WHEATON COLLEGE

Consolidated Financial Statements and Schedules

June 30, 2021 and 2020

(With Independent Auditors' Report Thereon)

WHEATON COLLEGE

Table of Contents

WHEATON
COLLEGE
For Christ & His Kingdom

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Administrator's Report

The Administration of Wheaton College (College) is responsible for the preparation and fair presentation of the consolidated financial statements. The consolidated financial statements, presented on pages 4 to 36, have been prepared in conformity with the U.S. generally accepted accounting principles and, as such, include amounts based on judgments and estimates of administration.

The consolidated financial statements have been audited by the independent accounting firm KPMG LLP (KPMG), which was given unrestricted access to all financial records and related data, including minutes of all meetings of the board of trustees. The College believes that all representations made to KPMG during the audit were valid and appropriate. KPMG's audit report is presented on pages 2 – 3.

The College maintains a system of internal controls over financial reporting, which is designed to provide reasonable assurance to the College's administration and board of trustees regarding the preparation of reliable published financial statements. Such controls are maintained by the establishment and communication of accounting and financial policies and procedures, by the selection and training of qualified personnel, and by the maintenance and establishment of controls surrounding the financial systems of the College. There are, however, inherent limitations in the effectiveness of any system of internal control, including the possibility of human error and the circumvention of controls. Accordingly, even an effective internal control system can provide only a reasonable assurance with respect to financial statement preparation.

The board of trustees of Wheaton College, through its Audit Committee comprised of trustees not employed by the College, is responsible for engaging the independent auditors and meeting with management and the independent auditors to ensure that each is carrying out their responsibilities. The independent auditors have full and free access to the Audit Committee.

Chad Rynbrandt
Vice President for Finance and Operations

Philip G. Ryken
President

KPMG LLP
Aon Center
Suite 5500
200 E. Randolph Street
Chicago, IL 60601-6436

Independent Auditors' Report

The Board of Trustees
Wheaton College:

We have audited the accompanying consolidated financial statements of Wheaton College (the College), which comprise the consolidated statements of financial position as of June 30, 2021 and 2020, 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 U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Wheaton College as of June 30, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating statement of financial position and consolidating statement of activities included in schedules 1 and 2 are presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

The Administrator's Report has not been subjected to the auditing procedures applied in the audit of the consolidated financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

KPMG LLP

Chicago, Illinois
November 23, 2021

WHEATON COLLEGE

Consolidated Statements of Financial Position

June 30, 2021 and 2020

(In thousands)

Assets		**2021**	**2020**
Cash, cash equivalents, and restricted cash	$	39,771	30,571
Accounts and other receivables, net		1,821	2,567
Loans receivable from students, net		5,834	6,789
Prepaid expenses and other assets		3,017	2,768
Investments:			
Endowments		647,434	502,044
Annuities and split-interest agreements		137,857	124,879
Other investments		30,370	25,687
Total investments		815,661	652,610
Legacies, bequests, and beneficial interest in trusts		10,244	4,543
Land, buildings, equipment, and books, net		231,889	235,825
Total assets	$	1,108,237	935,673
Liabilities and Net Assets			
Accounts payable and accrued liabilities	$	13,046	15,107
Deferred revenue		4,196	2,764
Postretirement benefits obligation		9,138	9,047
Bonds payable		49,500	42,000
Obligations under annuities, split-interest agreements, and other		92,471	89,637
Interest rate swap agreement		5,420	7,333
Asset retirement obligation		2,879	2,915
Refundable U.S. government grants for student loans		2,318	3,220
Total liabilities		178,968	172,023
Net assets:			
Without donor restrictions		368,887	312,234
With donor restrictions		560,382	451,416
Total net assets		929,269	763,650
Total liabilities and net assets	$	1,108,237	935,673

See accompanying notes to consolidated financial statements.

WHEATON COLLEGE

Consolidated Statements of Activities

Years ended June 30, 2021 and 2020

(In thousands)

	2021			2020		
	Without donor restrictions	**With donor restrictions**	**Total**	**Without donor restrictions**	**With donor restrictions**	**Total**
Operating activities:						
Revenue:						
Tuition and fees: net of scholarships of $37,744 in 2021 and $37,048 in 2020	$ 57,940	—	57,940	60,777	—	60,777
Annual fund gifts	7,654	—	7,654	6,865	—	6,865
Private gifts and grants for operations	6,262	13,548	19,810	2,815	9,303	12,118
Endowment payout	11,672	10,794	22,466	15,616	5,672	21,288
Auxiliary enterprises: net of scholarships of $393 in 2021 and $339 in 2020	15,342	—	15,342	16,476	—	16,476
Public service	738	—	738	2,871	—	2,871
Other	5,456	—	5,456	6,780	—	6,780
Net assets released from restrictions	14,910	(14,910)	—	10,261	(10,261)	—
Total operating revenue	119,974	9,432	129,406	122,461	4,714	127,175
Expenses:						
Compensation and benefits	80,235	—	80,235	80,103	—	80,103
Supplies, services, and other	21,564	—	21,564	22,669	—	22,669
Depreciation	12,803	—	12,803	11,787	—	11,787
Maintenance, utilities and repairs	9,139	—	9,139	7,798	—	7,798
Interest	2,419	—	2,419	2,462	—	2,462
Insurance	1,430	—	1,430	1,777	—	1,777
Total operating expenses	127,590	—	127,590	126,596	—	126,596
Excess (deficiency) of operating revenue over expenses	(7,616)	9,432	1,816	(4,135)	4,714	579
Nonoperating activities:						
Private gifts and grants for investments	903	13,868	14,771	1,089	5,938	7,027
Investment gain, net	47,050	137,255	184,305	8,042	15,772	23,814
Appropriation of endowment assets for expenditure	(5,706)	(16,760)	(22,466)	(5,591)	(15,697)	(21,288)
Postretirement benefit related changes other than net periodic cost	(279)	—	(279)	(977)	—	(977)
Distributions from donor-advised funds for operations	(1,333)	—	(1,333)	(325)	—	(325)
Distributions from donor-advised funds to other charities	(2,359)	—	(2,359)	(713)	—	(713)
Change in value of interest rate swap agreement	1,913	—	1,913	(2,238)	—	(2,238)
Change in value of annuities and split-interest obligations	(1,243)	(9,506)	(10,749)	(2,904)	(7,760)	(10,664)
Net assets released from restrictions	25,323	(25,323)	—	2,368	(2,368)	—
Increase (decrease) in net assets from nonoperating activities, net	64,269	99,534	163,803	(1,249)	(4,115)	(5,364)
Increase (decrease) in net assets	56,653	108,966	165,619	(5,384)	599	(4,785)
Net assets at beginning of year	312,234	451,416	763,650	317,618	450,817	768,435
Net assets at end of year	$ 368,887	560,382	929,269	312,234	451,416	763,650

See accompanying notes to consolidated financial statements.

WHEATON COLLEGE

Consolidated Statements of Cash Flows

Years ended June 30, 2021 and 2020

(In thousands)

		2021	2020
Cash flows from operating activities:			
Increase (decrease) in net assets	$	165,619	(4,785)
Adjustments to reconcile increase (decrease) in net assets to net cash used in operating activities:			
Depreciation		12,803	11,787
In-kind donations of investments		(4,103)	(12,861)
In-Kind donations of Real Estate and Equipment		(265)	(945)
Proceeds from sale of donated securities		362	5,441
Net realized and unrealized gain on investment		(176,026)	(12,339)
Net change in legacies, bequests, and beneficial interest in trusts		(5,701)	—
Change in value of annuities and split-interest obligations		10,749	10,664
Private gifts and grants restricted for long-investments		(14,771)	(7,027)
Change in value of interest rate swap agreement		(1,913)	2,238
Changes in assets and liabilities:			
Accounts and other receivables and loans receivable from students, net		1,491	484
Prepaid expenses and other assets		(249)	1,410
Accounts payable, accrued expenses, and ARO		(2,097)	2,782
Deferred revenue		1,432	(2,977)
Postretirement benefits obligation		91	657
Net cash used in operating activities		(12,578)	(5,471)
Cash flows from investing activities:			
Purchases and development of land, buildings, equipment, and books		(8,612)	(34,188)
Proceeds from sales of investments		197,910	115,917
Purchases of investments		(189,349)	(106,302)
Loans disbursed		(376)	(880)
Principal collected on loans		1,331	1,681
Net cash provided by (used in) investing activities		904	(23,772)
Cash flows from financing activities:			
Decrease in U.S. government grants for student loans		(902)	(848)
Proceeds from term loan issuance		7,500	(28)
Payments on obligations under split-interest agreements and liability to other trust beneficiaries		(7,915)	(5,512)
Net change in legacies, bequests, and beneficial interest in trusts		—	68
Net change in estate and trust receivables		7,354	(2,546)
Proceeds from sale of donated securities restricted for long-term purposes		7,420	7,420
Proceeds from private gifts and grants restricted for long-term investment		7,417	9,573
Net cash provided by financing activities		20,874	8,127
Net increase (decrease) in cash and cash equivalents		9,200	(21,116)
Cash and cash equivalents at beginning of year		30,571	51,687
Cash and cash equivalents at end of year	$	39,771	30,571
Supplemental disclosure of cash flow information:			
Cash paid for interest, exclusive of loss on interest rate swap agreement and net of amounts capitalized	$	2,225	2,462
Noncash investing activity:			
In-kind donations of real estate and equipment	$	265	945

See accompanying notes to consolidated financial statements.

(1) Organization

Wheaton College, incorporated under a special 1860 charter of the Illinois legislature as The Trustees of Wheaton College (the College), is a coeducational, Christian liberal arts college that seeks to relate Christian liberal arts education to the needs of contemporary society. The College is a member of the North Central Association of Colleges and Secondary Schools and is accredited by the National Council for Accreditation of Teacher Education and National Association of Schools of Music. Wheaton College serves Jesus Christ and advances His Kingdom through excellence in liberal arts and graduate programs that educate the whole person to build the church and benefit society worldwide.

The Wheaton College Billy Graham Center is a wholly owned tax-exempt subsidiary organized exclusively for religious and educational purposes. The Wheaton College Billy Graham Center exists to accelerate global evangelism. The Wheaton College Billy Graham Center envisions every believer everywhere making Jesus Christ known until he returns. The Billy Graham Center is committed to equip, inspire, and guide Christian leaders, churches, and organizations to fulfill their evangelism calling.

Wheaton College Trust Company, N.A. (the Trust Company) is a wholly owned taxable trust company. The Trust Company is responsible for the investment and administration of certain endowment and life income assets.

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

The accompanying consolidated financial statements have been prepared on the accrual basis and include the accounts of the College, the Wheaton College Billy Graham Center, and the Trust Company. All intercompany transactions have been eliminated from the accompanying consolidated financial statements.

The College maintains its accounts in accordance with the principles and practices of fund accounting. Under this method of accounting, resources for various purposes are classified into funds that are used in accordance with activities or objectives specified by donors. Separate accounts are maintained for each fund.

For reporting purposes, however, the College's consolidated financial statements follow the reporting requirements of the Financial Accounting Standards Board (FASB) and the American Institute of Certified Public Accountants (AICPA), *Audit and Accounting Guide for Not-for-Profit Entities*, which require that resources be classified based on the existence or absence of donor-imposed restrictions. This is accomplished by classification of fund net assets and activity into two classes of net assets:

- Without Donor Restrictions – net assets that are not subject to donor-imposed restrictions. Items that affect this net asset category principally consist of tuition and fees and related expenses associated with the core activities of the College: instruction, research, student services and public service. In addition to these exchange transactions, changes in this category of net assets include investment returns on "funds functioning as endowment" funds, actuarial adjustments to self-insurance and post-retirement liabilities, and certain types of charitable giving received.

Such charitable giving includes gifts without restrictions, including those designated by the Board of Trustees (the Board) to function as endowment and restricted gifts whose donor imposed restrictions were met during the fiscal year, as well as previously restricted gifts and grants for buildings and equipment that have been placed in service.

- With Donor Restrictions – net assets subject to donor-imposed restrictions that will be met either by actions of the College or the passage of time or are restricted into perpetuity. Items that affect this net asset category are gifts for which donor-imposed restrictions have not been met in the year of receipt, including gifts and grants for building and equipment not yet placed in service; endowment, annuity, and life income gifts; and investment returns on "true" endowment funds, and endowments where the principal may be expended upon the passage of a stated period of time (term endowments). Expirations of restrictions on net assets with donor restrictions, including reclassification of restricted gifts and grants for buildings and equipment when the associated long-lived asset is placed in service, are reported as net assets released from restrictions.

  Also included in this category are net assets subject to donor-imposed restrictions to be maintained permanently by the College, including gifts wherein donors stipulate that the corpus of the gift be held in perpetuity (primarily gifts for the endowment) and that only the income be made available for program operations. Other permanently restricted items in this net asset category include annuity and life income gifts for which the ultimate purpose of the proceeds is permanently restricted.

  The endowment component of net assets without donor restrictions is comprised of amounts designated by the Board to function as endowment which amounted to $159,556 and $127,185 as of June 30, 2021 and 2020, respectively.

Unless specified otherwise, all dollar amounts are presented in thousands.

(b) Operations

Operating results in the consolidated statements of activities reflect all transactions increasing or decreasing net assets without donor restrictions except that which is deemed by the administration to be long term in nature. Non-operating activities include postretirement benefit changes other than net periodic benefit costs, the receipt and expenditure of private gifts, grants, and bequests to the endowment, donor-advised funds, annuity and split-interest agreement activity, investment gains and losses less the endowment appropriation, the change in the fair value of the interest rate swap agreement, and property, plant, and equipment net assets that were released from donor restrictions. Donor-advised funds are transferred to operating activities when released by the College upon approval by the College's Charity Selection Committee.

(c) Revenue

Student tuition and fees are recorded as revenue during the year the related academic services are rendered. Student tuition and fees received in advance of services to be rendered are recorded as deferred revenue.

Tuition scholarships awarded by the College represent a reduction of the tuition transaction price. Except for certain programs in the summer term, the academic terms generally have start and end dates that fall within the College's fiscal year.

Revenue is reported as an increase 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 explicit donor stipulation or law. Expiration of restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclasses between with donor restrictions and without donor restrictions.

Private gifts, including unconditional pledges, are recognized in the period received. Private gifts and grants received for land, building, and equipment are reported as operating revenue. Private gifts and grants received for perpetual endowment funds, split-interest agreements, and trusts are reported as non-operating revenue. Gift annuity donations with no donor-imposed restrictions are recognized as non-operating revenue without donor restrictions. Conditional pledges are recognized when the conditions on which they depend are substantially met. Private gifts of assets other than cash are recorded at estimated fair value. Private gifts to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. Annual fund gifts include private contributions supporting the College's operating activities. Total annual fund gifts for the fiscal years ended June 30, 2021 and 2020 were $7,654 and $6,865, respectively.

As of June 30, 2021, and 2020, the College had received communications from certain donors that they intended to give approximately $5,094 and $5,917, respectively, to the College. However, these gifts are not deemed unconditional promises to give and, therefore, have not been recorded as revenue or pledges receivable for fiscal years 2021 and 2020.

Private gifts received with donor-imposed restrictions that are met in the same fiscal year as the contributions are received are reported as revenue without donor restrictions. Private gifts of land, building, and equipment without donor-imposed restrictions concerning the use of such long-lived assets are reported as revenue without donor restrictions. Private gifts of cash or other assets to be used to acquire land, building, and equipment with such donor restrictions are reported as revenue with donor restrictions; the restrictions are considered to be released at the time such long-lived assets are placed into service.

The College solicits a variety of contributions for its programs, including donor-advised funds. Donor-advised fund contributions received are accounted for as other investments and aggregated $10,451 and $10,477 as of June 30, 2021 and 2020, respectively. Donor-advised funds allow for the donor to recommend distributions to College programs or other charitable organizations. Although the College generally complies with the donor's recommendation, they are subject to approval by the College's Charity Selection Committee and are, therefore, classified as net assets without donor restrictions. The College's policy is to distribute a maximum of 75%–90% of donor-advised fund contributions to unrelated third parties. Donor-advised fund contributions for the fiscal years ended June 30, 2021 and 2020 were approximately $416 and $562, respectively.

Revenue from government and private grant and contract agreements, which are generally considered non-exchange transactions, is recognized when qualifying expenditures are incurred and conditions under the agreements are met. The College received $2,024 and $2,958 as provided for under the Coronavirus Aid, Relief, and Economic Security (“CARES’) Act and the Coronavirus Response and Relief Supplemental Appropriations (“CRRSA”) Act, respectively. These grants are subject to repayment, unless the recipient is able to attest to and comply with the terms and conditions of the funding, including demonstrating that at least 50 percent of the CARES and a similar amount of CRRSA distributions received have been used for Emergency Financial Aid Grants to Students (student portion), and the remainder portion on defray expenses and lost revenue (institutional portion) associated with COVID-19. As of June 30, 2021, and 2020, the College recognized revenue of $2,595 and $363 from the institutional portion of both grants, respectively.

On May 2021, the College was notified of a supplemental Higher Education Emergency Relief Fund (HEERF III) award authorized by the American Rescue Plan (ARP) Act in the amount of $3,625. As of June 30, 2021, the College has not recognized revenue from this funding as no financial aid grants to students have been distributed.

Auxiliary enterprises revenue consists primarily of the operations of the dormitories, food service, and the bookstore. Some scholarships may be applied against room and board and therefore represent a reduction of the transaction price. The College bookstore operations are managed by Follet Higher Education Group, Inc. Total commissions received from Follett as of June 30, 2021, and 2020 were $96 and $135, respectively.

Public service revenue consists primarily of revenue from Community School of the Arts, conference services, and summer sports camps.

The College bills for tuition, fees, and room and board in advance of the academic term. The student receivable is recognized once the College has an unconditional right to receive payment because the programs have reached the point at which the amount is no longer refundable to the student. A liability for deferred revenue is recognized for the portion of the tuition, fees, and room and board, whether recognized as a receivable or collected, for which the College has not completed the performance obligations.

(d) Cash Equivalents

Cash equivalents include amounts held in certificates of deposit and money market accounts with original maturities of three months or less, except that such instruments purchased with endowment assets or funds on deposit with bond trustees are classified as investments.

(e) Accounts and Other Receivables, Net

An allowance for loss in accounts and other receivables is established based upon a review of the collectibility of the underlying accounts. The allowance represents management’s estimate of the amount of receivable balances for which loss is probable. Actual losses are charged against the allowance. The allowance is increased through charges to expenses and recoveries previously charged to expense.

(Continued)

(f) Deferred Financing Costs

Deferred financing costs represent issuance costs for outstanding long-term debt. Deferred financing costs are being amortized over the term of the underlying bank liquidity facility and are shown as a direct deduction from the face value of the debt in the consolidated statements of financial position. As of June 30, 2021, these costs were fully amortized.

(g) Loans Receivable from Students, Net

An allowance for loss in student loans receivable is established based upon a review of the collectability of the underlying student loans. The allowance represents management's estimate of the amount of student loan balances for which loss is probable. Actual losses are charged against the allowance. The allowance is increased through charges to expense and recoveries of loans previously charged to expense.

(h) Endowments

Giving consideration to the Illinois Uniform Prudent Management of Institutional Funds Act (UPMIFA), the College classifies as net assets with donor restrictions the original value of restricted gifts donated to the endowment; the original value of subsequent restricted gifts to the endowment; and accumulations to the endowment made in accordance with the direction of the applicable donor-gift instrument.

Accounting Standards Codification (ASC) Topic 958, *Not-for Profit-Entities*, provides guidance on the net asset classification of donor-restricted "true" endowment funds subject to UPMIFA. From time to time, the fair value of assets associated with individual endowment funds may fall below the level the College must retain as a fund of perpetual duration. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new endowment contributions and continued appropriation for certain programs that were deemed prudent by the Board of Trustees. Total deficiencies of the fair value of assets associated with individual endowment funds below the level the College must retain as a fund of perpetual duration were approximately $113 and $457 as of June 30, 2021 and 2020, respectively. As of June 30, 2021, subsequent gains that increased the fair value of the assets of the endowment fund amounted to $344.

The College has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period(s) as well as quasi-endowment funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results in excess of various indices chosen by the College to measure investment performance while assuming a commensurate level of risk. To satisfy its long-term rate-of-return objectives, the College relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The College targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

The College has established an endowment spending policy designed to stabilize annual spending levels and preserve the real value of the endowment over time. The endowment spending rate is calculated as a weighted average formula: seventy (70%) of prior year's spending amount, adjusted for inflation, and thirty percent (30%) is based on 4.5% of the previous year's average market value of the fund. In addition, the spending amount may be increased temporarily to maintain nominal spending amounts in the event of a sharp decline in the market value and it may be decreased temporarily to offset unsustainable increases in the market value. The actual total return is classified as a non-operating income or expense in the consolidated statements of activities.

(i) Investments

Investments are reported at fair value. Investments in securities, foreign currency holdings, and other assets and liabilities denominated in foreign currencies are translated into U.S. dollar amounts at each day's current exchange rate. Translation gains or losses due to changes in exchange rates and realized gains or losses from the sale of foreign currencies, and settlement of forward foreign currency contracts and other foreign denominated receivables and payables are translated at the rates of exchange prevailing on the respective dates of such transactions.

The College's investments are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investments and the level of uncertainty related to changes in the value of investments, it is at least reasonably possible that changes in the risks in the near term would materially affect the amounts reported in the consolidated statements of financial position and the consolidated statements of activities.

(j) Legacies, Bequests, and Beneficial Interest in Trusts

The College is a beneficiary under various wills, the total realizable value of which is not presently determinable. Such amounts are recorded as contributions when clear title is established, communicated, and the proceeds are clearly measurable.

The College is also the income beneficiary under various term and perpetual trusts, the corpus of which are not controlled by the management of the College. In the absence of donor-imposed conditions, the College recognizes its beneficial interest in a trust as a contribution in the period in which it receives notice that the trust agreement conveys an unconditional right to receive benefits.

Although the College has no control over the administration or investment of the funds held in these term and perpetual trusts, the fair value of the trusts, estimated as the present value of the expected future cash flows from the trusts, is recognized as an asset in the accompanying consolidated financial statements.

(k) Land, Buildings, Equipment, and Books, Net

Land, buildings, equipment, and books are stated at cost at date of acquisition or at fair value at date of gift. Buildings, equipment, and books are depreciated using the straight-line method over their estimated useful lives, which are as follows:

Land improvements	10–30 years
Buildings & building improvements	10–30 years
Equipment	3–10 years
Library books	12–50 years

Long-lived assets, such as land, buildings, and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

The College has pieces of art and artifacts, various literary collections, original manuscripts, private papers, and rare books of several authors. Donations and purchases of art, rare books, and other tangible artifacts exceeding the capitalization threshold are capitalized on the consolidated statements of financial position of the College when an independent appraisal has been provided or a fair market value can readily be determined.

All legal obligations, including those under the doctrine of promissory estoppel, associated with the retirement of tangible long-lived assets are recognized when incurred using management's best estimate of fair value. Such activity is recorded as an asset retirement obligation within the consolidated statements of financial position.

(l) Obligations under Annuities and Split-Interest Agreements

The College utilizes the "actuarial method" for recording obligations under split-interest agreements, which include contract gift annuities, charitable remainder trusts, irrevocable trusts, and life income funds. The 2021 present value of the aggregate liability for contract gift annuities is computed based on the 2012-IAR mortality table using a discount rate of 4.0%. The present value of the aggregate liability for all other split-interest agreements and income payable is computed by the College utilizing the life expectancies in Internal Revenue Service Publication 590 and a discount rate of 5.5%.

(m) Interest Rate Swap Agreement

The College entered into an interest rate-related derivative (interest rate swap) to manage its exposure on its future variable rate taxable revenue bonds, which were issued on September 14, 2005. The College does not apply hedge accounting to derivative instruments; therefore, any changes in the interest rate derivative value are recognized in the consolidated statements of activities. The fair value of the transaction has also been recorded on the consolidated statements of financial position. The fair value of this swap agreement is the estimated amount that the College would have to pay or receive to terminate the agreement as of the consolidated statement of financial position date, taking into account current interest rates and the current creditworthiness of the swap counterparty.

By using derivative financial instruments to hedge exposures to changes in interest rates, the College exposes itself to credit risk and market risk. Credit risk is the failure of the counterparty to perform under the terms of the derivative contract. When the fair value of the derivative contract is positive, the counterparty owes the College, which creates credit risk for the College. When the fair value of a derivative contract is negative, the College owes the counterparty, and therefore, it does not possess credit risk. The College minimizes the credit risk in derivative instruments by entering into transactions with high-quality counterparties.

Market risk is the adverse effect on the value of a financial instrument that results from a change in interest rates. The market risk associated with interest rate contracts is managed by establishing parameters that limit the types and degree of market risk that may be undertaken. The College has capped its market risk under the interest rate swap contract to a fixed rate of 5.997% through October 1, 2035.

(n) Asset Retirement Obligation

Asset retirement obligations arise primarily from regulations that specify how to dispose of asbestos if facilities are demolished or undergo major renovations or repairs. The obligation to remove asbestos was estimated using site-specific surveys where available and a per-square-foot estimate where surveys were unavailable.

(o) Refundable U.S. Government Grants for Student Loans

Funds provided by the U.S. government under the Federal Perkins Student were loaned to qualified students prior to October 1, 2017. On September 30, 2017, the authority to make new Perkins Loans ended. Final disbursements were permitted through June 30, 2018. As a result, the College no longer awards Perkins Loans. Receipts of principal and interest payments that create excess cash are returned to the government reducing the liability in the consolidated statements of financial position.

(p) Tax Status

The College and the Wheaton College Billy Graham Center have received determination letters from the Internal Revenue Service indicating they are tax-exempt organizations described in Section 501(c)(3) of the Internal Revenue Code (the Code). Accordingly, they are generally exempt from income taxes pursuant to Section 501(a) of the Code, except for taxes pertaining to unrelated business income.

The Wheaton College Trust Company is a wholly owned taxable trust company. The Wheaton College Trust Company provides for income taxes using the asset and liability method. Deferred tax assets and liabilities are based on the difference between the financial statement and tax bases of assets and liabilities as measured by the tax rates that are anticipated to be in effect when these differences reverse. A valuation allowance is established when it is necessary to reduce deferred tax assets to amounts that will more likely than not be realized. As of June 30, 2021, the Trust Company has no material deferred tax assets or liabilities.

The College believes it has taken no uncertain tax positions as of June 30, 2021 or 2020.

(q) Use of Estimates

The preparation of the consolidated 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 and disclosures of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue, expenses, gains, and losses during the reporting period. Actual results could differ from those estimates.

On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19) a pandemic. On March 13, 2020, the United States President declared a national emergency concerning the COVID-19 outbreak. As a consequence, on March 23, 2020, the College suspended all on-campus operations for the remainder of the spring 2020 semester and moved to remote teaching and operations. The College is aggressively seeking to reduce costs to mitigate the impact of lost revenue and has initiated financial planning for different future scenarios. The extent to which COVID-19 will impact operations is uncertain, as it will depend on the duration and severity of the pandemic, neither of which can be predicted at this time.

(r) Fair Value of Financial Instruments

As described in note 6, investments, and within other notes to the consolidated financial statements, the College accounts for certain financial instruments at fair value only at origination (nonrecurring measurements) and certain financial instruments as of the consolidated statement of financial position date (recurring measurements).

(s) Recently Adopted Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. This guidance establishes the principles that lessees and lessors shall apply to report useful information to users of the financial statements about the amount, timing, and uncertainty of cash flows arising from a lease for more transparency and comparability among organizations. The core principle of the new guidance is that a lessee should recognize the assets and liabilities that arise from leases. Additional guidance was issued in September 2017 under ASU No. 2017-13, *Leases (Topic 842)*, January 2018 under ASU No. 2018-01, *(Leases - Land Easement Practical Expedient for Transition to Topic 842),* July 2018 under ASU No. 2018-10, *(Codification Improvements to Topic 842, Leases),* and ASU No. 2018-11, *Leases (Topic 842)*. These requirements would have originally become effective for the College for fiscal years beginning after December 15, 2018, with early adoption permitted. In response to the COVID-19 global pandemic, FASB deferred the implementation date of ASU 2016-02 to fiscal years beginning after December 15, 2019 for public not-for-profits and early adoption permitted. The College has adopted ASU No. 2016-02 and the impact to the College's consolidated financial statements and related disclosures was not material.

In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework-Changes to Disclosure Requirements for Fair Value Measurement*, which modifies the disclosure requirements on fair value measurements. The amendments in this update are effective for the College for fiscal years beginning after December 15, 2019, with early adoption permitted. The adoption of this guidance did not have a material effect on its consolidated financial statements and related disclosures

In March 2019, the FASB issued ASU No. 2019-03, *Updating the Definition of Collections*. The ASU modifies the definition of the term collections and requires that a collection-holding entity disclose its policy for the use of proceeds from when collection items are deaccessioned (that is, removed from a collection). If a collection-holding entity has a policy that allows proceeds from deaccessioned collection items to be used for direct care, it is required to disclose its definition of direct care. The amendments in this update are effective for the College for fiscal years beginning after December 15, 2019, with early adoption permitted. The adoption of this guidance had no impact on the College's consolidated financial statements and related disclosures.

(3) Accounts and Other Receivables, Net

Accounts receivable at June 30, 2021 and 2020 consisted of the following:

	2021			2020
	Accounts receivable	**Allowance for uncollectible accounts**	**Accounts receivable, net**	**Accounts receivable, net**
Student accounts	$ 1,466	(121)	1,345	1,903
U.S. government	207	—	207	386
Other	269	—	269	278
	$ 1,942	(121)	1,821	2,567

(4) Loans Receivable from Students, Net

Loans receivable from students at June 30, 2021 and 2020 consisted of the following:

	2021			2020
	Loans receivable	**Allowance for uncollectible accounts**	**Loans receivable, net**	**Loans receivable, net**
Institutional student loans	$ 4,116	(93)	4,023	4,203
U.S. government student loans	1,811	—	1,811	2,586
	$ 5,927	(93)	5,834	6,789

(5) Endowments

Changes in endowments for the year ended June 30, 2021 are as follows:

		Without donor restrictions	With donor restrictions	Total net assets
Endowments as of July 1, 2020	$	126,728	375,316	502,044
Interest and dividends		1,403	4,072	5,475
Realized gains, net		22,528	70,690	93,218
Unrealized gains, net		13,746	42,660	56,406
Transfers and distributions		744	645	1,389
Contributions		—	11,368	11,368
Appropriation of endowment assets for expenditure		(5,706)	(16,760)	(22,466)
Endowments as of June 30, 2021	$	159,443	487,991	647,434

Changes in endowments for the year ended June 30, 2020 are as follows:

		Without donor restrictions	With donor restrictions	Total net assets
Endowments as of July 1, 2019	$	129,031	374,335	503,366
Interest and dividends		2,097	5,933	8,030
Realized gains, net		2,831	8,705	11,536
Unrealized gains, net		(1,611)	(4,810)	(6,421)
Transfers and distributions		(29)	1,301	1,272
Contributions		—	5,549	5,549
Appropriation of endowment assets for expenditure		(5,591)	(15,697)	(21,288)
Endowments as of June 30, 2020	$	126,728	375,316	502,044

Endowment assets consist of the following at June 30, 2021:

		Without donor restrictions	With donor restrictions	Total net assets
Donor-restricted and underwater endowments	$	(113)	487,991	487,878
Board designated quasi-endowments		159,556	—	159,556
	$	159,443	487,991	647,434

Endowment assets consist of the following at June 30, 2020:

		Without donor restrictions	With donor restrictions	Total net assets
Donor-restricted and underwater endowments	$	(457)	375,316	374,859
Board designated quasi-endowments		127,185	—	127,185
	$	126,728	375,316	502,044

(6) Investments

The fair value of investments (including endowments) held by the College as of June 30, 2021 and 2020 consisted of the following:

		2021	2020
Cash and short-term investments	$	66,801	35,055
Fixed income		172,040	177,964
Equity		496,136	380,190
Hedge funds and private equity		65,573	48,255
Other asset classes		15,111	11,146
Total investments	$	815,661	652,610

(a) Investment Objective

The overall investment objective of the College is to invest its assets in a prudent manner that will achieve a long-term rate of return sufficient to support the educational objectives of the College through the production of income, provide a reserve of institutional resources, and generate income and capital appreciation for beneficiaries of deferred gifts. The College diversifies its investments among various asset classes incorporating multiple strategies and external investment managers. The Investment Committee of the Board of Trustees exercises oversight over all of the College's investment activities.

(b) Investment Strategy

- Cash and short-term investments include cash equivalents and fixed-income investments, with maturities of less than one year. The majority of these investments are held in money market accounts. The carrying amount reported in the consolidated statements of financial position for cash and cash equivalents approximates fair value because of the short maturities of these instruments.
- Fixed-income investments provide current income and reduce the volatility of the investment portfolio. The majority of these investments are held in U.S. Treasuries, corporate bonds, municipal bonds, international government bonds, and mortgage-backed securities. The fair values of these investments are estimated based on using various techniques, which may consider recently executed transactions in securities of the issuer or comparable issuers, market price quotations (when observable), bond spreads, and fundamental data relating to the issuer.

- Equity investments are expected to provide long-term returns in excess of inflation. Equity investments include domestic and international stocks. The fair values of these investments are measured using quoted market prices at the reporting date. Market prices are obtained from recognized automated pricing services, records of any exchange, standard financial periodicals, or any newspaper of general circulation, subject to review, and approval by the management.
- Hedge funds and private equity are expected to provide long-term capital appreciation and income comparable to equity investments with volatility comparable to fixed-income investments. Hedge funds and private equity are measured using net asset value (NAV) as a practical expedient in estimating fair value; however, it is possible that the redemption rights of certain investments may be restricted by the funds in the future in accordance with the underlying fund agreements. Changes in market conditions and the economic environment may impact the NAV, and consequently, the fair value of the College's interests. The investment contractual agreements may limit the College's ability to initiate redemptions due to notice periods, lockup, and gating provisions.

  The College's investments in hedge funds and private equity involve managers who have the ability to invest in various asset classes at their discretion, including the ability to invest in long and short positions. The hedge fund investments generally hold securities or other financial instruments for which a ready market exists and may include stocks, bonds, put or call options, swaps, currency hedges, and other instruments, and are valued accordingly. Such valuations are determined by the hedge funds' managers and/or third-party administrators. As of June 30, 2021 and 2020, the College had no plans or intentions to sell investments at amounts different from NAV. Unfunded commitments to hedge funds and alternative managers equaled $23,941 and $340 at June 30, 2021 and 2020.

- Other asset class investments consist of real estate holdings, employee residential mortgages, life insurance policies, partnership investments, and trust and notes receivables. These assets are held for strategic purposes supporting the educational objectives of the College. The fair values of these investments are based on periodic independent appraisals and/or the present value of the expected future cash flows or cash surrender values. As part of the College's effort to attract and retain excellent faculty and senior staff, the College provides home mortgage financing assistance. These notes receivable are included within the College's real estate investments.

(c) Return on Investments

Return on investments for the years ended June 30, 2021 and 2020 consisted of the following:

		2021	2020
Return on investments – endowments:			
Interest and dividends	$	5,476	8,030
Realized gain on investments, net		93,218	11,536
Unrealized loss on investments, net		56,405	(6,420)
Endowment investment return		155,099	13,146
Return on investments – annuities and split-interest agreements:			
Interest and dividends		2,131	2,690
Realized gain on investments, net		14,891	4,557
Unrealized gain (loss) on investments, net		2,574	1,784
Annuities and split-interest agreements investment return		19,596	9,031
Return on investments – other:			
Interest and dividends		861	1,683
Realized gain on investments, net		6,697	777
Unrealized gain (loss) on investments, net		2,241	105
Other investment return		9,799	2,565
Total return on investments	$	184,494	24,742

The following is a reconciliation of investment return (net of management fees and expenses) to the amounts reported in the consolidated statements of activities:

		2021	2020
Other operating revenue – investment income	$	189	928
Investment gains and losses, net		184,305	23,814
Total investment income	$	184,494	24,742

(d) Fair Value of Assets

Fair value is defined as the price that the College would receive upon selling an asset in an orderly transaction between market participants.

The College has adopted the fair value hierarchy as presented by ASC Subtopic 820-10, *Fair Value Measurement – Overall*. The hierarchy prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the College has the ability to access at the measurement date. Level 1 assets include cash and cash equivalents, money market funds, common stocks, preferred stocks, quoted mutual funds, and U.S. Treasury securities. Included in cash, cash equivalents, and restricted cash is $31,777 and $20,653 of Level 1 money market accounts as of June 30, 2021 and 2020.
- Level 2 inputs are 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 for substantially the full term of the assets or liabilities. Level 2 assets include corporate bonds and government and agency securities. The College classifies its bonds payable and interest rate swap agreement as Level 2 liabilities.
- Level 3 inputs are unobservable inputs where there is little or no market data and requires the reporting entity to develop its own assumptions and includes trust receivables and other, employee residential mortgages, and life insurance policies. The College classifies its obligations under annuities and split-interest agreements, asset retirement obligations, and refundable U.S. government grants for student loans as Level 3 liabilities.

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

(Continued)

The following table presents fair value information at June 30, 2021 of the College's assets:

	Level 1	Level 2	Level 3	Total	Redemption or liquidation	Business days notice
Recurring fair value measurements:						
Cash and short term investments	$ 66,801	—	—	66,801	Daily	1
Fixed income:						
U.S. Treasuries	45,841	—	—	45,841	Daily monthly	5
Bonds	58,226	67,973	—	126,199	Daily monthly	5
Equities	496,119	17	—	496,136	Daily monthly	5
Other asset classes:						
Trust receivables and other	—	—	12,881	12,881	Illiquid	Not applicable
Employee mortgages	—	—	1,214	1,214	Illiquid	Not applicable
Life insurance policies	—	—	1,016	1,016	Illiquid	Not applicable
Subtotal investments	666,987	67,990	15,111	750,088		
Investments measured at NAV	—	—	—	65,573	Quarterly/semi-annually	45/90
Subtotal investments	666,987	67,990	15,111	815,661		
Legacies, bequests, and trusts	—	—	10,244	10,244	Illiquid	Not applicable
Total	$ 666,987	67,990	25,355	825,905		

The following table presents fair value information at June 30, 2020 of the College's assets:

	Level 1	Level 2	Level 3	Total	Redemption or liquidation	Business days notice
Recurring fair value measurements:						
Cash and short term investments	$ 35,055	—	—	35,055	Daily	1
Fixed income:						
U.S. Treasuries	62,820	—	—	62,820	Daily monthly	5
Bonds	—	115,144	—	115,144	Daily monthly	5
Equities	380,190	—	—	380,190	Daily monthly	5
Other asset classes:						
Trust receivables and other	—	—	8,241	8,241	Illiquid	Not applicable
Employee mortgages	—	—	2,268	2,268	Illiquid	Not applicable
Life insurance policies	—	—	637	637	Illiquid	Not applicable
Subtotal investments	478,065	115,144	11,146	604,355		
Investments measured at NAV	—	—	—	48,255	Quarterly/semi-annually	45/90
Subtotal investments	478,065	115,144	11,146	652,610		
Legacies, bequests, and trusts	—	—	4,543	4,543	Illiquid	Not applicable
Total	$ 478,065	115,144	15,689	657,153		

The following table presents the changes to the reported amounts of assets measured at fair value using unobservable inputs (Level 3) for the year ended June 30, 2021:

	Other asset classes				
	Trust receivables and other	Employee mortgages	Life insurance policies	Legacies, bequests, and trusts	Total
Ending balance June 30, 2020	$ 8,241	2,268	637	4,543	15,689
Total gains (losses)	1,302	—	(10)	5,701	6,993
Purchases	4,832	100	389	—	5,321
Sales	(1,494)	(1,154)	—	—	(2,648)
Ending balance June 30, 2021	$ 12,881	1,214	1,016	10,244	25,355

The following table presents the changes to the reported amounts of assets measured at fair value using unobservable inputs (Level 3) for the year ended June 30, 2020:

	Other asset classes				
	Trust receivables and other	Employee mortgages	Life insurance policies	Legacies, bequests, and trusts	Total
Ending balance June 30, 2019	$ 9,724	2,913	579	4,611	17,827
Total gains (losses)	(2,687)	2	(6)	(68)	(2,759)
Purchases	2,375	100	64	—	2,539
Sales	(1,171)	(747)	—	—	(1,918)
Ending balance June 30, 2020	$ 8,241	2,268	637	4,543	15,689

The following table presents quantitative information about significant unobservable inputs used in Level 3 fair value measurements for the College's Level 3 assets:

	Fair value				
Investment	June 30, 2021	June 30, 2020	Valuation technique	Unobservable inputs	Range
Trust receivables and other	$ 12,881	8,241	Estimated NPV and appraisal	Discount rate of 5.5%	NA
Legacies, bequests, and trusts	10,244	4,543	Estimated NPV	Discount rate of 5.5%	NA
Employee mortgages	1,214	2,268	Loan principal balance	NA	NA
Life insurance policies	1,016	637	Cash surrender value	NA	NA
Total Level 3 investments	$ 25,355	15,689			

During fiscal year 2021, there were no transfers between asset Levels 1 and 2 or between asset Levels 2 and 3.

(7) Land, Buildings, Equipment, and Books, Net

Land, buildings, equipment, and books at June 30, 2021 and 2020 consisted of the following:

		2021	2020
Land and improvements	$	30,817	30,890
Buildings and improvements		334,559	302,314
Equipment		46,663	44,564
Library books and special collections		23,200	21,938
Leasehold improvements		2,505	2,499
Subtotal		437,744	402,205
Accumulated depreciation		(211,021)	(198,995)
Subtotal		226,723	203,210
Projects and renewals:			
Construction in progress		5,165	32,615
Total land, buildings, equipment, and books, net	$	231,888	235,825

(8) Line of credit

On July 17, 2020, the College entered into a Revolving Line of Credit agreement with JPMorgan Chase, N.A., for $15,000. The line of credit bears interest at the bank’s LIBOR lending rate plus 1.50% and an annual fee of 0.50%. The agreement has a term of up to one year and includes certain financial covenants. There were no borrowings against the line as of June 30, 2021. The line was closed on July 16, 2021 with no borrowings during the dates between July 1, 2021 and July 16, 2021.

(9) Bonds Payable, Net

A summary of bonds payable at June 30, 2021 and 2020 is as follows:

		2021	2020
Taxable bonds, Series 2004, 6.09% fixed rate, interest payable semiannually beginning on October 1, 2004, principal due October 1, 2034	$	25,000	25,000
Taxable bonds, Series 2005A, variable rate, effective interest rate of 0.605% and 1.999% in 2021 and 2020, respectively, interest payable semiannually beginning on April 1, 2006, principal due October 1, 2035		17,000	17,000
Drawdown Term Loan Facility, 2.15% fixed rate per annum payable semiannually beginning on October 2, 2021, annual principal payments will follow a 6 year straight line amortization schedule, and final payment of $5,700 on February 28, 2027		7,500	—
Subtotal		49,500	42,000
Less unamortized debt issuance cost		—	—
Total bonds payable, net	$	49,500	42,000

On May 1, 2004, the College entered into a Bond Trust Indenture (Indenture) with The Bank of New York Trust Company, N.A., as Bond Trustee, and issued taxable fixed rate bonds, Series 2004, in the aggregate principal amount of $25,000. Interest is payable semiannually based on a fixed rate of 6.09%. The purpose of the Indenture is to enable the College to finance, refinance, and/or be reimbursed for all or a portion of the cost of acquiring, constructing, and/or installing capital projects. The indebtedness is secured solely by a pledge of the full faith and credit of the College.

On September 1, 2005, the College entered into a Bond Trust Indenture with The Bank of New York Trust Company, N.A., as Bond Trustee, and issued taxable variable rate bonds, Series 2005A (the Bonds), in the aggregate principal amount of $17,000 for the same purpose as stated above. Interest is payable semiannually at a variable rate reset weekly by a remarketing agent. The effective annual interest rate was 0.605% and 1.999% in 2021 and 2020, respectively. The indebtedness is secured solely by a pledge of the full faith and credit of the College. The College, the Bond Trustee, and BMO Harris Bank, N.A. (BMO) entered into a renewable Standby Bond Purchase Agreement (the Agreement), which expires on December 18, 2025. Under the terms of the Agreement, BMO agrees to purchase the Bonds (liquidity advance) in the event that the Bonds are not remarketed or that the remarketing proceeds are not available.

Should a liquidity advance occur, BMO will attempt to remarket the Bonds. The College agrees to repay to BMO any liquidity advance not satisfied by the sale of the Bonds. If any liquidity advance remains unpaid after a contractual period, such amounts are converted to a term loan. Payments of outstanding principal and interest under the term loan are due and payable in twelve equal quarterly installments commencing on the term loan date. The base interest rate under the Agreement for any put bonds is based on the prevailing LIBOR. In the event of default, the interest rate equals the base rate plus 4.00%. Interest is payable monthly in arrears on the first business day of the calendar month.

As of June 30, 2021, and 2020, the College has set aside $17,974 and $13,536, respectively, as a sinking fund to extinguish the Indenture and Bonds and classified these as other investments.

On February 28, 2020, the College entered into a Drawdown Term Loan agreement with JPMorgan Chase Bank, N.A., in the aggregate principal amount of $7,500, to provide funds for the new Concert Hall project. Interest is payable monthly based on a fixed rate of 2.15% for the term of the loan of seven years with an optional redemption date at any point after October 31, 2021. As of June 30, 2021, the College drew down the total amount of $7,500 on this loan.

Principal payments on note payables are due as follows:

2022	$	300
2023		300
2024		300
2025		300
Years 2026-2027		6,300

(10) Obligations under Annuities, Split-Interest Agreements, and Other

(a) Charitable Remainder Trusts

Charitable remainder trusts are arrangements in which the donor establishes and funds a trust with specific distributions to be made to designated beneficiaries over the trust's term. Obligations to the beneficiaries are limited to the trust's assets. Assets are recorded at fair value when received and a liability is recorded for the present value of the estimated future payments to the beneficiaries. Upon termination of the trust, the remaining assets are distributed to a combination of the College and other organizations as specified in the trust agreement. The College may ultimately have unrestricted use of the assets it receives or the donor may place restrictions on their use.

(b) Charitable Gift Annuities

Charitable gift annuities are arrangements between a donor and the College in which the donor contributes assets to the College in exchange for a promise by the College to pay a fixed amount for the life of the donor or other individuals designated by the donor. Due to state insurance regulations, the assets received are held as segregated assets. The annuity liability is a general obligation of the College. Assets are recognized at fair value on the date of the contribution. An annuity payment liability is recognized for the present value of future cash flows expected to be paid to the donor or to the designated individual. At the death of the donor or designated individual, the annuity payment liability is eliminated and the remaining net assets are available to the College for unrestricted or restricted use depending upon the donor specifications.

(c) Pooled Income Fund

Donors contribute assets to an investment pool and are assigned a specific number of units based on the proportion of the fair value of their contribution to the total fair value of the pooled income fund on the date of the donor's entry to the pooled fund. The contributed assets are recorded at fair value. A contribution is recorded at the fair value of the assets discounted for the estimated time period until the donor's death. The difference between the fair value of the assets received and the revenue recognized is recorded as deferred revenue, representing the amount of the discount for future interest. Until a donor's death, the donor or designated beneficiary is paid the actual ordinary income earned on the donor's units. Upon the donor's death, the fair value of the units is released to the College for unrestricted or restricted use depending upon the donor specifications.

(d) Revocable Trust Funds

In connection with the College's deferred gift-giving program, the College and Trust Company administers certain trust funds as the named beneficiary. All of the income is paid to the donor or named survivor. These trust agreements are revocable in nature, with the donor retaining control over investment decisions or delegating responsibility to the College or Trust Company. The assets of these trusts are recorded in the College's consolidated financial statements as investments and a corresponding amount is recorded as a liability as obligations under annuities and split-interest agreements.

(e) Obligations to Other Trust Beneficiaries

In connection with the Trust Company's charitable remainder trusts, the College reports obligations to trust beneficiaries other than the trust, which established the charitable remainder trust. These liabilities are recorded at the present value of the estimated future payments to the other beneficiaries at a discount of 5.5% and are limited to the net assets of the respective trust agreement.

(f) Summary of the Investments and Obligations under Annuities and Split-Interest Agreements

A summary of assets and corresponding liabilities related to these arrangements as of June 30 is as follows:

		2021	2020
Annuities and split-interest agreements investment assets	$	137,857	124,879
Less related liabilities:			
Charitable gift annuities		30,007	30,915
Charitable remainder annuity trusts		2,787	2,941
Charitable remainder unitrusts		39,626	36,881
Pooled income funds and life income contracts		1,094	1,030
Revocable trusts		5,826	10,242
Other irrevocable trusts		608	1,243
Liability to other trust beneficiaries		12,523	6,385
Total liabilities		92,471	89,637
Net investments under annuities and split-interest agreements	$	45,386	35,242

Adjustments to the liabilities to reflect amortization of the discount; reevaluations of the present value of the estimated future payments to the donor or beneficiary; and changes in actuarial assumptions are recognized in the consolidated statements of activities as a change in the value of annuities and split-interest agreements in either net assets without donor restrictions or net assets with donor restrictions depending on the donor's specifications. The College used a discount rate of 4% to calculate the aggregate liability for charitable gift annuities the year ended June 30, 2021 and 4.0% for the year ended June 30, 2020. The College used a discount rate of 5.5% to calculate the present value of the estimated future payments to the donor or beneficiary for all other split-interest agreements for the years ended June 30, 2021 and 2020.

(11) Interest Rate Swap Agreement

The College entered into an interest rate swap agreement with Wells Fargo Bank N.A. that expires on October 1, 2035. The College entered into the agreement to effectively convert a portion of its anticipated Series 2005 variable rate debt, which was issued on September 14, 2005, from a variable to a fixed rate. Under this agreement, the College pays a fixed rate of 5.997% on a notional amount of $10,000, and receives from the financial institution a variable rate of return, based upon the monthly USD-LIBOR-BBA rate, on the same notional amount. The net interest differential paid by the College as a result of the interest rate swap agreement was approximately $586 and $442, and has been recorded as an addition to interest expense in the accompanying 2021 and 2020 consolidated statements of activities, respectively. The fair value of the obligation under this instrument was $5,420 and $7,333 at June 30, 2021 and 2020, respectively. As this swap agreement nears its expiration date, the liability associated with this agreement will be reduced to zero.

(12) Liquidity and Resource Availability

The College has various practices in place to ensure sufficient resources are available to fund the general obligations including general expenditures, liabilities, and other obligations as they come due. In general, the College uses the cash and other financial assets collected during the year to fund the expenses for the same year. The College frequently collects financial assets that are designated to fund certain activities including donor-restricted contributions, amounts for the College's endowment, debt proceeds restricted to specific purposes, etc. Such assets are not considered as being available for general obligations. Excess cash balances are invested with a focus on capital preservation while seeking more favorable yields to traditional savings instruments. The risk profile and duration for such investments are adjusted to match the future cash needs of the College. Below is a summary of financial assets (including Board Designated amounts) that are expected to be available for general College obligations within a year.

	June 30, 2021	June 30, 2020
Financial assets:		
Cash and cash equivalents	$ 39,771	30,571
Accounts receivable, net	1,821	2,567
Investments	815,661	652,610
Total financial assets	857,253	685,748
Less amounts not available to be used within one year:		
Cash and cash equivalents restricted for capital projects	—	—
Investments restricted for capital projects	—	(64)
Investments restricted to extinguish debt	(17,974)	(13,536)
Investments restricted to the endowment	(487,991)	(375,316)
Investments restricted to split-interest agreements	(137,857)	(124,879)
Financial assets not available to be used within one year for general expenditures	(643,822)	(513,795)
Resources available within a year for general expenditures	$ 213,431	171,953

(13) Postretirement Benefit Obligation and Costs

In addition to providing retirement benefits as disclosed in note 16, the College provides healthcare and life insurance benefits for eligible retired employees. The College accrues the cost of postretirement benefits during the period of employees' active service.

Net periodic postretirement healthcare benefit costs and postretirement healthcare cost other than net periodic benefit costs for the fiscal years ended June 30, 2021 and 2020 include the following components:

		2021	2020
Amounts recognized in operating activities:			
Service cost of benefits earned	$	382	385
Amortization of prior service cost		(9)	(9)
Net periodic postretirement healthcare benefit costs		373	376
Amounts recognized in nonoperating activities:			
Interest cost on accumulated postretirement healthcare benefit obligation		244	287
Net loss		26	681
Amortization of prior service cost		9	9
Postretirement benefit related changes other than net periodic benefit costs		279	977
Total change in postretirement benefits excluding benefits paid	$	652	1,353

The amounts recognized in the accompanying consolidated statements of financial position for the College's defined-benefit postretirement healthcare and life insurance benefit plans are as follows as of June 30, 2021 and 2020:

		2021	2020
Change in postretirement benefit obligation:			
Postretirement benefit obligation at beginning of year	$	9,047	8,390
Service cost		382	385
Interest cost		244	287
Actuarial gain		(220)	262
Benefits paid		(315)	(277)
Postretirement benefit obligation at end of year	$	9,138	9,047

The funded status of postretirement healthcare benefit costs is measured as the difference between plan assets at fair value and the benefit obligation in the consolidated statements of financial position. The College has no assets specifically designated for its postretirement healthcare benefit costs, and as such, the funded status equals the benefit obligation.

The College recognizes the funded status of the plan in the consolidated statements of financial position and recognizes delayed items such as prior service costs and net gains or losses directly to net assets without donor restrictions. The College recognizes service cost as operating activities while other elements of pension expense are considered non-operating activities. The estimated prior service cost for the postretirement benefit plan that will be amortized from net assets without donor restrictions into net periodic benefit cost during the 2021 fiscal year is approximately $_. There are no actuarial gains or losses to be amortized from net assets without donor restrictions into net periodic benefit cost in 2021.

The assumptions used to develop the net postretirement benefit expense and the present value of benefit obligations are shown below:

	2021	2020
Measurement date	June 30	June 30
Weighted average discount rate	2.75 %	2.75 %
Medical trend rate for premiums	6.50	6.75

The medical trend rate is assumed to decline gradually over the next seven years to 4.5% and remain at 4.5% thereafter. A 1% point increase in assumed medical trend rates would have the following effects:

		2021	2020
Effect on postretirement benefit obligation	$	320	295
Effect on service and interest cost components		40	47

The projected postretirement benefit payments for each of the five fiscal years ending June 30 and thereafter are as follows:

		Postretirement benefits
2022	$	400
2023		433
2024		432
2025		452
2026		477
Years 2027–2031		2,405

(14) Net Assets Released from Restrictions

Net assets are released from donor restrictions by incurring expenses satisfying the restricted purposes, by being placed into service, or by occurrence of other events specified by donors. Net assets released from restrictions were as follows during the years ended June 30:

		2021	2020
Operating activities:			
Educational and general	$	12,426	9,459
Matured trusts		253	802
	$	12,679	10,261
Nonoperating activity:			
Building improvements and equipment acquisition	$	25,323	2,368

The College has established an endowment spending policy designed to stabilize annual spending levels and preserve the real value of the endowment over time. Net assets released from donor restrictions for operations as part of the College’s spending policy totaled $16,760 and $15,697 at June 30, 2021 and 2020, respectively.

(15) Net Assets with Donor Restrictions

The following chart details net assets with donor restrictions as of June 30:

		2021	2020
Net assets with donor restrictions:			
Endowment gain accumulation and term endowments	$	487,991	375,316
Loan funds		4,897	6,032
Deferred gifts		—	13,648
Building funds		272	1,149
Annuities and split-interest agreements		44,750	35,243
Scholarships and other program funds		22,472	20,028
Net assets with donor restrictions	$	560,382	451,416

(16) Functional Classification of Expenses

Expenses by functional classification for the year ended June 30, 2021 are as follows:

		Compensation and benefits	Supplies, services, and other	Depreciation	Maintenance, utilities and repair	Interest	Insurance	Total
Instruction	$	37,991	2,504	5,024	546	—	65	46,130
Research		408	297	—	4	—	—	709
Academic support		10,838	1,523	1,850	888	—	—	15,099
Student services		14,399	5,078	3,082	218	—	483	23,260
Institutional support		8,376	6,520	1,470	7,452	2,419	882	27,119
Public services		2,347	429	118	6	—	—	2,900
Auxiliary enterprises		5,876	5,213	1,259	25	—	—	12,373
Total operating expenses	$	80,235	21,564	12,803	9,139	2,419	1,430	127,590

Expenses by functional classification for the year ended June 30, 2020 are as follows:

		Compensation and benefits	Supplies, services, and other	Depreciation	Maintenance, utilities and repair	Interest	Insurance	Total
Instruction	$	36,919	3,918	4,365	430	—	65	45,697
Research		406	843	—	4	—	—	1,253
Academic support		10,475	2,100	1,712	710	—	—	14,997
Student services		14,264	6,250	2,562	218	2,462	645	26,401
Institutional support		9,234	3,144	1,594	6,400	—	1,067	21,439
Public services		2,830	1,266	109	8	—	—	4,213
Auxiliary enterprises		5,975	5,148	1,445	28	—	—	12,596
Total operating expenses	$	80,103	22,669	11,787	7,798	2,462	1,777	126,596

The College's primary program service is instruction. The College incurs some expenses for the benefit of multiple functional areas such as maintenance, utilities, and repairs. To the extent expenses are not attributed to a specific area they are allocated on a square-footage basis to the various functional areas based on the primary purpose of the space.

Institutional support includes fund-raising costs of approximately $4,752 and $4,838 for the years ended June 30, 2021 and 2020, respectively. For purposes of reporting fund-raising expenses, the College only includes those costs incurred by the Advancement Office.

(17) Retirement and Deferred Compensation Plans

Retirement benefits are provided for eligible academic and administrative staff through a qualified 403(b) retirement plan (the Plan). Under this arrangement, the College and plan participants make annual contributions to the Plan to purchase individual annuities and securities equivalent to retirement benefits earned. This is a defined-contribution plan, and as such, the College has no unfunded past service costs. The College's contributions to the Plan, which are based on a percentage of each participant's salary, totaled approximately $2,789 and $3,592 for the years ended June 30, 2021 and 2020, respectively. Amounts accrued under this plan totaled approximately $239,025 and $199,892 for the years ended June 30, 2021 and 2020, respectively, and are not included in these consolidated financial statements as they belong to the plan participants.

The College also has deferred compensation plans for certain employees. The College contributed approximately $59 and $62 for the years ended June 30, 2021 and 2020, respectively. Amounts payable under the plans totaled approximately $44 and $29 at June 30, 2021 and 2020, respectively, and are included in accounts payable and accrued expenses in the consolidated statements of financial position.

(18) Contingencies

From time to time, the College is involved in various claims and legal actions arising in the ordinary course of business. In the opinion of the administration, the ultimate disposition of matters presently known will not have a material effect on the College's financial position.

(19) Subsequent Events

On October 8, 2021, the College entered into a Note Purchase Agreement with MetLife Investment Management, LLC, in the aggregate principal amount of $30,000 to provide funds for capital infrastructure and dormitory renovation projects. The Note funding date is April 15, 2022. Interest is payable semi-annually based on a fixed rate of 2.982% for the thirty-year term of the loan with the first interest payment due on October 1, 2022. The first principal payment on the Notes payable is due on October 1, 2027 and amortized annually thereafter for the remaining term of the Notes.

In connection with the preparation of the consolidated financial statements and in accordance with ASC Topic 855, *Subsequent Events*, the College evaluated subsequent events after the consolidated statement of financial position date of June 30, 2021 through November 23, 2021, which was the date the consolidated financial statements were issued.

Schedule 1

WHEATON COLLEGE

Consolidating Statement of Financial Position Information

June 30, 2021

(In thousands)

Assets	Wheaton College	Billy Graham Center	Wheaton College Trust Company	Eliminations	Consolidated
Cash, cash equivalents, and restricted cash	$ 37,492	2,279	—	—	39,771
Accounts and other receivables, net	1,819	—	2	—	1,821
Loans receivable from students, net	5,819	15	—	—	5,834
Prepaid expenses and other assets	2,975	—	42	—	3,017
Investments:					
Endowments	647,434	—	—	—	647,434
Annuities and split-interest agreements	137,857	—	—	—	137,857
Other investments	30,196	—	3,659	(3,485)	30,370
Total investments	815,487	—	3,659	(3,485)	815,661
Legacies, bequests, and beneficial interest in trusts	10,244	—	—	—	10,244
Land, buildings, equipment, and books, net	231,889	—	—	—	231,889
Total assets	$ 1,105,725	2,294	3,703	(3,485)	1,108,237
Liabilities and Net Assets					
Accounts payable and accrued liabilities	$ 12,792	36	218	—	13,046
Deferred revenue	4,196	—	—	—	4,196
Postretirement benefits obligation	9,138	—	—	—	9,138
Bonds payable	49,500	—	—	—	49,500
Obligations under annuities, split-interest agreements, and other	92,471	—	—	—	92,471
Interest rate swap agreement	5,420	—	—	—	5,420
Asset retirement obligation	2,879	—	—	—	2,879
Refundable U.S. government grants for student loans	2,318	—	—	—	2,318
Total liabilities	178,714	36	218	—	178,968
Net assets:					
Without donor restrictions	368,979	(92)	3,485	(3,485)	368,887
With donor restrictions	558,032	2,350	—	—	560,382
Total net assets	927,011	2,258	3,485	(3,485)	929,269
Total liabilities and net assets	$ 1,105,725	2,294	3,703	(3,485)	1,108,237

See accompanying independent auditors’ report.

Schedule 2

WHEATON COLLEGE

Consolidating Statement of Activities Information

Year ended June 30, 2021

(In thousands)

		Wheaton College	Billy Graham Center	Wheaton College Trust Company	Eliminations	Consolidated
Operating activities:						
Revenue:						
Tuition and fees: net of scholarships of $37,744	$	57,830	110	—	—	57,940
Annual fund gifts		7,654	—	—	—	7,654
Private gifts and grants for operations		19,283	527	—	—	19,810
Endowment payout		20,944	1,522	—	—	22,466
Auxiliary enterprises: net of scholarships of $393		15,342	—	—	—	15,342
Public service		738	—	—	—	738
Other		5,768	251	1,179	(1,742)	5,456
Net assets released from restrictions		—	—	—	—	—
Total operating revenue		127,559	2,410	1,179	(1,742)	129,406
Expenses:						
Compensation		78,655	1,580	749	(749)	80,235
Supplies, services and other		21,520	232	343	(531)	21,564
Depreciation		12,803	—	—	—	12,803
Maintenance, utilities and repair		9,134	5	—	—	9,139
Interest		2,419	—	—	—	2,419
Insurance		1,401	—	29	—	1,430
Total operating expenses		125,932	1,817	1,121	(1,280)	127,590
Excess (deficiency) of operating revenue over expenses		1,627	593	58	(462)	1,816
Nonoperating activities:						
Private gifts and grants		14,771	—	—	—	14,771
Investment gain, net		183,902	—	—	403	184,305
Appropriation of endowment assets for expenditure		(22,466)	—	—	—	(22,466)
Postretirement benefit related changes other than net periodic cost		(279)	—	—	—	(279)
Distributions from donor-advised funds for operations		(1,333)	—	—	—	(1,333)
Distributions from donor-advised funds to other charities		(2,359)	—	—	—	(2,359)
Change in value of interest rate swap agreement		1,913	—	—	—	1,913
Change in value of annuities and split-interest obligations		(10,754)	5	—	—	(10,749)
Equity transfers among affiliates		—	—	—	—	—
Increase (decrease) in net assets from nonoperating activities, net		163,395	5	—	403	163,803
Other changes in net assets:						
Equity transfers among affiliates		544	(545)	1	—	—
Increase (decrease) in net assets		165,566	53	59	(59)	165,619
Net assets at beginning of year		761,445	2,205	3,426	(3,426)	763,650
Net assets at end of year	$	927,011	2,258	3,485	(3,485)	929,269

See accompanying independent auditors' report.