

# **LAWRENCE UNIVERSITY OF WISCONSIN**

FINANCIAL STATEMENTS

June 30, 2021 and 2020

# LAWRENCE UNIVERSITY OF WISCONSIN

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## Independent Auditors' Report

To the Board of Trustees  
Lawrence University of Wisconsin  
Appleton, Wisconsin

We have audited the accompanying financial statements of Lawrence University of Wisconsin (the "University"), which comprise the statements of financial position as of June 30, 2021 and 2020, 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 of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

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

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

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

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the University as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we will issue our report dated October 19, 2021, on our consideration of the University'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 solely 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 effectiveness of the University's 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 the University's internal control over financial reporting and compliance.



Milwaukee, Wisconsin  
October 19, 2021

**LAWRENCE UNIVERSITY OF WISCONSIN**

STATEMENTS OF FINANCIAL POSITION  
As of June 30, 2021 and 2020

<b>ASSETS</b>	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 12,252,543	\$ 9,601,223
Restricted cash and cash equivalents	833,583	2,568,096
Receivables:		
Contributions, net of allowance for doubtful accounts of \$180,580 and \$160,636	15,314,697	18,490,763
Student loans receivable, net of allowance for doubtful loans of \$644,000 and \$674,000	2,443,108	3,234,994
Students accounts, net of allowance for doubtful accounts of \$228,000 and \$198,000	102,401	174,079
Other	479,991	292,734
Inventories	190,092	186,882
Cash surrender value of life insurance and other assets	1,815,835	2,209,499
Investments	486,599,980	356,016,458
Property and equipment, less accumulated depreciation	<u>112,196,656</u>	<u>105,131,443</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 632,228,886</u></b>	<b><u>\$ 497,906,171</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable	\$ 2,618,616	\$ 1,574,018
Accrued liabilities	7,705,328	6,960,157
Deferred income and deposits	572,051	810,245
Due to student organizations	878,574	497,916
Line of credit	-	3,165,035
Postretirement obligation	2,626,994	2,846,541
Asset retirement obligation	3,969,136	3,841,622
Annuities payable	2,030,033	2,102,026
Long-term debt, net of unamortized premium and issue costs	45,318,832	41,236,658
U.S. government grants refundable	<u>1,291,850</u>	<u>1,678,681</u>
Total Liabilities	<u>67,011,414</u>	<u>64,712,899</u>
<b>NET ASSETS</b>		
Without Donor Restrictions		
Undesignated	(22,109,888)	(19,449,520)
Investment in Property and Equipment	66,877,824	63,894,785
Board-Designated Endowment	<u>60,650,315</u>	<u>44,502,029</u>
Total Without Donor Restrictions	<u>105,418,251</u>	<u>88,947,294</u>
With Donor Restrictions		
Perpetual in Nature	264,688,410	253,486,035
Purpose Restrictions	189,263,287	83,265,210
Time Restricted for Future Periods	<u>5,847,524</u>	<u>7,494,733</u>
Total With Donor Restrictions	<u>459,799,221</u>	<u>344,245,978</u>
Total Net Assets	<u>565,217,472</u>	<u>433,193,272</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 632,228,886</u></b>	<b><u>\$ 497,906,171</u></b>

See notes to financial statements

# LAWRENCE UNIVERSITY OF WISCONSIN

## STATEMENT OF ACTIVITIES For the Year Ended June 30, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>OPERATING REVENUES</b>			
Tuition, fees, room and board, less tuition discounts of \$44,560,924	\$ 34,866,883	\$ -	\$ 34,866,883
Auxiliary enterprises	740,419	-	740,419
Investment return designated for current operations	2,690,040	15,907,556	18,597,596
Government grants	3,783,817	-	3,783,817
Contribution revenue	4,681,094	-	4,681,094
Other income	208,526	37,405	245,931
	<u>46,970,779</u>	<u>15,944,961</u>	<u>62,915,740</u>
Net assets released from restrictions	21,275,225	(21,275,225)	-
Total Operating Revenues	<u>68,246,004</u>	<u>(5,330,264)</u>	<u>62,915,740</u>
<b>OPERATING EXPENSES</b>			
Instruction	19,806,061	-	19,806,061
Research	612,386	-	612,386
Public service	469,961	-	469,961
Academic support	3,414,484	-	3,414,484
Student services	11,700,740	-	11,700,740
Institutional administration	12,751,685	-	12,751,685
Physical plant operations	5,887,750	-	5,887,750
Auxiliary enterprises	4,029,662	-	4,029,662
Interest expense	1,325,876	-	1,325,876
Depreciation	7,156,650	-	7,156,650
Total Operating Expenses	<u>67,155,255</u>	<u>-</u>	<u>67,155,255</u>
Operating Revenues in Excess (Deficit) of Operating Expenses	<u>1,090,749</u>	<u>(5,330,264)</u>	<u>(4,239,515)</u>
<b>NONOPERATING INCOME (EXPENSE)</b>			
Investment return in excess of amounts designated for current operations	14,834,973	101,108,491	115,943,464
Contributions for long-term purposes	-	17,915,090	17,915,090
Change in beneficial interest in funds held in trust	-	1,224,333	1,224,333
Change in value of split interest annuity agreements	-	(81,623)	(81,623)
Change in value of interest rate swap	626,297	-	626,297
Other nonoperating items, net	(81,062)	717,216	636,154
Total Nonoperating Income	<u>15,380,208</u>	<u>120,883,507</u>	<u>136,263,715</u>
<b>Change in Net Assets</b>	16,470,957	115,553,243	132,024,200
NET ASSETS - Beginning of Year	<u>88,947,294</u>	<u>344,245,978</u>	<u>433,193,272</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 105,418,251</u>	<u>\$ 459,799,221</u>	<u>\$ 565,217,472</u>

See notes to financial statements

**LAWRENCE UNIVERSITY OF WISCONSIN**

STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
<b>OPERATING REVENUES</b>			
Tuition, fees, room and board, less tuition discounts of \$40,951,488	\$ 36,259,720	\$ -	\$ 36,259,720
Auxiliary enterprises	1,636,853	-	1,636,853
Investment return designated for current operations	2,871,751	16,312,373	19,184,124
Government grants	1,571,055	-	1,571,055
Contribution revenue	2,990,481	-	2,990,481
Other income	308,035	156,946	464,981
	<u>45,637,895</u>	<u>16,469,319</u>	<u>62,107,214</u>
Net assets released from restrictions	22,371,589	(22,371,589)	-
Total Operating Revenues	<u>68,009,484</u>	<u>(5,902,270)</u>	<u>62,107,214</u>
<b>OPERATING EXPENSES</b>			
Instruction	22,932,836	-	22,932,836
Research	674,912	-	674,912
Public service	847,895	-	847,895
Academic support	3,601,736	-	3,601,736
Student services	11,001,513	-	11,001,513
Institutional administration	13,189,099	-	13,189,099
Physical plant operations	6,271,009	-	6,271,009
Auxiliary enterprises	3,574,884	-	3,574,884
Interest expense	1,404,896	-	1,404,896
Depreciation	7,265,124	-	7,265,124
Total Operating Expenses	<u>70,763,904</u>	<u>-</u>	<u>70,763,904</u>
Operating Revenues in Excess (Deficit) of Operating Expenses	<u>(2,754,420)</u>	<u>(5,902,270)</u>	<u>(8,656,690)</u>
<b>NONOPERATING INCOME (EXPENSE)</b>			
Investment return in excess of amounts designated for current operations	(1,199,787)	(4,397,930)	(5,597,717)
Contributions for long-term purposes	-	15,772,203	15,772,203
Change in beneficial interest in funds held in trust	-	15,186	15,186
Change in value of split interest agreements	(11,781)	(115,173)	(126,954)
Change in value of interest rate swap	(957,204)	-	(957,204)
Other nonoperating items, net	1,156,561	(759,592)	396,969
Total Nonoperating Income (Expense)	<u>(1,012,211)</u>	<u>10,514,694</u>	<u>9,502,483</u>
<b>Change in Net Assets</b>	<u>(3,766,631)</u>	<u>4,612,424</u>	<u>845,793</u>
NET ASSETS - Beginning of Year	<u>92,713,925</u>	<u>339,633,554</u>	<u>432,347,479</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 88,947,294</u>	<u>\$ 344,245,978</u>	<u>\$ 433,193,272</u>

See accompanying notes to financial statements

**LAWRENCE UNIVERSITY OF WISCONSIN**

STATEMENTS OF CASH FLOWS  
For the Years Ended June 30, 2021 and 2020

	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 132,024,200	\$ 845,793
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation and amortization	7,121,809	7,389,178
Gain on sale of fixed assets	(600,015)	(167,290)
Asset retirement obligation accretion/abatement	128,352	132,306
Bad debts	(521)	(119,442)
Noncash contributions	(2,236,139)	-
Realized and unrealized gains on investments	(129,775,802)	(9,185,594)
Change in beneficial interest in funds held in trusts	(1,224,333)	(15,186)
Change in cash surrender value of life insurance	(72,126)	(46,825)
Income reinvested	(5,096,003)	(4,636,336)
Investment return restricted for long-term investment	(314,698)	(229,302)
Contributions restricted for long-term purposes	(17,989,605)	(15,775,517)
Actuarial adjustment of annuities payable	81,623	137,792
Loan cancellations and reinstatements	9,992	13,262
Change in certain assets and liabilities:		
Receivables:		
Student accounts	42,199	(67,323)
Contributions	190,618	(72,898)
Other	(187,257)	(60,835)
Inventories	(3,210)	14,974
Other assets	465,790	(544,293)
Accounts payable	(723,815)	310,112
Accrued liabilities	745,171	971,864
Deferred income, deposits and funds held for student organizations	142,464	(87,598)
Postretirement obligation	(219,547)	(108,476)
Net Cash Flows from Operating Activities	(17,490,853)	(21,301,634)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of investments	(24,839,383)	(14,688,196)
Proceeds from sales of investments	32,402,665	30,367,213
Proceeds from beneficial interest in funds held in trusts	-	151,156
Purchases of property and equipment	(6,792,516)	(5,796,823)
Proceeds from sale of fixed assets	600,015	312,727
Repayments of loans from students	811,894	1,145,289
Net Cash Flows from Investing Activities	2,182,675	11,491,366
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments on line of credit	(14,006,966)	(16,385,123)
Proceeds on line of credit	10,841,931	17,124,484
Proceeds from bonds	-	2,033,755
Repayment of principal on debt	(1,359,284)	(1,430,000)
Investment return restricted for long-term investment	314,698	229,302
Contributions received restricted for long-term purposes	21,036,948	14,925,526
Changes in U.S. government grants refundable	(386,831)	(45,946)
Payments to annuitants	(215,511)	(214,207)
Net Cash Flows from Financing Activities	16,224,985	16,237,791
<b>Net Change in Cash and Cash Equivalents</b>	916,807	6,427,523
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AND CASH EQUIVALENTS - Beginning of Year	12,169,319	5,741,796
<b>CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b>\$ 13,086,126</b>	<b>\$ 12,169,319</b>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS AND RESTRICTED CASH TO THE STATEMENT OF FINANCIAL POSITION</b>		
Cash and cash equivalents	\$ 12,252,543	\$ 9,601,223
Restricted cash and cash equivalents	833,583	2,568,096
	<b>\$ 13,086,126</b>	<b>\$ 12,169,319</b>

See notes to financial statements

# LAWRENCE UNIVERSITY OF WISCONSIN

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2021 and 2020

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### NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

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Lawrence University of Wisconsin (the "University"), which formally opened in 1847, is an independent, nonsectarian, coeducational institution of higher learning with an enrollment of approximately 1,500 students located in Appleton, Wisconsin. The University, through its undergraduate University and conservatory, educates men and women in the liberal arts and sciences and music. Committed to the development of intellect and talent, the acquisition of knowledge and understanding, and the cultivation of judgment and values, the University prepares students for lives of service, achievement, leadership and personal fulfillment. The accounting policies of the University reflect practices common to universities and conform to accounting principles generally accepted in the United States of America. The more significant accounting policies are summarized below:

**Net Asset Classifications** – For the purposes of financial reporting, the University classifies resources based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the University are classified in the accompanying financial statements and reported as follows:

**Net Assets Without Donor Restrictions** – Net assets that are not subject to donor-imposed stipulations. The governing board has designated, from net assets without donor restrictions, board-designated endowment, and investment in property, plant, and equipment.

**Net Assets With Donor Restrictions** – Net assets subject to donor-imposed stipulations. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Revenues from sources other than contributions are generally reported as increases in net assets without donor restrictions. Expenses are reported as decreases in net assets without donor restrictions. Income earned on donor restricted funds is initially classified as net assets with donor restrictions and is reclassified as net assets without donor restrictions when expenses are incurred for their intended purpose.

A portion of the University's revenue is derived from cost-reimbursable grants and contracts, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the University has incurred expenditures in compliance with specific grant or contract provisions and has received payment. Amounts received prior to incurring qualifying expenditures, if any, are reported as refundable advances in the statements of financial position.



# LAWRENCE UNIVERSITY OF WISCONSIN

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2021 and 2020

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### NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (cont.)

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The Coronavirus Aid, Relief, and Economics Security (CARES) Act, Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA) and the American Rescue Plan (ARP) provided budgetary relief to higher education institutions through the Higher Education Emergency Relief Funds (HEERF, HEERF II and HEERF III). Each institution received grants comprised of two parts. Under the legislation of CARES and ARP, no less than 50% of the grant was to be used for direct emergency aid to students. The remaining portion of the grant was to be used by institutions to cover any costs associated with significant changes to the delivery of instruction due to the coronavirus. For the years ended June 30, 2021 and 2020, the University was awarded \$4,645,634 and \$1,157,626, respectively of relief and received and recognized \$2,685,818 and \$1,111,592 of HEERF funds as government grants revenue as of June 30, 2021 and 2020, respectively. The \$804,216 and \$555,796 student relief portion of the grant was expended and reported as student services expenses for the year ended June 30, 2021 and 2020, respectively. The \$1,881,602 institutional portion of the grant for the year ended June 30, 2021 was expended on room and board refunds, coronavirus testing and lost room revenue. The \$555,796 institutional portion of the grant for the year ended June 30, 2020 was expended on room and board refunds, reducing room and board operating revenues. As restrictions were met in the same period, these grants were reported as changes in net assets without donor restrictions. The University will receive and recognize the remaining portion of the awards or \$2,005,850 during its next fiscal year.

Unconditional contributions, including promises to give, are recognized as revenues in the period received and are reported as increases in the appropriate category of net assets in accordance with donor restrictions. Expirations of donor restrictions on net assets (i.e., the donor stipulated purpose as been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. Conditional promises to give – that is, those with a measurable performance or other barrier and right of return – are not recognized until they become unconditional, that is, when the conditions on which they intend are met.

Contributions of assets other than cash are recorded at their estimated fair value at the date of the gift. Estimates of fair value involve assumptions and estimation methods that are uncertain and, therefore, the estimates could differ from actual results. Contributions of property and equipment without donor restrictions concerning the use of such long-lived assets are reported as revenue of the net assets without donor restrictions. Contributions of cash or other assets to be used to acquire property and equipment are reported as revenue of the net assets with donor restrictions; the restrictions are considered to be released when the property or equipment purchased with the restricted gifts is placed in service.

Gains and losses on investments of endowment funds created by a board designation are included in changes in net assets without donor restrictions.

***Tuition and Fees and Auxiliary Revenues*** – Tuition and fee revenue is recognized in the fiscal year in which the academic programs are delivered. Institutional scholarships awarded to students reduce the amount of revenue recognized. In addition, students who adjust their course load or withdraw completely approximately within the first six weeks of the term may receive a partial refund in accordance with the University's refund policy. Refunds issued reduce the amount of revenue recognized. Services are billed July 15 for the Fall term, November 15 for the Winter term and March 15 for the Spring term. Payments and payment plan arrangements are due by the 15<sup>th</sup> of the following month. The University applies the practical expedient as allowed for within the accounting standards and, therefore, does not disclose information about remaining performance obligations that have original expected durations of one year or less. The University determines the transaction price based on standard charges for goods and services provided, reduced by discounts relating to institutional scholarships, both funded and unfunded, in accordance with the University's policies.

# LAWRENCE UNIVERSITY OF WISCONSIN

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2021 and 2020

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### NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (cont.)

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**Tuition and Fees and Auxiliary Revenues** (cont.) – The University also provides auxiliary services, such as residence and food services. Revenue from these services is recognized in the fiscal year in which the goods and services are provided. Students that withdraw from the University within approximately the first six weeks of the term may receive a partial refund in accordance with the University's refund policy. Refunds issued reduce the amount of revenue recognized.

**Cash and Cash Equivalents and Restricted Cash and Cash Equivalents** – The University considers all highly liquid investments, except for those held for long-term investment, with a maturity of three months or less when purchased to be cash equivalents. Certain cash held by the University is restricted for the Federal Perkins Loan Fund and for capital projects funded by the Series 2020 Bond.

**Receivables, Net** – 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. Recoveries of student accounts and loans receivable previously written off are recorded when received. Receivables are generally unsecured.

Interest is charged on student accounts receivable that are past due and is recognized as it is charged. A student account receivable is considered to be past due if any portion of the receivable balance is outstanding on the 1<sup>st</sup> of the month after it is 30 days past due. After a student is no longer enrolled in an institution of higher education and after a grace period, interest is charged on Perkins student loans receivable and is recognized as it is charged. Perkins student loans receivable are considered to be past due if a payment is not made within 30 days of the payment due date, at which time, late fees are charged and recognized. The Perkins Loan Program receivables may be assigned to the U.S. Department of Education. Students may be granted a deferment, forbearance or cancellation of their student loan receivable based on eligibility requirements defined by the U.S. Department of Education.

**Inventories** – Inventories are valued at the lower of cost or market and consist primarily of janitorial, logo store merchandise and art supplies.

**Property and Equipment, Net** – Property and equipment is stated at cost less accumulated depreciation. The University depreciates its assets on the straight-line basis over estimated useful lives as follows: buildings 30 to 40 years, land improvements 20 years and equipment/library books 3 to 20 years. The University has a policy of capitalizing all items \$1,000 or more or any group of items totaling \$2,500 or more. Normal repair and maintenance expenses are charged to operations as incurred.

**Collections and Works of Art** – The University does not assign or record a value for art and other collections received as gifts. Accordingly, the value of certain art and other collections has been excluded from the statements of financial position. All art and other collections are insured at a value of approximately \$9,257,000 and \$9,255,000 as of June 30, 2021 and 2020, respectively.

**Deferred Revenue** – Certain revenue related to summer education programs is deferred and recognized as revenue in the same period expenses are recognized. Students are generally billed for courses prior to the start of the course.

# LAWRENCE UNIVERSITY OF WISCONSIN

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2021 and 2020

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### NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (cont.)

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**Asset Retirement Obligations** – Asset retirement obligations are estimated costs and obligations associated with the retirement of long-lived assets. These liabilities were initially recorded at fair value and the related asset retirement costs were recorded as decreases in net assets without donor restrictions. Asset retirement costs are subsequently accreted over the useful lives of the related assets. Changes in the accrual for asset retirement obligations, which is included in the liabilities on the statements of financial position, during the years ended June 30, 2021 and 2020 are as follows:

	2021	2020
Balance, Beginning of the year	\$ 3,841,622	\$ 3,710,153
Accretion expense	190,970	162,799
Reduction in liability due to renovations	<u>(63,456)</u>	<u>(31,330)</u>
Balance, End of the year	<u>\$ 3,969,136</u>	<u>\$ 3,841,622</u>

The estimate of the losses that are probable for asbestos removal was calculated using the expected cash flow approach and based on an inventory of the University's long-lived assets combined with an estimate of the current market prices to remove the asbestos. The University utilized a credit-adjusted risk-free rate to discount the asset retirement obligation.

**Self-Funded Insurance** – The University maintains a self-funded health plan. Specific and aggregate stop loss coverage on the health plan is provided to limit the ultimate exposure of the University. A liability is provided for claims incurred but not reported. Management reviews this accrual on an on-going basis and believes it is adequate to cover such claims. The liability for self-funded insurance claims incurred but not reported is shown in accrued liabilities on the statements of financial position.

**Grants to Specified Students** – Amounts received from state and federal agencies designated for the benefit of specified students are considered agency transactions and, therefore, are not reflected as revenues and expenses of the University. The amount of such grants totaled \$569,656 and \$1,897,037, respectively, during the year ended June 30, 2021 and \$503,597 and \$1,897,684, respectively, during the year ended June 30, 2020.

**U.S. Government Grants Refundable** – Funds provided by the United States Government under the Federal Perkins Loan Program were loaned to qualified students. These funds are ultimately refundable to the government and are included as liabilities in the statements of financial position. Revenues from other government grants are recognized as they are earned in accordance with the agreement. Any funding received before it is earned is recorded as a refundable advance. Expenses incurred before cash is received are recorded as receivables.

**Income Tax Status** – The Internal Revenue Service has determined that the University is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The University is also exempt from state income taxes. Accordingly, the University is not subject to Federal income taxes except to the extent it derives income from certain activities not substantially related to its tax exempt purpose (unrelated trade or business activities).

# LAWRENCE UNIVERSITY OF WISCONSIN

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2021 and 2020

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### NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (cont.)

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The University follows the accounting standards for contingencies in evaluating uncertain tax positions. This guidance prescribes recognition threshold principles for the financial statement recognition of tax positions taken or expected to be taken on a tax return that are not certain to be realized. No liability has been recognized by the University for uncertain tax positions as of June 30, 2021 and 2020. The University's tax returns are subject to review and examination by federal and state authorities.

**Use of Estimates** – The preparation of 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Interest Rate Exchange Agreements** – The University uses interest rate exchange agreements as part of its risk management strategy to manage exposure to fluctuations in interest rates and to manage the overall cost of its debt. The interest rate exchange agreements were not entered into for trading or speculative purposes. The interest rate exchange agreements are recognized as either an asset or liability on the statements of financial position and are measured at fair value. Because the interest rate exchange agreements are often held for the life of the strategy, they may reflect significant unrealized gains or losses depending on the change in value since the inception of the contracts. All unrealized and realized gains and losses from the interest rate exchange agreements are reflected in the statements of activities.

**Advertising Expenses** – For the years ended June 30, 2021 and 2020, advertising expenses totaled \$178,912 and \$200,448, respectively. The University expenses advertising costs at the time incurred.

**Functional Allocation of Expenses** – The costs of providing the various programs and other activities have been summarized on a functional basis as shown in Note 18.

**Measure of Operations** – In its statements of activities, the University includes in its definition of operations all revenues and expenses that are an integral part of its programs and supporting activities including net assets released from donor restrictions to support operating expenditures, as well as investment return appropriated by the Board of Trustees for operations. Non-operating activity consists primarily of investment return greater (less) than amounts designated for current operations, contributions restricted for long-term investment and capital projects, change in beneficial interests in trusts, change in value of split interest agreements, and the changes in fair value of the interest rate swap.

**Change in Accounting Principle** – For the year ended June 30, 2020, the University adopted ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* ("ASU No. 2018-08"). The new guidance is intended to clarify and improve accounting guidance for contributions received and contributions made. The amendments in this ASU 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. Adopting ASU No. 2018-08 following the modified prospective method did not have a significant impact on the financial statements of the University.

# LAWRENCE UNIVERSITY OF WISCONSIN

## NOTES TO FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2021 and 2020

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### NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (cont.)

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For the year ended June 30, 2021, the University adopted ASU No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*. The ASU modifies fair value measurement disclosure requirements of financial instruments. The adoption of FASB ASU No. 2018-13 during the fiscal year ended June 30, 2021 did not have a significant impact on the financial statements of the University.

In 2021, the University adopted FASB ASU No. 2019-03, *Not-for-Profit Entities (Topic 958): Updating the Definition of Collections*. The ASU amends the definition of the term “collections” by aligning it with the definition used in the Code of Ethics for Museums of the American Alliance of Museums and allowing for a broader use of proceeds when collection items are deaccessioned (removed from a collection” for not only the acquisition of new collection items, but also to support the direct care of existing collections. The adoption of ASU No. 2019-03 during the fiscal year ended June 30, 2021 did not have a significant impact on the financial statements of the University.

In February 2016, FASB issued ASU No. 2016-02, *Leases (Topic 842)* that amends the treatment for leases. The new accounting model for leases capitalizes all leases greater than twelve months, both capital and operating, as assets and liabilities on the statement of financial position. Adopting ASU No. 2016-02 did not have a significant impact on the financial statements of the University.

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### NOTE 2 – FAIR VALUE MEASUREMENTS

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Fair value is defined in the accounting guidance as the exchange price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the assets or liability in an orderly transaction between market participants at the measurement date. Under this guidance, a three-level hierarchy is used for fair value measurements, which is based on the transparency of information, such as the pricing source, used in the valuation of an asset or liability as of the measurement date.

Financial instruments received and reported at fair value are classified and disclosed in one of the following three categories.

- Level 1 – Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity can access at the measurement date.
- Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. This includes 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, inputs other than quoted prices that are observable for the asset or liability, or market-corroborated inputs.
- Level 3 – Inputs are unobservable for the asset or liability. Unobservable inputs reflect the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk) using the best information available in the circumstance, which may include using the reporting entity’s own data.

# LAWRENCE UNIVERSITY OF WISCONSIN

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2021 and 2020

### **NOTE 2 – FAIR VALUE MEASUREMENTS (cont.)**

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. While the University believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date. There have been no changes in the techniques and inputs used at June 30, 2021 and 2020.

The following table summarized financial instruments measured at fair value on a recurring basis by the fair value hierarchy as of June 30, 2021:

	Total	Level 1	Level 2	Level 3
<b>ASSETS</b>				
Short-term investments	\$ 384,968	\$ 384,968	\$ -	\$ -
Equity securities			-	-
Domestic	120,736,792	120,736,792		
Foreign	66,320,927	66,320,927		
Fixed income securities				-
Domestic	43,131,981	32,992,145	10,139,836	
Foreign	2,583,508	797,757	1,785,751	
Beneficial interest in funds held in trust	5,216,584	-	-	5,216,584
Subtotal assets by valuation hierarchy	<u>238,374,760</u>	<u>\$ 221,232,589</u>	<u>\$ 11,925,587</u>	<u>\$ 5,216,584</u>
Investments measured using NAV				
Alternative investments				
Hedge fund	93,863,148			
Private equity funds	122,352,605			
Real estate and other real estate funds	26,252,685			
Insurance linked securities	5,756,782			
Subtotal assets by NAV	<u>248,225,220</u>			
Total assets at fair value	<u>\$ 486,599,980</u>			
<b>LIABILITIES</b>				
Interest rate exchange agreements	\$ (1,179,666)	\$ -	\$ (1,179,666)	\$ -

# LAWRENCE UNIVERSITY OF WISCONSIN

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2021 and 2020

### NOTE 2 – FAIR VALUE MEASUREMENTS (cont.)

The following table presents financial instruments that are measured at fair value on a recurring basis by the fair value hierarchy as of June 30, 2020:

	Total	Level 1	Level 2	Level 3
<b>ASSETS</b>				
Short-term investments	\$ 384,204	\$ 384,204	\$ -	\$ -
Equity securities				
Domestic	86,573,650	86,573,650	-	-
Foreign	44,964,815	44,964,815	-	-
Fixed income securities				
Domestic	38,360,727	31,087,473	7,273,254	-
Foreign	1,031,153	-	1,031,153	-
Beneficial interest in funds held in trust	3,041,584	-	-	3,041,584
	<u>174,356,133</u>	<u>\$ 163,010,142</u>	<u>\$ 8,304,407</u>	<u>\$ 3,041,584</u>
Subtotal assets by valuation hierarchy				
Investments measured using NAV				
Alternative investments				
Hedge fund	86,362,913			
Private equity funds	61,233,026			
Real estate funds	25,864,266			
Insurance linked securities	8,200,120			
Subtotal assets by NAV	<u>181,660,325</u>			
Total assets at fair value	<u>\$ 356,016,458</u>			
<b>LIABILITIES</b>				
Interest rate exchange agreements	\$ (1,805,963)	\$ -	\$ (1,805,963)	\$ -

The following methods and assumptions were used to estimate the fair value for each class of financial instrument measured at fair value:

**Short-term investments** – The fair value of short-term investments, consisting of a 12 month certificate of deposit is classified as Level 1 as these funds are traded on a regular basis.

**Equity securities** – Investments in equity securities are measured at fair value using quoted market prices. They are classified as Level 1 as they are traded in an active market for which closing prices are readily available.

**Fixed income securities** – Investments in fixed income securities are comprised of government and municipal bonds and notes, corporate bonds and assets, mortgage backed securities, and floating rate bank loans. The majority of the fixed income securities are classified as Level 1 as the underlying securities are traded in an active market for which closing prices are readily available. Some of the fixed income securities are Level 2 since fair value is based on multiple sources of information, which may include market data and/or quoted market prices from either markets that are not active or are for the same or similar assets in active markets.

# LAWRENCE UNIVERSITY OF WISCONSIN

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2021 and 2020

### NOTE 2 – FAIR VALUE MEASUREMENTS (cont.)

**Beneficial interest in funds held in trust** – The University's beneficial interest in funds held in trust administered by third parties are classified as Level 3 as the fair values are based on a combination of Level 2 inputs (interest rates and yield curves) and significant unobservable inputs (entity specific estimates of cash flows). Since the University has an irrevocable right to receive the income earned from the trust's assets or is an irrevocable beneficiary of the trust's remainder at death, the fair value of the University's beneficial interest is estimated to approximate the fair value of the trusts' assets.

**Interest rate exchange agreements** – Interest rate exchange agreements are classified as Level 2 as the fair value is based on observable inputs to a valuation model (interest rates, credit spreads, etc.) which take into account the present value of the estimated future cash flows and credit valuation adjustments.

The following table presents a reconciliation of statement of financial position amounts for financial instruments measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended June 30, 2021:

	Balances June 30, 2020	Net Realized and Unrealized Gains (Losses) Included in Change in Net Assets	Purchases	Sales	Transfers	Balances June 30, 2021
Beneficial interest in funds held in trust	\$ 3,041,584	\$ 1,224,333	\$ 950,667	\$ -	\$ -	\$ 5,216,584

The amount of total gains (losses) for the period included in change in net assets attributable to the change in unrealized gains or losses relating to financial instruments still held at June 30, 2021: \$ 1,224,333

The following table presents a reconciliation of statement of financial position amounts for financial instruments measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended June 30, 2020:

	Balances June 30, 2019	Net Realized and Unrealized Gains (Losses) Included in Change in Net Assets	Purchases	Sales	Net transfers in (out) of Level 3	Balances June 30, 2020
Beneficial interest in funds held in trust	\$ 3,177,554	\$ 15,186	\$ -	\$ (151,156)	\$ -	\$ 3,041,584

The amount of total gains (losses) for the period included in change in net assets attributable to the change in unrealized gains or losses relating to financial instruments still held at June 30, 2020: \$ 15,186



# LAWRENCE UNIVERSITY OF WISCONSIN

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2021 and 2020

### NOTE 2 – FAIR VALUE MEASUREMENTS (cont.)

The University's interests in many of its partnership investments represent commitments that are not subject to redemption; instead the University is a limited partner in funds that invest in private companies or properties, or pursue specific investment strategies. The nature of these investments is that distributions are received through the liquidation of the underlying assets of the partnership. The "NAV" reported by each fund is used as a "practical expedient" to estimate the fair value of the University's interest therein, unless management has deemed the "NAV" to be an inappropriate representation of the fair value under the University's valuation policy.

A summary of the significant categories of such investments and their attributes is as follows:

	Private Equity Funds	Real Estate Funds	Hedge Funds	Insurance Linked Securities
Fair Value as of June 30, 2021	\$122,352,605	\$26,252,685	\$93,863,148	\$5,756,782
Fair Value as of June 30, 2020	\$61,233,026	\$25,864,266	\$86,362,913	\$8,200,120
Significant Investment Strategy	Venture, Buyout, and Distressed in the US and international	Core and some value added, primarily in the US	Long/short stocks, convertible arbitrage, volatility arbitrage, distressed credit, relative value fixed income, special situations, global macro, commodities	Invests primarily in assets which carry exposure to insurance risk, in particular, insurance linked securities
Remaining Life	1 to 13 years	1 to 10 years	N.A.	N.A.
Dollar Amount of Unfunded Commitments as of June 30, 2021	\$11,799,290	\$0	\$0	\$0
Timing to Draw Down Commitments	1 to 13 years	1 to 5 years	N.A.	NA
Redemption Terms	N.A.	30 day notice for core	60-90 days notice	180 days notice; 1st day in March and 1st day in September in each fiscal year
Redemption Restrictions	N.A.	Value added real estate is closed end fund	N.A.	N.A.
Redemption Restrictions in Place at Year End	N.A.	N.A.	N.A.	N.A.

# LAWRENCE UNIVERSITY OF WISCONSIN

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2021 and 2020

### NOTE 3 – NET ASSETS

The University's net assets with donor restrictions are comprised of the following at June 30:

	2021	2020
Donor Restricted Net Assets Not Invested in Perpetuity		
Restricted for capital additions	\$ 6,340,749	\$ 3,462,754
Restricted to future periods	5,847,524	7,494,733
Annuity, life income and similar funds, net	2,101,390	2,006,904
Other donor restricted purposes	180,827,148	77,991,793
Underwater endowment	(6,000)	(196,241)
Subtotal	<u>195,110,811</u>	<u>90,759,943</u>
Donor Restricted Net Assets Invested in Perpetuity, the Income from which is Expended for:		
Faculty chairs	41,245,227	38,785,990
Scholarships	138,502,246	133,432,181
Other donor restricted purposes	65,191,196	62,210,981
General operations	8,429,744	8,061,250
	<u>253,368,413</u>	<u>242,490,402</u>
Contributions receivable, net	7,947,191	7,698,685
Annuity, life income and similar funds, net	<u>3,372,806</u>	<u>3,296,948</u>
Subtotal	<u>264,688,410</u>	<u>253,486,035</u>
Total Donor Restricted Net Assets	<u>\$ 459,799,221</u>	<u>\$ 344,245,978</u>

# LAWRENCE UNIVERSITY OF WISCONSIN

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2021 and 2020

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### NOTE 4 – NET ASSETS RELEASED FROM RESTRICTIONS

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Net assets were released from donor restrictions during the years ended June 30, 2021 and 2020 by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

	<u>2021</u>	<u>2020</u>
Purpose restrictions accomplished:		
Funded endowment restrictions	\$ 980,721	\$ 986,573
Other donor imposed restrictions	2,444,230	2,484,531
Investment return designated for current purposes	13,707,676	14,192,129
Gift-funded capital additions	<u>2,511,216</u>	<u>2,990,139</u>
	19,643,843	20,653,372
Unrestricted pledge payments received	<u>1,631,382</u>	<u>1,718,217</u>
Totals	<u>\$ 21,275,225</u>	<u>\$ 22,371,589</u>

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### NOTE 5 – CONTRIBUTIONS RECEIVABLE, NET

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Contributions receivable include the following unconditional promises to give at June 30:

	<u>2021</u>	<u>2020</u>
Contributions receivable expected to be collected in:		
Less than One Year	\$ 6,101,227	\$ 9,014,597
One Year to Five Years	9,445,924	9,498,112
Over Five Years	<u>342,733</u>	<u>607,661</u>
Gross unconditional promises to give	15,889,884	19,120,370
Less:		
Discount to net present value	(394,607)	(468,971)
Allowance for uncollectible promises	<u>(180,580)</u>	<u>(160,636)</u>
Net Unconditional Promises to Give	<u>\$ 15,314,697</u>	<u>\$ 18,490,763</u>

Contributions due in more than one year were discounted at interest rates ranging from 0.6% to 3.4%.

Conditional contributions of \$1,482,000 and \$630,000 were not recorded as of June 30, 2021 and 2020, respectively. The contributions will be recognized as revenue when the conditions are met.

# LAWRENCE UNIVERSITY OF WISCONSIN

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2021 and 2020

### **NOTE 6 – STUDENT LOANS RECEIVABLE, NET**

The University issued uncollateralized loans to students based on financial need through the Federal Perkins government loan program. This program ended on September 30, 2017. The University also no longer funds new student loans through institutional resources. Allowances for doubtful accounts are established based on 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.

Student loans are comprised of the following as of June 30:

	2021	2020
Student loans:		
Lawrence University Loans	\$ 157,306	\$ 176,508
Perkins Student Loans	<u>2,929,802</u>	<u>3,732,486</u>
	3,087,108	3,908,994
Less: Allowance for uncollectible accounts		
Beginning of year	(674,000)	(879,000)
Adjustments	<u>30,000</u>	<u>205,000</u>
End of year	<u>(644,000)</u>	<u>(674,000)</u>
Student Loans Receivable, Net	<u>\$ 2,443,108</u>	<u>\$ 3,234,994</u>

Funds advanced by the Federal government of \$1,697,633 and \$2,181,472 at June 30, 2021 and 2020, respectively, are ultimately refundable to the government and are classified as liabilities in the statements of financial position. During the year ended June 30, 2021 and 2020, the University refunded \$483,839 and \$291,496 as directed to the Federal government.

The aging of the student loan portfolio by classes of loans as of June 30, 2021 and 2020 is presented as follows:

Classes of Loans			2021				Total
			Not in Repayment	Current Balance	Less than 240 Days Past Due	240 Days to 2 Years Past Due	
Federal Perkins Loans	\$ 646,889	\$ 1,404,776	\$ 283,875	\$ 126,258	\$ 193,258	\$ 274,746	\$ 2,929,802
Lawrence University Loans	49,470	76,011	-	-	31,825	-	157,306
							<u>\$ 3,087,108</u>

  

Classes of Loans			2020				Total
			Not in Repayment	Current Balance	Less than 240 Days Past Due	240 Days to 2 Years Past Due	
Federal Perkins Loans	\$ 1,160,208	\$ 1,752,489	\$ 188,661	\$ 158,532	\$ 209,194	\$ 263,402	\$ 3,732,486
Lawrence University Loans	57,616	87,058	-	-	31,834	-	176,508
							<u>\$ 3,908,994</u>

# LAWRENCE UNIVERSITY OF WISCONSIN

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2021 and 2020

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### NOTE 7 – INVESTMENTS

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Investments are stated at fair value and consist of the following at June 30:

	<u>2021</u>	<u>2020</u>
Cash and short-term investments	\$ 1,439	\$ 1,439
Certificates of deposits	383,529	382,765
Equity securities		
Domestic	120,736,792	86,573,650
Foreign	66,320,927	44,964,815
Fixed income securities		
Domestic	43,131,981	38,360,727
Foreign	2,583,508	1,031,153
Alternative investments	248,225,220	181,660,325
Beneficial interest in funds held in trusts	5,216,584	3,041,584
	<u>                    </u>	<u>                    </u>
Total Investments	<u>\$ 486,599,980</u>	<u>\$ 356,016,458</u>

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### NOTE 8 – PROPERTY AND EQUIPMENT, NET

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Property and equipment consists of the following at June 30:

	<u>2021</u>	<u>2020</u>
Land and land improvements	\$ 12,868,361	\$ 12,786,701
Buildings	197,037,307	186,141,762
Equipment/Library Books	75,986,290	74,143,092
Construction in progress	2,072,497	1,349,366
	<u>287,964,455</u>	<u>274,420,921</u>
Less: Accumulated depreciation	<u>(175,767,799)</u>	<u>(169,289,478)</u>
Totals	<u>\$ 112,196,656</u>	<u>\$ 105,131,443</u>

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### NOTE 9 – LINE OF CREDIT

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The University has a 12-month revolving unsecured line of credit with a bank under which it may borrow up to \$8,000,000 (for general operating purposes). At June 30, 2021 and 2020, outstanding borrowings on the line of credit were \$-0- and \$3,165,035, respectively. The line of credit accrues interest at a variable rate which was 3.25% at June 30, 2021 and June 30, 2020.

# LAWRENCE UNIVERSITY OF WISCONSIN

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2021 and 2020

### **NOTE 10 – LONG-TERM DEBT, NET**

The University has the following long-term debt outstanding at June 30:

<b>Wisconsin Health and Educational Facilities Authority, Revenue Bonds</b>	2021	2020
<b>Series 2020</b> - fixed rate (ranging from 2.0% to 4.0%), unsecured, payable in annual installments, maturing on February 1, 2045	\$ 13,575,000	\$ 14,850,000
<b>Series 2014</b> - variable rate (currently 1.029198%). The series 2014 bonds are variable rate direct purchase bonds and can be called and mature in 2040. The bonds were purchased by DNT Asset Trust (JPMorgan Chase Bank). The University has one interest rate exchange agreement in place during the year ended June 30, 2021. Under the agreement, the University either pays additional interest or receives an interest credit depending on the relationship between the variable rate and the fixed rate. See footnote 17 for details regarding statements of financial position and statements of activities impact related to this agreement. The interest rate exchange agreement has the following rate and maturity:  \$25.505 million maturing November 1, 2024 at 1.79%,	25,505,000	25,505,000
<b>JCI Notes Payable</b> - quarterly payments of principal and interest at 4.14% to January 2041. The payments are contingent on the University receiving certain project benefits from the energy efficiency improvements received. At the end of each project benefit year, JCI will send a cost savings report and if there is a project benefit shortfall, the University's next payment will be reduced by the project benefit shortfall. If there is an excess of project benefits from the improvements, the University retains the benefit. However, the benefits can be used to offset any shortfalls in future years. The Note is secured by all improvements performed by JCI that were placed in service.	5,392,014	-
Plus: Unamortized bond premium - Series 2020	1,140,816	1,189,020
Less: Unamortized bond issuance costs	(293,998)	(307,362)
Totals	<u>\$ 45,318,832</u>	<u>\$ 41,236,658</u>

Costs associated with outstanding debt are deferred and amortized on a straight-line basis over the term of the loan.

# LAWRENCE UNIVERSITY OF WISCONSIN

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2021 and 2020

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### **NOTE 10 – LONG-TERM DEBT, NET (cont.)**

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The Series 2020 and 2014 Revenue Bonds have restrictive financial covenants. The University is in compliance with these covenants as of June 30, 2021 and 2020.

Maturities of long-term debt are as follows:

2022	\$	1,218,729
2023		1,272,776
2024		1,351,812
2025		1,418,330
2026		1,467,127
Thereafter		<u>37,743,239</u>
		<u>\$ 44,472,014</u>

For the years ended June 30, 2021 and 2020, interest expense on long-term debt approximated \$1,326,600 and \$1,247,600, respectively. There was capitalized construction interest on the JCI Note Payable of \$171,299 in 2021.

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### **NOTE 11 – EXECUTIVE RETIREMENT PLAN**

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The University is providing the estate of a retired executive with monthly cash payments of approximately \$7,500. These monthly payments started when the executive retired in June 2004 and will continue until June 30, 2022. The payments are discounted at a rate of 2.08% for 2021 and 3.09% for 2020. The present value of these payments at June 30, 2021 and 2020 was \$87,069 and \$169,848, respectively, and are included in accrued liabilities on the statements of financial position. Payments during the years ended June 30, 2021 and 2020 were \$88,880, and retirement expense was \$6,101 and \$11,468, respectively.

# LAWRENCE UNIVERSITY OF WISCONSIN

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2021 and 2020

### NOTE 12 – POSTRETIREMENT OBLIGATION

The University allows retired employees under age 65 and their spouses to participate in the University's health plan on a cost-sharing basis. The following table shows the reconciliation of the accrued postretirement cost for the fiscal years ending June 30:

	2021	2020
Accrued postretirement benefit cost at July 1	\$ (2,846,541)	\$ (2,955,017)
Net periodic postretirement benefit cost	96,733	39,658
Actual retiree benefit payments	122,814	68,818
Accrued postretirement benefit cost at June 30	\$ (2,626,994)	\$ (2,846,541)

Benefits expected to be paid for each of the five years subsequent to June 30, 2021 are estimated to be \$133,804, \$162,754, \$129,473, \$120,826 and \$116,169, respectively. Benefits expected to be paid 2027 through 2031 are estimated to be \$621,387. Contributions from the University expected to be paid to the plan for the year ended June 30, 2022 are estimated to be \$(86,853).

The following table shows the reconciliation of the funded status to the accrued postretirement benefit cost as of June 30:

	2021	2020
Accumulated postretirement benefit obligation (APBO):		
(a) Retirees	\$ (706,662)	\$ (762,927)
(b) Active employees eligible to retire	(522,344)	(553,862)
(c) Active employees not eligible to retire	(643,320)	(585,058)
(d) Total APBO	(1,872,326)	(1,901,847)
Fair value of plan assets	-	-
Unfunded status	(1,872,326)	(1,901,847)
Prior service cost	(312,868)	(487,654)
Unrecognized net loss	(441,800)	(457,040)
Accrued Postretirement Benefit Obligation	\$ (2,626,994)	\$ (2,846,541)



# LAWRENCE UNIVERSITY OF WISCONSIN

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2021 and 2020

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### NOTE 12 – POSTRETIREMENT OBLIGATION (cont.)

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The June 30, 2021 APBO is based on June 30, 2021 participant data. For 2021 and 2020, the weighted average discount rate used in determining the actuarial present value of the projected benefit obligation was 2.33% and 2.08%, respectively. The assumed health care trend rate was 9% for fiscal year 2021 and gradually declines to 5% in the year 2032.

The effect of a 1.0% increase in each future health care trend rate would change the APBO by approximately \$153,333 or 8.2%. The effect of a 1.0% decrease in each future health care trend rate would change the APBO by approximately \$(135,469) or 7.2%.

The following table shows the components of the net periodic postretirement benefit cost (NPPBC):

	<u>2021</u>	<u>2020</u>
Service cost	\$ 66,043	\$ 91,456
Interest cost	37,943	58,270
Amortization of Prior Service Cost	(174,786)	(174,786)
Amortization of loss	<u>(25,933)</u>	<u>(14,598)</u>
Net Periodic Postretirement Benefit Cost	<u>\$ (96,733)</u>	<u>\$ (39,658)</u>

The above 2021 service cost and interest cost are based on June 30, 2021 participant data. For 2021 and 2020, the weighted average discount rate used in determining the actuarial present value of the projected benefit obligation was 2.33% and 2.08%, respectively. The assumed health care trend rate was 9% for fiscal year 2021 and gradually declines to 5% in the year 2032.

The effect of a 1.0% increase in each future health care trend rate would change the combined service cost and interest cost by approximately \$14,941 or 14.4%. The effect of a 1.0% decrease in each future health care trend rate would change the combined service cost and interest cost by approximately \$(12,663) or (12.2%).

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### NOTE 13 – 403(b) RETIREMENT PLAN

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The University participates in the Wisconsin Association of Independent Colleges and Universities (WAICU) Retirement Readiness Plan, a multi-employer retirement plan. Employees are immediately eligible to participate in the plan. After two years of service, employees are required to participate in the plan and to contribute 4% of their salary to the plan. The University will match employee contributions at 8% after one year of service if they contribute at least 4%. A year of service is equal to working 1,000 or more hours a year. All participants are always 100% vested in the portion of their account balances that were contributed by them and after three years are 100% vested in the portion of their account balance that was contributed by the University.

Total retirement expense for the years ended June 30, 2021 and 2020 was approximately \$1,684,000 and \$2,358,000, respectively.

# LAWRENCE UNIVERSITY OF WISCONSIN

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2021 and 2020

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### **NOTE 14 – DEFERRED COMPENSATION PLAN**

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The University started a discretionary deferred compensation plan in July 2013 designed to promote the retention of a key management employee. Under the terms of the plan, a fixed liability, as defined in the plan, is accrued by the University at the end of each calendar year. The accrual and related interest vest over a period defined in the plan document and payment is contingent upon the participant's employment with the University at the end of the vesting period. Effective June 30, 2021, the employee voluntarily terminated employment which resulted in amounts forfeited in the plan. Expense recorded for the plan was \$961 and \$30,000 for the years ended June 30, 2021 and 2020, respectively. At June 30, 2021 and 2020, the deferred compensation liability was \$270,613 and \$269,651, respectively. A liability representing the amount owed under this plan is included in the accrued liabilities line on the statements of financial position. The plan was terminated and the balance was paid to the employee subsequent to June 30, 2021.

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### **NOTE 15 – DEFERRED GIFT AGREEMENTS**

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The University has arrangements with donors classified as charitable lead trusts, charitable remainder trusts, and charitable gift annuities. In general, under these arrangements the University receives a gift from a donor in which it has a remainder interest and with certain arrangements agrees to pay the donor stipulated amounts over the life of the donor. The arrangement may cover one or more lives. The University invests and administers the related assets for its charitable gift annuities and makes distributions to the beneficiaries as required. When the various agreements reaches the end of its term, the remaining assets retained by the University are shown as net assets with or without donor restrictions.

When a gift is received under one of these arrangements, it is split into the amount representing the actuarial present value of future distributions back to the donor and the remaining gift value to be retained for the benefit of the University. The actuarial liability is adjusted annually using actuarial tables appropriate for the type of arrangement, number of lives covered and age and sex characteristics of the donor.

During the years ended June 30, 2021 and 2020, the University received gift income of approximately \$1,025,000 and \$3,300, respectively, relating to deferred gift agreements. Total assets held by the University under deferred gift agreements and liabilities related to these agreements totaled approximately \$7,818,500 and \$2,030,000, respectively, at June 30, 2021 and \$5,222,500 and \$2,102,000, respectively, at June 30, 2020.

# LAWRENCE UNIVERSITY OF WISCONSIN

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2021 and 2020

### NOTE 16 – ENDOWMENT

The University's endowment consists of approximately 900 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the governing board to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the governing board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Endowment net asset composition by type of fund consists of the following as of June 30, 2021:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 426,384,505	\$ 426,384,505
Board-designated endowment funds	60,650,315	-	60,650,315
Total Endowment Net Assets	\$ 60,650,315	\$ 426,384,505	\$ 487,034,820

Endowment net asset composition by type of fund consists of the following as of June 30, 2020:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 316,577,881	\$ 316,577,881
Board-designated endowment funds	44,502,029	-	44,502,029
Total Endowment Net Assets	\$ 44,502,029	\$ 316,577,881	\$ 361,079,910

# LAWRENCE UNIVERSITY OF WISCONSIN

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2021 and 2020

### NOTE 16 – ENDOWMENT (cont.)

Changes in endowment net assets for the year ended June 30, 2021 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, June 30, 2020	\$ 44,502,029	\$ 316,577,881	\$ 361,079,910
Investment return:			
Investment income	-	5,734,387	5,734,387
Net appreciation (depreciation) - realized and unrealized	16,454,444	111,279,897	127,734,341
Total investment return	16,454,444	117,014,284	133,468,727
Contributions	2,383,882	8,699,896	11,083,779
Appropriation of endowment assets for expenditure	(2,690,040)	(15,907,556)	(18,597,596)
Endowment Net Assets, June 30, 2021	<u>\$ 60,650,315</u>	<u>\$ 426,384,505</u>	<u>\$ 487,034,820</u>

\$2,000,000 of contributions received without donor restrictions prior to June 30, 2021 were retroactively designated by the Board of Directors subsequent to year end to be part of Board designated endowment funds at June 30, 2021.

Changes in endowment net assets for the year ended June 30, 2020 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, June 30, 2019	\$ 45,330,032	\$ 311,627,627	\$ 356,957,659
Investment return:			
Investment income	-	4,795,459	4,795,459
Net appreciation (depreciation) - realized and unrealized	1,617,915	6,948,143	8,566,058
Total investment return	1,617,915	11,743,602	13,361,517
Contributions	425,833	9,519,025	9,944,858
Appropriation of endowment assets for expenditure	(2,871,751)	(16,312,373)	(19,184,124)
Endowment Net Assets, June 30, 2020	<u>\$ 44,502,029</u>	<u>\$ 316,577,881</u>	<u>\$ 361,079,910</u>

# LAWRENCE UNIVERSITY OF WISCONSIN

## NOTES TO FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2021 and 2020

### NOTE 16 – ENDOWMENT (cont.)

**Funds with Deficiencies** – From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or Uniform Prudent Management of Institutional Funds Act (UPMIFA) requires the University to retain as a fund of perpetual duration. Deficiencies of this nature were \$6,000 and \$196,241 as of June 30, 2021 and 2020, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new donor restricted contributions and continued appropriation for certain programs that was deemed prudent by the governing board.

	Without Donor Restrictions	With Donor Restrictions			Total Funds June 30, 2021
		Original Gift	Accumulated Gain (losses)	Total	
Board-designated endowment funds	\$ 60,650,315	\$ -	\$ -	\$ -	\$ 60,650,315
Donor-restricted endowment funds:					
Underwater funds	-	4,065	(6,000)	(1,935)	(1,935)
Other funds	-	251,185,663	175,200,777	426,386,440	426,386,440
<b>Total Endowment Net Assets</b>	<b>\$ 60,650,315</b>	<b>\$ 251,189,728</b>	<b>\$ 175,194,777</b>	<b>\$ 426,384,505</b>	<b>\$ 487,034,820</b>

	Without Donor Restrictions	With Donor Restrictions			Total Funds June 30, 2020
		Original Gift	Accumulated Gain (losses)	Total	
Board-designated endowment funds	\$ 44,502,029	\$ -	\$ -	\$ -	\$ 44,502,029
Donor-restricted endowment funds:					
Underwater funds	-	20,276,583	(196,241)	20,080,342	20,080,342
Other funds	-	222,213,819	74,283,720	296,497,539	296,497,539
<b>Total Endowment Net Assets</b>	<b>\$ 44,502,029</b>	<b>\$ 242,490,402</b>	<b>\$ 74,087,479</b>	<b>\$ 316,577,881</b>	<b>\$ 361,079,910</b>

**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 University must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the governing board, the endowment assets are invested in a manner that is intended to produce a real rate of return over inflation sufficient to support, in perpetuity, the mission of the University. It is particularly important to preserve the value of the assets in real terms to enable the Endowment to maintain the purchase power of its support of the University without eroding the real, long-term value of the corpus of the Endowment.

**Strategies Employed for Achieving Objectives** – The University’s investment strategy incorporates a diversified asset allocation approach and maintains, within defined limits, exposure to the world equity, fixed-income, commodities, real estate and private equity markets. This strategy provides the University with a long-term asset mix that is intended to meet the University’s long-term return goals with the appropriate level of risk.

# LAWRENCE UNIVERSITY OF WISCONSIN

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2021 and 2020

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### NOTE 16 – ENDOWMENT (cont.)

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The alternative investments were entered into to diversify the University's portfolio, to provide predictability in overall earnings and to provide market neutral holdings. The University's management, the investment committee of the Board of Trustees and the University's external investment consultants review reports provided by the general partners, and the University's external investment consultants attend meetings of the various general partners in order to evaluate the risk associated with these investments. In addition, the University monitors its portfolio mix to ensure that it is in accordance with Board policy.

**Spending Policy and How the Investment Objectives Relate to Spending Policy** – The University provides endowment income for general institutional purposes through the application of a budgeted endowment income plan. This plan provides the University with a rational and systematic means of determining the portion of investment income available to support current operations. The long-term endowment payout goal stipulated in the Statement of Investment Policy adopted in January, 2008 is computed by applying a formula of 5% of the 12-quarter moving average market value of invested endowment assets as of December 31 each year. The budgeted payout percentage is approved annually by the Board of Trustees and is used to compute the investment return designated for current operations; the difference between total return and return designated for current operations is reflected as a non-operating change in net assets. In 2021 and 2020, the Board of Trustees approved the endowment payout of \$18,597,596 and \$19,184,124, respectively.

**Interpretation of Relevant Law** – The University's governing board has interpreted the Wisconsin enacted version of UPMIFA as allowing the University to appropriate for expenditure or accumulate so much of an 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. As a result of this interpretation, when reviewing donor-restricted endowment funds, the University considers a fund to be underwater if the fair value of the fund is less than the sum of: a) the original value of initial and subsequent gift amounts donated to the fund; and b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The University has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law.

Additionally, in accordance with UPMIFA, the University considers the following factors in making a determination to appropriate or accumulate donor – restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the University and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the University
7. The investment policies of the University

# LAWRENCE UNIVERSITY OF WISCONSIN

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2021 and 2020

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### **NOTE 17 – DERIVATIVE INSTRUMENTS**

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The University uses interest rate exchange agreements as part of its risk management strategy to manage exposure to fluctuations in interest rates and to manage the overall cost of its debt (See Note 10). Interest rate exchange agreements are used to manage identified and approved exposures and are not used for speculative purposes. The interest rate exchange agreements are recognized as either assets or liabilities on the statements of financial position and are measured at fair value. Interest rate exchange agreements are often held for the life of the strategy, but may reflect significant interim unrealized gains or losses depending on the change in value since the inception of the contract. All unrealized and realized gains and losses from the interest rate exchange agreements are reflected in the statements of activities.

Interest rate exchange agreements between the University and a third party (counterparty) provide for periodic exchange of payments between the parties based on changes in a defined index and a fixed rate and include counterparty credit risk. Counterparty credit risk is the risk that contractual obligations of the counterparties will not be fulfilled. Concentrations of credit risk relate to groups of counterparties that have similar economic or industry characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. Counterparty credit risk is managed by requiring high credit standards for the University's counterparties. The counterparties to these contracts are financial institutions that carry investment-grade credit ratings. The interest rate exchange agreements contain collateral provisions applicable to both parties to mitigate credit risk. The University does not anticipate non-performance by its counterparties.

# LAWRENCE UNIVERSITY OF WISCONSIN

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2021 and 2020

### NOTE 17 – DERIVATIVE INSTRUMENTS (cont.)

In fiscal 2021, the University paid \$432,522 more than it received in interest under the swap agreements. In fiscal 2020, the University paid \$179,690 more than it received in interest under the swap agreements. The difference between interest received and interest paid under the swap agreements is recorded as interest expense in the statements of activities.

The following is a summary of the outstanding positions under these interest rate exchange agreements as of June 30, 2021:

Instrument Type	Notional Amount	Maturity Date	Rate Paid	Rate Received
Floating to fixed rate swap	\$ 25,505,000	November 1, 2024	1.79%	IM-USD-LIBOR-BBA

Derivative instruments are reported in the statements of financial position at fair value as of June 30, 2021 and 2020 as follows:

Derivatives Not Designated as Hedging Instruments	Statement of Financial Position Location	Liabilities Derivative	
		Fair Value	
		2021	2020
Interest rate swap	Accrued Liabilities	\$ 1,179,666	\$ 1,805,963

The effect of derivative instruments is reported in the statements of activities as follows:

Derivatives Not Designated as Hedging Instruments	Location of Gain (Loss) on Derivatives Recognized in the Statement of Activities	Amount of Gain (Loss) on Derivatives Recognized in the Statement of Activities	
		2021	2020
		Interest rate swap	Other Non-operating Items



# LAWRENCE UNIVERSITY OF WISCONSIN

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2021 and 2020

### NOTE 18 – FUNCTIONAL CLASSIFICATION OF EXPENSES

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The University reports expenditures in categories reflecting core operational objectives for higher education as defined by Integrated Post Secondary Education Data System (IPEDS). The financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of the University. These expenses include depreciation, interest, facilities operations and maintenance. Depreciation and facilities operations and maintenance were allocated based on square footage and interest is allocated based on usage of proceeds borrowed.

	2021			Total
	Program Activities	Support		
		Institutional Support	Institutional Fundraising	
Salaries and benefits	\$ 32,026,633	\$ 6,419,652	\$ 2,500,267	\$ 40,946,552
Fees for outside services	2,216,362	1,254,115	35,992	3,506,469
Advertising and promotion	35,068	144,717	302	180,087
Office expenses	961,582	256,768	5,409	1,223,759
Information technology	86,117	831,023	-	917,140
Dining	3,893,759	-	-	3,893,759
Occupancy	1,824,543	149,657	-	1,974,199
Repairs and maintenance	1,346,459	33,320	8,428	1,388,207
Travel and conferences	394,025	13,218	28,667	435,911
Interest	1,207,798	118,078	-	1,325,876
Depreciation	6,928,544	228,106	-	7,156,650
Insurance	3,349	753,841	-	757,190
Off campus expenses	276,747	-	-	276,747
Student grants	882,308	-	-	882,308
Miscellaneous	1,872,549	313,645	104,210	2,290,403
	\$ 53,955,841	\$ 10,516,139	\$ 2,683,275	\$ 67,155,255

  

	2020			Total
	Program Activities	Support		
		Institutional Support	Institutional Fundraising	
Salaries and benefits	\$ 34,384,865	\$ 6,945,198	\$ 2,740,689	\$ 44,070,752
Fees for outside services	839,383	607,504	17,507	1,464,394
Advertising and promotion	41,382	167,223	690	209,295
Office expenses	1,175,974	169,653	8,433	1,354,060
Information technology	-	810,391	-	810,391
Dining	3,433,437	-	-	3,433,437
Occupancy	1,865,975	191,197	-	2,057,172
Repairs and maintenance	1,620,101	57,853	8,637	1,686,591
Travel and conferences	1,360,505	66,628	205,405	1,632,538
Interest	1,298,692	106,204	-	1,404,896
Depreciation	6,960,808	304,316	-	7,265,124
Insurance	425	681,541	-	681,966
Off campus expenses	1,602,261	-	-	1,602,261
Student grants	674,099	-	-	674,099
Miscellaneous	1,643,703	674,368	98,857	2,416,928
	\$ 56,901,610	\$ 10,782,076	\$ 3,080,218	\$ 70,763,904

# LAWRENCE UNIVERSITY OF WISCONSIN

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2021 and 2020

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### NOTE 19 – SUPPLEMENTAL CASH FLOW & NONCASH INVESTING AND FINANCING INFORMATION

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	2021	2020
Supplemental Cash Flow Information		
Cash paid for interest	\$ 1,289,510	\$ 1,182,415
Property and equipment financed with accounts payable	1,768,413	356,042
Noncash Investing and Financing Information		
Property and equipment financed with note payable	5,476,299	-
Donation of beneficial interest in trusts	950,667	-
Donation of property and equipment	185,472	-
Donation of real estate investment	1,100,000	-
Revenue bonds issued for refunding	-	12,850,000
Net original issue premium	-	1,205,088
Principal retired with refunding	-	(13,795,000)
Issuance costs on debt issued	-	(226,333)

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### NOTE 20 – RELATED PARTY TRANSACTIONS

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The University received \$4.054 million and \$1.4 million of gifts and contributions during fiscal years 2021 and 2020, respectively, from board of trustee members and employees. As of June 30, 2021 and 2020, \$4.204 million and \$4.554 million of contributions, respectively, were recorded as receivables.

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### NOTE 21 – CONCENTRATIONS OF CREDIT RISK

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Financial instruments that potentially subject the University to concentrations of credit risk consist principally of cash and cash equivalents, short-term investments, marketable securities and other investments and accounts receivable and notes. The University places substantially all of its cash and liquid investments with high-quality financial institutions and limits the amount of credit exposure to any one financial institution; however, cash balances periodically exceed federally insured limits. Marketable securities, consisting of both debt and equity instruments, are generally placed in a variety of managed funds administered by different investment managers in order to limit credit risk. Student notes and receivables and other receivables are due from a variety of sources concentrated primarily in the Midwestern United States. In addition, the University's students receive a substantial amount of support from state and federal student financial assistance programs which are subject to audit by governmental agencies. A significant reduction in the level of this support, if this were to occur, could have an adverse effect on the University's programs and activities.

# LAWRENCE UNIVERSITY OF WISCONSIN

## NOTES TO FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2021 and 2020

### **NOTE 22 – AVAILABLE RESOURCES AND LIQUIDITY**

The University regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet operating needs over a 12-month period, the University considers all expenditures related to its ongoing activities of teaching, research, and public service as well as the conduct of services undertaken to support those activities to be general expenditures. Student Perkins loans receivable are not included in the analysis as principal and interest on these loans are primarily restricted for the Perkins loan program and not available to meet current operating needs.

In addition to financial assets available to meet general expenditures, the University operates with an operating budget that anticipates collecting sufficient tuition, fees, and other revenue to cover general expenditures not covered by donor-restricted resources. The University has various sources of liquidity at its disposal, including cash and cash equivalents, marketable equity and fixed income securities, and a line of credit (Note 9).

As of June 30, 2021 and 2020, the following table shows the total financial assets held by the University that could readily be made available within one year to meet general expenditures:

	2021	2020
Cash and cash equivalents	\$ 12,252,543	\$ 9,601,223
Less: Cash managed with the endowment	(8,501,586)	(9,224,436)
Student accounts receivable, net	102,401	174,079
Government grants receivable	173,755	71,403
Expected collections of student loans receivable	20,000	60,000
Other prepaid assets	241,234	707,024
Investments - certificate of deposit	383,529	382,765
Current portion of contributions receivable for operations	2,005,289	3,797,872
Available Board-designated endowment funds, if necessary	35,998,158	22,078,045
Endowment spending policy draw less expected amount to be reinvested	17,490,170	16,748,001
Additional endowment draw above spending policy approved at time of issuance	-	2,891,250
	\$ 60,165,493	\$ 47,287,226
 <u>Available Board-designated endowment funds</u>		
Balance June 30,	\$ 60,650,315	\$ 44,502,029
Undesignated net assets without donor restrictions	(22,109,888)	(19,449,520)
Approximate endowment payout for operations	(2,542,269)	(2,974,464)
Remaining Board-designated endowment funds	\$ 35,998,158	\$ 22,078,045

The Board-designated endowment is subject to an annual spending rate as described in the Endowment Funds footnote (Note 16). Although the University does not intend to spend from the gift corpus of these funds, these amounts could be made available if deemed necessary.

The University may request additional special endowment draws to be approved by the Board of Trustees during the next twelve months to manage liquidity needs.

# LAWRENCE UNIVERSITY OF WISCONSIN

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2021 and 2020

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### NOTE 23 – NET STUDENT REVENUE

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The University reports net student revenue reflecting the comprehensive fee nature of a residential campus. The University strives to meet the demonstrated financial need of all admitted students with scholarship awards funded by donor restricted gifts from individuals, grants, endowment spending or from income without donor restriction.

Net student revenue is comprised of the following for the years ended June 30:

	<u>2021</u>	<u>2020</u>
Tuition and Fees	\$ 69,621,119	\$ 67,435,271
Room and Board	9,806,688	9,775,937
Less: Funded Tuition Discount	(9,586,677)	(9,890,772)
Less: Unfunded Tuition Discount	<u>(34,974,247)</u>	<u>(31,060,716)</u>
Totals	<u>\$ 34,866,883</u>	<u>\$ 36,259,720</u>

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### NOTE 24 – DEPARTMENT OF EDUCATION FINANCIAL RESPONSIBILITY INFORMATION

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The Department of Education (ED) revised the regulations for financial responsibility which are required to be implemented for reports issued after July 1, 2020. The regulations require the University to provide additional disclosures, including a financial responsibility supplemental schedule, to assist the ED in measuring financial responsibility through the composite score of financial ratios. The financial responsibility supplemental schedule must contain all financial elements required to calculate the composite score ratios, with a cross-reference to the financial statement line or note that contains the element.

Note 8 provides information on the University's property and equipment, net but does not provide a breakout by the implementation date of July 1, 2019. The following table provides a breakdown of property and equipment, net at June 30, 2021 based on the July 1, 2019 implementation date.

Pre-implementation:

Property and equipment, net	\$ 91,637,817
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Post-implementation:

Property and equipment, net with outstanding debt for original purchase	7,197,995
Property and equipment, net without outstanding debt for original purchase	11,288,347
Construction in progress	<u>2,072,497</u>

Total property and equipment, net at June 30, 2021	<u>\$ 112,196,656</u>
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# LAWRENCE UNIVERSITY OF WISCONSIN

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2021 and 2020

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### **NOTE 24 – DEPARTMENT OF EDUCATION FINANCIAL RESPONSIBILITY INFORMATION (cont.)**

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Note 10 provides information on the University's long-term debt but does not provide a breakout by the implementation date of July 1, 2019. The following table provides a breakdown of long-term debt for long-term purposes, at June 30, 2021 based on the July 1, 2019 implementation date.

Pre-implementation:		
Long-term debt	\$	38,025,000
Post-implementation:		
Long-term debt issued in 2021		5,392,014
Long-term debt issued in 2020		<u>1,055,000</u>
Total long term debt at June 30, 2021 before unamortized discount/premium	\$	<u><u>44,472,014</u></u>

Note 3 provides information on the University's breakdown of net assets with either time or purpose restrictions. The following table provides a breakdown of those net assets with donor restrictions at June 30, 2021.

Annuities with donor restrictions	\$	143,667
Life income funds (trusts) with donor restrictions		583,942
Other donor restrictions for purpose or time		<u>194,383,202</u>
Net assets with donor restrictions - time or purpose	\$	<u><u>195,110,811</u></u>

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### **NOTE 25 – RECLASSIFICATIONS**

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For comparability, certain 2020 amounts have been reclassified to conform to classification adopted in 2021. The reclassifications have no effect on reported amounts of total net assets or change in total net assets.

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### **NOTE 26 – SUBSEQUENT EVENTS**

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The University has evaluated subsequent events through October 19, 2021, which is the date that the financial statements were issued.