

# **Edgewood College, Inc.**

Financial Statements

June 30, 2024 and 2023

# Edgewood College

---

Table of Contents  
June 30, 2024 and 2023

	<u>Page</u>
<b>Independent Auditors' Report</b>	1
<b>Financial Statements</b>	
Statements of Financial Position	3
Statements of Activities	4
Statements of Cash Flows	6
Notes to Financial Statements	7

## 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, 2024 and 2023, 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, 2024 and 2023, 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.

#### *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 12, 2024 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 12, 2024

**Edgewood College, Inc.**

## Statements of Financial Position

June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 15,788,809	\$ 16,239,072
Short-term investments	5,994,802	5,999,127
Restricted cash and cash equivalents	1,737,979	1,605,180
Student accounts receivable, net	999,736	927,549
Government grants receivable	147,434	175,713
Other receivables	718,773	401,687
Inventories	59,702	59,420
Prepaid expenses	832,351	848,744
Investments, endowment	55,878,156	50,753,853
Investments, capital	7,606,200	7,708,239
Investments, other	104,075	132,216
Investment in joint venture	189,733	188,418
Beneficial interest in private foundation	16,327,011	14,764,594
Student notes receivable, net	146,078	219,570
Contributions receivable, net	278,354	378,635
Other assets	160,567	319,517
Property, plant, equipment and library books, net	49,491,348	50,509,402
Right of use assets, operating	2,500,673	2,824,702
Right of use assets, financing	393,144	511,087
	<u>\$ 159,354,925</u>	<u>\$ 154,566,725</u>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable, operating	\$ 742,997	\$ 523,272
Accounts payable, construction	110,000	380,690
Accrued expenses	2,243,487	2,368,200
Deposits held in custody for others	513,133	440,088
Deferred revenue, summer session	1,447,110	1,038,706
Deferred revenue, other	101,866	83,859
Operating lease liability	1,259,204	1,440,071
Financing lease liability	411,046	518,596
Bonds payable (net of unamortized bond costs of \$24,939 for 2024 and \$30,079 for 2023)	8,850,061	9,709,921
Refundable U.S. government student loans	425,581	482,759
	<u>16,104,485</u>	<u>16,986,162</u>
<b>Net Assets</b>		
Without donor restrictions:		
Undesignated	59,729,312	60,144,522
Designated for capital projects	7,259,835	7,119,643
Designated for long-term investment (quasi-endowment)	37,582,471	34,706,992
	<u>104,571,618</u>	<u>101,971,157</u>
With donor restrictions	38,678,822	35,609,406
	<u>143,250,440</u>	<u>137,580,563</u>
Total liabilities and net assets	<u>\$ 159,354,925</u>	<u>\$ 154,566,725</u>

See notes to financial statements

**Edgewood College, Inc.**Statement of Activities  
Year Ended June 30, 2024

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Operating Revenues</b>			
Tuition and fees, net	\$ 29,475,110	\$ -	\$ 29,475,110
Sales and services of auxiliary enterprises	5,989,635	-	5,989,635
Gifts and private grants	967,695	929,586	1,897,281
Government grants and contracts	270,538	-	270,538
Investment income, net	1,428,452	-	1,428,452
Investment income beneficial interest, operating	-	700,000	700,000
Long-term investment return, net, designated for current operations	1,407,500	590,550	1,998,050
Other	1,005,314	65,375	1,070,689
<b>Total operating revenues</b>	<b>40,544,244</b>	<b>2,285,511</b>	<b>42,829,755</b>
Net assets released from restrictions	2,999,017	(2,999,017)	-
<b>Total operating revenues</b>	<b>43,543,261</b>	<b>(713,506)</b>	<b>42,829,755</b>
<b>Operating Expenses</b>			
Program:			
Instruction	14,970,882	-	14,970,882
Academic support	8,094,378	-	8,094,378
Student services	7,478,446	-	7,478,446
Public service	392,687	-	392,687
Auxiliary enterprises	4,996,692	-	4,996,692
Support:			
Institutional support	6,318,089	-	6,318,089
Fundraising	1,417,887	-	1,417,887
<b>Total operating expenses</b>	<b>43,669,061</b>	<b>-</b>	<b>43,669,061</b>
Change in net assets from operating activities	(125,800)	(713,506)	(839,306)
<b>Nonoperating Activities</b>			
Long-term investment return, net, greater than amount designated for operations	2,883,896	1,360,982	4,244,878
Interest rate swap loss	(158,950)	-	(158,950)
Change in beneficial interest in private foundation	-	1,562,417	1,562,417
Change in equity in joint venture	1,315	-	1,315
Gifts and private grants for long-term endowment	-	807,535	807,535
Gifts and private grants for long-lived capital items	-	51,988	51,988
Change in net assets from nonoperating activities	2,726,261	3,782,922	6,509,183
Change in net assets	2,600,461	3,069,416	5,669,877
<b>Net Assets, Beginning</b>	<b>101,971,157</b>	<b>35,609,406</b>	<b>137,580,563</b>
<b>Net Assets, Ending</b>	<b>\$ 104,571,618</b>	<b>\$ 38,678,822</b>	<b>\$ 143,250,440</b>

See notes to financial statements

**Edgewood College, Inc.**

Statement of Activities

Year Ended June 30, 2023

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Operating Revenues</b>			
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
<b>Total operating revenues</b>	<b>37,958,495</b>	<b>2,682,255</b>	<b>40,640,750</b>
Net assets released from restrictions	2,793,428	(2,793,428)	-
<b>Total operating revenues</b>	<b>40,751,923</b>	<b>(111,173)</b>	<b>40,640,750</b>
<b>Operating Expenses</b>			
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
<b>Total operating expenses</b>	<b>41,472,779</b>	<b>-</b>	<b>41,472,779</b>
<b>Change in net assets from operating activities</b>	<b>(720,856)</b>	<b>(111,173)</b>	<b>(832,029)</b>
<b>Nonoperating Activities</b>			
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
<b>Change in net assets from nonoperating activities</b>	<b>1,985,128</b>	<b>(2,236,045)</b>	<b>(250,917)</b>
<b>Change in net assets</b>	<b>1,264,272</b>	<b>(2,347,218)</b>	<b>(1,082,946)</b>
<b>Net Assets, Beginning</b>	<b>100,706,885</b>	<b>37,956,624</b>	<b>138,663,509</b>
<b>Net Assets, Ending</b>	<b>\$ 101,971,157</b>	<b>\$ 35,609,406</b>	<b>\$ 137,580,563</b>

See notes to financial statements

**Edgewood College, Inc.**

## Statements of Cash Flows

Years Ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
<b>Cash Flows From Operating Activities</b>		
Change in net assets	\$ 5,669,877	\$ (1,082,946)
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	2,371,474	2,449,330
Amortization of financing right of use assets	117,943	120,553
Amortization of loan origination fees included in interest expense	5,140	5,600
Gain on financing right of use asset disposal	-	(13,980)
Realized and unrealized gains on investments	(5,964,912)	(3,706,366)
Gain on investment in joint venture	(1,315)	(12,705)
(Increase) decrease in valuation of beneficial interest in private foundation	(1,562,417)	4,365,749
Contributions received restricted for long-term investment and plant	(959,661)	(1,318,310)
Unrealized (gain) loss on interest rate swap agreements	158,950	(204,737)
Operating lease costs	143,162	143,161
Changes in assets and liabilities:		
Prepaid expenses	16,393	(352,004)
Receivables	(360,994)	(230,587)
Inventories	(282)	2,878
Contributions receivable	100,281	406,225
Accounts payable	219,725	(115,325)
Accrued expenses	(124,713)	(281,880)
Deposits held in custody for others	73,045	(27,401)
Deferred revenue	426,411	(55,442)
Net cash flows from operating activities	<u>328,107</u>	<u>91,813</u>
<b>Cash Flows From Investing Activities</b>		
Purchases of property, plant, equipment and library books	(1,624,110)	(1,536,424)
Proceeds from investments sold	3,277,207	2,910,595
Purchases of investments	(2,302,093)	(3,920,550)
Principal collections on notes to students	73,492	148,095
Net cash flows from investing activities	<u>(575,504)</u>	<u>(2,398,284)</u>
<b>Cash Flows From Financing Activities</b>		
Contributions received for long-term investment and plant	959,661	1,318,310
Principal payments on bonds	(865,000)	(850,000)
Principal payments on financing leases	(107,550)	(117,459)
Repayments toward refundable U.S. government student loans	(57,178)	(80,548)
Net cash flows from financing activities	<u>(70,067)</u>	<u>270,303</u>
Net change in cash, cash equivalents and restricted cash	(317,464)	(2,036,168)
<b>Cash, Cash Equivalents and Restricted Cash, Beginning</b>	<u>17,844,252</u>	<u>19,880,420</u>
<b>Cash, Cash Equivalents and Restricted Cash, Ending</b>	<u>\$ 17,526,788</u>	<u>\$ 17,844,252</u>
<b>Supplemental Disclosure of Cash Flow Information</b>		
Interest paid	<u>\$ 288,461</u>	<u>\$ 302,939</u>
<b>Noncash Investing and Financing Activities</b>		
Assets acquired with construction payables	<u>\$ 110,000</u>	<u>\$ 380,690</u>

See notes to financial statements



# Edgewood College, Inc.

---

Notes to Financial Statements  
June 30, 2024 and 2023

## 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 (GAAP). 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 nonoperating 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.

## Edgewood College, Inc.

Notes to Financial Statements  
June 30, 2024 and 2023

### 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, 2024 and 2023, the Federal Perkins Loan program account balances were \$93,555 and \$81,890, 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, certificates of deposit and treasury bills 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.

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 15,788,809	\$ 16,239,072
Restricted cash and cash equivalents	1,737,979	1,605,180
Total	<u>\$ 17,526,788</u>	<u>\$ 17,844,252</u>

### 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. Undergraduate students can enroll in a payment plan that allows them to pay over the course of one term. A student account receivable is considered to be delinquent when a scheduled payment is more than 30 days past the payment due date.

The College recognizes an allowance for credit losses for student accounts receivables to present the net amount expected to be collected as of the statement of financial position date. Such allowance is based on the credit losses expected to arise over the life of the asset which includes consideration of past events and historical loss experience, current events and future events based on our expectation as of the statement of financial position date. Receivables are written off when the College determines that such receivables are deemed uncollectible. The College recorded an allowance for credit losses of \$100,000 and \$125,000 as of June 30, 2024 and 2023, respectively.

The College utilizes the aging method in determining its lifetime expected credit losses on its receivables. This method is used for calculating an estimate of losses based primarily on historical loss experience. In determining its loss rates, the College evaluates information related to its historical losses, adjusted for current conditions and further adjusted for the period of time that can be reasonably forecasted. Qualitative and quantitative adjustments related to current conditions and the reasonable and supportable forecast period are considered such as economic and regulatory conditions amongst others. Four pools were utilized to assess the estimate and there are no individually evaluated balances. No interest is charged on a student account receivable.

# Edgewood College, Inc.

Notes to Financial Statements

June 30, 2024 and 2023

## Government Grants Receivable

Government grants receivable are carried at the amount earned. Government grants receivable are shown less an estimate made for an allowance on credit losses 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, 2024 and 2023.

## 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 nonstock, nonprofit 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:

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

## Edgewood College, Inc.

---

Notes to Financial Statements  
June 30, 2024 and 2023

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.

The art collection consists of items that individually have cultural, aesthetic or historical value that is worth preserving and the College has the ability to protect and preserve the collection.

### Impairment of Long-Lived Assets

The College reviews long-lived assets, including property and equipment, right of use assets 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, 2024 and 2023, there have been no such losses.

### Leases

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.

The College made significant assumptions and judgments in applying lease accounting requirements. 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
- Determined that the College does not have any material leasing transactions with related parties.

## Edgewood College, Inc.

Notes to Financial Statements

June 30, 2024 and 2023

### 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, 2024 and 2023, the asset retirement obligations are estimated to be \$145,000 and \$140,000, 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, 2024 and 2023, the College reported deferred revenue of \$1,447,110 and \$1,038,706, 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:

	<u>June 30, 2024</u>	<u>June 30, 2023</u>	<u>July 1, 2022</u>
Student accounts receivable	\$ 999,736	\$ 927,549	\$ 975,656
Deferred revenue	1,447,110	1,038,706	1,117,032

### 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 7).

### 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 \$425,581 and \$482,759 as of June 30, 2024 and 2023, 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 \$47,900,526 and \$46,274,482 for the years ended June 30, 2024 and 2023, respectively. Student financial aid and other discounts totaled \$18,425,416 and \$17,900,784 for the years ended June 30, 2024 and 2023, 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 2024 and 2023 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 \$2,001,676 and \$1,666,768, and the amount from Federal Pell grants totaled \$1,614,904 and \$1,323,232 during the years ended June 30, 2024 and 2023, 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, 2024 and 2023. 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 2021 and 2020 and thereafter are open to examination by Federal and State authorities, respectively.

## Edgewood College, Inc.

---

Notes to Financial Statements  
June 30, 2024 and 2023

### 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, 2024 and 2023 approximated \$557,000 and \$920,000, 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 12. The measure of operations excludes investment return greater than amounts made available for current 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 capital items. Included in the line item long-term investment return, net, greater than amount designated for operations is investment return appropriated from board designated endowment to operations of \$1,407,500 and \$1,376,380 for 2024 and 2023, 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, 2023, the College adopted, under the modified retrospective method, Financial Accounting Standards Board (FASB) Accounting Standards Update (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. The adoption did not have a material impact 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.



**Edgewood College, Inc.**Notes to Financial Statements  
June 30, 2024 and 2023

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, 2024:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<b>Assets</b>				
<b>Short-Term Investments</b>				
Mutual funds	\$ 5,994,802	\$ 5,994,802	\$ -	\$ -
<b>Investments - Endowment</b>				
Mutual funds	\$ 50,034,672	\$ 50,034,672	\$ -	\$ -
Money market	24,646			
Alternative investments at net asset value (NAV):				
Low volatility hedge fund	2,932,187			
Private real estate funds	2,886,651			
Total	\$ 55,878,156			
<b>Investments - Capital</b>				
Money market	\$ 77,920			
Treasury bills	7,528,280			
Total	\$ 7,606,200			
<b>Investments - Other</b>				
Mutual funds	\$ 104,075	\$ 104,075	\$ -	\$ -
<b>Beneficial Interest in Private Foundation</b>				
	\$ 16,327,011	\$ -	\$ -	\$ 16,327,011
<b>Other Assets</b>				
Interest rate exchange agreements	\$ 160,567	\$ -	\$ 160,567	\$ -

## Edgewood College, Inc.

Notes to Financial Statements  
June 30, 2024 and 2023

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:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<b>Assets</b>				
<b>Short-Term Investments</b>				
Mutual funds	<u>\$ 5,999,127</u>	<u>\$ 5,999,127</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Investments - Endowment</b>				
Mutual funds	\$ 45,869,286	<u>\$ 45,869,286</u>	<u>\$ -</u>	<u>\$ -</u>
Money market	22,203			
Alternative investments at NAV:				
Low volatility hedge fund	2,638,281			
Private real estate funds	<u>2,224,083</u>			
Total	<u>\$ 50,753,853</u>			
<b>Investments - Capital</b>				
Money market	\$ 387,715			
Treasury bills	<u>7,320,524</u>			
Total	<u>\$ 7,708,239</u>			
<b>Investments - Other</b>				
Mutual funds	<u>\$ 132,216</u>	<u>\$ 132,216</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Beneficial Interest in Private Foundation</b>				
	<u>\$ 14,764,594</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,764,594</u>
<b>Other Assets</b>				
Interest rate exchange agreements	<u>\$ 319,517</u>	<u>\$ -</u>	<u>\$ 319,517</u>	<u>\$ -</u>

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, 2024 or 2023.

## Edgewood College, Inc.

Notes to Financial Statements

June 30, 2024 and 2023

### 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 8).

### 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.

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.

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 following table lists the alternative investments at June 30:

	<b>Low Volatility Hedge Fund - Backstone Partners Offshore Fund Ltd.</b>
Fair Value June 30, 2024	\$2,932,187
Fair Value June 30, 2023	\$2,638,281
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
	<b>Private Real Estate Fund - Harrison Street Real Partners VII, LP</b>
Fair Value June 30, 2024	\$822,569
Fair Value June 30, 2023	\$873,002
Significant Investment Strategy	Real estate
Remaining Life	August 22, 2028 with provision to extend
Dollar Amount of Unfunded Commitments	None
Timing to Draw Down Commitments	N.A.
Distribution Terms	Distributions based on partnership agreement
Redemption Terms	None

**Edgewood College, Inc.**Notes to Financial Statements  
June 30, 2024 and 2023

	<b>Private Real Estate Fund - Harbert U.S. Real Estate Fund VII</b>
Fair Value June 30, 2024	\$921,076
Fair Value June 30, 2023	\$1,095,700
Significant Investment Strategy	Real estate
Remaining Life	N.A
Dollar Amount of Unfunded Commitments	None
Timing to Draw Down Commitments	N.A
Distribution Terms	Distributions based on partnership agreement
Redemption Terms	None
	<b>Private Real Estate Fund - Greystar-Thackery Realty Fund VI, LP</b>
Fair Value June 30, 2024	\$379,311
Fair Value June 30, 2023	\$255,381
Significant Investment Strategy	Real estate
Remaining Life	December 1, 2031 with provisions to extend
Dollar Amount of Unfunded Commitments	\$515,000
Timing to Draw Down Commitments	December 1, 2024 with provisions to extend
Distribution Terms	Distributions based on partnership agreement
Redemption Terms	None
	<b>Private Real Estate Fund - Crow Holdings Realty Partners X-ALP</b>
Fair Value June 30, 2024	\$149,459
Fair Value June 30, 2023	\$0
Significant Investment Strategy	Real estate
Remaining Life	March 28, 2032 with provisions to extend
Dollar Amount of Unfunded Commitments	\$786,589
Timing to Draw Down Commitments	March 28, 2026 with provisions to extend
Distribution Terms	Distributions based on partnership agreement
Redemption Terms	None
	<b>Private Real Estate Fund - Harrison Street Real Partners IX F2, LP</b>
Fair Value June 30, 2024	\$614,236
Fair Value June 30, 2023	\$0
Significant Investment Strategy	Real estate
Remaining Life	June 10, 2035 with provisions to extend
Dollar Amount of Unfunded Commitments	\$385,764
Timing to Draw Down Commitments	June 10, 2025 with provisions to extend
Distribution Terms	Distributions based on partnership agreement
Redemption Terms	None

## Edgewood College, Inc.

Notes to Financial Statements  
June 30, 2024 and 2023

### 3. 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:

	<u>2024</u>	<u>2023</u>
Short-Term Investments:		
Mutual funds, short-term bonds	\$ 5,994,802	\$ 5,999,127
Investments - Endowment:		
Money market funds	\$ 24,646	\$ 22,203
Mutual Funds:		
Domestic equity	20,619,282	19,359,313
International equity	14,127,564	12,711,926
Real assets	2,706,795	2,520,711
Global tactical asset allocation	3,173,755	2,808,903
Fixed income	9,407,276	8,468,433
Alternative investments measured at NAV:		
Low volatility hedge fund	2,932,187	2,638,281
Private real estate funds	2,886,651	2,224,083
Total	<u>\$ 55,878,156</u>	<u>\$ 50,753,853</u>
Investment - Capital:		
Money market funds	\$ 77,920	\$ 387,715
U.S. Treasury bills	7,528,280	7,320,524
Total	<u>\$ 7,606,200</u>	<u>\$ 7,708,239</u>
Investments - Other:		
Mutual funds	<u>\$ 104,075</u>	<u>\$ 132,216</u>

### 4. 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 credit losses. Allowances for credit losses 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, 2024 and 2023, student notes represented .1% of total assets.

## Edgewood College, Inc.

Notes to Financial Statements  
June 30, 2024 and 2023

At June 30, student loans consisted of the following:

	<u>2024</u>	<u>2023</u>
Federal government programs	\$ 181,078	\$ 269,570
Institutional programs	5,675	5,675
Total	<u>186,753</u>	<u>275,245</u>
Less allowance for credit losses:		
Beginning	(55,675)	(189,426)
Decrease	<u>15,000</u>	<u>133,751</u>
Ending	<u>(40,675)</u>	<u>(55,675)</u>
Student notes receivable, net	<u>\$ 146,078</u>	<u>\$ 219,570</u>

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, 2024, the College continues to service the Perkins Loan Program.

### 5. Contributions Receivable

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

	<u>2024</u>	<u>2023</u>
Capital funds	\$ -	\$ 50,000
Scholarships and programs	<u>298,500</u>	<u>362,325</u>
Total contributions receivable	298,500	412,325
Less allowance for doubtful accounts	(5,000)	(10,000)
Less discount	<u>(15,146)</u>	<u>(23,690)</u>
Net contributions receivable	<u>\$ 278,354</u>	<u>\$ 378,635</u>
Less than one year	\$ 238,500	
One to five years	<u>60,000</u>	
Total contributions receivable	<u>\$ 298,500</u>	

Contributions have been discounted at the interest rate in effect in the year the pledge was made. This rate was 7.27% for 2024 and 7.08% for 2023. Approximately 81% and 75% of contributions receivable on June 30, 2024 and 2023, respectively, were from five donors.

## Edgewood College, Inc.

Notes to Financial Statements  
June 30, 2024 and 2023

### 6. Property, Plant, Equipment and Library Books

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

	<u>2024</u>	<u>2023</u>
Land	\$ 1,604,456	\$ 1,604,456
Land improvements	1,938,527	1,878,565
Buildings and improvements	86,211,662	85,218,940
Equipment and software	6,788,946	6,543,469
Library books	201,947	245,835
Vehicles	372,359	388,159
Construction in process	676,973	733,213
	<u>97,794,870</u>	<u>96,612,637</u>
Total	97,794,870	96,612,637
Less accumulated depreciation	<u>(48,303,522)</u>	<u>(46,103,235)</u>
Net property, plant, equipment and library books	<u>\$ 49,491,348</u>	<u>\$ 50,509,402</u>

### 7. Long-Term Obligations

#### Bonds Payable

Bonds payable at June 30 consist of the following:

	<u>2024</u>	<u>2023</u>
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 (4.979% at June 30, 2024) 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.	\$ 8,875,000	\$ 9,740,000
Bond issuance costs of \$83,982 net of amortization of \$59,043 and \$53,903 at June 30, 2024 and 2023, respectively.	<u>(24,939)</u>	<u>(30,079)</u>
Total bonds payable, net	<u>\$ 8,850,061</u>	<u>\$ 9,709,921</u>

Bond interest expense incurred during the years ended June 30, 2024 and 2023 was \$467,118 and \$392,732, 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 8 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.

## Edgewood College, Inc.

Notes to Financial Statements  
June 30, 2024 and 2023

Future principal payments on the bonds are due as follows:

Years ending June 30:		
2025	\$	875,000
2026		890,000
2027		905,000
2028		920,000
2029		940,000
2030 to 2034		3,870,000
2035		475,000
		<hr/>
Total	\$	8,875,000

### 8. 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. 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 nonoperating 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 nonperformance by its counterparty.

For the year ended June 30, 2024 the College received \$212,595 more than it paid under the interest rate swap agreement and for the year ended June 30, 2023 the College received \$117,259 more than it paid. 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:

<u>Year</u>	<u>Instrument Type</u>	<u>Notional Amount</u>	<u>Maturity Date</u>	<u>Rate Paid</u>	<u>Rate Received</u>
2024	Floating to fixed rate swap	\$ 8,875,000	May 1, 2025	1.67%	74% of 1-month term SOFR rate
2023	Floating to fixed rate swap	\$ 9,740,000	May 1, 2025	1.67%	74% of 1-month term SOFR rate



## Edgewood College, Inc.

Notes to Financial Statements  
June 30, 2024 and 2023

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

Derivative Designated as Hedging Instrument	Statements of Financial Position Location	Derivative	
		Fair Value	
		2024	2023
Interest rate swap agreement	Other assets	\$ 160,567	\$ 319,517

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

Derivative Designated as Hedging Instrument	Location of Gain (Loss) on Derivative Recognized in the Statements of Activities	Derivative	
		Amount of Gain (Loss) on Derivative Recognized in the Statements of Activities	
		2024	2023
Interest rate swap agreement	Interest rate swap gain (loss)	\$ (158,950)	\$ 204,737

### 9. 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, 2024 and 2023:

#### 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 \$9,559 in 2024 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 were \$3,875 in 2024 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 is paying the remaining balance of \$850,000 in twenty annual installments of \$42,500 due on December 31 of each year during the initial term.

## Edgewood College, Inc.

Notes to Financial Statements

June 30, 2024 and 2023

### 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 \$1,892 and \$1,825 for the years ending June 30, 2024 and 2023, 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, 2024 and 2023:

### 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.

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

	<u>2024</u>	<u>2023</u>
Operating lease expense	\$ 324,029	\$ 318,404
Finance lease expense:		
Amortization of right-of-use assets	117,944	120,553
Interest on lease liabilities	<u>29,382</u>	<u>23,389</u>
Total lease expense	<u>\$ 471,355</u>	<u>\$ 462,346</u>

## Edgewood College, Inc.

Notes to Financial Statements  
June 30, 2024 and 2023

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

	<u>Operating</u>	<u>Finance</u>	<u>Total</u>
Years ending June 30:			
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
2029	95,528	-	95,528
Thereafter	488,607	-	488,607
	<u>1,461,418</u>	<u>456,440</u>	<u>1,917,858</u>
Total lease payments	1,461,418	456,440	1,917,858
Less present value discount	<u>(202,214)</u>	<u>(45,394)</u>	<u>(247,608)</u>
Total lease liabilities	<u>\$ 1,259,204</u>	<u>\$ 411,046</u>	<u>\$ 1,670,250</u>

	<u>2024</u>	<u>2023</u>
Weighted average remaining lease term (in years):		
Operating leases	11.8 years	13.2 years
Finance leases	3.3 years	5.0 year
	<u>2024</u>	<u>2023</u>
Weighted average discount rate:		
Operating leases	4.44 %	4.58 %
Finance leases	6.25 %	6.25 %

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

	<u>2024</u>	<u>2023</u>
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 239,273	\$ 275,904
Operating cash flows from finance leases	29,382	23,389
Financing cash flows from finance leases	107,550	117,459
Right-of-use assets obtained in exchange for lease liabilities:		
Operating leases	-	786,648
Finance leases	-	589,715

## Edgewood College, Inc.

Notes to Financial Statements  
June 30, 2024 and 2023

### 10. Net Assets With Donor Restrictions

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

	<u>2024</u>	<u>2023</u>
Subject to expenditure for a specified use:		
Scholarships	\$ 1,269,579	\$ 1,541,378
Educational programs	2,187,003	2,634,543
Capital	300,000	200,000
Student loans	26,382	34,309
	<u>3,782,964</u>	<u>4,410,230</u>
Subject to the passage of time:		
Contributions receivable that are unavailable for use until received	207,063	255,218
	<u>16,327,011</u>	<u>14,764,594</u>
Beneficial interest in private foundation unavailable until received	<u>16,327,011</u>	<u>14,764,594</u>
Endowments:		
Subject to appropriations for subsequent year expenditures:		
Scholarships	427,050	366,230
General use	15,000	10,000
Subject to endowment spending policy and appropriation:		
Scholarships	11,466,639	9,904,570
Endowment programs	2,908,327	2,622,106
Capital	2,888,194	2,639,609
General use	585,390	517,800
Underwater endowments	(107)	(4,368)
	<u>18,290,493</u>	<u>16,055,947</u>
Total endowments	<u>18,290,493</u>	<u>16,055,947</u>
Endowment contributions receivable unavailable until received	71,291	123,417
	<u>71,291</u>	<u>123,417</u>
Total net assets with donor restrictions	<u>\$ 38,678,822</u>	<u>\$ 35,609,406</u>

### 11. 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 12). The quasi-endowment funds totaled \$37,582,471 and \$34,706,992 at June 30, 2024 and June 30, 2023, 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 \$7,259,835 and \$7,119,643 at June 30, 2024 and 2023, respectively.

## Edgewood College, Inc.

Notes to Financial Statements  
June 30, 2024 and 2023

### 12. Endowment

The College's endowment consists of 134 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.

#### 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, 2024:

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Board designated endowment net assets	\$ 37,582,471	\$ -	\$ 37,582,471
Donor restricted endowment net assets:			
Donor restricted amounts not required to be maintained in perpetuity	-	915,312	915,312
Original donor restricted amounts required to be maintained in perpetuity	-	11,502,197	11,502,197
Accumulated investment gains	-	5,872,984	5,872,984
<b>Total endowment net assets</b>	<b>\$ 37,582,471</b>	<b>\$ 18,290,493</b>	<b>\$ 55,872,964</b>

## Edgewood College, Inc.

Notes to Financial Statements  
June 30, 2024 and 2023

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

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
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	<u>\$ 34,706,992</u>	<u>\$ 16,055,947</u>	<u>\$ 50,762,939</u>

Changes in endowment net assets for the year ended June 30, 2024 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Net assets, June 30, 2023	\$ 34,706,992	\$ 16,055,947	\$ 50,762,939
Investment return, net	4,291,396	1,951,532	6,242,928
Contributions/reclassifications	(8,417)	873,564	865,147
Appropriation of endowment assets for expenditure	(1,407,500)	(590,550)	(1,998,050)
Net assets, June 30, 2024	<u>\$ 37,582,471</u>	<u>\$ 18,290,493</u>	<u>\$ 55,872,964</u>

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

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
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	<u>\$ 34,706,992</u>	<u>\$ 16,055,947</u>	<u>\$ 50,762,939</u>

### 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, 2024, deficiencies of this nature existed in one donor-restricted endowment fund which had an original gift value of \$31,667, a current fair value of \$31,560 and a deficiency of \$107. 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. 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.

## **13. 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, 2024 and 2023 were \$1,170,217 and \$1,091,141, respectively.

## Edgewood College, Inc.

Notes to Financial Statements  
June 30, 2024 and 2023

### 14. Liquidity and Availability

The College's financial assets available within one year of the statements of financial position date of June 30, 2024 and 2023 for general expenditures are as follows:

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 15,788,809	\$ 16,239,072
Short-term investments	5,994,802	5,999,127
Student accounts receivable	999,736	927,549
Other receivables	718,773	401,687
Board designated endowment investment appropriated for current use for the following fiscal year	1,400,000	1,380,000
General endowment investment appropriated for current use	15,000	10,000
Less restricted amounts	<u>(3,862,396)</u>	<u>(4,484,333)</u>
Total	<u>\$ 21,054,724</u>	<u>\$ 20,473,102</u>

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 12, the board designated endowment and the general endowment have a spending rate of 4.5%. As of June 30, 2024, \$1,400,000 of appropriations from the board designated endowment and \$15,000 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 \$37,582,471 and \$34,706,992 as of June 30, 2024 and 2023, 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.

### 15. 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.



## Edgewood College, Inc.

### Notes to Financial Statements

June 30, 2024 and 2023

#### 16. 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, 2024.

	Instruction	Academic Support	Student Services	Public Service	Auxiliary Enterprises	Institutional Support	Fundraising	Operations and Maintenance of Plant	Total
Salaries	\$ 8,692,938	\$ 4,695,234	\$ 2,948,097	\$ 94,549	\$ 374,502	\$ 2,886,073	\$ 806,138	\$ 1,709,685	\$ 22,207,216
Employee benefits	1,971,854	1,277,653	811,461	24,852	100,857	868,710	223,699	474,035	5,753,121
Supplies, services and other	1,282,214	1,020,259	2,762,971	268,124	1,609,866	1,300,837	319,714	1,383,221	9,947,206
Utilities	-	-	-	-	-	-	-	961,254	961,254
Information technology	529,751	389,710	306,233	-	7,475	732,959	18,064	35,177	2,019,369
Depreciation	833,671	232,360	223,189	5,162	774,643	239,419	17,932	45,098	2,371,474
Amortization, financing right-of-use assets	-	-	-	-	-	117,943	-	-	117,943
Interest	-	-	-	-	262,096	29,382	-	-	291,478
Operations and maintenance of plant	1,660,454	479,162	426,495	-	1,867,253	142,766	32,340	(4,608,470)	-
Total	<u>\$ 14,970,882</u>	<u>\$ 8,094,378</u>	<u>\$ 7,478,446</u>	<u>\$ 392,687</u>	<u>\$ 4,996,692</u>	<u>\$ 6,318,089</u>	<u>\$ 1,417,887</u>	<u>\$ -</u>	<u>\$ 43,669,061</u>

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
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	<u>\$ 14,832,954</u>	<u>\$ 7,236,081</u>	<u>\$ 6,985,029</u>	<u>\$ 421,077</u>	<u>\$ 4,938,821</u>	<u>\$ 5,852,720</u>	<u>\$ 1,206,097</u>	<u>\$ -</u>	<u>\$ 41,472,779</u>

#### 17. Related Parties

Contributions received from noncompensated members of the Board of Trustees and officers of the College totaled approximately \$60,000 and \$62,000 for the years ended June 30, 2024 and 2023, respectively. Outstanding pledges receivable from members of the Board of Directors or officers of the College total \$0 and \$25,000 for the years ended June 30, 2024 and 2023, respectively.

#### 18. Subsequent Events

The College has evaluated subsequent events through November 12, 2024, which is the date that the financial statements are available to be issued.