

**WIDENER UNIVERSITY AND AFFILIATE
CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018**



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**WIDENER UNIVERSITY AND AFFILIATE
TABLE OF CONTENTS
YEARS ENDED JUNE 30, 2019 AND 2018**

INDEPENDENT AUDITORS' REPORT	1
CONSOLIDATED FINANCIAL STATEMENTS	
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION	3
CONSOLIDATED STATEMENTS OF ACTIVITIES	4
CONSOLIDATED STATEMENTS OF CASH FLOWS	5
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	6



INDEPENDENT AUDITORS' REPORT

Board of Trustees
Widener University and Affiliate
Chester, Pennsylvania

We have audited the accompanying consolidated financial statements of Widener University and Affiliate, which comprise the consolidated statements of financial position as of June 30, 2019 and 2018, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

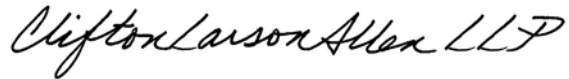
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Widener University and Affiliate as of June 30, 2019 and 2018 and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the consolidated financial statements, certain amounts have been restated in the 2018 financial statements now presented as management has adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, ASU 2014-09, *Revenue from Contracts with Customers* and ASU 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. As of July 1, 2017, the University's net assets were restated to reflect the impact of adoption. Our opinion is not modified with respect to these matters.

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

CliftonLarsonAllen LLP

Plymouth Meeting, Pennsylvania
September 20, 2019

WIDENER UNIVERSITY AND AFFILIATE
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2019 AND 2018
(DOLLARS IN THOUSANDS)

	2019	2018 (as Restated)
ASSETS		
Cash and Cash Equivalents	\$ 49,518	\$ 42,613
Accounts Receivable:		
Students (Net of Allowance for Doubtful Accounts of \$2,985 in 2019 and \$2,410 in 2018)	6,871	6,312
Affiliates (Net of Allowance for Doubtful Accounts of \$466 in 2019 and \$193 in 2018)	668	593
Grants and Other	1,683	1,414
Prepaid Expenses and Other Assets	1,227	1,875
Contributions Receivable (Net of Allowance for Doubtful Accounts of \$957 in 2019 and \$387 in 2018)	1,271	5,096
Long-Term Investments	98,447	95,328
Loans to Students (Net of Allowance for Doubtful Accounts of \$4,320 in 2019 and \$2,935 in 2018)	7,710	9,991
Property and Equipment	434,176	415,736
Less: Accumulated Depreciation	(221,433)	(209,012)
Net Property and Equipment	212,743	206,724
Total Assets	\$ 380,138	\$ 369,946
LIABILITIES AND NET ASSETS		
Accounts Payable and Accrued Expenses	\$ 18,999	\$ 19,227
Accrued Interest	1,795	1,839
Deferred Revenue and Deposits	10,564	10,924
Asset Retirement Obligation	4,214	4,013
Accrued Postretirement Benefit Obligation	58,020	56,411
Obligations Under Capital Leases	791	478
Bonds and Notes Payable	77,387	79,324
U.S. Government Grants Refundable	6,632	6,711
Total Liabilities	178,402	178,927
Net Assets:		
Without Donor Restrictions	140,998	129,492
With Donor Restrictions	60,738	61,527
Total Net Assets	201,736	191,019
Total Liabilities and Net Assets	\$ 380,138	\$ 369,946

See accompanying Notes to Consolidated Financial Statements.

**WIDENER UNIVERSITY AND AFFILIATE
CONSOLIDATED STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2019 AND 2018
(DOLLARS IN THOUSANDS)**

	2019	2018 (as Restated)
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
Operating Activities:		
Revenue, Gains, and Other Support:		
Tuition and Fees (Net of Scholarship and Fellowships of \$87,205 in 2019 and \$80,899 in 2018)	\$ 121,898	\$ 111,877
Federal Grants and Contracts	1,459	1,489
State Grants and Contracts	717	632
Interest on Loans	155	178
Contributions	1,500	1,379
Investment Returns Designated for Current Operations:		
Endowment Spending	3,343	2,359
Other Investment Income	967	344
Miscellaneous Income	2,422	2,328
Auxiliary Enterprises	24,167	23,079
Revenues and Gains Without Donor Restrictions	156,628	143,665
NET ASSETS RELEASED FROM RESTRICTIONS	6,198	5,803
Total Revenues and Gains Without Donor Restrictions	162,826	149,468
EXPENSES		
Educational and General Expenses:		
Instructional	68,530	69,518
Research	765	539
Public Service	516	462
Academic Support	14,175	14,235
Student Services	19,659	19,902
Institutional Support	25,343	20,958
Auxiliary Enterprises	22,805	22,211
Total Expenses	151,793	147,825
Total Operating Income	11,033	1,643
NONOPERATING ACTIVITIES		
Net Appreciation in Fair Value of Investments	473	1,882
Net Change in Swap Liability	-	(9)
Loss on Termination of Swap	-	(836)
Net Change in Postretirement Benefit Obligation	69	12,175
Voluntary Retirement and Severance	(55)	(1,135)
Other	(14)	(51)
Total Gain from Nonoperating Activities	473	12,026
TOTAL CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	11,506	13,669
CHANGE IN NET ASSETS - WITH DONOR RESTRICTION		
Private Gifts, Grants, and Contracts	7,580	3,069
Loss on Write-Off of Pledge Receivable	(4,805)	(309)
Endowment Spending	1,958	1,873
Miscellaneous Income	18	7
Investment Returns Less Than Amounts Designated for Operations	658	1,882
Net Assets Released From Restrictions	(6,198)	(5,803)
Change in Net Assets With Donor Restrictions	(789)	719
CHANGE IN NET ASSETS	10,717	14,388
Net Assets - Beginning of Year, as Previously Reported	191,019	173,813
Restatement - Adoption of New Standards (Note 1)	-	2,818
Net Assets - Beginning of Year, as Restated	191,019	176,631
NET ASSETS - END OF YEAR	\$ 201,736	\$ 191,019

See accompanying Notes to Consolidated Financial Statements.

WIDENER UNIVERSITY AND AFFILIATE
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2019 AND 2018
(DOLLARS IN THOUSANDS)

	2019	2018 (as Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 10,717	\$ 14,388
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	12,452	12,105
Net Appreciation in Fair Value of Investments	(6,454)	(7,827)
Change in Fair Value of Swap Liability	-	(161)
Contributions Restricted for Long-Term Investment	2,303	(178)
Loss on Termination of Swap	-	836
Loss related to Chester Economic Development Authority	-	2
Changes in Assets and Liabilities:		
Accounts Receivable (Gross)	(1,481)	(2,293)
Allowance for Doubtful Accounts	578	108
Contributions Receivable	3,825	783
Prepaid Expenses and Other Assets	648	(461)
Accounts Payable and Accrued Expenses, Net of Investing Activities	(228)	7,164
Accrued Interest	(44)	(40)
Deferred Revenue and Deposits	(360)	4,092
Asset Retirement Obligation	201	191
Postretirement Benefit Obligation	1,609	(8,491)
Net Cash Provided by Operating Activities	23,766	20,218
CASH FLOWS FROM INVESTING ACTIVITIES		
Net Decrease in Loans to Students	2,281	1,203
Purchase of Property and Equipment	(17,839)	(10,863)
Proceeds from Sales of Investments	37,073	27,648
Purchases of Investments	(33,735)	(25,045)
Net Cash Used by Investing Activities	(12,220)	(7,057)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Contributions Restricted for Long-Term Investment	(2,303)	178
Payments Under Capital Leases	(288)	(402)
Repayments on Bonds Payable	(1,971)	(1,886)
Repayment of Notes Payable	-	(32)
Repayment of Swap	-	(3,538)
Net Change in U.S. Government Grants Refundable	(79)	(68)
Net Cash Used by Financing Activities	(4,641)	(5,748)
NET INCREASE IN CASH AND CASH EQUIVALENTS	6,905	7,413
Cash and Cash Equivalents - Beginning of Year	42,613	35,200
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 49,518	\$ 42,613
SUPPLEMENTAL DISCLOSURE		
Cash Paid for Interest Expense, Net of Capitalized Interest	\$ 3,967	\$ 4,108
NONCASH TRANSACTIONS		
Equipment Financed with Capital Leases	\$ 601	\$ -
Accounts Payable for Capital Projects	\$ 3,014	\$ 1,085

See accompanying Notes to Consolidated Financial Statements.

WIDENER UNIVERSITY AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018
(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 pre-professional curricula. A metropolitan teaching institution, the University is a three-campus university offering more than 150 programs of study leading to one of 90 associate, bachelors, masters, or doctoral degrees. The University's schools include the College of Arts and Sciences, School of Business Administration, School of Engineering, School of Human Service Professions, Delaware Law School, Commonwealth Law School, the School of Nursing, and the Center for Extended Learning.

The University is incorporated in both the Commonwealth of Pennsylvania and the state of Delaware. The University is a private, nonprofit institution of higher education with campuses in Chester, Pennsylvania; Harrisburg, Pennsylvania; and Wilmington, Delaware. The consolidated 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.

During fiscal year 2016, Cares Twenty One S.R.L. (the Affiliate) was formed in Costa Rica. The Affiliate's purpose is to own and operate a property within Costa Rica for educational purposes. The University is the sole owner of the Affiliate.

Basis of Presentation

The University's consolidated financial statements are prepared in accordance with generally accepted accounting principles for nonprofit organizations.

Net assets and revenues, expenses, gains, and losses are classified as without donor restrictions or with donor restrictions based on the absence or existence of donor-imposed restrictions as follows:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed restrictions.

Net assets with donor restrictions – Net assets whose use by the University are subject to donor-imposed stipulations that may or will be met either by actions of the University or the passage of time are reported as net assets with donor restrictions. Additionally, funds received as gifts which have been accepted with the donor stipulation that the principal be maintained intact in perpetuity are reported as net assets with donor restrictions. The investment returns on these gifts held in perpetuity are included in net assets with donor restrictions until such time that the funds are drawn in accordance with the University's spending policy and utilized in accordance with the donor restriction.

WIDENER UNIVERSITY AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018
(DOLLARS IN THOUSANDS)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions, unless their use is restricted by explicit donor stipulation or by law. Expirations of 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.

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 net asset without donor restrictions class.

Contributions made toward long-lived assets are held as net assets with donor restrictions until the asset is placed in service. At such time, the contribution is considered to be released from restriction and reclassified to net assets without donor restriction.

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

- (1) As increases in net assets with donor restriction 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 net assets with donor restriction 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 net assets without donor restrictions 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 net assets with donor restriction until transferred to net assets without donor restrictions.

WIDENER UNIVERSITY AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018
(DOLLARS IN THOUSANDS)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Principals of Consolidation

The consolidated financial statements of the University include the accounts of the Affiliate. All significant inter-organizational transactions have been eliminated in these consolidated financial statements.

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 the postretirement benefit obligation, voluntary retirement program and severance 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. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to certain limits. At times the University's cash may exceed FDIC insurable limits.

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.

WIDENER UNIVERSITY AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018
(DOLLARS IN THOUSANDS)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

Property 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. Capital expenses greater than \$10,000 are capitalized.

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 unearned tuition and fees related to summer semesters and 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 consolidated statements of financial position as a liability.

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 consolidated 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.

WIDENER UNIVERSITY AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018
(DOLLARS IN THOUSANDS)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value of Financial Instruments (Continued)

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.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Self-Insurance

The University maintains a self-insurance program for its employees' health care costs beginning in November 2016. The University is liable for losses on claims up to \$175 per claim and \$10,500 in total for the year. The University has third-party insurance coverage for any losses in excess of such amounts. Self-insurance costs are accrued based on claims reported as of the statement of financial position date as well as an estimated liability for claims incurred but not reported. The total accrued liability for self-insurance costs was \$1,935 and \$2,012 as of June 30, 2019 and 2018, respectively.

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, 2019 and 2018, 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.

WIDENER UNIVERSITY AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018
(DOLLARS IN THOUSANDS)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Tuition and Fee Revenue

The University recognizes revenue from student tuition and fees within the fiscal year in which educational services are provided. Any payments received in advance are classified as deferred revenue in the accompanying consolidated statements of financial position. The University provides financial aid to eligible students, generally in a package that can include loans, compensation under work-study programs, and/or grant and scholarship awards. The loans are provided primarily through programs with the U.S. government under which the University is responsible only for certain administrative duties. The grant and scholarships include awards provided from gifts and grants from private donors, income earned on endowment funds restricted for student aid, and University funds.

Four summer terms are offered: half summer I from mid-May to the end of June; half summer II from early July to mid-August; full-term summer I from mid-May to mid-August; and full-term summer II from end of May to mid-August. Payments of tuition and housing for all of the summer terms are recognized as performance obligations are met. Because the academic terms for Full-term Summer I and II span two reporting periods, a portion of the revenues are included in deferred revenue.

Sponsored Awards

The University receives sponsored program funding from various governmental and corporate sources. The funding may represent a reciprocal transaction in exchange for an equivalent benefit in return, or it may be a nonreciprocal transaction in which the resources provided are for the benefit of the University, the funding organization's mission, or the public at large.

Revenues from exchange transactions are recognized as performance obligations are satisfied.

Revenues from non-exchange transactions (contributions) may be subject to conditions, in the form of both a barrier to entitlement and a refund of amounts paid (or a release from obligations to make future payments). Revenues from conditional non-exchange transactions are recognized when the barrier is satisfied.

Indirect costs recovered on federally sponsored programs are generally based on predetermined reimbursement rates, which are stated as a percentage and distributed based on the modified total direct costs incurred. The University negotiates its federal indirect rate with its cognizant federal agency. Indirect costs recovered on all other grants and contracts are based on rates negotiated with the respective sponsors. Funds received for sponsored research activity are subject to audit. Based upon information currently available, management believes that any liability resulting from such audits will not materially affect the financial position or operations of the University.

WIDENER UNIVERSITY AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018
(DOLLARS IN THOUSANDS)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Auxiliary Enterprises Revenue

Auxiliary enterprises revenue includes revenues from contracts with customers to provide student housing and dining facilities, the campus store, child development center and other miscellaneous activities. Performance obligations for housing and dining services are delivered over the academic terms. Consequently, revenue from housing and dining services is recognized ratably as services are rendered.

Reclassifications

Certain reclassifications have been made to the 2018 amounts to conform to the 2019 presentation.

Adoption of New Accounting Standards and Restatement

The University has adopted the accounting guidance in Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities* (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. The new guidance improves and simplifies the current net asset classification requirements and information presented in the financial statements and notes that is useful in assessing a nonprofit's liquidity, financial performance, and cash flows. Adoption of ASU 2016-14 resulted in the reclassification of the presentation of net assets between unrestricted, temporarily restricted and permanently restricted net assets to net assets without and with donor restrictions, as well as expansion of financial statement disclosures in accordance with this standard.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606). The core principle of Topic 606 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve that core principle, an entity should apply the following steps: (1) identify the contract(s) with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when (or as) the entity satisfies a performance obligation. ASU 2014-09 is effective for fiscal years beginning after December 15, 2017. The University adopted ASU 2014-09 during 2019 and elected retrospective application.

In June 2018, the FASB issued ASU No. 2018-08, *Clarifying the Scope of the Accounting Guidance for Contributions Received and Contributions Made*. The new guidance is intended to clarify and improve accounting guidance for contributions received and contributions made. The amendments in this ASU should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. ASU 2018-08 is effective for fiscal years beginning after June 15, 2018. The University adopted ASU 2018-08 during 2019 and elected retrospective application.

WIDENER UNIVERSITY AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018
(DOLLARS IN THOUSANDS)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of New Accounting Standards and Restatement (Continued)

Adoption of Topic 606 and ASU 2018-08 resulted in changes to the University's accounting policies for revenue recognition, student and grant receivables, and deferred liabilities as detailed below. The University applied the new guidance using the following practical expedients which are provided in Topic 606. Completed contracts that began and ended in the same year were not restated; the actual, rather than estimated, consideration was used to determine the transaction price; and the amount of the transaction price allocated to the remaining performance obligations and details of when the organization expects to recognize that amount as revenue for 2018 was not disclosed. The effects of applying these practical expedients were not significant to the financial statements.

The University adjusted its 2018 financial statements from amounts previously reported to adopt the new guidance. The following are the line items from the consolidated statement of financial position as of June 30, 2018, as previously reported, the adjustments, and the restated balances:

	As Previously Reported	ASU 2014-09 Adjustments	ASU 2018-08 Adjustments	As Adjusted
Assets				
Students Receivable, Net	\$ 1,963	\$ 4,349	-	\$ 6,312
Grants and Other Receivables	1,056	-	358	1,414
Total Assets	365,239	4,349	358	369,946
Liabilities				
Deferred Revenue and Deposits	\$ 6,901	\$ 4,023	-	\$ 10,924
Total Liabilities	174,905	4,022	-	178,927
Net Assets				
Without Donor Restriction	\$ 128,904	\$ 327	\$ 261	\$ 129,492
With Donor Restriction	61,430	-	97	61,527
Total Net Assets	190,334	327	358	191,019
Total Liabilities and Net Assets	365,239	4,349	358	369,946

WIDENER UNIVERSITY AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018
(DOLLARS IN THOUSANDS)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of New Accounting Standards and Restatement (Continued)

Following are the line items from the consolidated statement of activities and consolidated statement of cash flows for the year ended June 30, 2018, as previously reported, the adjustments, and the restated amounts:

	Consolidated Statement of Activities			
	As Previously Reported	ASU 2014-09 Adjustments	ASU 2018-08 Adjustments	As Adjusted
Tuition and Fees	\$ 113,208	\$ (1,331)	\$ -	\$ 111,877
Federal Grants and Contracts	1,387		102	1,489
State Grants and Contracts	651	-	(19)	632
Auxiliary Enterprises	23,072	7	-	23,079
Revenues and Gains Without Donor Restrictions	144,906	(1,324)	83	143,665
Total Revenues and Gains Without Donor Restrictions	150,709	(1,324)	83	149,468
Total Operating Income	2,884	(1,324)	83	1,643
Total Change in Net Assets Without Donor Restrictions	14,910	(1,324)	83	13,669
Private Gifts, Grants, and Contracts Change in Net Assets With Donor Restrictions	3,652		(892)	3,069
	1,611		(892)	719
Change in Net Assets	16,521	(1,324)	(809)	14,388
Net Assets - Beginning of Year	173,813	1,650	1,168	176,631
Net Assets - End of Year	190,334	326	359	191,019

	Consolidated Statement of Cash Flows			
	As Previously Reported	ASU 2014-09 Adjustments	ASU 2018-08 Adjustments	As Adjusted
Change in Net Assets	\$ 16,521	\$ (1,324)	\$ (809)	\$ 14,388
Changes in Assets and Liabilities:				
Accounts Receivable Gross	(403)	(2,701)	811	(2,293)
Deferred Revenue and Deposits	69	4,023	-	4,092

WIDENER UNIVERSITY AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018
(DOLLARS IN THOUSANDS)

NOTE 2 REVENUE FROM CONTRACTS WITH CUSTOMERS

Revenue Recognition

Revenue from contracts with customers is recognized when control of the promised goods or services is transferred to our customers (students), in an amount that reflects the consideration we expect to be entitled in exchange for those goods or services.

The following table shows the University's tuition revenue disaggregated according to the timing of transfer of goods or service and by source:

Revenue Recognized over Time:	Year Ended June 30, 2019	Year Ended June 30, 2018
Undergraduate Tuition and Fees	\$ 60,590	\$ 56,398
Extended Learning Tuition and Fees	2,317	2,571
Graduate Tuition and Fees	58,991	52,908
Total	\$ 121,898	\$ 111,877

The following table shows the University's auxiliary revenues disaggregated according to the timing of transfer of goods or service and by source:

Revenue Recognized over Time:	Year Ended June 30, 2019	Year Ended June 30, 2018
Housing	\$ 14,346	\$ 13,842
Dining	9,070	8,468
Other	751	769
Total	\$ 24,167	\$ 23,079

WIDENER UNIVERSITY AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018
(DOLLARS IN THOUSANDS)

NOTE 2 REVENUE FROM CONTRACTS WITH CUSTOMERS (CONTINUED)

Performance Obligations and Revenue Recognition

The University has four academic terms: fall, spring, summer 1, and summer 2. Tuition revenue is recognized in the fiscal year in which the academic programs are delivered. Auxiliary revenue is recognized in the fiscal year in which housing and food services are provided. Any payments received prior to fiscal year end related to academic terms that occur subsequent to fiscal year end are recorded as deferred revenue in the accompanying consolidated statements of financial position.

Customer contracts generally have separately stated prices for each performance obligation contained in the contract. Therefore, each performance obligation generally has its own standalone selling price. Arrangements for payment are agreed to prior to registration of the student's first academic term. Generally, payments for tuition, fees and auxiliaries are due approximately two weeks prior to the start of the academic terms. Students may also enter into a payment plan in which payment is due at predetermined dates during the course of a semester. Many students obtain Title IV or other financial aid resulting in the University receiving a significant amount of the transaction price at the beginning of the academic term.

Transaction Price

Revenue, or transaction price, is measured as the amount of consideration expected to be received in exchange for transferring goods or services. Tuition and auxiliary revenues are reported at established rates.

Students may receive discounts, scholarships or refunds, which gives rise to variable consideration. The amount of discounts or scholarships are applied to individual student accounts when such amounts are awarded. Therefore, the transaction price is reduced directly by these discounts or scholarships from the amount of the standard rates charged.

Students who adjust their course load or withdraw completely within the first 8 days of the academic term (add/drop period) may receive a full or partial refund in accordance with the University's refund policy. Once the add/drop period passes, students are no longer eligible for a refund.

If a student withdraws prior to completing an academic term, federal regulations permit the University to retain only a set percentage of the total tuition and auxiliary revenues received from such student, which varies with, but generally equals or exceeds, the percentage of the academic term completed by such student. Payment amounts received by the University in excess of such set percentages of tuition are refunded to the student or the appropriate funding source.

Management reassesses collectability throughout the period revenue is recognized by the University based on the aging of the students' accounts receivable balances.

WIDENER UNIVERSITY AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018
(DOLLARS IN THOUSANDS)

NOTE 2 REVENUE FROM CONTRACTS WITH CUSTOMERS (CONTINUED)

Contract Balances

Tuition, fees and auxiliary revenues are recognized in the period classes and services are provided and amounts received for future periods are reported as deferred revenue. Students are billed at the beginning of each academic term and payment is due at pre-established dates prior to the start of the academic term. The University's performance obligations are to provide educational services in the form of instruction as well as housing facilities and meals during the academic term. As these performance obligations are satisfied over the academic term, deferred revenue is reduced.

The activity and balances for deposits and deferred revenue from contracts with customers are shown in the following table:

	Summer Terms (Tuition & Housing)	Student Organizations	Other Organizations	Deposits	Total
Balance at June 30, 2017	\$ 6,379	\$ 302	\$ 74	\$ 77	\$ 6,832
Revenue Recognized	(6,379)	(302)	(74)	(77)	(6,832)
Payments Received and/or Amounts Billed in Advance of Performance	10,444	320	95	65	10,924
Balance at June 30, 2018	10,444	320	95	65	10,924
Revenue Recognized	(10,444)	(320)	(95)	(65)	(10,924)
Payments Received and/or Amounts Billed in Advance of Performance	10,149	274	125	16	10,564
Balance at June 30, 2019	\$ 10,149	\$ 274	\$ 125	\$ 16	\$ 10,564

The balance of deferred revenue at June 30, 2019 will be recognized as revenue over the related academic term beginning on July 1, 2019 as services are rendered.

Practical Expedients

As the University's performance obligations have an original expected duration of one year or less, the University has applied the practical expedient to not disclose the amount of the transaction price allocated to our performance obligations that are unsatisfied (or partially unsatisfied) as of the end of the reporting period and when the entity expects to recognize this amount as revenue. All consideration from contracts with customers is included in the transaction price.

WIDENER UNIVERSITY AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018
(DOLLARS IN THOUSANDS)

NOTE 3 LIQUIDITY

To help manage unanticipated liquidity needs, the University has signed a line of credit in the amount of \$5,000 in 2018 which it could draw upon. Additionally, the University has a quasi-endowment of \$43,084. Although the University does not intend to spend from its quasi-endowment other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation, amounts from its quasi-endowment could be made available if necessary. However, both the quasi-endowment and donor endowment contain lock-up provisions that would reduce the total investments that could be made available.

The University's financial assets due within one year of the balance sheet date for general expenditure are as follows:

Cash and Cash Equivalents	\$	49,518
Student Receivable		6,871
Affiliates Receivable		668
Grants and Other Receivables		1,683
		1,683
	\$	58,740

The University endowment funds consist of donor endowment and quasi-endowment. Income from the donor endowment is restricted for specific purposes and, therefore, is not available for general expenditure. The quasi-endowment has a spending rate of 6.2%.

NOTE 4 CONTRIBUTIONS RECEIVABLE

Contributions receivable are summarized as follows at June 30:

	2019	2018
Unconditional Promised Expected to be Collected:		
Within One Year	\$ 82	\$ 4,673
Between One and Five Years	2,277	379
After Five Years	28	554
	2,387	5,606
Less:		
Allowance for Uncollectible Contributions Receivable	(957)	(387)
Present Value Discount (1.2% - 3.4%)	(159)	(123)
	\$ 1,271	\$ 5,096

Development costs were \$1,891 and \$1,832 for the years ended June 30, 2019 and 2018, respectively.

WIDENER UNIVERSITY AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018
(DOLLARS IN THOUSANDS)

NOTE 5 INVESTMENTS

The University records investments at fair value. Long-term investments are comprised primarily of the endowment funds, which has a fair value of \$94,575 and \$91,758 as of June 30, 2019 and 2018, respectively, and are invested through fund managers.

The University has investments in University Technology Park, Inc. and Uno Providence LLC, which are recorded using the equity method of accounting and totaled \$748 and \$770 as of June 30, 2019 and 2018, respectively.

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

	2019	2018
Equity Funds	\$ 58,607	\$ 57,573
Commodities	2,606	3,638
Venture Capital	4,493	3,623
Natural Resources	8,158	5,469
Fixed Income	18,162	17,635
Real Estate	2,572	3,760
Money Market Funds	68	105
Other	3,031	2,755
Total	\$ 97,697	\$ 94,558

Investment fees were \$164 and \$167 for the years ended June 30, 2019 and 2018, respectively.

WIDENER UNIVERSITY AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018
(DOLLARS IN THOUSANDS)

NOTE 5 INVESTMENTS (CONTINUED)

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, 2019 Using		
		Level 1	Level 2	Level 3
Assets:				
Equity Funds	\$ 88	\$ 88	\$ -	\$ -
Money Market Funds	1	1	-	-
Other	3,033	3,033	-	-
Subtotal	<u>3,122</u>	<u>3,122</u>	-	-
Investments Measured at Fair Value using Net Asset Value per Share	94,575			
Equity Method Investments	750			
Total Investments	<u>\$ 98,447</u>			

	Fair Value	Fair Value Measurements at June 30, 2018 Using		
		Level 1	Level 2	Level 3
Assets:				
Equity Funds	\$ 45	\$ 45	\$ -	\$ -
Other	2,755	2,755	-	-
Subtotal	<u>2,800</u>	<u>2,800</u>	-	-
Investments Measured at Fair Value using Net Asset Value per Share	91,758			
Equity Method Investments	770			
Total Investments	<u>\$ 95,328</u>			

WIDENER UNIVERSITY AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018
(DOLLARS IN THOUSANDS)

NOTE 5 INVESTMENTS (CONTINUED)

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

June 30, 2019		
Investment Category	Investment Strategy	Redemption Terms
Strategic Solutions Global Equity	Equity	Monthly, with 5 Days Prior Notice
State Street Inst US Govt Money Mkt Fund	Fixed	Daily, by 3:00 PM EST Day of Transaction
High Quality Bond Fund	Fixed	Weekly, with 5 Days Prior Notice
CF Credit Series	Fixed	Monthly, with 90 Days Prior Notice
Global Absolute Alpha Company	Hedge Fund	Quarterly, with 65 Days Prior Notice
SSgA S&P Global Large Midcap Nat Res	Natural Resources	Monthly, with 30 Days Prior Notice
SSgA US High Yield Bond Index Common Tru	Real Assets	Daily, with 2 Days Prior Notice
SSgA Tuckerman US REIT Index NL QP	Real Assets	Daily, with 2 Days Prior Notice

June 30, 2018		
Investment Category	Investment Strategy	Redemption Terms
Strategic Solutions Global Equity	Equity	Monthly, with 5 Days Prior Notice
High Quality Bond Fund	Fixed	Weekly, with 5 Days Prior Notice
Global Absolute Alpha Company	Hedge Fund	Quarterly, with 65 Days Prior Notice
SSgA S&P Global Large Midcap Nat Res	Natural Resources	Monthly, with 30 Days Prior Notice
SSgA US High Yield Bond Index Common Tru	Real Assets	Daily, with 2 Days Prior Notice
SSgA Tuckerman US REIT Index NL QP	Real Assets	Daily, with 2 Days Prior Notice

The University has \$23,430 and \$18,601 as of June 30, 2019 and 2018, respectively, of investments in nonmarketable 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.

WIDENER UNIVERSITY AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018
(DOLLARS IN THOUSANDS)

NOTE 5 INVESTMENTS (CONTINUED)

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

The University's nonmarketable investments are generally not redeemable as of June 30, 2019 and 2018. Major categories held at June 30, and their significant investment strategies include:

June 30, 2019	
Alternative Investment Category	Investment Strategy
Private Equity Partners VI	Private Equity
Private Equity Partners VII	Private Equity
CCI-SSG Global Private Equity Fund	Private Equity
CCI-SSG Global Private Equity Fund II, L	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
Venture Partners XI	Venture
Venture Partners XII	Venture
Commonfund Private Credit Fund 2018	Private Capital
Cerberus Offshore LLOF III, L.P.	Private Capital
Natural Resources Partners VII	Natural Resources
Natural Resources Partners VIII	Natural Resources
Natural Resources Partners IX	Natural Resources
Natural Resources Partners XI	Natural Resources
Strategic Solutions Core Real Estate Fd.	Real Estate
SSG Realty Opportunities Fund 2014	Real Estate
Commonfund Real Estate Opportunity Fund	Real Estate

June 30, 2018	
Alternative Investment Category	Investment Strategy
Private Equity Partners VI	Private Equity
Private Equity Partners VII	Private Equity
CCI-SSG Global Private Equity Fund	Private Equity
CCI-SSG Global Private Equity Fund II, L	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
Venture Partners XI	Venture
Venture Partners XII	Venture
Cerberus Offshore LLOF III, L.P.	Private Capital
Natural Resources Partners VII	Natural Resources
Natural Resources Partners VIII	Natural Resources
Natural Resources Partners IX	Natural Resources
Natural Resources Partners XI	Natural Resources
SSG Realty Opportunities Fund 2014	Real Estate
Strategic Solutions Core Real Estate Fd.	Real Estate

WIDENER UNIVERSITY AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018
(DOLLARS IN THOUSANDS)

NOTE 5 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 2019, 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, 2019	Redemption Terms
Private Equity Partners VI	1	\$ 41	N/A
Private Equity Partners VII	3	47	N/A
CCI-SSG Global Private Equity Fund	10	1,286	N/A
CCI-SSG Global Private Equity Fund II, L	10	2,097	N/A
CCI-SSG Global Private Equity Fund III	10	3,000	N/A
International Private Equity Partners V	1	26	N/A
International Private Equity Partners VI	3	38	N/A
Venture Partners VII	1	15	N/A
Venture Partners VIII	3	29	N/A
Venture Partners IX	6	29	N/A
Venture Partners XI	10	630	N/A
Venture Partners XII	10	1,720	N/A
Commonfund Private Credit Fund 2018	10	1,100	N/A
Cerberus Offshore LLOF III, L.P.	2	829	N/A
Natural Resources Partners VII	2	19	N/A
Natural Resources Partners VIII	4	35	N/A
Natural Resources Partners IX	7	601	N/A
Natural Resources Partners XI	10	2,205	N/A
SSG Realty Opportunities Fund 2014	5	667	N/A
Commonfund Real Estate Opportunity Fund	10	3,929	N/A
		<u>\$ 18,343</u>	

NOTE 6 STUDENT LOANS RECEIVABLE

The University issues uncollateralized loans to students based on financial need. Student loans are funded through the Perkins Federal Loan Program. Allowances for doubtful accounts are established based upon prior collection experience and current economic factors, which, in management's judgment, could influence the ability of loan recipients to repay the amounts per the loan terms.

WIDENER UNIVERSITY AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018
(DOLLARS IN THOUSANDS)

NOTE 6 STUDENT LOANS RECEIVABLE (CONTINUED)

Student loans receivable consist of the following:

	2019	2018
Federal Government Programs, Gross	\$ 12,030	\$ 12,926
Less: Allowance for Doubtful Accounts		
Beginning of Year	(2,935)	(2,235)
Increases	(1,385)	(700)
Write-offs	-	-
End of Year	<u>(4,320)</u>	<u>(2,935)</u>
Student Loans Receivable, Net	<u>\$ 7,710</u>	<u>\$ 9,991</u>

Government advances and related interest earned on Perkins Loans of \$6,632 and \$6,711 as of June 30, 2019 and 2018, respectively, are ultimately refundable to the United States Government and thus are reported as a liability.

NOTE 7 PROPERTY AND EQUIPMENT

At June 30, property and equipment were as follows:

	2019	2018
Land	\$ 17,396	\$ 17,374
Buildings		
Cost of Buildings	220,165	220,076
Less: Accumulated Depreciation	<u>(82,756)</u>	<u>(78,531)</u>
Net Cost of Buildings	137,409	141,545
Building Improvements		
Cost of Improvements	114,875	107,405
Less: Accumulated Depreciation	<u>(74,804)</u>	<u>(69,307)</u>
Net Cost of Improvements	40,071	38,098
Furniture and Equipment		
Cost of Furniture and Equipment	64,438	60,079
Less: Accumulated Depreciation	<u>(55,190)</u>	<u>(53,171)</u>
Net Cost of Furniture and Equipment	9,248	6,908
Computers		
Cost of Computers	10,163	9,288
Less: Accumulated Depreciation	<u>(8,683)</u>	<u>(8,003)</u>
Net Cost of Computer Equipment	1,480	1,285
Construction in Progress	7,139	1,514
Net Property and Equipment	<u>\$ 212,743</u>	<u>\$ 206,724</u>

WIDENER UNIVERSITY AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018
(DOLLARS IN THOUSANDS)

NOTE 7 PROPERTY AND EQUIPMENT (CONTINUED)

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 2019 and 2018. The liability relates to estimated costs to remove asbestos that is contained within the University's facilities, and is as follows for the years ended June 30:

	<u>2019</u>	<u>2018</u>
Asset Retirement Obligation - Beginning of Year	\$ 4,013	\$ 3,822
Accretion	201	191
Less: Disposals	-	-
Asset Retirement Obligation - End of Year	<u>\$ 4,214</u>	<u>\$ 4,013</u>

Depreciation and accretion costs are approximately \$229 and \$219 for the years ended June 30, 2019 and 2018, respectively.

NOTE 8 CAPITAL LEASES

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

	<u>2019</u>	<u>2018</u>
Furniture and Equipment	\$ 451	\$ 451
Computers	2,612	2,011
Less: Accumulated Depreciation	(2,445)	(2,105)
Net of Accumulated Depreciation	<u>\$ 618</u>	<u>\$ 357</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, 2019:

<u>Year Ending June 30,</u>	<u>Amount</u>
2020	\$ 352
2021	160
2022	160
2023	160
Total Minimum Lease Payments	832
Less: Amount Representing Interest	(41)
Present Value of Net Minimum Lease Payments	<u>\$ 791</u>

WIDENER UNIVERSITY AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018
(DOLLARS IN THOUSANDS)

NOTE 9 OPERATING LEASES

The University has noncancelable operating leases ending in 2020 through 2023 for certain facilities and equipment. Rental expense under these agreements was \$188 and \$194 for the years ended June 30, 2019 and 2018, respectively. Future minimum lease payments are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2020	\$ 209
2021	125
2022	47
2023	1

NOTE 10 LONG-TERM DEBT

Bonds and notes payable comprise the following:

	<u>Dated</u>	<u>Security</u>	<u>Due Serially to</u>	<u>Original Amount</u>	<u>Interest Rate</u>	<u>Outstanding Principal Balance</u>	
						<u>June 30</u>	<u>June 30</u>
						<u>2019</u>	<u>2018</u>
Pennsylvania Higher Education Facilities Authority Bonds	2013	Dormitory	2043	11,980	5.50%	\$ 11,980	\$ 11,980
Pennsylvania Higher Education Facilities Authority Bonds	2013A	Refinancing	2038	52,875	4.00% to 5.50%	48,030	49,400
Pennsylvania Higher Education Facilities Authority Bonds	2014	Refinancing	2038	19,605	2.00% to 5.00%	17,340	17,905
						<u>77,350</u>	<u>79,285</u>
Unamortized Discount on Bonds						(353)	(368)
Unamortized Premium on Bonds						1,095	1,145
Unamortized Issuance Costs on Bonds						(705)	(738)
Bonds Payable						<u>\$ 77,387</u>	<u>\$ 79,324</u>

In August 2013, the University borrowed \$11,980 for the construction of dormitory facilities on the Main Campus. Financing was arranged through a bond offering with the Authority. The bond offering original principal consisted of term bonds of \$1,235 that bear interest at 5.5% and are due on July 15, 2035; term bonds of \$2,130 that bear interest at 5.5% and are due on July 15, 2038; and term bonds of \$8,615 that bear interest at 5.5% and are due on July 15, 2043.

WIDENER UNIVERSITY AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018
(DOLLARS IN THOUSANDS)

NOTE 10 LONG-TERM DEBT (CONTINUED)

In November 2013, the University borrowed \$52,875 for the refinancing of the 2003 revenue bonds and the partial refinancing of the 2005 revenue bonds. The 2003 revenue bonds were for the refinancing of the 1992, 1993, 1996, and 2000 revenue bonds, as well as the construction of a Science and Engineering building on the Main Campus. Financing was arranged through a bond offering with the Authority. The 2013A bond offering original principal consisted of \$22,995 of serial bonds that bear interest at the annual rate of 4.0% to 5.25% and are due over thirteen years beginning July 15, 2015 and maturing July 15, 2028; term bonds of \$4,840 that bear interest at 5.0% and are due on July 15, 2030; term bonds of \$8,270 that bear interest at 5.25% and are due on July 15, 2033; and term bonds of \$16,770 that bear interest at 5.5% and are due on July 15, 2038.

In September 2014, the University borrowed \$19,605 for the refinancing of the 2005 revenue bonds. Financing was arranged through a bond offering with the Authority. The bond offering original principal consisted of \$14,705 of serial bonds that bear interest at the annual rate of 2.0% to 5.0% and are due over nineteen years beginning July 15, 2015 and maturing July 15, 2034; term bonds of \$4,900 that bear interest at 5.0% and are due on July 15, 2038.

Total interest was \$3,886 and \$3,995 for the year ended June 30, 2019 and 2018, respectively.

At June 30, 2019, the University's obligations mature as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2020	\$ 2,030
2021	2,120
2022	2,225
2023	2,325
2024	2,425
Thereafter	66,225
Total	<u>\$ 77,350</u>

NOTE 11 BASIS SWAP ARRANGEMENT

In 2007, the University entered into a basis swap transaction with a commercial bank to reduce its ongoing interest expense associated with the Series 2003 and 2005 Bonds which were subsequently refunded. The agreement took effect May 25, 2007. Under the terms of the agreement, the University paid a floating rate of interest equal to the Securities Industry and Financial Markets Association (SIFMA) Index and received a floating rate equal to 67% of one-month LIBOR. The University received an up-front cash payment of \$3,265, which represented the net present value of the basis swap savings. The University also recorded \$879 in prepaid bank fees.

WIDENER UNIVERSITY AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018
(DOLLARS IN THOUSANDS)

NOTE 11 BASIS SWAP ARRANGEMENT (CONTINUED)

The University terminated the swap agreement on October 10, 2017, and as such, the balance was \$0 at June 30, 2018. The University recognized a loss on the termination of the swap agreement in the amount of (\$836) in 2018, along with a net fair market value loss of (\$9) for the year ended June 30, 2018.

NOTE 12 EMPLOYEE BENEFIT PLANS

The University has a 403(b) tax-deferred saving plan for faculty, administrative staff, and other employees. The plan is funded by the purchase of individual annuity contracts and mutual funds. The University makes a matching contribution of 100% of participants' deferrals up to the first 5% after the employee has met the age and service requirements. The University also makes a nondiscretionary employer contribution of 5% of eligible compensation for employees, even if the employees have not elected to make their own deferral contributions after they meet the age and service requirements. 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 \$5,283 and \$5,364 for the years ended June 30, 2019 and 2018, 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>2019</u>	<u>2018</u>
Change in Benefit Obligation		
Benefit Obligation at Beginning of Year	\$ 56,411	\$ 65,254
Service Cost	1,160	1,359
Interest Cost	2,200	2,156
Plan Participants' Contributions	242	211
Actuarial (Gain) Loss	(20)	(10,789)
Benefits Paid	(2,009)	(1,833)
Medicare Part D Prescription Drug Federal Subsidy	36	53
Benefit Obligation at End of Year	<u>\$ 58,020</u>	<u>\$ 56,411</u>

WIDENER UNIVERSITY AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018
(DOLLARS IN THOUSANDS)

NOTE 12 EMPLOYEE BENEFIT PLANS (CONTINUED)

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

	<u>2019</u>	<u>2018</u>
Service Cost	\$ 1,160	\$ 1,359
Interest Cost	2,200	2,155
Amortization of Prior Service Credit	(36)	(36)
Amortization of Unrecognized Loss	86	1,423
Net Periodic Postretirement Benefit Cost	<u>\$ 3,410</u>	<u>\$ 4,901</u>

The accumulated postretirement benefit obligation was determined using a discount rate of 3.57% in 2019 and 4.21% in 2018 and a healthcare cost trend rate of 7.05% in 2019 and 8% in 2018. This rate gradually decreases to 4.5% by the year 2027 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 \$10,035 and \$9,699 at June 30, 2019 and 2018, respectively, and increase the aggregate of the service and interest cost components of the net periodic postretirement benefit cost by \$605 and \$658 for the years ended June 30, 2019 and 2018, respectively.

The University's expected employer contributions are \$1,806 for the year ending June 30, 2020.

At June 30, 2019, the University's expected future benefit payments for future service are as follows:

Estimated Future Benefits Payments Reflecting Expected Future Service for <u>the Fiscal Year Ending June 30:</u>	
2020	\$ 1,674
2021	1,820
2022	1,962
2023	2,130
2024	2,291
2025 - 2029	13,987

At June 30, 2019, the items not yet recognized as a component of net periodic postretirement benefit cost are as follows:

Unrecognized Prior Service Cost	\$ (118)
Unrecognized Net Loss	6,293
Total Unamortized Items	<u>\$ 6,175</u>

In addition to service and interest costs, the components of projected net periodic postretirement benefit cost for fiscal 2019 are amortization of prior service credit of approximately \$36 and amortization of net actuarial losses of approximately \$86.

WIDENER UNIVERSITY AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018
(DOLLARS IN THOUSANDS)

NOTE 13 NET ASSET BALANCES

Net assets with donor restrictions related to purpose restrictions consist of the following at June 30:

	2019	2018
Funds Held for Accumulated Gains on True Endowment	\$ 12,724	\$ 12,076
Funds Held for Scholarships	2,118	1,873
Funds Held for Special Projects	6,073	5,470
	\$ 20,915	\$ 19,419

Net assets with donor restrictions related to endowment funds consist of the following at June 30:

	2019	2018
Funds Held in Support of Scholarships	\$ 19,048	\$ 18,794
Funds Held in Support of Academic Professorships	6,096	5,224
Funds Held in Support of General Operations	2,321	2,314
Funds Held for Other Purposes	11,568	14,986
Land Held for Conservation	790	790
	\$ 39,823	\$ 42,108

NOTE 14 ENDOWMENTS

The University's endowment consists of 322 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 net assets with donor restrictions endowment funds as (a) the original value of gifts donated to the endowment; (b) the original value of subsequent gifts to the endowment; and (c) accumulations to the 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 is classified as net assets with donor restrictions 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 AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018
(DOLLARS IN THOUSANDS)

NOTE 14 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% and 5.0% for the years ended June 30, 2019 and 2018, respectively. 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. There were no deficiencies of this nature as of June 30, 2019 and 2018.

WIDENER UNIVERSITY AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018
(DOLLARS IN THOUSANDS)

NOTE 14 ENDOWMENTS (CONTINUED)

Net Asset Classifications of Endowment Funds

Net asset classification by type of endowment as of June 30, 2019:

	Without Donor Restriction	With Donor Restriction	Total
Donor-Restricted Endowment Funds	\$ -	\$ 52,272	\$ 52,272
Board-Designated Endowment Funds	43,279	-	43,279
	<u>\$ 43,279</u>	<u>\$ 52,272</u>	<u>\$ 95,551</u>

Changes in endowment net assets for the year ended June 30, 2019:

	Without Donor Restriction	With Donor Restriction	Total
Endowment Net Assets, Beginning of Year	\$ 43,234	\$ 53,258	\$ 96,492
Investment Return			
Investment Income	231	256	487
Net Appreciation (Realized and Unrealized Gains and Losses)	2,750	3,234	5,984
Total Investment Loss	2,981	3,490	6,471
Contributions	100	2,593	2,693
Loss on Write Off of Pledges	-	(4,804)	(4,804)
Appropriation of Endowment Assets for Expenditure	(3,036)	(2,265)	(5,301)
	<u>\$ 43,279</u>	<u>\$ 52,272</u>	<u>\$ 95,551</u>

WIDENER UNIVERSITY AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018
(DOLLARS IN THOUSANDS)

NOTE 14 ENDOWMENTS (CONTINUED)

Net Asset Classifications of Endowment Funds (Continued)

Net asset classification by type of endowment as of June 30, 2018:

	Without Donor Restriction	With Donor Restriction	Total
Donor-Restricted Endowment Funds	\$ -	\$ 53,258	\$ 53,258
Board-Designated Endowment Funds	43,234	-	43,234
	<u>\$ 43,234</u>	<u>\$ 53,258</u>	<u>\$ 96,492</u>

Changes in endowment net assets for the year ended June 30, 2018:

	Without Donor Restriction	With Donor Restriction	Total
Endowment Net Assets, Beginning of Year	\$ 41,178	\$ 51,304	\$ 92,482
Investment Return			
Investment Income	908	997	1,905
Net Depreciation (Realized and Unrealized Gains and Losses)	2,952	3,030	5,982
Total Investment Return	<u>3,860</u>	<u>4,027</u>	<u>7,887</u>
Contributions	253	101	354
Appropriation of Endowment Assets for Expenditure	(2,057)	(2,174)	(4,231)
	<u>\$ 43,234</u>	<u>\$ 53,258</u>	<u>\$ 96,492</u>

NOTE 15 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, 2019, 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.

The University has an outstanding construction commitment of approximately \$9,200 as of June 30, 2019.

WIDENER UNIVERSITY AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018
(DOLLARS IN THOUSANDS)

NOTE 16 RELATED PARTIES

The University is the sole member of the Widener Partnership Charter School, Inc., (the School) a non-profit corporation. The School's bylaws stipulate that the University will nominate and elect the members of the School's Board of Trustees and that there shall be no less than ten (10) and no more than twenty (20) trustees. The School also has an arrangement with the University that the School will reimburse the University for general and administrative services rendered at a rate of 3% and 4% of tuition revenue for the years ended June 30, 2019 and 2018, respectively. As of June 30, 2019 and 2018, the School has a payable to the University in the amount of \$10 and a receivable of \$4, respectively. Rent expense charged to the School from the University for use of the school building was \$700 and \$1,000 for the years ended June 30, 2019 and 2018. Related party expenses charged to the School from the University for management and professional services were \$176 and \$225 for the years ended June 30, 2019 and 2018, respectively.

The University is the sole member of the Neuropsychology Assessment Center (NAC), a non-profit corporation. NAC's bylaws stipulate that the University will nominate and elect the members of NAC's Board of Trustees and that there shall be no less than three (3) and no more than fifteen (15) trustees. As of June 30, 2019 and 2018, NAC had a gross payable to the University in the amount of \$228 and \$207, respectively.

A Widener University Trustee owns Brian Communications. The University had an advertising contract with Brian Communications and paid them \$103 and \$165 for years ended June 30, 2019 and 2018, respectively.

The University has \$597 and \$5,163 in gross pledges receivable due from members of the board of trustees as of June 30, 2019 and 2018, respectively.

NOTE 17 LINE OF CREDIT

Effective June 27, 2018, the University signed a line of credit for \$5,000, which is secured by the University's revenues. Draws on the line of credit bear interest at the prime rate. The University was obligated for \$-0- at June 30, 2019 and 2018.

WIDENER UNIVERSITY AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018
(DOLLARS IN THOUSANDS)

NOTE 18 FUNCTIONAL EXPENSES

The statements of activities present expenses by functional classification. The table below presents expenses by both their nature and function for the years ended June 30, 2019 and 2018.

2019	Salaries and						Total
	Wages	Benefits	O&M	Depreciation	Interest	Other	
Instructional	\$ 41,640	\$ 14,507	\$ 4,444	\$ 3,469	\$ 1,065	\$ 3,405	\$ 68,530
Research	285	55	-	-	-	425	765
Public Service	334	98	-	-	-	84	516
Academic Support	4,417	1,739	1,457	1,137	349	5,076	14,175
Student Service	7,856	3,089	2,684	2,096	643	3,291	19,659
Institutional Support	9,759	9,160	766	598	183	4,877	25,343
Auxiliary Enterprises	1,058	387	6,871	5,364	1,646	7,479	22,805
Total	\$ 65,349	\$ 29,035	\$ 16,222	\$ 12,664	\$ 3,886	\$ 24,637	\$ 151,793

2018	Salaries and						Total
	Wages	Benefits	O&M	Depreciation	Interest	Other	
Instructional	\$ 40,758	\$ 16,605	\$ 4,499	\$ 3,371	\$ 1,095	\$ 3,190	\$ 69,518
Research	234	53	-	-	-	252	539
Public Service	285	82	-	-	-	95	462
Academic Support	4,456	1,959	1,474	1,105	359	4,882	14,235
Student Service	7,673	3,499	2,717	2,036	661	3,316	19,902
Institutional Support	8,340	6,799	775	581	189	4,274	20,958
Auxiliary Enterprises	1,015	424	6,943	5,203	1,690	6,936	22,211
Total	\$ 62,761	\$ 29,421	\$ 16,408	\$ 12,296	\$ 3,994	\$ 22,945	\$ 147,825

The financial statements utilize, when possible, a direct allocation method for expenses of a functional category. Other categories of expenses that are attributable to more than one program or supporting function require allocation on a reasonable basis that is consistently applied. Expenses that are allocated on a square footage basis include depreciation, interest, and operations and maintenance. Benefits and payroll taxes are allocated based on the percentage of salary expense.

NOTE 19 SUBSEQUENT EVENTS

In preparing these consolidated financial statements, the University has evaluated events and transactions for potential recognition or disclosure through September 20, 2019, the date the financial statements were issued.

