Viterbo University, Inc.

Financial Report

06.30.2013

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WIPFLi LLP

Independent Auditor's Report

Board of Trustees
Viterbo University, Inc.
La Crosse, Wisconsin

Report on the Financial Statements

We have audited the accompanying financial statements of Viterbo University, Inc., which comprise the statement of financial position as of June 30, 2013 and 2012, and the related statements of activities and cash flows for the years 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; 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.

Auditor's 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Viterbo University, Inc. as of June 30, 2013 and 2012, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 16, 2013, on our consideration of Viterbo University, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Viterbo University, Inc.'s internal control over financial reporting and compliance.

Wipfli LLP

Wipfli LLP

September 16, 2013
Eau Claire, Wisconsin

Viterbo University, Inc.

Statements of Financial Position
June 30, 2013 and 2012

Assets	**2013**	2012
Cash and cash equivalents	**$ 10,959,324**	$ 9,406,492
Student accounts receivable, less an allowance for doubtful accounts of $300,000 in 2013 and 2012	**1,246,908**	1,183,858
Other receivables	**522,093**	313,539
Prepaid expenses and inventory	**714,934**	777,507
Contributions receivable, net (Note 2)	**6,066,833**	7,674,998
Beneficial interest in split-interest agreements	**829,764**	839,292
Student loans, net (Note 3)	**2,394,872**	2,522,282
Long-term investments (Note 4)	**33,534,780**	30,655,110
Property and equipment, net (Notes 5, 6, and 11)	**50,260,842**	49,661,859
Total assets	**$ 106,530,350**	$ 103,034,937
Liabilities and Net Assets		
Liabilities:		
Accounts payable	**$ 1,098,396**	$ 1,080,102
Accrued payroll and related taxes	**2,883,924**	2,913,588
Other accrued liabilities	**565,520**	532,352
Deposits held in custody for others	**575,959**	597,540
Deferred revenue (Note 11)	**3,221,623**	3,465,781
Bonds and note payable (Note 6)	**10,976,958**	12,389,148
Asset retirement obligation (Note 10)	**327,849**	337,871
Other liability (Note 11)	**1,000,000**	1,000,000
U.S. government grants refundable	**2,642,899**	2,642,899
Total liabilities	**23,293,128**	24,959,281
Commitments and Contingencies (Notes 9, 10, and 11)		
Net Assets (Note 7):		
Unrestricted:		
Undesignated	**39,062,788**	36,325,724
Board-designated, endowment	**18,825,517**	16,964,710
	57,888,305	53,290,434
Temporarily restricted	**12,866,645**	12,505,566
Permanently restricted	**12,482,272**	12,279,656
Total net assets	**83,237,222**	78,075,656
Total liabilities and net assets	**$ 106,530,350**	$ 103,034,937

See Notes to Financial Statements.

Viterbo University, Inc.

Statements of Activities
Years Ended June 30, 2013 and 2012

	2013	2012
Changes in unrestricted net assets:		
Revenue and gains:		
Gross tuition and student fees	$ 46,278,580	$ 46,770,035
Less institutional grants	14,160,172	13,660,497
Net tuition and student fees	32,118,408	33,109,538
Government grants and contracts	559,587	784,835
Private gifts, bequests, and support	607,934	481,134
Fine Arts Center	577,214	570,642
Other public services	14,037	30,841
Investment income	525,420	573,108
Net gains (losses) on investments	1,006,902	(441,921)
Other	321,884	263,512
Auxiliary enterprises sales and services	5,409,109	4,778,154
Total unrestricted revenue and gains	41,140,495	40,149,843
Net assets released from restrictions (Note 7)	3,435,839	3,399,023
Total unrestricted revenue and gains and other support	44,576,334	43,548,866
Expenses and losses:		
Educational and general:		
Instruction	18,687,632	18,652,414
Academic support	3,385,483	3,139,236
Student services	5,574,028	5,543,570
Institutional support	5,604,688	5,789,910
Student aid and scholarships	670,610	645,938
Total educational and general expenses	33,922,441	33,771,068
Auxiliary enterprises	4,348,074	3,416,846
Fine Arts Center	1,701,031	1,618,852
Other public services	6,917	6,936
Total expenses	39,978,463	38,813,702
Increase in unrestricted net assets	$ 4,597,871	$ 4,735,164

(Continued)

Viterbo University, Inc.

Statements of Activities (Continued)
Years Ended June 30, 2013 and 2012

	2013	2012
Changes in temporarily restricted net assets:		
Private gifts, bequests, and support	**$ 2,394,555**	$ 2,077,012
Investment income	**395,720**	371,886
Net gains (losses) on investments	**1,006,643**	(299,182)
Net assets released from restrictions (Note 7)	**(3,435,839)**	(3,399,023)
Increase (decrease) in temporarily restricted net assets	**361,079**	(1,249,307)
Increase in permanently restricted net assets, private gifts, bequests, and support	**202,616**	409,011
Increase in net assets	**5,161,566**	3,894,868
Net assets:		
Beginning	**78,075,656**	74,180,788
Ending	**$ 83,237,222**	$ 78,075,656

See Notes to Financial Statements.

Viterbo University, Inc.

Statements of Cash Flows
Years Ended June 30, 2013 and 2012

	2013	2012
Cash Flows from Operating Activities:		
Change in net assets	**$ 5,161,566**	$ 3,894,868
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	**2,028,062**	1,741,608
(Decrease) in asset retirement obligation	**(10,022)**	(13,305)
Amortization of deferred lease revenue	**90,466**	90,466
(Gain) on disposal of property and equipment	**(17,300)**	(3,429)
Contribution of investments	**(567,024)**	(211,130)
Contribution of fixed assets	**(19,378)**	(62,100)
(Increase) decrease in student accounts receivable	**(63,050)**	263,855
(Increase) decrease in other receivables	**(208,554)**	370,210
Decrease in contributions receivable and split-interest agreements	**1,617,693**	1,419,125
Decrease (increase) in prepaid expenses and inventory	**62,573**	(51,699)
Increase (decrease) in accounts payable	**312,348**	(181,181)
(Decrease) increase in accrued payroll and related taxes	**(29,664)**	4,049
Increase in other accrued liabilities	**33,168**	84,487
(Decrease) in amounts held in custody for others	**(21,581)**	(9,654)
(Decrease) in deferred revenue	**(334,624)**	(348,305)
Net (gain) loss on investments	**(2,013,545)**	741,102
Investment income restricted for long-term investment	**(395,720)**	(371,886)
Contributions and split-interest agreements restricted for long-term investment	**(4,322,972)**	(3,810,194)
Net cash provided by operating activities	**1,302,442**	3,546,887
Cash Flows from Investing Activities:		
Proceeds from sales of investments	**26,866,867**	23,481,910
Purchase of investments	**(27,165,968)**	(23,192,331)
Proceeds from sales of assets	**17,300**	9,024
Purchase of property and equipment	**(2,901,721)**	(11,346,431)
Loans disbursed	**(439,753)**	(405,084)
Principal collected on loans	**567,163**	432,658
Net cash (used in) investing activities	**(3,056,112)**	(11,020,254)
Cash Flows from Financing Activities:		
Investment income restricted for long-term investment	**395,720**	371,886
Contributions and split-interest agreements restricted for long-term investment	**4,322,972**	3,810,194
Proceeds from U.S. government grants	**-**	11,947
Proceeds from issuance of long-term debt	**-**	1,080,000
Principal payments on long-term debt	**(1,412,190)**	(2,428,580)
Net cash provided by financing activities	**$ 3,306,502**	$ 2,845,447

(Continued)

Viterbo University, Inc.

Statements of Cash Flows (Continued)
Years Ended June 30, 2013 and 2012

	2013	2012
Net increase in cash and cash equivalents	**$ 1,552,832**	$ (4,627,920)
Cash and cash equivalents:		
Beginning	**9,406,492**	14,034,412
Ending	**$ 10,959,324**	$ 9,406,492
Supplemental Disclosure of Cash Flow Information,		
Cash payments for interest	**$ 344,988**	$ 406,466
Supplemental Disclosure in Noncash Investing Activity,		
Property and equipment purchases in accounts payable	**476,573**	770,627

See Notes to Financial Statements.

Note 1. Reporting Entity and Significant Accounting Policies

Reporting entity:

Viterbo University, Inc. is a co-educational Catholic University located in LaCrosse, Wisconsin. The University was founded in 1890 and offers undergraduate and graduate degrees in a variety of liberal art, educational, and nursing programs. Approximately 3,200 students are enrolled in University programs, with thousands more taking one or more graduate level courses at sites located throughout the Midwest.

Significant accounting policies:

Accounting estimates: The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America (GAAP), 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 those estimates.

General: The University maintains its accounts in accordance with the principles and practices of fund accounting. Fund accounting is the procedure by which resources for various purposes are classified for accounting purposes in accordance with activities or objectives specified by donors.

These financial statements, which are presented on the accrual basis of accounting, have been prepared to focus on the University as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions. This has been accomplished by classification of fund balances and transactions into three classes of net assets - permanently restricted, temporarily restricted, or unrestricted as follows:

Fund Group	Net Asset Class
Current unrestricted funds	Unrestricted
Current restricted funds	Unrestricted and temporarily restricted
Endowment and similar funds	Unrestricted, temporarily restricted, and permanently restricted
Plant funds	Unrestricted
Loan funds	Unrestricted and permanently restricted

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

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

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

- Unrestricted net assets: Net assets not subject to donor-imposed stipulations.

Note 1. Reporting Entity and Significant Accounting Policies (Continued)

Revenue recognition: Tuition, fees, and room and board revenue is recognized in the period the services are provided. Revenue is 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 and/or the stipulated time period has elapsed) are reported on the statements of activities as net assets released from restrictions.

Contributions, including unconditional promises to give, are recognized as revenue 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 received with donor-imposed restrictions that are met in the same year as received are reported as unrestricted revenues. Contributions of property and equipment without donor stipulations concerning the use of such long-lived assets are reported as unrestricted revenues. Contributions of cash or other assets to be used to acquire property and equipment without such donor stipulations are reported as temporarily restricted revenues; the restrictions are considered to be released at the time of acquisition of and as construction progresses on such long-lived assets. Gains and investment income received with donor-imposed restrictions are recorded as temporarily restricted revenue and then when the restriction is met, they are released from restriction. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible contributions receivable is provided based upon management's judgment including such factors as prior collection history, type of contribution, and nature of fund-raising activity.

Income and net gains or losses on investments are reported as follows:

- As increases or decreases in permanently restricted net assets, if the terms of the gift or the University's Board interpretation of relevant state law require that they be added to the principal of a permanent endowment fund;
- As increases or decreases in temporarily restricted net assets, if the terms of the gift impose restrictions on the use of the income; and
- As increases or decreases in unrestricted net assets in all other cases.

Institutional grants: Institutional grants are offered by the University to attract and retain students. The University offers institutional grants to students in the form of merit-based scholarships and need-based grants at the University's discretion.

Cash and cash equivalents: Cash and cash equivalents include cash and temporary cash investments with original maturities of less than three months whose use is not limited.

The University had checking account deposits of approximately $11,100,000 and $9,500,000 in a major financial institution in excess of the federal depository insurance limits as of June 30, 2013 and 2012, respectively. The University believes the credit risk related to these deposits is minimal.

Note 1. Reporting Entity and Significant Accounting Policies (Continued)

Student accounts receivable and student loans receivable: Student accounts receivable are carried at the unpaid balance of the original amount billed to students, and student loans receivable are carried at the amount of unpaid principal. Both receivables are less an estimate made for doubtful accounts based on a review of all outstanding amounts. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Student accounts and loans receivable are written off when deemed uncollectible, and student loans receivable may be assigned to the Department of Education. Recoveries of student accounts and loans receivable previously written off are recorded when received. The provision for bad debts charged to expense was $85,766 and $171,036, net of recoveries, for the years ended June 30, 2013 and 2012, respectively.

A student account receivable is considered to be past due if any portion of the receivable balance is outstanding for more than 120 days. Interest is charged on student accounts receivable that are outstanding for more than 30 days and is recognized as it is charged.

Interest is charged and recognized on student loans receivable after a student is no longer enrolled in an institution of higher education and after a grace period. Late charges are charged if payments are not paid by the payment due date and are recognized as they are charged. Interest and late fees are added to the revolving loan fund. Students may be granted a deferment, forbearance, or cancellation of their student loan receivable based on eligibility requirements defined by the Department of Education.

Inventory: Inventory is valued at the lower of cost (first-in, first-out method) or market.

Beneficial interest in split-interest agreements: The University has beneficial interests in irrevocable split-interest agreements. Split-interest agreements are recorded at the present value of estimated future cash receipts, which is estimated to be the fair value of the assets contributed, based on quoted market prices at year-end, less the present value of any payments expected to be made to other beneficiaries. The present value of payments to be made to other beneficiaries was determined using the discount rate appropriate for each agreement and life expectancies from IRS annuity tables.

The University's split-interest agreements consist of two charitable remainder trusts in which assets held in trust have been irrevocably contributed to the University. The trusts are also required to make payments to other beneficiaries.

Investments: Investments in equity securities with readily determinable fair value and all investments in debt securities are reported at fair value with gains and losses included on the statements of activities. Money market accounts are reported at cost.

Gains and losses on sales of investments are determined by specific-identification method.

Note 1. Reporting Entity and Significant Accounting Policies (Continued)

Property and equipment: Property and equipment is stated at cost, if purchased, or at its estimated fair value at the date of donation, if received as a gift.

Depreciation is computed using the straight-line method over the following estimated useful lives:

	Years
Buildings and building improvements	10 - 50
Equipment	7
Library books	10

The University's policy is to capitalize assets in excess of $5,000.

The University capitalizes interest on the financing of major fixed asset additions in accordance with GAAP.

Deposits held in custody for others: The University maintains deposits for various student activities; however, the University's function is limited to bookkeeping only. The amounts are reported in the accompanying statements of financial position as both an asset and liability.

Deferred revenue: Deferred revenue consists of graduation fee deposits, payments in advance on season tickets for the Fine Arts Center, and student tuition and fees related to summer sessions. Deferred revenue also includes the advance lease payment associated with the building contribution. The advance lease payment is amortized over the duration of the agreement (see Note 11).

Conditional asset retirement obligations: The University recognizes the fair value of a liability for legal obligations associated with asset retirements in the period in which it is incurred if a reasonable estimate of the fair value of the obligation can be made. The liability is accreted to its present value each year. 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. The University reviews its estimates annually and adjusts the recorded liability as needed (See Note 10).

U.S. government grants refundable: U.S. government grants received to provide loans to qualified students under the Perkins Loan Program and Nursing Loan Program are ultimately refundable to the federal government upon liquidation of the funds and thus are reflected as a liability on the statements of financial position.

Advertising costs: The University capitalizes the costs of direct-response advertising when incurred and amortizes the cost over the expected period of future benefits which is 12 months. All other advertising costs are expensed as incurred.

The University had advertising costs of $108,509 and $93,830 as of June 30, 2013 and 2012, respectively, reported as prepaid expenses in the accompanying statements of financial position. Advertising expense for the years ended June 30, 2013 and 2012, was approximately $423,000 and $419,000, respectively.

Fund-raising costs: The University expenses fund-raising costs as incurred, which were approximately $819,000 and $921,000 for the years ended June 30, 2013 and 2012, respectively, and are included in institutional support on the statements of activities.

Note 1. Reporting Entity and Significant Accounting Policies (Continued)

Fair value of financial instruments: The carrying amount of cash and cash equivalents, accounts receivable (student and other), and accounts payable approximates fair value because of the short maturity of these instruments. The carrying amount of contribution receivables and investments in trusts held by others approximates fair value because the present value discount is included in the carrying amount. A reasonable estimate of the fair value of the receivables from students under federal Perkins and Nursing loan programs and U.S. government grants refundable for these student loans could not be made because the receivables are not saleable and can only be assigned to the U.S. government or its designee. The investments in marketable debt and equity securities are carried at fair value based upon quoted market prices. All other investments are stated at fair value based on expected cash flows. The carrying amount of notes and bonds payable, which carry current interest rates, approximates fair value.

Income tax status: The University is exempt from federal income taxes under Internal Revenue Code Section 501(c)(3). It is also exempt from state income tax.

Uncertain tax positions: The University files a Form 990 (Return of Organization Exempt from Income Tax) annually. When these returns are filed, it is highly certain that some positions taken would be sustained upon examination by the taxing authorities, while others are subject to uncertainty about the merits of the tax position taken or the amount of the position that would ultimately be sustained. Examples of tax positions common to universities include such matters as the following: the tax exempt status of each entity and various positions relative to potential sources of unrelated business taxable income (UBIT). UBIT is reported on Form 990-T, as appropriate. The benefit of tax position is recognized in the financial statements in the period during which, based on all available evidence, management believes that it is more likely than not that the position will be sustained upon examination, including the resolution of appeals or litigation processes, if any.

Tax positions are not offset or aggregated with other positions. Tax positions that meet the "more likely than not" recognition threshold are measured as the largest amount of tax benefit that is more than 50% likely to be realized on settlement with the applicable taxing authority. The portion of the benefits associated with tax positions taken that exceeds the amount measured as described above is reflected as a liability for uncertain tax benefits in the accompanying statements of financial position along with any associated interest and penalties that would be payable to the taxing authorities upon examination. As of June 30, 2013 and 2012, there were no uncertain tax benefits identified and recorded as a liability.

Forms 990 and 990-T filed by the University are subject to examination by the Internal Revenue Service (IRS) up to three years from the extended due date of each return. Forms 990 and 990-T filed by the University are no longer subject to examination for the fiscal years ended June 30, 2009, and prior.

Subsequent events: The University has considered subsequent events through September 16, 2013, the date of issuance, in preparing the financial statements and notes thereto.

Note 2. Contributions Receivable, Net

Contributions receivable as of June 30, 2013 and 2012, are summarized as follows:

	2013	2012
Due in one year or less	$ 1,688,962	$ 2,052,499
Due in one through five years	4,116,182	5,160,283
Thereafter	1,029,622	1,538,827
	6,834,766	8,751,609
Less discount	767,933	1,076,611
	$ 6,066,833	$ 7,674,998

The above contributions receivable include related-party receivables of $4,538,662 and $5,839,248 as of June 30, 2013 and 2012, respectively.

Note 3. Student Loans, Net

Net student loans outstanding, by program, as of June 30, 2013 and 2012, are summarized as follows:

	2013	2012
Perkins Loans	$ 1,847,829	$ 2,012,512
Nursing Student Loans	847,043	809,770
Totals	2,694,872	2,822,282
Less allowance for uncollectible loans	300,000	300,000
	$ 2,394,872	$ 2,522,282

Note 4. Long-Term Investments

Long-term investments as of June 30, 2013 and 2012, are summarized as follows:

	2013	2012
Money market	$ 744,569	$ 1,095,137
Common stocks, marketable	21,491,927	19,495,381
Bonds and government securities	11,229,372	9,998,920
Mutual funds	68,912	65,672
	$ 33,534,780	$ 30,655,110

The investments are exposed to various risks such as interest rate, market, and credit. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in values of investments in the near term could materially affect investment balances and the amounts reported in the financial statements.

Note 5. Property and Equipment, Net

Property and equipment as of June 30, 2013 and 2012, is comprised of the following:

	2013	2012
Land and land improvements	$ 4,401,810	$ 4,401,810
Buildings and building improvements	63,587,473	53,087,235
Equipment	11,339,595	11,648,262
Library books	388,309	388,309
Construction in progress	705,548	8,971,868
	80,422,735	78,497,484
Accumulated depreciation	30,161,893	28,835,625
	$ 50,260,842	$ 49,661,859

Note 6. Pledged Assets and Outstanding Debt

The University has the following indebtedness as of June 30, 2013 and 2012:

	Principal Outstanding 2013	2012
Bonds payable:		
Wisconsin Health and Education Facilities Authority revenue bonds. Due on demand, if no demand is made, due in annual installments of $250,000 through May 2022. Interest is due monthly with a variable rate (effective rate as of June 30, 2013 .43%). (A)	$ 2,250,000	$ 2,500,000
Wisconsin Health and Education Facilities Authority revenue bonds. Due in increasing semiannual installments through August 2020. Interest is due monthly with a fixed rate of 3.36%. (B)	7,810,965	8,710,044
Total bonds payable	10,060,965	11,210,044
Lease/Note payable:		
U.S. Bank bank note. Due in annual installments though February 2017. Interest is due quarterly with a fixed rate of 3.40%. The collateralized by a mortgage and assignment of rents on Rose Terrace.	864,000	1,080,000
EO Johnson, interest rate of 9.9%. Due in monthly installments through June 2014.	51,993	99,104
Total leases/notes payable	915,993	1,179,104
Total bonds and leases/notes payable	$ 10,976,958	$ 12,389,148

(A) The WHEFA revenue bonds are collateralized by a letter of credit from U.S. Bank in the amount of $2,269,688 which expires May 2014. The annual fee for the letter of credit is .50% of the balance due each June. The letter of credit is collateralized by a mortgage on the Center for Ethics, Science, and Technology which has a depreciated cost of $9,244,114 as of June 30, 2013. The letter of credit agreement contains various restrictive covenants, including maintenance of minimum ratios of total liabilities to net assets and debt service coverage. WHEFA retains the right to request full payment of the debt at any time.

(B) The WHEFA revenue bonds are collateralized by a mortgage on the School of Nursing which has a depreciated cost of $13,283,633 as of June 30, 2013. The letter of credit agreement contains various restrictive covenants, including maintenance of minimum ratios of total liabilities to net assets and debt service coverage.

Approximate annual maturities of the long-term debt are as follows:

Year ending June 30:	
2014	$ 3,448,789
2015	1,178,775
2016	1,211,853
2017	1,245,600
2018	1,065,441
Thereafter	3,826,500
	$ 11,976,958

Interest expense for the years ended June 30, 2013 and 2012, was $329,745 and $369,918, respectively.

Note 7. Net Assets

Temporarily restricted net assets as of June 30, 2013 and 2012, are available for the following purposes:

	2013	2012
Vision 2005, primarily capital campaign	$ 901,888	$ 1,240,158
Scholarships	2,284,258	1,314,654
Fine Arts Center	35,282	129,709
Mathy Center	177,482	121,367
Nursing Center	6,268,271	6,987,205
Brophy Center	568,976	343,601
La Crosse Performing Arts Center	493,859	516,807
Annuity, life income, and similar funds	829,764	839,292
Instruction, academic, and institutional support	1,306,865	1,012,773
	$ 12,866,645	$ 12,505,566

Note 7. Net Assets (Continued)

Permanently restricted net assets as of June 30, 2013 and 2012, consist of the following:

	2013	2012
Investment in perpetuity, income available to support:		
Vision 2005, primarily capital campaign	$ 1,790,200	$ 1,790,200
Scholarships	5,390,597	5,246,019
Fine Arts Center	426,760	424,515
Mathy Center	966,397	966,148
Instruction, academic, and institutional support	3,908,318	3,852,774
	$ 12,482,272	$ 12,279,656

The sources of net assets released from temporary donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of events specified by the donors for the years ended June 30, 2013 and 2012, were as follows:

	2013	2012
Scholarships	$ 376,034	$ 386,915
Property and equipment acquisition	1,616,282	1,958,690
Instruction, academic, and institutional support	1,443,523	1,053,418
	$ 3,435,839	$ 3,399,023

The assets were reclassified to:

	2013	2012
Unrestricted net assets for:		
Operations	$ 1,819,557	$ 1,440,333
Capital transactions	1,616,282	1,958,690
	$ 3,435,839	$ 3,399,023

Note 8. Pension Plan

All full-time employees are eligible to participate in individual annuity retirement programs through the Teachers Insurance and Annuity Association. The University makes matching contributions up to a maximum of 5% of the compensation paid to each employee. The University contributions to the plan were approximately $600,000 and $587,000 for the years ended June 30, 2013 and 2012, respectively.

Note 9. Self-Insurance

The University is self-insured with respect to their health insurance coverage. The University maintains reinsurance that carries a maximum annual claim of $100,000 per employee covered with an aggregate annual ceiling of approximately $3,100,000. For the years ended June 30, 2013 and 2012, the amount of health insurance expense, net of stop/loss recoveries received or receivable was $2,753,861 and $2,522,120, respectively. The reserve balance to fund claims is $438,024 and $387,933 as of June 30, 2013 and 2012, respectively.

Note 10. Conditional Asset Retirement Obligations

Under current accounting standards guidance, an entity must accrue for costs related to legal obligations to perform certain activities in connection with the retirement, disposal, or abandonment of assets. The obligation to perform the asset retirement activity is not conditional even though the timing or method may be conditional. The fair value of a liability for a legal obligation associated with an asset retirement is required to be recorded in the period in which the obligation is incurred.

Substantially all of the University's conditional asset retirement obligation relates to the estimated cost to remove asbestos from campus facilities. The future value of the asset retirement obligation as of June 30, 2013, is estimated to be approximately $328,000.

Changes in the accrual for asset retirement obligation during the years ended June 30, 2013 and 2012, is as follows:

	2013	2012
Beginning accrued liability	$ 337,871	$ 351,176
Add:		
Reduction in asset retirement obligation	(21,760)	(24,476)
Accretion of asset retirement obligation	11,738	11,171
Ending accrued liability	$ 327,849	$ 337,871

Note 11. Donation of Building

During the fiscal year ended June 30, 2006, a building valued at $4,707,592 was contributed to the University by the Boys and Girls Club of Greater LaCrosse. Under the terms of the agreement, the University is required to record a contribution of $2,353,796, a $1,000,000 liability due upon the earlier of either (a) termination of the agreement or (b) 2040, and $1,353,796 deferred lease revenue which is amortized over the life of the agreement (35 years) and if either party terminates, the unamortized portion at that time is due upon termination.

The Boys and Girls Club of Greater LaCrosse has a lien against the facility in connection with the amounts due from the University under this agreement. The University also agrees not to mortgage or otherwise encumber the facility without prior written consent of the club.

Note 12. Fair Value Measurements

The Fair Value Measurements and Disclosures Topic of the FASB Accounting Standards Codification defines fair value, establishes a framework for measuring fair value, and requires disclosure of fair value measurements. Effective July 1, 2009, the University adopted the portion of the Topic which requires disclosure of nonfinancial assets and nonfinancial liabilities that are recognized or disclosed at fair value on a nonrecurring basis. The fair value hierarchy set forth in the Topic is as follows:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than level 1 prices such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability, developed based on the best information available in the circumstances.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

A description of the valuation methodologies used for assets and liabilities measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy, is set forth below.

Investments: Where quoted prices are available in an active market, securities are classified within level 1 of the valuation hierarchy. Level 1 securities would primarily include exchange traded equities and mutual funds. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics, or discounted cash flow. Level 2 securities would include U.S. agency securities, mortgage-backed agency securities, certain corporate securities, and certain mutual funds.

Beneficial interest in split-interest agreements: The value of beneficial interest in split-interest agreements is derived from the underlying investments of the trusts. The value of those investments is determined in the same manner as investments described above. The University owns an interest in the trust and not the underlying investments. The estimated future value of that interest in the trust based on management's estimate of the trusts' expected performance is then present valued back to the date of the financial statements based on life expectancy factors published by the Internal Revenue Service.

Note 12. Fair Value Measurements (Continued)

Assets recorded at fair value on a recurring basis:

The following table summarizes assets measured at fair value on a recurring basis as of June 30, 2013 and 2012, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value:

	Fair Value Measurements as of June 30, 2013, Using			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Common stocks and equity mutual funds, marketable:				
Aerospace/defense	$ 119,847	$ 119,847	$ -	$ -
Basic materials	343,932	343,932	-	-
Chemicals	143,045	143,045	-	-
Commercial services	357,573	357,573	-	-
Consumer discretionary	910,093	910,093	-	-
Consumer staples	1,080,623	1,080,623	-	-
Financial services	2,633,331	2,633,331	-	-
Energy	1,903,256	1,903,256	-	-
Electronics	189,546	189,546	-	-
Food	149,825	149,825	-	-
Healthcare	2,264,405	2,264,405	-	-
Industrials	1,475,259	1,475,259	-	-
Insurance	257,837	257,837	-	-
Information Technology	1,848,108	1,848,108	-	-
Mining	70,137	70,137	-	-
Retail	496,520	496,520	-	-
Telecommunications	1,030,388	1,030,388	-	-
Technology	964,068	964,068	-	-
Transportation	167,489	167,489	-	-
Utilities	669,608	669,608	-	-
Mid cap equity funds	873,710	873,710	-	-
Small cap equity funds	29,597	29,597	-	-
International equity funds	545,815	545,815	-	-
Large cap equity funds	68,953	68,953	-	-
Miscellaneous	808,552	808,552	-	-
	19,401,517	19,401,517	-	-
Bonds and government securities and other fixed income:				
Money Market	997,104	997,104	-	-
U.S. government agency securities	1,242,073	1,242,073	-	-
Bond mutual funds	9,820,408	9,820,408	-	-
Corporate Securities	1,032,523	1,032,523	-	-
Publicly traded CD	813,229	813,229	-	-
Nonpublicly traded CD	100,000	-	100,000	-
	14,005,337	13,905,337	100,000	-
Other mutual funds:	127,926	127,926	-	-
Total investments at fair value	$ 33,534,780	$ 33,434,780	$ 100,000	$ -
Beneficial interest in split-interest agreement	$ 829,764	$ -	$ -	$ 829,764

Note 12. Fair Value Measurements (Continued)

	Fair Value Measurements as of June 30, 2012, Using			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Common stocks and equity mutual funds, marketable:				
Aerospace/defense	$ 108,498	$ 108,498	$ -	$ -
Basic materials	490,890	490,890	-	-
Chemicals	191,881	191,881	-	-
Commercial services	362,154	362,154	-	-
Consumer discretionary	638,245	638,245	-	-
Consumer staples	1,128,962	1,128,962	-	-
Financial services	1,810,300	1,810,300	-	-
Energy	1,449,819	1,449,819	-	-
Electronics	119,398	119,398	-	-
Food	123,052	123,052	-	-
Healthcare	2,159,914	2,159,914	-	-
Industrials	1,184,701	1,184,701	-	-
Insurance	224,931	224,931	-	-
Information Technology	191,675	191,675	-	-
Mining	101,863	101,863	-	-
Retail	431,570	431,570	-	-
Telecommunications	800,631	800,631	-	-
Technology	2,402,661	2,402,661	-	-
Transportation	169,896	169,896	-	-
Utilities	664,221	664,221	-	-
Mid cap equity funds	231,170	231,170	-	-
Small cap equity funds	12,667	12,667	-	-
International equity funds	490,157	490,157	-	-
Large cap equity funds	580,538	580,538	-	-
Miscellaneous	851,989	851,989	-	-
	16,921,783	16,921,783	-	-
Bonds and government securities and other fixed income:				
Money Market	1,046,430	1,046,430	-	-
U.S. government agency securities	612,838	612,838	-	-
Bond mutual funds	9,683,300	9,683,300	-	-
Corporate Securities	406,554	406,554	-	-
Publicly traded CD	1,212,598	1,212,598	-	-
Nonpublicly traded CD	100,000	-	100,000	-
	13,061,720	12,961,720	100,000	-
Other mutual funds:	671,607	671,607	-	-
Total investments at fair value	$ 30,655,110	$ 30,555,110	$ 100,000	$ -
Beneficial interest in split-interest agreement	$ 839,292	$ -	$ -	$ 839,292

Note 12. Fair Value Measurements (Continued)

The following tables present additional information about assets measured at fair value on a recurring basis for which the University has utilized level 3 inputs to determine fair value:

	Beneficial Interest in Split-Interest Agreement	
	2013	2012
Balance, beginning	$ 839,292	$ 838,018
Total gains or losses realized and unrealized included in change in net assets	(18,672)	(20,645)
Change in value of split-interest agreements included in change in net assets	9,144	21,919
Balance, ending	$ 829,764	$ 839,292
Total gains or losses included in change in net assets attributable to the change in unrealized gains or losses relating to financial instruments still held at fiscal year-end	$ (18,672)	$ (20,645)

Gains and losses on level 3 investments and the change in value of split-interest agreements, both included in change in net assets for the period above, are reported as private gifts, bequests, and support, as the amount is not significant.

Quantitative Information About Significant Unobservable Inputs Used in Level 3 Fair Value Measurements

The following table represents the University's Level 3 financial instruments, the valuation techniques used to measure the fair value of those instruments, and the significant unobservable inputs and the ranges of values for those inputs.

Instrument	Fair Value	Principal Valuation Technique	Unobservable Inputs	Range of Significant Input Values
Beneficial Interest in Split-Interest Agreement	$829,764	Profitable future cash flows	Long-term crediting rate	6.0 – 7.9

Note 13. Endowment Fund and Net Asset Classifications

The University's Endowment Fund consists of various donor-restricted endowment funds and funds designated as endowment (quasi-endowment) by the Board of Trustees as required by GAAP. Net assets associated with endowment funds, including funds designated to function as endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

The University has adopted investment and spending policies for its Endowment Fund. The objective of these policies is to provide the University a predictable funding stream for its programs while protecting the purchasing power of the Endowment Fund. The University, through its investment policy, has established a target (inflation-adjusted) annualized rate of return over the long-term of at least 5%; the total return during any single measurement period may deviate from the long-term return objective. To satisfy its long-term rate-of-return objective, the University expects to maintain appropriate diversification among equity and fixed income allocations. The purpose is to moderate the overall investment risk of the Endowment Fund.

The University's Board of Trustees has interpreted the Wisconsin-enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as allowing the University to appropriate for expenditure or accumulate so much of the Endowment Fund as the University determines is prudent for the uses, benefits, purposes, and duration for which the Endowment Fund is established, subject to the intent of the donor as expressed in the gift instrument. Unless stated otherwise in the gift instrument, the assets in an endowment fund shall be donor-restricted assets until appropriated for expenditure by the Board of Trustees. The amount appropriated, the spending policy, is a Board-approved percentage applied to the fair value of the endowment fund assets. In cases where the fair value of endowment fund assets fall below the original value of the gifts donated to the permanent endowment, the Board has suspended spending from the endowment. The Board-approved spending percentage was 5% for the fiscal years ended June 30, 2013 and 2012; however, the actual amount spent was approximately 1.5%.

Endowment net assets as of June 30, 2013 and 2012, were as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
		2013		
Donor-restricted endowment funds:				
Scholarship support	$ -	$ 1,223,808	$ 5,390,597	$ 6,614,405
Educational activities support	-	1,735,373	5,693,977	7,429,350
General institutional support	-	204,299	1,395,498	1,599,797
Board-designated (quasi) endowment funds:				
Scholarship support	1,440,914	-	-	1,440,914
General institutional support	17,384,603	-	-	17,384,603
Total endowment funds	$ 18,825,517	$ 3,163,480	$ 12,480,072	$ 34,469,069

Note 13. Endowment Fund and Net Asset Classifications (Continued)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
	2012			
Donor-restricted endowment funds:				
Scholarship support	$ -	$ 817,003	$ 5,246,019	$ 6,063,022
Educational activities support	-	1,245,759	5,638,704	6,884,463
General institutional support	-	222,283	1,392,733	1,615,016
Board-designated (quasi) endowment funds:				
Scholarship support	1,319,798	-	-	1,319,798
General institutional support	15,644,912	-	-	15,644,912
Total endowment funds	$ 16,964,710	$ 2,285,045	$ 12,277,456	$ 31,527,211

The changes in endowment net assets for the years ended June 30, 2013 and 2012 were as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
	Year Ended June 30, 2013			
Endowment net assets, beginning of year	$ 16,964,710	$ 2,285,045	$ 12,277,456	$ 31,527,211
Investment return:				
Investment income	439,212	364,834	-	804,046
Net appreciation (realized and unrealized)	1,002,687	946,798	-	1,949,485
Total investment return	1,441,899	1,311,632	-	2,753,531
Contributions	-	-	202,616	202,616
Appropriation of endowment funds for expenditure	(25,050)	(433,197)	-	(458,247)
Additions to quasi-endowment	443,958	-	-	443,958
Endowment net assets, end of year	$ 18,825,517	$ 3,163,480	$ 12,480,072	$ 34,469,069

Note 13. Endowment Fund and Net Asset Classifications (Continued)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
	Year Ended June 30, 2012			
Endowment net assets, beginning of year	$ 22,373,604	$ 2,549,523	$ 11,868,445	$ 36,791,572
Investment return:				
Investment income	488,988	333,487	-	822,475
Net appreciation (realized and unrealized)	(440,259)	(261,900)	-	(702,159)
Total investment return	48,729	71,587	-	120,316
Contributions	100	-	409,011	409,111
Appropriation of endowment funds for expenditure	(23,080)	(336,065)	-	(359,145)
Additions to quasi-endowment	(5,434,643)	-	-	(5,434,643)
Endowment net assets, end of year	$ 16,964,710	$ 2,285,045	$ 12,277,456	$ 31,527,211

From time to time, the fair value of endowment funds associated with individual donor-restricted endowment funds may fall below the level that the donor requires the University to retain as a fund of perpetual duration, and such endowments are known as underwater endowments. As of June 30, 2013 and 2012, $0 and $750, respectively, of the University's donor-restricted endowment funds were underwater and were therefore recorded as unrestricted losses. The University funds these losses through Board-designated, quasi-endowment funds. These deficiencies, which the University believes are temporary, resulted from unfavorable market fluctuations. Subsequent gains that restore the fair value of the assets of the endowment fund to the required level will be classified as an increase in unrestricted net assets.