

LAWRENCE UNIVERSITY OF WISCONSIN
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
YEARS ENDED JUNE 30, 2022 AND 2021



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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Lawrence University of Wisconsin
Appleton, Wisconsin

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Lawrence University of Wisconsin (the University), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

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, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the University and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for a reasonable period of time.

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

Other Matters

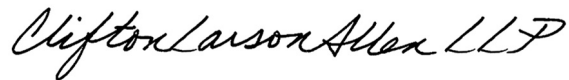
The 2021 financial statements of the University were audited by other auditors whose reported dated October 19, 2021, expressed an unmodified opinion on those statements.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The financial responsibility ratio supplemental schedule is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2022, 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.



CliftonLarsonAllen LLP

Milwaukee, Wisconsin
October 12, 2022

LAWRENCE UNIVERSITY OF WISCONSIN

STATEMENTS OF FINANCIAL POSITION

As of June 30, 2022 and 2021

ASSETS	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 44,683,958	\$ 12,252,543
Restricted cash and cash equivalents	416,893	833,583
Receivables:		
Contributions, net of allowance for doubtful accounts of \$131,462 and \$180,580	13,061,645	15,314,697
Student loans receivable, net of allowance for doubtful loans of \$568,000 and \$644,000	1,781,815	2,443,108
Students accounts, net of allowance for doubtful accounts of \$254,000 and \$228,000	187,793	102,401
Other	251,100	479,991
Inventories	223,531	190,092
Cash surrender value of life insurance and other assets	1,564,512	1,815,835
Investments	403,744,347	486,599,980
Property and equipment, less accumulated depreciation	<u>115,642,690</u>	<u>112,196,656</u>
TOTAL ASSETS	\$ 581,558,284	\$ 632,228,886
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 1,458,385	\$ 2,618,616
Accrued liabilities	5,316,097	7,705,328
Deferred income and deposits	1,807,205	572,051
Due to student organizations	855,983	878,574
Line of credit	5,092,465	-
Postretirement obligation	1,516,729	2,626,994
Asset retirement obligation	4,162,282	3,969,136
Annuities payable	2,746,145	2,030,033
Long-term debt, net of unamortized premium and issue costs	44,065,263	45,318,832
U.S. government grants refundable	1,026,944	1,291,850
Total Liabilities	<u>68,047,498</u>	<u>67,011,414</u>
NET ASSETS		
Without Donor Restrictions		
Undesignated	(24,672,894)	(22,109,888)
Investment in Property and Equipment	71,577,427	66,877,824
Board-Designated Endowment	53,823,811	60,650,315
Total Without Donor Restrictions	<u>100,728,344</u>	<u>105,418,251</u>
With Donor Restrictions		
Perpetual in Nature	269,456,120	264,688,410
Purpose Restrictions	138,774,127	189,263,287
Time Restricted for Future Periods	4,552,195	5,847,524
Total With Donor Restrictions	<u>412,782,442</u>	<u>459,799,221</u>
Total Net Assets	<u>513,510,786</u>	<u>565,217,472</u>
TOTAL LIABILITIES AND NET ASSETS	\$ 581,558,284	\$ 632,228,886

See accompanying notes to financial statements.

LAWRENCE UNIVERSITY OF WISCONSIN

STATEMENT OF ACTIVITIES For the Year Ended June 30, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
OPERATING REVENUES			
Tuition, fees, room and board, less tuition discounts of \$51,218,918	\$ 40,609,184	\$ -	\$ 40,609,184
Auxiliary enterprises	1,319,419	-	1,319,419
Investment return designated for current operations	3,708,979	19,461,851	23,170,830
Government grants	2,558,785	-	2,558,785
Contribution revenue	3,057,884	-	3,057,884
Other income	278,110	115,321	393,431
	<u>51,532,361</u>	<u>19,577,172</u>	<u>71,109,533</u>
Net assets released from restrictions	<u>27,695,476</u>	<u>(27,695,476)</u>	<u>-</u>
Total Operating Revenues	<u>79,227,837</u>	<u>(8,118,304)</u>	<u>71,109,533</u>
OPERATING EXPENSES			
Instruction	28,447,000	-	28,447,000
Research	758,807	-	758,807
Public service	1,056,199	-	1,056,199
Academic support	4,856,915	-	4,856,915
Student services	16,969,147	-	16,969,147
Institutional administration	14,445,730	-	14,445,730
Auxiliary enterprises	10,906,107	-	10,906,107
Total Operating Expenses	<u>77,439,905</u>	<u>-</u>	<u>77,439,905</u>
Operating Revenues in Excess (Deficit) of Operating Expenses	<u>1,787,932</u>	<u>(8,118,304)</u>	<u>(6,330,372)</u>
NONOPERATING INCOME (EXPENSE)			
Investment return in excess of amounts designated for current operations	(8,313,443)	(45,884,555)	(54,197,998)
Contributions for long-term purposes	-	8,551,631	8,551,631
Change in beneficial interest in funds held in trust	-	(1,097,432)	(1,097,432)
Change in value of split interest annuity agreements	-	(225,585)	(225,585)
Change in value of interest rate swap	1,335,457	-	1,335,457
Other nonoperating items, net	500,147	(242,534)	257,613
Total Nonoperating Income	<u>(6,477,839)</u>	<u>(38,898,475)</u>	<u>(45,376,314)</u>
Change in Net Assets	<u>(4,689,907)</u>	<u>(47,016,779)</u>	<u>(51,706,686)</u>
NET ASSETS - Beginning of Year	<u>105,418,251</u>	<u>459,799,221</u>	<u>565,217,472</u>
NET ASSETS - END OF YEAR	<u>\$ 100,728,344</u>	<u>\$ 412,782,442</u>	<u>\$ 513,510,786</u>

See accompanying notes to financial statements.

LAWRENCE UNIVERSITY OF WISCONSIN

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING REVENUES			
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>
OPERATING EXPENSES			
Instruction	24,281,853	-	24,281,853
Research	612,386	-	612,386
Public service	624,674	-	624,674
Academic support	4,614,322	-	4,614,322
Student services	14,374,596	-	14,374,596
Institutional administration	13,199,414	-	13,199,414
Auxiliary enterprises	9,448,010	-	9,448,010
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>
NONOPERATING INCOME (EXPENSE)			
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>
Change in Net Assets	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>
NET ASSETS - END OF YEAR	<u>\$ 105,418,251</u>	<u>\$ 459,799,221</u>	<u>\$ 565,217,472</u>

See accompanying notes to financial statements.

LAWRENCE UNIVERSITY OF WISCONSIN

STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (51,706,686)	\$ 132,024,200
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation and amortization	7,529,462	7,121,809
Gain on sale of fixed assets	-	(600,015)
Asset retirement obligation accretion/abatement	193,984	128,352
Bad debts	1,445	(521)
Noncash contributions	(99,378)	(2,236,139)
Realized and unrealized gains on investments	36,915,304	(129,775,802)
Change in beneficial interest in funds held in trusts	1,097,432	(1,224,333)
Change in cash surrender value of life insurance	(120,422)	(72,126)
Income reinvested	(6,395,371)	(5,096,003)
Investment return restricted for long-term investment	(271,091)	(314,698)
Contributions restricted for long-term purposes	(9,068,547)	(17,989,605)
Actuarial adjustment of annuities payable	225,585	81,623
Loan cancellations and reinstatements	19,529	9,992
Change in certain assets and liabilities:		
Receivables:		
Student accounts	(131,792)	42,199
Contributions	887,767	190,618
Other	228,891	(187,257)
Inventories	(33,439)	(3,210)
Other assets	79,675	465,790
Accounts payable	175,952	(723,815)
Accrued liabilities	(2,389,231)	745,171
Deferred income, deposits and funds held for student organizations	1,212,563	142,464
Postretirement obligation	(1,110,265)	(219,547)
Net Cash Flows from Operating Activities	(22,758,633)	(17,490,853)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(27,155,124)	(24,839,383)
Proceeds from sales of investments	78,393,392	32,402,665
Proceeds from cash surrender value of life insurance	292,070	-
Purchases of property and equipment	(12,247,980)	(6,792,516)
Proceeds from sale of fixed assets	-	600,015
Repayments of loans from students	686,719	811,894
Net Cash Flows from Investing Activities	39,969,077	2,182,675
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on line of credit	(19,001,288)	(14,006,966)
Proceeds on line of credit	24,093,753	10,841,931
Repayment of principal on debt	(1,218,728)	(1,359,284)
Investment return restricted for long-term investment	271,091	314,698
Contributions received restricted for long-term purposes	11,141,167	21,036,948
Changes in U.S. government grants refundable	(264,906)	(386,831)
Payments to annuitants	(216,808)	(215,511)
Net Cash Flows from Financing Activities	14,804,281	16,224,985
Net Change in Cash and Cash Equivalents	32,014,725	916,807
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AND CASH EQUIVALENTS - Beginning of Year	13,086,126	12,169,319
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 45,100,851	\$ 13,086,126
RECONCILIATION OF CASH AND CASH EQUIVALENTS AND RESTRICTED CASH TO THE STATEMENT OF FINANCIAL POSITION		
Cash and cash equivalents	\$ 44,683,958	\$ 12,252,543
Restricted cash and cash equivalents	416,893	833,583
	\$ 45,100,851	\$ 13,086,126

See accompanying notes to financial statements.

LAWRENCE UNIVERSITY OF WISCONSIN

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2022 and 2021

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

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.

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 I, HEERF II and HEERF III). Most institutions received grants comprised of a student allocation and an institutional allocation. 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. Under the three rounds of HEERF allocations, the University was awarded \$5,803,260 of relief and received and recognized \$2,005,850 and \$2,685,818 of HEERF funds as government grants revenue as of June 30, 2022 and 2021, respectively. The student relief portion of \$1,283,776 and

LAWRENCE UNIVERSITY OF WISCONSIN

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2022 and 2021

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (cont.)

\$804,216 was expended and reported as student services expenses for the year ended June 30, 2022 and 2021, respectively. The \$722,074 institutional portion of the grant for the year ended June 30, 2022 was expended on lost room revenue. 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. As restrictions were met in the same period, these grants were reported as changes in net assets without donor restrictions.

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 has 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 15th 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.

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.

LAWRENCE UNIVERSITY OF WISCONSIN

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2022 and 2021

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (cont.)

Tuition and Fees and Auxiliary Revenues (cont.) – The University's contract assets and liabilities are comprised of the following at June 30:

	2022	2021	2020
Contract Assets - Receivables			
Student Accounts Receivable	\$ 187,793	\$ 102,401	\$ 174,079
Contract Liabilities - Deferred Revenues			
Deferred Tuition and Fees Income	\$ 757,205	\$ 572,051	\$ 810,245
Deferred Service Contract Deposit	1,050,000	-	-
	\$ 1,807,205	\$ 572,051	\$ 810,245

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 as revenue 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 1st 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 net realizable value 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.

LAWRENCE UNIVERSITY OF WISCONSIN

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2022 and 2021

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (cont.)

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 \$9,359,000 and \$9,257,000 as of June 30, 2022 and 2021, respectively. Proceeds on deaccessioned collections are used to fund new collections or the direct care of existing collections. Direct care is defined as general care for the preservation of a collection.

Deferred Income and deposits– Students are generally billed for courses prior to the start of the course. Student advance payments for tuition and room and board related to the next semester have been deferred and will be reported as revenue without donor restrictions in the period in which the goods or services are provided.

Included in deferred revenue and deposits is a deposit received from a contracted service provider which is refundable at varying declining amounts over the life of the contract if the contract is cancelled prior to the end of the term. The unamortized amount of the deposit at June 30, 2022 is \$1,050,000.

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, 2022 and 2021 are as follows:

	2022	2021
Balance, Beginning of the year	\$ 3,969,136	\$ 3,841,622
Accretion expense	269,907	190,970
Reduction in liability due to renovations	(76,761)	(63,456)
Balance, End of the year	\$ 4,162,282	\$ 3,969,136

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 \$725,000 at June 30, 2022 and 2021 and is shown in accrued liabilities on the statements of financial position.

LAWRENCE UNIVERSITY OF WISCONSIN

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2022 and 2021

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (cont.)

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 \$591,692 and \$1,990,423, respectively, during the year ended June 30, 2022 and \$569,656 and \$1,897,037, respectively, during the year ended June 30, 2021.

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).

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, 2022 and 2021. 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, 2022 and 2021, advertising expenses totaled \$200,387 and \$178,912 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 17.

LAWRENCE UNIVERSITY OF WISCONSIN

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2022 and 2021

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (cont.)

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, 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 2021, the University adopted FASB 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.

NOTE 2 – FAIR VALUE MEASUREMENTS

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.

LAWRENCE UNIVERSITY OF WISCONSIN

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2022 and 2021

NOTE 2 – FAIR VALUE MEASUREMENTS (cont.)

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.

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, 2022 and 2021.

The following table summarized financial instruments measured at fair value on a recurring basis by the fair value hierarchy as of June 30, 2022:

	Total	Level 1	Level 2	Level 3
ASSETS				
Equity securities				
Domestic	\$ 99,107,422	\$ 99,107,422	\$ -	\$ -
Foreign	43,840,222	43,840,222	-	-
Fixed income securities				
Domestic	36,356,947	35,478,327	878,620	-
Foreign	843,373	745,748	97,625	-
Beneficial interest in funds held in trust	4,119,152	-	-	4,119,152
Subtotal assets by valuation hierarchy	184,267,116	\$ 179,171,719	\$ 976,245	\$ 4,119,152
Investments measured using NAV				
Alternative investments				
Hedge fund	59,913,845			
Private equity funds	134,786,447			
Real estate and other real estate funds	19,319,568			
Insurance linked securities	5,072,096			
Subtotal assets by NAV	219,091,956			
Short-term investments measured at cost	385,275			
Total assets at fair value	\$ 403,744,347			
LIABILITIES				
Interest rate exchange agreements	\$ 155,791	\$ -	\$ 155,791	\$ -

LAWRENCE UNIVERSITY OF WISCONSIN

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2022 and 2021

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, 2021:

	Total	Level 1	Level 2	Level 3
ASSETS				
Equity securities				
Domestic	\$ 120,736,792	\$ 120,736,792	\$ -	\$ -
Foreign	51,719,217	51,719,217	-	-
Fixed income securities				
Domestic	34,018,397	32,992,145	1,026,252	-
Foreign	911,785	797,757	114,028	-
Beneficial interest in funds held in trust	5,216,584	-	-	5,216,584
Subtotal assets by valuation hierarchy	<u>212,602,775</u>	<u>\$ 206,245,911</u>	<u>\$ 1,140,280</u>	<u>\$ 5,216,584</u>
Investments measured using NAV				
Alternative investments				
Hedge fund	93,863,148			
Private equity funds	147,739,622			
Real estate and other real estate funds	26,252,685			
Insurance linked securities	<u>5,756,782</u>			
Subtotal assets by NAV	273,612,237			
Short-term investments measured at cost	<u>384,968</u>			
Total assets at fair value	<u>\$ 486,599,980</u>			
LIABILITIES				
Interest rate exchange agreements	<u>\$ (1,179,666)</u>	<u>\$ -</u>	<u>\$ (1,179,666)</u>	<u>\$ -</u>

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

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, 2022 and 2021

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, 2022:

	Balances June 30, 2021	Net Realized and Unrealized Gains (Losses) Included in Change in Net Assets	Purchases	Sales	Transfers	Balances June 30, 2022
Beneficial interest in funds held in trust	\$ 5,216,584	\$ (1,097,432)	\$ -	\$ -	\$ -	\$ 4,119,152

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, 2022: \$ (1,097,432)

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

LAWRENCE UNIVERSITY OF WISCONSIN

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2022 and 2021

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, 2022	\$134,786,447	\$19,319,568	\$59,913,845	\$5,072,096
Fair Value as of June 30, 2021	\$147,739,622	\$26,252,685	\$93,863,148	\$5,756,782
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, 2022	\$43,189,059	\$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, 2022 and 2021

NOTE 3 – NET ASSETS

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

	2022	2021
Donor Restricted Net Assets Not Invested in Perpetuity		
Restricted for capital additions	\$ 2,186,359	\$ 6,340,749
Restricted to future periods	4,552,195	5,847,524
Annuity, life income and similar funds, net	1,843,627	2,101,390
Accumulated earnings on endowed funds subject to donor restrictions	129,235,552	175,200,777
Other donor restricted purposes	5,896,400	5,626,371
Underwater endowment	<u>(387,811)</u>	<u>(6,000)</u>
Subtotal	<u>143,326,322</u>	<u>195,110,811</u>
Donor Restricted Net Assets Invested in Perpetuity, the Income from which is Expended for:		
Faculty chairs	42,087,324	41,245,227
Scholarships	141,663,367	138,502,246
Other donor restricted purposes	67,887,590	65,191,196
General operations	<u>8,319,442</u>	<u>8,429,744</u>
	259,957,723	253,368,413
Contributions receivable, net	6,345,234	7,947,191
Annuity, life income and similar funds, net	<u>3,153,163</u>	<u>3,372,806</u>
Subtotal	<u>269,456,120</u>	<u>264,688,410</u>
Total Donor Restricted Net Assets	<u><u>\$ 412,782,442</u></u>	<u><u>\$ 459,799,221</u></u>

LAWRENCE UNIVERSITY OF WISCONSIN

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2022 and 2021

NOTE 4 – NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions during the years ended June 30, 2022 and 2021 by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

	<u>2022</u>	<u>2021</u>
Purpose restrictions accomplished:		
Funded endowment restrictions	\$ 1,309,383	\$ 980,721
Other donor imposed restrictions	2,171,756	2,444,230
Investment return designated for current purposes	17,058,466	13,707,676
Gift-funded capital additions	<u>5,542,641</u>	<u>2,511,216</u>
	26,082,246	19,643,843
Unrestricted pledge payments received	<u>1,613,230</u>	<u>1,631,382</u>
Totals	<u>\$ 27,695,476</u>	<u>\$ 21,275,225</u>

NOTE 5 – CONTRIBUTIONS RECEIVABLE, NET

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

	<u>2022</u>	<u>2021</u>
Contributions receivable expected to be collected in:		
Less than One Year	\$ 6,303,233	\$ 6,101,227
One Year to Five Years	6,989,266	9,445,924
Over Five Years	<u>146,762</u>	<u>342,733</u>
Gross unconditional promises to give	13,439,261	15,889,884
Less:		
Discount to net present value	(246,154)	(394,607)
Allowance for uncollectible promises	<u>(131,462)</u>	<u>(180,580)</u>
Net Unconditional Promises to Give	<u>\$ 13,061,645</u>	<u>\$ 15,314,697</u>

Contributions due in more than one year were discounted at interest rates ranging from 0.6% to 3.6%.

Conditional contributions of \$522,000 and \$732,000 were not recorded as of June 30, 2022 and 2021, 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, 2022 and 2021

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:

	2022	2021
Student loans:		
Lawrence University Loans	\$ 89,348	\$ 157,306
Perkins Student Loans	<u>2,260,467</u>	<u>2,929,802</u>
	2,349,815	3,087,108
Less: Allowance for uncollectible accounts		
Beginning of year	(644,000)	(674,000)
Adjustments	<u>76,000</u>	<u>30,000</u>
End of year	<u>(568,000)</u>	<u>(644,000)</u>
Student Loans Receivable, Net	<u>\$ 1,781,815</u>	<u>\$ 2,443,108</u>

Funds advanced by the Federal government of \$1,329,400 and \$1,697,633 at June 30, 2022 and 2021, respectively, are ultimately refundable to the government and are classified as liabilities in the statements of financial position. During the year ended June 30, 2022 and 2021, the University refunded \$368,233 and \$483,839 as directed to the Federal government.

The aging of the student loan portfolio by classes of loans as of June 30, 2022 and 2021 is presented as follows:

Classes of Loans	2022							Total
	Not in Repayment	Current Balance	Less than 240 Days Past Due	240 Days to 2 Years Past Due	2 Years to 5 Years Past Due	More than 5 Years Past Due		
Federal Perkins Loans	\$ 416,276	\$ 1,054,744	\$ 205,732	\$ 118,722	\$ 162,271	\$ 302,722	\$ 2,260,467	
Lawrence University Loans	32,380	56,189	-	-	779	-	89,348	
							<u>\$ 2,349,815</u>	

Classes of Loans	2021							Total
	Not in Repayment	Current Balance	Less than 240 Days Past Due	240 Days to 2 Years Past Due	2 Years to 5 Years Past Due	More than 5 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>	

LAWRENCE UNIVERSITY OF WISCONSIN

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2022 and 2021

NOTE 7 – PROPERTY AND EQUIPMENT, NET

Property and equipment consists of the following at June 30:

	<u>2022</u>	<u>2021</u>
Land and land improvements	\$ 13,031,018	\$ 12,868,361
Buildings	206,199,646	197,037,307
Equipment/Library Books	78,235,579	75,986,290
Construction in progress	<u>1,309,044</u>	<u>2,072,497</u>
	298,775,287	287,964,455
Less: Accumulated depreciation	<u>(183,132,597)</u>	<u>(175,767,799)</u>
Totals	<u>\$ 115,642,690</u>	<u>\$ 112,196,656</u>

During the year, the University entered into various contracts for construction of infrastructure improvements. As of June 30, 2022, the remaining commitment on these contracts total \$4,200,000.

NOTE 8 – LINE OF CREDIT

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, 2022 and 2021, outstanding borrowings on the line of credit were \$5,092,465 and \$-0-, respectively. The line of credit accrues interest at a variable rate which was 4.75% and 3.25% at June 30, 2022 and June 30, 2021, respectively.

LAWRENCE UNIVERSITY OF WISCONSIN

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2022 and 2021

NOTE 9 – LONG-TERM DEBT, NET

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

Wisconsin Health and Educational Facilities Authority, Revenue Bonds	2022	2021
Series 2020 - fixed rate (ranging from 2.0% to 4.0%), unsecured, payable in annual installments, maturing on February 1, 2045	\$ 12,455,000	\$ 13,575,000
Series 2014 - variable rate (currently 1.788751%). 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, 2022 and 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
JCI Notes Payable - 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.	5,293,285	5,392,014
	43,253,285	44,472,014
Plus: Unamortized bond premium - Series 2020	1,092,612	1,140,816
Less: Unamortized bond issuance costs	(280,634)	(293,998)
Totals	\$ 44,065,263	\$ 45,318,832

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, 2022 and 2021

NOTE 9 – LONG-TERM DEBT, NET (cont.)

The Series 2020 and 2014 Revenue Bonds have restrictive financial covenants. The University is in compliance with these covenants as of June 30, 2022 and 2021.

Maturities of long-term debt are as follows:

2023	1,272,776
2024	1,351,812
2025	1,418,330
2026	1,467,127
2027	1,516,637
Thereafter	<u>36,226,602</u>
	<u>\$ 43,253,285</u>

For the years ended June 30, 2022 and 2021, interest expense on long-term debt approximated \$1,432,000 and \$1,326,000 respectively. There was capitalized construction interest on the JCI Note Payable of \$171,299 in 2021. There was no capitalized interest in 2022.

NOTE 10 – EXECUTIVE RETIREMENT PLAN

The University was 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 continued until June 30, 2022. The payments were discounted at a rate of 2.08% for 2021. The present value of these payments at June 30, 2021 were \$87,069 and are included in accrued liabilities on the statements of financial position. Payments during the years ended June 30, 2022 and 2021 were \$88,880, and retirement expense was \$1,811 and \$6,101 respectively.

LAWRENCE UNIVERSITY OF WISCONSIN

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2022 and 2021

NOTE 11 – 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 accumulated postretirement benefit obligation for the fiscal years ending June 30:

	2022	2021
Accumulated Postretirement Benefit Obligation at the End of Prior Year	\$ 2,626,994	\$ 2,846,541
Interest Cost	42,066	37,943
Service Cost at End of the Year	69,460	66,043
Actual Cash Expense	(161,974)	(122,814)
Actuarial (Gain) or Loss	(1,059,817)	(200,719)
Accumulated Postretirement Benefit Obligation at the End of the Current Year	\$ 1,516,729	\$ 2,626,994

Benefits expected to be paid for each of the five years subsequent to June 30, 2022 are estimated to be \$150,416, \$115,769, \$116,245, \$109,960 and \$115,253 respectively. Benefits expected to be paid 2028 through 2032 are estimated to be \$630,485. Contributions from the University expected to be paid to the plan for the year ended June 30, 2023 are estimated to be \$(62,915).

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

	2022	2021
Accumulated postretirement benefit obligation (APBO):		
(a) Retirees	\$ (486,578)	\$ (706,662)
(b) Active employees eligible to retire	(534,951)	(522,344)
(c) Active employees not eligible to retire	(495,200)	(643,320)
(d) Total APBO	(1,516,729)	(1,872,326)
Fair value of plan assets as of measurement date	-	-
Accumulated postretirement benefit obligation (in excess of) or less than Plan Assets	(1,516,729)	(1,872,326)
Prior service cost	-	(312,868)
Unrecognized net loss	-	(441,800)
Accrued Postretirement Benefit Obligation	\$ (1,516,729)	\$ (2,626,994)

LAWRENCE UNIVERSITY OF WISCONSIN

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2022 and 2021

NOTE 11 – POSTRETIREMENT OBLIGATION (cont.)

The June 30, 2022 APBO is based on June 30, 2022 participant data. For 2022 and 2021, the weighted average discount rate used in determining the actuarial present value of the projected benefit obligation was 4.25% and 2.33%, respectively. The assumed health care trend rate was 9% for fiscal year 2022 and gradually declines to 5% in the year 2033.

The effect of a 1.0% increase in each future health care trend rate would change the APBO by approximately \$114,142 or 7.5%. The effect of a 1.0% decrease in each future health care trend rate would change the APBO by approximately \$(101,807) or (6.7)%.

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

	<u>2022</u>	<u>2021</u>
Service cost	\$ 69,460	\$ 66,043
Interest cost	42,066	37,943
Amortization of Prior Service Cost	(174,786)	(174,786)
Amortization of loss	<u>(23,593)</u>	<u>(25,933)</u>
Net Periodic Postretirement Benefit Cost	<u>\$ (86,853)</u>	<u>\$ (96,733)</u>

The above 2022 service cost and interest cost are based on June 30, 2022 participant data. For 2022 and 2021, the weighted average discount rate used in determining the actuarial present value of the projected benefit obligation was 4.25% and 2.33%, respectively. The assumed health care trend rate was 9% for fiscal year 2022 and gradually declines to 5% in the year 2033.

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 \$15,848 or 14.2%. 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 \$(13,447) or (12.1%).

NOTE 12 – 403(b) RETIREMENT PLAN

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, 2022 and 2021 was approximately \$2,386,000 and \$1,684,000 respectively.

LAWRENCE UNIVERSITY OF WISCONSIN

NOTES TO FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2022 and 2021

NOTE 13 – DEFERRED COMPENSATION PLAN

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. The University terminated the plan and the balance was paid to the employee subsequent to June 30, 2021. Under the same terms, the University started a new discretionary deferred compensation plan in July 2021 designed to promote the retention of another key management employee. Expense recorded for the plans was \$30,000 and \$961 for the years ended June 30, 2022 and 2021, respectively. At June 30, 2022 and 2021, the deferred compensation liability was \$25,610 and \$270,613, respectively. A liability representing the amount owed under the plan in effect is included in the accrued liabilities line on the statement of financial position.

NOTE 14 – DEFERRED GIFT AGREEMENTS

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, 2022 and 2021, the University received gift income of approximately \$517,000 and \$1,025,000, respectively, relating to deferred gift agreements. Total assets held by the University under deferred gift agreements and liabilities related to these agreements totaled approximately \$6,421,000 and \$2,746,000, respectively, at June 30, 2022 and \$7,818,500 and \$2,030,000, respectively, at June 30, 2021.

LAWRENCE UNIVERSITY OF WISCONSIN

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2022 and 2021

NOTE 15 – 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, 2022:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 387,014,997	\$ 387,014,997
Board-designated endowment funds	53,823,811	-	53,823,811
Total Endowment Net Assets	\$ 53,823,811	\$ 387,014,997	\$ 440,838,808

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

LAWRENCE UNIVERSITY OF WISCONSIN

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2022 and 2021

NOTE 15 – ENDOWMENT (cont.)

Changes in endowment net assets for the year ended June 30, 2022 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, June 30, 2021	\$ 60,650,315	\$ 426,384,505	\$ 487,034,820
Investment return:			
Investment income	-	6,581,676	6,581,676
Net appreciation (depreciation) - realized and unrealized	<u>(3,612,967)</u>	<u>(33,466,290)</u>	<u>(37,079,257)</u>
Total investment return	(3,612,967)	(26,884,614)	(30,497,581)
Contributions	495,442	6,976,957	7,472,399
Appropriation of endowment assets for expenditure	<u>(3,708,979)</u>	<u>(19,461,851)</u>	<u>(23,170,830)</u>
Endowment Net Assets, June 30, 2022	<u>\$ 53,823,811</u>	<u>\$ 387,014,997</u>	<u>\$ 440,838,808</u>

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	<u>16,454,444</u>	<u>111,279,897</u>	<u>127,734,341</u>
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	<u>(2,690,040)</u>	<u>(15,907,556)</u>	<u>(18,597,596)</u>
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 Trustees subsequent to year end to be part of Board designated endowment funds at June 30, 2021.

LAWRENCE UNIVERSITY OF WISCONSIN

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2022 and 2021

NOTE 15 – 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 \$387,811 and \$6,000 as of June 30, 2022 and 2021, 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, 2022
		Original Gift	Accumulated Gain (losses)	Total	
Board-designated endowment funds	\$ 53,823,811	\$ -	\$ -	\$ -	\$ 53,823,811
Donor-restricted endowment funds:					
Underwater funds	-	5,945,163	(387,811)	5,557,351	5,557,351
Other funds	-	252,222,093	129,235,552	381,457,645	381,457,645
Total Endowment Net Assets	\$ 53,823,811	\$ 258,167,256	\$ 128,847,741	\$ 387,014,997	\$ 440,838,808

	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
Total Endowment Net Assets	\$ 60,650,315	\$ 251,189,728	\$ 175,194,777	\$ 426,384,505	\$ 487,034,820

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, 2022 and 2021

NOTE 15 – ENDOWMENT (cont.)

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 2022 and 2021, the Board of Trustees approved the endowment payout of \$23,170,830 and \$18,597,596, 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, 2022 and 2021

NOTE 16 – DERIVATIVE INSTRUMENTS

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 9). 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, 2022 and 2021

NOTE 16 – DERIVATIVE INSTRUMENTS (cont.)

In fiscal 2022, the University paid \$408,475 more than it received in interest under the swap agreements. In fiscal 2021, the University paid \$432,522 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, 2022:

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, 2022 and 2021 as follows:

Derivatives Not Designated as Hedging Instruments	Statement of Financial Position Location	Liability (Asset) Derivative	
		Fair Value	
		2022	2021
Interest rate swap	Accrued Liabilities	<u>\$ (155,791)</u>	<u>\$ 1,179,666</u>

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	
		2022	2021
Interest rate swap	Other Non-operating Items	<u>\$ 1,335,457</u>	<u>\$ 626,297</u>

LAWRENCE UNIVERSITY OF WISCONSIN

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2022 and 2021

NOTE 17 – 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.

	2022			Total
	Program Activities	Support		
		Institutional Support	Institutional Fundraising	
Salaries and benefits	\$ 34,835,531	\$ 6,585,012	\$ 2,442,453	\$ 43,862,996
Fees for outside services	2,228,279	975,877	123,044	3,327,200
Advertising and promotion	64,315	158,192	1,129	223,636
Office expenses	1,618,377	304,078	22,516	1,944,971
Information technology	69,968	947,113	-	1,017,081
Dining	4,911,857	-	-	4,911,857
Occupancy	2,043,958	172,286	-	2,216,244
Repairs and maintenance	1,813,595	61,495	21,373	1,896,463
Travel and conferences	1,964,904	152,206	201,272	2,318,382
Interest	1,314,767	117,275	-	1,432,042
Depreciation	7,323,204	241,099	-	7,564,303
Insurance	2,757	838,839	-	841,596
Off campus expenses	1,229,908	-	-	1,229,908
Student grants	1,283,776	-	-	1,283,776
Miscellaneous	2,288,979	954,736	125,735	3,369,450
	\$ 62,994,175	\$ 11,508,208	\$ 2,937,522	\$ 77,439,905

	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	149,656	-	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	435,910
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	1,872,547	313,645	104,210	2,290,402
	\$ 53,955,841	\$ 10,516,139	\$ 2,683,275	\$ 67,155,255

LAWRENCE UNIVERSITY OF WISCONSIN

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2022 and 2021

NOTE 18 – SUPPLEMENTAL CASH FLOW & NONCASH INVESTING AND FINANCING INFORMATION

	2022	2021
Supplemental Cash Flow Information		
Cash paid for interest	\$ 1,446,590	\$ 1,289,510
Property and equipment financed with accounts payable	432,230	1,768,413
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	99,378	185,472
Donation of real estate investment	-	1,100,000

NOTE 19 – RELATED PARTY TRANSACTIONS

The University received \$286,000 and \$4.054 million of contributions during fiscal years 2022 and 2021, respectively, from Board of Trustee members and employees. As of June 30, 2022 and 2021, \$1.977 million and \$4.204 million of contributions, respectively, were recorded as receivables.

NOTE 20 – CONCENTRATIONS OF CREDIT RISK

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, 2022 and 2021

NOTE 21 – 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 8).

As of June 30, 2022 and 2021, 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:

	2022	2021
Cash and cash equivalents	\$ 44,683,958	\$ 12,252,543
Less: Cash managed with the endowment	(44,102,448)	(8,501,586)
Student accounts receivable, net	187,793	102,401
Government grants receivable	89,075	173,755
Expected collections of student loans receivable	20,000	20,000
Other prepaid assets	161,559	241,234
Investments - certificate of deposit	383,836	383,529
Current portion of contributions receivable for operations	2,490,461	2,005,289
Available Board-designated endowment funds, if necessary	25,946,491	35,998,158
Endowment spending policy draw less expected amount to be reinvested	19,749,775	17,490,170
Additional endowment draw above spending policy approved at time of issuance	6,708,200	-
	\$ 56,318,700	\$ 60,165,493
 <u>Available Board-designated endowment funds</u>		
Balance June 30,	\$ 53,823,811	\$ 60,650,315
Undesignated net assets without donor restrictions	(24,672,894)	(22,109,888)
Approximate endowment payout for operations	(3,204,426)	(2,542,269)
Remaining Board-designated endowment funds	\$ 25,946,491	\$ 35,998,158

The Board-designated endowment is subject to an annual spending rate as described in the Endowment Funds footnote (Note 15). From time to time the Board of Trustees may authorize extraordinary distributions from the endowment as it deems necessary and prudent to meet immediate and long term needs of the University.

LAWRENCE UNIVERSITY OF WISCONSIN

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2022 and 2021

NOTE 22 – NET STUDENT REVENUE

The University reports net student revenue reflecting the comprehensive fee nature of a residential campus. The University strives to ensure its offerings are affordable through generous need-based and merit 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>2022</u>	<u>2021</u>
Tuition and Fees	\$ 76,806,299	\$ 69,621,119
Room and Board	15,021,803	9,806,688
Less: Funded Tuition Discount	(11,627,376)	(9,586,677)
Less: Unfunded Tuition Discount	<u>(39,591,542)</u>	<u>(34,974,247)</u>
Totals	<u>\$ 40,609,184</u>	<u>\$ 34,866,883</u>

NOTE 23 – RECLASSIFICATIONS

For comparability, certain 2021 amounts have been reclassified to conform to classification adopted in 2022. The reclassifications have no effect on reported amounts of total net assets or change in total net assets.

NOTE 24 – SUBSEQUENT EVENTS

The University has evaluated subsequent events through October 12, 2022, which is the date that the financial statements were issued.

LAWRENCE UNIVERSITY OF WISCONSIN

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2022 and 2021

NOTE 25 – SUPPLEMENTAL DISCLOSURES – DEPARTMENT OF EDUCATION

The University participates in various federally funded student financial aid programs. Under regulatory provisions of these programs, the University is required to demonstrate financial responsibility by meeting a certain composite score based on formula developed by the Department of Education. This score uses financial ratios based on the University's audited financial statements. The composite score calculation reflects the overall relative financial health of institutions along a scale of negative 1.0 to positive 3.0.

The composite score for the year ended June 30, 2022 is as follows:

RATIO	Ratio	Strength Factor	Weight	Composite Scores
Primary Reserve Ratio	2.2030	3.0000	40%	1.2000
Equity Ratio	0.8826	3.0000	40%	1.2000
Net Income Ratio	-0.0579	-0.4464	20%	-0.0893
				<u>2.3107</u>

TOTAL Composite Score - Rounded	2.3
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The composite score for the year ended June 30, 2021 is as follows:

RATIO	Ratio	Strength Factor	Weight	Composite Scores
Primary Reserve Ratio	3.4282	3.0000	40%	1.2000
Equity Ratio	0.8933	3.0000	40%	1.2000
Net Income Ratio	0.1968	3.0000	20%	0.6000
				<u>3.0000</u>

TOTAL Composite Score - Rounded	3.0
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LAWRENCE UNIVERSITY OF WISCONSIN

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2022 and 2021

NOTE 25 – SUPPLEMENTAL DISCLOSURES – DEPARTMENT OF EDUCATION (CONT.)

The Department of Education issued regulations on February 23, 2019 that became effective on July 1, 2020 regarding additional disclosures deemed necessary to calculate certain ratios for determining sufficient financial responsibility under Title IV.

Net Assets	2022	2021
1 Net assets with donor restrictions: restricted in perpetuity	\$ 269,456,120	\$ 264,688,410
2 Other net assets with donor restrictions (not restricted in perpetuity):		
a. Annuities with donor restrictions	\$ 122,298	\$ 143,667
b. Term endowments	-	-
c. Life income funds (trusts)	484,307	583,942
d. Total annuities, term endowments, and life income funds with donor restrictions	\$ 606,605	\$ 727,609
Property, Plant, and Equipment, net		
3 Pre-implementation property, plant, and equipment, net		
a. Ending balance of last financial statements submitted to and accepted by the Department of Education (June 30, 2019, financial statement)	\$ 105,195,096	\$ 105,195,096
b. Reclassify capital lease assets previously included in PPE, net prior to the implementation of ASU 2016-02 leases standard	-	-
c. Less subsequent depreciation and disposals (net of accumulated depreciation)	(19,856,336)	(13,557,279)
d. Balance pre-implementation property, plant, and equipment, net	85,338,760	91,637,817
4 Debt financed post-implementation property, plant, and equipment, net		
Long-lived assets acquired with debt subsequent to June 30, 2019:		
a. Equipment	-	-
b. Land improvements	-	-
c. Building	7,007,795	7,197,995
d. Total property, plant, and equipment, net acquired with debt exceeding 12 months	7,007,795	7,197,995
5 Construction in progress - acquired subsequent to June 30, 2019	1,309,044	2,072,497
6 Post-implementation property, plant, and equipment, net, acquired without debt:		
a. Long-lived assets acquired without use of debt subsequent to June 30, 2019	21,987,091	11,288,347
7 Total Property, Plant, and Equipment, net - June 30, 2022 and 2021	\$ 115,642,690	\$ 112,196,656
Debt to be excluded from expendable net assets		
8 Pre-implementation debt:		
a. Ending balance of last financial statements submitted to the Department of Education (June 30, 2019)	\$ 40,730,000	\$ 40,730,000
b. Reclassify capital leases previously included in long-term debt prior to the implementation of ASU 2016-02 leases standard.	-	-
c. Less subsequent debt repayments	(3,825,000)	(2,705,000)
d. Balance Pre-implementation Debt	36,905,000	38,025,000
9 Allowable post-implementation debt used for capitalized long-lived assets:		
a. Equipment - all capitalized	-	-
b. Land improvements	-	-
c. Buildings	6,348,285	6,447,014
d. Balance Post-implementation Debt	6,348,285	6,447,014
10 Construction in progress (CIP) financed with debt or line of credit	-	-
11 Long-term debt not for the purchase of property, plant, and equipment or liability greater than assets value	-	-
	\$ 43,253,285	\$ 44,472,014
Unsecured related-party receivables		
19 Secured related-party receivables	\$ -	\$ -
20 Unsecured related party receivables	1,977,000	4,204,000
21 Total secured and unsecured related-party receivables	\$ 1,977,000	\$ 4,204,000

LAWRENCE UNIVERSITY OF WISCONSIN

FINANCIAL RESPONSIBILITY RATIO SUPPLEMENTAL SCHEDULE Years Ended June 30, 2022 and 2021

Primary Reserve Ratio:

		2022	2021
Expendable Net Assets:			
Statement of Financial Position (SFP)	Net assets without donor restrictions	\$ 100,728,344	\$ 105,418,251
SFP	Net assets with donor restrictions	\$ 412,782,442	\$ 459,799,221
SFP or Supplemental Disclosure (SD) Line 1	Net assets restricted in perpetuity	\$ 269,456,120	\$ 264,688,410
SD Line 20	Unsecured related-party receivable	\$ 1,977,000	\$ 4,204,000
SD Line 2d	Donor restricted annuities, term endowments, life income funds	\$ 606,605	\$ 727,609
SD Line 3d	Property, plant, and equipment pre-implementation	\$ 85,338,760	\$ 91,637,817
SD Line 4d	Property, plant, and equipment post-implementation with outstanding debt for original purchase	\$ 7,007,795	\$ 7,197,995
SD Line 5	Construction in progress purchased with long-term debt	\$ 1,309,044	\$ 2,072,497
SD Line 6a	Post-implementation property, plant, and equipment, net, acquired without debt	\$ 21,987,091	\$ 11,288,347
Not applicable	Lease right-of-use asset, pre-implementation (grandfather of leases option not chosen)	\$ -	\$ -
Not applicable	Lease right-of-use asset, post-implementation	\$ -	\$ -
Not applicable	Intangible assets	\$ -	\$ -
SFP	Post-employment and pension liabilities	\$ 1,516,729	\$ 2,626,994
SD Line 8d	Long-term debt - for long-term purposes pre-implementation	\$ 36,905,000	\$ 38,025,000
SD Line 9d	Long-term debt - for long-term purposes post-implementation	\$ 6,348,285	\$ 6,447,014
Not applicable	Line of credit for construction in progress	\$ -	\$ -
Not applicable	Pre-implementation right-of-use asset liability	\$ -	\$ -
Not applicable	Post-implementation right-of-use asset liability	\$ -	\$ -
Total Expenses and Losses:			
Statement of Activities (SOA)	Total expenses (operating and nonoperating) without donor restrictions	\$ 77,439,905	\$ 67,236,317
Not applicable	Non-service component of pension/postemployment (nonoperating) cost, (if loss)	\$ -	\$ -
Not applicable	Sale of fixed assets (if loss)	\$ -	\$ -
Not applicable	Change in value of interest-rate swap agreements (if loss)	\$ -	\$ -

Equity Ratio:

Modified Net Assets:			
SFP	Net assets without donor restrictions	\$ 100,728,344	\$ 105,418,251
SFP	Net assets with donor restrictions	\$ 412,782,442	\$ 459,799,221
Not applicable	Lease Right-of-use asset - Pre-implementation	\$ -	\$ -
Not applicable	Lease Right-of-use liability - Pre-implementation	\$ -	\$ -
Not applicable	Intangible assets	\$ -	\$ -
SD Line 20	Unsecured related-party receivables	\$ 1,977,000	\$ 4,204,000
Modified Assets:			
SFP	Total assets	\$ 581,558,284	\$ 632,228,886
Not applicable	Lease right-of-use asset pre-implementation	\$ -	\$ -
Not applicable	Intangible assets	\$ -	\$ -
SD Line 20	Unsecured related-party receivables	\$ 1,977,000	\$ 4,204,000

Net Income Ratio:

SOA	Change in Net Assets Without Donor Restrictions	\$ (4,689,907)	\$ 16,470,957
Total Revenues and Gains Without Donor Restriction:			
SOA	Total operating revenue (including net assets released from restrictions)	\$ 79,227,837	\$ 68,246,004
SOA	Investments gain, net (aggregate operating and non-operating interest, dividends, realized and unrealized gains)	\$ -	\$ 14,834,973
Not applicable	Non-service component of pension/postemployment (nonoperating) cost (if gain)	\$ -	\$ -
Not applicable	Pension-related changes other than net periodic pension costs (if gain)	\$ -	\$ -
Not applicable	Change in value of annuity agreement (typically in nonoperating)	\$ -	\$ -
SOA	Change in value of interest-rate swap agreements (if gain)	\$ 1,335,457	\$ 626,297
Not applicable	Sale of fixed assets (if gain)	\$ -	\$ -
SOA	Other gains	\$ 500,147	\$ -



INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Trustees
Lawrence University of Wisconsin
Appleton, Wisconsin

We have audited, in accordance with the 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, the financial statements of Lawrence University of Wisconsin (the University), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 12, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the University's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the College's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses or significant deficiencies. However, material weaknesses or significant deficiencies in internal control over financial reporting may exist that were not identified.

Report on Compliance and Other Matters

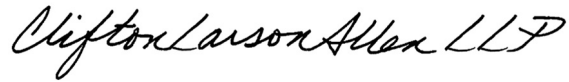
As part of obtaining reasonable assurance about whether the University's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws,

Board of Trustees
Lawrence University of Wisconsin

regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Milwaukee, Wisconsin
October 12, 2022