WHEATON COLLEGE

CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2022 and 2021

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WHEATON
COLLEGE
For Christ & His Kingdom

501 College Avenue
Wheaton, Il 60187

ADMINISTRATOR'S REPORT
(UNAUDITED)

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 32, have been prepared in conformity with U.S. generally accepted accounting principles and, as such, include amounts based on judgments and estimates of administration.

The consolidated financial statements as of and for the year ending June 30, 2022, have been audited by the independent accounting firm Crowe LLP (Crowe), 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 Crowe during the audit were valid and appropriate. Crowe's audit report is presented on pages 2 to 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 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

INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
Wheaton College

Opinion

We have audited the consolidated financial statements of Wheaton College (the "College"), which comprise the consolidated statement of financial position as of June 30, 2022, and the related consolidated statements of activities, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Wheaton College as of June 30, 2022, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the College and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matter

The consolidated financial statements of Wheaton College for the year ended June 30, 2021, were audited by other auditors, who expressed an unmodified opinion on those statements on November 23, 2021.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern for one year from the date the consolidated financial statements are available to be issued.

(Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 College's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Supplementary Information

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 and the Administrator's Report are presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and changes in net assets of the individual entities and are not a required part of the consolidated financial statements. Such information is the responsibility of management and, except for that portion marked "unaudited," was derived from, and relates directly to, the underlying accounting and other records used to prepare the consolidated financial statements. That 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, that information is fairly stated in all material respects in relation to the consolidated financial statements as a whole. The information marked "unaudited" 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.

Crowe LLP

Crowe LLP

Chicago, Illinois
October 26, 2022

WHEATON COLLEGE
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
June 30, 2022 and 2021
(In thousands of dollars)

	2022	2021
ASSETS		
Cash and cash equivalents	$ 42,216	$ 39,771
Restricted cash	30,000	-
Accounts and other receivables, net	2,110	1,821
Loans receivable from students, net	5,008	5,834
Prepaid expenses and other assets	4,687	3,017
Investments:		
Endowments	529,360	647,434
Annuities and split-interest agreements	107,876	137,857
Other investments	44,723	30,370
Total investments	681,959	815,661
Legacies, bequests, and beneficial interest in trusts	6,051	10,244
Land, buildings, equipment, and books, net	241,355	231,889
Total assets	$ 1,013,386	$ 1,108,237
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued liabilities	$ 22,024	$ 13,046
Deferred revenue	5,601	4,196
Postretirement benefits obligation	7,013	9,138
Bonds and notes payable	72,000	49,500
Obligations under annuities, split-interest agreements, and other	81,956	92,471
Interest rate swap agreement	2,837	5,420
Asset retirement obligation	2,828	2,879
Refundable U.S. government grants for student loans	1,609	2,318
Total liabilities	195,868	178,968
Net assets		
Without donor restrictions	344,852	368,887
With donor restrictions	472,666	560,382
Total net assets	817,518	929,269
Total liabilities and net assets	$ 1,013,386	$ 1,108,237

See accompanying notes to consolidated financial statements.

WHEATON COLLEGE
CONSOLIDATED STATEMENTS OF ACTIVITIES
Years ended June 30, 2022 and 2021
(In thousands of dollars)

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Operating activities:						
Revenue:						
Tuition and fees: net of scholarships of $42,950 in 2022 and $37,744 in 2021	$ 57,512	$ -	$ 57,512	$ 57,940	$ -	$ 57,940
Annual fund gifts	5,961	-	5,961	7,654	-	7,654
Private gifts and grants for operations	8,256	6,170	14,426	6,262	13,352	19,614
Endowment payout	12,167	11,682	23,849	11,672	10,794	22,466
Auxiliary enterprises: net of scholarships of						-
$365 in 2022 and $393 in 2021	21,232	-	21,232	15,342	-	15,342
Public service	1,093	-	1,093	738	-	738
Other	6,345	-	6,345	5,456	-	5,456
Net assets released from restrictions	24,838	(24,838)	-	14,910	(14,910)	-
Total operating revenue	137,404	(6,986)	130,418	119,974	9,236	129,210
Expenses:						
Compensation and benefits	76,721	-	76,721	80,235	-	80,235
Supplies, services, and other	26,115	-	26,115	21,564	-	21,564
Depreciation	12,687	-	12,687	12,803	-	12,803
Maintenance, utilities and repairs	8,534	-	8,534	9,139	-	9,139
Interest	2,265	-	2,265	2,419	-	2,419
Insurance	1,552	-	1,552	1,430	-	1,430
Total operating expenses	127,874	-	127,874	127,590	-	127,590
Excess (deficiency) of operating revenue over expenses	9,530	(6,986)	2,544	(7,616)	9,236	1,620
Nonoperating activities:						
Private gifts and grants for long-term investments	2,566	28,304	30,870	903	14,064	14,967
Investment (loss) gain, net	(34,038)	(89,405)	(123,443)	47,050	137,255	184,305
Appropriation of endowment assets for expenditure	(6,383)	(17,466)	(23,849)	(5,706)	(16,760)	(22,466)
Postretirement benefit related changes other than net periodic cost	1,928	-	1,928	(279)	-	(279)
Distributions from donor-advised funds for operations	(352)	-	(352)	(1,332)	-	(1,332)
Distributions from donor-advised funds to other charities	(1,071)	-	(1,071)	(2,359)	-	(2,359)
Change in value of interest rate swap agreement	2,583	-	2,583	1,912	-	1,912
Change in value of annuities and split-interest obligations	270	(1,231)	(961)	(1,243)	(9,506)	(10,749)
Net assets released from restrictions	932	(932)	-	25,323	(25,323)	-
Change in net assets from nonoperating activities	(33,565)	(80,730)	(114,295)	64,269	99,730	163,999
Change in net assets	(24,035)	(87,716)	(111,751)	56,653	108,966	165,619
Net assets at beginning of year	368,887	560,382	929,269	312,234	451,416	763,650
Net assets at end of year	$ 344,852	$ 472,666	$ 817,518	$ 368,887	$ 560,382	$ 929,269

See accompanying notes to consolidated financial statements.

WHEATON COLLEGE
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended June 30, 2022 and 2021
(In thousands of dollars)

	2022	2021
Cash flows from operating activities:		
Change in net assets	$ (111,751)	$ 165,619
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	12,687	12,803
In-kind donations of investments	(6,458)	(4,103)
In-kind donations of real estate and equipment	(69)	(265)
Proceeds from sale of donated securities	582	362
Net realized and unrealized gain on investment	135,238	(176,026)
Net change in legacies, bequests, and beneficial interest in trusts	4,193	(5,701)
Change in value of annuities and split-interest obligations	961	10,749
Private gifts and grants restricted for long-term investments	(24,412)	(14,967)
Change in value of interest rate swap agreement	(2,583)	(1,913)
Changes in assets and liabilities:		
Accounts and other receivables and loans receivable from students, net	(289)	1,491
Prepaid expenses and other assets	(1,670)	(249)
Accounts payable and accrued liabilties and asset retirement obligation	(1,433)	(2,097)
Deferred revenue	1,405	1,432
Postretirement benefits obligation	(2,125)	91
Net cash provided by (used in) operating activities	4,276	(12,774)
Cash flows from investing activities:		
Purchases and development of land, buildings, equipment, and books	(11,724)	(8,612)
Proceeds from sales of investments	275,783	197,910
Purchases of investments	(283,777)	(189,349)
Loans disbursed	(625)	(376)
Principal collected on loans	1,451	1,331
Net cash (used in) provided by investing activities	(18,892)	904
Cash flows from financing activities:		
Decrease in U.S. government grants for student loans	(709)	(902)
Payments on bonds payable	(7,500)	-
Proceeds from bonds and notes payable	30,000	7,500
Payments on obligations under split-interest agreements and liability to other trust beneficiaries	(11,476)	(7,915)
Net change in estate and trust receivables	8,588	7,354
Proceeds from sale of donated securities restricted for long-term purposes	5,876	7,420
Proceeds from private gifts and grants restricted for long-term investment	22,282	7,613
Net cash provided by financing activities	47,061	21,070
Net increase in cash and cash equivalents	32,445	9,200
Cash and cash equivalents at beginning of year	39,771	30,571
Cash and cash equivalents at end of year	$ 72,216	$ 39,771
Supplemental disclosure of cash flow information:		
Cash paid for interest, exclusive of loss on interest rate swap agreement and net of amounts capitalized	$ 2,181	$ 2,225
Construction in progress in accounts payable	10,360	-
Noncash investing activity:		
In-kind donations of real estate and equipment	$ 69	$ 265

See accompanying notes to consolidated financial statements.

NOTE 1 - ORGANIZATION

Wheaton College, incorporated under a special 1860 charter of the Illinois legislature as The Trustees of Wheaton College (Wheaton 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation: The accompanying consolidated financial statements have been prepared on the accrual basis and include the accounts of Wheaton College, the Wheaton College Billy Graham Center, and the Trust Company, collectively, (the College). 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) 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 $129,339 and $159,556 as of June 30, 2022 and 2021, respectively.

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

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.

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.

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Private gifts, including unconditional pledges, are recognized in the period received. Private gifts and grants received for land, building, and equipment are reported as non-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 and gifts, with a barrier and right of return, 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, 2022 and 2021 were $5,961 and $7,654, respectively.

As of June 30, 2022 and 2021, the College had received communications from certain donors that they intended to give approximately $24,023 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 2022 and 2021.

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 $7,907 and $10,451 as of June 30, 2022 and 2021, 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 distributions to unrelated third parties. Donor-advised fund distributions for the fiscal years ended June 30, 2022 and 2021 were approximately $641 and $416, respectively. Designated donor-advised fund distributions included $60 and $240 for the annual fund as of June 30, 2022 and 2021, 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. In total, the College received $2,024, $2,958, and $5,227 as provided for under the Coronavirus Aid, Relief, and Economic Security ("CARES') Act, the Coronavirus Response and Relief Supplemental Appropriations ("CRRSA") Act, and the American Rescue Plan (ARPA) 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 and ARPA distributions received have been used for Emergency Financial Aid Grants to Students (student portion), and the remainder portion to defray expenses and replace lost revenue (institutional portion) associated with COVID-19. As of June 30, 2022, and 2021, the College recognized revenue of $2,613 and $2,595 from the institutional portion of all grants, respectively, and $2,613 and $2,595 from the student portion of all grants, respectively.

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Auxiliary enterprises revenue consists primarily of the operations of the dormitories, food service, and the bookstore. The College recognizes auxiliary enterprises revenue at the point in time the sales occur or as services are rendered. 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 for the years ended June 30, 2022, and 2021 were $106 and $96, 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.

Cash Equivalents: Cash equivalents include amounts held in certificates of deposit, money market accounts, and other investments 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.

Restricted Cash: Restricted cash include amounts held in money market accounts from proceeds of notes payable and amounts received from donors for long term investment. At June 30, 2022, the College's $30,000 in restricted cash consisted of unspent notes payable proceeds.

Accounts and Other Receivables, Net: An allowance for loss in accounts and other receivables is established based upon a review of the collectability 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.

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.

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 $1,904 and $113 as of June 30, 2022, and 2021, respectively.

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.

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.

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.

(In thousands of dollars)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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. Management does not believe there are any impairments to long-lived assets.

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.

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.

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 2022 present value of the aggregate liability for contract gift annuities is computed based on the 2012-IAR mortality table using a discount rate of 5.0%. 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%.

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.

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Refundable U.S. Government Grants for Student Loans: Funds provided by the U.S. government under the Federal Perkins Student Loan Program 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.

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, 2022, 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, 2022 or 2021.

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.

Related Party Transactions: The College periodically engages in transactions with related parties. During the years ended June 30, 2022 and 2021, the College recognized revenue from private gifts received from board members of $16,428 and $2,479. At June 30, 2022 and 2021, the were no amounts outstanding from board members related to private gifts.

(Continued)

(In thousands of dollars)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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).

Reclassifications: Certain prior period amounts have been reclassified to conform with the current year presentation. These reclassifications did not impact changes in net assets and net assets.

Recently Adopted Accounting Pronouncements: In August 2018, the FASB issued ASU No. 2018-15, I*ntangible—Goodwill and other—Internal-Use Software (Subtopic 350-40): Customer Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement that is a Service Contract*, which requires organizations to capitalize potentially significant implementation costs incurred in a cloud computing arrangement. The adoption of this guidance resulted in the capitalization of approximately $1,417 implementation costs related to certain cloud applications as of June 30, 2022.

In August 2020, the FASB issued ASU No 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires contributed nonfinancial assets to be presented separately in the statement of activities, apart from contributions of cash and other financial assets and modifies required disclosures. The College adopted ASU 2020-07 during the year ended June 30, 2022 and the adoption of this guidance did not have a material effect on the consolidated financial statements and related disclosures.

NOTE 3 - ACCOUNTS AND OTHER RECEIVABLES, NET

Accounts receivable at June 30, 2022 and 2021 consisted of the following:

	2022			2021		
	Accounts Receivable	Allowance for Uncollectible Accounts	Accounts Receivable, Net	Accounts Receivable	Allowance for Uncollectible Accounts	Accounts Receivable, Net
Student accounts	$ 1,292	$ (121)	$ 1,171	$ 1,466	$ (121)	$ 1,345
U.S. government	285	-	285	207	-	207
Other	654	-	654	269	-	269
	$ 2,231	$ (121)	$ 2,110	$ 1,942	$ (121)	$ 1,821

(In thousands of dollars)

NOTE 4 - LOANS RECEIVABLE FROM STUDENTS, NET

Loans receivable from students at June 30, 2022 and 2021 consisted of the following:

	2022			2021		
	Loans Receivable	Allowance for Uncollectible Accounts	Loans Receivable, Net	Loans Receivable	Allowance for Uncollectible Accounts	Loans Receivable, Net
Institutional student loans	$ 3,916	$ (93)	$ 3,824	$ 4,115	$ (93)	$ 4,023
U.S. government student loans	1,185	-	1,184	1,812	-	1,811
	$ 5,101	$ (93)	$ 5,008	$ 5,927	$ (93)	$ 5,834

NOTE 5 - ENDOWMENTS

Changes in endowments for the year ended June 30, 2022 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total Net Assets
Endowments as of July 1, 2021	$ 159,443	$ 487,991	$ 647,434
Interest and dividends	2,277	7,054	9,331
Realized gains, net	8,570	26,530	35,100
Unrealized losses, net	(34,525)	(110,063)	(144,588)
Transfers and distributions	(1,947)	2,560	613
Contributions	-	5,319	5,319
Appropriation of endowment assets for expenditure	(6,383)	(17,466)	(23,849)
Endowments as of June 30, 2022	$ 127,435	$ 401,925	$ 529,360

(Continued)

(In thousands of dollars)

NOTE 5 - ENDOWMENTS (Continued)

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

Endowment assets consist of the following at June 30, 2022:

	Without Donor Restrictions	With Donor Restrictions	Total Net Assets
Donor-restricted and underwater endowments	$ (1,904)	$ 401,925	$ 400,021
Board designated quasi-endowments	129,339	-	129,339
	$ 127,435	$ 401,925	$ 529,360

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

(Continued)

(In thousands of dollars)

NOTE 6 - INVESTMENTS

The fair value of investments (including endowments) held by the College as of June 30, 2022 and 2021 consisted of the following:

	2022	2021
Cash and short-term investments	$ 5,189	$ 66,801
Fixed income	222,832	172,040
Equity	355,736	496,136
Hedge funds and private equity	84,682	65,573
Other asset classes	13,520	15,111
Total investments	$ 681,959	$ 815,661

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.

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.

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.

(Continued)

(In thousands of dollars)

NOTE 6 – INVESTMENTS (Continued)

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, 2022, and 2021, the College had no plans or intentions to sell investments at amounts different from NAV. Unfunded commitments to hedge funds and alternative managers equaled $40,815 and $23,941 as of June 30, 2022 and 2021, respectively.

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.

Return on Investments: Return on investments for the years ended June 30, 2022 and 2021 consisted of the following:

	2022	2021
Return on investments – endowments:		
Interest and dividends	$ 9,331	$ 5,476
Realized gain on investments, net	35,100	93,218
Unrealized (loss) gain on investments, net	(144,588)	56,405
Endowment investment return	(100,157)	155,099
Return on investments – annuities and split-interest agreements:		
Interest and dividends	1,746	2,131
Realized gain on investments, net	4,375	14,891
Unrealized (loss) gain on investments, net	(24,556)	2,574
Annuities and split-interest agreements investment return	(18,435)	19,596
Return on investments – other:		
Interest and dividends	1,083	861
Realized gain on investments, net	1,657	6,697
Unrealized (loss) gain on investments, net	(7,226)	2,241
Other investment return	(4,486)	9,799
Total return on investments	$ (123,078)	$ 184,494

(Continued)

(In thousands of dollars)

NOTE 6 - INVESTMENTS (Continued)

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

	2022	2021
Other operating revenue – investment income	$ 365	$ 189
Investment gains and losses, net	(123,443)	184,305
Total return on investments	$ (123,078)	$ 184,494

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. These are valued based on quoted prices.

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 certain fixed income investments and the interest rate swap agreement liability as Level 2 fair value measurements. These are valued using a market approach based on current information available.

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 as Level 3 liabilities. These are valued using an income approach based on current information available.

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.

(In thousands of dollars)

NOTE 6 - INVESTMENTS (Continued)

The following table presents fair value information at June 30, 2022 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	$ 45,143	$ -	$ -	$ 45,143	Daily	1
Fixed income:						
U.S. Treasuries	70,053	-	-	70,053	Daily monthly	5
Bonds	50,653	62,172	-	112,825	Daily monthly	5
Equities	355,736	-	-	355,736	Daily monthly	5
Other asset classes:						
Trust receivables and other	-	-	11,677	11,677	Illiquid	Not applicable
Employee mortgages	-	-	861	861	Illiquid	Not applicable
Life insurance policies	-	-	982	982	Illiquid	Not applicable
Subtotal investments	521,585	62,172	13,520	597,277		
Investments measured at NAV	-	-	-	84,682	Quarterly/semi-annually/Illiquid	45/90
Subtotal investments	521,585	62,172	13,520	681,959		
Legacies, bequests, and trusts	-	-	6,051	6,051	Illiquid	Not applicable
Total	$ 521,585	$ 62,172	$ 19,571	$ 688,010		

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/Illiquid	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		

During fiscal year 2022 and 2021, there were no transfers between asset Levels.

(Continued)

(In thousands of dollars)

NOTE 7 - LAND, BUILDINGS, EQUIPMENT, AND BOOKS, NET

Land, buildings, equipment, and books at June 30, 2022 and 2021 consisted of the following:

	2022	2021
Land and improvements	$ 31,162	$ 30,817
Buildings and improvements	337,005	334,559
Equipment	47,880	46,663
Library books and special collections	24,217	23,201
Leasehold improvements	2,505	2,505
Subtotal	442,769	437,745
Accumulated depreciation	(223,162)	(211,021)
Subtotal	219,607	226,724
Projects and renewals:		
Construction in progress	21,748	5,165
Total land, buildings, equipment, and books, net	$ 241,355	$ 231,889

NOTE 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.

NOTE 9 - BONDS AND NOTES PAYABLE

A summary of bonds and notes payable at June 30, 2022 and 2021 is as follows:

	2022	2021
Taxable bonds, Series 2004, 6.09% fixed rate, interest payable semiannually 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 .343% and 0.605% in 2022 and 2021, 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. The College paid down this loan during the year ended June 30, 2022.	-	7,500
Series 2021 Notes due October 1, 2051, 2.982% fixed rate per annum payable semiannually beginning on October 1, 2022. Annual principal payments will will follow a 25 year straight line amortization schedule commencing on October 1, 2027.	30,000	-
Total bonds and note payable	$ 72,000	$ 49,500

(Continued)

NOTE 9 - BONDS AND NOTES PAYABLE (Continued)

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 and is due October 1, 2034.

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 0.343% and 0.605% in 2022 and 2021, 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, 2022. 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, 2022, and 2021, the College has set aside $14,975 and $17,974, respectively, as the College's debt repayment reserve 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. On February 2, 2022, the College paid off the outstanding principal balance on this term loan agreement.

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 was 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 due October 1, 2051.

The above debt agreements contain certain financial covenants. Management believes the College was in compliance with these covenants at June 30, 2022 and 2021.

(Continued)

NOTE 9 - BONDS AND NOTES PAYABLE (Continued)

Future principal payments required under bonds and notes payable are as follows for the years ending June 30:

2023	$ -
2024	-
2025	-
2026	-
2027	-
Thereafter	72,000
Total	$ 72,000

NOTE 10 - OBLIGATIONS UNDER ANNUITIES, SPLIT-INTEREST AGREEMENTS, AND OTHER

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.

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.

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.

(Continued)

(In thousands of dollars)

NOTE 10 - OBLIGATIONS UNDER ANNUITIES, SPLIT-INTEREST AGREEMENTS, AND OTHER (Continued)

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.

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.

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:

	2022	2021
Annuities and split-interest agreements investment assets	$ 107,876	$ 137,857
Less related liabilities:		
Charitable gift annuities	27,339	30,007
Charitable remainder annuity trusts	2,638	2,787
Charitable remainder unitrusts	40,773	39,626
Pooled income funds and life income contracts	812	1,094
Revocable trusts	5,186	5,826
Other irrevocable trusts	543	608
Liability to other trust beneficiaries	4,665	12,523
Total liabilities	81,956	92,471
Net investments under annuities and split-interest agreements	$ 25,920	$ 45,386

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 5% and 4% to calculate the aggregate liability for charitable gift annuities the years ended June 30, 2022 and 2021, respectively. 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, 2022 and 2021.

(In thousands of dollars)

NOTE 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 1, 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 $572 and $586 and has been recorded as an addition to interest expense in the accompanying 2022 and 2021 consolidated statements of activities, respectively. The fair value of the obligation under this instrument was $2,837 and $5,420 on June 30, 2022 and 2021, respectively. As this swap agreement nears its expiration date, the liability associated with this agreement will be reduced to zero.

NOTE 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. However, the College has $129,339 and $159,556 in amounts designated by the Board to function as endowment at June 30, 2022 and 2021, respectively, that could be made available at the direction of the Board. 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 that are expected to be available for general College obligations within a year.

	2022	2021
Financial assets:		
Cash and cash equivalents	$ 72,216	$ 39,771
Accounts receivable, net	2,110	1,821
Appropriated amount from endowment for operations	26,271	23,849
Investments	681,959	815,661
Total financial assets	782,556	881,102
Less amounts not available to be used within one year:		
Cash and cash equivalents restricted for capital projects	(30,000)	-
Board designated investments	(129,339)	(159,556)
Investments restricted for capital projects	(19,801)	-
Investments restricted to extinguish debt	(14,975)	(17,974)
Investments restricted to the endowment	(401,925)	(487,991)
Investments restricted to split-interest agreements	(107,876)	(137,857)
Financial assets not available to be used within one year for general expenditures	(703,916)	(803,378)
Resources available within a year for general expenditures	$ 78,640	$ 77,724

(Continued)

(In thousands of dollars)

NOTE 13 - POSTRETIREMENT BENEFIT OBLIGATION AND COSTS

In addition to providing retirement benefits as disclosed in note 17, 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, 2022 and 2021 include the following components:

	2022	2021
Amounts recognized in operating activities:		
Service cost of benefits earned	$ 382	$ 382
Amortization of prior service cost	(9)	(9)
Net periodic postretirement healthcare benefit costs	373	373
Amounts recognized in nonoperating activities:		
Interest cost on accumulated postretirement healthcare benefit obligation	246	244
Net (loss) gain	(2,183)	26
Amortization of prior service cost	9	9
Postretirement benefit related changes other than net periodic benefit costs	(1,928)	279
Total change in postretirement benefits excluding benefits paid	$ (1,555)	$ 652

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, 2022 and 2021:

	2022	2021
Change in postretirement benefit obligation:		
Postretirement benefit obligation at beginning of year	$ 9,138	$ 9,047
Service cost	382	382
Interest cost	246	244
Actuarial gain	(2,402)	(220)
Benefits paid	(351)	(315)
Postretirement benefit obligation at end of year	$ 7,013	$ 9,138

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.

(Continued)

(In thousands of dollars)

NOTE 13 - POSTRETIREMENT BENEFIT OBLIGATION AND COSTS (Continued)

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 postretirement healthcare benefit 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 2023 fiscal year is approximately $9. There are no actuarial gains or losses to be amortized from net assets without donor restrictions into net periodic benefit cost in 2022.

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

	2022	2021
Measurement date	June 30	June 30
Weighted average discount rate	4.75%	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% increase in assumed medical trend rates would have the following effects:

	2022	2021
Effect on postretirement benefit obligation	$ 252	$ 320
Effect on service and interest cost components	38	40

A 1% decrease in assumed medical trend rates would have the following effects:

	2022	2021
Effect on postretirement benefit obligation	$ (221)	$ (275)
Effect on service and interest cost components	(32)	(33)

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

	Postretirement Benefits
2023	$ 449
2024	436
2025	449
2026	469
2027	452
Years 2028-2032	2,317

(Continued)

(In thousands of dollars)

NOTE 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:

	2022	2021
Operating activities:		
Educational and general	$ 18,507	$ 13,458
Matured trusts	6,331	1,452
	$ 24,838	$ 14,910
Nonoperating activity:		
Building improvements and equipment acquisition	$ 932	$ 25,323

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 $17,467 and $16,760 at June 30, 2022 and 2021, respectively.

NOTE 15 - NET ASSETS WITH DONOR RESTRICTIONS

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

	2022	2021
Net assets with donor restrictions:		
Endowment gain accumulation and term endownments	$ 401,925	$ 487,991
Loan funds	4,649	4,897
Building funds	20,086	272
Annuities and split-interest agreements	26,975	44,750
Scholarships and other program funds	19,031	22,472
Net assets with donor restrictions	$ 472,666	$ 560,382

(In thousands of dollars)

NOTE 16 - FUNCTIONAL CLASSIFICATION OF EXPENSES

Expenses by functional classification for the year ended June 30, 2022 are as follows:

	Compensation and Benefits	Supplies, Services, and Other	Depreciation	Maintenance, Utilities and Repair	Interest	Insurance	Total
Instruction	$ 36,137	$ 4,107	$ 4,989	$ 636	$ -	$ 63	$ 45,932
Research	526	835	-	15	-	-	1,376
Academic support	9,670	1,965	1,839	1,046	-	1	14,521
Student services	14,856	6,033	3,081	207	-	531	24,708
Institutional support	7,745	6,703	1,450	6,577	2,265	957	25,697
Public services	2,433	725	118	29	-	-	3,305
Auxiliary enterprises	5,354	5,747	1,210	24	-	-	12,335
Total operating expenses	$ 76,721	$ 26,115	$ 12,687	$ 8,534	$ 2,265	$ 1,552	$ 127,874

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

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 $4,640 and $4,752 for the years ended June 30, 2022 and 2021, respectively. For purposes of reporting fund-raising expenses, the College only includes those costs incurred by the Advancement Office.

(Continued)

NOTE 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 $2,646 and $2,789 for the years ended June 30, 2022 and 2021, respectively.

The College also has deferred compensation plans for certain employees. The College contributed approximately $95 and $59 for the years ended June 30, 2022 and 2021, respectively. Amounts payable under the plans totaled approximately $68 and $44 at June 30, 2022 and 2021, respectively, and are included in accounts payable and accrued expenses in the consolidated statements of financial position.

NOTE 18 - COMMITMENTS AND 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.

The College has various construction projects in process at June 30, 2022 with an estimated cost to complete of $9,379,316.

NOTE 19 - SUBSEQUENT EVENTS

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, 2022 through October 26, 2022, which was the date the consolidated financial statements were issued.

SUPPLEMENTAL SCHEDULES

WHEATON COLLEGE
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
June 30, 2022

	Wheaton College	Billy Graham Center	Wheaton College Trust Company	Eliminations	Consolidated
ASSETS					
Cash and cash equivalents	$ 38,492	$ 3,724	$ -	$ -	$ 42,216
Restricted cash	30,000	-	-	-	30,000
Accounts and other receivables, net	2,107	-	3	-	2,110
Loans receivable from students, net	5,008	-	-	-	5,008
Prepaid expenses and other assets	4,589	-	98	-	4,687
Investments:					
Endowments	529,360	-	-	-	529,360
Annuities and split-interest agreements	107,876	-	-	-	107,876
Other investments	44,621	-	3,707	(3,605)	44,723
Total investments	681,857	-	3,707	(3,605)	681,959
Legacies, bequests, and beneficial interest in trusts	6,051	-	-	-	6,051
Land, buildings, equipment, and books, net	241,355	-	-	-	241,355
Total assets	$ 1,009,459	$ 3,724	$ 3,808	$ (3,605)	$ 1,013,386
LIABILITIES AND NET ASSETS					
Liabilities					
Accounts payable and accrued liabilities	$ 21,772	$ 49	$ 203	$ -	$ 22,024
Deferred revenue	5,601	-	-	-	5,601
Postretirement benefits obligation	7,013	-	-	-	7,013
Bonds and notes payable	72,000	-	-	-	72,000
Obligations under annuities, split-interest agreements, and other	81,956	-	-	-	81,956
Interest rate swap agreement	2,837	-	-	-	2,837
Asset retirement obligation	2,828	-	-	-	2,828
Refundable U.S. government grants for student loans	1,609	-	-	-	1,609
Total liabilities	195,616	49	203	-	195,868
Net assets:					
Without donor restrictions	344,944	(92)	3,605	(3,605)	344,852
With donor restrictions	468,899	3,767	-	-	472,666
Total net assets	813,843	3,675	3,605	(3,605)	817,518
Total liabilities and net assets	$ 1,009,459	$ 3,724	$ 3,808	$ (3,605)	$ 1,013,386

See accompanying independent auditor’s report.

WHEATON COLLEGE
CONSOLIDATING STATEMENT OF ACTIVITIES
Year ended June 30, 2022

	Wheaton College	Billy Graham Center	Wheaton College Trust Company	Eliminations	Consolidated
Operating activities:					
Revenue:					
Tuition and fees: net of scholarships of $42,950	$ 57,605	$ (93)	$ -	$ -	$ 57,512
Annual fund gifts	5,961	-	-	-	5,961
Private gifts and grants for operations	13,835	591	-	-	14,426
Endowment payout	22,275	1,574	-	-	23,849
Auxiliary enterprises: net of scholarships of $365	21,230	2	-	-	21,232
Public service	1,093	-	-	-	1,093
Other	6,208	686	1,290	(1,839)	6,345
Total operating revenue	128,207	2,760	1,290	(1,839)	130,418
Expenses:					
Compensation	75,256	1,465	773	(773)	76,721
Supplies, services and other	25,846	449	368	(548)	26,115
Depreciation	12,687	-	-	-	12,687
Maintenance, utilities and repair	8,510	24	-	-	8,534
Interest	2,265	-	-	-	2,265
Insurance	1,523	-	29	-	1,552
Total operating expenses	126,087	1,938	1,170	(1,321)	127,874
Excess (deficiency) of operating revenue over expenses	2,120	822	120	(518)	2,544
Nonoperating activities:					
Private gifts and grants for long-term investments	30,870	-	-	-	30,870
Investment loss, net	(123,841)	-	-	398	(123,443)
Appropriation of endowment assets for expenditure	(23,849)	-	-	-	(23,849)
Postretirement benefit related changes other than net periodic cost	1,928	-	-	-	1,928
Distributions from donor-advised funds for operations	(352)	-	-	-	(352)
Distributions from donor-advised funds to other charities	(1,071)	-	-	-	(1,071)
Change in value of interest rate swap agreement	2,583	-	-	-	2,583
Change in value of annuities and split-interest obligations	(966)	5	-	-	(961)
Change in net assets from nonoperating activities	(114,698)	5	-	398	(114,295)
Other changes in net assets:					
Equity transfers among affiliates	521	(521)	-	-	-
Change in net assets	(112,057)	306	120	(120)	(111,751)
Net assets at beginning of year	925,900	3,369	3,485	(3,485)	929,269
Net assets at end of year	$ 813,843	$ 3,675	$ 3,605	$ (3,605)	$ 817,518

See accompanying independent auditor’s report.