

WIDENER UNIVERSITY
FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2013 AND 2012

**WIDENER UNIVERSITY
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YEARS ENDED JUNE 30, 2013 AND 2012**

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Widener University
Chester, Pennsylvania

We have audited the accompanying financial statements of Widener University, which comprise the statement of financial position as of June 30, 2013, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Board of Trustees
Widener University

Opinion

In our opinion, the 2013 financial statements referred to above present fairly, in all material respects, the financial position of Widener University as of June 30, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

The 2012 financial statements of Widener University were audited by other auditors whose report dated October 8, 2012, expressed an unmodified opinion on those statements.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Plymouth Meeting, Pennsylvania
September 25, 2013

WIDENER UNIVERSITY
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2013 AND 2012
(DOLLARS IN THOUSANDS)

	2013	2012
ASSETS		
Cash and Cash Equivalents	\$ 28,386	\$ 33,558
Accounts Receivable		
Students (Net of Allowance for Doubtful Accounts of \$1,583 in 2013 and \$1,497 in 2012)	2,912	3,936
Affiliates	556	2,077
Grants and Other	2,243	1,967
Prepaid Expenses and Other Assets	2,700	2,545
Contributions Receivable (Net of Allowance for Doubtful Accounts of \$413 in 2013 and \$482 in 2012)	7,261	8,503
Investments		
Assets Whose Use is Limited	5,381	5,381
Long-Term Investments	82,486	74,230
Total Investments	87,867	79,611
Loans to Students (Net of Allowance for Doubtful Accounts of \$1,626 in 2013 and \$1,521 in 2012)	13,695	13,767
Bond Issuance Costs, Net	729	760
Property, Plant and Equipment	345,904	326,190
Less Accumulated Depreciation	(153,028)	(142,389)
Net Property, Plant and Equipment	192,876	183,801
Total Assets	\$ 339,225	\$ 330,525
LIABILITIES AND NET ASSETS		
Accounts Payable and Accrued Expenses	\$ 12,408	\$ 7,873
Accrued Interest	1,824	1,849
Deferred Revenue and Deposits	6,215	5,923
Asset Retirement Obligation	3,707	3,559
Accrued Postretirement Benefit Obligation	47,766	50,568
Notes Payable	132	152
Obligations Under Capital Leases	641	825
Swap Contract Liability	6,584	6,817
Bonds Payable	77,432	78,793
U.S. Government Grants Refundable	7,301	7,482
Total Liabilities	164,010	163,841
Net Assets:		
Unrestricted	122,047	118,440
Temporarily Restricted	15,050	12,141
Permanently Restricted	38,118	36,103
Total Net Assets	175,215	166,684
Total Net Assets and Liabilities	\$ 339,225	\$ 330,525

See accompanying Notes to Financial Statements.

WIDENER UNIVERSITY
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2013 AND 2012
(DOLLARS IN THOUSANDS)

	2013	2012
CHANGES IN UNRESTRICTED NET ASSETS		
Operating Activities:		
Revenue, Gains, and Other Support:		
Tuition and Fees	\$ 170,689	\$ 168,853
Less Scholarship and Fellowships	(49,458)	(45,618)
Net Tuition and Fees	121,231	123,235
Federal Grants and Contracts	1,443	1,586
State Grants and Contracts	1,259	635
Interest on Loans	241	227
Contributions	1,238	1,329
Investment Returns Designated for Current Operations:		
Endowment Spending	2,964	2,946
Other Investment Income	85	96
Miscellaneous Income	2,538	2,266
Auxiliary Enterprises	20,862	21,163
Unrestricted Revenues and Gains	151,861	153,483
NET ASSETS RELEASED FROM RESTRICTIONS	3,260	3,088
Total Unrestricted Revenues and Gains	155,121	156,571
EXPENSES		
Educational and General Expenses		
Instructional	81,571	81,079
Research	225	163
Public Service	459	412
Academic Support	17,033	17,050
Student Services	16,224	16,105
Institutional Support	18,275	19,881
Auxiliary Enterprises	19,802	19,230
Total Expenses	153,589	153,920
Total Operating Income	1,532	2,651
NONOPERATING ACTIVITIES		
Net Appreciation (Depreciation) in Fair Value of Investments	2,782	(4,894)
Net Change in Swap Liability	234	174
Loss on Disposition of Property	(213)	(15)
Net Change in Postretirement Benefit Obligation	8,186	(9,267)
Voluntary Retirement Program Expense	(8,914)	-
Total Nonoperating Income (Loss)	2,075	(14,002)
TOTAL CHANGE IN UNRESTRICTED NET ASSETS	3,607	(11,351)
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS		
Private Gifts, Grants and Contracts	2,725	3,426
Endowment Spending	877	1,038
Miscellaneous Income	108	105
Investment Returns More (Less) Than Amounts Designated for Operations	2,459	(2,123)
Net Assets Released From Restrictions	(3,260)	(3,088)
Change in Temporarily Restricted Net Assets	2,909	(642)
CHANGES IN PERMANENTLY RESTRICTED NET ASSETS		
Private Gifts, Grants and Contracts	2,006	1,461
Endowment Spending	9	16
Changes in Permanently Restricted Net Assets	2,015	1,477
CHANGE IN NET ASSETS	8,531	(10,516)
Net Assets - Beginning of Year	166,684	177,200
NET ASSETS - END OF YEAR	\$ 175,215	\$ 166,684

See accompanying Notes to Financial Statements.

WIDENER UNIVERSITY
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2013 AND 2012
(DOLLARS IN THOUSANDS)

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 8,531	\$ (10,516)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	10,823	10,409
Net (Appreciation) Depreciation in Fair Value of Investments	(4,650)	3,055
Change in Fair Value of Swap Liability	(234)	(174)
Contributions Restricted for Long-Term Investment	(2,006)	(1,460)
Changes in Assets and Liabilities		
Accounts Receivable (Gross)	2,356	(1,157)
Allowance for Doubtful Accounts	(86)	(92)
Contributions Receivable	1,241	(763)
Prepaid Expenses and Other Assets	(155)	277
Accounts Payable and Accrued Expenses, Net of Investing Activities	3,929	(3,040)
Accrued Interest	(25)	(24)
Deferred Revenue and Deposits	292	942
Asset Retirement Obligation	148	134
Postretirement Benefit Obligation	(2,802)	12,573
Net Cash Provided by Operating Activities	17,362	10,164
CASH FLOWS FROM INVESTING ACTIVITIES		
Net Decrease in Loans to Students	72	121
Purchase of Property, Plant and Equipment	(19,260)	(19,917)
Proceeds from Sales of Investments	4,640	16,680
Purchases of Investments	(8,247)	(13,890)
Net Cash Used by Investing Activities	(22,795)	(17,006)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Contributions Restricted for Long-Term Investment	2,006	1,460
Payments Under Capital Leases	(184)	(41)
Repayments on Bonds Payable	(1,361)	(1,311)
Repayment of Notes Payable	(20)	(25)
Net Change in U.S. Government Grants Refundable	(180)	(454)
Net Cash Provided (Used) by Financing Activities	261	(371)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(5,172)	(7,213)
Cash and Cash Equivalents - Beginning of Year	33,558	40,771
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 28,386	\$ 33,558
SUPPLEMENTAL DISCLOSURE		
Cash Paid for Interest Expense	\$ 4,038	\$ 4,094
NONCASH TRANSACTIONS		
Equipment Financed with Capital Leases	\$ -	\$ 866
Accounts Payable for Capital Projects	\$ 607	\$ 1,406

See accompanying Notes to Financial Statements.

WIDENER UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012
(DOLLARS IN THOUSANDS)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Operations

Founded in Wilmington, Delaware, in 1821, Widener University (the University) comprises eight schools and colleges that offer liberal arts and sciences, professional, and preprofessional curricula. A metropolitan teaching institution, the University is a four-campus university offering 147 programs of study leading to one of 62 associate, bachelors, masters, or doctoral degrees. The University's schools include the College of Arts and Sciences, School of Engineering, School of Hospitality Management, School of Human Service Professions, School of Law, School of Business Administration, School of Nursing, and University College.

The University is incorporated in both the Commonwealth of Pennsylvania and the State of Delaware. The University is a private, not-for-profit institution of higher education with campuses in Chester, Pennsylvania; Harrisburg, Pennsylvania; Exton, Pennsylvania; and Wilmington, Delaware. The financial statements of the University have been prepared on the accrual basis of accounting. The significant accounting policies followed by the University are described below to enhance the usefulness of the financial statements for the reader.

Basis of Presentation

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the University and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the University or the passage of time.

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

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets, unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

The University allocates its expenses on a functional basis among its various programs and supporting services. Expenses that can be readily identified with a specific program or supporting service are allocated directly. Other expenses that are common to several functions are allocated by various statistical bases.

WIDENER UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012
(DOLLARS IN THOUSANDS)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. An allowance for uncollectible contributions received is provided based upon management's judgment, including such factors as prior collection history, type of contribution, and nature of fund-raising activity. Contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenues of the unrestricted net asset class.

Contributions made toward long-lived assets are held as temporarily restricted until the asset is placed in service. At such time, the contribution is considered to be released from restriction and reclassified to unrestricted net assets.

Income and realized and unrealized net gains on investments of endowment and similar funds are reported as follows:

- (1) As increases in permanently restricted net assets if the terms of the gift or the University interpretation of relevant state law require that they be added to the principal of a permanent endowment fund;
- (2) As increases in temporarily restricted net assets based upon relevant state law or if the terms of the gift impose restrictions on the use of the income; or
- (3) As increases in unrestricted net assets in all other cases.

Commonwealth of Pennsylvania law permits the University to allocate to income each year a portion of endowment net realized gains under an endowment spending policy, limited to 7% of the trailing three-year average of the market value of the endowment assets. Since endowment net realized and unrealized gains may eventually be spent by the University, endowment net realized and unrealized gains are recorded in the financial statements as temporarily restricted net assets until transferred to unrestricted net assets.

Nonoperating Activities

Nonoperating activities reflect transactions of a long-term investment or capital nature, including investment returns net of the amount the University has appropriated for current operational support in accordance with the University's endowment spending guidelines, changes in interest rate swap valuation, changes in the postretirement benefit obligation, voluntary retirement program expense and other transactions that are not accounted for as part of ongoing budgeted operations.

Cash and Cash Equivalents

Cash equivalents include all highly liquid interest-bearing deposits with maturities of three months or less at time of purchase, except those held for long-term investment purposes.

WIDENER UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012
(DOLLARS IN THOUSANDS)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

Investments are stated at fair market value as provided by external investment managers or quoted market values. Investments acquired by gift are recorded at the fair value on the date the gift was received. Cost of investments sold is determined on the first-in, first-out method, and investment transactions are recognized on the settlement date.

Valuations for private debt and equity funds and other alternative investments are based on valuations provided by external investment managers or on audited financial statements when available. Valuations provided by external investment managers include estimates, appraisals, assumptions, and methods that are reviewed by management.

The University generally uses net asset value per share as reported by investment managers as the practical expedient estimate of fair value without further adjustment for its investments in alternative investment funds for which there is no readily determinable market value.

Accounts Receivable

Accounts receivable include student accounts receivable, affiliate receivables, grants and other receivables. Accounts receivable are stated at the amount management expects to collect from outstanding balances. An allowance for doubtful accounts is recorded annually based on historical experience and management's evaluation of individual accounts. Bad debts are written off when deemed uncollectible. Receivables are generally unsecured.

Property, Plant, and Equipment

Property, plant, and equipment are recorded at cost, net of depreciation, except for gifts of physical properties, which are recorded at their appraised value when received. Depreciation is calculated on the straight-line method over the estimated useful lives of the assets: buildings, 50 years; building improvements, 15 years; equipment, 7 years; and personal computers, 4 years.

Art Collection

The University houses a collection of American paintings and the Alfred O. Deshong Collection of European paintings and Oriental art objects at the Widener University Art Collection and Gallery that it does not capitalize. These collections adhere to the University's policy to (a) maintain them for public exhibition, education, or research; and (b) protect, keep unencumbered, care for, and preserve them.

Deferred Revenue

Deferred revenue primarily consists of prepaid tuition, fees, and contract advances. Such amounts will be recognized as revenue as they are earned.

U.S. Government Grants Refundable

Funds provided by the U.S. government under the Federal Perkins Loan Program are loaned to qualified students and may be reloaned after collections. These funds are ultimately refundable to the U.S. government and are presented in the accompanying statements of financial position as a liability.

WIDENER UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012
(DOLLARS IN THOUSANDS)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Asset Retirement Obligation

The University recognizes the fair value of a liability for legal obligations associated with asset retirements in the period in which the obligation is incurred, if a reasonable estimate of the fair value of the obligation can be made. When the liability is initially recorded, the University capitalizes the cost of the asset retirement obligation by increasing the carrying amount of the related long-lived asset. The liability is accreted to its present value each period, and the capitalized cost associated with the retirement obligation is depreciated over the useful life of the asset. Upon settlement of the obligation, any difference between the cost to settle the asset retirement obligation and the liability recorded is recognized as a gain or loss in the statements of activities.

Fair Value of Financial Instruments

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date and requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets and 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 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or 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. Classification in Level 2 or Level 3 is based on the University's ability to redeem its interest at net asset value at or near the date of the statement of financial position. If the interest can be redeemed in the near term, the investment is classified in Level 2.

The fair value of the University's interest rate swap related to its debt obligations (Note 8) is based on the counterparty's valuation, which used observable inputs other than Level 1 prices.

The carrying amount of cash, student accounts receivable and other receivables, and accounts payable and accrued expenses approximates fair value because of the short maturity of these financial instruments. The fair value of investments in debt and equity securities is based upon values provided by the external investment managers or quoted market values.

The University values contributions receivable at fair value on the date the gift is received using the present value of future cash flows. Contributions receivable are not measured at fair value subsequent to this initial measurement because the discount rate is selected to remain constant over time rather than adjust to reflect changing financial conditions.

WIDENER UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012
(DOLLARS IN THOUSANDS)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A reasonable estimate of the fair value of loans to students under government loan programs could not be made because the loans are not saleable and can only be assigned to the U.S. government or its designees. The fair value of loans to students under the University loan programs approximates carrying value.

Use of Estimates

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

Federal Income Taxes

The University has been recognized by the Internal Revenue Service as a tax-exempt organization described in Section 501(c)(3) of the Internal Revenue Code. As such, it is subject to tax only on income from activities unrelated to its tax-exempt mission. For the years ended June 30, 2012 and 2011, the University generated no significant unrelated business income subject to tax, and no provision for income taxes was provided. The University believes it has taken no significant uncertain tax positions. The University's federal and state tax returns for the years ended June 30, 2010, 2011 and 2012 are open for review by Federal and State authorities.

NOTE 2 CONTRIBUTIONS RECEIVABLE

Contributions receivable are summarized as follows at June 30:

	2013	2012
Unconditional Promised Expected to be Collected:		
Within One Year	\$ 1,305	\$ 1,094
Between One and Five Years	6,401	8,076
After Five Years	507	612
	8,213	9,782
Less:		
Allowance for Uncollectible Contributions Receivable	(539)	(482)
Present Value Discount (1.2% - 3.2%)	(413)	(797)
	\$ 7,261	\$ 8,503

One donor represents 49% and 49% of contributions receivable as of June 30, 2013 and 2012, respectively.

Development costs were \$2,879 and \$3,133 for the years ended June 30, 2013 and 2012, respectively.

WIDENER UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012
(DOLLARS IN THOUSANDS)

NOTE 3 INVESTMENTS

The University records investments at fair value. Long-term investments are comprised primarily of the endowment fund, which has a fair value of \$80,514 and \$72,610 as of June 30, 2013 and 2012, respectively and are invested through a fund manager.

The fair value of investments whose use is limited under the bond indentures amounted to \$5,381 and \$5,381 as of June 30, 2013 and 2012, respectively. The fair value is determined using a Level 1 input of the fair value hierarchy.

The University has an investment in University Technology Park, Inc., which is recorded at a cost of \$1,105 as of June 30, 2013 and \$1,021 as of June 30, 2012.

Investments that are recorded at fair value at June 30 are summarized as follows:

	2013	2012
Equity Funds	\$ 62,777	\$ 51,970
Commodities	3,392	4,312
Venture Capital	1,669	1,617
Natural Resources	2,109	1,688
Fixed Income	10,599	12,798
Real Estate	27	285
Money Market Funds	5,381	5,381
Other	808	539
	<u>\$ 86,762</u>	<u>\$ 78,590</u>

Investment fees were \$121 and \$121 for the years ended June 30, 2013 and 2012, respectively.

The following tables present the University's fair value hierarchy for assets and liabilities measured at fair value on a recurring basis:

	Fair Value	Fair Value Measurements at June 30, 2013 Using		
		Level 1	Level 2	Level 3
Commonfund Investments	\$ 80,514	\$ 535	\$ 74,013	\$ 5,966
Other Investments	6,248	6,248	-	-
Swap Contract	(6,584)	-	(6,584)	-

	Fair Value	Fair Value Measurements at June 30, 2012 Using		
		Level 1	Level 2	Level 3
Commonfund Investments	\$ 72,610	\$ 362	\$ 66,497	\$ 5,751
Other Investments	5,980	5,980	-	-
Swap Contract	(6,817)	-	(6,817)	-

WIDENER UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012
(DOLLARS IN THOUSANDS)

NOTE 3 INVESTMENTS (CONTINUED)

The University's major categories of Level 2 investments held at June 30, 2013, their significant investment strategies, and the conditions upon which the University may redeem its investment for each major category are summarized below:

Level 2 Investment Category	Investment Strategy	Redemption Terms
Multi-Strategy Equity Fund	Equity	Monthly, with 5 Days Prior Notice
Core Equity Fund	Equity	Monthly, with 5 Days Prior Notice
CFI All Cap Fund	Equity	Monthly, with 5 Days Prior Notice
Strategic Solutions Equity Fund, LLC	Equity	Monthly, with 5 Days Prior Notice
International Equity Fund	Equity	Monthly, with 5 Days Prior Notice
Emerging Markets Investors Co. B	Equity	Monthly, with 5 Days Prior Notice
High Quality Bond Fund	Fixed	Weekly, with 5 Days Prior Notice
CFI Global Bond Fund, LLC	Fixed	Monthly, with 5 Days Prior Notice
CFI Multi-Strategy Commodities	Real Assets	Monthly, with 30 Days Prior Notice
CFI Real Return Bond Fund	Real Assets	Monthly, with 5 Days Prior Notice
SSG Global Hedged Equity	Directional & Relative Value	Quarterly, with 95 Days Prior Notice
SSG Diversifying Company	Directional & Relative Value	Quarterly, with 95 Days Prior Notice
SSG Relative Value & Event Driven	Directional & Relative Value	Quarterly, with 95 Days Prior Notice

The following table presents the changes in assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended June 30, 2013 and 2012:

Fair Value Measurements Using Significant Unobservable Inputs (Level 3)			
Investment Type	Alternative Investments		Total Investments
	Equity	Real Assets	
Balance at June 30, 2011	\$ 3,396	\$ 1,368	\$ 4,764
Acquisitions	584	445	1,029
Dispositions	(385)	(173)	(558)
Realized Gain (Loss)	82	(122)	(40)
Unrealized Gain	101	455	556
Balance at June 30, 2012	3,778	1,973	5,751
Acquisitions	383	508	891
Dispositions	(521)	(603)	(1,124)
Realized Gain (Loss)	270	(1,918)	(1,648)
Unrealized Gain (Loss)	(80)	2,176	2,096
Balance at June 30, 2013	<u>\$ 3,830</u>	<u>\$ 2,136</u>	<u>\$ 5,966</u>

WIDENER UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012
(DOLLARS IN THOUSANDS)

NOTE 3 INVESTMENTS (CONTINUED)

The University has \$5,966 of investments in alternative investment funds which are reported at estimated fair value. The unobservable inputs used to determine the fair value of these investments have been estimated based on the net asset value per share as provided by the investment managers as the practical expedient estimate of fair value of the investment without further adjustment. All of those investments are redeemable with the fund at net asset value under the original terms of the partnership agreements and/or subscription agreements and operations of the underlying funds. However, it is possible that these redemption rights may be restricted or eliminated by the funds in the future in accordance with the underlying fund agreements. Due to the nature of the investments held by the funds, changes in market conditions and the economic environment may significantly impact the net asset value of the funds and, consequently, the fair value of the University's interests in the funds. Although a secondary market exists for these investments, it is not active and individual transactions are typically not observable. When transactions do occur in this limited secondary market, they may occur at discounts to the reported net asset value. It is therefore reasonably possible that if the University were to sell these investments in the secondary market, a buyer may require a discount to the reported net asset value, and the discount could be significant.

The University is not aware of any fund-specific secondary market information available for its alternative investment funds.

The University's major categories of alternative investments and their significant investment strategies held at June 30, 2013 include:

<u>Alternative Investment Category</u>	<u>Investment Strategy</u>
Multi-Strategy Global Hedged Partners	Event Driven, Diversifying
Private Equity Partners VI	Private Equity
Private Equity Partners VII	Private Equity
Int'l. Private Equity Partners V	International Equity
Int'l. Private Equity Partners VI	International Equity
Venture Partners VII	Venture
Venture Partners VIII	Venture
Venture Partners IX	Venture
Natural Resources Partners VII	Natural Resources
Natural Resources Partners VIII, LP	Natural Resources
Natural Resources Partners IX, LP	Natural Resources
Reality Investors	Real Estate

WIDENER UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
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(DOLLARS IN THOUSANDS)

NOTE 3 INVESTMENTS (CONTINUED)

The University's best estimate of the remaining life of finite-lived investments, the amount of the University's unfunded commitments related to the investment at June 30, 2013, and the terms and conditions upon which the University may redeem its investment for each major category of alternative investments are summarized below:

Alternative Investment Category	Estimated Remaining Life	Unfunded Commitments at June 30, 2013	Redemption Terms
Multi-Strategy Global Hedged Partners	N/A	\$ -	Annual, 12/31, with 90 Days Notice
Private Equity Partners VI	7	89	N/A
Private Equity Partners VII	9	182	N/A
International Private Equity Partners V	7	59	N/A
International Private Equity Partners VI	9	141	N/A
Venture Partners VII	7	69	N/A
Venture Partners VIII	9	150	N/A
Venture Partners IX	12	263	N/A
Natural Resources Partners VII	8	219	N/A
Natural Resources Partners VIII, LP	10	315	N/A
Natural Resources Partners IX, LP	13	4,343	N/A
Realty Investors	N/A	-	N/A
		<u>\$ 5,830</u>	

WIDENER UNIVERSITY
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NOTE 4 PROPERTY, PLANT AND EQUIPMENT

At June 30, property, plant, and equipment were as follows:

	2013	2012
Land	\$ 15,190	\$ 14,563
Buildings		
Cost of Buildings	174,835	167,211
Less Accumulated Depreciation	(59,724)	(56,466)
Net Cost of Buildings	115,111	110,745
Building Improvements		
Cost of Improvements	88,638	81,528
Less Accumulated Depreciation	(44,284)	(39,426)
Net Cost of Improvements	44,354	42,102
Furniture and Equipment		
Cost of Furniture and Equipment	50,785	49,707
Less Accumulated Depreciation	(44,667)	(42,733)
Net Cost of Furniture and Equipment	6,118	6,974
Computers		
Cost of Computers	5,988	5,007
Less Accumulated Depreciation	(4,353)	(3,764)
Net Cost of Computer Equipment	1,635	1,243
Construction in Progress	10,468	8,174
Net Property, Plant and Equipment	\$ 192,876	\$ 183,801

The University has asset retirement obligations arising from regulatory requirements to perform certain asset retirement activities at the time of disposal of certain capital assets. The liability was initially recorded at fair value, and is adjusted for accretion expenses and changes in the amount or timing of cash flows. The corresponding asset retirement costs are capitalized as part of the carrying values of the related long-lived assets and depreciated over the useful lives of the assets. The discount rate is 5% for 2013 and 2012. The liability relates to estimated costs to remove asbestos that is contained within the University's facilities. Depreciation and accretion costs are approximately \$191 and \$177 for the years ended June 30, 2013 and 2012, respectively.

WIDENER UNIVERSITY
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NOTE 5 CAPITAL LEASES

At June 30, property, plant, and equipment included property under capital leases, as follows:

	2013	2012
Furniture and Equipment	\$ 451	\$ 451
Computers	415	415
Less Accumulated Depreciation	<u>(252)</u>	<u>(85)</u>
Net of Accumulated Depreciation	<u>\$ 614</u>	<u>\$ 781</u>

The following is a schedule by years of future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of June 30, 2013:

Year Ending June 30:	
2014	\$ 210
2015	210
2016	210
2017	<u>51</u>
Total Minimum Lease Payments	681
Less Amount Representing Interest	<u>(40)</u>
Present Value of Net Minimum Lease Payments	<u>\$ 641</u>

NOTE 6 OPERATING LEASES

The University has noncancelable operating leases ending in 2013 through 2018 for certain facilities and equipment. Rental expense under these agreements equaled \$560 in 2013 and \$847 in 2012. Future minimum lease payments are as follows:

2014	\$ 401
2015	254
2016	74
2017	39
2018	4

WIDENER UNIVERSITY
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NOTE 7 LONG-TERM DEBT

Bonds payable comprise the following:

	Dated	Security	Due Serially to	Original Amount	Interest Rate	Outstanding Principal Balance	
						June 30 2013	2012
Pennsylvania Higher Education Facilities Authority Bonds	2003	Science and engineering facility	2036	\$ 50,365	4.00% to 5.40%	\$ 45,780	\$ 46,750
Pennsylvania Higher Education Facilities Authority Bonds	2005	Dormitory and physical education facilities	2039	34,000	3.00% to 5.00%	31,950	32,355
						77,730	79,105
Unamortized Discount on Bonds						(476)	(496)
Unamortized Premium on Bonds						178	184
						<u>\$ 77,432</u>	<u>\$ 78,793</u>

In October 2003, the University borrowed \$50,365 for the refinancing of 1992, 1993, 1996, and 2000 revenue bonds and the construction of a Science and Engineering building addition on the Main Campus. Financing was arranged through a bond offering with the Pennsylvania Higher Education Facilities Authority (the Authority). The bond offering original principal consisted of \$7,585 of serial bonds which bear interest at the annual rate of 4.0% to 5.0% and are due over eight years beginning July 15, 2008 and maturing July 15, 2015; term bonds of \$6,360 that bear interest at 5.0% and are due on July 15, 2020; term bonds of \$6,400 that bear interest at 5.25% and are due on July 15, 2024; term bonds of \$1,900 that bear interest at 5.3% and are due on July 15, 2025; term bonds of \$8,360 that bear interest at 5.38% and are due on July 15, 2029; and term bonds of \$19,760 that bear interest at 5.4% and are due on July 15, 2036.

In February 2005, the University borrowed \$34,000 for the construction of dormitory facilities, a physical education facility addition, and certain facility upgrades of buildings on the Main Campus. Financing was arranged through a bond offering with the Authority. The bond offering original principal consisted of \$3,995 of serial bonds that bear interest at the annual rate of 3.0% to 4.1% and are due over 10 years beginning July 15, 2007 and maturing July 15, 2016; term bonds of \$2,685 that bear interest at 4.75% and are due on July 15, 2021; term bonds of \$3,250 that bear interest at 5.0% and are due on July 15, 2026; term bonds of \$4,155 that bear interest at 5.0% and are due on July 15, 2031; and term bonds of \$19,915 that bear interest at 5.0% and are due on July 15, 2039.

Interest expense was \$3,993 and \$4,044 for the years ended June 30, 2013 and 2012, respectively.

WIDENER UNIVERSITY
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NOTE 7 LONG-TERM DEBT (CONTINUED)

At June 30, 2013, the University's obligations mature as follows:

Year Ending June 30	
2014	\$ 1,430
2015	1,490
2016	1,555
2017	1,620
2018	1,700
Thereafter	69,935
	<u>\$ 77,730</u>

The fair value of the University's long-term debt is estimated based on the quoted market prices for the same or similar issues or on the current rates offered to the University for debt of the same remaining maturities.

The estimated fair values of the University's long-term debt are as follows:

	2013		2012	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-Term Debt	\$ 77,432	\$ 77,301	\$ 78,793	\$ 82,139

NOTE 8 BASIS SWAP ARRANGEMENT

In 2007, the University entered into a basis swap transaction with Wachovia Bank to reduce its ongoing interest expense associated with the Series 2003 and 2005 Bonds. The agreement took effect May 25, 2007 and continues until July 2039. Under the terms of the agreement, the University pays a floating rate of interest equal to the Securities Industry and Financial Markets Association (SIFMA) Index and receives a floating rate equal to 67% of one-month LIBOR.

The University received an up-front cash payment of \$3,265, which represents the net present value of the basis swap savings. The University also recorded \$879 in prepaid bank fees, which will be amortized over the life of the contract and are included in other assets in the accompanying statements of financial position. At June 30, 2013 and 2012, the fair value of the swap was estimated to be \$(6,584) and \$(6,817), respectively, and is included in liabilities in the accompanying statements of financial position. The University recognizes a net gain or loss from the change in the fair value of the basis swap agreement as a nonoperating change in net assets on the statements of activities. For 2013 and 2012, the University recognized a net gain of \$234 and \$174, respectively. The fair value is determined using a Level 2 input of the fair value hierarchy.

WIDENER UNIVERSITY
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NOTE 9 EMPLOYEE BENEFIT PLANS

The University has three 403(b) tax-deferred savings plans for faculty, administrative staff, and other employees. The plans are funded by the purchase of individual annuity contracts and mutual funds. Annually, the University contributes 5% of each participant's base salary after the employee has met the service requirement. All employees may also elect to make before-tax salary reduction contributions of up to 5% of their salary. Employees, participating and meeting the service requirements, receive employer matching contributions up to the voluntary contribution. Employees vest immediately in all contributions made by the University.

The University also makes direct pension payments to certain pensioners for service prior to the initiation of the current plans.

Total expense relating to the above savings plans and pension payments was \$6,196 and \$5,710 for the years ended June 30, 2013 and 2012, respectively.

In addition, the University provides medical plan supplemental coverage to retirees as a postretirement benefit. Information with respect to the plans is as follows:

	<u>2013</u>	<u>2012</u>
Change in Benefit Obligation		
Benefit Obligation at Beginning of Year	\$ 50,568	\$ 37,995
Service Cost	1,830	1,269
Interest Cost	2,240	2,051
Plan Participants' Contributions	182	183
Actuarial (Gain) Loss	(5,948)	10,134
Benefits Paid	(1,165)	(1,138)
Medicare Part D Prescription Drug Federal Subsidy	59	74
Benefit Obligation at End of Year	<u>\$ 47,766</u>	<u>\$ 50,568</u>

Net periodic postretirement benefit cost reported as an expense in the statements of activities includes the following components:

	<u>2013</u>	<u>2012</u>
Service Cost	\$ 1,830	\$ 1,269
Interest Cost	2,240	2,051
Amortization of Prior Service Credit	(36)	(36)
Amortization of Unrecognized Loss	2,274	903
Net Periodic Postretirement Benefit Cost	<u>\$ 6,308</u>	<u>\$ 4,187</u>

WIDENER UNIVERSITY
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NOTE 9 EMPLOYEE BENEFIT PLANS (CONTINUED)

The accumulated postretirement benefit obligation was determined using a discount rate of 4.95% in 2013 and 4.3% in 2012 and a healthcare cost trend rate of 7.5% in 2013 and 8.0% in 2012. This rate gradually decreases to 5.0% by the year 2018 and remains constant thereafter. Increasing the assumed healthcare cost trend rate by 1.0% in each year and holding all other assumptions constant would increase accumulated postretirement benefit obligation approximately \$9,115 and \$10,488 at June 30, 2013 and 2012, respectively, and increase the aggregate of the service and interest cost components of the net periodic postretirement benefit cost by \$802 and \$914 for the years ended June 30, 2013 and 2012, respectively.

The University's expected employer contributions are \$1,214 for the year ended June 30, 2014.

At June 30, 2013, the University's expected future benefit payments for future service are as follows:

Estimated Future Benefits Payments Reflecting Expected Future Service for the Fiscal Year Ending:	
June 30, 2014	\$ 1,056
June 30, 2015	1,236
June 30, 2016	1,391
June 30, 2017	1,561
June 30, 2018	1,731
June 30, 2019 - 2023	11,176

At June 30, 2013, the items not yet recognized as a component of net periodic postretirement benefit cost are as follows:

Unrecognized Prior Service Cost	\$ (337)
Unrecognized Net Loss	15,815
Total Unamortized Items	<u>\$ 15,478</u>

In addition to service and interest costs, the components of projected net periodic postretirement benefit cost for fiscal 2013 are amortization of prior service cost of approximately \$36 and amortization of net actuarial losses of approximately \$1,208.

NOTE 10 NET ASSET BALANCES

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

	2013	2012
Funds Held for Accumulated Gains on True Endowment	\$ 6,789	\$ 4,189
Funds Held for Scholarships	1,310	1,042
Funds Held for Special Projects	6,951	6,910
	<u>\$ 15,050</u>	<u>\$ 12,141</u>

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NOTE 10 NET ASSET BALANCES (CONTINUED)

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

	2013	2012
Funds Held in Support of Scholarships	\$ 17,985	\$ 16,091
Funds Held in Support of Academic Professorships	4,377	4,185
Funds Held in Support of General Operations	2,273	2,266
Funds Held for Other Purposes	13,483	13,561
	\$ 38,118	\$ 36,103

NOTE 11 ENDOWMENTS

The University's endowment consists of 292 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. Net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The University has interpreted relevant law as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment fund absent explicit donor stipulations to the contrary. As a result of this interpretation, the University classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment; (b) the original value of subsequent gifts to the permanent endowment; and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the University in a manner consistent with the standard of prudence prescribed by relevant law. Pennsylvania law permits the Board of Trustees to make an election to annually appropriate for expenditure a selected percentage between 2% and 7% of the fair value of the assets related to donor-restricted endowment funds averaged over a period of three or more preceding years, provided the Board of Trustees has determined that such percentage is consistent with the long-term preservation of the real value of such assets.

WIDENER UNIVERSITY
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NOTE 11 ENDOWMENTS (CONTINUED)

Return Objectives and Risk Parameters

The University has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity as well as board-designated 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 that exceed the price and yield results of the appropriate indices while assuming a moderate level of investment risk. The University expects its endowment funds, over time, to provide a board-approved average rate of return annually. Actual returns in any given year may vary from that amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate of return objectives, the University relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The University targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The University has a policy of appropriating for distribution each year up to a board-approved percentage of its funds based on the average three-year rolling market value. The board-approved spending rate was 6.0% for the years ended June 30, 2013 and 2012. In establishing this policy, the University considered the long-term expected return on its funds. Accordingly, over the long term, the University expects the current spending policy to allow its endowment to grow annually. This is consistent with the University's objective to maintain the purchasing power of the endowment assets held in perpetuity as well as to provide additional real growth through new gifts and investment return.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the original gift amount maintained as permanently restricted net assets. Deficiencies of this nature were approximately \$46 and \$700 as of June 30, 2013 and 2012, respectively. Such deficiencies are recorded in unrestricted net assets. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions.

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NOTE 11 ENDOWMENTS (CONTINUED)

Net Asset Classifications of Endowment Funds

Net asset classification by type of endowment as of June 30, 2013:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-Restricted Endowment Funds	\$ (46)	\$ 6,789	\$ 38,118	\$ 44,861
Board-Designated Endowment Funds	41,908	-	-	41,908
	<u>\$ 41,862</u>	<u>\$ 6,789</u>	<u>\$ 38,118</u>	<u>\$ 86,769</u>

Changes in endowment net assets for the year ended June 30, 2013:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment Net Assets, Beginning of Year	\$ 39,682	\$ 4,189	\$ 36,103	\$ 79,974
Investment Return				
Investment Loss	(319)	(259)	-	(578)
Net Appreciation (Realized and Unrealized Gains and Losses)	5,952	3,629	-	9,581
Total Investment Return	5,633	3,370	-	9,003
Contributions	-	-	2,015	2,015
Appropriation of Quasi-Endowment Assets for Expenditures	(514)	-	-	(514)
Appropriation of Endowment Assets for Expenditure	(2,939)	(770)	-	(3,709)
	<u>\$ 41,862</u>	<u>\$ 6,789</u>	<u>\$ 38,118</u>	<u>\$ 86,769</u>

Net asset classification by type of endowment as of June 30, 2012:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-Restricted Endowment Funds	\$ (700)	\$ 4,189	\$ 36,103	\$ 39,592
Board-Designated Endowment Funds	40,382	-	-	40,382
	<u>\$ 39,682</u>	<u>\$ 4,189</u>	<u>\$ 36,103</u>	<u>\$ 79,974</u>

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NOTE 11 ENDOWMENTS (CONTINUED)

Changes in endowment net assets for the year ended June 30, 2012:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment Net Assets, Beginning of Year	\$ 44,715	\$ 6,312	\$ 34,626	\$ 85,653
Investment Return				
Investment Income	570	430	-	1,000
Net Depreciation (Realized and Unrealized Gains and Losses)	(2,764)	(1,321)	-	(4,085)
Total Investment Return	<u>(2,194)</u>	<u>(891)</u>	<u>-</u>	<u>(3,085)</u>
Contributions	33	-	1,477	1,510
Appropriation of Quasi-Endowment Assets for Expenditures	(102)	-	-	(102)
Appropriation of Endowment Assets for Expenditure	(2,770)	(1,232)	-	(4,002)
	<u>\$ 39,682</u>	<u>\$ 4,189</u>	<u>\$ 36,103</u>	<u>\$ 79,974</u>

NOTE 12 CONTINGENCIES

The University is party to certain claims and litigation arising in the ordinary course of business. In the opinion of management, the resolution of such claims and litigation will not materially affect the University's financial position.

Since 1997, the University has also guaranteed, on a joint and several basis with another entity, certain loans to finance the building of the University Technology Park, Inc. These loans amount to approximately \$2,800 as of June 30, 2013, of which the University has guaranteed \$1,400 of these loans.

Amounts received and expended by the University under various federal and state programs are subject to audit by the various federal and state agencies. In the opinion of management, audit adjustments, if any, will not have a significant effect on the financial position of the University.

Outstanding commitments for construction contracts totaled approximately \$7,000 as of June 30, 2013.

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NOTE 13 SUBSEQUENT EVENTS

In preparing these financial statements, the University has evaluated events and transactions for potential recognition or disclosure through September 25, 2013, the date the financial statements were issued.

On August 29, 2013, the University issued bonds in the amount of \$12,000. The new debt will provide funds to build additional student housing. The bonds bear interest rates of 5.5% and will be redeemed over the next 30 years.