



**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**  
**YEARS ENDED JUNE 30, 2023 AND 2022**



CARTHAGE  
COLLEGE



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Board of Trustees and Management  
Carthage College  
Kenosha, Wisconsin

## **Report on the Financial Statements**

### ***Opinion***

We have audited the accompanying financial statements of Carthage 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 financial statements referred to above present fairly, in all material respects, the financial position of Carthage College as of June 30, 2023 and 2022, and the results of its operations 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. 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 Carthage 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 Carthage College's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Carthage 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 Carthage 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.

### ***Supplementary Information***

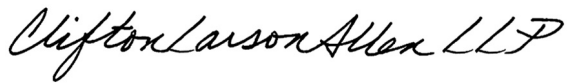
Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary statements of revenues, gains and other support without donor restrictions and the statements of expenses without donor restrictions are presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Board of Trustees and Management  
Carthage College

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 2, 2023, on our consideration of Carthage 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 Carthage 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 Carthage College's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

**CliftonLarsonAllen LLP**

Wauwatosa, Wisconsin  
November 2, 2023

# STATEMENTS OF FINANCIAL POSITION

YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
<b>ASSETS</b>		
Cash and Cash Equivalents (Note 2)	\$ 5,054,472	\$ 8,174,483
Student Accounts Receivable (Less Allowance for Doubtful Accounts of \$5,095,692 and \$5,044,320, respectively)	58,218,220	51,222,910
Contributions Receivable (Note 9)	2,296,961	1,180,755
Student Loans Receivable, Net (Note 10)	1,206,778	932,928
Other Receivables	167,021	624,897
Government Grants Receivable	1,849,910	1,478,765
Prepaid Expenses and Other Assets	1,824,633	2,187,090
Endowment Investments (Note 8)	146,648,087	135,838,649
Other Investments (Note 7)	3,051,440	3,696,208
Cash Surrender Value of Life Insurance	51,752	57,066
Funds Held by Others	33,792	39,100
Construction in Progress (Note 11)	16,010,566	2,835,145
Property, Plant, and Equipment, Net (Note 12)	175,504,581	181,017,700
Total Assets	<u>\$ 411,918,213</u>	<u>\$ 389,285,696</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts Payable and Accrued Liabilities	\$ 6,535,557	\$ 4,510,211
Deferred Revenue	58,691,723	56,714,269
Deposits Held in Custody for Others	681,235	1,010,919
Annuities Payable	1,213,227	1,223,988
Interest Rate Swap Liability (Note 14)	347,389	153,155
Asset Retirement Obligations (Note 1)	354,838	326,038
Refundable Advance	800,000	-
Bonds Payable (Note 13)	48,288,316	43,010,000
Government Grants Refundable (Note 10)	1,210,433	1,405,418
Total Liabilities	118,122,718	108,353,998
<b>NET ASSETS (Note 5)</b>		
Without Donor Restrictions	166,641,379	166,141,603
With Donor Restrictions	127,154,116	114,790,095
Total Net Assets	<u>293,795,495</u>	<u>280,931,698</u>
Total Liabilities and Net Assets	<u>\$ 411,918,213</u>	<u>\$ 389,285,696</u>



# STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE</b>			
Tuition and Fees	\$ 87,097,761	\$ -	\$ 87,097,761
Less: Scholarship and Grants	(46,852,280)	-	(46,852,280)
Net Tuition and Fees	40,245,481	-	40,245,481
Room and Board	21,047,725	-	21,047,725
Net Student Revenues	61,293,206	-	61,293,206
Auxiliary Enterprises	1,765,592	-	1,765,592
Grants	-	6,607,185	6,607,185
Contributions	1,503,008	2,396,704	3,899,712
Endowment Draw	1,406,928	5,797,872	7,204,800
Other Sources	913,339	6,119	919,458
Net Assets Released from Restrictions	14,585,889	(14,585,889)	-
Net Other Revenues	20,174,756	221,991	20,396,747
Total Revenue	81,467,962	221,991	81,689,953
<b>OPERATING EXPENSES</b>			
Program Services:			
Instruction	28,724,884	-	28,724,884
Research	776,727	-	776,727
Public Service	60,448	-	60,448
Academic Support	6,553,231	-	6,553,231
Student Services	13,712,305	-	13,712,305
Auxiliary Enterprises	12,499,922	-	12,499,922
Total Program Services	62,327,517	-	62,327,517
Support Services:			
Institutional Support	19,021,699	-	19,021,699
Allocable Expenses:			
Operation and Maintenance of Plant	8,906,393	-	8,906,393
Depreciation and Accretion	8,312,075	-	8,312,075
Interest	1,308,172	-	1,308,172
Less: Allocated Expenses	(18,526,640)	-	(18,526,640)
Total Allocable Expenses, Net	-	-	-
Total Operating Expenses	81,349,216	-	81,349,216
Change in Net Assets from Operations	118,746	221,991	340,737
<b>NONOPERATING INCOME (EXPENSE)</b>			
Investment Return After Endowment Draw	832,780	10,601,348	11,434,128
Endowment and Annuity Contributions for Long-Term Purposes	1,060	1,523,643	1,524,703
Other Contributions for Long-Term Purposes	41,721	64,952	106,673
Net Assets Released for Capital	47,913	(47,913)	-
Change in Beneficial Interests in Annuities and Trusts	102,398	-	102,398
Change in Value of Interest Rate Swap	(194,234)	-	(194,234)
Other Nonoperating Items, Net	(450,608)	-	(450,608)
Total Nonoperating Income (Expense)	381,030	12,142,030	12,523,060
<b>CHANGE IN NET ASSETS</b>	499,776	12,364,021	12,863,797
Net Assets - Beginning of Year	166,141,603	114,790,095	280,931,698
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 166,641,379</u>	<u>\$ 127,154,116</u>	<u>\$ 293,795,495</u>

See accompanying Notes to Financial Statements.

# STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE</b>			
Tuition and Fees	\$ 83,938,866	\$ -	\$ 83,938,866
Less: Scholarship and Grants	(42,551,199)	-	(42,551,199)
Net Tuition and Fees	41,387,667	-	41,387,667
Room and Board	21,666,877	-	21,666,877
Net Student Revenues	63,054,544	-	63,054,544
Auxiliary Enterprises	1,664,830	-	1,664,830
Grants	810,906	7,027,111	7,838,017
Contributions	1,981,211	3,100,120	5,081,331
Endowment Draw	1,296,464	5,218,104	6,514,568
Other Sources	983,087	1,659	984,746
Net Assets Released from Restrictions	11,731,575	(11,731,575)	-
Net Other Revenues	18,468,073	3,615,419	22,083,492
<b>Total Revenue</b>	<b>81,522,617</b>	<b>3,615,419</b>	<b>85,138,036</b>
<b>OPERATING EXPENSES</b>			
Program Services:			
Instruction	26,865,963	-	26,865,963
Research	998,615	-	998,615
Public Service	240,087	-	240,087
Academic Support	6,982,669	-	6,982,669
Student Services	13,503,008	-	13,503,008
Auxiliary Enterprises	8,725,495	-	8,725,495
Total Program Services	57,315,837	-	57,315,837
Support Services:			
Institutional Support	24,087,155	-	24,087,155
Allocable Expenses:			
Operation and Maintenance of Plant	7,993,836	-	7,993,836
Depreciation and Accretion	8,166,917	-	8,166,917
Interest	1,235,793	-	1,235,793
Less: Allocated Expenses	(17,396,546)	-	(17,396,546)
Total Allocable Expenses, Net	-	-	-
<b>Total Operating Expenses</b>	<b>81,402,992</b>	<b>-</b>	<b>81,402,992</b>
<b>Change in Net Assets from Operations</b>	<b>119,625</b>	<b>3,615,419</b>	<b>3,735,044</b>
<b>NONOPERATING INCOME (EXPENSE)</b>			
Investment Return After Endowment Draw	(6,368,053)	(25,942,679)	(32,310,732)
Endowment and Annuity Contributions for Long-Term Purposes	-	2,188,928	2,188,928
Other Contributions for Long-Term Purposes	3,930,076	43,446	3,973,522
Net Assets Released for Capital	-	-	-
Change in Beneficial Interests in Annuities and Trusts	(475,631)	-	(475,631)
Change in Value of Interest Rate Swap	313,888	-	313,888
Other Nonoperating Items, Net	886,376	-	886,376
Total Nonoperating Income (Expense)	(1,713,344)	(23,710,305)	(25,423,649)
<b>CHANGE IN NET ASSETS</b>	<b>(1,593,719)</b>	<b>(20,094,886)</b>	<b>(21,688,605)</b>
Net Assets - Beginning of Year	167,735,322	134,884,981	302,620,303
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 166,141,603</b>	<b>\$ 114,790,095</b>	<b>\$ 280,931,698</b>

See accompanying Notes to Financial Statements.



# STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 12,863,797	\$ (21,688,605)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation and Accretion	8,312,075	8,164,692
Proceeds from refundable advance	1,000,000	-
Amortization of Refundable Advance	(200,000)	(241,122)
Loss on Disposal of Plant Facilities	(39,200)	185,327
Proceeds from Insurance and FEMA for Purchase of Fixed Assets	-	(328,881)
Actuarial Adjustment for Annuities Payable	(178,243)	(273,682)
Increase in Allowance for Student Accounts Receivable	(51,371)	(1,052,600)
Increase in Allowance for Contributions Receivable	(124,023)	(131,195)
Loan Cancellations and Write-Offs	(400,000)	399,582
Contributions Restricted for Long-Term Investment and Plant	(1,599,655)	(2,242,383)
Interest and Dividends Restricted for Reinvestment	-	(7,093)
Loss (Gain) on Endowment Investments	(8,253,423)	30,308,987
Loss (Gain) on Other Investments	837,041	1,193,966
Loss (Gain) on Interest Rate Swap	194,234	(313,888)
Contribution of Noncash Investment	-	(370,875)
Contribution of Non-Cash Property, Plant and Equipment	10,000	(3,890,776)
(Increase) Decrease in Assets:		
Student Accounts Receivable	(6,943,940)	(5,061,302)
Contributions Receivable	(992,183)	(379,560)
Government Grants Receivable	(371,212)	(189,614)
Other Receivables	457,944	(613,026)
Prepaid Expenses and Other Assets	1,084,332	(245,528)
Funds Held by Others	5,309	14,531
Increase (Decrease) in Liabilities:		
Accounts Payable and Accrued Liabilities	(10,071)	(399,460)
Deferred Revenue	1,977,454	6,207,895
Deposits Held in Custody for Others	(329,685)	(84,206)
Net Cash Provided by Operating Activities	7,249,180	8,961,184
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of Investments	(914,149)	(624,444)
Sales of Investments	-	425,971
Purchases of Endowment Investments	(10,498,731)	(4,527,357)
Sales of Endowment Investments	7,942,716	1,954,366
Cash Surrender Value of Life Insurance Received	5,314	(57,066)
Proceeds from Sale of Fixed Assets	39,200	-
Proceeds from Insurance and FEMA for Purchase of Fixed Assets	-	328,881
Purchases of Property, Plant, and Equipment	(13,920,158)	(5,448,882)
Principal Collections on Loans to Students	126,150	197,220
Net Cash Used by Investing Activities	(17,219,657)	(7,751,311)

See accompanying Notes to Financial Statements.

# STATEMENTS OF CASH FLOWS (CONTINUED)

YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments on Capital Leases	\$ -	\$ (11,236)
Proceeds from issuance of bonds	8,000,000	
Payments on Bonds Payable	(2,721,684)	(2,550,000)
Contributions Received Restricted for Long-Term Investment and Plant	1,599,655	2,242,383
Receipts of Interest and Dividends Restricted for Reinvestment	-	7,093
Payments to Annuitants	167,481	176,266
Decrease in Government Grants Refundable	(194,985)	(188,244)
Net Cash Used by Financing Activities	<u>6,850,467</u>	<u>(323,738)</u>
<b>CHANGE IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH</b>	(3,120,010)	886,135
Cash, Cash Equivalents and Restricted Cash - Beginning of Year	<u>8,174,483</u>	<u>7,288,348</u>
<b>CASH, CASH EQUIVALENTS AND RESTRICTED CASH - END OF YEAR</b>	<u><u>\$ 5,054,473</u></u>	<u><u>\$ 8,174,483</u></u>
<b>SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING AND FINANCING ACTIVITY</b>		
Interest Paid	<u>\$ 1,308,172</u>	<u>\$ 1,235,793</u>
Purchase of Property, Plant, and Equipment Included in Accounts Payable	<u>\$ 2,095,779</u>	<u>\$ 60,361</u>

See accompanying Notes to Financial Statements.





# **NOTES TO THE FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION**



**CARTHAGE  
COLLEGE**



# NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

## NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES

### Nature of Operations

Carthage College (the College) is a four-year liberal arts college affiliated with the Evangelical Lutheran Church in America. 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 (U.S. GAAP). The more significant accounting policies are summarized below:

### Net Assets

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 stipulations that will be met by action of the College and/or the passage of time or maintained permanently by the College. Generally, the donors of assets held in perpetuity permit the College to use all or part of the income earned on related investments for general or specific purposes.

*Net Assets Without Donor Restrictions* – Net assets not subject to donor-imposed stipulations. The board of trustees (board) has discretion over these funds. Board-designated funds are included in the endowment without donor restrictions (Note 8).

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 unconditional promises to give (pledges) 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. Expirations of donor restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until they become unconditional, that is, when the conditions on which they depend are met. The College has conditional grants of \$3,414,595 outstanding as of June 30, 2023 which will be recognized as revenue when qualifying expenses are incurred.

Contributions of property and equipment without donor stipulations concerning the use of such long-lived assets are reported as revenues without donor restrictions. Contributions of cash or other assets to be used to acquire property and equipment are reported as revenues with donor restrictions; the restrictions are considered to be released at the time such long-lived assets are placed in service.

# NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

## NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### **Net Assets (Continued)**

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

Gains and losses on investments of endowment funds created by donor-restricted funds are classified as changes in net assets with donor restrictions.

### **Tuition and Fees and Auxiliary Revenues**

Tuition revenue is recognized in the period the classes are provided. Revenue from auxiliary enterprises is recognized when goods or services are provided. Financial assistance in the form of scholarships and grants that cover a portion of tuition and fees is reflected as a reduction of tuition and fees revenues. The College applies the practical expedient as allowed for within the accounting standards and, therefore, does not disclose information about remaining performance obligations that have original expected durations of one year or less. All remaining performance obligations will be satisfied in connection with the completion of the fiscal 2024 year. The College determines the transaction price based on standard charges for goods and services provided, reduced by discounts relating to institutional scholarships, both funded and unfunded, in accordance with the College's policies.

### **Cash and Cash Equivalents**

The College considers all highly liquid investments, except for those held for long-term investment, with a maturity of three months or less when purchased to be cash equivalents.

### **Investments**

Investments in publicly traded securities are stated at fair value based on quoted market prices from national security exchanges. Other investments, for which quoted prices are not available, are stated at fair value as estimated by management using values provided by external investment managers or general partners. Other assets including money market funds, deposit accounts and certificates of deposit are included in investments and are recorded at fair value, which approximates cost.

### **Receivables**

Student accounts receivable are carried at the unpaid balance of the original amount billed to students. Receivables are less an estimate made for doubtful accounts based on a review of all outstanding amounts. The College does not charge interest on student accounts if payments are received as scheduled. However, the College will charge a fee for late receipt of a scheduled payment equal to 1% per month of the past due balance. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Student accounts receivable are written off when deemed uncollectible. Recoveries of student accounts receivable previously written off are recorded when received. Receivables are generally unsecured.



# NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

## NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Property, Plant, and Equipment

Physical plant assets are stated at cost at the date of acquisition less accumulated depreciation. The College depreciates its assets on the straight-line basis over the estimated useful lives of the assets, which range from 5 to 60 years. The College's capitalization threshold is \$5,000. Normal repair 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. To date, there have been no such losses recorded.

### Deferred Revenue

Certain revenue related to education programs is deferred and recognized as revenue in the same period services are performed. Students are generally billed for courses prior to the start of the course. Deferred revenue also includes advances on conditional grants whose restrictions have not yet been met.

### 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. When the liability is initially recorded, the cost of the retirement obligation is capitalized by increasing the carrying value of the related asset. Over time, the liability is accreted to its present value each year and the capitalized cost associated with the retirement obligation is depreciated over the useful life of the related asset. 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 statement of activities. The College reviews its estimates annually and adjusts the recorded liability as needed.

Substantially 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 and 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 obligations.

Changes in the accrual for asset retirement obligations during the year ended June 30, 2023 are as follows:

	2023	2022
Balance - Beginning of Year	\$ 326,038	\$ 299,463
Accretion Expense	28,800	26,575
Balance - End of Year	<u>\$ 354,838</u>	<u>\$ 326,038</u>

# NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

## NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### **Refundable Advance**

The College received a cash contribution by a third party vendor relating to various capital additions. This amount is being recognized as revenue over the life of the contract.

### **Government Grants Refundable**

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

### **Unemployment Compensation**

Educational institutions in certain states have the option of paying state unemployment tax at the rate in effect for the year on the applicable compensation of all employees or paying unemployment claims as they arise. The College has elected the latter. The state of Wisconsin requires the College to have a letter of credit which is based on the number of employees and salaries paid. The required letter of credit was \$332,239 at June 30, 2023. The letter of credit has an interest rate of 4.33% and matures December 31, 2023. No payments were made under this letter of credit for the year ended June 30, 2023.

### **Grants to Specified Students**

Amounts received from state and federal agencies designated for the benefit of specified students are considered agency transactions and, therefore, are not reflected as revenues and expenses of the College.

### **Income Tax Status**

The Internal Revenue Service (IRS) has determined the College is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. Accordingly, the College is not subject to federal income taxes except to the extent it derives income from certain activities not substantially related to its tax-exempt purposes (unrelated trade or business activities). The College is also exempt from state income tax. At June 30, 2023, the College had no obligation for unrelated business income tax.

The College follows the accounting standards for contingencies in evaluating uncertain tax positions. This guidance prescribes recognition threshold principles for the financial statement recognition of tax positions taken or expected to be taken on a tax return that are not certain to be realized. No liability has been recognized by the College for uncertain tax positions as of June 30, 2023. The College's tax returns are subject to review and examination by federal and state authorities.

# NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

## NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP 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.

### Fund-Raising Expenses

Fund-raising expenses totaled approximately \$1,996,264 and \$2,180,540 for the years ended June 30, 2023 and 2022, respectively.

### Advertising Costs

Advertising costs are expensed as incurred.

### Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain expenses have been allocated among the programs and supporting services benefited.

### Subsequent Events

The College has evaluated subsequent events through November 2, 2023, which is the date that the financial statements were approved and available to be issued. The Wisconsin Health and Educational Facilities Authority will issue \$6,000,000 of tax-exempt revenue bonds on behalf of Carthage College to JPMorgan Chase. These bonds will be unsecured and will be issued for the purpose of completing capital projects, including the construction of the new engineering lab, and equipment and cafeteria improvements.



# NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

## NOTE 2 CASH, CASH EQUIVALENTS, AND RESTRICTED CASH

Cash and cash equivalents held by the College for the year ended June 30, 2023 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Cash	\$ 4,327,349	\$ -	\$ 4,327,349
Alternative Loan Cash	-	-	-
Perkins Loan Cash	-	166,323	166,323
Institutional Loan Cash	-	560,800	560,800
Cash Balances	<u>\$ 4,327,349</u>	<u>\$ 727,123</u>	<u>\$ 5,054,472</u>

Cash and cash equivalents held by the College for the year ended June 30, 2022 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Cash	\$ 7,310,836	\$ -	\$ 7,310,836
Alternative Loan Cash	-	35,575	35,575
Perkins Loan Cash	-	275,288	275,288
Institutional Loan Cash	-	552,784	552,784
Cash Balances	<u>\$ 7,310,836</u>	<u>\$ 863,647</u>	<u>\$ 8,174,483</u>

## NOTE 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 are 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.

# NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

## NOTE 3 FAIR VALUE MEASUREMENTS FAIR VALUE HIERARCHY (CONTINUED)

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

*Level 1* – Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity can access at the measurement date.

*Level 2* – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. This includes quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, or market-corroborated inputs.

*Level 3* – Inputs are unobservable for the asset or liability. Unobservable inputs reflect the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk) using the best information available in the circumstances, which may include using the reporting entity's own data.

### **Valuation Techniques and Inputs**

*Level 1 assets include:* Government obligations (consisting of U.S. Treasury securities), corporate obligations and mutual funds for which quoted prices are readily available or that trade with sufficient frequency and volume to enable the College to obtain pricing information on an ongoing basis.

*Level 2 assets include:* An interest rate swap asset as the fair value is based on observable inputs to a valuation model, which take into account the present value of the estimated future cash flows and credit value adjustments.

*Level 2 liabilities include:* An interest rate swap liability as the fair value is based on observable inputs to a valuation model, which take into account the present value of the estimated future cash flows and credit value adjustments.

*Level 3 assets include:* Funds held by others consisting of the College's beneficial interest in irrevocable split-interest agreements held or controlled by a third party for which quoted prices are not readily available. The fair values are estimated using an income approach by calculating the present value of the future distributions expected to be received over the term of the agreements based on a combination of Level 2 inputs (interest rates and yield curves) and significant unobservable inputs (entity specific estimates of cash flows).

There have been no changes in the techniques and inputs used as of June 30, 2023.

# NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

## NOTE 3 FAIR VALUE MEASUREMENTS FAIR VALUE HIERARCHY (CONTINUED)

### Valuation Techniques and Inputs (Continued)

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls has been determined based on the lowest level input that is significant to the fair value measurement in its entirety. The assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

The following table presents information about the College's assets measured at fair value on a recurring basis as of June 30, 2023 based on the three-tier hierarchy:

	Total	Level 1	Level 2	Level 3
Assets:				
Mutual Funds, Equity:				
Domestic	\$ 80,349,328	\$ 80,349,328	\$ -	\$ -
Foreign	46,871,816	46,871,816	-	-
Real Estate	-	-	-	-
Mutual Funds, Fixed Income:				
Domestic	14,874,066	14,874,066	-	-
Funds Held by Others	33,792	-	-	33,792
Private equity funds	6,399,023	-	-	6,399,023
Interest Rate Swap	(347,389)	-	(347,389)	-
Government Obligations	-	-	-	-
Total Assets (Liability)				
Measured at Fair Value	<u>\$ 148,180,636</u>	<u>\$ 142,095,210</u>	<u>\$ (347,389)</u>	<u>\$ 6,432,815</u>

Financial Assets Not Measured  
at Fair Value Included in  
Statement of Financial Position

Amounts:

Money Market Funds	\$ 1,019,643
Certificates of Deposit	-
Other Assets	185,651
Total	<u>\$ 149,385,930</u>

Per Statement of Financial  
Position:

Interest Rate Swap Liability	\$ (347,389)
Endowment Investments	146,648,087
Other Investments	3,051,440
Funds Held by Others	33,792
Total	<u>\$ 149,385,930</u>

# NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

## NOTE 3 FAIR VALUE MEASUREMENTS FAIR VALUE HIERARCHY (CONTINUED)

### Valuation Techniques and Inputs (Continued)

The following table presents information about the College's assets measured at fair value on a recurring basis as of June 30, 2022 based on the three-tier hierarchy:

	Total	Level 1	Level 2	Level 3
Assets:				
Mutual Funds, Equity:				
Domestic	\$ 70,624,581	\$ 70,624,581	\$ -	\$ -
Foreign	34,678,429	34,678,429	-	-
Real Estate	6,858,362	6,858,362	-	-
Mutual Funds, Fixed Income:				
Domestic	22,723,613	22,723,613	-	-
Funds Held by Others	39,100	-	-	39,100
Interest Rate Swap	(153,155)	-	(153,155)	-
Government Obligations	-	-	-	-
Total Assets (Liability)				
Measured at Fair Value	<u>\$ 134,770,930</u>	<u>\$ 134,884,985</u>	<u>\$ (153,155)</u>	<u>\$ 39,100</u>

Financial Assets Not Measured  
at Fair Value Included in  
Statement of Financial Position

Amounts:

Money Market Funds	\$ 3,851,763
Certificates of Deposit	612,457
Other Assets	185,652
Total	<u>\$ 139,420,802</u>

Per Statement of Financial

Position:

Interest Rate Swap Liability	\$ (153,155)
Endowment Investments	135,838,649
Other Investments	3,696,208
Funds Held by Others	39,100
Total	<u>\$ 139,420,802</u>

The following table presents a reconciliation of the statement of financial position amounts for assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended June 30, 2023:

	Beginning of Year	Unrealized Gains	Additions	Dispositions	End of Year
Assets:					
Funds Held by Others	<u>\$ 39,100</u>	<u>\$ (5,308)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33,792</u>



# NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

## NOTE 3 FAIR VALUE MEASUREMENTS FAIR VALUE HIERARCHY (CONTINUED)

### Valuation Techniques and Inputs (Continued)

The following table presents a reconciliation of the statement of financial position amounts for assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended June 30, 2022:

	Beginning of Year	Unrealized Gains	Additions	Dispositions	End of Year
Assets:					
Funds Held by Others	\$ 53,632	\$ (14,532)	\$ -	\$ -	\$ 39,100

## NOTE 4 LIQUIDITY AND AVAILABILITY

The following reflects the College's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date. Amounts not available include amounts set aside for long-term investment in the board-designated endowments that could be drawn upon if the governing board approves that action. However, amounts already appropriated from either the donor-restricted endowment or board-designated endowment for general expenditures within one year of the statement of financial position date have not been subtracted as unavailable.

	2023	2022
Financial Assets at Year End	\$ 218,007,986	\$ 202,582,916
Less Those Unavailable for General Expenditures Within One Year:		
Contractual or Donor-Imposed Restrictions:		
Restricted by Donor for Time or Purpose	(112,861,766)	(100,132,124)
Cash Restricted by Donors	(727,123)	(863,647)
Investments Restricted by Donors for Plant	(612,457)	(612,457)
Government Grants Receivable, Restricted by Federal Regulations	(517,028)	(316,653)
Deferred Gift Annuity Investments	(2,789,159)	(2,702,599)
Other Donor-Restricted Assets	(2,296,962)	(1,180,756)
Board Designations:		
Endowment Funds	(36,183,494)	(34,467,412)
Amounts Designated as 5.5% Spending Rate - General	6,439,474	5,784,092
Amounts Designated as 5.5% Spending Rate - Tarble	750,448	712,975
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	\$ 69,209,919	\$ 68,804,335

# NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

## NOTE 4 LIQUIDITY AND AVAILABILITY (CONTINUED)

The College seeks to maintain financial assets on hand to meet 60 to 90 days of normal operating expenses, which is approximately \$21 million. Due to the majority of tuition dollars coming in the fall and spring, the liquidity reported above at June 30, 2023 is lower than at most other times during the year. The College has available \$37 million in board-designated funds that are available to cover operating expenses upon board approval, if needed.

## NOTE 5 RESTRICTIONS AND LIMITATIONS ON NET ASSET BALANCES

Net assets without donor restrictions were allocated as follows at June 30:

	2023	2022
Operations and Investment in Plant	\$ 129,201,352	\$ 129,103,257
Student Loan Funds	-	-
Tarble Fund	-	1,605,362
Endowment Funds	37,313,031	32,682,292
Unspent Endowment Draw from Prior Year	-	1,785,120
Annuity, Life, Income, and Similar Funds	126,996	155,724
Designated for One-Time Payment	-	809,848
Total Net Assets Without Donor Restrictions	<u>\$ 166,641,379</u>	<u>\$ 166,141,603</u>

Net assets with donor restrictions were allocated as follows at June 30:

	2023	2022
Subject to Expenditure for Specified Purpose or time:		
Gifts and Other Unexpended Revenues and Gains:		
Scholarships, Instruction and Other Support	\$ 16,389,074	\$ 13,483,677
Acquisition of Land, Buildings, and Equipment	-	-
Total	<u>16,389,074</u>	<u>13,483,677</u>
Tarble Aspire Center, Endowment	-	12,422,714
Student Loan Funds	(154,158)	-
Endowment Funds, Accumulated Earnings	58,045,917	48,015,116
Annuity, Life, Income, and Similar Fund	(1,470,028)	-
Total	<u>56,421,731</u>	<u>60,437,830</u>
Not Subject to Spending Policy or Appropriation:		
Held in Perpetuity:		
Endowment Funds	53,686,312	39,694,294
Student Loan Funds	568,448	568,542
Annuity, Life Income, and Similar Funds	88,551	605,752
Total	<u>54,343,311</u>	<u>40,868,588</u>
Total Net Assets With Donor Restrictions	<u>\$ 127,154,116</u>	<u>\$ 114,790,095</u>

# NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

## NOTE 6 NET ASSETS RELEASED FROM RESTRICTIONS

Net assets released from donor restrictions during the year ended June 30 by incurring expenses satisfying the restricted purposes or by occurrence of events specified by the donors were as follows:

	2023	2022
Expiration of Time Restrictions	\$ -	\$ -
Satisfaction of Purpose Restrictions:		
Acquisition of Land, Buildings, and Equipment	47,913	-
Scholarships, Instruction and Other Support	14,585,889	11,731,575
Total Net Assets Released from Donor Restrictions	<u>\$ 14,633,802</u>	<u>\$ 11,731,575</u>

These net assets were reclassified to net assets without donor restrictions as follows:

	2023	2022
Operations	\$ 2,728,098	\$ 1,333,905
Grants	6,609,205	7,027,111
Capital	47,913	-
Endowment	5,248,586	3,370,559
Total	<u>\$ 14,633,802</u>	<u>\$ 11,731,575</u>

## NOTE 7 OTHER INVESTMENTS

The following summarizes the College's non-endowment investments, which are recorded at fair value unless otherwise noted at June 30:

	2023	2022
Certificates of Deposit (at Cost)	\$ -	\$ 612,457
Money Market Accounts (at Cost)	42,533	47,966
Mutual Funds	2,930,157	2,957,035
Real Estate	78,750	78,750
Total	<u>\$ 3,051,440</u>	<u>\$ 3,696,208</u>

Included above are investment assets of \$0 and \$612,457 donor-restricted for plant as of June 30, 2023 and 2022, respectively.

# NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

## NOTE 8 ENDOWMENT INVESTMENTS

The College's endowment consists of 364 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. In 2018, any accounts containing board-designated funds were separated out into new accounts, segregating them from donor designated funds. As required by U.S. 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's governing board has interpreted the Wisconsin enacted version of Uniform Prudent Management of Institutional Funds Act (UPMIFA) as allowing the College to appropriate for expenditure or accumulate so much of an endowment fund as the College determines is prudent for the uses, benefits, purposes and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift instrument. Unless stated otherwise in the gift instrument, the assets in an endowment fund shall be donor-restricted assets until appropriated for expenditure by the board of trustees. See Note 1 for further information on net asset classifications.

Donor-restricted endowment funds are included in net assets with donor restrictions until those amounts are appropriated for expenditure by the College in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the College considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund;
- The purposes of the College and the donor-restricted endowment fund;
- General economic conditions;
- The possible effect of inflation and deflation;
- The expected total return from income and the appreciation of investments;
- Other resources of the College;
- The investment 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 Funds
		Original Gift	Accumulated Gains	Total With Donor Restrictions	
Board-Designated Endowment Funds	\$ 37,788,856	\$ -	\$ -	\$ -	\$ 37,788,856
Donor-Restricted Endowment Funds	-	53,686,312	57,570,093	111,256,405	111,256,405
Total Endowment Net Assets	<u>\$ 37,788,856</u>	<u>\$ 53,686,312</u>	<u>\$ 57,570,093</u>	<u>\$ 111,256,405</u>	<u>\$ 149,045,261</u>



# NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

## NOTE 8 ENDOWMENT INVESTMENTS (CONTINUED)

### Interpretation of Relevant Law (Continued)

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

	Without Donor Restrictions	With Donor Restrictions			Total Funds
		Original Gift	Accumulated Gains	Total With Donor Restrictions	
Board-Designated Endowment Funds	\$ 34,467,411	\$ -	\$ -	\$ -	\$ 34,467,411
Tarble Endowment	1,605,362	12,422,714	-	12,422,714	14,028,076
Donor-Restricted Endowment Funds	-	39,694,294	48,015,116	87,709,410	87,709,410
Total Endowment Net Assets	<u>\$ 36,072,773</u>	<u>\$ 52,117,008</u>	<u>\$ 48,015,116</u>	<u>\$ 100,132,124</u>	<u>\$ 136,204,897</u>

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

	Without Donor Restriction	With Donor Restrictions	Total
Endowment Net Assets - Beginning of Year	\$ 36,072,773	\$ 100,132,124	\$ 136,204,897
Investment Return	3,401,060	14,845,197	18,246,257
Contributions	-	1,524,703	1,524,703
Actual Endowment Assets Spent	(1,684,977)	(5,245,619)	(6,930,596)
Endowment Net Assets - End of Year	<u>\$ 37,788,856</u>	<u>\$ 111,256,405</u>	<u>\$ 149,045,261</u>

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

	Without Donor Restriction	With Donor Restrictions	Total
Endowment Net Assets - Beginning of Year	\$ 45,009,678	\$ 119,301,441	\$ 164,311,119
Investment Return	(8,508,075)	(17,375,065)	(25,883,140)
Contributions	-	2,188,928	2,188,928
Actual Endowment Assets Spent	(428,830)	(3,983,180)	(4,412,010)
Endowment Net Assets - End of Year	<u>\$ 36,072,773</u>	<u>\$ 100,132,124</u>	<u>\$ 136,204,897</u>

### Funds With Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the College to retain as a fund of perpetual duration. There were no deficiencies of this nature as of June 30, 2023.

## NOTE 8 ENDOWMENT INVESTMENTS (CONTINUED)

### **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 exceed the spending rate plus inflation while assuming a moderate level of investment risk. The College expects its endowment funds, over time, to provide an average nominal rate of return of approximately 9% annually. 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 equity-based investments to achieve its long-term return objectives within prudent risk constraints.

### **Spending Policy and How Investment Objectives Relate to Spending Policy**

For the year ended June 30, 2023, the College appropriated for distribution 5.5% 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 an average real rate of 6% annually. This is consistent with the College's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

# NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

## NOTE 8 ENDOWMENT INVESTMENTS (CONTINUED)

### Endowment Investments

The following summarizes the College's endowment investments, which are recorded at fair value unless otherwise noted, and a reconciliation to endowment net assets at June 30:

	2023	2022
Mutual Funds	\$ 146,541,187	\$ 135,731,748
Preferred Stocks (at Cost)	100,000	100,000
Other Investments (at Cost)	6,900	6,900
Total Endowment Investments	146,648,087	135,838,648
Due to/from Operations	2,397,174	366,249
Total Endowment Net Assets	<u>\$ 149,045,261</u>	<u>\$ 136,204,897</u>

All interfund balances have been eliminated in the financial statements.

## NOTE 9 CONTRIBUTIONS RECEIVABLE

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

Contributions receivable expected to be collected in:

<u>Year Ending June 30,</u>	2023	2022
2024	\$ 1,745,053	\$ 1,255,264
2025	365,564	25,000
2026	291,847	8,844
2027	108,388	9,500
2028	24,814	13,342
Thereafter	16,514	-
Total	2,552,180	1,311,950
Less: Allowance for Uncollectible Contributions	(255,219)	(131,195)
Total	<u>\$ 2,296,961</u>	<u>\$ 1,180,755</u>

## NOTE 10 CREDIT QUALITY OF STUDENT LOAN RECEIVABLES

The College issues uncollateralized loans to students based on financial need. Student loans are funded through Federal government loan programs or institutional resources. Allowances for doubtful accounts are established based on prior collection experience and current economic factors which, in management's judgment, could influence the ability of loan recipients to repay the amounts per the loan terms. At June 30, 2023, student loans represented approximately 1% of total assets.

# NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

## NOTE 10 CREDIT QUALITY OF STUDENT LOAN RECEIVABLES (CONTINUED)

At June 30, student loans consisted of the following:

	2023	2022
Perkins Federal Government Programs	\$ 1,716,778	\$ 1,843,054
Institutional Programs	(126)	46,456
Total	1,716,652	1,889,510
Less Allowance for Doubtful Accounts:		
Beginning of Year	(956,582)	(956,582)
Increases/Decreases	446,708	-
End of Year	(509,874)	(956,582)
Student Loans Receivable, Net	\$ 1,206,778	\$ 932,928

Funds advanced by the Federal government of \$1,210,433 and \$1,405,418 at June 30, 2023 and 2022, respectively are ultimately refundable to the government and are classified as liabilities in the statements of financial position.

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 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. During the year ended June 30, 2023, the College returned to the government \$219,438 in excess cash, returned \$188 to the institution and recognized \$40,966 in reimbursement for cancellations.

After a student is no longer enrolled in an institution of higher education and after a grace period, interest is charged on student loans 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, 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	\$ 288	\$ 127	\$ 777,865	\$ 778,280
June 30, 2022	\$ 372	\$ 232	\$ 764,843	\$ 765,447

# NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

## NOTE 11 CONSTRUCTION IN PROGRESS

The College has ongoing construction projects. The cost of these projects incurred is included in the statements of financial position as construction in progress. Retainages are included in accounts payable.

At June 30, 2023, the following construction projects were in progress:

	Costs to Date	Estimated Total Costs	Funding Source
20054PJ New ERP Project / Workday	\$ 4,124,342	\$ 7,520,000	Operations
21276PJ Facilities Building FY22-23	4,065,752	5,500,000	Operations
21280PJ Engineering Department Startup	2,420,555	3,100,000	Operations
21273PJ Softball Phase I FY22-23	2,295,371	2,200,000	Operations
21270PJ JAC Air Handler Units Phase I	1,172,439	1,424,935	Operations
Various Other Projects	1,932,106	8,496,872	Operations
Total	<u>\$ 16,010,566</u>	<u>\$ 28,241,807</u>	

At June 30, 2022, the following construction projects were in progress:

	Costs to Date	Estimated Total Costs	Funding Source
20054PJ New ERP Project / Workday	\$ 1,810,594	\$ 2,578,995	Operations
21258PJ FY22 Media Equipment (classroom and other) Replacement	121,970	78,150	Operations
21273PJ Softball Phase I FY22	102,267	1,760,000	Operations
22290PJ Legacy Buildings/Lentz Hall Windows caulking	123,961	400,000	Operations
22303PJ Parkhurst Startup 2022	181,718	1,000,000	Operations
21271PJ Madrigano Electric FY22	106,545	805,200	Operations
Various Other Projects	388,090	2,334,000	Operations
Total	<u>\$ 2,835,145</u>	<u>\$ 8,956,345</u>	



# NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

## NOTE 12 PROPERTY, PLANT AND EQUIPMENT, NET

Property, plant and equipment consisted of the following at June 30:

	2023	2022
Land	\$ 763,535	\$ 763,535
Land Improvements	24,689,030	24,689,030
Buildings and Improvements	229,369,081	227,568,797
Equipment	17,986,680	17,133,562
Library Books and Nondepreciable Assets	5,719,177	5,675,427
Total	278,527,503	275,830,351
Less: Accumulated Depreciation	(103,022,922)	(94,812,651)
Property, Plant, and Equipment, Net	<u>\$ 175,504,581</u>	<u>\$ 181,017,700</u>

# NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

## NOTE 13 BONDS PAYABLE

Bonds payable at June 30 consisted of the following:

Description	2023	2022
Wisconsin Health and Educational Facilities Authority Revenue Refunding Bonds, Series 2015, has a tender date of April 30, 2025. Interest is payable monthly. The interest rate is variable based on a LIBOR adjusted rate and was 2.99% at June 30, 2023.	\$ 6,150,000	\$ 7,175,000
Wisconsin Health and Educational Facilities Authority Revenue Bonds, Series 2017A, has a tender date of June 21, 2027. Interest is payable monthly. The interest rate is variable based on a LIBOR adjusted rate and was 2.861% at June 30, 2023.	19,080,000	19,550,000
Wisconsin Health and Educational Facilities Authority Revenue Refunding Bonds, Series 2017B, has a tender date of June 21, 2027. Interest is payable monthly. The interest rate is variable based on a LIBOR adjusted rate and was 1.18 % at June 30, 2023. There is an interest rate swap agreement in place to convert effectively to a fixed rate.	12,065,000	12,700,000
Wisconsin Health and Educational Facilities Authority Revenue Refunding Bonds, Series 2017C, were refinanced in 2020 and the tender date changed to May 1, 2029. Interest is payable monthly. The interest rate is variable based on a LIBOR adjusted rate and was 1.90% at June 30, 2023.	3,110,000	3,585,000
Wisconsin Health and Educational Facilities Authority Revenue Refunding Bonds, Series 2022, has a tender date of September 1, 2029. Interest is payable monthly. The interest rate is variable based on a SOFR adjusted rate and was 3.67% at June 30, 2023.	7,883,316	-
Total	<u>\$ 48,288,316</u>	<u>\$ 43,010,000</u>

# NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

## NOTE 13 BONDS PAYABLE (CONTINUED)

On April 30, 2015, the Wisconsin Health and Educational Facilities Authority issued \$10,250,000 of tax-exempt revenue bonds on behalf of Carthage College to BMO Harris Bank N.A. These bonds are unsecured and were issued to redeem \$4,000,000 of the 1995 series bonds and refinance \$6,250,000 of the 1999 series A bonds.

On June 21, 2017, the Wisconsin Health and Educational Facilities Authority issued \$21,250,000 of tax-exempt revenue bonds on behalf of Carthage College to BMO Harris Bank N.A. These bonds are unsecured and were issued for the purpose of financing construction of The Tower Residence Hall.

On June 21, 2017, the Wisconsin Health and Educational Facilities Authority issued \$15,000,000 of tax-exempt revenue bonds on behalf of Carthage College to BMO Harris Bank N.A. These bonds are unsecured and were issued to refinance the remaining outstanding balance of the 2013 series revenue bond issues.

On June 21, 2017, the Wisconsin Health and Educational Facilities Authority issued \$6,250,000 of tax-exempt revenue bonds on behalf of Carthage College to BMO Harris Bank N.A. These bonds are unsecured and were issued to refinance the remaining outstanding balance of the 2012 revenue bonds.

On September 8, 2022, the Wisconsin Health and Educational Facilities Authority issued \$8,000,000 of tax-exempt revenue bonds on behalf of Carthage College to Johnson Bank. These bonds are unsecured and were issued for the purpose of financing construction of the Facilities Maintenance Building.

The bonds issued under the Wisconsin Health and Educational Facilities Authority also are subject to various restrictive covenants, which include the requirement that the College maintain a certain level of liquid assets and meet debt service coverage ratios.

Certain of the bonds payable are due on demand, but if no demand is made, scheduled maturities of the bonds payable for the five years subsequent to June 30, 2023 are:

<u>Year Ending June 30,</u>	<u>Amount</u>
2024	\$ 2,811,245
2025	2,872,771
2026	2,938,743
2027	3,009,941
2028	3,080,640
Thereafter	33,574,976
Total	<u>\$ 48,288,316</u>

# NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

## NOTE 14 INTEREST RATE-SWAP

In June 2017, the Wisconsin Health and Educational Facilities Authority issued \$15,000,000 of tax-exempt revenue bonds on behalf of Carthage College to BMO Harris Bank N.A. Interest rate on the bonds is variable, with an initial rate of 1.585%. The College swapped 100% of its variable rate cash flow exposure on this bond series for fixed rate cash flows by entering into receive-variable, pay-fixed interest rate swap. Under the interest rate swap, the College receives variable-rate interest rate payments and makes fixed interest rate payments, thereby creating substantially fixed interest rate payments on the related debt obligation.

In November 2017, the College notated a 10-year swap to PNC Bank, at an annual fixed rate of 1.557%. The notional amount at June 30, 2023 and 2022 was equal to \$9,065,000 and \$9,700,000, respectively. The College's variable rate receipts are tied to a percentage of one-month SOFR. Any unpaid principal payments not paid as anticipated would be subject to the variable interest rate in place at that time. If payments exceed this schedule or the loan is paid off, this swap is allowed to be applied to another debt issue.

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

Derivatives Not Designated as Hedging Instruments	Statements of Financial Position Location	Fair Value	
		2023	2022
Interest Rate Swap	Interest Rate Swap Asset (liability)	<u>\$ (347,389)</u>	<u>\$ (153,155)</u>

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

Derivatives Not Designated as Hedging Instruments	Statements of Activities Location	Fair Value	
		2023	2022
Interest Rate Swap	Change in Value of Interest rate swap	<u>\$ 194,234</u>	<u>\$ (313,888)</u>

Providing the College holds the swaps to maturity, the value of the derivative will be zero. These swapping transactions can be terminated at market rates at any time during the term of the swap.

## NOTE 15 RETIREMENT PLANS

The College has certain defined contribution retirement plans for substantially all personnel. Contributions for these employees are based on a percentage of annual compensation. The cost of the retirement plans is paid currently and approximated \$1,228,000 and \$1,393,000 for the years ended June 30, 2023 and 2022, respectively.



# NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

## NOTE 16 CONCENTRATIONS 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, marketable securities, other investments, and accounts and notes receivable. Cash and cash equivalents in excess of federally insured limits are subject to the usual risks of balances in excess of those limits. The majority of the College's cash and cash equivalents are on deposit with a single bank. 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. At June 30, 2023 and 2022, the College had approximately 99% of the total investments with one custodian and 1% in two individual investments. 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 are subject to audit by governmental agencies. A significant reduction in the level of this support, if this were to occur, could have an adverse effect on the College's programs and activities.

## NOTE 17 DEFERRED GIFT AGREEMENTS

The College has arrangements with donors classified as charitable remainder trusts, charitable annuity trusts, charitable gift annuities, and pooled life income funds. In general, under these arrangements the College receives a gift from a donor in which it has a remainder interest and agrees to pay the donor stipulated amounts over the life of the donor. The arrangement may cover one or more lives. The College invests and administers the related assets and makes distributions to the beneficiaries as required. When the agreement reaches the end of its term, remaining assets are retained by the College as net assets with or without donor restrictions or distributed to third-party beneficiaries.

When a gift is received under one of these arrangements, it is split into the amount representing the actuarial present value of future distributions back to the donor and the remaining gift value to be retained for the benefit of the College or third-party beneficiaries. The actuarial liability is adjusted annually using actuarial tables appropriate for the type of arrangement, number of lives covered and age of the donor. The College uses the applicable IRS interest rate in making the calculations.

Investment assets held by the College under deferred gift agreements totaled \$2,789,158 and \$2,702,599 at June 30, 2023 and 2022, respectively, and are included in investments on the statements of financial position. New gifts received for the years ended June 30, 2023 and 2022 were \$4,706 and \$11,245, respectively.

# NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

## NOTE 18 CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS BEFORE DEPRECIATION AND ACCRETION

The following is an analysis of the increase in net assets without donor restrictions before depreciation expense and accretion for the year ended June 30:

	2023	2022
Total operating revenue plus nonoperating income (expense)	\$ 94,213,013	\$ 79,809,273
Total operating expenses (excluding depreciation and accretion)	(73,037,143)	(73,236,075)
Change in Net Assets Without Donor Restrictions Before Depreciation and Accretion	<u>\$ 21,175,870</u>	<u>\$ 6,573,198</u>

## NOTE 19 LINE-OF-CREDIT AGREEMENT

In November 2022, the College renewed an unsecured line of credit totaling \$10,000,000 for operating purposes. This agreement expires in November 2023, and is payable on demand. The agreement has a stated interest rate of 2.15 percent over the 30-day SOFR. At June 30, 2023 and 2022, the College had no borrowings outstanding under this agreement. The agreement has a stated interest rate of 2.15 percent over the 30-day SOFR.

## NOTE 20 RELATED-PARTY TRANSACTIONS

Gifts from board members and officers totaled \$449,639 and \$461,384 for the years ended June 30, 2023 and 2022, respectively.

## NOTE 21 COMMITMENTS AND CONTINGENCIES

In order to participate in the various Federal Title IV financial aid programs, the U.S. Department of Education requires private nonprofit institutions to demonstrate financial responsibility by meeting certain ratio requirements.

The College is contingently liable in connection with claims and contracts, including those currently in litigation arising in the normal course of its activities. In the opinion of management, the results of these matters will not have a significant impact on the financial statements.

# NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

## NOTE 22 EXPENSES BY NATURE AND FUNCTION

The financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of the College. These expenses include depreciation and accretion, interest and facilities operations and maintenance. Depreciation and accretion is allocated based on total expense distribution. Interest is allocated based on the purpose of the bonds and usage of space. Operations and maintenance is allocated based on the percentage of actual expense for the year.

Expenses for the year ended June 30, 2023 are as follows:

	Program Services					Total Program Services
	Instruction and Academic Support	Research	Student Services	Public Service	Auxiliaries	
Salaries and Wages	\$ 18,085,102	\$ 216,407	\$ 6,029,491	\$ 2,000	\$ 359,833	\$ 24,692,834
Employee Benefits	3,955,879	19,301	1,272,052	162	28,295	5,275,689
Services, Supplies, and Other	5,766,106	376,615	3,493,705	45,492	8,866,575	18,548,493
Utilities, Minor Equipment, and Repairs	4,022	-	14,695	-	29,327	48,044
Depreciation and Accretion	3,165,075	69,686	1,230,238	5,423	1,121,465	5,591,887
Interest	-	-	-	-	570,145	570,145
Operation and Maintenance	4,301,931	94,717	1,672,124	7,371	1,524,282	7,600,425
Total Expenses by Function	<u>\$ 35,278,115</u>	<u>\$ 776,727</u>	<u>\$ 13,712,305</u>	<u>\$ 60,448</u>	<u>\$ 12,499,922</u>	<u>\$ 62,327,517</u>

	Support Services			Total Support Services	Total All Services
	Administrative Support	Operations and Maintenance	Fundraising		
Salaries and Wages	\$ 3,998,752	\$ 2,480,292	\$ 667,271	\$ 7,146,315	\$ 31,839,149
Employee Benefits	3,066,756	550,917	154,570	3,772,243	9,047,932
Services, Supplies, and Other	5,965,841	1,747,546	343,308	8,056,695	26,605,188
Utilities, Minor Equipment, and Repairs	60,998	4,127,638	20	4,188,656	4,236,700
Depreciation and Accretion	1,354,306	1,013,602	352,280	2,720,188	8,312,075
Interest	738,027	-	-	738,027	1,308,172
Operation and Maintenance	1,840,755	(9,919,995)	478,815	(7,600,425)	-
Total Expenses by Function	<u>\$ 17,025,435</u>	<u>\$ 0</u>	<u>\$ 1,996,264</u>	<u>\$ 19,021,699</u>	<u>\$ 81,349,216</u>

# NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

## NOTE 22 EXPENSES BY NATURE AND FUNCTION (CONTINUED)

Expenses for the year ended June 30, 2022 are as follows:

	Program Services					Total Program Services
	Instruction and Academic Support	Research	Student Services	Public Service	Auxiliaries	
Salaries and Wages	\$ 17,247,363	\$ 206,036	\$ 5,655,966	\$ 5,609	\$ 351,258	\$ 23,466,232
Employee Benefits	3,750,260	26,192	1,146,957	424	30,691	4,954,523
Services, Supplies, and Other	6,130,028	568,134	4,006,787	186,390	5,824,151	16,715,490
Utilities, Minor Equipment, and Repairs	1,088	-	12,576	-	46,995	60,659
Depreciation and Accretion	3,025,260	89,252	1,206,847	21,458	779,851	5,122,668
Interest	-	-	-	-	740,147	740,147
Operation and Maintenance	3,694,633	109,000	1,473,875	26,206	952,402	6,256,116
Total Expenses by Function	<u>\$ 33,848,632</u>	<u>\$ 998,615</u>	<u>\$ 13,503,008</u>	<u>\$ 240,087</u>	<u>\$ 8,725,495</u>	<u>\$ 57,315,837</u>

	Support Services				Total All Services
	Administrative Support	Operations and Maintenance	Fundraising	Total Support Services	
Salaries and Wages	\$ 3,880,213	\$ 1,844,752	\$ 708,687	\$ 6,433,652	\$ 29,899,884
Employee Benefits	3,600,520	204,005	161,641	3,966,166	8,920,690
Services, Supplies, and Other	9,848,252	2,282,674	498,215	12,629,141	29,344,632
Utilities, Minor Equipment, and Repairs	111,991	3,662,404	23	3,774,418	3,835,078
Depreciation and Accretion	1,787,270	891,432	365,547	3,044,249	8,166,917
Interest	495,645	-	-	495,645	1,235,793
Operation and Maintenance	2,182,724	(8,885,268)	446,428	(6,256,116)	0
Total Expenses by Function	<u>\$ 21,906,615</u>	<u>\$ 0</u>	<u>\$ 2,180,540</u>	<u>\$ 24,087,155</u>	<u>\$ 81,402,992</u>

## NOTE 23 SUPPLEMENTAL DISCLOSURES – DEPARTMENT OF EDUCATION

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

# NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

## NOTE 23 SUPPLEMENTAL DISCLOSURES – DEPARTMENT OF EDUCATION (CONTINUED)

The composite score for the year ended June 30, 2023 is as follows:

Primary Reserve Ratio:				
Expendable Net Assets		\$	40,158,459	
Total Expenses/Losses		\$	62,607,892	0.64
Equity Ratio:				
Modified Net Assets		\$	293,795,495	
Modified Assets		\$	411,918,215	0.71
Net Income Ratio:				
Change in Net Assets Without Donor Restrictions		\$	499,776	
Total Revenues/Gains		\$	80,823,120	0.01

RATIO	Ratio	Strength Factor	Weight	Composite Scores
Primary Reserve Ratio	0.6414	3.0000	40%	1.20
Equity Ratio	0.7132	3.0000	40%	1.20
Net Income Ratio	0.0062	1.3015	20%	0.26
				2.66



# SCHEDULE 1 - STATEMENTS OF REVENUE, GAINS, AND OTHER SUPPORT WITHOUT DONOR RESTRICTIONS

YEARS ENDED JUNE 30, 2023 AND 2022

(SEE INDEPENDENT AUDITORS' REPORT)

	2023	2022
<b>REVENUES, GAINS, AND OTHER SUPPORT WITHOUT DONOR RESTRICTIONS</b>		
<b>Tuition and Fees:</b>		
Academic Year	\$ 84,335,480	\$ 80,881,289
Adult Education	-	-
Graduate Programs	2,115,351	2,135,285
Student Fees	646,930	922,292
Total Tuition and Fees	87,097,761	83,938,866
Less Scholarships and Grants:		
Scholarships and Grants Without Donor Restrictions	(46,007,506)	(39,996,778)
Endowed Scholarships and Government Grants	(844,774)	(2,554,421)
Total Scholarships and Grants	(46,852,280)	(42,551,199)
<b>Residency</b>		
Total Room and Board	21,047,725	21,666,877
<b>Net Student Revenue</b>	61,293,206	63,054,544
<b>Government Grants:</b>		
Federal Work-Study Program	-	316,653
Federal Supplemental Educational Opportunity Grants	-	294,594
Other Government Grants	-	199,659
Total Government Grants	-	810,906
<b>Contributions:</b>		
Other Contributions	1,545,790	5,911,287
Total Contributions	1,545,790	5,911,287
<b>Endowment Income</b>	1,406,928	1,296,464
<b>Other Operating Income</b>	913,339	983,087
<b>Gain on Interest Rate Swap</b>	(194,234)	313,888
<b>Gains on Investments</b>	832,780	(6,368,053)
<b>Sales and Services of Auxiliary Enterprises:</b>		
College Store	82,703	130,235
Commissions and Other Auxiliary Income	117,530	100,313
Conferences and Workshops	1,565,359	1,434,282
Total Sales and Services of Auxiliary Enterprises	1,765,592	1,664,830

# SCHEDULE 1 - STATEMENTS OF REVENUE, GAINS, AND OTHER SUPPORT WITHOUT DONOR RESTRICTIONS (CONTINUED)

YEARS ENDED JUNE 30, 2023 AND 2022

(SEE INDEPENDENT AUDITORS' REPORT)

	2023	2022
<b>REVENUES, GAINS, AND OTHER SUPPORT WITHOUT DONOR RESTRICTIONS (CONTINUED)</b>		
Other Sources	\$ (450,609)	\$ 886,376
Adjustment of Actuarial Liability for Annuities Payable	102,398	(475,631)
<b>Net Assets Released from Restrictions:</b>		
Operations	2,728,097	1,333,905
Grants	6,609,205	7,027,111
Capital	47,913	-
Endowment	5,248,586	3,370,559
Total Net Assets Released from Restrictions	14,633,801	11,731,575
Revenues, Gains, and Other Support Without Donor Restrictions	<u>\$ 81,848,991</u>	<u>\$ 79,809,273</u>

# SCHEDULE 2 - STATEMENTS OF EXPENSES WITHOUT DONOR RESTRICTIONS

YEARS ENDED JUNE 30, 2023 AND 2022

(SEE INDEPENDENT AUDITORS' REPORT)

	2023	2022
<b>EXPENSES WITHOUT DONOR RESTRICTIONS</b>		
<b>Program Expenses:</b>		
Instruction:		
Academic Divisions:		
Humanities and Fine Arts	\$ 7,011,142	\$ 6,964,528
Natural and Social Sciences	9,240,425	8,328,642
Professional Studies	5,199,601	5,377,184
Academic Programs and Other Instructional Expenses:		
Adult Education	27,731	4,057
Graduate Education	145,702	142,484
January Interim	919,221	669,967
Other Instructional Expenses	101,121	45,462
Allocation of Depreciation and Accretion	2,577,133	2,401,176
Allocation of Operation and Maintenance of Plant	3,502,808	2,932,463
Total Instruction	28,724,884	26,865,963
Research		
Natural and Social Science	612,324	800,363
Allocation of Depreciation and Accretion	69,686	89,252
Allocation of Operation and Maintenance of Plant	94,717	109,000
Total Research	776,727	998,615
Academic Support:		
Library	1,028,963	1,114,006
Provost	1,322,195	1,119,517
Infrastructure and Systems	2,007,710	2,520,537
Media and Learning Systems	604,305	630,387
Other Academic Support	202,994	211,968
Allocation of Depreciation and Accretion	587,941	624,084
Allocation of Operation and Maintenance of Plant	799,123	762,170
Total Academic Support	6,553,231	6,982,669
Public Service:		
Allocation of Depreciation and Accretion	47,654	192,423
Allocation of Operation and Maintenance of Plant	5,423	21,458
Total Public Service	7,371	26,206
Student Services:		
Admissions	2,482,827	2,163,598
Athletics	5,483,497	5,643,702
Athletic Recruiting	7,960	3,017
Registrar	370,282	358,685
Student Financial Planning	10,457	361,052
Health Service	352,417	241,407
Student Support	86,384	366,272
Advising and Placement	1,083,452	866,717
Student Involvement	176,078	153,507
Center for Faith and Spirituality	196,032	193,952
Dean of Students	244,441	224,881
Emergency Grants to Students	316,114	245,496
Allocation of Depreciation and Accretion	1,230,238	1,206,847
Allocation of Operation and Maintenance of Plant	1,672,124	1,473,875
Total Student Services	13,712,305	13,503,008

# SCHEDULE 2 - STATEMENTS OF EXPENSES WITHOUT DONOR RESTRICTIONS (CONTINUED)

YEARS ENDED JUNE 30, 2023 AND 2022

(SEE INDEPENDENT AUDITORS' REPORT)

	2023	2022
<b>EXPENSES WITHOUT DONOR RESTRICTIONS (CONTINUED)</b>		
<b>Program Expenses (Continued):</b>		
Auxiliary Enterprises:		
Residency	\$ 8,564,050	\$ 5,680,037
College Center	160,443	145,851
Athletic Camps	460,675	342,680
Conferences and Workshops	(5,835)	5,507
Dormitory, General	102,696	77,020
TARC	2,000	2,000
Interest Allocated	570,145	740,147
Allocation of Depreciation and Accretion	1,121,465	779,851
Allocation of Operation and Maintenance of Plant	1,524,282	952,402
Total Auxiliary Enterprises	12,499,922	8,725,495
<b>Support Expenses:</b>		
Institutional Support:		
General Administration:		
Board of Trustees	55,530	56,505
President	2,406,050	2,751,803
Finance and Administrative Services	558,753	946,998
Human Resources	365,986	348,149
Administrative Services	192,177	175,913
Other	645,597	431,879
Allocation of Depreciation and Accretion	480,728	525,374
Allocation of Operation and Maintenance of Plant	653,399	641,620
Total General Administration	5,358,220	5,878,241
Public Relations and Development:		
Alumni	88,056	185,463
Development	960,375	1,062,425
Planned Giving	2,929	22,479
Capital Campaign	42,255	59,115
Public Relations	1,503,587	1,532,165
Church Relations	-	11
Celebrations	498,239	416,348
Allocation of Depreciation and Accretion	352,280	365,547
Allocation of Operation and Maintenance of Plant	478,815	446,428
Total Public Relations and Development	3,926,537	4,089,981

# SCHEDULE 2 - STATEMENTS OF EXPENSES WITHOUT DONOR RESTRICTIONS (CONTINUED)

YEARS ENDED JUNE 30, 2023 AND 2022

(SEE INDEPENDENT AUDITORS' REPORT)

	2023	2022
<b>EXPENSES WITHOUT DONOR RESTRICTIONS (CONTINUED)</b>		
<b>Support Expenses (Continued):</b>		
General Institutional:		
Dues and Subscriptions	\$ 644,856	\$ 124,811
Campus Security	-	-
Collections Costs	125,657	207,067
Bad Debts	525,418	1,190,196
Bank Fees	76,653	54,950
Insurance	250,656	1,074,480
Audit and Legal	116,880	268,374
Consulting Fees	49,645	77,034
Taxes	48,456	94,934
Telecommunications	665,773	654,217
Employer FICA	-	9,654
Pension	-	81,688
HEERF III (ARP)	-	4,140,739
Educational Assistance	2,629,224	2,597,613
Student Insurance	123,054	(42,064)
Interest	738,030	495,645
Administrative and Collection Costs	125,657	207,067
Miscellaneous	1,556,053	79,528
Allocation of Depreciation and Accretion	873,577	1,261,896
Allocation of Operation and Maintenance of Plant	1,187,355	1,541,104
Total General Institutional	<u>9,736,942</u>	<u>14,118,933</u>
Total Institutional Support	19,021,699	24,087,155
<b>Allocable Expenses:</b>		
Operation and Maintenance of Plant:		
Operation of Buildings	2,842,205	2,024,290
Maintenance of Buildings	2,423,182	2,497,637
Grounds	577,364	623,103
General Capital	-	-
Environmental Services	1,993,890	1,673,235
Student Parking Shuttle	258,310	382,057
Public Safety	811,443	793,514
Allocation of Depreciation and Accretion	1,013,602	891,432
Total	<u>9,919,995</u>	<u>8,885,268</u>
Allocation of Operation and Maintenance of Plant	<u>(9,919,995)</u>	<u>(8,885,268)</u>
Total Operation and Maintenance of Plant	-	-
Depreciation and Accretion	8,312,075	8,166,917
Less: Allocation to Other Programs	<u>(8,312,075)</u>	<u>(8,166,917)</u>
Total Depreciation and Accretion	-	-
Interest	1,308,174	1,235,793
Less: Allocation to Other Programs	<u>(1,308,174)</u>	<u>(1,235,793)</u>
Total Interest	-	-
Total Expenses Without Donor Restrictions	<u>\$ 81,349,217</u>	<u>\$ 81,402,992</u>



# SCHEDULE 3 - FINANCIAL RESPONSIBILITY RATIO SUPPLEMENTAL SCHEDULE

YEAR ENDED JUNE 30, 2023

(SEE INDEPENDENT AUDITORS' REPORT)

<b>Expendable Net Assets:</b>		
Statement of Financial Position (SFP)	Net assets without donor restrictions	\$ 166,641,379
SFP	Net assets with donor restrictions	127,154,116
Supplemental Disclosure (SD) Line 1	Net assets restricted in perpetuity	54,343,311
SD Line 20	Unsecured related-party receivable	-
SD Line 2d	Donor restricted annuities, term endowments, life income funds	72,810,806
SD Line 3d	Property, plant, and equipment pre-implementation	156,988,961
SD Line 4d	Property, plant, and equipment post-implementation with outstanding debt for original purchase	18,515,620
SD Line 5	Construction in progress purchased with long-term debt	16,010,566
SD Line 35	Post-implementation property, plant, and equipment, net, acquired without debt	-
SD Line 14	Lease right-of-use asset, pre-implementation (grandfather of leases option not chosen)	-
SD Line 15	Lease right-of-use asset, post-implementation	-
SFP	Intangible assets	-
SFP	Post-employment and pension liabilities	-
SD Line 8d	Long-term debt - for long-term purposes pre-implementation	48,288,316
SD Line 9d	Long-term debt - for long-term purposes post-implementation	-
SD Line 10	Line of credit for construction in progress	-
SD Line 17	Pre-implementation right-of-use asset liability	-
SD Line 18	Post-implementation right-of-use asset liability	-
<b>Total Expenses and Losses:</b>		
Statement of Activities (SOA)	Total expenses (operating and nonoperating) without donor restrictions	81,349,216
SOA	Non-service component of pension/postemployment (nonoperating) cost, (if loss)	-
SD Line 22	Sale of fixed assets (if loss)	-
SOA	Change in value of interest-rate swap agreements (if loss)	(194,234)
<b>Equity Ratio:</b>		
<b>Modified Net Assets:</b>		
SFP	Net assets without donor restrictions	\$ 166,641,379
SFP	Net assets with donor restrictions	127,154,116
SFP	Intangible assets	-
SD Line 20	Unsecured related-party receivables	-
<b>Modified Assets:</b>		
SFP	Total assets	293,795,494
SD Line 14	Lease right-of-use asset pre-implementation	-
SFP	Intangible assets	-
SD Line 20	Unsecured related-party receivables	-
<b>Net Income Ratio:</b>		
SOA	Change in Net Assets Without Donor Restrictions	\$ 118,747
<b>Total Revenues and Gains Without Donor Restriction:</b>		
SOA	Total operating revenue (including net assets released from restrictions)	81,467,963
SOA	Investments gain, net (aggregate operating and non-operating interest, dividends, realized and unrealized gains)	-
SOA	Non-service component of pension/postemployment (nonoperating) cost (if gain)	-
SOA	Pension-related changes other than net periodic pension costs (if gain)	-
SOA	Change in value of annuity agreement (typically in nonoperating)	102,398
SOA	Change in value of interest-rate swap agreements (if gain)	(194,234)
SD Line 25	Sale of fixed assets (if gain)	-
SOA	Other gains	(450,609)



