



THE MEDICAL COLLEGE OF WISCONSIN, INC.

(E.I.N.: 390806261)

Audit Reports in Accordance with
Government Auditing Standards and
Uniform Guidance

June 30, 2024

(With Independent Auditors' Report Thereon)

THE MEDICAL COLLEGE OF WISCONSIN, INC.

Table of Contents

	Page
Independent Auditors' Report	1
Consolidated Statements of Financial Position	3
Consolidated Statements of Activities and Changes in Net Assets	4
Consolidated Statements of Cash Flows	6
Notes to Consolidated Financial Statements	7
Schedule of Expenditures of Federal and State Awards	46
Notes to Schedule of Expenditures of Federal and State Awards	50
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	54
Independent Auditors' Report on Compliance for Each Major Federal and State Program; Report on Internal Control Over Compliance	56
Schedule of Findings and Questioned Costs	59



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Independent Auditors' Report

The Board of Trustees
The Medical College of Wisconsin, Inc.:

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of The Medical College of Wisconsin, Inc. (MCW), which comprise the consolidated statements of financial position as of June 30, 2024, and 2023 and the related consolidated statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of MCW as of June 30, 2024 and 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audit 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 Consolidated Financial Statements section of our report. We are required to be independent of MCW and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. 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 Consolidated Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 consolidated 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 MCW'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about MCW'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

The accompanying schedule of expenditures of federal and state awards as of and for the year ended June 30, 2024 is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2024 on our consideration of MCW'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 MCW'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 MCW's internal control over financial reporting and compliance.

KPMG LLP

Milwaukee, Wisconsin
October 22, 2024

THE MEDICAL COLLEGE OF WISCONSIN, INC.

Consolidated Statements of Financial Position

June 30, 2024 and 2023

(In thousands)

Assets	2024	2023
Cash and cash equivalents	\$ 116,203	132,701
Deposits with bond trustees	95,700	138,450
Investments, at fair value	2,319,595	2,103,720
Receivables:		
Patient accounts	78,744	75,016
Other accounts, net	110,561	97,604
Grants and contracts, net	32,997	32,226
Contributions, net	46,600	52,698
Student loans, net	21,607	21,969
Total receivables	290,509	279,513
Prepaid expenses and other assets	66,630	50,815
Right-of-use assets-operating leases	64,829	53,835
Land, buildings, and equipment, net	333,666	302,825
Total assets	\$ <u>3,287,132</u>	<u>3,061,859</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 40,881	67,154
Accrued payroll and related liabilities	159,809	157,773
Deferred revenue	65,097	66,882
Estimated liability for unpaid professional liability claims	10,351	7,972
Long-term operating lease obligations	70,595	60,344
Long-term debt	463,866	476,436
Interest rate swap	2,659	3,769
Other liabilities	14,848	10,317
Total liabilities	828,106	850,647
Net assets:		
Without donor restrictions	1,572,855	1,391,224
With donor restrictions	886,171	819,988
Total net assets	2,459,026	2,211,212
Total liabilities and net assets	\$ <u>3,287,132</u>	<u>3,061,859</u>

See accompanying notes to consolidated financial statements.

THE MEDICAL COLLEGE OF WISCONSIN, INC.

Consolidated Statements of Activities and Changes in Net Assets

Years ended June 30, 2024 and 2023

(In thousands)

	<u>2024</u>	<u>2023</u>
Net assets without donor restrictions:		
Revenue:		
Patient services	\$ 538,083	495,259
Children's Specialty Group contract fees	228,996	221,345
Clinical services contract fees	112,145	99,220
Affiliate hospital contracts	272,844	237,461
Children's Research Institute contract fees	10,204	8,966
Grants and contracts	199,651	189,614
Facilities and administrative cost recovery on grants and contracts	47,537	46,291
Tuition and fees	70,876	67,979
Endowment spendable income	40,017	36,600
Other investment income	9,616	7,375
Contributions	7,372	4,084
State of Wisconsin appropriation	7,459	5,706
Other	17,263	10,712
Total revenue	<u>1,562,063</u>	<u>1,430,612</u>
Net assets released from donor restrictions	<u>43,945</u>	<u>46,872</u>
Total revenue and net assets released from donor restrictions	1,606,008	1,477,484
Expense:		
Faculty salaries	616,772	565,927
Staff salaries	400,524	374,319
Fringe benefits	206,550	178,419
Services, supplies, and other	203,868	193,546
Rent and occupancy	44,182	42,553
Subcontracts	51,523	45,782
Depreciation and amortization	34,854	34,201
Interest on indebtedness	10,638	10,394
Total expense	<u>1,568,911</u>	<u>1,445,141</u>
Revenue and net assets released from donor restrictions in excess of expense before gains and losses	37,097	32,343
Gains and losses:		
Realized gain on investments, net	23,258	26,105
Unrealized gain on investments, net	153,421	114,825
Endowment loss net of spendable income	(32,571)	(30,188)
Change in fair value of interest rate swap	1,110	3,680
Other (losses) gains, net	(684)	1,155
Gains, net	<u>144,534</u>	<u>115,577</u>
Increase in net assets without donor restrictions	<u>181,631</u>	<u>147,920</u>

THE MEDICAL COLLEGE OF WISCONSIN, INC.

Consolidated Statements of Activities and Changes in Net Assets

Years ended June 30, 2024 and 2023

(In thousands)

	<u>2024</u>	<u>2023</u>
Net assets with donor restrictions:		
Contributions	\$ 12,951	17,009
Investment income, net	7,023	6,305
Realized gain on investments, net	15,529	17,694
Unrealized gain on investments, net	74,350	50,659
Net assets released from donor restrictions	(43,945)	(46,872)
Change in fair value of charitable trusts	275	(462)
	<u>66,183</u>	<u>44,333</u>
Increase in net assets with donor restrictions		
Increase in net assets	247,814	192,253
Net assets at beginning of year	<u>2,211,212</u>	<u>2,018,959</u>
Net assets at end of year	<u>\$ 2,459,026</u>	<u>2,211,212</u>

See accompanying notes to consolidated financial statements.

THE MEDICAL COLLEGE OF WISCONSIN, INC.

Consolidated Statements of Cash Flows

Years ended June 30, 2024 and 2023

(In thousands)

	<u>2024</u>	<u>2023</u>
Cash flows from operating activities:		
Increase in net assets	\$ 247,814	192,253
Adjustments to reconcile change in net assets to cash flow used in operations:		
Depreciation and amortization	34,854	34,201
Contributions restricted for long-term investment	(13,885)	(11,063)
Loss (gain) on sale of land, buildings, and equipment	393	(1,192)
Gain on investments in joint ventures, net	(5,538)	(2,296)
Realized and unrealized gain on investments, net	(266,558)	(209,283)
Change in fair value of interest rate swap	(1,110)	(3,680)
Increase in receivables	(10,996)	(8,452)
Increase in prepaid expenses and other assets	(2,616)	(3,375)
(Increase) decrease in beneficial interest in charitable trusts	(226)	1,208
Decrease in accounts payable and accrued payroll and related liabilities	(15,809)	(9,528)
(Decrease) increase in deferred revenue	(1,785)	5,143
Increase (decrease) in estimated liability for unpaid professional liability claims	2,379	(1,368)
Decrease in refundable advance for U.S. government-sponsored loan funds	(478)	(823)
Payments on operating leases	(10,061)	(9,492)
Decrease in other liabilities	—	(813)
Net cash used in operating activities	<u>(43,622)</u>	<u>(28,560)</u>
Cash flows from investing activities:		
Purchases of marketable securities	(618,963)	(705,636)
Proceeds from sales and maturities of marketable investments	513,326	726,712
Purchases of non-marketable securities	(93,649)	(284,066)
Proceeds from sales and maturities of non-marketable investments	250,859	294,571
Purchases of deposits with bond trustees	(93,439)	(85,053)
Proceeds from sales of deposits with bond trustees	136,189	116,880
Capital expenditures	(60,809)	(55,310)
Proceeds from sale of land, buildings, and equipment	130	1,485
Capital contributions to investments in joint ventures	(11,390)	(1,532)
Distributions from investments in joint ventures	2,060	4,223
Net cash provided by investing activities	<u>24,314</u>	<u>12,274</u>
Cash flows from financing activities:		
Restricted contributions and investment income	13,885	11,063
Repayments of long-term debt	(11,075)	(10,707)
Net cash provided by financing activities	<u>2,810</u>	<u>356</u>
Net decrease in cash and cash equivalents	(16,498)	(15,930)
Cash and cash equivalents at beginning of year	<u>132,701</u>	<u>148,631</u>
Cash and cash equivalents at end of year	\$ <u>116,203</u>	\$ <u>132,701</u>
Supplemental data:		
Cash paid for interest (net of amounts capitalized of \$5,495 and \$6,067 in 2024 and 2023, respectively)	\$ 11,464	11,201
Noncash acquisition of right-of-use assets in exchange for long-term lease obligations	17,638	484

See accompanying notes to consolidated financial statements.

MEDICAL COLLEGE OF WISCONSIN, INC.

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

(In thousands)

(1) Organization

The Medical College of Wisconsin, Inc. (MCW) is a private, freestanding health science university comprised of a school of medicine, a school of graduate studies and a school of pharmacy. The medical and graduate studies schools are comprised of 7 basic science departments, 21 clinical departments, and 17 centers and institutes, and offer master's and doctoral degrees, certificate programs and post-doctoral educational opportunities. The school of pharmacy focuses on high-end, consultative care, particularly for acute, primary and preventative needs, and offers a doctor of pharmacy degree. Medical educational activities are performed at or near MCW's main campus in Milwaukee, Wisconsin or at regional campuses located in Green Bay and central Wisconsin. Graduate studies and pharmacy educational activities are performed at or near MCW's main campus in Milwaukee, Wisconsin.

MCW performs research and maintains multi-specialty clinical programs in which faculty and staff physicians, advanced practice providers and allied health professionals employed by MCW (collectively medical professionals) provide medical care. MCW also has affiliations with a number of hospitals in which MCW's medical professionals provide services to patients, education to medical students, and training to residents and fellows (graduate medical education). As of June 30, 2024, MCW's Medical College Physicians Practice Plan had 1,282 practicing faculty and staff physicians, 649 practicing advanced practice providers and 61 allied health professionals (see note 2(b)). In addition, as of June 30, 2024, MCW employed 484 practicing pediatric faculty and staff physicians, 240 practicing pediatric advanced practice providers and 12 pediatric allied health professionals who provide professional services on behalf of Children's Specialty Group (CSG), a related party (see note 3(b)).

The consolidated financial statements include the accounts of the various academic and administrative divisions, the Professional Liability Insurance Program and the Blue and Green I Condominium, Inc. The Professional Liability Insurance Program was created as a grantor trust to self-insure risks related to medical malpractice liability. The Blue and Green I Condominium, Inc. was established as a nonstock, nonprofit corporation to operate a jointly used research facility. All significant intercompany balances and transactions have been eliminated in consolidation.

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

The consolidated financial statements are prepared on the accrual basis of accounting. The statements follow U.S. generally accepted accounting principles (U.S. GAAP) applicable to the not-for-profit industry, which are included in Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, *Not-for-Profit Entities*.

MCW prepares its consolidated financial statements to focus on the organization as a whole and to present net assets and revenues, expenses, gains, and losses classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Net assets with donor restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or by actions of MCW to fulfill the donor restrictions. Other donor-imposed restrictions are

MEDICAL COLLEGE OF WISCONSIN, INC.

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

(In thousands)

permanent in nature, where the donor stipulates that the resources be maintained in perpetuity. Donor-imposed restrictions are released when the stipulated time has elapsed or the stipulated purpose has been fulfilled.

Net assets without donor restrictions – Net assets available for use in general operations and not subject to donor-imposed restrictions. The MCW Board of Trustees has designated a portion of net assets without donor restrictions as funds designated to function as endowments (funds functioning as endowments).

Revenues are reported as increases in net assets without donor restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Donor-imposed restrictions on net assets expire when the stipulated purpose has been fulfilled, the stipulated time period has elapsed, or the funds have been appropriated in accordance with the MCW Endowment Fund Spending Policy. The net assets are then reported as net assets released from donor restrictions.

(b) Patient Services Revenue and Patient Accounts Receivable

MCW's Medical College Physicians Practice Plan sets forth the provisions under which medical professionals provide professional services to patients and provides for the allocation of all fees generated from such services. MCW medical professionals provide services to patients under agreements MCW has with third-party payors, patients, and others. The revenue related to patient services is recorded as patient services revenue as performance obligations are satisfied. Performance obligations are determined based on the nature of the services provided. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total charges. As required in ASC 606, *Revenue from Contracts with Customers*, revenue is recognized at the time of transfer of control of promised goods and services in the amount that reflects the consideration an entity expects to receive in exchange for those goods and services.

The transaction price of performance obligations is based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to self-pay patients in accordance with policies, or implicit price concessions provided to self-pay patients. Estimates of contractual adjustments and discounts are based on contractual agreements, discount policies and historical experience. The estimate of implicit price concessions is based on historical collection experience with self-pay patients. Subsequent changes to the estimate of the transaction price are recorded as adjustments to patient services revenue in the period of the change.

Patient accounts receivable represent an estimate of net realizable amounts from third-party payors, self-pay patients, and others for unpaid professional fees for patient services. The estimate is based upon contract terms, discount policies, and historical payment experience.

MEDICAL COLLEGE OF WISCONSIN, INC.

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

(In thousands)

(c) Grants and Contracts Revenue and Deferred Revenue

Grant and contract awards are recognized as revenue in the period in which expenses are incurred for cost-reimbursed agreements. Amounts received under these grants and contracts but not spent are recorded as deferred revenue. Other contract revenue is recognized as revenue in the period in which it is earned.

(d) Contributions Revenue and Contributions Receivable, Net

Contributions, including unconditional promises to give, are recognized as revenue in the period received. Conditional promises to give are not recognized as revenue until the conditions that represent a barrier are overcome and MCW is entitled to the assets promised. Contributions of assets other than cash are recorded at estimated fair value at the date of the gift. Contributions to be received after one year are discounted using a discount rate consistent with the general principles of present value measurement at the time of the gift. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectable contributions receivable is provided based upon management's judgment, including such factors as prior collection history, type of contribution, and nature of the fund-raising activity.

Contributions that impose restrictions that are met in the same year as the contributions are received are included in revenues of net assets without donor restrictions.

Contributions of land, buildings, and equipment without donor stipulations concerning the use of such long-lived assets are reported as revenues. Contributions of cash or other assets to be used to acquire land, buildings, and equipment with such donor stipulations are reported as an increase in net assets with donor restrictions until the long-lived assets are placed into service.

(e) Revenue and Net Assets Released from Donor Restrictions in Excess of Expense

Revenue in excess of expense in the consolidated statements of activities and changes in net assets reflect all transactions increasing or decreasing net assets without donor restrictions except those gains and losses that are ancillary to the core operations of MCW.

(f) Unreimbursed and Partially Reimbursed Care

MCW has a policy of providing health care services without charge, or at amounts less than established rates, to patients who are unable to pay and who meet certain eligibility criteria established in MCW's community care policy. Because MCW does not pursue collection of amounts determined to qualify as community care, the amounts are not reported as revenue. The estimated direct and indirect costs incurred by MCW to provide services under MCW's community care policy during 2024 and 2023 were \$7,643 and \$7,419, respectively. The estimated cost of these community care services was determined using a ratio of cost to gross charges and applying that ratio to the gross charges associated with providing care to these patients for the period. Gross charges associated with providing care to these patients includes only the related charges for those patients who are financially unable to pay and qualify under MCW's community care policy and who do not otherwise qualify for reimbursement from a governmental program.

MEDICAL COLLEGE OF WISCONSIN, INC.

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

(In thousands)

MCW is a supplier under the Medicare and Title XIX Wisconsin Medical Assistance (Medicaid) programs. Under these programs, MCW is legally bound to accept the amount determined by the Medicare carrier or the State of Wisconsin as payment in full for each patient's charges. Amounts received by MCW from the Medicare and Medicaid programs are subject to audit by governmental agencies.

(g) Cash and Cash Equivalents

Cash and cash equivalents include bank depository account balances, money market funds and other short-term, highly liquid investments not held by external investment managers or trustees. Short-term, highly liquid investments held by external investment managers or trustees are classified as investments or deposits with bond trustees, respectively, in the consolidated statements of financial position. Cash and cash equivalents included as part of the investment portfolio and deposits with bond trustees are treated as investments for cash flow purposes.

MCW maintains its cash in bank deposit accounts in excess of federally insured limits. MCW monitors cash balances along with the financial condition of the financial institutions to minimize this potential risk.

Total cash and cash equivalents reported in the consolidated statements of financial position includes \$3,971 and \$3,854 as of June 30, 2024 and 2023, respectively, of cash and cash equivalents restricted for the purpose of providing loans to students (see note 2(j)).

(h) Deposits with Bond Trustees

Deposits held by bond trustees consist of investments restricted for debt service and future capital expenditures. These funds are invested in highly liquid securities. Project fund proceeds are not released to MCW until expenditures related to the specific purpose of the bond trust indenture are incurred.

(i) Investments

Investments are comprised of money market funds held by external investment managers, marketable debt and equity securities, bond and equity mutual funds, commingled bond and equity funds, hedge funds, private assets, guaranteed investment contracts, and accrued interest and dividends thereon, and are reported at fair value. Realized gain or loss on the sale of investments is calculated on the basis of specific identification of the securities sold. Investment management fees and service charges are netted against investment income for financial reporting purposes.

Other investment income included in revenue consists of income on investments without donor restriction. Endowment spendable income included in revenue consists of the amount expended from net appreciation appropriated for expenditure (spendable income) from pooled endowment funds. The difference between the net appreciation and the amount expended is reported as a gain or loss for funds functioning as endowments and as a change in net assets with donor restrictions for donor-restricted endowment funds.

MEDICAL COLLEGE OF WISCONSIN, INC.

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

(In thousands)

Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that these changes could materially affect the amounts reported in the consolidated statements of financial position and in the consolidated statements of activities and changes in net assets.

(j) Student Loans Receivable, Net

MCW issues loans to eligible students under federal and MCW student loan program guidelines. The Federal Perkins, Primary Care, and Health Professions Student Loan Programs and MCW student loans are administered directly by MCW and the balances and transactions relating to these programs are included in MCW's consolidated financial statements. Under the Federal Perkins Loan Program Extension Act of 2015, no new Federal Perkins Loans were made to medical students after June 30, 2017. Medical students are eligible for the Primary Care Student Loan Program and pharmacy students are eligible for the Health Professions Student Loan Program.

MCW students are eligible under certain federal student loan programs to receive federally guaranteed loans from the Department of Education's Direct Loan Program. MCW is responsible only for the performance of certain administrative duties with respect to the federally guaranteed Direct Loan Program, and accordingly, these loans are not included in its consolidated financial statements. It is not practical to determine the balance of loans outstanding to students and former students of MCW under these programs as of June 30, 2024.

(k) Right-of-Use Assets and Long-term Lease Obligations

MCW is a lessee in several noncancelable operating leases, primarily for land and buildings for clinical, academic, and administrative purposes (see note 13). If an arrangement is a lease or contains a lease at contract inception, a right-of-use (ROU) asset and a long-term lease obligation are recorded at the commencement of the lease and are included in the consolidated statements of financial position. MCW has elected not to recognize ROU assets and long-term lease obligations that have a term of one year or less. MCW recognizes the lease payments associated with its short-term leases as an expense on a straight-line basis over the lease term.

For operating leases, the long-term lease obligation is initially and subsequently measured at the present value of the unpaid lease payments and is included in long-term operating lease obligations in the consolidated statements of financial position. Subsequent measurement of the long-term lease obligation is at amortized cost using the effective interest rate method. The present value of the long-term lease obligation is determined using a discount rate equal to the interest rate implicit in the lease or, if unavailable, MCW's incremental borrowing rate at commencement of the lease. The lease term includes all noncancelable periods of the lease plus any additional periods covered by an option to extend that are reasonably certain to be executed by MCW or are controlled by the lessor.

The ROU asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for lease payments made at or before the lease commencement date, plus any initial direct costs incurred, less any lease incentives received. For operating leases, subsequent measurement of the ROU asset is measured throughout the lease term at the carrying amount of the lease liability, plus initial direct costs, plus any prepaid lease payments, less the unamortized balance of lease incentives

MEDICAL COLLEGE OF WISCONSIN, INC.

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

(In thousands)

received. Lease payments are recognized as rent and occupancy expense in the consolidated statements of activities and changes in net assets on a straight-line basis.

(l) Land, Buildings, and Equipment, Net

Investments in land, buildings, and equipment (including software licenses) are recorded at cost if purchased or at appraised value if donated. These assets are depreciated using the straight-line method over their estimated useful lives. The net interest cost incurred on borrowed funds during the period of major construction or renovation is capitalized as a component of the cost of acquiring those assets. Capitalized interest is included as part of the cost of construction and renovation projects and is amortized over the estimated useful life of the related assets.

When MCW commits to the disposal or abandonment of land, buildings, and equipment, the assets are written off or down to the net realizable value.

(m) Impairment of Long-lived Assets

MCW periodically assesses its ability to recover long-lived assets (including land, buildings, equipment, and ROU assets) when there are indications of potential impairment based on estimated undiscounted future cash flows. Management considers such factors as current results, trends, and future prospects, in addition to other economic factors, in determining the impairment of an asset. When such assets are determined to be impaired, the assets are written off or down to the net realizable value. Management believes MCW's long-lived assets are not impaired as of June 30, 2024 and 2023.

(n) Refundable Advances for U.S. Government-Sponsored Loan Funds

Funds provided by the U.S. government under the Federal Perkins, Primary Care, and Health Professions Student Loan Programs are loaned to qualified students. Receipts of principal and interest payments through the Primary Care and Health Professions Student Loan Programs are used to finance future loans to students. If a portion of the receipts are no longer needed to finance future loans to students, MCW is required to return excess cash to the government. Under the Federal Perkins Loan Program Extension Act of 2015, receipts of principal and interest payments through the Federal Perkins Loan Program are retained until the government issues excess cash return notices. Funds provided by the U.S. government and earnings thereon are ultimately refundable to the government and, therefore, are presented as a liability and are included in other liabilities in the consolidated statements of financial position.

(o) Long-Term Debt – Deferred Costs

Costs incurred related to the issuance of long-term debt and the original issue discount or premium included in long-term debt are deferred and amortized as interest expense over the term of the debt using the effective interest rate method.

(p) Derivative Instruments

MCW entered into an interest rate-related derivative instrument (interest rate swap) to manage interest rate exposure on its variable rate revenue bonds. The fair value of the interest rate swap is reported in the consolidated statements of financial position. MCW does not apply hedge accounting to derivative

MEDICAL COLLEGE OF WISCONSIN, INC.

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

(In thousands)

instruments, and therefore, any change in the interest rate swap value is recognized as a gain or loss in the consolidated statements of activities and changes in net assets. The net cash received or paid under the terms of the interest rate swap agreement over its term is recorded as a component of interest expense.

(g) Income Taxes

MCW has received a determination letter from the IRS indicating that it is a tax-exempt organization as provided in Section 501(c)(3) of the Internal Revenue Code, and it is exempt from federal and state income taxes, except for taxes pertaining to unrelated business income and certain provisions of the Tax Cuts and Jobs Act of 2017.

MCW applies the standards for accounting for uncertainty in income taxes contained in FASB ASC Topic 740, *Income Taxes* (ASC Topic 740). ASC Topic 740 addresses the determination of how tax benefits resulting from tax positions taken or expected to be taken on a tax return should be recorded in the consolidated financial statements. Under ASC Topic 740, the tax benefit from an uncertain tax position is recognized if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the consolidated financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. MCW does not have a liability for unrecognized tax benefits as of June 30, 2024 and 2023.

(r) Use of Estimates

The presentation of the consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and judgments that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements, the disclosures of contingencies at the date of the consolidated financial statements and revenues and expenses recognized during the reporting period. Actual results could differ from those estimates. Changes in prior year estimates are accounted for within the consolidated statements of activities and changes in net assets in the current year.

(3) Affiliate and Related-Party Transactions

MCW is located on the Milwaukee Regional Medical Center Campus (MRMC Campus), along with Froedtert ThedaCare Health, Inc. (Froedtert Memorial Lutheran Hospital, Inc. and related entities collectively referred to as Froedtert), Children's Hospital and Health System, Inc. (Children's Hospital of Wisconsin, Inc. and related entities collectively referred to as Children's Wisconsin), and several other health care providers. The following is a summary of the transactions with affiliate and related parties.

(a) Froedtert

MCW contracts with Froedtert to receive payment for services performed by MCW medical professionals at hospital and clinic sites. During 2024 and 2023, MCW recognized affiliate hospital contracts revenue of approximately \$198,550 and \$166,433, respectively, for clinical management, graduate medical education, and other program support services provided to Froedtert. The outstanding balance of the accounts receivable from Froedtert at June 30, 2024 and 2023 is \$49,967 and \$50,866, respectively.

MEDICAL COLLEGE OF WISCONSIN, INC.

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

(In thousands)

MCW leases space from Froedtert for clinical services, administration and research activities. Rent paid to Froedtert by MCW is \$5,624 and \$5,329 in 2024 and 2023, respectively. Other direct costs for supplies and general services related to professional medical services at Froedtert are incurred by MCW directly. MCW also leases clinical space to Froedtert under operating leases. Rental income received from Froedtert by MCW is \$4,532 and \$3,452 in 2024 and 2023, respectively.

On January 30, 2013, MCW entered into a definitive agreement with Froedtert to form a joint clinical practice group effective July 1, 2013 named Froedtert & The Medical College of Wisconsin Community Physicians (FH-MCW Community Physicians). FH-MCW Community Physicians combines many of the community-based practices of Froedtert and MCW's Medical College Physicians. MCW has a 50% interest in the governance of the entity, but Froedtert is the sole financial member. MCW receives payments for MCW medical professionals leased to and performing services on behalf of FH-MCW Community Physicians. Additionally, FH-MCW Community Physicians contracts with MCW to perform billing services for its clinic-based sites. During 2024 and 2023, MCW recognized \$108,499 and \$94,743, respectively, of FH-MCW Community Physician contract fees related to these services. The outstanding balance of accounts receivable from FH-MCW Community Physicians as of June 30, 2024 and 2023 is \$12,946 and \$12,944, respectively. MCW also collects patient services revenue for certain specialty services provided by FH-MCW Community Physicians providers performing services on behalf of MCW. These collections, net of assessments, are remitted to FH-MCW Community Physicians and in 2024 and 2023, \$14,778 and \$12,746, respectively, are recorded in services, supplies, and other expense. The outstanding balance of accounts payable to FH-MCW Community Physicians as of June 30, 2024 and 2023 is \$2,349 and \$2,013, respectively.

(b) Children's Wisconsin

MCW entered into an Operations Agreement with Children's Wisconsin to form Children's Specialty Group, Inc. (CSG), a provider of pediatric specialty health care services, on July 1, 2000. Effective July 1, 2021, MCW restructured its longstanding academic and clinical affiliation with Children's Wisconsin. The CSG articles of incorporation and bylaws have been modified to reflect the new governance structure where MCW and Children's Wisconsin remain as the two members. In addition, Children's Wisconsin remains MCW's primary pediatric teaching affiliate.

MCW received a one-time mission support payment of \$30,000 from Children's Wisconsin in 2022 that was recorded as deferred revenue in the consolidated statements of financial position. The restructured definitive agreements require MCW to repay the one-time mission support payment if the definitive agreements are terminated due to MCW's breach. The amount of the repayment is prorated over the initial 10 years of the agreement. The one-time mission support is being released to revenue over the life of the prepayment obligation. In 2024 and 2023, \$3,000 of the one-time mission support is recorded as affiliate hospital contracts revenue in the consolidated statements of activities and changes in net assets. The outstanding balance of the deferred revenue as of June 30, 2024 is \$21,000.

Under the definitive agreements, Children's Wisconsin provides MCW with fixed and variable mission support. Fixed and variable mission support of \$47,182 and \$44,252 is recorded as affiliate hospital contracts revenue in the consolidated statements of activities and changes in net assets in 2024 and 2023, respectively.

MEDICAL COLLEGE OF WISCONSIN, INC.

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

(In thousands)

MCW retains employment of the pediatric medical professionals that it employed prior to July 1, 2021 in the pediatric practice plan and continues to lease these pediatric medical professionals exclusively to CSG for the professional services performed on behalf CSG. Additionally, through December 31, 2023, CSG contracted with MCW to perform patient billing services for professional services performed by its leased medical professionals. MCW continues to perform collection activities on the related outstanding accounts receivable balances. The outstanding balance of accounts payable to CSG for collections on patient billing services as of June 30, 2024 and 2023 is \$841 and \$18,636, respectively. MCW also leases the services of faculty and staff to CSG for clinical activities and clinical administration and CSG supports pediatric research and academic activities. In 2024 and 2023, MCW recognized \$219,717 and \$208,854, respectively, of CSG contract fees in the consolidated statements of activities and changes in net assets related to these services.

CSG has contracted with MCW to incur certain services, supplies and other expenses. These expenses are reimbursed by CSG and the related revenue is recorded as CSG contract fees in the consolidated statements of activities and changes in net assets. In 2024 and 2023, MCW recognized \$9,279 and \$12,491, respectively of CSG contract fees related to these services. Through December 31, 2023, MCW provided invoicing and collection services for CSG related to its affiliate hospital contracts. MCW continues to perform collection activities on the related outstanding accounts receivable balances. The outstanding balance of accounts payable to CSG for collections on CSG affiliate hospital contracts as of June 30, 2024 and 2023 is \$386 and \$1,623, respectively.

The outstanding balance of the accounts receivable from Children's Wisconsin at June 30, 2024 and 2023 is \$23,974 and \$25,654, respectively.

(c) Related Parties

MCW is a member of the Milwaukee Regional Medical Center (MRMC), a consortium of health care and related institutions located on the MRMC Campus. Milwaukee Regional Medical Center Thermal Services, Inc. (MRMC Thermal), Milwaukee Regional Medical Center Water Services, Inc. (MRMC Water) and Milwaukee Regional Medical Center Infrastructure, LLC (MRMC Infrastructure) are wholly owned subsidiaries of MRMC that provide services to MCW.

On March 31, 2016, MCW entered into an agreement with the MRMC Thermal to obtain chilled water and steam service for a period of 30 years. On March 31, 2022, MCW entered into an agreement with MRMC Water to obtain the supply of water and the provision of sanitary and storm sewer water discharge access for a period of 30 years. On May 31, 2022, MCW entered into an agreement with MRMC Infrastructure to provide permitted access and certain transportation and utility infrastructure improvements on the MRMC campus for a period of 30 years. Under the agreements, MCW must make specified minimum payments regardless of the amount of actual services used. The minimum payments are based on fixed costs associated with providing the services and are updated periodically. In 2024 and 2023, MCW purchased \$10,410 and \$9,674, respectively, of services from MRMC subsidiaries.

Members of the MCW Board of Trustees may serve in management roles for corporations that provide goods or services to MCW, causing these corporations to be related parties. In 2024 and 2023, MCW purchased from these related parties \$8,807 and \$7,505, respectively, of subcontract and contractual

MEDICAL COLLEGE OF WISCONSIN, INC.

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

(In thousands)

fees, \$404 and \$303, respectively, of building services equipment and \$291 and \$395, respectively, of investment management fees. Significant purchases of goods and services from related parties are reviewed to ensure such transactions are competitively priced as compared to other goods and services available in the marketplace.

(4) Joint Ventures

MCW is a member of several joint ventures where MCW owns 10% to 50% of the joint venture and does not hold a controlling financial interest. MCW accounts for its investment in these joint ventures using the equity method of accounting.

MCW's investment in joint ventures accounted for using the equity method of accounting include:

	Ownership percentage	
	2024	2023
Children's Health Network of Wisconsin, LLC	50.0 %	50.0 %
Drexel Town Square Surgery Center, LLC	49.0	49.0
FMLH MCW Real Estate Ventures, LLC	50.0	50.0
Fresenius Medical Care Midwest Dialysis, LLC	10.0	10.0
Froedtert & The Medical College of Wisconsin ACO, LLC	50.0	50.0
Froedtert & The Medical College of Wisconsin Network, LLC	50.0	50.0
Froedtert Surgery Center, LLC	49.0	49.0
Menomonee Falls Ambulatory Surgery Center, LLC	49.0	—
MRMC Land Bank, LLC	33.3	33.3
ThriveOn King, LLC	50.0	—
West Bend Surgery Center, LLC	49.0	—
Wisconsin Renal Care Group, LLC	10.0	10.0

On February 1, 2024, MCW purchased a 49% ownership in the West Bend Surgery Center, LLC, a joint venture with Froedtert, for a purchase price of \$7,754 and a 49% ownership in the Menomonee Falls Ambulatory Surgery Center, LLC, a joint venture with Froedtert, for a purchase price of \$1,174. On September 26, 2023, MCW entered into a joint venture with the Greater Milwaukee Foundation to form ThriveOn King, LLC. MCW's investment in ThriveOn King, LLC, as of June 30, 2024 is \$1,933.

MCW received capital distributions from joint ventures of \$2,060 and \$4,223 as of June 30, 2024 and 2023, respectively. MCW made capital contributions to joint ventures of \$11,390 and \$1,532 in 2024 and 2023, respectively. MCW's share of gains and losses in joint ventures for 2024 and 2023 of \$5,538 and \$2,296, respectively, is recorded in other revenue. MCW's investment in joint ventures is approximately \$36,428 and \$27,875 as of June 30, 2024 and 2023, respectively, and is included in prepaid expenses and other assets in the consolidated statements of financial position.

MEDICAL COLLEGE OF WISCONSIN, INC.

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

(In thousands)

(5) Investments

The fair value of investments as of June 30, 2024 and 2023 is summarized below:

	<u>2024</u>	<u>2023</u>
Money market funds	\$ 87,116	87,159
U.S. government obligations	24,127	26,021
Corporate bonds	45,598	48,380
Bond and equity mutual funds	575,853	393,120
Commingled bond and equity funds	961,468	1,026,592
Equity securities	844	791
Hedge funds	311,780	270,993
Private assets	309,384	247,977
Other	<u>3,425</u>	<u>2,687</u>
Total	\$ <u>2,319,595</u>	<u>2,103,720</u>

Commingled bond and equity funds are comprised of domestic and foreign, public and private issue debt and debt-like securities that are at or below investment grade, and domestic and foreign equity and equity-like securities.

Hedge funds are comprised of investments in exempted companies which invest in debt and equity securities using a long/short, event-driven, or multi-strategy approach.

Private assets are comprised of ownership interests in limited partnerships.

Other includes accrued investment income, state and municipal bonds, corporate bonds, asset- and mortgage-backed securities and guaranteed investment contracts. Mortgage-backed securities are comprised of widely traded tranches of principal and interest strips in the form of collateralized mortgage obligations and real estate mortgage investment conduits. Asset-backed securities are comprised of principal and interest strips derived from underlying receivables. Guaranteed investment contracts are comprised of fixed annuities issued by insurance companies.

MEDICAL COLLEGE OF WISCONSIN, INC.

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

(In thousands)

MCW's return on investments as reported in the consolidated financial statements for the years ended June 30, 2024 and 2023 is summarized below:

	Year ended June 30, 2024		
	Without donor restrictions	With donor restrictions	Total
Endowment spendable income	\$ 40,017	2,434	42,451
Endowment investment income required to be reinvested	—	3,848	3,848
Endowment income earned over (deficient of) spendable income under the total return concept	<u>(32,571)</u>	<u>529</u>	<u>(32,042)</u>
Interest and dividends, net of fees, on pooled endowments	7,446	6,811	14,257
Other investment income	<u>9,616</u>	<u>212</u>	<u>9,828</u>
Total interest and dividends, net of fees	17,062	7,023	24,085
Realized gain on investments, net	23,258	15,529	38,787
Unrealized gain on investments, net	<u>153,421</u>	<u>74,350</u>	<u>227,771</u>
	<u>\$ 193,741</u>	<u>96,902</u>	<u>290,643</u>
	Year ended June 30, 2023		
	Without donor restrictions	With donor restrictions	Total
Endowment spendable income	\$ 36,600	2,367	38,967
Endowment investment income required to be reinvested	—	3,188	3,188
Endowment income earned (deficient of) over spendable income under the total return concept	<u>(30,188)</u>	<u>524</u>	<u>(29,664)</u>
Interest and dividends, net of fees, on pooled endowments	6,412	6,079	12,491
Other investment income	<u>7,375</u>	<u>226</u>	<u>7,601</u>
Total interest and dividends, net of fees	13,787	6,305	20,092
Realized gain on investments, net	26,105	17,694	43,799
Unrealized gain on investments, net	<u>114,825</u>	<u>50,659</u>	<u>165,484</u>
	<u>\$ 154,717</u>	<u>74,658</u>	<u>229,375</u>

MEDICAL COLLEGE OF WISCONSIN, INC.

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

(In thousands)

Investment management and custodial fees incurred in 2024 and 2023 were \$10,164 and \$7,517, respectively.

(6) Fair Value Measurements

FASB ASC Topic 820, *Fair Value Measurements and Disclosures* (ASC Topic 820), establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) that are observable in active markets for identical assets or liabilities that MCW has the ability to access at the measurement date.
- Level 2 inputs are inputs, other than quoted prices included within Level 1, such as quoted prices for similar assets or liabilities or quoted prices in markets that are not active, that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs, where there is little or no market data, requiring MCW to develop its own assumptions of fair value for the asset or liability.

The level in the fair value hierarchy within which a fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

The following section describes the valuation methodologies used for financial assets and liabilities measured at fair value. The techniques utilized in estimating the fair values are affected by the assumptions. There were no changes in valuation methodologies used for the years ended June 30, 2024 and 2023.

Cash and cash equivalents: The fair value of cash and cash equivalents is based on observable market quotation prices provided by custodial financial institutions.

Deposits with bond trustees: The fair value of the money market funds on deposit with bond trustees is based on observable market quotation prices. The fair value of fixed maturity securities on deposit with bond trustees is based on prices provided by each bond trustee's financial institution using a variety of pricing sources. Each bond trustee's financial institution designates specific pricing services or indices for each sector of the market based on the pricing service's expertise.

Investments: The fair value of investments is based on valuations provided by external investment managers and custodial financial institutions. Valuations of investments in Level 1, which include money market funds, accrued investment income, bond and equity mutual funds, and equity securities, are provided by custodial financial institutions based on observable market quotation prices. Valuations of certain investments in Level 2, which include accrued investment income, U.S. government obligations, state and municipal bonds, corporate bonds, and asset-backed and mortgage-backed securities, are provided by custodial financial institutions based on observable inputs other than quoted prices, such as pricing services or indices. Valuations of investments in Level 3, which are comprised of guaranteed investment contracts with an insurance company, are valued at the contract value which represents the

MEDICAL COLLEGE OF WISCONSIN, INC.

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

(In thousands)

accumulated contributions and interest credited to the contracts, less any withdrawals. Contract value approximates fair value. Investments with valuations classified as Level 1, 2 or 3 are considered marketable securities.

MCW applies the measurement provisions of ASC Topic 820 related to certain investments in funds that do not have readily determinable fair values including commingled bond and equity funds, hedge funds, and private assets. ASC Topic 820 allows MCW to estimate the fair value of an investment using the net asset value per share of the investment as a practical expedient, if that net asset value per share is determined in accordance with ASC Topic 946, *Financial Services-Investment Companies*. Investments in commingled bond and equity funds, hedge funds and private assets with a fair value of \$1,582,632 and \$1,545,562 were estimated using the net asset value per share, as a practical expedient, provided by external investment managers as of June 30, 2024 and 2023, respectively. Investments with fair values using the net asset value per share as a practical expedient are considered non-marketable securities. Changes in market conditions and the economic environment may impact the net asset value of the funds and consequently the fair value of MCW's interest in the funds.

The investment strategy of the commingled bond funds is to achieve favorable income-oriented returns from diversified portfolios of domestic and foreign investment grade or below investment grade public and private issue debt and debt-like securities. The investment strategy of the commingled equity funds is to seek investment results that achieve or exceed major market indices. Derivative instruments may be used in these funds in an attempt to hedge existing long and short positions in order to maximize returns and minimize risk.

The primary investment objective for the hedge funds is to achieve a higher than average rate of return relative to the level of risk assumed by pursuing trading strategies that include convertible hedging (based on equities, bonds, and related derivative instruments); directional, relative value and event-driven hedging; long/short debt and equity trading; and risk arbitrage.

Private assets include investments in private equity, private credit or private real assets which are investments in limited partnerships that invest in private equity, distressed investments, secured fixed rate or adjustable rate senior loans, unsecured fixed rate or adjustable rate loans, subordinated debt obligations, specialty finance or direct lending, equity securities, oil and gas properties, timberland and real estate, metals and mining, and power plants and renewable energy sources. These investments cannot be redeemed but instead are distributed as the underlying assets are liquidated. The timing of liquidation cannot be reasonably estimated.

Beneficial interest in charitable trusts: The fair value of the beneficial interest in charitable trusts is based on the future contractual payments considering the life expectancy of beneficiaries, discounted to present value.

Deferred compensation: The fair value of the deferred compensation liability is based on the fair value of its underlying investments which are included in the investment values described above, as the deferred compensation liability is fully funded. The deferred compensation liability is included in accrued payroll and related liabilities in the consolidated statements of financial position.

MEDICAL COLLEGE OF WISCONSIN, INC.

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

(In thousands)

Interest rate swap: The fair value of the interest rate swap is determined using pricing models developed based on the London Interbank Offered Rate (LIBOR) swap rate and other observable and unobservable market data. Effective July 1, 2023, the publication of LIBOR rates has been discontinued. The fallback rates for all LIBOR tenors are now based on the Secured Overnight Financing Rate (SOFR) plus a fixed spread adjustment. The value is determined after considering the potential impact of collateralization agreements and is adjusted to reflect the nonperformance risk of both the counterparty and MCW.

The following tables present assets and liabilities that are measured at fair value on a recurring basis as of June 30, 2024 and 2023:

	June 30, 2024			
	Total	Level 1	Level 2	Level 3
Assets:				
Cash and cash equivalents	\$ 116,203	116,203	—	—
Deposits with bond trustees	95,700	95,700	—	—
Investments:				
Money market funds	87,116	87,116	—	—
U.S. government obligations	24,127	—	24,127	—
Corporate bonds	45,598	—	45,598	—
Bond and equity mutual funds	575,853	575,853	—	—
Equity securities	844	844	—	—
Other	3,425	1,410	982	1,033
Subtotal	736,963	665,223	70,707	1,033
Investments measured at net asset value	<u>1,582,632</u>			
Total investments	2,319,595			
Beneficial interest in charitable trusts	<u>4,777</u>	<u>—</u>	<u>—</u>	<u>4,777</u>
Total assets	<u>\$ 2,536,275</u>	<u>877,126</u>	<u>70,707</u>	<u>5,810</u>
Liabilities:				
Deferred compensation	\$ 4,946	3,913	—	1,033
Interest rate swap	<u>2,659</u>	<u>—</u>	<u>—</u>	<u>2,659</u>
Total liabilities	<u>\$ 7,605</u>	<u>3,913</u>	<u>—</u>	<u>3,692</u>

MEDICAL COLLEGE OF WISCONSIN, INC.

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

(In thousands)

Investments measured at net asset value	June 30, 2024			
	Net asset value	Unfunded commitments	Redemption frequency	Redemption notice period
Commingled bond and equity funds	\$ 961,468	—	Monthly, quarterly, semi-annually, annually	4–180 days
Hedge funds	311,780	—	Quarterly, annually	45–90 days
Private assets	<u>309,384</u>	262,075	—	—
Total investments measured at net asset value	<u>\$ 1,582,632</u>			

	June 30, 2023			
	Total	Level 1	Level 2	Level 3
Assets:				
Cash and cash equivalents	\$ 132,701	132,701	—	—
Deposits with bond trustees	138,450	138,450	—	—
Investments:				
Money market funds	87,159	87,159	—	—
U.S. government obligations	26,021	—	26,021	—
Corporate bonds	48,380	—	48,380	—
Bond and equity mutual funds	393,120	393,120	—	—
Equity securities	791	791	—	—
Other	<u>2,687</u>	<u>688</u>	<u>849</u>	<u>1,150</u>
Subtotal	558,158	481,758	75,250	1,150
Investments measured at net asset value	<u>1,545,562</u>			
Total investments	2,103,720			
Beneficial interest in charitable trusts	<u>4,551</u>	<u>—</u>	<u>—</u>	<u>4,551</u>
Total assets	<u>\$ 2,379,422</u>	<u>752,909</u>	<u>75,250</u>	<u>5,701</u>
Liabilities:				
Deferred compensation	\$ 4,057	2,907	—	1,150
Interest rate swap	<u>3,769</u>	<u>—</u>	<u>—</u>	<u>3,769</u>
Total liabilities	<u>\$ 7,826</u>	<u>2,907</u>	<u>—</u>	<u>4,919</u>

MEDICAL COLLEGE OF WISCONSIN, INC.

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

(In thousands)

Investments measured at net asset value	June 30, 2023			
	Net asset value	Unfunded commitments	Redemption frequency	Redemption notice period
Commingled bond and equity funds	\$ 1,026,592	—	Monthly, quarterly, semi-annually, annually	4–180 days
Hedge funds	270,993	—	Quarterly, annually	45–90 days
Private assets	<u>247,977</u>	216,934	—	—
Total investments measured at net asset value	\$ <u><u>1,545,562</u></u>			

(7) Endowment Net Asset Classification

MCW's endowment is comprised of approximately 600 individual funds as of June 30, 2024 established for the following purposes:

- Provide funding of activities that support the missions of education, research, patient care and community engagement.
- Provide a revenue source for endowed purposes such as scholarships, student loans, professorships, and program enhancements.
- Provide a revenue source for capital requirements.
- Provide a revenue source for initiatives of the Advancing a Healthier Wisconsin Program.
- Provide a revenue source for programs, activities, contingencies and other purposes as the Board of Trustees may consider appropriate.

The endowment includes both donor-restricted endowment funds and funds functioning as endowments. As required by U.S. GAAP, net assets associated with endowment funds, including funds functioning as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

(a) Interpretation of Relevant Law

The MCW Board of Trustees has interpreted the Wisconsin enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as allowing MCW to appropriate for expenditure or accumulate so much of an endowment fund as MCW 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 in accordance with the MCW Endowment Fund Spending Policy adopted by the Board of Trustees. As a result of this interpretation, the original gift value of a donor-restricted endowment fund is classified as donor-restricted in perpetuity. The remaining portion of the donor-restricted endowment fund is

MEDICAL COLLEGE OF WISCONSIN, INC.

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

(In thousands)

classified as donor-restricted until those amounts are appropriated for expenditure by MCW in a manner consistent with the standard of prudence prescribed by UPMIFA and the donor-restrictions have been satisfied. See note 2(a) for further information on net asset classification.

In accordance with UPMIFA, MCW considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the funds.
- The purposes of MCW and the donor-restricted endowment funds.
- General economic conditions.
- The possible effect of inflation or deflation.
- The expected total return from income and the appreciation of investments.
- Other resources of MCW.
- The investment policy of MCW.

(b) Return Objectives and Risk Parameters

MCW has adopted investment and spending policies for endowment assets with the objective of appropriating as much of the net appreciation as is prudent and consistent with overall investment objectives, while protecting the original gift value of the endowment assets. Under the investment policy approved by the Board of Trustees, the long-term investment objective for the endowment assets is to earn on average a real (inflation adjusted) annual rate of return and to provide a return for appropriation of not less than the total annual appropriation rate under the endowment fund spending policy.

The investment goal of MCW is to preserve the purchasing power of its investments, while providing a level of investment return and liquidity that funds its purposes within a reasonable and prudent level of risk.

(c) Strategies Employed for Achieving Objectives

MCW seeks to define its investment policy through control of asset mix and measurement of results utilizing widely recognized market benchmarks. Investment decisions are made with a long-term time horizon. The investment portfolio is well diversified among fixed income instruments, domestic and international equities, and other equity securities.

(d) Spending Policy and Relationship of Investment Objectives to Spending Policy

The Board of Trustees approved an endowment fund spending policy in which the spendable income from pooled endowment investments is based on the total return concept. With the total return concept, spendable income is supported by the net appreciation of the endowment investments.

Spendable income funds are considered appropriated for expenditure when they are expended for the use and purpose for which the endowment fund was established.

MEDICAL COLLEGE OF WISCONSIN, INC.

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

(In thousands)

Spendable income is calculated as the product of the quarterly distribution rate and the number of shares held at the end of one quarter prior to the present quarter. The quarterly distribution rate is calculated as the product of one-quarter of the current spending rate of 5.00% applied to the average market value per share for the preceding twenty quarters as of the end of the quarter ending three months prior to the beginning of the present quarter. The quarterly distribution rate cannot exceed one-quarter of the maximum spending rate of 5.25% calculated as an effective rate based on the endowment fund market value at the beginning of the present quarter. This spending policy is consistent with MCW's investment objective to earn a real rate of return to provide for a distribution of net appreciation that is prudent, while protecting the original gift value of the endowment assets.

(e) Net Asset Composition by Type of Fund

Composition of endowment assets by net asset class (excluding pledges receivable of \$13,226 and \$15,553, respectively) as of June 30, 2024 and 2023 in total and by type is summarized below:

	2024		
	Without donor restrictions	With donor restrictions	Total
Donor-restricted endowments:			
Advancing a Healthier Wisconsin:			
Perpetual in nature	\$ —	290,478	290,478
Restricted by time or purpose	—	229,037	229,037
Other endowments:			
Perpetual in nature	—	171,545	171,545
Restricted by time or purpose	—	104,411	104,411
Endowments designated by the Board of Trustees	1,001,706	—	1,001,706
Total	<u>\$ 1,001,706</u>	<u>795,471</u>	<u>1,797,177</u>

MEDICAL COLLEGE OF WISCONSIN, INC.

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

(In thousands)

	2023		
	Without donor restrictions	With donor restrictions	Total
Donor-restricted endowments:			
Advancing a Healthier Wisconsin:			
Perpetual in nature	\$ —	290,478	290,478
Restricted by time or purpose	—	191,569	191,569
Other endowments:			
Perpetual in nature	—	157,773	157,773
Restricted by time or purpose	—	83,302	83,302
Endowments designated by the Board of Trustees	916,233	—	916,233
Total	\$ <u>916,233</u>	<u>723,122</u>	<u>1,639,355</u>

(f) Changes in Endowment Net Assets

Roll forwards of the beginning and ending balances of endowments by net asset class for the years ended June 30, 2024 and 2023 are as follows:

	2024		
	Without donor restrictions	With donor restrictions	Total
Interest and dividends, net of fees	\$ 7,975	6,282	14,257
Realized gain on investments, net	19,632	15,529	35,161
Unrealized gain on investments, net	96,113	74,350	170,463
Total investment return	123,720	96,161	219,881
Contributions	2,276	13,435	15,711
Expenditures	(40,523)	(37,247)	(77,770)
Total change in endowments	85,473	72,349	157,822
Net assets, beginning of year	916,233	723,122	1,639,355
Net assets, end of year	\$ <u>1,001,706</u>	<u>795,471</u>	<u>1,797,177</u>

MEDICAL COLLEGE OF WISCONSIN, INC.

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

(In thousands)

	2023		
	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Interest and dividends, net of fees	\$ 6,936	5,555	12,491
Realized gain on investments, net	22,237	17,694	39,931
Unrealized gain on investments, net	67,623	50,659	118,282
Total investment return	96,796	73,908	170,704
Contributions	16,509	10,823	27,332
Expenditures	(37,242)	(33,979)	(71,221)
Total change in endowments	76,063	50,752	126,815
Net assets, beginning of year	840,170	672,370	1,512,540
Net assets, end of year	<u>\$ 916,233</u>	<u>723,122</u>	<u>1,639,355</u>

(g) Endowments with Fair Value Less Than Original Gift Value

Periodically, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or the Board of Trustees (pursuant to UPMIFA) requires MCW to retain to preserve the fair value of the original gift in perpetuity. In accordance with U.S. GAAP, deficiencies of this nature are reported in net assets with donor restrictions. For MCW, donor-restricted endowment funds with deficiencies had an original gift value of \$3,541, a current fair value of \$3,491, and a deficiency of \$50 as of June 30, 2024. As of June 30, 2023, donor-restricted endowment funds with deficiencies had an original gift value of \$18,364, a current fair value of \$17,391, and a deficiency of \$973. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new contributions for donor-restricted endowment funds and continued appropriation for certain programs that was deemed prudent as allowed by the spending policy approved by the Board of Trustees.

(8) Patient Services Revenue and Patient Accounts Receivable

Patient services revenue, net of explicit contractual allowances, discounts and implicit price concessions, by major payor source for the years ended June 30, 2024 and 2023 is as follows:

	<u>2024</u>	<u>2023</u>
Commercial/managed care	\$ 349,564	315,768
Self-pay patients	48,717	46,732
Medicaid	29,467	30,465
Medicare	102,222	95,049
Other	8,113	7,245
Patient services revenue	<u>\$ 538,083</u>	<u>495,259</u>

MEDICAL COLLEGE OF WISCONSIN, INC.

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

(In thousands)

MCW grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of net receivables from self-pay patients and third-party payors at June 30, 2024 and 2023 is as follows:

	<u>2024</u>	<u>2023</u>
Commercial/managed care	\$ 49,870	47,146
Self-pay patients	16,426	14,718
Medicaid	2,490	3,432
Medicare	9,795	9,220
Other	163	500
Patient services receivable	<u>\$ 78,744</u>	<u>75,016</u>

The majority of patient accounts receivable is expected to be collected within one year.

(9) Other Accounts Receivable

Other accounts receivable at June 30, 2024 and 2023 consist of the following:

	<u>2024</u>	<u>2023</u>
Affiliated hospital	\$ 56,569	56,734
Other	55,790	42,178
Other accounts receivable before allowance for doubtful accounts	112,359	98,912
Allowance for doubtful accounts	<u>(1,798)</u>	<u>(1,308)</u>
Other accounts receivable	<u>\$ 110,561</u>	<u>97,604</u>

MCW has affiliations with a number of hospitals in which MCW medical professionals provide clinical management services, graduate medical education and other program services. In consideration for these services, the affiliated hospitals compensate MCW for salary, fringe benefit and other related expenses.

The majority of other accounts receivable is expected to be collected within one year. The allowance for doubtful accounts for affiliated hospital contracts and other accounts receivable is established based upon an annual review of the collectability of the underlying accounts receivable utilizing the accounts receivable aging and the historical loss rates on affiliated hospital contracts and other accounts receivable.

MEDICAL COLLEGE OF WISCONSIN, INC.

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

(In thousands)

(10) Grants and Contracts Receivable, Net

Grants and contracts receivable at June 30, 2024 and 2023 consist of the following:

	<u>2024</u>	<u>2023</u>
Grants and contracts	\$ 33,332	32,648
Allowance for doubtful accounts	<u>(335)</u>	<u>(422)</u>
Grants and contracts receivable, net	<u>\$ 32,997</u>	<u>32,226</u>

The contractual maturity of these accounts receivables is less than one year. An allowance for doubtful accounts for grants and contracts receivable is established based upon an annual review of the collectability of the underlying receivables utilizing the grants and contracts receivable aging and the historical loss rates on grants and contracts receivable.

(11) Contributions Receivable, Net

Net contributions receivable consists primarily of donor pledges and is summarized as follows at June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Total contributions receivable	\$ 49,632	56,641
Allowance for uncollectible contributions	(711)	(957)
Adjustment to present value	<u>(2,321)</u>	<u>(2,986)</u>
Contributions receivable, net	<u>\$ 46,600</u>	<u>52,698</u>

The discount rates used to adjust the contributions receivable to present value range from 0.09% to 5.43% at June 30, 2024 and 2023. Contributions receivable at June 30, 2024 are expected to be collected in future years as follows:

2025	\$ 19,987
2026	6,886
2027	9,134
2028	6,328
2029	4,685
2030 and beyond	<u>2,612</u>
Total	<u>\$ 49,632</u>

MEDICAL COLLEGE OF WISCONSIN, INC.

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

(In thousands)

(12) Student Loans Receivable, Net

Student loans receivable at June 30, 2024 and 2023 consist of the following loan funds:

	<u>2024</u>	<u>2023</u>
Primary Care Loan Program	\$ 6,782	7,030
Federal Perkins Loan Program	541	808
Health Professions Student Loan Program	965	1,109
MCW Institutional Loans	<u>13,660</u>	<u>13,368</u>
Students loans receivable	21,948	22,315
Allowance for loan loss	<u>(341)</u>	<u>(346)</u>
Student loans receivable, net	<u>\$ 21,607</u>	<u>21,969</u>

Although there are multiple funding sources for student loans, MCW's student loans receivable is generated through the extension of credit to students to fund educational costs, and therefore, all such loans receivable are considered part of the same portfolio. Student loans receivable are initially measured at cost, which approximates fair value, and MCW assesses and monitors risk and performance of the entire portfolio.

An allowance for loan loss in student loans receivable is established based upon an annual review of the collectability of the underlying student loans utilizing the loans receivable aging and the historical loss rates on loans. The allowance represents management's estimate of the amount of student loans receivable for which a loss is probable. Actual losses are charged against the allowance. The allowance for loan loss is increased through charges to expense (provision) and recoveries of loans previously charged to the allowance.

The credit risk profiles of the student loans receivable are based on payment activity as of June 30, 2024 and 2023. Loans are considered nonperforming if they are more than 2 years past due and there has been no activity in the past 6 months. The following table details the credit risk profiles:

	<u>2024</u>	<u>2023</u>
Student loans receivable:		
Performing	\$ 21,948	22,310
Nonperforming	<u>—</u>	<u>5</u>
Total student loans receivable	<u>\$ 21,948</u>	<u>22,315</u>

MEDICAL COLLEGE OF WISCONSIN, INC.

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

(In thousands)

(13) Leases

MCW is a lessee in several noncancelable operating leases, primarily for land and buildings for clinical, academic, and administrative purposes that expire over the next 20 years. These leases generally contain renewal options for periods ranging from 1 to 5 years. The option period is included in determining the lease term and lease payments if it is reasonably certain the renewal option will be exercised by MCW or its execution is controlled by the lessor. Payments due under the lease contracts include fixed payments and variable payments. Variable payments generally include payments for MCW's proportionate share of the building's property taxes, insurance, and common area maintenance.

Lease rental expense for the years ended June 30, 2024 and 2023 is as follows:

	<u>2024</u>	<u>2023</u>
Operating lease rental expense	\$ 10,061	9,492
Variable rental expense	9,139	9,272
Total lease rental expense	<u>\$ 19,200</u>	<u>18,764</u>

ROU assets and long-term lease obligations reported in the consolidated statements of financial position as of June 30, 2024 and 2023 are as follows:

	<u>2024</u>	<u>2023</u>
Operating ROU assets	\$ 64,829	53,835
Operating lease long-term lease obligations	70,595	60,344

ROU assets of \$17,638 and \$484 were obtained in exchange for long-term lease obligations on operating leases for the years ended June 30, 2024 and 2023, respectively. Reductions in ROU assets of \$0 and \$1,527 resulted in reductions to long-term lease obligations on operating leases for the years ended June 30, 2024 and 2023, respectively. Amounts disclosed for ROU assets obtained in exchange for long-term lease obligations include amounts added to the carrying amount of ROU assets resulting from lease modifications and reassessments.

MEDICAL COLLEGE OF WISCONSIN, INC.

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

(In thousands)

Maturities of long-term operating lease obligations under noncancelable leases as of June 30, 2024 are as follows:

2025	\$	10,724
2026		9,629
2027		9,239
2028		9,312
2029		9,439
2030 and beyond		<u>40,488</u>
Total undiscounted long-term operating lease obligations		88,831
Less imputed interest		<u>18,236</u>
Total long-term operating lease obligations	\$	<u><u>70,595</u></u>

As of June 30, 2024 and 2023, the weighted-average remaining lease term for all operating leases is 10 and 8 years, respectively.

The weighted average discount rate associated with operating leases as of June 30, 2024 and 2023 is 4% and 3%, respectively.

(14) Land, Buildings, and Equipment, Net

Land, buildings, and equipment is comprised of the following at June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Land, buildings, and improvements	\$ 490,897	484,999
Equipment and furnishings	319,431	305,279
Library books	948	948
Construction in progress	<u>72,207</u>	<u>36,239</u>
	883,483	827,465
Accumulated depreciation and amortization	<u>(549,817)</u>	<u>(524,640)</u>
Land, buildings, and equipment, net	\$ <u><u>333,666</u></u>	<u><u>302,825</u></u>

At June 30, 2024 and 2023, construction in progress includes capitalized interest of \$5,785 and \$7,707, respectively.

MCW is a party to construction contracts that exist for various building renovation and grounds improvement projects. As of June 30, 2024, MCW's outstanding contractual commitments on these contracts is \$5,654.

MEDICAL COLLEGE OF WISCONSIN, INC.

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

(In thousands)

(15) Professional Liability Insurance Program

MCW is required to participate in the Injured Patients and Families Compensation Fund of the State of Wisconsin (the State Fund). MCW is also required to insure for claim losses up to \$1,000 per claim for each medical professional and \$3,000 in the aggregate per year for each medical professional for professional liability claims. Losses with respect to malpractice risks in excess of these amounts are covered by the State Fund.

MCW established a trust, The Medical College of Wisconsin, Inc. Professional Liability Insurance Program (the Program), to self-insure for medical malpractice claims below the levels covered by the State Fund. Actuarially determined amounts are contributed to the Program to provide for the estimated cost of self-insured claims and to meet State of Wisconsin requirements. The Program's independent actuary has estimated the unpaid claims liability of the Program, including claims handling and legal expenses.

During 2024 and 2023, MCW made contributions to the Program in the amounts of \$996 and \$749, respectively. The Program has net assets without donor restrictions of \$2,163 and \$5,428 as of June 30, 2024 and 2023, respectively.

Investments held in trust for the Program, as reported in investments at fair value on the consolidated statements of financial position, are \$12,571 and \$13,431 as of June 30, 2024 and 2023, respectively.

MEDICAL COLLEGE OF WISCONSIN, INC.

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

(In thousands)

(16) Long-Term Debt

Long-term debt consists of the following at June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Tax-exempt variable rate WHEFA Revenue Bonds Series 2008 B, with mandatory sinking fund serial bond maturities due annually 2025 through 2034. Interest is payable monthly at rates reset on a daily basis (4.95% and 4.00% at June 30, 2024 and 2023, respectively)	\$ 67,500	67,500
Tax-exempt fixed rate WHEFA Revenue Bonds Series 2014 A, with principal payments due annually through 2025. Interest is payable monthly at 2.21%	2,145	4,130
Tax-exempt fixed rate WHEFA Revenue Bonds Series 2014 B, with principal payments due annually through 2027. Interest is payable monthly at 2.36%	6,250	8,300
Tax-exempt fixed rate WHEFA Revenue Bonds Series 2016, with mandatory sinking fund serial bond maturities due annually through 2036 and term bond maturities due in 2041 and 2046. The effective interest rate is 4.45% and 4.46% at June 30, 2024 and 2023 respectively	137,900	140,785
Tax-exempt fixed rate WHEFA Revenue Bonds Series 2018, with principal payments due annually through 2033. Interest is payable monthly at 3.05%	42,385	46,480
Tax-exempt fixed rate WHEFA Revenue Bonds Series 2022, with mandatory sinking fund serial bond maturities due annually 2036 through 2041 and term bond maturities due in 2046 and 2051. The effective interest rate is 4.18% at June 30, 2024 and 2023	165,350	165,350
Note payable, with an effective interest rate of 3.52%. The note is payable to Milwaukee County in annual installment payments through September 2074	8,354	8,413
	<u>429,884</u>	<u>440,958</u>
Total long-term debt before unamortized premium and discount and issuance costs		
Unamortized discounts and premiums	36,855	38,531
Unamortized issuance costs	(2,873)	(3,053)
	<u>463,866</u>	<u>476,436</u>
Total long-term debt	\$ <u>463,866</u>	<u>476,436</u>

MEDICAL COLLEGE OF WISCONSIN, INC.

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

(In thousands)

The revenue bonds, taxable loans and related credit agreements were issued under the Master Trust Indenture and are collateralized by a pledge of certain revenues of MCW. The borrowing agreements contain continuing disclosure requirements and various covenants and restrictions, including a requirement that MCW maintain a minimum debt service coverage ratio, a minimum number of days of unrestricted cash on hand, and a maximum debt to capitalization ratio.

The aggregate scheduled principal maturities of long-term debt for each of the five years subsequent to June 30, 2024 and thereafter are as follows:

2025	\$	11,621
2026		12,078
2027		12,450
2028		12,822
2029		13,305
2030 and beyond		<u>367,608</u>
Total	\$	<u>429,884</u>

All or part of the Series 2008 B, 2014 A, 2014 B, 2016, 2018 and 2022 bonds may be redeemed at par plus accrued and unpaid interest, if any, to the date of redemption, as set forth below:

- The Series 2008 B bonds are continuously callable.
- The Series 2014 A bonds may be redeemed at any time, subject to prepayment premium provisions.
- A portion of the Series 2014 B bonds up to \$6,000 may be redeemed at any time. The remaining Series 2014 B bonds may be redeemed at any time subject to prepayment premium provisions.
- The Series 2016 bonds may be redeemed beginning on November 1, 2026. A portion of the Series 2016 bonds may be redeemed prior to November 1, 2026, subject to prepayment premium provisions.
- The Series 2018 bonds may be redeemed at any time, subject to a make-whole provision.
- The Series 2022 bonds may be redeemed beginning on December 1, 2031.

(a) WHEFA Revenue Bond Series 2008

The Series 2008 A bonds, totaling \$83,400, were issued on July 30, 2008 to (i) refund the WHEFA Revenue Bond Series 2004 B1 bonds which had been issued to refund the WHEFA Revenue Bond Series 1993, and to fund construction of a Biomedical Research Facility, certain additional capital projects and a parking structure, (ii) to fund the construction of research capital projects at the Biomedical Research Facility and certain additional capital projects, and (iii) to fund a debt service reserve fund. Certain of the Series 2008 A bonds were advance-refunded by the WHEFA Revenue Bond Series 2016. The remaining Series 2008A bonds were refunded by the WHEFA Revenue Bond Series 2022.

MEDICAL COLLEGE OF WISCONSIN, INC.

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

(In thousands)

The Series 2008 B bonds, totaling \$67,500, were issued on September 4, 2008 to refund the outstanding WHEFA Revenue Bonds Series 2004 B2 which had been issued to fund construction of a Biomedical Research Facility, certain additional capital projects and a parking structure.

Concurrent with the issuance of the Series 2008 B bonds, MCW entered into a Credit Agreement with a financial institution under which the financial institution issued a renewable direct pay letter of credit. On July 6, 2023, in substitution of the existing credit facility, MCW entered into a Reimbursement Agreement with a new financial institution under which a renewable letter of credit was issued which expires on July 6, 2028. The \$68,654 letter of credit is available to secure the Series 2008 B bonds and to make payments (liquidity drawings) in the event that any Series 2008 B bonds are subject to an optional or mandatory tender and are not remarketed. A mandatory tender would occur if the letter of credit is not renewed or replaced by the second business day prior to its expiration date. Any liquidity drawing made under the letter of credit is considered a liquidity advance. Payments of interest under the liquidity advance would be due in monthly interest installments, commencing on the first business day of the month after the date of the liquidity advance. Payments of outstanding principal under the liquidity advance would be due in quarterly principal installments, commencing on the 367th day after the liquidity advance. The outstanding principal balance of any such liquidity advance would bear interest at the base rate plus up to 100 basis points based on the length of the advance. The base rate is calculated as the greater of Prime Rate or 3%. The principal and interest are required to be paid by the fourth anniversary of the date of the initial liquidity advance. If a full optional or mandatory tender occurs, a liquidity advance will be made at a base rate of 8.5% and annual debt service related to the Series 2008 B bonds will increase by \$3,352, \$22,617, \$17,345, and \$20,126 over the next four years, respectively. As of June 30, 2024 and 2023, there were no outstanding liquidity drawings or drawing loans under the Credit Agreement.

(b) WHEFA Revenue Bond Series 2014

The Series 2014 A bonds, totaling \$18,450, were issued on December 16, 2014 to refund the WHEFA Revenue Bond Series 2004 A which had been issued to refund the WHEFA Revenue Bond Series 1993 and to fund the construction of a Biomedical Research Facility, certain additional capital projects and a parking structure. The Series 2014 B bonds, totaling \$13,930, were issued on December 16, 2014 to advance refund the Series 2010 term bond. The Series 2014 A and 2014 B bonds were issued as direct placements with a financial institution.

(c) WHEFA Revenue Bond Series 2016

The Series 2016 bonds, totaling \$157,805, were issued on May 11, 2016 to advance-refund a portion of the Series 2008 A bonds, to fund the construction and equipping of a professional office building, and to fund renovations to existing facilities to integrate the new building and to accommodate the operations of a new School of Pharmacy.

(d) WHEFA Revenue Bond Series 2018

The Series 2018 bonds, totaling \$55,000, were issued on September 6, 2018 to fund the equipping of a professional office building, renovations and equipping of an existing basic science building, renovation and equipping of other existing educational facilities and expansion and equipping of an educational

MEDICAL COLLEGE OF WISCONSIN, INC.

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

(In thousands)

facility located in central Wisconsin. The Series 2018 bonds were issued as a direct placement with a financial institution.

(e) WHEFA Revenue Bond Series 2022

The Series 2022 bonds, totaling \$165,350, were issued on February 3, 2022 to refund the remaining Series 2008A bonds, to fund the construction and equipping of a cancer research building, renovations and equipping of an existing basic science building, and renovation and equipping of other existing educational facilities.

(f) Taxable Loans

On May 1, 2020, MCW entered into a Loan Agreement with a financial institution under which a taxable revolving loan was made to MCW by the financial institution. The revolving loan is for \$50,000 and is used for working capital expenditures. MCW pays an annual fee of 0.10% on the unused balance of the revolving loan.

(g) Note Payable to Milwaukee County

On April 14, 2020, MCW entered into a Land Payment Agreement with Milwaukee County in exchange for land that MCW previously leased from Milwaukee County under long-term lease agreements. The amounts owed under the Land Payment Agreement are secured by a mortgage of the land acquired in the purchase.

(h) Derivative Instruments

Variable interest rate debt obligations expose MCW to variability in interest payments due to changes in interest rates. Management believes that it is prudent to limit the variability of a portion of its interest payments. To meet this objective, management utilizes an interest rate swap agreement to manage fluctuations in cash flows resulting from interest rate risk. The interest rate swap changes the variable rate cash flow exposure on the debt obligations to fixed cash flows. Under the terms of the interest rate swap, MCW receives variable interest rate payments and makes fixed interest rate payments monthly to the counterparty, thereby creating the equivalent of fixed rate debt. The net difference between the amounts received from and paid to the counterparty is recorded as interest expense.

MCW entered into an interest rate swap agreement for the WHEFA Revenue Bond Series 2004 variable rate debt in October 2004. Effective September 15, 2008, MCW revised the original interest rate swap agreement to conform with the principal amount and amortization schedule of the Series 2008 B bonds. The revised interest rate swap agreement has a notional amount of \$67,500, a fixed payment rate of 3.558% and a variable counterparty payment of 68% of the 30-day LIBOR. The publication of LIBOR rates ceased effective June 30, 2023 and the variable counterparty payment is now based on 68% of SOFR with a spread adjustment. Consistent with the reset schedule of the 2008 B bonds, the interest rate swap has a weekly reset with monthly payments due to or from MCW on the first business day of the month. The revised interest rate swap agreement expires December 1, 2033. The provisions set forth in the interest rate swap agreement require MCW to provide investment securities as collateral if the interest rate swap market value falls below a specified threshold. No investment securities were required as collateral as of June 30, 2024 and 2023, respectively.

MEDICAL COLLEGE OF WISCONSIN, INC.

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

(In thousands)

By using derivative financial instruments to hedge exposure to changes in interest rates, MCW exposes itself to nonperformance risk and market risk. Nonperformance risk refers to the risk that the obligation will not be fulfilled. Credit risk, a measure of nonperformance risk, is the failure of the counterparty to perform under the terms of the derivative contract. When the fair value of a derivative contract is positive, the counterparty owes MCW, which creates credit risk for MCW. When the fair value of a derivative contract is negative, MCW owes the counterparty, and therefore, it does not possess credit risk. MCW minimized the credit risk in derivative instruments by entering into a transaction with a high-quality counterparty. Market risk is the adverse effect on the value of a financial instrument that results from a change in interest rates. The market risk associated with the interest rate swap agreement is managed by limiting the types and degree of market risk that may be undertaken.

(17) Net Assets

Certain net assets are designated for specific purposes by the MCW Board of Trustees; however, the net assets are without donor restriction and can be used for any institutional purposes by MCW. The designations at June 30, 2024 and 2023 are as follows:

	<u>2024</u>	<u>2023</u>
Designated to function as endowment funds to support the following purposes:		
Research	\$ 492,286	450,528
Professorships	4,541	4,143
Undesignated	<u>504,879</u>	<u>461,562</u>
	1,001,706	916,233
Designated for the professional liability insurance program	2,163	5,428
Undesignated	<u>568,986</u>	<u>469,563</u>
	<u>\$ 1,572,855</u>	<u>1,391,224</u>

MEDICAL COLLEGE OF WISCONSIN, INC.

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

(In thousands)

Net assets with donor restrictions that are restricted for time, purpose or both at June 30, 2024 and 2023 are as follows:

	<u>2024</u>	<u>2023</u>
Endowments to support the following purposes (including net accumulated earnings of \$568,988 and \$425,753, respectively):		
Advancing a Healthier Wisconsin	\$ 519,515	482,047
Research	90,450	78,037
Professorships	60,575	53,495
Scholarships	48,260	43,361
Education	11,950	9,402
Community engagement	4,285	4,021
Other	60,436	52,759
	<u>795,471</u>	<u>723,122</u>
Time implied pledges to support the following purposes:		
Research	23,080	37,380
Scholarships	176	309
Other, including discounts and bad debt allowances	10,117	(524)
	<u>33,373</u>	<u>37,165</u>
Time implied pledges to support the following purposes in perpetuity:		
Research	3,499	6,094
Professorships	7,336	6,084
Scholarships	970	1,281
Other, including discounts and bad debt allowances	1,422	2,074
	<u>13,227</u>	<u>15,533</u>

MEDICAL COLLEGE OF WISCONSIN, INC.

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

(In thousands)

	<u>2024</u>	<u>2023</u>
Gifts subject to expenditure to support the following purposes:		
Capital projects	\$ 20,556	21,644
Research	5,508	5,719
Scholarships	1,119	1,124
Education	—	236
Student loans	10,145	9,836
Community engagement	1,329	471
	<u>38,657</u>	<u>39,030</u>
Charitable gifts that will provide proceeds in the future:		
Trusts and annuities	5,134	4,801
Life insurance	309	337
	<u>5,443</u>	<u>5,138</u>
	\$ <u>886,171</u>	<u>819,988</u>

(a) Advancing a Healthier Wisconsin

MCW received marketable securities from The Wisconsin United for Health Foundation, Inc. (WUHF) having original fair values of approximately \$320,365. These assets are referred to as Advancing a Healthier Wisconsin funds (AHW funds) and are classified as net assets with donor restrictions. The AHW funds are proceeds of the conversion of Blue Cross and Blue Shield United of Wisconsin from a not-for-profit company to a for-profit stock company, as approved by the Wisconsin Commissioner of Insurance in the Findings of Fact, Conclusions of Law, and Order (the Order) issued March 28, 2000. The AHW funds are under the oversight of the MCW Consortium on Public and Community Health, Inc. (the MCW Consortium) and are restricted pursuant to terms of the Order. MCW is entitled to appoint eight of the nine board members of the MCW Consortium (four of whom shall represent MCW). The AHW funds cannot be used to supplant support otherwise available, expended directly or indirectly for land or buildings, or committed as collateral without the approval of two-thirds of all members of the MCW Consortium.

(b) State of Wisconsin Construction and Equipment Grants

On November 17, 2004, the Wisconsin State Building Commission approved the release of a \$25,000 grant to MCW to aid in the construction of a Biomedical Research Facility. On March 31, 2005, MCW entered into a Grant and Land Use Restriction Agreement with the State of Wisconsin Department of Administration to formalize the terms for receipt of these funds. The grant agreement provided support for 28.4% of the eligible construction expenses for the facility, conditioned upon receipt of a requisition documenting that such expenditures had been incurred. As of June 30, 2007, MCW had recognized a contribution with donor restriction for the entire \$25,000 related to the construction grant. The Biomedical Research Facility was placed into service during 2007, and MCW began releasing the restriction on the contribution over the estimated life of the use restriction. As of June 30, 2024, \$14,201 remains classified as net assets with donor restriction.

MEDICAL COLLEGE OF WISCONSIN, INC.

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

(In thousands)

The Grant and Land Use Restriction Agreement places a restriction on the facility, requiring that it be continuously used as a research and medical education center to conduct biomedical research, create new technologies, train students in the substance and methodology of biomedical research, and provide support to individuals and organizations in the state who are engaged in biomedical research and technological innovation consistent with the tax-exempt charitable missions of MCW. MCW has a potential future liability to repay the funds if the facility should cease to be used for its required purpose. Currently, it is not probable that this circumstance will occur, and a liability is not recorded.

On August 6, 2014 and February 20, 2019, the Wisconsin State Building Commission approved the release of \$5,384 and \$2,000, respectively, of grant funds to MCW to aid in the remodel, development, and renovation of two community medical education facilities in northeast Wisconsin and central Wisconsin. On December 22, 2015, MCW entered into a Grant Agreement, a Use Restriction Easement, and a Security Agreement with the State of Wisconsin Department of Administration to formalize the terms for receipt of these funds. The Grant Agreement provided support for reimbursement of 50% of capital expenditures associated with the development of the two community medical education programs. During the years ended June 30, 2024 and 2023, there were no contributions with donor restrictions related to this grant. The project was completed and placed into service in phases starting in 2014, and MCW began releasing the restriction on the contribution over the estimated life of the grant restrictions at that time. As of June 30, 2024, \$4,770 remains classified as net assets with donor restrictions.

On August 9, 2022, the Wisconsin State Building Commission approved the release of a \$10,000 grant to MCW to aid in the construction of a cancer research facility. In March 2024, MCW entered into a Grant Agreement and Use Restriction Agreement with the State of Wisconsin Department of Administration to formalize the terms for receipt of these funds. The Grant Agreement provides support for eligible construction expenses for the facility, conditioned upon receipt of a requisition documenting that such expenditures have been incurred. During fiscal 2024, MCW recognized a contribution with donor restriction for the entire \$10,000 related to the construction grant. The Use Restriction Agreement places a restriction on the facility, requiring that it be used primarily as a cancer research facility for a period of 20 years and MCW has a potential future liability to repay the funds if the facility should cease to be used for its required purpose within that period. Currently, it is not probable that this circumstance will occur, and a liability is not recorded. As of June 30, 2024, \$10,000 remains classified as net assets with donor restrictions.

(18) Employee Benefit Plans

MCW sponsors a Section 403(b) defined contribution retirement Plan (the Plan). Employees are eligible to voluntarily participate in the Plan immediately upon hire. Voluntary contributions are made solely through participant payroll withholdings (up to the IRS annual limit) and are not matched by MCW. Upon completing two years of service and attaining the age of 21, participants must contribute 6% of their pretax annual compensation (mandatory participation). Upon mandatory participation, MCW contributes 8% (up to the IRS annual earnings limit) of the participant's compensation. Participants are immediately vested in their contributions, MCW's contributions and earnings thereon. The contributions made by MCW and recognized as expense were approximately \$55,767 and \$50,787, respectively, for the years ended June 30, 2024 and 2023.

MEDICAL COLLEGE OF WISCONSIN, INC.

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

(In thousands)

On June 24, 2016, MCW established a Section 457(f) defined contribution retirement plan for certain eligible employees. Contributions to the plan remain solely the property of MCW. Eligible participants vest in their contributions for a plan year on the last day of the third plan year for each plan year they are a participant. Distributions are made to the eligible participants in single, lump sum payments when contributions become vested. Assets related to the deferred compensation and defined contribution benefits of \$4,946 and \$4,057 at June 30, 2024 and 2023, respectively, are reflected in cash and cash equivalents and investments at fair value. Accrued benefits totaling approximately \$4,946 and \$4,057 at June 30, 2024 and 2023, respectively, are reflected in accrued payroll and related liabilities.

MCW is self-insured for health and dental benefits provided to active employees. A portion of the health care services is provided to employees by faculty and staff physicians. MCW paid health and dental benefit claims, net of employee contributions, of \$82,102 and \$2,406, respectively, during the year ended June 30, 2024 and \$64,482 and \$2,265, respectively, during the year ended June 30, 2023.

(19) Functional Expenses

Expenses classified by both nature and function for the year ended June 30, 2024 and 2023 are as follows:

	Year ended June 30, 2024						
	Program activities				Supporting activities		Total expenses
	Patient care	Research	Education	Community engagement	Institutional support	Fundraising	
Faculty salaries	\$ 480,162	79,977	47,260	4,635	4,280	458	616,772
Staff salaries	198,516	112,752	31,060	6,448	47,822	3,926	400,524
Fringe benefits	127,208	44,561	16,898	2,645	14,251	987	206,550
Services, supplies and other	83,487	55,628	24,285	2,800	35,929	1,739	203,868
Rent and occupancy	13,617	18,072	5,182	599	6,640	72	44,182
Subcontracts	259	39,294	2,310	9,660	—	—	51,523
Depreciation and amortization	7,327	18,955	5,177	193	3,130	72	34,854
Interest on indebtedness	3,789	4,739	1,111	45	954	—	10,638
Total expenses	\$ 914,365	373,978	133,283	27,025	113,006	7,254	1,568,911

	Year ended June 30, 2023						
	Program activities				Supporting activities		Total expenses
	Patient care	Research	Education	Community engagement	Institutional support	Fundraising	
Faculty salaries	\$ 435,485	75,881	45,598	4,667	3,848	448	565,927
Staff salaries	188,823	104,539	27,607	4,371	45,028	3,951	374,319
Fringe benefits	109,548	38,486	14,512	2,040	12,861	972	178,419
Services, supplies and other	77,720	53,314	23,297	1,846	35,910	1,459	193,546
Rent and occupancy	13,182	16,273	5,131	249	7,645	73	42,553
Subcontracts	243	36,267	3,269	6,003	—	—	45,782
Depreciation and amortization	7,967	17,472	5,316	177	3,155	114	34,201
Interest on indebtedness	3,861	4,479	1,080	36	938	—	10,394
Total expenses	\$ 836,829	346,711	125,810	19,389	109,385	7,017	1,445,141

MEDICAL COLLEGE OF WISCONSIN, INC.

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

(In thousands)

Patient care expenses relate to all clinical and clinical support activities including those that are performed in the presence of residents and medical students. Research expenses pertain to all basic, translational, and clinical research and development activities that are externally sponsored or internally funded. Education expenses include credit and noncredit programs for medical students, graduate students, pharmacy students, residents, post-doctoral fellows, student trainees and continuing medical education participants. Community engagement expenses include partnerships with public and private organizations to enhance learning, research, patient care and the health of the community.

The consolidated financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses are allocated on a reasonable basis that is consistently applied. Faculty salaries, staff salaries and fringe benefits are allocated to program and supporting activities on the basis of estimates of time and effort. Interest expense and costs related to the operation and maintenance of physical plant, including depreciation of buildings and equipment, are allocated to program and supporting activities on a square-footage basis based on estimates of functional use of the related space. Administrative and managerial costs that support more than one program activity are allocated among the program activities based on the percentage of each program's total expenses in relation to the total expenses for all programs. All other expenses are directly related to their attributed function.

(20) Availability of Resources

MCW holds cash balances to maintain daily cash requirements. To efficiently manage liquidity and capital, MCW continually determines the necessary amount of cash and cash equivalents to meet operational needs.

MEDICAL COLLEGE OF WISCONSIN, INC.

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

(In thousands)

Financial assets expected to be available for general expenditure within one year of June 30, 2024 and 2023 are as follows:

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 116,203	132,701
Investments, at fair value	2,319,595	2,103,720
Receivables:		
Patient accounts	78,744	75,016
Other accounts, net	110,561	97,604
Contributions, net	<u>46,600</u>	<u>52,698</u>
Financial assets at year end	2,671,703	2,461,739
Less financial assets unavailable for general expenditure within one year due to:		
Restrictions:		
Endowments, net of funds to be appropriated for expenditure within one year	682,609	612,010
Funds functioning as endowments, net of funds to be appropriated for expenditure within one year	859,884	785,659
Restricted cash and investments	21,591	21,112
Pledges receivable, net of amounts to be received within one year	26,613	38,577
Liquidity:		
Unrestricted investments with liquidity horizons greater than one year	<u>120,269</u>	<u>109,635</u>
Financial assets available to meet cash needs for general expenditure within one year	\$ <u>960,737</u>	\$ <u>894,746</u>

MCW intends to spend from its funds functioning as endowments only those amounts appropriated for general expenditure as part of its appropriation process. However, the underlying investments are liquid and could be made available for general expenditure with approval of the Board of Trustees.

(21) Commitments and Contingent Liabilities

Amounts received and expended by MCW under various federal and state programs are subject to audit by governmental agencies. In the opinion of management, audit adjustments, if any, will not have a significant effect in the consolidated financial position of MCW.

MEDICAL COLLEGE OF WISCONSIN, INC.

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

(In thousands)

MCW periodically conducts internal investigations into deviations from approved research protocols reported to its Institutional Review Board. The investigations are conducted pursuant to MCW's Procedures for Addressing Scientific Misconduct and the model Procedures for Responding to Allegations of Scientific Misconduct issued by the United States Office of Research Integrity. The results of investigations, which have identified potential unallowable costs, are reported by MCW to the Food and Drug Administration and the Office of Human Research Protection. Management is unable to assess the outcome of any pending agency reviews, but it is the opinion of management that these matters will not have a material adverse effect in the consolidated financial statements of MCW.

MCW is a party to various other legal and regulatory actions arising in the ordinary course of its operations. While it is not feasible to predict the ultimate outcome of these actions, it is the opinion of management that the resolution of these matters will not have a material adverse effect in the consolidated financial statements of MCW.

(22) Subsequent Events

In connection with the preparation of the consolidated financial statements and in accordance with FASB ASC Topic 855, *Subsequent Events*, MCW evaluated subsequent events after the consolidated statement of financial position date of June 30, 2024 through October 22, 2024, which was the date the consolidated financial statements were issued.

No significant subsequent events were identified other than those previously disclosed.

THE MEDICAL COLLEGE OF WISCONSIN, INC.
Schedule of Expenditures of Federal and State Awards
Year ended June 30, 2024

Federal grantor/pass-through grantor/cluster title	Federal assistance listing number	Pass-through entity identifying number	Passed through to subrecipients	Total federal expenditures
Major federal programs				
Research and Development Cluster (note 3)				
U.S. Department of Defense				
Department of the Air Force	12.DOD	—	\$ —	322,457
Department of the Army	12.DOD	—	—	344,071
Department of the Army	12.420	—	569,319	1,833,676
Department of the Army	12.431	—	—	450,040
Baylor Research Institute	12.RD	41011132301	—	102,751
Beth Israel Deaconess Medical Center	12.RD	1063986	—	43,912
Children's Hospital of Boston	12.RD	Various	—	14,990
Duke University	12.RD	313,000,072	—	65,746
Indiana University	12.RD	9164-MCW P00447088	—	616,398
InnoVital Systems, Inc.	12.RD	Various	—	122,851
Medical Technology Enterprise Consortium	12.RD	2021-532	847,073	1,824,291
Oklahoma University Health Science Center	12.RD	RS20201654-01	—	14,985
Paxauris	12.RD	PAXC012	—	161,347
Southwest Research Institute	12.RD	L99043RI	—	309,647
University of California-San Francisco	12.RD	Various	—	150,347
University of Copenhagen	12.RD	122253-1	—	13,045
University of Illinois-Chicago	12.RD	19512	—	32,387
University of North Carolina at Chapel Hill	12.RD	5119035	—	7,587
University of Pittsburgh	12.RD	Various	—	61,576
Versiti Wisconsin, Inc	12.RD	2002590-MCW	—	53,936
Virginia Polytechnic Institute and State University	12.RD	450982-19844	—	32,117
Total Department of the Army			<u>1,416,392</u>	<u>6,255,399</u>
Department of the Navy				
National Marrow Donor Program	12.RD	Various	—	238,470
Uniformed Services University of the Health Sciences				
Indiana University	12.RD	9545-MCW	—	164,782
Total U.S. Department of Defense			<u>1,416,392</u>	<u>6,981,108</u>
U.S. Department of Justice				
Office of Justice Programs	16.817	—	—	123,682
City of West Allis	16.RD	256-8360-522-30-04	—	91,926
Institute for Intergovernmental Research	16.RD	2020-COAP-0003	—	8,426
Milwaukee County Medical Examiner	16.RD	N/A	—	359,611
City of Milwaukee	16.RD	E0000018830	—	43,203
State of Wisconsin	16.RD	Various	54,783	764,220
West Allis Health Department	16.RD	2018-AR-BX-K106	—	(923)
Total U.S. Department of Justice			<u>54,783</u>	<u>1,390,145</u>
U.S. Department of Transportation				
National Highway Traffic Safety Administration (NHTSA)	20.DOT	—	—	613,714
U.S. Department of the Treasury				
Children's Hospital of Wisconsin	21.RD	N/A	—	253,752
National Aeronautics and Space Administration	43.001	—	141,921	181,427
National Aeronautics and Space Administration	43.003	—	48,106	143,888
Total National Aeronautics and Space Administration			<u>190,027</u>	<u>325,315</u>
National Endowment for the Humanities				
Wesleyan University	45.RD	WESU5011057112-MCW	—	6,271
National Science Foundation				
National Science Foundation	47.049	—	—	155,030
National Science Foundation	47.075	—	—	284,032
National Science Foundation	47.084	—	—	32,377
University of Kansas Medical Center Research Institute Inc.	47.RD	N/A	—	3,500
Total National Science Foundation			<u>—</u>	<u>474,939</u>
U.S. Department of Veterans Affairs				
Wisconsin Corporation for Biomedical Research	64.RD	Various	—	850,236
Zablocki Veterans Affairs Medical Center	64.RD	Various	—	355,649
Total U.S. Department of Veterans Affairs			<u>—</u>	<u>1,533,296</u>
Environmental Protection Agency				
Milwaukee Board of School Directors	66.RD	C030846	—	283,666
Total Environmental Protection Agency			<u>—</u>	<u>61,696</u>
345,362				
U.S. Department of Health and Human Services				
Agency for Healthcare Research and Quality	93.226	—	236,306	653,587
University of Michigan	93.RD	SUBK00017851	—	5,846
University of Wisconsin-Madison	93.RD	Various	—	23,905
Total Agency for Healthcare Research and Quality			<u>236,306</u>	<u>683,338</u>
Centers for Disease Control and Prevention	93.CDC	—	—	152,213
Centers for Disease Control and Prevention	93.080	—	5,166	64,630
Centers for Disease Control and Prevention	93.136	—	45,146	112,673
Children's Hospital of Wisconsin	93.RD	U01DD001239	—	20,787
Eastern Virginia Medical School	93.RD	V221271-15	—	441
Northwestern University	93.RD	60056845 MCW	—	49,362
State of Wisconsin	93.RD	Various	—	138,785
COVID-19 The Task Force for Global Health, Inc.	93.RD	PO 5249	—	(13,314)
University of California-Davis	93.RD	A24-0766-S003	—	19,746
University of Michigan	93.RD	SUBK00020652	—	53,044
Total Centers for Disease Control and Prevention			<u>50,312</u>	<u>598,367</u>
Administration for Community Living				
University of Wisconsin-Milwaukee	93.RD	Various	—	21,697
Food and Drug Administration				
Applied Research Associates, Inc.	93.FDA	—	—	31,281
New York Medical College	93.RD	S-003956-02-MCW 123900	—	(637)
Total Food and Drug Administration			<u>—</u>	<u>2,157</u>
32,801				
Health Resources and Services Administration (HRSA)				
Health Resources and Services Administration (HRSA)	93.HRSA	—	3,914,276	6,893,819
Health Resources and Services Administration (HRSA)	93.110	—	—	(4,627)
Health Resources and Services Administration (HRSA)	93.247	—	—	25,546
Health Resources and Services Administration (HRSA)	93.250	—	—	79,417

THE MEDICAL COLLEGE OF WISCONSIN, INC.
Schedule of Expenditures of Federal and State Awards
Year ended June 30, 2024

Federal grantor/pass-through grantor/cluster title	Federal assistance listing number	Pass-through entity identifying number	Passed through to subrecipients	Total federal expenditures
Ann & Robert H. Lurie Children's Hospital of Chicago	93.RD	A21-0138-S005	\$ —	10,001
Cincinnati Children's Hospital Medical Center	93.RD	Various	—	172,424
Marquette University	93.RD	2375-01-02	—	41,304
Michigan Public Health Institute	93.RD	Various	2,800	6,947
University of Buffalo	93.RD	Various	—	81,123
University of California-San Francisco	93.RD	12650sc	—	35,870
University of Illinois-Chicago	93.RD	19654	—	29,699
Total Health Resources and Services Administration (HRSA)			<u>3,917,076</u>	<u>7,371,523</u>
National Institutes of Health (NIH)	93.NIH	—	—	785,713
National Institutes of Health (NIH)	93.113	—	34,192	155,988
National Institutes of Health (NIH)	93.173	—	631,795	1,468,417
National Institutes of Health (NIH)	93.213	—	100,086	352,888
National Institutes of Health (NIH)	93.233	—	—	43,566
National Institutes of Health (NIH)	93.242	—	369,245	2,839,012
COVID-19 National Institutes of Health (NIH)	93.242	—	94,132	125,640
Total Federal assistance listing number 93.242			<u>463,377</u>	<u>2,964,652</u>
National Institutes of Health (NIH)	93.279	—	452,716	2,935,971
National Institutes of Health (NIH)	93.286	—	—	46,784
National Institutes of Health (NIH)	93.307	—	53,307	687,928
COVID-19 National Institutes of Health (NIH)	93.307	—	13,557	473,428
Total Federal assistance listing number 93.307			<u>66,864</u>	<u>1,161,356</u>
National Institutes of Health (NIH)	93.310	—	198,046	822,910
COVID-19 National Institutes of Health (NIH)	93.310	—	49,283	148,571
Total Federal assistance listing number 93.310			<u>247,329</u>	<u>971,481</u>
National Institutes of Health (NIH)	93.350	—	461,854	4,865,437
National Institutes of Health (NIH)	93.351	—	—	1,561,494
National Institutes of Health (NIH)	93.353	—	(7,327)	14,450
National Institutes of Health (NIH)	93.361	—	160,405	909,739
National Institutes of Health (NIH)	93.393	—	344,305	1,720,171
National Institutes of Health (NIH)	93.394	—	345,017	2,701,844
National Institutes of Health (NIH)	93.395	—	3,681,707	8,855,147
National Institutes of Health (NIH)	93.396	—	365,847	4,007,808
National Institutes of Health (NIH)	93.398	—	3,325	915,893
National Institutes of Health (NIH)	93.837	—	1,173,132	16,851,361
National Institutes of Health (NIH)	93.838	—	61,761	2,105,055
National Institutes of Health (NIH)	93.839	—	11,863,520	18,572,516
National Institutes of Health (NIH)	93.847	—	880,886	8,795,273
National Institutes of Health (NIH)	93.853	—	497,323	5,870,547
National Institutes of Health (NIH)	93.855	—	1,361,026	5,444,931
COVID-19 National Institutes of Health (NIH)	93.855	—	—	22,881
Total Federal assistance listing number 93.855			<u>1,361,026</u>	<u>5,467,812</u>
National Institutes of Health (NIH)	93.859	—	360,825	6,611,562
National Institutes of Health (NIH)	93.865	—	386,585	3,048,538
National Institutes of Health (NIH)	93.866	—	1,818,308	3,975,695
COVID-19 National Institutes of Health (NIH)	93.866	—	—	235,073
Total Federal assistance listing number 93.866			<u>1,818,308</u>	<u>4,210,768</u>
National Institutes of Health (NIH)	93.867	—	1,060,858	5,043,041
Albany Research Institute, Inc.	93.RD	92.6.03	—	288
Alliance for Clinical Trials in Oncology Foundation	93.RD	N/A	—	2,004
Alliance NCTN Foundation	93.RD	Various	—	10,050
American University of Beirut	93.RD	R21TW011453MCW2	—	17,762
Applied Physics Systems	93.RD	R44HK160257-2	—	44,781
Arizona State University	93.RD	ASU800001078	—	1,200
Arkansas Children's Hospital Research Institute	93.RD	034146-013	—	10,956
Baylor College Of Medicine	93.RD	P700000260	—	46,113
Beckman Research Institute of the City of Hope	93.RD	Various	—	6,962
Beth Israel Deaconess Medical Center	93.RD	GRT66177	—	100,887
Board of Regents of the University of Oklahoma	93.RD	RS20182223-01	—	(41,951)
Brio Device, LLC	93.RD	Brio09052019(01)	—	(1,916)
California Institute of Technology	93.RD	S455213	—	341,341
Cedars-Sinai Medical Center	93.RD	2265505	—	37,179
Children's Hospital of Boston	93.RD	Various	—	11,221
Children's Hospital of Philadelphia	93.RD	Various	—	29,086
Children's Mercy Hospitals and Clinics	93.RD	Various	—	5,950
Childrens Hospital Los Angeles	93.RD	Various	—	17,167
Cincinnati Children's Hospital Medical Center	93.RD	Various	—	73,757
Cleveland Clinic Lerner College of Medicine of CWRU	93.RD	Various	—	(1,622)
CNMC-Children's Research Institute	93.RD	30004942-07	—	2,619
Columbia University	93.RD	Various	—	380,216
Connecticut Children's Medical Center	93.RD	23-181084-11 (CAMEO)	—	1,627
Dignity Health dab St. Joseph's Hospital and Medical Center	93.RD	Various	—	729
Duke University	93.RD	Various	—	373,917
ECOG-ACRIN	93.RD	U10CA180820-06-MCW1C	—	9,236
Emmes Corporation	93.RD	N/A	—	11,554
Emory University	93.RD	N/A	—	81,755
Fred Hutchinson Cancer Research Center	93.RD	Various	—	5,067
Georgetown University	93.RD	424743_GR424741-MCW-P-2	—	6,722
Great Lakes Inter-Tribal Council, Inc	93.RD	N/A	—	122,705
H Lee Moffitt Cancer Center & Research	93.RD	10-20664-99-01-G1	—	1,656
Hospital for Special Surgery	93.RD	E8VWJXMMJQ67	—	19,580
Houston Methodist Research Institute	93.RD	Various	—	457,087
iFIT Prosthetics, LLC	93.RD	N/A	—	53,691
Indiana University	93.RD	Various	—	111,449
Innovation Pathways	93.RD	Various	—	78,023
Institute For Clinical Research, Inc	93.RD	M54-WI-052-1101-3	—	11,555
Jaeb Center for Health Research Inc	93.RD	N/A	—	2,661
Johns Hopkins University	93.RD	Various	—	46,810
Kansas University Medical Center Research Institute, Inc.	93.RD	N/A	—	25
Loyola University Medical Center	93.RD	213711-MCW	—	39,071
Marquette University	93.RD	Various	—	715,483
Marshfield Clinic Research Foundation	93.RD	Various	—	2,715,984
Massachusetts General Hospital	93.RD	Various	—	(1,621)
Mayo Foundation	93.RD	MCW-278621	—	(2,303)
Medical University of South Carolina	93.RD	Various	—	119,841
Mount Sinai School of Medicine	93.RD	0255-1841-4609	—	25,952

THE MEDICAL COLLEGE OF WISCONSIN, INC.
Schedule of Expenditures of Federal and State Awards
Year ended June 30, 2024

Federal grantor/pass-through grantor/cluster title	Federal assistance listing number	Pass-through entity identifying number	Passed through to subrecipients	Total federal expenditures
Myelo Therapeutics GmbH	93.RD	Various	\$ —	100,546
National Marrow Donor Program	93.RD	Various	—	163,594
Nationwide Children's Hospital	93.RD	Various	—	47,367
Nelson Scientific Laboratories, LLC	93.RD	NSL-SUB-003	—	139,777
New England Research Institutes, Inc.	93.RD	Various	—	130,455
New York University School of Medicine	93.RD	21-A2-00-10046666	—	1,560
Northwestern University	93.RD	Various	—	142,613
COVID-19 Northwestern University	93.RD	N/A	—	11,092
Total Northwestern University			—	153,705
NRG Oncology Foundation, Inc.	93.RD	Various	17,434	44,285
Oregon Health & Science University	93.RD	RFA-CA-17-056; 1013080_MCW	—	70,644
COVID-19 PPD Development, LP	93.RD	ACTIV-2/A5401	—	92,000
Public Health Institute	93.RD	Various	—	233,917
RAND Corporation	93.RD	SCON-00000512	—	58,003
ReNeurogen LLC	93.RD	N/A	—	154,567
RTI International	93.RD	2-312-0216392-66485L	—	2,854
Rush University Medical Center	93.RD	20051903-Sub01	—	17,222
Rutgers, The State University	93.RD	Various	—	46,873
San Diego State University Research Foundation	93.RD	D10028-02 SA1067 A0 5B246A7802	—	15,846
SRI International	93.RD	Various	—	247,863
Stanford University	93.RD	N/A	—	26,116
The Morgridge Institute for Research	93.RD	MIRC-002548	—	42,445
The Nemours Foundation	93.RD	PO0122678	—	108,947
The Ohio State University	93.RD	Various	—	109,117
The Research Institute at Nationwide Children's Hospital	93.RD	700338-0824-00	—	8,349
Thomas Jefferson University	93.RD	080-05001-S33301	—	45,062
University of Alabama at Birmingham	93.RD	Various	—	305,212
University of Arizona	93.RD	Various	—	952,262
University of Arkansas for Medical Sciences	93.RD	Various	—	128,273
University of California-Los Angeles	93.RD	Various	—	497,585
University of California-San Diego	93.RD	704372	—	182,326
University of California-San Francisco	93.RD	Various	—	461,868
University of Chicago	93.RD	Various	—	131,223
University of Cincinnati	93.RD	Various	—	14,150
University of Colorado at Denver	93.RD	Various	—	78,501
University of Connecticut	93.RD	183,799,851	—	23,641
University of Florida	93.RD	Various	—	278,947
University of Houston	93.RD	R-22-0105	—	2,962
University of Illinois	93.RD	19122	—	17,853
University of Iowa	93.RD	Various	—	42,072
University of Maryland	93.RD	20882 PO # 1000013803	—	57,014
University of Michigan	93.RD	Various	—	49,015
University of Minnesota	93.RD	N008401301	—	14,788
COVID-19 University of Minnesota	93.RD	P010515103	—	173,565
Total University of Minnesota			—	188,353
University of Missouri	93.RD	Various	—	41,146
University of North Carolina at Chapel Hill	93.RD	Various	—	357,901
University of Pennsylvania	93.RD	579917	—	692
COVID-19 University of Pennsylvania	93.RD	587633	—	73,501
Total University of Pennsylvania			—	74,193
University of Pittsburgh	93.RD	Various	—	77,878
University of Rochester	93.RD	Various	—	229,541
University of South Florida	93.RD	Various	—	8,978
University of Texas M.D. Anderson Cancer Center	93.RD	Various	—	318,878
University of Utah	93.RD	Various	—	96,529
University of Virginia	93.RD	GR102373.SUB00000836	—	43,507
University of Washington	93.RD	Various	—	169,387
University of Wisconsin-Madison	93.RD	Various	—	376,274
COVID-19 University of Wisconsin-Madison	93.RD	0000002626	—	5,229
Total University of Wisconsin-Madison			—	381,503
University of Wisconsin-Milwaukee	93.RD	Various	—	583,158
Vanderbilt University Medical Center	93.RD	Various	—	398,589
Versiti Wisconsin, Inc.	93.RD	Various	—	557,418
Virginia Polytechnic Institute and State University	93.RD	Various	—	158,969
Wake Forest University	93.RD	2053-33664-11000000253	—	214
Washington University in St Louis	93.RD	Various	—	58,577
Wayne State University	93.RD	Various	—	397,150
COVID-19 Weill Medical College of Cornell University	93.RD	230557-12	—	107,130
XLock Biosciences, LLC	93.RD	23-MCW081754	—	82,265
Yale University	93.RD	Various	—	15,895
Total National Institutes of Health			26,833,150	128,748,855
Substance Abuse and Mental Health Services Administration				284,233
Mental Health America of Wisconsin	93.RD	083123-MCW	—	82,059
Northeastern Wisconsin Area Health Education Center	93.RD	H79SP082346	—	28,667
State of Wisconsin	93.RD	Various	—	104,452
University of Michigan	93.RD	Various	—	2,688
WellPoint Foundation	93.RD	N/A	—	66,367
Total Substance Abuse and Mental Health Services Administration			—	284,233
Office of Assistant Secretary for Health	93.137	—	4,789	127,671
Immediate Office of the Secretary	93.078	—	—	112,357
Janssen Research & Development, LLC	93.RD	C2019003234	—	(6,214)
MRIGlobal	93.RD	MRII-2016-002/003	—	24,903
University Hospitals Medical Group, Inc.	93.RD	N/A	—	111,809
Total Immediate Office of the Secretary			—	242,855
Total U.S. Department of Health and Human Services			31,041,633	138,111,340
Total Research and Development Cluster			32,702,835	150,035,242
U.S. Department of the Treasury				
State of Wisconsin	21.027	Various	3,172,644	6,283,189
City of Milwaukee	21.027	Various	—	181,749

THE MEDICAL COLLEGE OF WISCONSIN, INC.
Schedule of Expenditures of Federal and State Awards
Year ended June 30, 2024

Federal grantor/pass-through grantor/cluster title	Federal assistance listing number	Pass-through entity identifying number	Passed through to subrecipients	Total federal expenditures
Total U.S. Department of the Treasury			\$ 3,172,644	6,464,938
Total major federal programs			<u>35,875,479</u>	<u>156,500,180</u>
Nonmajor federal programs				
Student Financial Assistance Cluster (notes 4 and 6)				
U.S. Department of Education				
Federal Perkins Loan Program	84.038	—	—	801,391
Federal Direct Loan Program	84.268	—	—	<u>62,248,869</u>
Total U.S. Department of Education			—	63,050,260
U.S. Department of Health and Human Services				
Health Professions Student Loans	93.342	—	1,240,261	1,240,261
Primary Care Loans	93.342	—	—	<u>7,343,876</u>
Total U.S. Department of Health and Human Services			—	<u>8,584,137</u>
Total Student Financial Assistance Cluster			—	<u>71,634,397</u>
U.S. Department of Transportation				
National Highway Traffic Safety Administration (NHTSA)	20.DOT	—	—	7,576
National Science Foundation				
University of Wisconsin-Milwaukee	47.041	213405494	—	1,000
U.S. Department of Veterans Affairs				
Veterans Outreach of Wisconsin	64.055	N/A	—	328,690
U.S. Department of Health and Human Services				
Centers for Disease Control and Prevention	93.080	—	—	239,963
Southeast Wisconsin Healthcare Emergency Readiness Coalition, Inc.	93.074	N/A	—	(2,914)
State of Wisconsin	93.136	Various	—	100,659
State of Wisconsin	93.426	Various	—	7,792
State of Wisconsin	93.977	Various	—	<u>59,578</u>
Total Centers for Disease Control and Prevention			—	<u>405,078</u>
Administration for Children and Families				
State of Wisconsin	93.092	159354	—	87,844
State of Wisconsin	93.566	Various	—	<u>180,785</u>
Total Administration for Children and Families			—	<u>268,629</u>
Health Resources and Services Administration (HRSA)	93.153	—	348,063	1,001,542
Health Resources and Services Administration (HRSA)	93.516	—	—	445,917
State of Wisconsin	93.110	152018	179,993	229,556
Milwaukee Health Services, Inc.	93.530	N/A	—	454,869
State of Wisconsin	93.917	Various	254,774	2,037,629
Marquette University	93.969	15-285-003-7	—	(403)
Total Health Resources and Services Administration (HRSA)			<u>782,830</u>	<u>4,169,110</u>
Centers for Medicare and Medicaid Services				
State of Wisconsin	93.778	435400-G22-GMERES-02	—	147,706
Substance Abuse And Mental Health Services Administration				
State of Wisconsin	93.788	533206	27,915	163,035
State of Wisconsin	93.959	533167	—	<u>416,566</u>
Total Substance Abuse And Mental Health Services Administration			<u>27,915</u>	<u>579,601</u>
Immediate Office of the Secretary				
State of Wisconsin	93.889	Various	—	84,979
Southeast Wisconsin Healthcare Emergency Readiness Coalition, Inc.	93.889	N/A	—	<u>40,783</u>
Total Immediate Office of the Secretary			—	<u>125,762</u>
Total U.S. Department of Health and Human Services			<u>810,745</u>	<u>5,695,886</u>
Total nonmajor federal programs			<u>810,745</u>	<u>77,687,549</u>
Total expenditures of federal awards			<u>36,686,224</u>	<u>234,167,729</u>
Major state programs				
Wisconsin Department of Health Services				
Division of Public Health		435.128010	—	342,352
Division of Public Health		435.128012	—	<u>283,267</u>
Total major state expenditures			—	<u>625,619</u>
Nonmajor state programs				
Wisconsin Department of Health Services				
Division of Public Health		435.155201	—	1,694,975
Division of Public Health		435.151306	—	34,208
Division of Public Health		435.155202	—	20
Division of Public Health		435.155950	—	(3)
Division of Public Health		435.155958	—	14,736
University of Wisconsin-Madison		0000003346	—	16,889
University of Wisconsin-Madison		0000002533	—	104,476
University of Wisconsin-Madison		MSN0225198	—	7,987
Wisconsin Department of Justice		N/A	—	1,279
Wisconsin Department of Corrections		N/A	—	<u>92,209</u>
Total nonmajor state expenditures			—	<u>1,966,778</u>
Total expenditures of state awards			—	<u>2,592,397</u>
Total expenditures of federal awards and state expenditures			<u>\$ 36,686,224</u>	<u>236,760,126</u>

See accompanying independent auditors' report and notes to schedule of expenditures of federal and state awards.

THE MEDICAL COLLEGE OF WISCONSIN, INC.

Notes to Schedule of Expenditures of Federal and State Awards

Year ended June 30, 2024

(1) Basis of Presentation

The schedule of expenditures of federal and state awards (the Schedule) includes the federal and state award activity of The Medical College of Wisconsin, Inc. (MCW) under programs of the federal and state governments for the year ended June 30, 2024 and should be read in conjunction with MCW's consolidated financial statements. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the *State Single Audit Guidelines for Wisconsin*.

Federal and state expenditures are expenditures from all grants, contracts, and similar sponsored agreements entered into directly between MCW and agencies and departments of federal and state government and all sponsored awards to MCW by nonfederal and nonstate agencies pursuant to federal and state grants, contracts, and similar sponsored agreements. The Schedule summarizes expenditures by the following:

- Major and nonmajor federal programs and state expenditures
- Primary federal and state funding agency
- Direct award agreements between MCW and federal granting agencies
- Pass-through federal award agreements between MCW and nonfederal granting agencies
- Direct award agreements between MCW and state granting agencies
- Pass-through state award agreements between MCW and nonstate granting agencies

(a) Federal Major Program Determination

Under Uniform Guidance, tests of compliance with laws and regulations related to specific program requirements are required for each federal award program that is considered a major program for MCW.

Awards to provide financial assistance for research and development activities are combined and considered to be a single program (Research and Development cluster) for major program determination. Also, awards to provide financial assistance to students and loans made during the year under federal government loan programs are combined and considered to be a single program (Student Financial Assistance cluster).

(b) Federal Award Expenditures

Expenditures consist of direct costs and facilities and administrative costs. Direct costs are those that can be easily identified with an individual federally sponsored award. The salary of a principal investigator of a sponsored research award and the materials consumed by the award are examples of direct costs.

Unlike direct costs, facilities and administrative costs cannot be easily identified with an individual sponsored award. Facilities and administrative costs are the costs of services and resources that benefit many sponsored awards as well as non-sponsored awards and activities. Expenditures incurred for administration, library, building maintenance, and building and equipment depreciation are examples of facilities and administrative costs.

THE MEDICAL COLLEGE OF WISCONSIN, INC.

Notes to Schedule of Expenditures of Federal and State Awards

Year ended June 30, 2024

MCW and federal agencies use a facilities and administrative cost rate to charge facilities and administrative costs to individual sponsored awards. The rate is the result of a number of complex cost allocation procedures that MCW uses to allocate its facilities and administrative costs to both sponsored and non-sponsored activities. The costs allocated to sponsored awards are divided by the direct costs of sponsored awards to arrive at a rate. The U.S. Department of Health and Human Services (DHHS) must approve the rate before MCW can use it to charge facilities and administrative costs to federally sponsored awards. MCW has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

During the year ended June 30, 2024, MCW charged facilities and administrative costs of \$38,270,971 based on predetermined rates approved by DHHS.

(2) Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and State Single Audit Guidelines for Wisconsin, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

(3) Research and Development Program Cluster

Research and development programs include those awards that are for basic and applied research and development activities, including all awards issued by the National Institutes of Health. The Uniform Guidance defines research and development as follows: research is the systematic study directed toward fuller scientific knowledge or understanding of the subject studied; development is the systematic use of knowledge and understanding gained from research directed toward the production of useful materials, devices, systems, or methods, including design and development of prototypes and processes.

(4) Student Financial Assistance Program Cluster

MCW receives awards to make loans to eligible students under certain federal student loan programs, and federally guaranteed loans are issued to the students of MCW through the Department of Education's Direct Loan Program. These loans are considered for purposes of determining whether student financial assistance is a major program under Uniform Guidance; Perkins, Primary Care, and Health Professions Student Loans outstanding at the beginning of the year, loans made during the year, and administrative charges are included in the federal expenditures presented in the Schedule, in addition to Direct Loan Program disbursements. The student financial assistance category does not include programs that provide fellowships or similar awards to students on a competitive basis. Those programs are classified either as research and development or as nonmajor programs.

(5) Federal Government Student Loan Programs

The Perkins, Primary Care, and Health Professions Student Loan Programs are administered directly by MCW, and balances and transactions relating to these programs are included in MCW's consolidated financial statements.

Loans outstanding at the beginning of the year, loans made during the year, and administrative charges are included in the federal expenditures presented in the Schedule. The balance of loans outstanding under the

THE MEDICAL COLLEGE OF WISCONSIN, INC.

Notes to Schedule of Expenditures of Federal and State Awards

Year ended June 30, 2024

Perkins, Primary Care, and Health Professions Student Loan Programs was \$536,423, \$6,712,506, and \$958,566 respectively, at June 30, 2024.

MCW is responsible only for the performance of certain administrative duties with respect to the federally guaranteed Direct Loan Program, and accordingly, these loans are not included in its consolidated financial statements. It is not practical to determine the balance of loans outstanding to students and former students of MCW under these programs at June 30, 2024.

(6) State of Wisconsin Appropriations and Department of Medicaid Services

MCW receives an annual appropriation from the State of Wisconsin to support the training of health professionals in family medicine and practice. The appropriation was \$5,414,820 for the year ended June 30, 2024. MCW receives an annual appropriation from the State of Wisconsin for a residency program to support the recruitment and training of psychiatry and behavioral health residents. MCW expended \$1,779,546 of the psychiatry and behavioral health residency program appropriations for the year ended June 30, 2024. MCW receives an annual appropriation from the State of Wisconsin based on a per capita formula for an amount for each Wisconsin resident enrolled at MCW who is paying full tuition. The appropriation was \$1,926,600 for the year ended June 30, 2024. MCW also receives annual appropriations from the State of Wisconsin to support breast and prostate cancer research. MCW expended \$127,091 of the cancer research appropriations during the year ended June 30, 2024. These appropriations and the related expenditures have been excluded from the scope of this audit. The State of Wisconsin statutes mandate that the Legislative Audit Bureau perform an annual audit on the family medicine and practice funds and that the Higher Education Advisory Board review the request for the tuition capitation funds each semester, prior to the release of the funds. MCW must annually report to the legislature and to the governor on the cancer research programs it has conducted. These actions thereby satisfy the state audit requirement.

MCW receives funds from the State of Wisconsin Division of Medicaid Services (Division) to support the general surgery resident training program and the central Wisconsin psychiatry resident training program. The funding was \$46,548 and \$1,190, respectively, for the year ended June 30, 2024. The Division also supports a child and adolescent psychiatry fellowship program. The funding was \$4,815 for the year ended June 30, 2024. This funding and the related expenditures have been excluded from the scope of this audit. MCW must annually report to the Division a full accounting of all funds received and expenditures. These actions thereby satisfy the state requirement.

THE MEDICAL COLLEGE OF WISCONSIN, INC.

Notes to Schedule of Expenditures of Federal and State Awards

Year ended June 30, 2024

(7) Settlement of State of Wisconsin Department of Health Services Cost Reimbursement Awards

MCW's settlement of State of Wisconsin Department of Health Services (DHS) cost reimbursement awards presented in the Schedule for the year ended June 30, 2024 is summarized as follows:

DHS identification number (GEARS profile)	GEARS profile name	Award amount	Award period	Expenditures reported to DHS for payment	Total program expenses	Total management and general expense allocated to program	Total allowable costs
128010	Congenital Disorders	\$ 320,918	7/1/22-6/30/23	\$ 320,918	91,050	1,456	92,506
128010	Congenital Disorders	320,918	7/1/23-6/30/24	320,917	230,298	19,548	249,846
128012	Congenital Disorders 2	330,229	7/1/22-6/30/23	329,770	66,957	1,768	68,725
128012	Congenital Disorders 2	330,229	7/1/23-6/30/24	330,229	206,493	8,050	214,543
150426	1815 Diabetes	22,507	7/1/22-6/30/23	20,145	3,081	801	3,882
150427	1815 Heart Disease Prevention	22,506	7/1/22-6/30/23	20,145	3,103	807	3,910
151306	Community Health Centers Clinics	75,000	7/1/23-6/30/24	56,863	29,746	4,462	34,208
152018	Pediatric Mental Health Care Access	355,000	10/1/22-9/30/23	346,577	219,329	10,227	229,556
155201	Child Psychiatry Consultation Program GPR	2,000,000	7/1/22-6/30/23	1,791,597	9,865	—	9,865
155201	Child Psychiatry Consultation Program GPR	2,000,000	7/1/23-6/30/24	1,818,870	1,539,423	145,687	1,685,110
155202	School Based Mental Health GPR	175,000	7/1/22-6/30/23	137,252	20	—	20
155915	HIV Home/Community Care (Ryan White)	1,550,862	4/1/21-3/31/22	1,549,997	14,976	1,497	16,473
155915	HIV Home/Community Care (Ryan White)	1,685,512	4/1/22-3/31/23	1,674,374	(1)	—	(1)
155950	HIV Care Services	10,000	4/1/22-3/31/23	4,775	(3)	—	(3)
155958	HIV Prevention Targeted	155,000	1/1/21-12/31/21	154,922	(2,972)	(297)	(3,269)
155958	HIV Prevention Targeted	210,000	1/1/22-12/31/22	183,377	1	—	1
155958	HIV Prevention Targeted	78,785	1/1/22-12/31/23	78,785	16,833	1,683	18,516
155958	HIV Prevention Targeted	45,958	1/1/24-7/31/24	—	17,926	1,792	19,718
159354	Personal Responsibility Educational Program-PREP	90,000	10/1/22-9/30/23	86,582	21,699	2,170	23,869
159354	Personal Responsibility Educational Program-PREP	90,000	10/1/23-9/30/24	63,975	58,159	5,816	63,975
531284	Opioid Treatment Program Expansion SOR 2	415,923	10/1/21-9/30/22	332,975	3,081	1,356	4,437
533167	Substance Abuse Prevention and Treatment Block Grant Prevention Projs	437,491	10/1/22-9/30/23	437,491	116,766	50,209	166,975
533167	Substance Abuse Prevention and Treatment Block Grant Prevention Projs	348,026	10/1/23-9/30/24	249,591	174,539	75,052	249,591
533206	Low Threshold Medications for Opioid Use Disorder SOR3	216,172	10/1/22-9/30/23	122,449	97,182	25,267	122,449
533206	Low Threshold Medications for Opioid Use Disorder SOR3	216,172	10/1/23-9/30/24	40,586	36,754	3,832	40,586
				<u>\$ 10,473,162</u>	<u>2,954,305</u>	<u>361,183</u>	<u>3,315,488</u>



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Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

The Board of Trustees
The Medical College of Wisconsin, Inc.:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of The Medical College of Wisconsin, Inc. (MCW), which comprise MCW's consolidated statement of financial position as of June 30, 2024, and the related consolidated statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated October 22, 2024.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether MCW's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



Purpose of This Report

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

KPMG LLP

Milwaukee, Wisconsin
October 22, 2024



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Independent Auditors' Report on Compliance for Each Major Federal and State Program; Report on Internal Control Over Compliance

The Board of Trustees
Medical College of Wisconsin, Inc.:

Report on Compliance for Each Major Federal and State Program

Opinion on Each Major Federal and State Program

We have audited The Medical College of Wisconsin, Inc.'s (MCW) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* and the State Single Audit Guidelines for Wisconsin that could have a direct and material effect on each of MCW's major federal and state programs, respectively, for the year ended June 30, 2024. MCW's major federal and state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, MCW complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended June 30, 2024.

Basis for Opinion on Each Major Federal and State Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and State Single Audit Guidelines for Wisconsin. Our responsibilities under those standards, the Uniform Guidance, and State Single Audit Guidelines for Wisconsin are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of MCW and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal and state program. Our audit does not provide a legal determination of MCW's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to MCW's federal and state programs.



Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on MCW's compliance based on our audit. 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, *Government Auditing Standards*, the Uniform Guidance, and the State Single Audit Guidelines for Wisconsin will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about MCW's compliance with the requirements of each major federal and state program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance, and the State Single Audit Guidelines for Wisconsin we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 MCW's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of MCW's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance and the State Single Audit Guidelines for Wisconsin, but not for the purpose of expressing an opinion on the effectiveness of MCW's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal and state program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal and state program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal and state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.



Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and the State Single Audit Guidelines for Wisconsin. Accordingly, this report is not suitable for any other purpose.

KPMG LLP

Milwaukee, Wisconsin
October 22, 2024

THE MEDICAL COLLEGE OF WISCONSIN, INC.

Schedule of Findings and Questioned Costs

Year ended June 30, 2024

(1) Schedule of Findings and Questioned Costs

Financial Statements

- A. Type of report issued on whether the consolidated financial statements were prepared in accordance with generally accepted accounting principles: **Unmodified**
- B. Internal control deficiencies over financial reporting disclosed by the audit of the consolidated financial statements:
- Material weaknesses: **No**
 - Significant deficiencies: **No**
- C. Noncompliance material to the consolidated financial statements: **No**

Federal and State Awards

- D. Internal control deficiencies over major programs disclosed by the audit:
- Material weaknesses: **No**
 - Significant deficiencies: **No**
- E. Type of report issued on compliance for major programs: **Unmodified**
- F. Any audit findings that are required to be reported in accordance with 2 CFR 200.516(a): **No**
- G. Major federal programs:
- Program names:**
Research and Development Cluster – Various AL Numbers
Coronavirus State and Local Fiscal Recovery Funds – AL 21.027
- H. Major state programs:
- Program names:**
Division of Public Health – Congenital Disorder/Newborn Screening Program – State ID Number 435.128010
Division of Public Health – Congenital Disorder/Newborn Screening Program – State ID Number 435.128012
- I. Dollar threshold used to distinguish between Type A and Type B programs: *Federal Awards* – **\$3,000,000**; *State Awards* – **\$250,000**
- J. Auditee qualified as low risk auditee: Federal: **Yes**; State: **Yes**

THE MEDICAL COLLEGE OF WISCONSIN, INC.

Schedule of Findings and Questioned Costs

Year ended June 30, 2024

(2) Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards*

None

(3) Findings and Questioned Costs Relating to Federal Awards

None

(4) Findings and Questioned Costs Relating to State Awards

None

(5) Other Issues

- A. Does the auditors' report or notes to the financial statements include disclosure with regard to substantial doubt as to the auditees' ability to continue as a going concern? **No**
- B. Does the audit report show audit issues (i.e., material noncompliance, nonmaterial noncompliance, questioned costs, material weakness, significant deficiencies, management letter comment, excess revenue, or excess reserve) related to grants/contract with funding agencies that require audits to be in accordance with the *State Single Audit Guidelines*: **No**
- C. Was a management letter or other document conveying audit comments issued as a result of this audit? **No**
- D. Date of Report: October 22, 2024