

LAWRENCE UNIVERSITY OF WISCONSIN
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
YEARS ENDED JUNE 30, 2023 AND 2022



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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, 2023 and 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, 2023 and 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.

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 9, 2023, 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 9, 2023

LAWRENCE UNIVERSITY OF WISCONSIN

STATEMENTS OF FINANCIAL POSITION
As of June 30, 2023 and 2022

ASSETS	2023	2022
Cash and cash equivalents	\$ 8,461,706	\$ 44,683,958
Restricted cash and cash equivalents	242,450	416,893
Receivables:		
Contributions, net of allowance for doubtful accounts of \$99,970 and \$131,462	8,207,858	13,061,645
Student loans receivable, net of allowance for doubtful loans of \$243,000 and \$568,000	1,286,603	1,781,815
Students accounts, net of allowance for doubtful accounts of \$274,000 and \$254,000	193,826	187,793
Government grants and other	2,484,109	251,100
Inventories	248,353	223,531
Cash surrender value of life insurance and other assets	2,486,889	1,564,512
Investments	442,648,555	403,744,347
Property and equipment, less accumulated depreciation	126,898,494	115,642,690
TOTAL ASSETS	\$ 593,158,843	\$ 581,558,284
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 4,346,540	\$ 1,458,385
Accrued liabilities	5,187,805	5,316,097
Deferred income and deposits	1,865,142	1,807,205
Due to student organizations	668,161	855,983
Line of credit	6,837,573	5,092,465
Postretirement obligation	1,666,770	1,516,729
Asset retirement obligation	4,235,807	4,162,282
Annuities payable	2,634,530	2,746,145
Long-term debt, net of unamortized premium and issue costs	51,211,446	44,065,263
U.S. government grants refundable	729,173	1,026,944
Total Liabilities	79,382,947	68,047,498
NET ASSETS		
Without Donor Restrictions		
Undesignated	(29,936,075)	(24,672,894)
Investment in Property and Equipment	75,687,048	71,577,427
Board-Designated Endowment	50,287,167	53,823,811
Total Without Donor Restrictions	96,038,140	100,728,344
With Donor Restrictions		
Perpetual in Nature	271,982,986	269,456,120
Purpose Restrictions	143,422,987	138,774,127
Time Restricted for Future Periods	2,331,783	4,552,195
Total With Donor Restrictions	417,737,756	412,782,442
Total Net Assets	513,775,896	513,510,786
TOTAL LIABILITIES AND NET ASSETS	\$ 593,158,843	\$ 581,558,284

See accompanying notes to financial statements.

LAWRENCE UNIVERSITY OF WISCONSIN

STATEMENT OF ACTIVITIES For the Year Ended June 30, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
OPERATING REVENUES			
Tuition, fees, room and board, less tuition discounts of \$52,355,658	\$ 41,155,166	\$ -	\$ 41,155,166
Auxiliary enterprises	1,304,920	-	1,304,920
Investment return designated for current operations	7,029,015	23,649,329	30,678,344
Government grants	2,670,364	-	2,670,364
Contribution revenue	3,381,737	-	3,381,737
Other income	460,218	113,782	574,000
	<u>56,001,420</u>	<u>23,763,111</u>	<u>79,764,531</u>
Net assets released from restrictions	27,841,263	(27,841,263)	-
Total Operating Revenues	<u>83,842,683</u>	<u>(4,078,152)</u>	<u>79,764,531</u>
OPERATING EXPENSES			
Instruction	30,877,972	-	30,877,972
Research	787,554	-	787,554
Public service	1,373,195	-	1,373,195
Academic support	5,379,025	-	5,379,025
Student services	16,331,903	-	16,331,903
Institutional administration	17,705,262	-	17,705,262
Auxiliary enterprises	11,407,287	-	11,407,287
Total Operating Expenses	<u>83,862,198</u>	<u>-</u>	<u>83,862,198</u>
Operating Revenues in Excess (Deficit) of Operating Expenses	<u>(19,515)</u>	<u>(4,078,152)</u>	<u>(4,097,667)</u>
NONOPERATING INCOME (EXPENSE)			
Investment return in excess of amounts designated for current operations	(3,241,492)	1,851,506	(1,389,986)
Contributions for long-term purposes	-	4,714,942	4,714,942
Change in beneficial interest in funds held in trust	-	284,254	284,254
Change in value of split interest annuity agreements	-	(150,858)	(150,858)
Change in value of interest rate swap	718,287	-	718,287
Other nonoperating items, net	(2,147,484)	2,333,622	186,138
Total Nonoperating Income	<u>(4,670,689)</u>	<u>9,033,466</u>	<u>4,362,777</u>
Change in Net Assets	<u>(4,690,204)</u>	<u>4,955,314</u>	<u>265,110</u>
NET ASSETS - Beginning of Year	<u>100,728,344</u>	<u>412,782,442</u>	<u>513,510,786</u>
NET ASSETS - END OF YEAR	<u>\$ 96,038,140</u>	<u>\$ 417,737,756</u>	<u>\$ 513,775,896</u>

See accompanying notes to financial statements.

LAWRENCE UNIVERSITY OF WISCONSIN

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
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	27,695,476	(27,695,476)	-
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

STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2023 and 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 265,110	\$ (51,706,686)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation and amortization	8,865,903	7,529,462
Gain on value of interest rate swap	(718,287)	(1,335,457)
Asset retirement obligation accretion/abatement	74,363	193,984
Bad debts	(305,000)	1,445
Noncash contributions	(575,000)	(99,378)
Realized and unrealized gains on investments	(24,926,862)	36,915,304
Change in beneficial interest in funds held in trusts	(284,254)	1,097,432
Change in cash surrender value of life insurance	(72,125)	(120,422)
Income reinvested	(5,237,754)	(6,395,371)
Investment return restricted for long-term investment	(239,822)	(271,091)
Contributions restricted for long-term purposes	(4,714,942)	(9,068,547)
Actuarial adjustment of annuities payable	150,858	225,585
Loan cancellations and assignments	376,616	19,529
Change in certain assets and liabilities:		
Receivables:		
Student accounts	(26,033)	(131,792)
Contributions	839,693	887,767
Government grants and other	(2,233,009)	228,891
Inventories	(24,822)	(33,439)
Other assets	(25,093)	79,675
Accounts payable	249,639	175,952
Accrued liabilities	(284,083)	(1,053,774)
Deferred income, deposits and funds held for student organizations	(129,885)	1,212,563
Postretirement obligation	150,041	(1,110,265)
Net Cash Flows from Operating Activities	(28,824,748)	(22,758,633)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(31,815,210)	(27,155,124)
Proceeds from sales of investments	23,359,872	78,393,392
Proceeds from cash surrender value of life insurance	48,919	292,070
Purchases of property and equipment	(16,870,075)	(12,247,980)
Repayments of loans from students	443,596	686,719
Net Cash Flows from Investing Activities	(24,832,898)	39,969,077
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on line of credit	(30,878,296)	(19,001,288)
Proceeds on line of credit	32,623,404	24,093,753
Proceeds from bonds	8,380,005	-
Repayment of principal on debt	(1,272,776)	(1,218,728)
Investment return restricted for long-term investment	239,822	271,091
Contributions received restricted for long-term purposes	8,729,036	11,141,167
Changes in U.S. government grants refundable	(297,771)	(264,906)
Payments to annuitants	(262,473)	(216,808)
Net Cash Flows from Financing Activities	17,260,951	14,804,281
Net Change in Cash and Cash Equivalents	(36,396,695)	32,014,725
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AND CASH EQUIVALENTS - Beginning of Year	45,100,851	13,086,126
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 8,704,156	\$ 45,100,851
RECONCILIATION OF CASH AND CASH EQUIVALENTS AND RESTRICTED CASH TO THE STATEMENT OF FINANCIAL POSITION		
Cash and cash equivalents	\$ 8,461,706	\$ 44,683,958
Restricted cash and cash equivalents	242,450	416,893
	\$ 8,704,156	\$ 45,100,851

See accompanying notes to financial statements.

LAWRENCE UNIVERSITY OF WISCONSIN

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2023 and 2022

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. Of this amount, \$2,005,850 was received and recognized as government grants revenue as of

LAWRENCE UNIVERSITY OF WISCONSIN

NOTES TO FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2023 and 2022

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (cont.)

June 30, 2022. The student relief portion of \$1,283,776 was expended and reported as student services expenses for the year ended June 30, 2022. The \$722,074 institutional portion of the grant for the year ended June 30, 2022 was expended on lost room revenue. As restrictions were met in the same period, these grants were reported as changes in net assets without donor restrictions. No funds were received or recognized in the current year.

Unconditional contributions, including promises to give, are recognized as revenues in the period received and are reported as increases in the appropriate category of net assets in accordance with donor restrictions. Expirations of donor restrictions on net assets (i.e., the donor stipulated purpose 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, 2023 and 2022

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:

	2023	2022	2021
Contract Assets - Receivables			
Student Accounts Receivable	\$ 193,826	\$ 187,793	\$ 102,401
Contract Liabilities - Deferred Revenues			
Deferred Tuition and Fees Income	\$ 965,142	\$ 757,205	\$ 572,051
Deferred Service Contract Deposit	900,000	1,050,000	-
	\$ 1,865,142	\$ 1,807,205	\$ 572,051

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 2023 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. During the year ended June 30, 2023, the University assigned approximately \$356,000 of delinquent Perkins Loans 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, 2023 and 2022

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 \$9,889,000 and \$9,359,000 as of June 30, 2023 and 2022, 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, 2023 and 2022 is \$900,000 and \$1,050,000, respectively.

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, 2023 and 2022 are as follows:

	2023	2022
Balance, Beginning of the year	\$ 4,162,282	\$ 3,969,136
Accretion expense	237,715	269,907
Reduction in liability due to renovations	(164,190)	(76,761)
Balance, End of the year	\$ 4,235,807	\$ 4,162,282

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, 2023 and 2022 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, 2023 and 2022

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 \$635,962 and \$1,960,655 respectively, during the year ended June 30, 2023 and \$591,692 and \$1,990,423, respectively, during the year ended June 30, 2022.

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, 2023 and 2022. 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, 2023 and 2022, advertising expenses totaled \$442,863 and \$200,387 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, 2023 and 2022

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.

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.

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

- Level 1 – Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity can access at the measurement date.
- Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. This includes quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, or market-corroborated inputs.
- Level 3 – Inputs are unobservable for the asset or liability. Unobservable inputs reflect the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk) using the best information available in the circumstance, which may include using the reporting entity's own data.

LAWRENCE UNIVERSITY OF WISCONSIN

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2023 and 2022

NOTE 2 – FAIR VALUE MEASUREMENTS (cont.)

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. While the University believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date. There have been no changes in the techniques and inputs used at June 30, 2023 and 2022.

The following table summarized financial instruments measured at fair value on a recurring basis by the fair value hierarchy as of June 30, 2023:

	Total	Level 1	Level 2	Level 3
ASSETS				
Equity securities				
Domestic	\$ 114,942,875	\$ 114,942,875	\$ -	\$ -
Foreign	48,573,652	48,573,652	-	-
Fixed income securities				
Domestic	36,099,933	34,994,043	1,105,890	-
Foreign	862,993	740,116	122,877	-
Beneficial interest in funds held in trust	4,403,406	-	-	4,403,406
Subtotal assets by valuation hierarchy	204,882,859	\$ 199,250,686	\$ 1,228,767	\$ 4,403,406
Investments measured using NAV				
Alternative investments				
Hedge fund	66,051,779			
Private equity funds	144,213,033			
Real estate and other real estate funds	25,811,437			
Insurance linked securities	1,304,019			
Subtotal assets by NAV	237,380,268			
Short-term investments measured at cost	385,428			
Total investments at fair value	\$ 442,648,555			
Other assets - Interest rate exchange agreements	\$ 874,078	\$ -	\$ 874,078	\$ -

LAWRENCE UNIVERSITY OF WISCONSIN

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2023 and 2022

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, 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	<u>184,267,116</u>	<u>\$ 179,171,719</u>	<u>\$ 976,245</u>	<u>\$ 4,119,152</u>
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	<u>219,091,956</u>			
Short-term investments measured at cost	<u>385,275</u>			
Total assets at fair value	<u>\$ 403,744,347</u>			
LIABILITIES				
Interest rate exchange agreements	<u>\$ 155,791</u>	<u>\$ -</u>	<u>\$ 155,791</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, 2023 and 2022

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, 2023:

	Balances June 30, 2022	Net Realized and Unrealized Gains (Losses) Included in Change in Net Assets	Purchases	Sales	Transfers	Balances June 30, 2023
Beneficial interest in funds held in trust	<u>\$ 4,119,152</u>	<u>\$ 284,254</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,403,406</u>

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, 2023: \$ 284,254

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	<u>\$ 5,216,584</u>	<u>\$ (1,097,432)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,119,152</u>

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)

LAWRENCE UNIVERSITY OF WISCONSIN

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2023 and 2022

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, 2023	\$144,213,036	\$25,811,437	\$66,051,779	\$1,304,019
Fair Value as of June 30, 2022	\$134,786,447	\$19,319,568	\$59,913,845	\$5,072,096
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.
Approximate Dollar Amount of Unfunded Commitments as of June 30, 2022	\$35,500,000	\$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, 2023 and 2022

NOTE 3 – NET ASSETS

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

	2023	2022
Donor Restricted Net Assets Not Invested in Perpetuity		
Restricted for capital additions	\$ 1,647,217	\$ 2,186,359
Restricted to future periods	2,331,783	4,552,195
Annuity, life income and similar funds, net	1,929,415	1,843,627
Accumulated earnings on endowed funds subject to donor restrictions	130,986,468	129,235,552
Other donor restricted purposes	9,201,257	5,896,400
Underwater endowment	<u>(341,370)</u>	<u>(387,811)</u>
Subtotal	<u>145,754,770</u>	<u>143,326,322</u>
Donor Restricted Net Assets Invested in Perpetuity, the Income from which is Expended for:		
Faculty chairs	44,860,868	42,087,324
Scholarships	143,579,090	141,663,367
Other donor restricted purposes	67,594,725	67,887,590
General operations	<u>8,370,523</u>	<u>8,319,442</u>
	264,405,206	259,957,723
Contributions receivable, net	4,221,814	6,345,234
Annuity, life income and similar funds, net	<u>3,355,966</u>	<u>3,153,163</u>
Subtotal	<u>271,982,986</u>	<u>269,456,120</u>
Total Donor Restricted Net Assets	<u>\$ 417,737,756</u>	<u>\$ 412,782,442</u>

LAWRENCE UNIVERSITY OF WISCONSIN

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2023 and 2022

NOTE 4 – NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions during the years ended June 30, 2023 and 2022 by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

	<u>2023</u>	<u>2022</u>
Purpose restrictions accomplished:		
Funded endowment restrictions	\$ 1,662,517	\$ 1,309,383
Other donor imposed restrictions	2,068,641	2,171,756
Investment return designated for current purposes	20,579,618	17,058,466
Gift-funded capital additions	<u>2,086,270</u>	<u>5,542,641</u>
	26,397,046	26,082,246
Unrestricted pledge payments received	<u>1,444,217</u>	<u>1,613,230</u>
Totals	<u>\$ 27,841,263</u>	<u>\$ 27,695,476</u>

NOTE 5 – CONTRIBUTIONS RECEIVABLE, NET

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

	<u>2023</u>	<u>2022</u>
Contributions receivable expected to be collected in:		
Less than One Year	\$ 4,323,994	\$ 6,303,233
One Year to Five Years	4,090,072	6,989,266
Over Five Years	<u>86,988</u>	<u>146,762</u>
Gross unconditional promises to give	8,501,054	13,439,261
Less:		
Discount to net present value	(193,226)	(246,154)
Allowance for uncollectible promises	<u>(99,970)</u>	<u>(131,462)</u>
Net Unconditional Promises to Give	<u>\$ 8,207,858</u>	<u>\$ 13,061,645</u>

Contributions due in more than one year were discounted at interest rates ranging from 0.6% to 4.2%.

Conditional contributions of \$0 and \$522,000 were not recorded as of June 30, 2023 and 2022, 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, 2023 and 2022

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:

	2023	2022
Student loans:		
Lawrence University Loans	\$ 78,723	\$ 89,348
Perkins Student Loans	1,450,880	2,260,467
	1,529,603	2,349,815
Less: Allowance for uncollectible accounts		
Beginning of year	(568,000)	(644,000)
Adjustments	325,000	76,000
End of year	(243,000)	(568,000)
Student Loans Receivable, Net	\$ 1,286,603	\$ 1,781,815

Funds advanced by the Federal government of \$1,018,477 and \$1,329,400 at June 30, 2023 and 2022, respectively, are ultimately refundable to the government and are classified as liabilities in the statements of financial position. During the year ended June 30, 2023 and 2022, the University refunded \$310,923 and \$368,233 as directed to the Federal government.

The aging of the student loan portfolio by classes of loans as of June 30, 2023 and 2022 is presented as follows:

Classes of Loans	2023							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	\$ 306,264	\$ 792,559	\$ 110,138	\$ 104,992	\$ 98,752	\$ 38,175	\$ 1,450,880	
Lawrence University Loans	-	75,682	2,037	1,004	-	-	78,723	
							\$ 1,529,603	

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	
							\$ 2,349,815	

LAWRENCE UNIVERSITY OF WISCONSIN

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2023 and 2022

NOTE 7 – PROPERTY AND EQUIPMENT, NET

Property and equipment consists of the following at June 30:

	<u>2023</u>	<u>2022</u>
Land and land improvements	\$ 13,149,364	\$ 13,031,018
Buildings	218,362,772	206,199,646
Equipment/Library Books	77,429,179	78,235,579
Construction in progress	<u>6,257,463</u>	<u>1,309,044</u>
	315,198,778	298,775,287
Less: Accumulated depreciation	<u>(188,300,284)</u>	<u>(183,132,597)</u>
Totals	<u>\$ 126,898,494</u>	<u>\$ 115,642,690</u>

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, 2023 and 2022, outstanding borrowings on the line of credit were \$6,837,573 and \$5,092,465, respectively. The line of credit accrues interest at a variable rate which was 8.25% and 4.75% at June 30, 2023 and June 30, 2022, respectively.

LAWRENCE UNIVERSITY OF WISCONSIN

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2023 and 2022

NOTE 9 – LONG-TERM DEBT, NET

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

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

<u>Wisconsin Health and Educational Facilities Authority, Revenue Bonds</u>	2023	2022
Series 2020 - fixed rate (ranging from 2.0% to 4.0%), unsecured, payable in annual installments, maturing on February 1, 2045	\$ 11,610,000	\$ 12,455,000
Series 2023 - variable rate (currently 4.04525%). The series 2023 bonds are variable rate direct purchase bonds and can be called and mature in 2048. The bonds were purchased by DNT Asset Trust (JPMorgan Chase Bank). As June 30, 2023 there was \$9,659,301 of available bond proceeds held by DNT trust that have not yet been drawn by the University. The proceeds will be drawn as the University expends on specific construction projects. The University entered into a new interest rate exchange agreement during the year ended June 30, 2023. 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:		
\$20.973 million maturing February 1, 2033 at 2.41%	33,725,699	-
Series 2014 - restructured to 2023 Series bonds	-	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.		
	5,185,509	5,293,285
	50,521,208	43,253,285
Plus: Unamortized bond premium - Series 2020	1,044,408	1,092,612
Less: Unamortized bond issuance costs	(354,170)	(280,634)
Totals	\$ 51,211,446	\$ 44,065,263

LAWRENCE UNIVERSITY OF WISCONSIN

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2023 and 2022

NOTE 9 – LONG-TERM DEBT, NET (cont.)

The Series 2023 and 2020 Revenue Bonds have restrictive financial covenants. The University is in compliance with these covenants as of June 30, 2023 and 2022.

Maturities of long-term debt are as follows:

2024	1,816,812
2025	1,899,330
2026	1,965,127
2027	2,032,637
2028	2,100,893
Thereafter	<u>50,365,710</u>
	60,180,509
Undrawn Bond Proceeds	<u>(9,659,301)</u>
	<u>\$ 50,521,208</u>

For the years ended June 30, 2023 and 2022, interest expense on long-term debt approximated \$1,691,000 and \$1,432,000 respectively. There was no capitalized interest in 2023.

NOTE 10 – COMMITMENTS

During the year the University entered into various construction contract commitments that remain outstanding at June 30, 2023. The total cost of the outstanding construction contracts are approximately \$12.8 million, of which \$7 million is still due for future construction costs.

In June 2023, the University entered into a condominium lease that is expected to commence on August 15, 2024. The term of this lease will be for approximately 15 years from the commencement of the lease.

LAWRENCE UNIVERSITY OF WISCONSIN

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2023 and 2022

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:

	2023	2022
Accumulated Postretirement Benefit Obligation at the End of Prior Year	\$ 1,516,729	\$ 2,626,994
Interest Cost	61,265	42,066
Service Cost at End of the Year	57,911	69,460
Actual Cash Expense	(209,803)	(161,974)
Actuarial (Gain) or Loss	240,668	(1,059,817)
Accumulated Postretirement Benefit Obligation at the End of the Current Year	\$ 1,666,770	\$ 1,516,729

Benefits expected to be paid subsequent to June 30, 2023 are estimated to be:

Years Ending June 30:

2024	\$	123,092
2025		130,734
2026		149,681
2027		146,472
2028		154,394
2029-2033		632,677

Contributions from the University expected to be paid to the plan for the year ended June 30, 2024 are estimated to be \$117,191.

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

	2023	2022
Accumulated postretirement benefit obligation (APBO):		
(a) Retirees	\$ (645,057)	\$ (486,578)
(b) Active employees eligible to retire	(509,075)	(534,951)
(c) Active employees not eligible to retire	(512,638)	(495,200)
(d) Total APBO	(1,666,770)	(1,516,729)
Fair value of plan assets as of measurement date	-	-
Accumulated postretirement benefit obligation (in excess of or less than Plan Assets)	\$ (1,666,770)	\$ (1,516,729)

LAWRENCE UNIVERSITY OF WISCONSIN

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2023 and 2022

NOTE 11 – POSTRETIREMENT OBLIGATION (cont.)

The June 30, 2023 APBO is based on June 30, 2023 participant data. For 2023 and 2022, the weighted average discount rate used in determining the actuarial present value of the projected benefit obligation was 4.85% and 4.25%, respectively. The assumed health care trend rate was 9% for fiscal year 2023 and gradually declines to 5% in the year 2034.

The effect of a 1.0% increase in each future health care trend rate would change the APBO by approximately \$139,863 or 8.4%. The effect of a 1.0% decrease in each future health care trend rate would change the APBO by approximately \$(123,571) or (7.4)%.

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

	<u>2023</u>	<u>2022</u>
Service cost	\$ 57,911	\$ 69,460
Interest cost	61,265	42,066
Amortization of Prior Service Cost	(138,082)	(174,786)
Amortization of loss	<u>(44,009)</u>	<u>(23,593)</u>
Net Periodic Postretirement Benefit Cost	<u>\$ (62,915)</u>	<u>\$ (86,853)</u>

The above 2023 service cost and interest cost are based on June 30, 2023 participant data. For 2023 and 2022, the weighted average discount rate used in determining the actuarial present value of the projected benefit obligation was 4.85% and 4.25%, respectively. The assumed health care trend rate was 9% for fiscal year 2023 and gradually declines to 5% in the year 2034.

The effect of a 1.0% increase in each future health care trend rate would change the combined service cost and interest cost by approximately \$14,615 or 12.3%. The effect of a 1.0% decrease in each future health care trend rate would change the combined service cost and interest cost by approximately \$(12,589) or (10.6%).

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, 2023 and 2022 was approximately \$2,165,000 and \$2,386,000 respectively.

LAWRENCE UNIVERSITY OF WISCONSIN

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2023 and 2022

NOTE 13 – DEFERRED COMPENSATION PLAN

The University started a discretionary deferred compensation plan in July 2021 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. Expense recorded for the plan was \$30,000 for both years ended June 30, 2023 and 2022, respectively. At June 30, 2023 and 2022, the deferred compensation liability was \$60,261 and \$25,610, 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, 2023 and 2022, the University received gift income of approximately \$0 and \$517,000, respectively, relating to deferred gift agreements. Total assets held by the University under deferred gift agreements and liabilities related to these agreements totaled approximately \$8,221,000 and \$2,635,000, respectively, at June 30, 2023 and \$6,421,000 and \$2,746,000, respectively, at June 30, 2022.

LAWRENCE UNIVERSITY OF WISCONSIN

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2023 and 2022

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, 2023:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 393,219,176	\$ 393,219,176
Board-designated endowment funds	50,287,167	-	50,287,167
Total Endowment Net Assets	<u>\$ 50,287,167</u>	<u>\$ 393,219,176</u>	<u>\$ 443,506,343</u>

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	<u>\$ 53,823,811</u>	<u>\$ 387,014,997</u>	<u>\$ 440,838,808</u>

LAWRENCE UNIVERSITY OF WISCONSIN

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2023 and 2022

NOTE 15 – ENDOWMENT (cont.)

Changes in endowment net assets for the year ended June 30, 2023 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, June 30, 2022	\$ 53,823,811	\$ 387,014,997	\$ 440,838,808
Investment return:			
Investment income	-	5,445,972	5,445,972
Net appreciation (depreciation) - realized and unrealized	3,133,388	20,000,713	23,134,101
Total investment return	3,133,388	25,446,685	28,580,073
Contributions	358,983	4,406,823	4,765,806
Appropriation of endowment assets for expenditure	(7,029,015)	(23,649,329)	(30,678,344)
Endowment Net Assets, June 30, 2023	<u>\$ 50,287,167</u>	<u>\$ 393,219,176</u>	<u>\$ 443,506,343</u>

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	(3,612,967)	(33,466,290)	(37,079,257)
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	(3,708,979)	(19,461,851)	(23,170,830)
Endowment Net Assets, June 30, 2022	<u>\$ 53,823,811</u>	<u>\$ 387,014,997</u>	<u>\$ 440,838,808</u>

LAWRENCE UNIVERSITY OF WISCONSIN

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2023 and 2022

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 \$341,370 and \$387,811 as of June 30, 2023 and 2022, 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	Total Funds June 30, 2023
		Original Gift	Accumulated Gain (losses)		
Board-designated endowment funds	\$ 50,287,167	\$ -	\$ -	\$ -	\$ 50,287,167
Donor-restricted endowment funds:					
Underwater funds	-	6,076,722	(341,370)	5,735,352	5,735,352
Other funds	-	256,497,356	130,986,468	387,483,824	387,483,824
Total Endowment Net Assets	\$ 50,287,167	\$ 262,574,078	\$ 130,645,098	\$ 393,219,176	\$ 443,506,343

	Without Donor Restrictions	With Donor Restrictions		Total	Total Funds June 30, 2022
		Original Gift	Accumulated Gain (losses)		
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

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, 2023 and 2022

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 2023 and 2022, the Board of Trustees approved the endowment payout of \$30,678,344 and \$23,170,830, 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, 2023 and 2022

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, 2023 and 2022

NOTE 16 – DERIVATIVE INSTRUMENTS (cont.)

In fiscal 2023, the University received \$184,539 more than it paid in interest under the swap agreement. In fiscal 2022, the University paid \$408,475 more than it received in interest under the swap agreement. The difference between interest received and interest paid under the swap agreement is recorded as interest expense in the statements of activities.

The following is a summary of the outstanding positions under the interest rate exchange agreement as of June 30, 2023:

Instrument Type	Notional Amount	Maturity Date	Rate Paid	Rate Received
Floating to fixed rate swap	\$ 20,973,449	February 1, 2033	2.41%	1D-USD-SOFR-OIS

Derivative instruments are reported in the statements of financial position at fair value as of June 30, 2023 and 2022 as follows:

Derivatives Not Designated as Hedging Instruments	Statement of Financial Position Location	Liability (Asset) Derivative	
		Fair Value	
		2023	2022
Interest rate swap	Other assets	\$ (874,078)	\$ -
Interest rate swap	Accrued liabilities	\$ -	\$ (155,791)

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	
		2023	
		2023	2022
Interest rate swap	Other Non-operating Items	<u>\$ 718,287</u>	<u>\$ 1,335,457</u>

LAWRENCE UNIVERSITY OF WISCONSIN

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2023 and 2022

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.

	2023			Total
	Program Activities	Support		
		Institutional Support	Institutional Fundraising	
Salaries and benefits	\$ 36,590,972	\$ 8,378,780	\$ 2,444,056	\$ 47,413,808
Fees for outside services	1,885,170	1,404,700	214,121	3,503,991
Advertising and promotion	43,342	410,078	520	453,940
Office expenses	1,766,293	173,056	71,763	2,011,112
Information technology	102,498	935,601	-	1,038,099
Dining	4,883,166	8,285	-	4,891,451
Occupancy	2,199,894	272,382	-	2,472,276
Repairs and maintenance	2,152,141	103,924	11,957	2,268,022
Travel and conferences	2,258,939	306,083	369,810	2,934,832
Interest	1,427,569	263,442	-	1,691,011
Depreciation	8,370,256	456,693	-	8,826,949
Insurance	-	1,003,562	-	1,003,562
Off campus expenses	2,005,093	-	-	2,005,093
Miscellaneous	2,574,101	665,111	108,840	3,348,052
	\$ 66,259,434	\$ 14,381,697	\$ 3,221,067	\$ 83,862,198

	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

LAWRENCE UNIVERSITY OF WISCONSIN

NOTES TO FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2023 and 2022

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

	2023	2022
Supplemental Cash Flow Information		
Cash paid for interest	\$ 1,585,277	\$ 1,446,590
Property and equipment financed with accounts payable	3,079,256	432,230
Noncash Investing and Financing Information		
Donation of property and equipment	575,000	99,378
Revenue bonds issued for refunding	25,185,000	-
Principal retired with refunding	(25,185,000)	-
Issuance costs on debt issued	(160,693)	-

NOTE 19 – RELATED PARTY TRANSACTIONS

The University received approximately \$249,000 and \$286,000 of contributions during fiscal years 2023 and 2022, respectively, from Board of Trustee members and employees. As of June 30, 2023 and 2022, \$1.460 million and \$1.977 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, 2023 and 2022

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, 2023 and 2022, 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:

	2023	2022
Cash and cash equivalents	\$ 8,461,706	\$ 44,683,958
Less: Cash managed with the endowment	(8,009,279)	(44,102,448)
Student accounts receivable, net	193,826	187,793
Government grants receivable	2,146,480	89,075
Expected collections of student loans receivable	10,000	20,000
Other prepaid assets	186,652	161,559
Investments - certificate of deposit	383,989	383,836
Current portion of contributions receivable for operations	1,669,704	2,490,461
Available Board-designated endowment funds, if necessary	16,353,049	25,946,491
Endowment spending policy draw, net (less expected amount to be reinvested)	21,100,000	19,749,775
Additional net endowment draw above spending policy approved at time of issuance	12,374,000	6,708,200
	\$ 54,870,127	\$ 56,318,700
 <u>Available Board-designated endowment funds</u>		
Balance June 30,	\$ 50,287,167	\$ 53,823,811
Undesignated net assets without donor restrictions	(29,936,075)	(24,672,894)
Approximate endowment payout for operations	(3,998,043)	(3,204,426)
Remaining Board-designated endowment funds	\$ 16,353,049	\$ 25,946,491

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, 2023 and 2022

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>2023</u>	<u>2022</u>
Tuition and Fees	\$ 78,064,960	\$ 76,806,299
Room and Board	15,445,863	15,021,803
Less: Funded Tuition Discount	(14,132,324)	(11,627,376)
Less: Unfunded Tuition Discount	<u>(38,223,333)</u>	<u>(39,591,542)</u>
Totals	<u>\$ 41,155,166</u>	<u>\$ 40,609,184</u>

NOTE 23 – RECLASSIFICATIONS

For comparability, certain 2022 amounts have been reclassified to conform to classification adopted in 2023. 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 9, 2023, 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, 2023 and 2022

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, 2023 is as follows:

RATIO	Ratio	Strength Factor	Weight	Composite Scores
Primary Reserve Ratio	1.9677	3.0000	40%	1.2000
Equity Ratio	0.8658	3.0000	40%	1.2000
Net Income Ratio	-0.0577	-0.4419	20%	-0.0884
				2.3116

TOTAL Composite Score - Rounded	2.3
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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
				2.3107

TOTAL Composite Score - Rounded	2.3
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LAWRENCE UNIVERSITY OF WISCONSIN

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2023 and 2022

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.

	2023	2022		
Net Assets				
1 Net assets with donor restrictions: restricted in perpetuity	\$ 271,982,986	\$ 269,456,120		
2 Other net assets with donor restrictions (not restricted in perpetuity):				
a. Annuities with donor restrictions	\$ 109,567	\$ 122,298		
b. Term endowments	-	-		
c. Life income funds (trusts)	499,608	484,307		
d. Total annuities, term endowments, and life income funds with donor restrictions	\$ 609,175	\$ 606,605		
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)	(26,594,329)	(19,856,336)		
d. Balance pre-implementation property, plant, and equipment, net	78,600,767	85,338,760		
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	12,600,632	7,007,795		
d. Total property, plant, and equipment, net acquired with debt exceeding 12 months	12,600,632	7,007,795		
5 Construction in progress - acquired with debt subsequent to June 30, 2019	2,713,405	1,309,044		
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	32,983,690	21,987,091		
7 Total Property, Plant, and Equipment, net - June 30, 2023 and 2022	\$ 126,898,494	\$ 115,642,690		
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	(4,990,000)	(3,825,000)		
d. Balance Pre-implementation Debt	35,740,000	36,905,000		
9 Allowable post-implementation debt used for capitalized long-lived assets:				
a. Equipment - all capitalized	-	-		
b. Land improvements	-	-		
c. Buildings	12,067,803	6,348,285		
d. Balance Post-implementation Debt	12,067,803	6,348,285		
10 Construction in progress (CIP) financed with debt or line of credit	2,713,405	-		
11 Long-term debt not for the purchase of property, plant, and equipment or liability greater than assets value	-	-		
	\$ 50,521,208	\$ 43,253,285		
12 Terms of current year debt and line of credit for PPE additions:				
	Issue Date	Maturity	Nature of	Amount
a.	Mar 1, 2020	Feb 1, 2045	Building	\$ 2,010,381
b.	Feb 1, 2023	Feb 1, 2048	Building	\$ 8,540,699
Unsecured related-party receivables				
19 Secured related-party receivables	\$ -	\$ -		
20 Unsecured related party receivables	1,460,000	1,977,000		
21 Total secured and unsecured related-party receivables	\$ 1,460,000	\$ 1,977,000		

LAWRENCE UNIVERSITY OF WISCONSIN

FINANCIAL RESPONSIBILITY RATIO SUPPLEMENTAL SCHEDULE Years Ended June 30, 2023 and 2022

Primary Reserve Ratio:		2023	2022
Expendable Net Assets:			
Statement of Financial Position (SFP)	Net assets without donor restrictions	\$ 96,038,140	\$ 100,728,344
SFP	Net assets with donor restrictions	\$ 417,737,756	\$ 412,782,442
SFP or Supplemental Disclosure (SD) Line 1	Net assets restricted in perpetuity	\$ 271,982,986	\$ 269,456,120
SD Line 20	Unsecured related-party receivable	\$ 1,460,000	\$ 1,977,000
SD Line 2d	Donor restricted annuities, term endowments, life income funds	\$ 609,175	\$ 606,605
SD Line 3d	Property, plant, and equipment pre-implementation	\$ 78,600,767	\$ 85,338,760
SD Line 4d	Property, plant, and equipment post-implementation with outstanding debt for original purchase	\$ 12,600,632	\$ 7,007,795
SD Line 10	Construction in progress purchased with long-term debt	\$ 2,713,405	\$ 1,309,044
SD Line 6a	Post-implementation property, plant, and equipment, net, acquired without debt	\$ 32,983,690	\$ 21,987,091
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	\$ 1,666,770	\$ 1,516,729
SD Line 8d	Long-term debt - for long-term purposes pre-implementation	\$ 35,740,000	\$ 36,905,000
SD Line 9d	Long-term debt - for long-term purposes post-implementation	\$ 12,067,803	\$ 6,348,285
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	\$ 83,862,198	\$ 77,439,905
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	\$ 96,038,140	\$ 100,728,344
SFP	Net assets with donor restrictions	\$ 417,737,756	\$ 412,782,442
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	\$ 1,460,000	\$ 1,977,000
Modified Assets:			
SFP	Total assets	\$ 593,158,843	\$ 581,558,284
Not applicable	Lease right-of-use asset pre-implementation	\$ -	\$ -
Not applicable	Intangible assets	\$ -	\$ -
SD Line 20	Unsecured related-party receivables	\$ 1,460,000	\$ 1,977,000
Net Income Ratio:			
SOA	Change in Net Assets Without Donor Restrictions	\$ (4,670,689)	\$ (4,689,907)
Total Revenues and Gains Without Donor Restriction:			
SOA	Total operating revenue (including net assets released from restrictions)	\$ 76,813,668	\$ 79,227,837
SOA	Investments gain, net (aggregate operating and non-operating interest, dividends, realized and unrealized gains)	\$ 3,787,523	\$ -
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)	\$ 718,287	\$ 1,335,457
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, 2023, 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 9, 2023.

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 9, 2023



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