Edgewood College, Inc.

Financial Statements

June 30, 2023 and 2022

Independent Auditors' Report

To the Board of Trustees of
Edgewood College, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Edgewood College, Inc. (the College), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the College as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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 *(Government Auditing Standards)*. 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 College 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.

Emphasis of Matter

As described in Note 1 to the financial statements, the College retrospectively adopted Accounting Standards Codification Topic 842 as allowed by Accounting Standards Update No. 2016-02, *Leases* (Topic 842) and its related amendments. The 2022 financial statements were adjusted to reflect the adoption. Our opinion is not modified with respect to this matter.

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 College's ability to continue as a going concern within one year after the date that 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 College'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 College's ability to continue as a going concern for a reasonable period of time.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2023 on our consideration of the College'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 College'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 College's internal control over financial reporting and compliance.

Baker Tilly US, LLP

Milwaukee, Wisconsin
November 7, 2023

Edgewood College, Inc.

Statements of Financial Position

June 30, 2023 and 2022

	2023	2022 (As Adjusted)
Assets		
Cash and cash equivalents	$ 16,239,072	$ 18,451,516
Short-term investments	5,999,127	6,034,824
Restricted cash and cash equivalents	1,605,180	1,428,904
Student accounts receivable, net	927,549	975,656
Government grants receivable	175,713	136,398
Other receivables	401,687	162,308
Inventories	59,420	62,298
Prepaid expenses	848,744	496,740
Investments, endowment	50,753,853	46,839,666
Investments, capital	7,708,239	6,851,877
Investments, other	132,216	150,747
Investment in joint venture	188,418	175,713
Beneficial interest in private foundation	14,764,594	19,130,343
Student notes receivable, net	219,570	367,665
Contributions receivable, net	378,635	784,860
Other assets	319,517	114,780
Property, plant, equipment and library books, net	50,509,402	51,041,618
Right of use assets, operating	2,824,702	2,425,546
Right of use assets, financing	511,087	136,255
Total assets	$ 154,566,725	$ 155,767,714
Liabilities and Net Assets		
Liabilities		
Accounts payable, operating	$ 523,272	$ 638,597
Accounts payable, construction	380,690	-
Accrued expenses	2,368,200	2,650,080
Deposits held in custody for others	440,088	467,489
Deferred revenue, summer session	1,038,706	1,117,032
Deferred revenue, other	83,859	60,975
Operating lease liability	1,440,071	897,754
Financing lease liability	518,596	154,650
Bonds payable (net of unamortized bond costs of $30,079 for 2023 and $35,679 for 2022)	9,709,921	10,554,321
Refundable U.S. government student loans	482,759	563,307
Total liabilities	16,986,162	17,104,205
Net Assets		
Without donor restrictions:		
Undesignated	60,144,522	61,065,702
Designated for capital projects	7,119,643	6,701,877
Designated for long-term investment (quasi-endowment)	34,706,992	32,939,306
Total without donor restrictions	101,971,157	100,706,885
With donor restrictions	35,609,406	37,956,624
Total net assets	137,580,563	138,663,509
Total liabilities and net assets	$ 154,566,725	$ 155,767,714

See notes to financial statements

Edgewood College, Inc.

Statement of Activities
Year Ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenues			
Tuition and fees, net	$ 28,373,698	$ -	$ 28,373,698
Sales and services of auxiliary enterprises	6,029,240	-	6,029,240
Gifts and private grants	299,142	1,197,381	1,496,523
Government grants and contracts	235,872	-	235,872
Investment income, net	706,549	-	706,549
Investment income beneficial interest, operating	-	875,000	875,000
Long-term investment return, net, designated for current operations	1,376,380	569,700	1,946,080
Other	937,614	40,174	977,788
Total operating revenues	37,958,495	2,682,255	40,640,750
Net assets released from restrictions	2,793,428	(2,793,428)	-
Total operating revenues	40,751,923	(111,173)	40,640,750
Operating Expenses			
Program:			
Instruction	14,832,954	-	14,832,954
Academic support	7,236,081	-	7,236,081
Student services	6,985,029	-	6,985,029
Public service	421,077	-	421,077
Auxiliary enterprises	4,938,821	-	4,938,821
Support:			
Institutional support	5,852,720	-	5,852,720
Fundraising	1,206,097	-	1,206,097
Total operating expenses	41,472,779	-	41,472,779
Change in net assets from operating activities	(720,856)	(111,173)	(832,029)
Nonoperating Activities			
Long-term investment return, net, greater than amount designated for operations	1,767,686	787,154	2,554,840
Interest rate swap gain	204,737	-	204,737
Change in beneficial interest in private foundation	-	(4,365,749)	(4,365,749)
Change in equity in joint venture	12,705	-	12,705
Gifts and private grants for long-term endowment	-	1,338,655	1,338,655
Gifts and private grants for long-lived capital items	-	3,895	3,895
Change in net assets from nonoperating activities	1,985,128	(2,236,045)	(250,917)
Change in net assets	1,264,272	(2,347,218)	(1,082,946)
Net Assets, Beginning (as adjusted)	100,706,885	37,956,624	138,663,509
Net Assets, Ending	$ 101,971,157	$ 35,609,406	$ 137,580,563

See notes to financial statements

Edgewood College, Inc.

Statement of Activities
Year Ended June 30, 2022 (As Adjusted)

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenues			
Tuition and fees, net	$ 29,907,618	$ -	$ 29,907,618
Sales and services of auxiliary enterprises	5,752,116	-	5,752,116
Gifts and private grants	235,323	1,170,137	1,405,460
Government grants and contracts	4,040,484	-	4,040,484
Investment income (loss), net	(350,257)	14	(350,243)
Investment income beneficial interest, operating	-	725,000	725,000
Long-term investment return, net, designated for current operations	1,290,200	522,610	1,812,810
Other	1,165,901	43,298	1,209,199
Total operating revenues	42,041,385	2,461,059	44,502,444
Net assets released from restrictions	2,468,041	(2,468,041)	-
Total operating revenues	44,509,426	(6,982)	44,502,444
Operating Expenses			
Program:			
Instruction	14,477,809	-	14,477,809
Academic support	7,380,496	-	7,380,496
Student services	6,669,580	-	6,669,580
Public service	360,679	-	360,679
Auxiliary enterprises	4,904,858	-	4,904,858
Scholarships and fellowships	1,850,571	-	1,850,571
Support:			
Institutional support	6,057,463	-	6,057,463
Fundraising	1,223,795	-	1,223,795
Total operating expenses	42,925,251	-	42,925,251
Change in net assets from operating activities	1,584,175	(6,982)	1,577,193
Nonoperating Activities			
Long-term investment return, net, less than amount designated for operations	(5,394,565)	(2,174,826)	(7,569,391)
Interest rate swap gain	604,482	-	604,482
Change in beneficial interest in private foundation	-	1,867,117	1,867,117
Change in equity in joint venture	19,665	-	19,665
Gifts and private grants for long-term endowment	22,409	672,783	695,192
Gifts and private grants for long-lived capital items	-	6,694	6,694
Net assets released from restrictions, plant	14,785	(14,785)	-
Change in net assets from nonoperating activities	(4,733,224)	356,983	(4,376,241)
Change in net assets	(3,149,049)	350,001	(2,799,048)
Net Assets, Beginning	103,855,934	37,606,623	141,462,557
Net Assets, Ending	$ 100,706,885	$ 37,956,624	$ 138,663,509

See notes to financial statements

Statements of Cash Flows
Years Ended June 30, 2023 and 2022

	2023	2022 (As Adjusted)
Cash Flows From Operating Activities		
Change in net assets	$ (1,082,946)	$ (2,799,048)
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	2,449,330	2,541,212
Amortization of financing right of use assets	120,553	125,773
Amortization of loan origination fees included in interest expense	5,600	6,054
Gain on financing right of use asset disposal	(13,980)	-
Realized and unrealized (gains) losses on investments	(3,706,366)	7,142,411
Gain on investment in joint venture	(12,705)	(19,666)
Increase in valuation of beneficial interest in private foundation	4,365,749	(1,867,117)
Contributions received restricted for long-term investment and plant	(1,318,310)	(756,548)
Unrealized gain on interest rate swap agreements	(204,737)	(604,482)
Operating lease costs	143,161	143,162
Changes in assets and liabilities:		
Prepaid expenses	(352,004)	(135,194)
Receivables	(230,587)	2,153,585
Inventories	2,878	(9,361)
Contributions receivable	406,225	400,812
Accounts payable	(115,325)	(493,639)
Accrued expenses	(281,880)	(328,537)
Deposits held in custody for others	(27,401)	(47,459)
Deferred revenue	(55,442)	(651,193)
Net cash flows from operating activities	91,813	4,800,765
Cash Flows From Investing Activities		
Purchases of property, plant, equipment and library books	(1,536,424)	(673,599)
Proceeds from investments sold	2,910,595	1,268,235
Purchases of investments	(3,920,550)	(5,703,976)
Principal collections on notes to students	148,095	115,002
Net cash flows from investing activities	(2,398,284)	(4,994,338)
Cash Flows From Financing Activities		
Contributions received for long-term investment and plant	1,318,310	756,548
Principal payments on bonds	(850,000)	(840,000)
Principal payments on financing leases	(117,459)	(132,690)
Repayments toward refundable U.S. government student loans	(80,548)	(111,101)
Net cash flows from financing activities	270,303	(327,243)
Net change in cash, cash equivalents and restricted cash	(2,036,168)	(520,816)
Cash, Cash Equivalents and Restricted Cash, Beginning	19,880,420	20,401,236
Cash, Cash Equivalents and Restricted Cash, Ending	$ 17,844,252	$ 19,880,420
Supplemental Disclosure of Cash Flow Information		
Interest paid	$ 302,939	$ 316,609
Noncash Investing and Financing Activities		
Assets acquired with construction payables	$ 380,690	$ -

See notes to financial statements

1. Significant Accounting Policies

Edgewood College, Inc. (the College) is an educational institution sponsored by the Sinsinawa Dominican Congregation of the Most Holy Rosary offering graduate and undergraduate degrees.

The accounting policies of the College reflect practices common to colleges and universities and conform to accounting principles generally accepted in the United States of America. The more significant accounting policies are summarized below:

Net Asset Classification

For the purposes of financial reporting, the College classifies resources into two net asset categories pursuant to any donor-imposed restrictions and applicable law. Accordingly, the net assets of the College are classified in the accompanying financial statements in the categories that follow:

Net Assets With Donor Restrictions - Net assets subject to donor-imposed time or purpose restrictions that will be met by action of the College and/or the passage of time and donor restricted endowment funds required to be held in perpetuity.

Net Assets Without Donor Restrictions - Net assets not subject to donor-imposed restrictions.

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.

Unconditional contributions, including promises to give, are recognized as revenues in the period received and are reported as increases in the appropriate categories of net assets in accordance with donor restrictions. Contributions to be received after one year are discounted at the interest rate in effect in the year the pledge was received. Amortization of the discount is recorded as additional contribution revenue. An allowance, if any, is made for doubtful contributions receivable based upon management's judgment and analysis of the past collection history and other relevant factors. Contributions determined to be not collectible are recorded as bad debt expense. 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 releases between the applicable classes of net assets. Conditional promises to give, that is, those with a measurable performance or other barriers and a right of return, are recognized when they become unconditional, that is, when the conditions are met.

Contributions of property and equipment without donor stipulations concerning the use of such long-lived assets are reported as increases in net assets without donor restrictions. Contributions of cash or other assets to be used to acquire property and equipment are reported as net assets with donor restrictions; the restrictions are considered to be released at the time such long-lived assets are placed in service. Gifts for long-lived assets and the related release when placed into service are included in the non-operating activities section of the statements of activities.

In the absence of donor stipulations or law to the contrary, gains or losses on the investments of a donor-restricted endowment fund increase or decrease net assets with donor restrictions.

Gains or losses on investments of endowment funds created by a board designation of funds without donor restrictions increase or decrease net assets without donor restrictions.

Cash and Cash Equivalents

The College considers highly liquid investments including money market accounts and certificates of deposit with a maturity of less than two years when purchased, except for those held for long-term endowment or plant investment, to be cash equivalents. The College is required to maintain funds relating to the Federal Perkins Loan Program in a separate account. At June 30, 2023 and 2022, the Federal Perkins Loan program account balances were $81,690 and $82,759, respectively.

Short-Term Investments

Short-term investments consist of investments held in short-term bond mutual funds carried at fair value that may be used for the daily operation of the College.

Restricted Cash and Cash Equivalents

The College co-owns bank accounts and certificates of deposit with Edgewood High School of the Sacred Heart (High School) and Edgewood Campus School which are held as reserve accounts for future capital repairs or improvements as established by condominium association and building tenancy-in-common agreements.

The following table provides a reconciliation of cash and cash equivalents and restricted cash and cash equivalents reported within the statements of financial position that sum to the total of the same such amounts shown in the statements of cash flows.

	2023	2022
Cash and cash equivalents	$ 16,239,072	$ 18,451,516
Restricted cash and cash equivalents	1,605,180	1,428,904
Total	$ 17,844,252	$ 19,880,420

Student Accounts Receivable

Student accounts receivable are reported at the net realizable balance of the amounts billed to students. A late payment fee is charged to students that do not pay by the initial payment due date near the start of each term or enroll in a payment plan. Students can enroll in a payment plan that allows them to pay over the course of one term. A finance charge is charged on the unpaid balance at the end of each month and is recognized as it is charged. A student account receivable is considered to be delinquent when a scheduled payment is more than 30 days past the payment due date.

Government Grants Receivable

Government grants receivable are carried at the amount earned. Government grants receivable are shown 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 using historical experience applied to an aging of accounts. No allowance was deemed necessary at June 30, 2023 and 2022.

The Federal government appropriated funds to the Higher Education Emergency Relief Fund (HEERF) through three rounds of legislation from March 27, 2020 to March 11, 2021. The College was awarded HEERF grant funding from each round of legislation. The awards included amounts for student emergency relief grants and for institutional grants. The College has expended $0 and $1,850,571 of student relief grants for the years ending June 30, 2023 and 2022, respectively, which are included in scholarships and fellowships expense and government grants and contracts revenue on the statements of activities. The Institutional portion of the grant has been used to defray expenses, including lost revenue, associated with COVID-19. For the years ending June 30, 2023 and 2022, HEERF institutional funds of $0 and $1,849,873 have been recognized on the statements of activities as government grants and contracts revenue.

Inventories

Inventories, consisting of items for the bookstore, are valued at lower of cost or market determined by the first-in, first-out method.

Investments

Investments are carried at fair value, primarily based on quoted market prices or quoted net asset values, except for certificates of deposit, money market accounts and treasury bills which are carried at cost and approximate market value. Realized and unrealized gains and losses are reflected within long-term investment return (net) in the statements of activities.

Investment in Joint Venture

The College is a member of the Center for Healthcare Education and Simulation, Inc. (the Center), a non-stock, non-profit organization. The Center has three members including Edgewood College, UnityPoint Health - Meriter and SSM Health St. Mary's Hospital - Madison which have identical rights and obligations with respect to voting, dissolution, redemption, transfer and otherwise. The Center is governed by a Board of Directors consisting of two directors representing each member. The Center is established to provide educational experiences for students enrolled in nursing or other medical professional programs, new and experienced nurses, and other medical professionals. The College's investment in the joint venture is accounted for using the equity method and is reported as an asset in the statements of financial position and as a change in equity in joint venture in the statements of activities.

Beneficial Interest in Private Foundation

The College is a stated beneficiary of a private foundation from which the College receives a specified percentage of the annual distributions made by the foundation. The College's beneficial interest in the private foundation is reported as an asset in the statements of financial position and as change in beneficial interest in private foundation in the statements of activities.

Property, Plant, Equipment and Library Books

Physical plant, equipment and library books are stated at cost at the date of acquisition or fair value at the date of donation in the case of gifts. Depreciation of property, equipment and library books is provided on the straight-line method over the estimated useful lives of the respective assets. The College uses the following depreciable lives:

	Years
Buildings	50
Building and land improvements	20
Library books	12
Vehicles	5
Equipment and software	3 to 7

The College capitalizes building and land improvements greater than $20,000 and software and equipment additions of $5,000 or more. Collections of works of art, historical treasures and similar assets are not capitalized. Normal repairs and maintenance expenses are charged to operations as incurred.

Impairment of Long-Lived Assets

The College reviews long-lived assets, including property and equipment and intangible assets, for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset are less than the carrying amount of that asset. For the years ending June 30, 2023 and 2022, there have been no such losses.

Asset Retirement Obligations

The College recognizes the fair value of a liability for legal obligations associated with asset retirements in the period in which it is incurred, if a reasonable estimate of the fair value of the obligation can be made. Over time, the liability is accreted to its present value each year. Upon settlement of the obligation, any difference between the cost to settle the asset retirement obligation and the liability recorded is recognized as a gain or loss in the statements of activities. The College reviews its estimates annually and adjusts the recorded liability as needed.

All of the College’s asset retirement obligations relate to estimated costs to remove asbestos from campus facilities. The estimate of the losses that are probable for asbestos removal was calculated using the expected cash flow approach based on an inventory of the College's long-lived assets combined with an estimate of the current market prices to remove the asbestos. The College utilized a credit-adjusted risk-free rate to discount the asset retirement obligation.

At June 30, 2023 and 2022, the asset retirement obligations are estimated to be $140,000 and $130,000, respectively. This obligation is included in accrued expenses within the statements of financial position.

Deferred Revenue – Summer Session

Revenue for summer courses and housing that overlap the College’s June 30th year-end is recognized ratably between the two fiscal years. As of June 30, 2023, and 2022, the College reported deferred revenue of $1,038,706 and $1,117,032, respectively, for summer session tuition and housing collected from students prior to the June 30th year end that was recognized as revenue in the following year.

Below is the opening and closing balances of accounts receivable and deferred revenue from contracts with customers at:

	June 30, 2023	June 30, 2022	July 2021
Student accounts receivable	$ 927,549	$ 975,656	$ 1,062,040
Deferred revenue	1,038,706	1,117,032	1,065,327

Bond Costs

Series 2015 Bond issuance costs are being amortized over the term of the related debt using the effective interest method and the unamortized balance is reported as a reduction of bonds payable within the statements of financial position (see Note 8).

Refundable U.S. Government Student Loans

Funds provided by the United States Government under the Federal Perkins Loan Program were loaned to qualified students and through June 30, 2018 were allowed to be re-loaned after collection. Funds advanced by the Federal government of $482,759 and $563,307 as of June 30, 2023 and 2022, respectively, are classified as refundable U.S. government student loans on the statements of financial position.

Tuition and Fees and Sales and Services of Auxiliary Enterprises Revenue

Student tuition and fees are recorded as revenues during the year the related academic services are rendered and are displayed net of financial aid on the statements of activities. Gross tuition and fees totaled $46,274,482 and $46,486,372 for the years ended June 30, 2023 and 2022, respectively. Student financial aid and other discounts totaled $17,900,784 and $16,578,754 for the years ended June 30, 2023 and 2022, respectively. Student financial aid, in the form of scholarships and grants includes amounts funded by the endowment, gifts and grants and reduces the published price of tuition for students receiving such aid. Student financial aid is reported as a reduction of tuition and fees revenues. Students who withdraw completely near the start of a term may receive a partial refund in accordance with the College's refund policy. Refunds issued reduce the amount of revenue recognized. Student tuition and fees received in advance of services to be rendered, net of applicable financial aid, are recorded as deferred revenues, which is a liability in the statements of financial position. Tuition revenue is recognized ratably and the performance obligation is considered satisfied throughout the reporting period in which the academic program courses are delivered. Program courses are delivered in the Fall (mid- August to mid-December), Spring (mid-January to mid-May) and Summer academic terms. Courses held in the Summer term have various start and finish dates from mid-May through early August. Auxiliary services include revenues from providing student housing and dining services, bookstore services, room rentals and events. Housing and dining services contracts are delivered over the academic terms and revenues are recognized ratably and performance obligations are satisfied as the services are provided. Bookstore sales, room rentals and other events revenue is recognized at the point of sale or at the date of event. No revenue was recognized in fiscal year 2023 and 2022 for performance obligations met in prior years. There are no contract assets or expressed or implied warranties.

Government Grants and Contracts Revenues

Revenue from government grants and contracts is recognized when conditions are met in accordance with the related agreement. Government grants and contracts where any conditions and restrictions are met simultaneously are presented as without donor restrictions on the statements of activities.

Grants to Specified Students

Amounts received from Federal and State agencies designated for the benefit of specified students are considered agency transactions and, therefore, are not reflected as revenues and expenses of the College. The amount of such grants from the State of Wisconsin totaled $1,666,768 and $1,259,345, and the amount from Federal Pell grants totaled $1,323,232 and $1,394,957 during the years ended June 30, 2023 and 2022, respectively.

Income Tax Status

The Internal Revenue Service has determined that the College is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code. It is also exempt from state income tax. However, any unrelated business income may be subject to taxation.

The College follows the accounting standards for contingencies in evaluating uncertain tax positions. The 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 College for uncertain tax positions as of June 30, 2023 and 2022. The College's tax returns are subject to review and examination by Federal and State authorities. The tax returns for the current year as well as fiscal years 2020 and 2019 and thereafter are open to examination by Federal and State authorities, respectively.

Advertising Costs

The College follows the policy of charging the cost of advertising to expense as incurred. Advertising expense for the years ended June 30, 2023 and 2022 approximated $920,000 and $690,000, respectively.

Measure of Operations

The College's change in net assets from operating activities include all operating revenues and expenses that are an integral part of its programs and supporting activities and net assets released from donor restrictions to support operating expenditures. The measure of operations includes support for operating activities from both donor restricted net assets and net assets without donor restrictions designated for long-term investment (the donor restricted and board designated endowments) according to the College's spending policy, which is detailed in Note 13. The measure of operations excludes investment return in excess of (less than) amounts made available for suggest operations. The measure of operations also excludes changes in fair value of the interest rate swap agreement, change in beneficial interest in private foundation and change in equity in joint venture. The measure of operations also excludes gifts and private grants for long- term endowment and plant. Included in the line item long-term investment return, net, greater (less) than amount designated for operations is investment return appropriated from board designated endowment to operations of $1,376,380 and $1,290,200 for 2023 and 2022, respectively.

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.

Adopted Accounting Pronouncements

Effective July 1, 2022 the College adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*, and all related amendments. The College elected to apply Topic 842 to all prior periods presented. ASU No. 2016-02 requires lessees to recognize the assets and liabilities that arise from leases on the statements of financial position. At lease inception, leases are classified as either finance leases or operating leases with the associated right-of-use asset and lease liability measured at the net present value of future lease payments. Operating lease right-of-use assets are expensed on a straight-line basis as lease expense over the non-cancelable lease term. Lease expense for the College's finance leases is comprised of the amortization of the right-of-use asset and interest expense recognized based on the effective interest method. At the date of adoption, the College recorded operating lease right-of-use assets of $2,425,546 and operating lease liabilities of $897,754, and finance lease right-of-use assets and finance lease liabilities of $136,255 and $154,650, respectively. The College had a cumulative adjustment of $27,832 to net assets upon the adoption of Topic 842 related to its leases.

The new standard provides for several optional practical expedients. Upon transition to Topic 842, the College elected:

- The package of practical expedients permitted under the transition guidance which does not require the College to reassess prior conclusions regarding whether contracts are or contain a lease, lease classification and initial direct lease costs; and

- The practical expedient to use hindsight in determining the lease term (that is, when considering options to extend or terminate the lease or to purchase the underlying asset) and in assessing impairment of the College's right-of-use assets.

The new standard also provides for several accounting policy elections, as follows:

- The College has elected the policy not to separate lease and non-lease components for all asset classes.

- When the rate implicit in the lease is not determinable, the College uses its incremental borrowing rate for the initial and subsequent measurement of lease liabilities for all asset classes.

- The College elected not to apply the recognition requirements to all leases with an original term of 12 months or less, for which the College is not likely to exercise a renewal option or purchase the asset at the end of the lease; rather, short-term leases will continue to be recorded on a straight-line basis over the lease term.

Additional required disclosures for Topic 842 are contained in Note 10.

As a result of the adoption of ASU No. 2016-02, the statement of financial position for the year ended June 30, 2022 was adjusted as follows:

	After Adoption	As Originally Presented	Effect of Change
Statement of Financial Position			
Property, plant, equipment and library books, net	$ 51,041,618	$ 51,215,534	$ (173,916)
Right-of-use assets, operating	2,425,546	-	2,425,546
Right-of-use assets, financing	136,255	-	136,255
Total assets	155,767,714	154,907,621	860,093
Operating lease liability	897,754	-	897,754
Financing lease liability	154,650	-	154,650
Capital lease obligations	-	154,650	(154,650)
Total liabilities	17,104,205	16,206,451	897,754
Net assets, without donor restrictions, undesignated	61,065,702	61,103,363	(37,661)
Net assets, total without donor restrictions	100,706,885	100,744,546	(37,661)
Total net assets	138,663,509	138,701,170	(37,661)

As a result of the adoption of ASU No. 2016-02, the statement of activities for the year ended June 30, 2022 was adjusted as follows:

	After Adoption	As Originally Presented	Effect of Change
Statement of Activities			
Institutional support	$ 6,057,463	$ 6,047,634	$ 9,829
Total operating expenses	42,925,251	42,915,422	9,829
Change in net assets from operating activities without donor restrictions	1,584,175	1,594,004	(9,829)
Change in net assets without donor restrictions	(3,149,049)	(3,139,220)	(9,829)
Net assets without donor restrictions, beginning	103,855,934	103,883,766	(27,832)
Net assets without donor restrictions, ending	100,706,885	100,744,546	(37,661)
Net assets, beginning	141,462,557	141,490,389	(27,832)
Net assets, ending	138,663,509	138,701,170	(37,661)
Change in net assets from operating activities-total	1,577,193	1,587,022	(9,829)
Change in net assets-total	(2,799,048)	(2,789,219)	9,829

As a result of the adoption of ASU No. 2016-02, the statement of cash flows for the year ended June 30, 2022 was adjusted as follows:

	After Adoption	As Originally Presented	Effect of Change
Statement of Cash Flows			
Change in net assets	$ (2,799,048)	$ (2,789,219)	$ (9,828)
Depreciation	2,541,212	2,657,156	(115,944)
Amortization of financing right-of-uses assets	125,773	-	125,773
Prepaid items	(135,194)	7,968	(135,194)
Operating lease costs	143,162	-	143,162

During March 2020, FASB issued ASU No. 2020-04, *Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. ASU No. 2020-04 provides optional expedients and exceptions for applying generally accepted accounting principles (GAAP) to contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform, if certain criteria are met. The adoption was prospectively applied and did not have a material impact on the College's financial statements.

Recent Accounting Pronouncements

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. ASU No. 2016-13 requires financial assets measured at amortized cost to be presented at the net amount expected to be collected, through an allowance for credit losses that is deducted from the amortized cost basis. The measurement of expected credit losses is based on relevant information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount. FASB has issued subsequent standards to clarify, correct errors in or improve the guidance. ASU No. 2016-13, as amended, is effective for annual periods beginning after December 15, 2022 (fiscal year 2024). Management is currently evaluating the impact of ASU No. 2016-13 on the College's financial statements.

2. Concentration of Credit Risk

Financial instruments that potentially subject the College to concentrations of credit risk consist principally of cash and cash equivalents, short-term investments, money market funds, mutual funds, marketable securities, other investments, contributions receivable, and accounts and notes receivable. The College places substantially all of its cash and liquid investments with a variety of financial institutions and limits the amount of credit exposure at any one financial institution; however, cash balances may 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 College's students receive a substantial amount of support from State and Federal student financial assistance programs which is 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 College's programs and activities.

3. Fair Value Measurements

Fair Value Hierarchy

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 asset 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.

Level 1 - Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

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 inputs that are derived principally from or corroborated by observable market data.

Level 3 - Inputs are unobservable for the asset or liability. Unobservable inputs reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

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

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, 2023:

	Total	Level 1	Level 2	Level 3
Assets				
Short-Term Investments				
Mutual funds	$ 5,999,127	$ 5,999,127	$ -	$ -
Investments - Endowment				
Mutual funds	$ 45,869,286	$ 45,869,286	$ -	$ -
Money market	22,203			
Alternative investments at net asset value (NAV):				
Low volatility hedge fund	2,638,281			
Private real estate funds	2,224,083			
Total	$ 50,753,853			
Investments - Capital				
Money market	$ 387,715			
Treasury bills	7,320,524			
Total	$ 7,708,239			

	Total	Level 1	Level 2	Level 3
Investments - Other				
Mutual funds	$ 132,216	$ 132,216	$ -	$ -
Beneficial Interest in Private Foundation	$ 14,764,594	$ -	$ -	$ 14,764,594
Other Assets				
Interest rate exchange agreements	$ 319,517	$ -	$ 319,517	$ -

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				
Short-Term Investments				
Mutual funds	$ 6,034,824	$ 6,034,824	$ -	$ -
Investments - Endowment				
Mutual funds	$ 42,378,323	$ 42,378,323	$ -	$ -
Money market	34,649			
Alternative investments at NAV:				
Low volatility hedge fund	2,534,411			
Private real estate funds	1,892,283			
Total	$ 46,839,666			
Investments - Capital				
Money market	$ 1,408,785			
Treasury bills	5,443,092			
Total	$ 6,851,877			
Investments - Other				
Mutual funds	$ 150,747	$ 150,747	$ -	$ -
Beneficial Interest in Private Foundation	$ 19,130,343	$ -	$ -	$ 19,130,343
Other Assets				
Interest rate exchange agreements	$ 114,780	$ -	$ 114,780	$ -

U.S. Treasury bills are carried at accreted cost and money market accounts are carried at cost, which approximates fair value, and are included within investments in the statements of financial position.

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

Mutual Funds

Mutual funds are classified as Level 1 as they are traded in an active market for which closing prices are readily available.

Beneficial Interest in Private Foundation

The beneficial interest in the private foundation is classified as Level 3 as the fair value is based upon the anticipated discounted cash flow from the foundation, or as a practical expedient, at the valuation of the College’s portion of the foundation’s assets. This change in value from year to year is unrealized gains or losses and is reported as change in beneficial interest on the statements of activities. There were no purchases, sales or transfers in or out of Level 3 financial instruments during the fiscal years ending June 30, 2023 or 2022.

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 (See Note 9).

Alternative Investments Measured at NAV

The fair value of certain funds has been estimated using the NAV as reported by the management of the fund. Accounting guidance allows for the use of the NAV as a “practical expedient” estimating the fair value of alternative investments. NAV reported by each alternative investment fund is used as a practical expedient to estimate the fair value of the College’s interest in the fund.

While the College 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.

The estimated fair value of the low volatility hedge fund and private real estate funds are based on the valuations provided by the external investment managers as of June 30. The College believes the carrying amount of these investments are a reasonable estimate of fair value. Because the investments are not readily marketable, the estimated fair values are subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for such investments existed. It is reasonably possible that changes in the values of these investments will occur in the near term and that such change could materially affect the amounts reported in the statements of financial position and statements of activities.

The following table lists the alternative investments at June 30, 2023:

	Low Volatility Hedge Fund – Backstone Partners Offshore Fund Ltd.
Fair Value June 30, 2023	$2,638,281
Fair Value June 30, 2022	$2,534,411
Significant Investment Strategy	Low volatility hedge fund of funds
Remaining Life	N.A.
Dollar Amount of Unfunded Commitments	None
Timing to Draw Down Commitments	N.A.
Redemption Terms	Semi-annual redemption with 95-day
Notice Redemption Restrictions	None
Redemption Provisions in Place at Year End	None

	Private Real Estate Fund – Harrison Street Real Partners VII, LP
Fair Value June 30, 2023	$873,002
Fair Value June 30, 2022	$929,175
Significant Investment Strategy	Real estate
Remaining Life	August 22, 2028 with provisions to extend
Dollar Amount of Unfunded Commitments	$95,741
Timing to Draw Down Commitments	August 22, 2023 with provisions to extend
Distribution Terms	Distributions based on partnership agreement
Redemption Terms	None

	Private Real Estate Fund – Harbert U.S. Real Estate Fund VII
Fair Value June 30, 2023	$1,095,700
Fair Value June 30, 2022	$820,341
Significant Investment Strategy	Real estate
Remaining Life	October 28, 2029 with provisions to extend
Dollar Amount of Unfunded Commitments	$14,128
Timing to Draw Down Commitments	October 28, 2023 with provisions to extend
Distribution Terms	Distributions based on partnership agreement
Redemption Terms	None

	Private Real Estate Fund – Greystar-Thackery Realty Fund VI, LP
Fair Value June 30, 2023	$255,381
Fair Value June 30, 2022	$142,767
Significant Investment Strategy	Real estate
Remaining Life	December 1, 2031 with provisions to extend
Dollar Amount of Unfunded Commitments	$710,000
Timing to Draw Down Commitments	December 1, 2024 with provisions to extend
Distribution Terms	Distributions based on partnership agreement
Redemption Terms	None

At June 30, 2023 there was $1,000,000 of unfunded commitments for Crow Holdings. At June 30, 2022 there were no unfunded commitments.

4. Investments

The College's investment objectives include seeking long-term total return consistent with prudent levels of risk by maintaining a well-diversified investment portfolio that follows the Investment and Spending Policy Statement adopted by the Board of Trustees. Equity investments are diversified by market capitalization, style, industry and country. Fixed income investments are diversified by market sector, maturity, credit quality and issuer. The College utilizes an investment consultant to provide independent review, analysis and recommendations regarding oversight of the investment portfolio and to recommend asset allocation and investment funds. The College's Finance, Audit and Investment Committee, within the framework set by the Board of Trustees, has responsibility for the establishment and oversight of investment policies and procedures which are implemented by College management.

The following summarizes the College's investments at June 30:

	2023	2022
Short-Term Investments:		
Mutual funds, short-term bonds	$ 5,999,127	$ 6,034,824
Investments – Endowment:		
Money market funds:		
Mutual funds	$ 22,203	$ 34,649
Domestic equity	19,359,313	17,689,836
International equity	12,711,926	12,112,548
Real assets	2,520,711	2,462,029
Global tactical asset allocation	2,808,903	2,695,786
Fixed income	8,468,433	7,418,124
Alternative investments measured at NAV:		
Low volatility hedge fund	2,638,281	2,534,411
Private real estate funds	2,224,083	1,892,283
Total	$ 50,753,853	$ 46,839,666
Investment – Capital:		
Money market funds	$ 387,715	$ 1,408,785
U.S. Treasury bills	7,320,524	5,443,092
Total	$ 7,708,239	$ 6,851,877
Investments – Other:		
Mutual funds	$ 132,216	$ 150,747

5. Credit Quality of Student Notes Receivable

The College has issued uncollateralized loans to students based on financial need. Student loans have been funded through the Federal Perkins loan program or institutional resources. Student loans receivable are carried at the amount of unpaid principal less an estimate for doubtful accounts. 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. At June 30, 2023 and 2022, student notes represented .1% and .2% of total assets, respectively.

At June 30, 2023 and 2022, student loans consisted of the following:

	2023	2022
Federal government programs	$ 269,570	$ 547,665
Institutional programs	5,675	9,426
Total	275,245	557,091
Less allowance for doubtful accounts:		
Beginning	(189,426)	(164,426)
(Increase) decrease	133,751	(25,000)
Ending	(55,675)	(189,426)
Student notes receivable, net	$ 219,570	$ 367,665

The Extension Act amended section 461 of the Higher Education Act to end the College's authority to make new Perkins Loans after June 30, 2018. The College is not required to assign the outstanding Perkins Loans to the Department of Education or liquidate their Perkins Loan Revolving Funds due to the wind-down of the Perkins Loan Program, however, the College may choose to liquidate at any time in the future. As of June 30, 2023, the College continues to service the Perkins Loan Program.

After a student is no longer enrolled in an institution of higher education and after a grace period, interest is charged on student notes receivable and is recognized as it is charged. Student loans receivable through the loan programs are considered to be past due if a payment is not made within 30 days of the payment due date, at which time, late charges are charged and recognized. The Federal Perkins Loan Program receivables may be assigned to the U.S. Department of Education. Students may be granted a deferment, forbearance, or cancellation of their student loan receivable based on eligibility requirements defined by the U.S. Department of Education.

At June 30, 2023 and 2022, the following amounts were past due under student loan programs:

	Amounts Past Due			
	1-60 Days	60-90 Days	90+ Days	Total
June 30:				
2023	$ 6,857	$ -	$ 94,902	$ 101,759
2022	24,399	-	279,867	304,266

6. Contributions Receivable

Contributions receivable as of June 30 are composed of and are to be used for the following:

	2023	2022
Capital funds	$ 50,000	$ 148,065
Scholarships and programs	362,325	668,701
Total contributions receivable	412,325	836,766
Less allowance for doubtful accounts	(10,000)	(15,000)
Less discount	(23,690)	(36,906)
Net contributions receivable	$ 378,635	$ 784,860
Less than one year	$ 309,825	
One to five years	102,500	
Total contributions receivable	$ 412,325	

Contributions have been discounted at the interest rate in effect in the year the pledge was made. This rate was 7.08% for 2023 and 3.26% for 2022. Approximately 75% and 66% of contributions receivable on June 30, 2023 and 2022, respectively, were from five donors.

7. Property, Plant, Equipment and Library Books

A summary of property, plant, equipment and library books as of June 30 is as follows:

	2023	2022
Land	$ 1,604,456	$ 755,510
Land improvements	1,878,565	1,878,565
Buildings and improvements	85,218,940	85,038,147
Equipment and software	6,543,469	7,093,208
Library books	245,835	272,038
Vehicles	388,159	217,978
Construction in process	733,213	155,629
Total	96,612,637	95,411,075
Less accumulated depreciation	(46,103,235)	(44,369,457)
Net property, plant, equipment and library books	$ 50,509,402	$ 51,041,618

8. Long-Term Obligations

Bonds Payable

Bonds payable at June 30 consist of the following:

	2023	2022
Wisconsin Health and Educational Facilities Authority Revenue Bonds, Series 2015 were issued in the amount of $16,870,000. The Series 2015 Bonds have a variable interest rate (4.854% at June 30, 2023) and semiannual maturities varying from $230,000 to $500,000 through April 2035. The bonds are secured by various covenants and conditions along with a security interest in all real and personal property of the College.	$ 9,740,000	$ 10,590,000
Bond issuance costs of $83,982 net of amortization of $53,903 and $48,303 at June 30, 2023 and 2022, respectively.	(30,079)	(35,679)
Total bonds payable, net	$ 9,709,921	$ 10,554,321

Bond interest expense incurred during the years ended June 30, 2023 and 2022 was $392,732 and $128,300, respectively. To minimize the effect of changes in the interest rate the College has entered into an interest rate swap agreement on the Series 2015 Bonds. The fixed interest rate under this swap agreement was 1.70% through May 31, 2023 and was amended to 1.67% effective June 1, 2023. The credit fee is .95%. Under the agreement, the College either pays or receives interest on the swap depending on the relationship between the variable rate and the fixed rate. See Note 9 for amounts paid or received related to the interest rate swap agreements.

The College is required to comply with certain financial covenants of the Series 2015 Bonds. The College must maintain a debt service coverage ratio of greater than 1.15 to 1, a minimum liquidity ratio of 1.8 to 1 and a ratio of liabilities to net assets of less than .55 to 1.0.

Future principal payments on the bonds are due as follows:

Years ending June 30:	
2024	$ 865,000
2025	875,000
2026	890,000
2027	905,000
2028	920,000
2029 to 2033	4,340,000
2034 to 2035	945,000
Total	$ 9,740,000

9. Derivative Instruments

The College uses an interest rate swap agreement 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 8). The interest rate swap agreement is used to manage identified and approved exposure and is not used for speculative purposes. The interest rate swap agreement is recognized as either an asset or liability on the statements of financial position and is measured at fair value. Interest rate swap 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 swap agreement are reflected within non-operating activities in the statements of activities.

An interest rate swap agreement between the College and a third party (counterparty) provides 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 counterparty 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 College's counterparty. The counterparty to this contract is a financial institution that carries investment-grade credit ratings. The interest rate swap agreement contains collateral provisions applicable to both parties to mitigate credit risk. The College does not anticipate non-performance by its counterparty.

For the year ended June 30, 2023 the College received $117,259 more than it paid under the interest rate swap agreement and for the year ended June 30, 2022 the College paid $167,661 more than it received. The difference between amounts received and amounts paid under the agreement is included within interest expense in the statements of activities.

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

Year	Instrument Type	Notional Amount	Maturity Date	Rate Paid	Rate Received
2023	Floating to fixed rate swap	$ 9,740,000	May 1, 2025	1.67%	74% of 1-month term SOFR rate
2022	Floating to fixed rate swap	$ 10,590,000	May 1, 2025	1.70%	74% of LIBOR interest rate

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

	Derivative		
		Fair Value	
Derivative Designated as Hedging Instrument	Statements of Financial Position Location	2023	2022
Interest rate swap agreement	Other assets	$ 319,517	$ 114,780

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

	Derivative				
		Amount of Gain on Derivative Recognized in the Statements of Activities			
Derivative Designated as Hedging Instrument	**Location of Gain on Derivative Recognized in the Statements of Activities**	**2023**		**2022**	
Interest rate swap agreement	Interest rate swap gain	$	204,737	$	604,482

10. Right-of-Use Assets and Lease Liabilities

The College has entered into operating leases for the use of space, vehicles and equipment. Operating leases included the following at June 30, 2023 and 2022:

Family Center (Park Centre 1)

The College leases space for The Family Center at Park Centre I on Excelsior Drive in Madison. The lease was originally dated November 10, 2010 and has been amended and renewed several times, most recently on March 24, 2023. The amended lease has a five-year term effective April 1, 2023 with provisions for right of renewal if made in the first two years. Monthly rent payments were $9,010 in 2022 and $9,280 in 2023 and escalate 3.0% annually.

Nursing (CHES, Inc.)

The College leases space for nursing instruction at the Center for Healthcare, Education and Simulation (CHES) at 3001, West Beltline Highway. The College's space lease was entered July 13, 2016 and was amended and renewed June 16, 2023. The amended lease has a seven-year term effective September 1, 2023 with provisions for extension at similar terms. Monthly rent payments are $9,509 and escalate 2.75% annually.

Performing Arts Center

The College entered into a lease with Edgewood High School on July 3, 2018 related to the College's use of space in the High School performing arts center for performances, rehearsals, classroom instruction and other educational purposes. The initial term of the lease is for twenty years ending July 31, 2039 with an extension option for an additional ten years. The base rent for the initial twenty-year term is $1,700,000 with $425,000 partial prepayment of rent paid upon commencement of construction in fiscal year 2018-19 and $425,000 additional prepaid rent paid upon occupancy in fiscal year 2019-20. The College will pay the remaining balance of $850,000 in twenty annual installments of $42,500 due on December 31 of each year during the initial term.

Reddan Field

The College entered into a construction and license agreement on November 5, 2019 with the Madison Area Youth Soccer Association (MAYSA) for the construction of a turf athletic field on property leased and managed by MAYSA to be used by the College for lacrosse, soccer and other athletic events and activities. The initial agreement is for ten years ending May 31, 2030 and includes early termination and extension options. The College was responsible for funding field improvement costs totaling $1,006,616 which is considered a right of use asset and is being amortized over the ten-year life of the agreement.

Laundry Equipment

The College leases laundry equipment for use in its residence halls. The lease was entered April 9, 2016 with a term of 10 years. Monthly payments were $1,825 and $1,682 for the years ending June 30, 2023 and 2022, respectively.

Vehicles

From time to time the College leases vehicles for use in College operations. These leases are generally for a term of three to five years.

The College’s financing leases included the following at June 30 2023 and 2022:

Print and Copy Equipment

The College leases its fleet of print and copy equipment. A five-year lease was entered effective August 25, 2018 with monthly payments of $12,390. That lease was terminated and replaced by a new equipment lease effective November 25, 2022 with monthly payments of $11,411.

Right-of-use assets represent the College's right to use an underlying asset for the lease term, while lease liabilities represent the College's obligation to make lease payments arising from the lease. Right-of-use assets and lease liabilities are recognized at the commencement date of a lease based on the net present value of lease payments over the lease term.

Certain of the College's leases include options to renew or terminate the lease. The exercise of lease renewal or early termination options is at the College's sole discretion. The College regularly evaluates the renewal and early termination options and when they are reasonably certain of exercise, the College includes such options in the lease term.

In determining the discount rate used to measure the right-of-use assets and lease liabilities, the College uses the rate implicit in the lease, or if not readily available, the College uses the College's incremental borrowing rate. The College’s incremental borrowing rate is based on an estimated secured rate comprised of a risk-free rate plus a credit spread as secured by the College's assets. Certain required adjustments, some of which required significant judgment, were then made to this base debt rate to arrive at an estimated incremental borrowing rate.

Right-of-use assets are assessed for impairment in accordance with the College's long-lived asset policy. The College reassesses lease classification and remeasures right-of-use assets and lease liabilities when a lease is modified and that modification is not accounted for as a separate new lease or upon certain other events that require reassessment in accordance with Topic 842.

The College made significant assumptions and judgments in applying the requirements of Topic 842. In particular, the College:

- Evaluated whether a contract contains a lease, by considering factors such as whether the College obtained substantially all rights to control an identifiable underlying asset and whether the lessor has substantive substitution rights;

- Determined whether contracts contain embedded leases;

- Determined for leases that contain a residual value guarantee, whether a payment at the end of the lease term was probable and, accordingly, whether to consider the amount of a residual value guarantee in future lease payments;

- Determined the discount rate used to measure the lease liability; and

- The College does not have any material leasing transactions with related parties.

The following table summarizes the lease right-of-use assets and lease liabilities as of June 30:

	2023	2022
Right-of-use assets:		
Operating leases	$ 2,824,702	$ 2,425,546
Finance leases	$ 511,087	$ 136,255

	2023	2022
Lease liabilities:		
Operating leases	$ 1,440,071	$ 897,754
Finance leases	$ 518,596	$ 154,650

Below is a summary of expenses incurred pertaining to leases during the year ended June 30:

	2023	2022
Operating lease expense	$ 318,404	$ 328,721
Finance lease expense:		
Amortization of right-of-use assets	120,553	125,773
Interest on lease liabilities	23,389	15,990
Total lease expense	$ 462,346	$ 470,484

Below is a summary of scheduled future minimum lease payments for years ending after June 30:

	Operating	Finance	Total
Years ending June 30:			
2024	$ 239,273	$ 136,932	$ 376,205
2025	233,126	136,932	370,058
2026	235,932	136,932	372,864
2027	220,112	136,932	357,044
2028	188,113	45,644	233,757
Thereafter	584,135	-	584,135
Total lease payments	1,700,691	593,372	2,294,063
Less present value discount	(260,620)	(74,776)	(335,396)
Total lease liabilities	$ 1,440,071	$ 518,596	$ 1,958,667

	2023	2022
Weighted average remaining lease term (in years):		
Operating leases	13.2 years	11.8 years
Finance leases	5.0 years	1.0 year

	2023	2022
Weighted average discount rate:		
Operating leases	4.58 %	3.39 %
Finance leases	6.25 %	7.03 %

Below is supplemental cash flow and noncash information related to the leases for the year ended June 30:

	2023	2022
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$ 275,904	$ 286,221
Operating cash flows from finance leases	23,389	15,990
Financing cash flows from finance leases	117,459	132,690
Right-of-use assets obtained in exchange for lease liabilities:		
Operating leases	786,648	16,843
Finance leases	589,715	-

11. Net Assets With Donor Restrictions

Net assets with donor restrictions include the following as of June 30:

	2023	2022
Subject to expenditure for a specified use:		
Scholarships	$ 1,541,378	$ 1,333,554
Educational programs	2,634,543	2,615,280
Capital	200,000	150,000
Student loans	34,309	34,309
Total subject to expenditure for specified use	4,410,230	4,133,143
Subject to the passage of time:		
Contributions receivable that are unavailable for use until received	255,218	634,579
Beneficial interest in private foundation unavailable until received	14,764,594	19,130,343

Endowments:		
Subject to appropriations for subsequent year expenditures:		
Scholarships	$ 366,230	$ 345,220
General use	10,000	10,000
Subject to endowment spending policy and appropriation:		
Scholarships	9,904,570	8,233,472
Endowment programs	2,622,106	2,396,343
Capital	2,639,609	2,509,112
General use	517,800	480,876
Underwater endowments	(4,368)	(66,745)
Total endowments	16,055,947	13,908,278
Endowment contributions receivable unavailable until received	123,417	150,281
Total net assets with donor restrictions	$ 35,609,406	$ 37,956,624

12. Board Designated Net Assets

Over the years the Board of Trustees has transferred certain net assets without donor restriction into board designated endowment funds. These funds are managed and invested within the College's endowment fund (see Note 13). The quasi-endowment funds totaled $34,706,992 and $32,939,306 at June 30, 2023 and June 30, 2022, respectively.

Additionally, over the years the Board has transferred undesignated funds into capital fund investment accounts for construction and improvement projects and equipment. The board designated capital fund totaled $7,119,643 and $6,701,877 at June 30, 2023 and 2022, respectively.

13. Endowment

The College's endowment consists of 125 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 Generally Accepted Accounting Principles (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.

Interpretation of Relevant Law

The College is subject to the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the Board of Trustees appropriates such amounts for expenditure. Most of those net assets are also subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The Board of Trustees has interpreted UPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates to the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the College considers a fund to be underwater if the fair value of the fund is less than the sum of the original value of initial and subsequent gift amounts donated to the fund and 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 College 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 College 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 College 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 College
7. The investment and spending policies of the College

Endowment net asset composition by type of fund consists of the following as of June 30, 2023:

	Without Donor Restrictions	With Donor Restrictions	Total
Board designated endowment net assets	$ 34,706,992	$ -	$ 34,706,992
Donor restricted endowment net assets:			
Donor restricted amounts not required to be maintained in perpetuity	-	914,798	914,798
Original donor restricted amounts required to be maintained in perpetuity	-	10,628,634	10,628,634
Accumulated investment gains	-	4,512,515	4,512,515
Total endowment net assets	$ 34,706,992	$ 16,055,947	$ 50,762,939

Endowment net asset composition by type of fund consists of the following as of June 30, 2022:

	Without Donor Restrictions	With Donor Restrictions	Total
Board designated endowment net assets	$ 32,939,306	$ -	$ 32,939,306
Donor restricted endowment net assets:			
Donor restricted amounts not required to be maintained in perpetuity	-	936,158	936,158
Original donor restricted amounts required to be maintained in perpetuity	-	9,268,118	9,268,118
Accumulated investment gains	-	3,704,002	3,704,002
Total endowment net assets	$ 32,939,306	$ 13,908,278	$ 46,847,584

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

	Without Donor Restrictions	With Donor Restrictions	Total
Net assets, June 30, 2022	$ 32,939,306	$ 13,908,278	$ 46,847,584
Investment return, net	3,144,066	1,356,854	4,500,920
Contributions	-	1,360,515	1,360,515
Appropriation of endowment assets for expenditure	(1,376,380)	(569,700)	(1,946,080)
Net assets, June 30, 2023	$ 34,706,992	$ 16,055,947	$ 50,762,939

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

	Without Donor Restrictions	With Donor Restrictions	Total
Net assets, June 30, 2021	$ 37,581,462	$ 15,413,748	$ 52,995,210
Investment return, net	(4,104,365)	(1,652,216)	(5,756,581)
Contributions	22,409	669,356	691,765
Transfer	730,000	-	730,000
Appropriation of endowment assets for expenditure	(1,290,200)	(522,610)	(1,812,810)
Net assets, June 30, 2022	$ 32,939,306	$ 13,908,278	$ 46,847,584

Underwater Endowment Funds

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 UPMIFA requires the College to retain as a fund of perpetual duration. As of June 30, 2023, deficiencies of this nature existed in 6 donor-restricted endowment funds which together have an original gift value of $371,222, a current fair value of $366,854 and a deficiency of $4,368. As of June 30, 2022, deficiencies of this nature existed in 15 donor-restricted endowment funds which together have an original gift value of $1,053,368, a current fair value of $986,623 and a deficiency of $66,745. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new contributions for donor-restricted endowment funds.

Return Objectives and Risk Parameters

The College 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 College 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 results that equal or exceed the spending rate plus inflation (Consumer Price Index-CPI) over a three to five-year market cycle. Actual returns in any year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the College relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The College targets a diversified asset allocation that places a greater emphasis on capital appreciation to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The College has a policy of appropriating for distribution each year 4.5% of its endowment fund's average fair value over the prior 20 quarters through the calendar year-end preceding the fiscal year in which the distribution is planned. In establishing this policy, the College considered the long-term expected return on its endowment. Accordingly, over the long-term, the College expects the current spending policy to allow its endowment to grow at a rate approximating the rate of inflation. The College has a policy that permits spending from underwater endowment funds depending on the degree to which the fund is underwater, unless otherwise precluded by donor intent or relevant laws and regulations.

14. Retirement Plan

The College provides retirement benefits for all employees after they have met the requirements for participation in the Edgewood College Retirement Plan (the Plan). Teachers Insurance and Annuity Association (TIAA) serves as custodian of the Plan. Plan participants direct the College as to the investment of amounts credited to their individual accounts under the Plan.

The College contributes an amount matching up to 6% of eligible employee retirement plan contributions. The total contributions of the College to the Plan for the years ended June 30, 2023 and 2022 were $1,091,141 and $998,074, respectively.

15. Liquidity and Availability

The College's financial assets available within one year of the statements of financial position date of June 30, 2023 and 2022 for general expenditures are as follows:

	2023	2022
Cash and cash equivalents	$ 16,239,072	$ 18,451,516
Short-term investments	5,999,127	6,034,824
Student accounts receivable	927,549	975,656
Other receivables	401,687	162,308
Board designated endowment investment appropriated for current use for the following fiscal year	1,380,000	1,350,000
General endowment investment appropriated for current use	10,000	10,000
Less restricted amounts	(4,484,333)	(4,237,230)
Total	$ 20,473,102	$ 22,747,074

The College's endowment funds consist of donor-restricted endowments, board designated endowments and a general endowment. Income from donor-restricted endowments is restricted for specific purposes and therefore, is not available for general expenditure. As described in Note 13, the board designated endowment and the general endowment have a spending rate of 4.5%. As of June 30, 2023, $1,380,000 of appropriations from the board designated endowment and $10,000 from the general endowment will be available within the next 12 months.

The College's practice is to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. The College invests cash in excess of daily requirements in short-term investments. The College has a board designated endowment of $34,706,992 and $32,939,306 as of June 30, 2023 and 2022, respectively. Although the College does not intend to spend from the board designated endowment other than amounts appropriated for general expenditure as part of its annual budget and approval process, amounts from its board designated endowment could be made available if necessary.

16. Commitments and Contingencies

Financial Awards from Grantors

Financial awards from federal, state and local governments in the form of grants are subject to special audit. Such awards could result in claims against the College for disallowed costs or noncompliance with grantor restrictions. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined at this time.

17. Expenses by Nature and Function

The College's expenses by natural classification and function are shown in the tables below. Expense categories that are attributable to more than one function include depreciation and operations and maintenance of plant which are allocated based on square footage of space used. Following are expenses by nature and function for the year ending June 30, 2023.

	Instruction	Academic Support	Student Services	Public Service	Auxiliary Enterprises	Institutional Support	Fundraising	Operations and Maintenance of Plant	Total
Salaries	$ 8,531,437	$ 4,198,271	$ 2,838,679	$ 103,220	$ 327,045	$ 2,698,998	$ 743,424	$ 1,657,682	$ 21,098,756
Employee benefits	2,034,406	1,172,331	815,573	29,482	92,456	816,753	211,684	467,492	5,640,177
Supplies, services and other	1,177,792	749,556	2,370,232	283,213	1,555,827	1,145,807	180,139	1,447,094	8,909,660
Utilities	-	-	-	-	-	-	-	1,019,878	1,019,878
Student aid	-	-	-	-	-	-	-	-	-
Information technology	515,318	382,046	300,371	-	7,797	664,745	18,844	38,337	1,927,458
Depreciation	886,490	246,906	226,728	5,162	774,436	237,382	19,138	53,088	2,449,330
Amortization, financing right-of-use assets	-	-	-	-	-	120,553	-	-	120,553
Interest	-	-	-	-	283,578	23,389	-	-	306,967
Operations and maintenance of plant	1,687,511	486,971	433,446	-	1,897,682	145,093	32,868	(4,683,571)	-
Total	$ 14,832,954	$ 7,236,081	$ 6,985,029	$ 421,077	$ 4,938,821	$ 5,852,720	$ 1,206,097	$ -	$ 41,472,779

Following are expenses by nature and function for the year ending June 30, 2022.

	Instruction	Academic Support	Student Services	Public Service	Auxiliary Enterprises	Scholarships and Fellowships	Institutional Support	Fundraising	Operations and Maintenance of Plant	Total
Salaries	$ 8,241,298	$ 4,294,860	$ 2,933,868	$ 117,294	$ 347,672	$ -	$ 2,607,707	$ 699,480	$ 1,451,491	$ 20,693,670
Employee benefits	2,068,542	1,250,412	855,045	33,776	88,561	-	916,169	210,768	443,714	5,866,987
Supplies, services and other	1,121,381	750,691	1,911,644	204,447	1,594,583	-	1,140,307	244,579	1,454,942	8,422,574
Utilities	-	-	-	-	-	-	-	-	974,711	974,711
Student aid	-	-	-	-	-	1,850,571	-	-	-	1,850,571
Information technology	510,418	367,140	320,192	-	7,292	-	870,807	17,621	35,852	2,129,322
Depreciation	942,724	257,567	239,546	5,162	770,406	-	243,705	20,312	61,790	2,541,212
Amortization, financing right-of-use assets	-	-	-	-	-	-	125,773	-	-	125,773
Interest	-	-	-	-	304,441	-	15,990	-	-	320,431
Operations and maintenance of plant	1,593,446	459,826	409,285	-	1,791,903	-	137,005	31,035	(4,422,500)	-
Total	$ 14,477,809	$ 7,380,496	$ 6,669,580	$ 360,679	$ 4,904,858	$ 1,850,571	$ 6,057,463	$ 1,223,795	$ -	$ 42,925,251

18. Related Parties

Contributions made by non-compensated members of the Board of Trustees and officers of the College totaled approximately $90,000 and $70,000 for the years ended June 30, 2023 and 2022, respectively. Outstanding pledges receivable from members of the Board of Directors or officers of the College total $25,000 and $50,000 for the years ended June 30, 2023 and 2022, respectively.

19. Subsequent Events

The College has evaluated subsequent events through November 7, 2023, which is the date that the financial statements are available to be issued.

20. U.S. Department of Education Financial responsibility Information

Department of Education (ED) regulations require the College to provide additional disclosures, including a financial responsibility supplemental schedule, to assist the ED in measuring financial responsibility through the composite score of financial ratios. The financial responsibility supplemental schedule must contain all financial elements required to calculate the composite score ratios, with a cross-reference to the financial statement line or note that contains the element.

Notes 11 and 13 provide information on the College's breakdown of net assets with either time or purpose restrictions. The following table provides a further breakdown of those net assets with donor restrictions at June 30, 2023 and 2022.

	2023	2022
Net assets with donor restrictions subject to expenditure for a specified use	$ 4,410,230	$ 4,133,143
Net assets with donor restrictions subject to passage of time	255,218	634,579
Accumulated investment gains on endowment	4,512,515	3,704,002
Original donor restricted amounts required to be maintained in perpetuity	914,798	936,158
Net assets with donor restrictions, time or purpose	10,092,761	9,407,882
Beneficial interest in private foundation restricted in perpetuity	14,764,594	19,130,343
Total donor restricted endowments	16,055,947	13,908,278
Less accumulated investment gains on endowment	(4,512,515)	(3,704,002)
Less endowments not to be held in perpetuity	(914,798)	(936,158)
Endowment contributions receivable unavailable until received	123,417	150,281
Net assets with donor restrictions, restricted in perpetuity	25,516,645	28,548,742
Net assets with donor restrictions	35,609,406	37,956,624
Net assets without donor restrictions	101,971,157	100,706,885
Total net assets	$ 137,580,563	$ 138,663,509

Note 7 provides the College's property, plant, equipment, and library books, net of accumulated depreciation, but does not provide a breakout by the implementation date of July 1, 2019. The following table provides a breakdown of property, plant, equipment and library books, net, at June 30, 2023 and June 30, 2022 based on the July 1, 2019 implementation date:

	2023	2022
Pre-implementation property, plant, equipment and library books	$ 46,635,865	$ 48,865,455
Post-implementation property, plant, equipment and library books, without debt	3,140,324	2,020,534
Post-implementation right-of-use assets, with debt	3,335,789	63,254
Subtotal	53,111,978	50,949,243
Construction in progress	733,213	155,629
Property, plant, equipment and library books, net	$ 53,845,191	$ 51,104,872

Note 10 provides the College's leases, but does not provide a breakout by the implementation date of July 1, 2019. For the purposes of the schedule, leases are presented as post implementation long-term debt for long-term purposes – post implementation. The following table provides a breakdown of long-term debt at June 30, 2023 and June 30, 2022 based on the July 1, 2019 implementation date.

	2023	2022
Pre-implementation long-term debt	$ 10,357,788	$ -
Post-implementation operating lease liability	792,205	63,254
Post-implementation financing lease liability	518,596	-
Subtotal	1,310,801	-
Total long-term debt	$ 11,668,588	$ 63,254

The statements of activities provides information on the College's revenues and gains without donor restrictions and the following table provides a reconciliation to the amount in the financial responsibility supplemental schedule.

	2023	2022
Total operating revenue	$ 40,751,923	$ 44,509,426
Less investment return appropriated for spending – quasi-endowment	1,376,380	1,290,200
Total	39,375,543	43,219,226
Long-term investment return, net, greater than amount designated for spending	1,797,686	-
Interest rate swap gain	204,737	604,482
Change in equity in joint venture	12,705	19,665
Gifts and private grants for long-term endowment	-	22,409
Net assets released from restrictions, plant	-	14,785
Nonoperating revenue and other gains	$ 1,985,128	$ 661,341