Funds). The strategies employed by the funds are primarily long-term or full market cycle approaches.

Level 3 investments include the University's portion of beneficial interests in several perpetual trusts held and administered by others in which the University is an income beneficiary. The primary input utilized in calculating the perpetual trusts' fair value is its net assets, which represents fair market valuation of certain equity, debt, and other instruments held by the perpetual trusts. In this manner, the perpetual trusts' valuation approximates fair market value. As the investments cannot be redeemed at the fair value, the University has classified these investments as Level 3 within the fair value hierarchy table.

BALDWIN WALLACE UNIVERSITY

Notes to Financial Statements

June 30, 2021 and 2020

The University has various alternative investments that have minimum capital commitments. As of June 30, 2021, the University has committed to make a total investment of \$18,350,000, of which \$11,453,156 has been invested, leaving \$6,896,844 of outstanding commitments. As of June 30, 2020, the University had committed to make a total investment of \$18,350,000, of which \$8,909,148 had been invested, leaving \$9,440,852 of outstanding commitments.

The following table presents assets that are measured at fair value on a recurring basis as of June 30, 2021:

	Balance at June 30, 2021	Level 1	Level 2	Level 3
Investments by fair value level:				
Cash and cash equivalents	\$ 1,513,963	1,513,963	—	—
Short-term investments	721,286	721,286	—	—
Cash equivalents, endowment and similar	3,271,088	3,271,088	—	—
Commonfund:				
Equity funds	110,460,817	110,460,817	—	—
Fixed income funds	41,930,279	41,930,279	—	—
Alternative funds, marketable	4,903,027	4,903,027	—	—
Common stocks	700,212	700,212	—	—
Preferred stocks	646,350	646,350	—	—
Equity and balanced mutual funds	12,964,674	12,964,674	—	—
Fixed income	394,833	—	394,833	—
Beneficial interest in perpetual trusts	20,197,036	—	—	20,197,036
Other	64,171	—	64,171	—
Total assets by fair value level	197,767,736	\$ 177,111,696	459,004	20,197,036
Investments measured at the net asset value (NAV):				
Alternative funds, nonmarketable	19,489,854			
Total assets at fair value	\$ 217,257,590			

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Notes to Financial Statements

June 30, 2021 and 2020

The following table presents assets that are measured at fair value on a recurring basis as of June 30, 2020:

	<u>Balance at June 30, 2020</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments by fair value level:				
Cash and cash equivalents	\$ 1,682,103	1,682,103	—	—
Short-term investments	7,215,202	7,215,202	—	—
Cash equivalents, endowment and similar	2,701,354	2,701,354	—	—
Commonfund:				
Equity funds	92,406,390	92,406,390	—	—
Fixed income funds	36,908,778	36,908,778	—	—
Alternative funds, marketable	11,607,291	11,607,291	—	—
Common stocks	446,535	446,535	—	—
Preferred stocks	671,450	671,450	—	—
Equity and balanced mutual funds	10,160,415	10,160,415	—	—
Fixed income	351,735	—	351,735	—
Beneficial interest in perpetual trusts	15,903,477	—	—	15,903,477
Other	115,504	—	115,504	—
Total assets by fair value level	180,170,234	\$ <u>163,799,518</u>	<u>467,239</u>	<u>15,903,477</u>
Investments measured at the net asset value (NAV):				
Alternative funds, nonmarketable	<u>6,726,245</u>			
Total assets at fair value	\$ <u>186,896,479</u>			

BALDWIN WALLACE UNIVERSITY

Notes to Financial Statements

June 30, 2021 and 2020

There were no transfers between Level 1 and 2, or 3 investments for the fiscal years ended June 30, 2021 and 2020. Perpetual trusts utilize significant unobservable inputs determined by the external trustees in estimating fair value. The following table presents activity for assets classified as Level 3:

	Fair value measurements using unobservable inputs (Level 3)	Beneficial interest in perpetual trusts
Balance at June 30, 2019	\$	15,723,547
Additions		—
Distributions		—
Income and realized gains		366,045
Payments		(703,794)
Unrealized gains		517,679
Balance at June 30, 2020		15,903,477
Additions		—
Distributions		—
Income and realized gains		1,155,848
Payments		(805,485)
Unrealized gains		3,943,196
Balance at June 30, 2021	\$	20,197,036

(6) Endowment

The University's endowment consists of approximately 500 individual funds. The donors of these funds have restricted the principal for investment. Some of those donors have also restricted the use of the income as to purpose. The University has designated other funds, usually resulting from major bequests or gifts, as funds functioning as endowment. Both net assets with and without donor restrictions include funds functioning as endowment.

The University's current spending policy is to withdraw each year an amount not exceeding 5% of the average of the June 30 market values for the preceding three years. These withdrawals include all ordinary investment income and the amount of accumulated gains required. The statements of activities for each of the net asset classes show these withdrawals as investment income and gains distribution.

From time to time, the fair value of assets associated with individual endowment funds may fall below the level that the donor or legislation requires the University to maintain as a fund of perpetual duration. In accordance with U.S. generally accepted accounting principles, deficiencies of this nature would be reported in net assets with donor restrictions. There were no such deficiencies as of June 30, 2021 and 2020.

BALDWIN WALLACE UNIVERSITY

Notes to Financial Statements

June 30, 2021 and 2020

The following table presents the changes in endowment net assets held by the University for the years ended June 30, 2021 and 2020:

	Donor restricted endowment	Functioning as endowment		Total
		With donor restrictions	Without donor restrictions	
Balances June 30, 2019	\$ 144,469,786	4,976,723	4,859,670	154,306,179
Investment income and gains	5,089,050	171,417	156,077	5,416,544
Contributions	1,484,200	96,397	—	1,580,597
Transfers and other	18,447	277,643	—	296,090
Distributions and expenses	(7,158,238)	(1,611,598)	(369,615)	(9,139,451)
Balances June 30, 2020	143,903,245	3,910,582	4,646,132	152,459,959
Investment income and gains	37,001,466	1,362,567	882,786	39,246,819
Contributions	2,684,484	15,446	—	2,699,930
Transfers and other	102,078	52,467	(2,413)	152,132
Distributions and expenses	(7,293,120)	(1,132,784)	(448,833)	(8,874,737)
Balances June 30, 2021	\$ 176,398,153	4,208,278	5,077,672	185,684,103

Members of the University Investment Committee develop investment policy, which is subject to approval by the Board of Trustees. They design the policy to be flexible and subject to revisions as the needs of the University may change. While the endowment is under the responsibility of the Board of Trustees, the Board has delegated authority for investment activities – including appointment, oversight, and evaluation of the Investment Manager – to the Investment Committee, whose members are appointed and serve at the pleasure of the Chairperson of the Board of Trustees. The members of the Investment Committee are all Trustees who volunteer their services on a pro bono basis.

The University's objective is to invest the endowment to seek an average total annual return that exceeds the spending rate plus inflation. The intent is to preserve over time the principal value of the assets as measured in inflation-adjusted terms. The relative objective is to seek competitive investment performance versus appropriate capital market measures. The comparative performance objective is to achieve a total rate of return that is above the median performance of a universe of similarly managed funds.

The assets are managed on a total return basis.

The University believes that its policies and procedures comply with the provisions of the Uniform Prudent Management of Institutional Funds Act.

BALDWIN WALLACE UNIVERSITY

Notes to Financial Statements

June 30, 2021 and 2020

(7) Retirement Plan

The University participates in the Teachers Insurance and Annuity Association retirement plan, which covers substantially all regular full-time employees. The defined contribution retirement plan was funded by the University's contributions of 3% of the covered employees' regular salary beginning September 1, 2020 and 7% before that date, and by required employee contributions of 3%. During the years ended June 30, 2021 and 2020, the University's contributions were approximately \$1,248,000 and \$2,533,000, respectively.

(8) Commitments and Contingencies

Under the terms of federal and state grants, periodic audits are required and certain costs may be questioned as to their allowability in connection with the terms of the grants. Such audits could lead to reimbursement to the grantor agencies. University management believes disallowances, if any, will not be material to the University's financial statements.

(9) Pledges Receivable

Pledges receivable totaling \$7,989,482 and \$10,517,040 at June 30, 2021 and 2020, respectively, represent gross unconditional promises to give. All gift pledges are restricted as to use for various purposes, primarily for property and equipment or endowment. These promises are reported at the present value of estimated future cash flows.

Pledges received were discounted at a rate of 3%. Discounts of \$212,334 and \$563,414 were recorded at June 30, 2021 and 2020, respectively.

Gift pledges are expected to be realized as follows:

	<u>2021</u>	<u>2020</u>
In one year or less	\$ 4,352,843	3,719,355
Between one and five years	3,623,383	6,784,551
More than five years	<u>13,256</u>	<u>13,134</u>
	7,989,482	10,517,040
Less:		
Allowance for uncollectible pledges	(300,000)	(295,000)
Discount on pledges	<u>(212,334)</u>	<u>(563,414)</u>
Net pledges receivable	<u>\$ 7,477,148</u>	<u>9,658,626</u>

BALDWIN WALLACE UNIVERSITY

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Conditional promises to give totaled approximately \$43,800,000 as of June 30, 2021. This amount consists of commitments contained in wills and insurance policies. The amount at June 30, 2020, was \$35,300,000. Conditional promises to give are not recorded in the financial statements.

(10) Liquidity and Line of Credit

Operating assets available within one year of the financial position date for general expenditure, such as operating expenses, scheduled principal payments on debt, and capital constructions costs not financed with debt, were as follows:

Operating assets at June 30, 2021	\$	22,252,223
Less those unavailable for general expenditure within one year:		
Perkins student loan receivable		(375,659)
Inventory		(1,505,854)
Prepaid expenses		(594,768)
Leases of property and equipment		(1,788,182)
Pledges due beyond one year		(3,636,639)
Student loans (revolving funds)		<u>(2,508,375)</u>
Operating assets available to meet cash needs for general expenditure within one year	\$	<u><u>11,842,746</u></u>

To manage liquidity, the University has a \$5,000,000 line of credit for operating funds that bears interest at LIBOR plus 250 basis points and a \$5,000,000 line of credit for operating funds that bears interest at LIBOR plus 150 basis points. Borrowings outstanding were \$5,000,000 as of June 30, 2021 and none as of June 30, 2020.

BALDWIN WALLACE UNIVERSITY

Notes to Financial Statements

June 30, 2021 and 2020

(11) Financial Responsibility Standards

The University participates in federal Title IV student financial assistance programs, which require it to meet standards of financial responsibility based on criteria determined by the U.S. Department of Education (ED), as set forth in 34 CFR 668.171. The criteria for private institutions include the annual calculation by ED of a financial responsibility composite score, as further outlined in 34 CFR 668.172, using audited financial statements submitted through ED's eZ-Audit system. The composite score has been and will continue to be based on three ratios: Primary Reserve, Equity, and Net Income. These ratios utilize the following financial data of the Institution, which are not otherwise presented in the financial statements or other notes to the financial statements, as of and for the year ended June 30, 2021:

Required input per standards	Ratio(s) uses	Input amount	Related amount
Property, plant and equipment, net	Primary reserve	\$ 160,530,790	
Construction in progress	Primary reserve	1,964,730	
Total property, plant and equipment, net			<u>\$ 162,495,520</u>
Lease right-of-use assets	Primary reserve	\$ 1,788,182	
Total lease right-of-use assets			<u>\$ 1,788,182</u>
Long-term debt – for long-term purposes	Primary reserve	\$ 21,135,107	
Line of credit for construction in progress	Primary reserve	—	
Total long-term debt			<u>\$ 21,135,107</u>
Liability related to lease right-of-use assets	Primary reserve & Equity	\$ 1,788,182	
Total liabilities related to lease right-of-use assets			<u>\$ 1,788,182</u>
Inputs directly from the statement of activities:			
Total operating revenue and other additions	Net income	\$ 138,675,114	
Less: investment return appropriated for spending	Net income	(1,544,016)	
Plus: gain on sale of fixed assets	Net income	<u>(62,831)</u>	
Total revenue and gains without donor restrictions	Net income	<u>\$ 137,068,267</u>	

(12) Subsequent Events

The University evaluated subsequent events applicable to the year ended June 30, 2021 through November 15, 2021, the date the financial statements are available to be issued. There were no subsequent event matters identified for disclosure in the financial statements.

BALDWIN WALLACE UNIVERSITY

Supplementary Information

Years ended June 30, 2021, 2020, 2019, and 2018

(Certain unaudited information)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Enrollment, fall semester (unaudited):				
Full-time undergraduate	\$ 2,712	2,820	2,923	2,979
Part-time undergraduate	149	174	223	229
Graduate	539	540	605	608
Total	<u>\$ 3,400</u>	<u>3,534</u>	<u>3,751</u>	<u>3,816</u>
Full-time-equivalent enrollment (unaudited)	\$ 3,137	3,233	3,383	3,471
Residence hall occupancy, fall (unaudited)	1,330	1,471	1,541	1,687
New day students, fall semester (unaudited):				
Applied	4,070	4,252	4,306	5,232
Accepted	2,870	3,005	3,099	2,989
Admitted	766	765	788	817
Fees charged per full-time student (unaudited):				
Tuition	\$ 34,504	33,530	32,586	31,668
Residence hall room (double)	5,842	5,678	5,518	5,280
Campus card (dining halls, bookstore)	6,104	5,932	5,764	5,516
	<u>\$ 46,450</u>	<u>45,140</u>	<u>43,868</u>	<u>42,464</u>
In millions				
Tuition and fee revenue billed	\$ 101.7	103.8	106.6	107.8
Student financial aid grants:				
Funds without donor restrictions	42.7	40.4	40.5	40.2
Funds with donor restrictions	9.4	7.7	6.6	5.2
Total university grant aid	<u>52.1</u>	<u>48.1</u>	<u>47.1</u>	<u>45.4</u>
Government aid grants to students administered by the University:				
Pell and other federal	4.3	4.7	5.1	5.1
Ohio Opportunity and other state	2.2	2.2	2.2	2.3
Total grant aid administered	<u>6.5</u>	<u>6.9</u>	<u>7.3</u>	<u>7.4</u>
Total grant aid	<u>\$ 58.6</u>	<u>55.0</u>	<u>54.4</u>	<u>52.8</u>
Grant aid percentage of tuition and fees billed	58 %	53 %	51 %	49 %

BALDWIN WALLACE UNIVERSITY

Supplementary Information

Years ended June 30, 2021, 2020, 2019, and 2018

(Certain unaudited information)

In millions	2021	2020	2019	2018
Activities summary:				
Tuition and fees	\$ 101.7	103.8	106.6	107.8
Less student financial aid grants	52.1	48.0	47.1	45.4
Net tuition and fees	49.6	55.8	59.5	62.4
Contributions:				
Available for current operations	5.2	4.9	5.7	5.7
For investment in plant and endowment	7.9	8.9	5.6	19.4
Change in pledges	(2.2)	5.7	(0.2)	1.3
Government grants:			—	—
Program and student financial aid	1.4	1.6	1.7	1.5
COVID relief	12.2	2.3	—	—
Endowment and similar investments:				
Income and gains distribution	7.7	7.5	7.2	6.8
Auxiliary enterprises:				
Residence and dining halls, bookstore, rentals, vending	17.2	16.1	20.2	20.0
Other income	0.7	1.0	2.0	1.4
Totals	99.7	103.8	101.7	118.5
Expenses	96.3	105.6	102.2	101.7
Net revenue	3.4	(1.8)	(0.5)	16.8
Endowment and similar investment gains (losses) after distribution	39.0	(2.0)	3.4	6.3
Voluntary employee separation incentives	—	(3.3)	—	—
Increase (decrease) in net assets	42.4	(7.1)	2.9	23.1
Net assets at the beginning of the year	314.4	321.5	318.5	295.4
Net assets at the end of the year	\$ 356.8	314.4	321.4	318.5

See accompanying independent auditors' report