2023
ANNUAL FINANCIAL REPORT

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Universities of Wisconsin
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Editor: Rod Dole

Cover Photo: University of Wisconsin-Superior students walk past the Yellowjacket Union. The 84,600-square-foot student center, built in 2010 and featuring a 17,000-square-foot vegetated roof, was awarded the following: the U.S. Green Building Council LEED Silver rating; the Associated General Contractors of Wisconsin 2011 Build Wisconsin Award; the State of Wisconsin Excellence in Architectural Design 2010; the State of Wisconsin Excellence in Sustainable Design 2009; and the Daily Reporter Top Project Award 2010.

More than just classrooms, labs and award-winning buildings, UW-Superior has stood as a landmark in the City of Superior since 1893, impacting countless lives and careers along the way. UW-Superior fosters intellectual growth and career preparation that emphasizes individual attention and embodies respect for diverse cultures and multiple voices.

UW-Superior enrolls approximately 2,700 students, including nearly 500 graduate students. Its size and 13:1 student-instructor ratio give faculty members time to engage, challenge, and mentor students. Students apply academic knowledge to projects that meet real community needs in the Academic Service-Learning program, logging 26,000 community-service hours in 2022-23.

Researchers at four institutes study Lake Superior's ecosystem and work to improve the transport and shipping industries in sustainable ways. UW-Superior's graduates are regional and national leaders in government, education, business, the arts and the professions.

Photo Credit: UW-Superior

Universities of Wisconsin

2023 Annual Financial Report

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Years Ended June 30, 2023 and 2022

INTRODUCTION FROM THE VICE PRESIDENT FOR FINANCE AND ADMINISTRATION

INTRODUCTION FROM THE VICE PRESIDENT FOR FINANCE AND ADMINISTRATION

FINANCIAL REPORT 2023

We are pleased to submit the Universities of Wisconsin's (UW) 2023 Annual Financial Report, which includes accrual-based statements for fiscal years 2023 and 2022. This report has received an unmodified (clean) audit opinion from the state's Legislative Audit Bureau.

Some of the UW's accomplishments in 2023 include:

- Enrolling nearly 161,000 students across our 13 four-year universities with campuses across the state, including students from every county in Wisconsin, every state in the nation and 145 other countries;
- Awarding nearly 37,000 degrees;
- Limiting the average increase in the cost of attendance (tuition, room and board, segregated fees) for Wisconsin resident undergraduate students at the four-year campuses to 1.7% over the prior year, including the tenth year of a resident undergraduate tuition freeze;
- Advancing groundbreaking research with more than $1.4 billion of sponsored research activity annually across our 13 universities.

In December of 2022, after months of engagement with myriad campus constituencies, the Board of Regents approved President Jay Rothman's 2023-2028 Strategic Plan. The plan is focused on four key strategies:

1. Enhancing the student experience and social mobility;
2. Fostering civic engagement and serving the public good;
3. Creating and disseminating knowledge that contributes to innovation and a better understanding of the human condition; and,
4. Advancing economic prosperity.

In support of those objectives, the strategic plan details nine core strategies including one to ensure our universities are financially and environmentally sustainable so they are positioned to fulfill their strategic missions. Since we believe the old adage "What is not measured cannot be improved," it is important to quantify our success to achieve this strategy. Specifically, each UW university has established goals of eliminating its structural deficit, if one exists, by fiscal year 2027-28 and maintaining a composite financial index (CFI) of 1.1 or greater as a general marker of financial health. The Universities of Wisconsin will also increase returns on current resources through prudent management and commonly accepted investment practices.

Annual Financial Report Highlights

Since 2020, higher education finances nationwide have been significantly impacted by the coronavirus (COVID) pandemic. Though the effects of COVID have subsided, fiscal year 2023 was again characterized by profound financial changes. We have faced volatility in the capital markets, rising inflation, and rising interest rates. Each UW university is unique in its mission, student body, and financial condition, but in facing these challenges, the overall net position of the Universities of Wisconsin decreased $58.5 million in fiscal year 2023.

Revenues within the Universities of Wisconsin—both operating and non-operating—increased by $384.7 million, or 6.7%, in fiscal year 2023. However, expenses increased at a greater rate of 16.4%. The Statement of Revenues, Expenses, and Changes in Net Position reflects this activity.

Operating revenues increased $345.7 million, with the primary increases in student tuition and fees, federal grants and contracts, sales and services of auxiliaries, and sales and services of educational activities. Since resident tuition was frozen for the tenth consecutive year, the increase in tuition and fees is attributable to increases in non-resident undergraduate, graduate, and professional school tuition and additional non-resident students. Non-operating revenues increased $39.0 million between fiscal year 2022 and 2023 primarily due to additional gifts, investment income, and state appropriations.

The increases in these revenue sources help offset the significant reduction in COVID-related federal grants and aid funding. UW universities were awarded $666.9 million in such federal grants and aid through fiscal year 2023. We recognized $26.3 million as non-operating COVID-related revenue in fiscal year 2023, after reporting $288.8 million in fiscal year 2022 alone and $312.8 million in earlier years. These funds were crucial in addressing financial needs created by the public health emergency, such as lost revenues from university operations and emergency student grants, but they have largely been exhausted. UW universities cannot rely on these funds going forward.

UW expenses increased by $899.3 million in fiscal year 2023. Salaries and fringe benefits were the largest contributor to this growth, increasing by $687.5 million. However, of this amount, $444.2 million relates to non-cash adjustments for the University's pension and other postemployment benefit programs. Supplies and services expenses also increased $248.8 million, with significant increases in travel expenses as the UW universities return to more regular operations after the pandemic and increases in consultants as the Universities of Wisconsin undertake several large projects, such as the Administrative Transformation Program (ATP).

Other highlights within the UW's 2023 Annual Financial Report include the following:

- Cash and Cash Equivalents decreased by $346.7 million. The reduction is partly due to transfers that increased UW's Intermediate Term Cash Management Fund by $172.5 million at fiscal year end 2023, which is reported as investments and accounts for the increase in Investments on the Statement of Net Position.

- The Wisconsin Retirement System (WRS), which is managed by the state's Department of Employee Trust Funds (ETF), was negatively impacted by instability in the global financial markets. The WRS reported a Net Pension Liability in 2022-23, with the UW's share of that liability being $709.7 million. This is a significant swing from our Restricted Net Pension Asset of nearly $1.1 billion in 2021-22. The effect of this swing from an asset to a liability on the UW's Restricted and Unrestricted Net Position is summarized on page 20.

- Current and noncurrent Notes and Bonds Payable decreased by $56.2 million in fiscal year 2023. These payable obligations are managed by the state's Department of Administration, which undertook several refunding initiatives in fiscal year 2023.

- Capital Assets increased $157.9 million in fiscal year 2023, to $6.0 billion. This increase is the result of several large construction projects that were in progress or completed during the year. These projects are often funded with a combination of general fund and program revenue supported borrowing, cash, and gift funds. Note 4 provides examples of these capital projects.

- Effective for fiscal year 2023, the UW adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, (GASB 96) which establishes accounting and financial reporting standards for subscription-based information technology arrangements (SBITAs) by a government end user. The UW recognized subscription assets and related liabilities at the present value of subscription payments expected to be made during the subscription term. The financial statements for fiscal year 2022 have been restated to present the impact of GASB 96.

As previously noted, UW's overall expenses rose 16.4% this fiscal year, more than double the increase in revenue. This is not sustainable. Looking forward, we must respond prudently, by prioritizing activities which most consequentially contribute to our missions, and by identifying and operationalizing ways to use our financial, physical, and technological resources more effectively.

The Universities of Wisconsin are not static and have repeatedly demonstrated their willingness to be open to change and take new paths when needed. With the changes identified in our post-COVID world, several UW universities have already made decisions to reimagine themselves – through new academic programs, new approaches to important student services, different organizational structures, and difficult budget reductions.

As we face these challenges, we remain committed in our mission, and the Universities of Wisconsin will continue to provide a world-class education to a diverse body of students, produce groundbreaking research, and remain a leading contributor to the Wisconsin economy. By doing so, we will be future ready, for all.

Sean P. Nelson, Vice President for Finance and Administration

Years Ended June 30, 2023 and 2022

INDEPENDENT AUDITOR'S REPORT

STATE OF WISCONSIN
Legislative Audit Bureau

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State Auditor

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Independent Auditor's Report on the Financial Statements and Other Reporting Required by *Government Auditing Standards*

Senator Eric Wimberger and
Representative Robert Wittke, Co-chairpersons
Joint Legislative Audit Committee

Members of the University of Wisconsin Board of Regents and
Mr. Jay O. Rothman, President, University of Wisconsin System

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements and the related notes of the University of Wisconsin (UW) System, which is rebranding itself as the Universities of Wisconsin, and its aggregate discretely presented component units as of and for the years ended June 30, 2023, and June 30, 2022, as listed in the table of contents.

In our opinion, based on our audit and the reports of the other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of UW System and its aggregate discretely presented component units, as of June 30, 2023, and June 30, 2022, the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the aggregate discretely presented component units reported as the Related University Campus Foundations as of June 30, 2023, and June 30, 2022. Those statements were audited by other auditors whose reports have been furnished to us, and our opinions insofar as they relate to the aggregate discretely presented component units, are based solely on the reports of the other auditors, which represented 100 percent and 92.9 percent of the assets of the aggregated discretely presented component units, as of June 30, 2023, and June 30, 2022, respectively.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* which is issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibility for the Audit of the Financial Statements section. We are required to be independent of UW System 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 opinions. The financial statements of the aggregate discretely presented component units, as described in the previous section, were audited in accordance with auditing standards generally accepted in the United States of America, but not in accordance with *Government Auditing Standards*.

Emphases of Matter

As discussed in Note 1, the financial statements referred to in the first paragraph present only UW System and its aggregate discretely presented component units. The financial statements do not purport to, and do not, present fairly the financial position of the State of Wisconsin as of June 30, 2023, and June 30, 2022, the changes in its financial position, and, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

As discussed in Note 2, the financial statements include investments that do not have readily ascertainable prices and are valued based on a variety of third-party pricing methods or reported on net asset value. However, because of the inherent uncertainty of valuation, those estimated values may differ from the values that could be realized in a secondary market transaction or the amount ultimately realized.

As discussed in Note 1, UW System implemented Governmental Accounting Standards Board (GASB) Statement Number 96, *Subscription-Based Information Technology Arrangements*, during the year ended June 30, 2023. The implementation applied accounting changes retroactively by restating balances in the financial statements as of July 1, 2021, and for the period ended June 30, 2022.

Our opinions are not modified with respect to these matters.

Responsibilities of Management for the Financial Statements

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

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance. Therefore, reasonable assurance is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America 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 one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, we exercised professional judgment and maintained professional skepticism throughout the audit. We also identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error, and designed and performed audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

In addition, we obtained an understanding of internal control relevant to the audit in order to design audit procedures that were appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of UW System's internal control. Accordingly, no such opinion is expressed. We also evaluated the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, and evaluated the overall presentation of the financial statements.

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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 13 through 21 and the required supplementary information on pages 97 through 106 be presented to supplement the financial statements. The required supplementary information includes the schedule of UW System's proportionate share of the net pension liability (asset) and the related notes, the schedule of UW System's pension contributions and the related notes, the schedules of UW System's proportionate share of the OPEB liability (asset) and the related notes, and UW System's OPEB contributions and related notes. Such information is the responsibility of management and, although not a part of the financial statements, is required by GASB that considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America. These procedures consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Introduction on pages 3 through 6 and the supplementary information on pages 107 and 108 but does not include the financial statements and our auditor's report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or provide any other form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements or whether the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2023, and published in report 23-25, on our consideration of UW System's internal control over financial reporting; our testing 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 UW System'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* and should be used in considering UW System's internal control over financial reporting and compliance.

LEGISLATIVE AUDIT BUREAU

Legislative Audit Bureau

December 19, 2023

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Years Ended June 30, 2023 and 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Management's Discussion and Analysis

The following discussion and analysis provides an overview of the financial position and activities of the Universities of Wisconsin (University) for the years ended June 30, 2023 and 2022, with comparative information for the year ended June 30, 2021, where appropriate. This discussion has been prepared by management, is unaudited, and should be read in conjunction with the financial statements and footnotes.

The University is made up of a constellation of 13 public universities with campuses across the state. In academic year 2022-2023, the University enrolled 160,782 students, employed 31,821 faculty and staff, and granted 36,432 associate, bachelor's, master's, and other advanced degrees. The University was awarded over $1,409.3 million in federal grants and contracts in fiscal year 2023 and an additional $881.3 million from non-federal sponsors. The University has a long tradition of public service, embodied by an ongoing commitment to the Wisconsin Idea, that the boundaries of the University are the boundaries of the State.

Degrees Granted	
UW-Madison	*12,444*
UW-Milwaukee	*5,284*
UW-Eau Claire	*2,283*
UW-Green Bay	*1,730*
UW-La Crosse	*2,358*
UW-Oshkosh	*2,091*
UW-Parkside	*951*
UW-Platteville	*1,497*
UW-River Falls	*1,226*
UW-Stevens Point	*1,605*
UW-Stout	*1,697*
UW-Superior	*601*
UW-Whitewater	*2,665*
Total	*36,432*

Headcount Enrollments	
UW-Madison	*49,587*
UW-Milwaukee	*22,866*
UW-Eau Claire	*10,060*
UW-Green Bay	*9,608*
UW-La Crosse	*10,257*
UW-Oshkosh	*13,714*
UW-Parkside	*3,966*
UW-Platteville	*6,485*
UW-River Falls	*5,212*
UW-Stevens Point	*8,011*
UW-Stout	*7,226*
UW-Superior	*2,703*
UW-Whitewater	*11,087*
Total	*160,782*

Using the Financial Statements

The University's annual financial report includes the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; the Statement of Cash Flows; and the Notes to the Financial Statements. These items are prepared in accordance with standards established by the Governmental Accounting Standards Board (GASB).

Effective for the fiscal year ended June 30, 2023, the University adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (GASB 96). This statement establishes standards of accounting and financial reporting for University subscription-based information technology arrangements (SBITAs). The University recognized subscription assets and related subscription liabilities at the present value of subscription payments expected to be made during the subscription term. The impacts to the Statement of Revenues, Expenses, and Changes in Net Position include reclassifying certain subscription payments from operating expenses to non-operating expenses and recognizing annual amortization of subscription assets over the subscription term. The adoption of GASB 96 has been reflected as of July 1, 2021. The financial statements for the years ended June 30, 2022, and 2021, have been restated to present the impact of GASB 96. See Note 14 for the effects of the University's adoption of GASB 96.

The Statement of Net Position is a financial condition snapshot as of June 30, 2023 and 2022, and includes all assets and deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference between the two reported as net position. Current assets are those that are available to satisfy current liabilities inclusive of assets that will be converted to cash within one year. Current liabilities are those that will be paid within one year. Increases or decreases in net position provide an indicator of the improvement or erosion of the University's financial health when considered in conjunction with non-financial information, such as conditions of facilities and enrollment levels. Net Position is divided into three major categories: Net Investment in Capital Assets, Restricted, and Unrestricted. Net Investment in Capital Assets consists of capital assets reduced by the outstanding balances of borrowings for the construction, acquisition, or improvement of those assets. Restricted Net Position has constraints put on by external parties, such as sponsors for research and donors, or by State Statute and Board of Regent policy as in the case of student segregated fees. Unrestricted Net Position consists of funds that do not meet either of those definitions.

The Statement of Revenues, Expenses, and Changes in Net Position presents the University's operating results as well as non-operating revenues and expenses. Operating revenues are comprised primarily of student tuition and fees, grants and contracts, and auxiliary service activities. GASB Statement No. 35 requires that state appropriations, gifts, and investments income/loss be reported as non-operating revenue. Public universities, including the University, are typically reliant on these revenue sources to fulfill their missions and, therefore, report operating expenses in excess of operating revenues. As a result, non-operating revenues are a significant component in determining the increase or decrease in total net position.

The Statement of Cash Flows summarizes cash inflows and outflows by category as relating to operating, capital, financing, or investing activities. Cash flow information can be used to evaluate the financial viability of the University and its ability to meet financial obligations as they mature. Cash flows from operating activities result from exchange transactions in which one party gives another something in return. Cash flows from investing activities are a result of the purchase or sale of investments, withdrawals from the long-term investment pool, and collecting interest and dividends earned. Cash flows from capital activities include receipts from capital grants, donor receipts specifying use for capital assets, and activity related to debt issued for the explicit purpose of acquisition, construction, or improvement of capital assets. Cash flows from noncapital financing activities include state appropriations and private gifts restricted for noncapital purposes.

The Notes to the Financial Statements are an integral part of the basic financial statements and communicate information essential for fair presentation. For example, the notes convey information concerning significant accounting policies used to prepare the financial statements, detailed information on cash and investments, capital assets, notes and bonds payable, relationships with affiliated organizations, and classification of net position.

In addition to this Management's Discussion and Analysis, which is required supplementary information, the basic financial statements are followed by required supplementary information regarding the University's pension and other postemployment benefits (OPEB) obligations.

Analysis of Financial Position and Results of Operations

The University's total net position remained stable after fiscal year 2023. As of June 30, 2023, the University had total assets of $9.7 billion and total liabilities of $4.3 billion.

Statement of Net Position (in millions)	2023	2022 Restated	2021 Restated
Current Assets	$ 2,994.6	$ 3,054.1	$ 2,778.2
Capital Assets, Net	6,015.5	5,857.6	5,683.0
Other Noncurrent Assets	690.5	1,864.9	1,667.3
Total Assets	9,700.6	10,776.6	10,128.5
Deferred Outflows of Resources	2,880.1	2,340.5	1,556.2
Current Liabilities	1,091.7	1,067.3	839.4
Noncurrent Liabilities	3,242.2	2,739.9	2,735.5
Total Liabilities	4,333.9	3,807.2	3,574.9
Deferred Inflows of Resources	1,866.6	2,871.3	2,111.0
Net Investment in Capital Assets	4,069.3	3,833.5	3,668.3
Restricted Net Position	1,584.9	2,810.9	2,361.5
Unrestricted Net Position	726.0	(205.7)	(31.0)
Total Net Position	$ 6,380.2	$ 6,438.7	$ 5,998.8

Current assets minus current liabilities represents the net working capital of the University. Net working capital decreased from $1,986.8 million at June 30, 2022 to $1,902.9 million at June 30, 2023.

The following table contains a summary of Current Assets which consists of operating cash and cash equivalents, investments, securities lending collateral, accounts receivable, student loans receivable, supply inventories, and prepaid expenses. The largest change between 2023 and 2022 was in cash and cash equivalents, which decreased by $346.6 million due to assets transferred into the University Intermediate Term Fund, a current asset investment, established during fiscal year 2022.

Current Assets (in millions)	2023	2022 Restated	2021 Restated
Cash & Cash Equivalents	$ 1,544.0	$ 1,890.6	$ 2,219.4
Investments	651.8	479.3	—
Securities Lending Collateral	244.4	228.9	148.0
Accounts Receivable, Net	348.6	339.2	320.7
Other Current Assets	205.8	116.1	90.1
Total Current Assets	$ 2,994.6	$ 3,054.1	$ 2,778.2

The Board of Regents has authority to invest gifts and bequests received by the University. Effective April 1, 2018 and as permitted through Section 36.11 (11m) of the Wisconsin statutes, the Board of Regents transferred its investment management responsibilities to the State of Wisconsin Investment Board (SWIB). The Board of Regents establishes investment policies and guidelines, including target investment allocations. Benefiting University entities receive quarterly distributions from the Long Term Fund, principally endowed assets, based on an annual spending rate applied to a twelve-quarter moving average market value of the Fund. Additional information on cash and investments is provided in Note 2 to the Financial Statements.

Noncurrent assets are comprised mainly of endowment investments, capital assets (net of accumulated depreciation and amortization), student loans receivable and pension and OPEB assets. Notable changes between years include:

- Endowment investments, valued at $548.3 million at June 30, 2023, increased by $18.1 million during fiscal year 2023. The increase was driven by market-based fluctuations in investment performance.
- Volatility in investment performance and fluctuations in the investment market related to the pension plan fiduciary net position resulted in the reporting of a noncurrent net pension liability of $709.7 million in 2023 and a noncurrent net pension asset of $1,085.1 million in 2022.
- In 2020, the Department of Employee Trust Funds (ETF), which has program administration and oversight of postemployment benefits, determined that the Supplemental Health Insurance Conversion Credit (SHICC) program should be considered a defined benefit other postemployment benefit. As such, the University has recorded its proportionate share of the net OPEB noncurrent asset at June 30, 2023 and 2022 of $45.1 million and $148.3 million, respectively.

Deferred outflows increased by $539.6 million in fiscal year 2023, due to adjustments related to pension and OPEB obligations.

Current liabilities increased by $24.4 million in fiscal year 2023, driven by increases in securities lending collateral liabilities, accounts payable and current portion of notes and bonds payable.

Noncurrent liabilities increased by $502.3 million in fiscal year 2023. The most significant reason for this is the reporting of a noncurrent net pension liability in 2023.

Deferred inflows decreased by $1,004.7 million in fiscal year 2023, due to adjustments related to pension and OPEB obligations.

Further, these reporting changes resulted in $174.0 million of additional pension expense being included on the Statement of Revenues, Expenses, and Changes in Net Position. These changes are more fully described in Notes 1 and 8 to the Financial Statements.

Most of the unrestricted net position has been identified for purposes to fulfill the University's fiduciary responsibilities, including academic and research programs and capital projects. Additional information related to net position can be found in Note 13 to the Financial Statements.

Capital and Debt Activities

Of the $6.4 billion in net position, $4.1 billion is net investment in capital assets. In an effort to maintain quality in the University's academic and research programs and residence halls, the University has implemented a long-range plan to fund new construction and modernize existing facilities. Capital additions consist of new construction, replacement and renovation of academic and research facilities, as well as significant investment in technology and equipment. Note 4 to the Financial Statements describes the University's capitalization, depreciation and amortization policies, and includes summarized changes in the book value of these assets, including major construction projects completed or in progress. Note 6 to the Financial Statements describes the University's long term debt and includes summarized information on those balances, as well as future debt service requirements.

There are four primary sources of funding for University capital projects: General Fund Supported Borrowing (GFSB) 20-year state-issued bonds repaid with General Program Revenue (GPR); Program Revenue Supported Borrowing (PRSB) 20- or 30-year state-issued bonds repaid with the University program revenue; Program Revenue Cash (Cash); and cash from gift and grant funds (Gifts). State general obligation bonds issued for the University's purpose are rated by Moody's and S&P Aa1 and AA, respectively.

Statement of Revenues, Expenses, and Changes in Net Position

The Statement of Revenues, Expenses, and Changes in Net Position present the University's operating results as well as non-operating revenues and expenses. A summary of the Statement of Revenues, Expenses, and Changes in Net Position is as follows (in millions):

	2023	2022 Restated	2021 Restated
Total Revenues	$ 6,111.8	$ 5,727.0	$ 5,432.9
Total Expenses	6,397.8	5,498.6	5,094.2
(Loss) Income Before Capital and Endowment Additions	(286.0)	228.4	338.7
Capital Appropriations, Contributions & Endowment Additions	227.5	211.5	257.4
(Decrease) Increase in Net Position	$ (58.5)	$ 439.9	$ 596.1

The University's operating and non-operating revenues are provided in the table below. Operating revenues increased $783.9 million since fiscal year 2021 with the primary increases in student tuition and fees, federal grants and contracts, sales and services of auxiliaries and sales and services of educational activities. Non-operating revenues decreased $105.0 million between fiscal year 2021 and fiscal year 2023 primarily due to decreases in coronavirus federal grants and aid funding and lower net investment income.

The University was awarded $640.6 million in coronavirus federal grants and aid through 2022-23. In accordance with the federal award agreements, the University must meet certain eligibility requirements before recognizing the funding. The University recognized $26.3 million as non-operating revenue in 2022-23, $288.8 million as non-operating revenue in 2021-22, and $240.5 million as non-operating revenue in 2020-21. The remaining amount will be recognized in future periods. These funds are restricted and must be used to address financial needs created by the coronavirus public health emergency, such as personal protective equipment, emergency student grants, housing and dining refunds and technology to accommodate remote learning.

Revenues (in millions):	2023	2022 Restated	2021 Restated
Operating Revenues			
Student Tuition and Fees, Net	$ 1,523.8	$ 1,422.7	$ 1,403.2
Federal Grants and Contracts	884.9	725.7	707.8
State, Local, & Private Grants and Contracts	515.2	532.1	438.0
Sales and Services of Educational Activities	377.8	328.5	241.1
Sales and Services of Auxiliaries, Net	444.8	405.0	263.3
All Other Operating Revenues	521.5	508.3	430.8
Total Operating Revenues	4,268.0	3,922.3	3,484.2
Non-Operating Revenues			
State Appropriations	1,026.4	998.2	961.6
Gifts	512.3	415.8	438.1
Federal Pell Grants	140.9	137.5	141.0
Coronavirus Federal Grants and Aid	26.3	288.8	240.5
Net Investment Income (Loss)	56.2	(63.8)	129.0
Other Non-Operating Revenues	81.6	28.2	38.5
Total Non-Operating Revenues	1,843.7	1,804.7	1,948.7
Total Revenues	$ 6,111.7	$ 5,727.0	$ 5,432.9

Operating expenses, classified by function, and non-operating expenses, are as follows:

Expenses (in millions):	2023	2022 Restated	2021 Restated
Operating Expenses			
Instruction	$ 1,667.5	$ 1,136.2	$ 1,012.8
Research	1,245.0	1,118.4	1,056.5
Public Service	409.3	346.0	345.8
Academic Support	469.8	420.1	412.4
Student Services	576.9	548.4	487.9
Institutional Support	317.3	298.0	324.5
Operation/Maintenance	326.0	338.6	316.1
Financial Aid	305.9	380.7	292.0
Auxiliary Enterprises	312.5	282.2	247.0
Other Functions	166.3	74.9	70.9
Depreciation and Amortization	440.6	413.6	378.2
Total Operating Expenses	6,237.1	5,357.1	4,944.1
Non-Operating Expenses	160.5	141.5	150.1
Total Expenses	$ 6,397.6	$ 5,498.6	$ 5,094.2

One of the University's strengths has been its ability to supplement student tuition and fee revenue and state appropriations with support from other sources, including foundations, investment income, and government-sponsored programs (see Charts 1 and 2 in the Supplemental Information of this report). The University continues to aggressively seek funding sources consistent with its mission to meet operating activities in a financially prudent manner. In addition, the University will continue to make cost containment and revenue diversification a priority. The higher Instruction operating expenses in fiscal year 2023 is attributed to the increase in pension plan expense reported within salary and fringe benefits expense in that year.

Statement of Net Position adjusted for the pension and other postemployment benefit obligations as allocated to the University are as follows (in millions):

	2023	Adjustment for Pension and OPEB	Adjusted 2023	2022 Restated	Adjustment for Pension and OPEB	Adjusted 2022 Restated
Current Assets	$ 2,994.6	$ —	$ 2,994.6	$ 3,054.1	$ —	$ 3,054.1
Capital Assets, Net	6,015.5	—	6,015.5	5,857.6	—	5,857.6
Other Noncurrent Assets	690.5	45.1	645.4	1,864.9	1,233.4	631.5
Total Assets	9,700.6	45.1	9,655.5	10,776.6	1,233.4	9,543.2
Deferred Outflows of Resources	2,880.1	2,813.6	66.5	2,340.5	2,297.6	42.9
Current Liabilities	1,091.7	—	1,091.7	1,067.3	—	1,067.3
Noncurrent Liabilities	3,242.2	1,306.8	1,935.4	2,739.9	709.2	2,030.7
Total Liabilities	4,333.9	1,306.8	3,027.1	3,807.2	709.2	3,098.0
Deferred Inflows of Resources	1,866.6	1,822.3	44.3	2,871.3	2,856.0	15.3
Net Investment in Capital Assets	4,069.3	—	4,069.3	3,833.5	—	3,833.5
Restricted Net Position	1,584.9	45.1	1,539.8	2,810.9	1,233.4	1,577.5
Unrestricted Net Position	726.0	(315.5)	1,041.5	(205.7)	(1,267.6)	1,061.9
Total Net Position	$ 6,380.2	$ (270.4)	$ 6,650.6	$ 6,438.7	$ (34.2)	$ 6,472.9

In fiscal year 2023, salary and fringe benefits expenses amounted to $4,123.5 million, including additional expense of $198.4 million related to the pension and other postemployment benefit obligations. Compared to fiscal year 2022, salary and fringe benefits expenses amounted to $3,435.9 million, including an expense credit of $245.8 million related to the pension and other postemployment benefit obligations.

Factors Affecting Future Periods

2021 Wisconsin Act 58, the 2021-23 biennial budget, returned tuition-setting authority to the Universities of Wisconsin Board of Regents (Board of Regents). In the 2023-24 academic year, the Board of Regents approved the first resident undergraduate increase in 10 years. The exact increase varies by university, but overall, the increase in cost of attendance for resident undergraduates averages 4.2% across the universities when room and board is included.

2023 Wisconsin Act 19, the 2023-25 biennial budget, reduced the University's general program operations appropriation by approximately $16.0 million annually. An equivalent amount was placed in the state's Joint Committee on Finance's supplemental appropriation for release to the University, pending legislative approval of a plan to address workforce issues. Such a plan was developed by universities, approved by the Board of Regents on November 9, 2023, and transmitted to the state's Joint Committee on Finance.

The University will continue to be impacted by fluctuations in enrollment in fiscal year 2024 and beyond. Inflationary pressures on capital and operating costs and a competitive labor market will present additional economic challenges. The leadership of the Universities of Wisconsin has adopted a new strategic plan that will serve to better align resources with our priorities and further elevate the strong reputation of the University throughout the state, the nation, and the world. The Universities of Wisconsin remains committed to maintaining responsible stewardship of our resources while identifying new opportunities that enhance the university mission.

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Years Ended June 30, 2023 and 2022

FINANCIAL STATEMENTS OF THE UNIVERSITIES OF WISCONSIN

Universities of Wisconsin

Statement of Net Position

	June 30, 2023	June 30, 2022 Restated
ASSETS		
Current Assets		
Cash and Cash Equivalents	$ 1,543,962,867	$ 1,890,633,800
Investments	651,841,265	479,346,772
Securities Lending Collateral	244,396,309	228,877,256
Accounts Receivable, Net	348,588,224	339,153,958
Student Loans Receivable, Net	13,831,330	17,469,694
Inventories	45,810,011	38,535,572
Prepaid Expenses & Other Current Assets	146,146,833	60,106,348
Total Current Assets	2,994,576,839	3,054,123,400
Noncurrent Assets		
Endowment Investments	548,280,304	530,189,820
Accounts Receivable, Net	18,341,270	11,806,692
Student Loans Receivable, Net	78,741,133	89,454,189
Capital Assets, Net	6,015,528,176	5,857,612,906
Restricted Net Pension Asset	—	1,085,067,412
Restricted Other Postemployment Benefits Asset	45,140,684	148,325,679
Total Noncurrent Assets	6,706,031,567	7,722,456,698
TOTAL ASSETS	$ 9,700,608,406	$10,776,580,098
DEFERRED OUTFLOWS OF RESOURCES	$ 2,880,126,274	$ 2,340,546,782
LIABILITIES		
Current Liabilities		
Accounts Payable and Accrued Liabilities	$ 368,570,269	$ 322,120,684
Securities Lending Collateral Liabilities	244,396,309	228,877,256
Notes and Bonds Payable	132,364,476	112,346,558
Lease, Subscription and Financing Obligations	39,048,033	47,428,101
Unearned Revenue	201,781,712	203,715,058
Compensated Absences	99,156,591	98,758,514
Deposits Held for Others	6,408,181	6,308,495
Other Current Liabilities	—	47,740,576
Total Current Liabilities	1,091,725,571	1,067,295,242
Noncurrent Liabilities		
Notes and Bonds Payable	1,518,084,771	1,594,349,838
Lease, Subscription and Financing Obligations	256,712,795	270,009,257
Perkins Loan Program	60,123,586	73,557,110
Compensated Absences	86,873,003	79,709,131
Other Postemployment Benefits	597,019,122	709,192,081
Net Pension Liability	709,734,328	—
Other Noncurrent Liabilities	13,643,103	13,056,310
Total Noncurrent Liabilities	3,242,190,708	2,739,873,727
TOTAL LIABILITIES	$ 4,333,916,279	$ 3,807,168,969
DEFERRED INFLOWS OF RESOURCES	$ 1,866,638,843	$ 2,871,277,871

(continued)

Universities of Wisconsin

Statement of Net Position (continued)

	June 30, 2023	June 30, 2022 Restated
NET POSITION		
Net Investment in Capital Assets	$ 4,069,318,101	$ 3,833,479,152
Restricted for		
Nonexpendable	239,302,589	229,619,124
Expendable		
Pension	—	1,085,067,412
Other Postemployment Benefits	45,140,684	148,325,679
Gifts, Grants & Contracts	327,940,185	391,535,797
Donor Investments & Earnings	323,947,313	307,458,099
Construction Fund	341,728,900	394,029,815
Student Loans & Federal Aid	197,010,566	140,050,615
Other	109,827,248	114,841,296
Total Restricted-Expendable	1,345,594,896	2,581,308,713
Unrestricted	725,963,972	(205,726,949)
TOTAL NET POSITION	$ 6,380,179,558	$ 6,438,680,040

The accompanying notes to the financial statements are an integral part of these statements.

Universities of Wisconsin

Statement of Revenues, Expenses, and Changes in Net Position

	Year ended June 30, 2023	Year ended June 30, 2022 Restated
OPERATING REVENUES		
Student Tuition and Fees (net of Scholarship Allowances of $312.4 million and $331.3 million, respectively)	$ 1,523,838,086	$ 1,422,724,026
Federal Grants and Contracts	884,931,543	725,744,678
State, Local, and Private Grants and Contracts	515,242,460	532,083,158
Sales and Services of Educational Activities	377,848,600	328,538,986
Sales and Services of Auxiliary Enterprises (net of Scholarship Allowances of $42.6 million and $47.7 million, respectively)	444,788,675	404,998,108
Sales and Services to UW Hospitals and Clinics Authority	52,707,100	60,560,814
Student Loan Interest Income and Fees	2,153,371	3,272,153
Other Operating Revenue	466,524,365	444,409,883
Total Operating Revenues	4,268,034,200	3,922,331,806
OPERATING EXPENSES		
Salaries	2,918,234,394	2,704,802,032
Fringe Benefits	1,006,785,199	976,874,067
Fringe Benefits Related to Noncash Pension and OPEB	198,435,379	(245,758,624)
Total Salary and Fringe Benefits	4,123,454,972	3,435,917,475
Scholarship and Fellowships	192,660,956	269,921,116
Supplies and Services	1,461,748,017	1,212,861,776
Other Operating Expenses	18,690,448	24,794,753
Depreciation and Amortization	440,619,039	413,591,372
Total Operating Expenses	6,237,173,432	5,357,086,492
OPERATING LOSS	(1,969,139,232)	(1,434,754,686)
NON-OPERATING REVENUES AND (EXPENSES)		
State Appropriations	1,026,414,311	998,232,594
Gifts	512,291,511	415,776,981
Federal Pell Grants	140,888,409	137,477,922
Coronavirus Federal Grants and Aid	26,349,014	288,846,012
Investment Income (Loss) (net of Investment Expense of $0.9 million and $0.7 million, respectively)	56,227,317	(63,792,475)
Loss on Disposal of Capital Assets	(1,712,230)	(2,790,095)
Interest Expense on Capital Asset-Related Debt	(59,938,463)	(46,201,882)
Transfer to State Agencies	(98,994,183)	(92,483,835)
Other Non-Operating Revenues	81,549,834	28,119,189
(Loss) Gain Before Capital and Endowment Additions	(286,063,712)	228,429,725
Capital Appropriations	206,174,638	191,287,604
Capital Grants and Gifts	15,940,874	19,075,963
Additions to Permanent Endowment	5,447,718	1,072,702
(DECREASE) INCREASE IN NET POSITION	(58,500,482)	439,865,994
NET POSITION		
Net Position - beginning of period	6,438,680,040	5,998,814,046
NET POSITION - end of period	$ 6,380,179,558	$ 6,438,680,040

The accompanying notes to the financial statements are an integral part of these statements.

Universities of Wisconsin

Statement of Cash Flows

	Year ended June 30, 2023	Year ended June 30, 2022 Restated
Cash Flows from Operating Activities		
Student Tuition and Fees	$ 1,521,844,922	$ 1,432,888,431
Federal, State, Local, and Private Grants & Contracts	1,399,627,336	1,258,439,423
Sales and Services of Educational Activities	356,375,418	322,551,971
Sales and Services of Auxiliary Enterprises	451,441,321	416,044,054
Sales and Services to UW Hospitals and Clinics Authority	64,948,192	54,050,394
Payments for Salaries and Fringe Benefits	(3,960,373,125)	(3,673,128,346)
Payments to Vendors and Suppliers	(1,461,281,088)	(1,193,497,901)
Payments for Scholarships and Fellowships	(192,660,956)	(269,921,116)
Student Loans Collected	19,237,980	24,845,232
Student Loan Interest and Fees Collected	2,153,371	3,272,153
Student Loans Issued	(9,507,548)	(9,068,422)
Student Direct Lending Receipts	525,836,726	527,008,248
Student Direct Lending Disbursements	(528,878,803)	(527,668,502)
Other Revenue	437,813,585	405,027,095
Net Cash Used in Operating Activities	(1,373,422,669)	(1,229,157,286)
Cash Flows from Investing Activities		
Interest and Dividends on Investments, Net	4,764,226	1,180,823
Proceeds from Sales and Maturities of Investments	185,446,606	183,304,028
Purchase of Investments	(324,919,929)	(666,515,478)
Net Cash Used in Investing Activities	(134,709,097)	(482,030,627)
Cash Flows from Capital and Related Financing Activities		
Proceeds from Issuance of Capital Debt	502,525,676	192,832,128
Payments for Debt Retirements (Refundings)	(443,455,096)	(63,943,792)
Capital Appropriations	206,174,638	191,287,604
Gifts and Other Receipts	59,654,518	5,357,048
Purchase of Capital Assets	(606,913,379)	(509,797,950)
Principal Payments on Capital Debt and Leases	(312,180,056)	(283,980,645)
Interest Payments on Capital Debt and Leases	(117,829,178)	(126,484,169)
Net Cash Used in Capital and Related Financing Activities	(712,022,877)	(594,729,776)
Cash Flows from Noncapital Financing Activities		
State Appropriations	1,252,937,716	1,204,804,996
Gifts and Other Receipts	546,855,036	432,917,124
Federal Pell Grants	140,888,409	137,477,922
Coronavirus Federal Grants and Aid Receipts	26,349,014	293,390,845
Transfer to State Agencies	(98,994,183)	(92,483,835)
Additions to Permanent Endowments	5,447,718	1,072,702
Net Cash Provided by Noncapital Financing Activities	1,873,483,710	1,977,179,754
Net Decrease in Cash and Cash Equivalents	(346,670,933)	(328,737,935)
Cash and Cash Equivalents - beginning of year	1,890,633,800	2,219,371,735
Cash and Cash Equivalents - end of year	$ 1,543,962,867	$ 1,890,633,800

(continued)

Statement of Cash Flows (continued)

	Year ended June 30, 2023	Year ended June 30, 2022 Restated
Reconciliation of Operating Loss to Net Cash Used in Operating Activities		
Operating Loss	$ (1,969,139,232)	$ (1,434,754,686)
Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities:		
Depreciation and Amortization Expense	440,619,039	413,591,372
Changes in Assets, Liabilities and Deferred Outflows and Inflows of Resources:		
Receivables, net	5,054,155	(6,066,983)
Inventories	(7,274,439)	(7,710,257)
Prepaid Expense (including Deferred Charges)	(42,879,291)	(9,520,029)
Accounts Payable and Accrued Liabilities	8,795,399	99,857,221
Perkins Loan Liability	(13,433,524)	(20,430,015)
Unearned Revenue	(1,162,104)	35,496,143
Compensated Absences	7,561,949	(6,120,852)
Other Noncurrent Liabilities	—	(47,740,576)
Deferred Outflows of Resources	(553,653,312)	(790,048,483)
Pension Liability (Asset) and Deferred Inflows of Resources	761,076,655	510,227,980
Other Postemployment Benefits	(8,987,964)	34,061,879
Net Cash Used in Operating Activities	$ (1,373,422,669)	$ (1,229,157,286)
Noncash Investing, Capital and Financing Activities		
Lease and Financing Obligations (Initial Year):		
Fair Market Value	$ 18,403,028	$ 8,008,540
Current Year Cash Payments	3,290,554	1,014,542
Subscription Liabilities (Initial Year):		
Fair Market Value	25,866,945	36,377,337
Current Year Cash Payments	14,802,515	23,843,682
Gifts-In-Kind	1,416,087	17,133,850
Net Change in Unrealized Gains (Losses)	22,378,871	(62,606,522)

The accompanying notes to the financial statements are an integral part of these statements.

UNIVERSITIES OF WISCONSIN

Years Ended June 30, 2023 and 2022

FINANCIAL STATEMENTS OF RELATED UNIVERSITY CAMPUS FOUNDATIONS

All foundations reported are legally separate, tax-exempt, affiliated campus foundations formed to generate private support for the respective public universities.

Universities of Wisconsin Campus Foundations

Consolidated Statements of Financial Position

	June 30, 2023	June 30, 2022
ASSETS		
Cash and Cash Equivalents	$ 58,516,181	$ 176,695,581
Income and Redemption Receivables	46,215,033	149,464,158
Pledges Receivable, Net	142,906,029	170,502,407
Prepaid Expenses and Other Assets	76,365,202	73,972,617
Investments	5,781,002,539	5,193,245,703
Property and Equipment, Net	155,280,495	154,719,013
Real Estate	875,168	1,366,380
TOTAL ASSETS	$ 6,261,160,647	$ 5,919,965,859
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable	$ 9,497,965	$ 13,334,250
Pending Investment Purchases Payable	49,805,680	115,409,595
Accrued Expenses and Other Liabilities	31,279,638	27,134,512
Note Payable	140,995,207	149,277,493
Liability Under Split-Interest Agreements	40,575,894	41,535,214
Funds Due to Other Organizations	262,021,827	235,626,601
Total Liabilities	534,176,211	582,317,665
NET ASSETS		
Without Donor Restrictions	198,703,881	158,595,051
With Donor Restrictions	5,528,280,555	5,179,053,143
Total Net Assets	5,726,984,436	5,337,648,194
TOTAL LIABILITIES AND NET ASSETS	$ 6,261,160,647	$ 5,919,965,859

Consolidated Statements of Activities

	Year ended June 30, 2023	Year ended June 30, 2022
REVENUES, GAINS AND OTHER SUPPORT		
Contributions	$ 447,605,064	$ 523,981,714
Investment Return, Net of Fees	394,900,166	(506,272,831)
Rental Income	19,009,347	14,591,980
Other Income	10,131,378	7,743,122
Total Revenues, Gains and Other Support	871,645,955	40,043,985
EXPENSES		
Program Expenses	414,297,235	340,573,713
Management and General Expenses	31,411,473	38,966,490
Fundraising Expenses	43,052,201	38,586,475
Total Expenses	488,760,909	418,126,678
OTHER CHANGES IN NET ASSETS	6,451,196	(10,581,543)
CHANGE IN NET ASSETS	389,336,242	(388,664,236)
Net Assets - Beginning of Year	5,337,648,194	5,726,312,430
Net Assets - End of Year	$ 5,726,984,436	$ 5,337,648,194

The accompanying notes to the financial statements are an integral part of these statements.

Years Ended June 30, 2023 and 2022

NOTES TO THE FINANCIAL STATEMENTS OF THE UNIVERSITIES OF WISCONSIN

NOTE 1 – Organization and Summary of Significant Accounting Policies

Basis of Accounting and Financial Statement Presentation

The University of Wisconsin System (d/b/a Universities of Wisconsin) (University) is a major enterprise fund of the State of Wisconsin. The financial statements are presented in the proprietary fund financial statements of the State of Wisconsin's Annual Comprehensive Financial Report (ACFR). The University's financial information presented in the ACFR has been adjusted to reflect reclassifications and adjustments which are done to conform to reporting requirements relative to the ACFR.

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles (GAAP) for governments as prescribed by the Governmental Accounting Standards Board (GASB). In fiscal year 2023, the University adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (GASB 96). In fiscal year 2022, the University adopted GASB Statement No. 87, *Leases* (GASB 87).

The University's annual report consists of three basic financial statements prepared in accordance with GASB principles: the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows.

The Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows have been prepared using the economic resources measurement focus and the accrual basis of accounting. The Universities of Wisconsin reports as a Business Type Activity, as defined by GASB Statement No. 35*, Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities* (GASB 35). Business Type Activities are those that are financed in whole or in part by fees charged to external parties for goods or services.

The Statement of Revenues, Expenses, and Changes in Net Position classifies the University's fiscal year activity as operating and non-operating. Operating revenue results from exchange transactions, such as payment received for providing goods and services, including tuition and fees, certain grants and contracts, sales and services of educational activities, and auxiliary enterprise revenue. Other operating revenues include resources generated from units such as intercollegiate athletics, stadium, arena, student health services, car fleet, stores operations, child care services, copy centers, and student service programs such as placement, orientation, intramurals, and counseling centers.

Other operating revenues are summarized as follows:

	Year ended June 30, 2023	Year ended June 30, 2022
Athletics	$ 146,125,762	$ 147,357,725
Student Health Services	49,794,384	49,121,000
Student Union/Student Center	42,537,780	42,944,992
All Other Areas	228,066,439	204,986,166
Total Other Operating Revenues	$ 466,524,365	$ 444,409,883

Certain significant revenue streams relied upon for operations are reported as non-operating revenues, as defined by GASB 35, including state appropriations, gifts, and investment income. The majority of the University's expenses are exchange transactions, which GASB defines as operating expenses for financial statement presentation. Non-operating expenses include capital financing costs and costs related to investment activity.

The Statement of Cash Flows presents the change in the cash and cash equivalents balance for the fiscal year. Cash and cash equivalents include bank accounts and investments with original maturity

NOTE 1 – Organization and Summary of Significant Accounting Policies (continued)

dates of 90 days or less at the time of purchase. These investments consist primarily of commercial paper, money market funds, and U.S. Treasury bills. Investments in marketable securities are carried at fair value as established by the major securities markets. Investments in limited partnerships are carried at fair value based on quarterly reports from the limited partnerships' management. Annually, these reports are audited by independent auditors.

Financial Reporting Entity

The University is made up of 13 four-year universities with campuses across the state. The University has also considered all potential component units for which it is financially accountable and other affiliated organizations where the nature and significance of their relationships, including their ongoing financial support, with the University are such that exclusion would cause the University's financial statements to be misleading or incomplete.

The decision to include a potential component unit in the University's reporting entity is based on the criteria set forth in GASB Statement No. 14, *The Financial Reporting Entity;* GASB Statement No. 39, *Determining whether Certain Organizations are Component Units, an amendment of GASB Statement No. 14;* GASB Statement No. 61, *The Financial Reporting Entity; Omnibus, an amendment of GASB Statements No. 14 and No. 34;* GASB Statement No. 80, *Blending Requirements for Certain Component Units, an amendment of GASB Statement No. 14;* and GASB Statement No. 90, *Majority Equity Interests—An Amendment of GASB Statements No. 14 and No. 61.* Based upon the application of these criteria, 13 university foundations are included in the financial statements as discretely presented component units because they operate entirely for the benefit of the University.

Other Organizations

The financial statements do not include the accounts of the University of Wisconsin Hospitals and Clinics Authority (UWHCA), which is a separate legal organization reported as a discrete component unit within financial statements of the State of Wisconsin; the University of Wisconsin Medical Foundation (UWMF), which is a blended component unit of UWHCA; or the La Crosse Medical Health Science Consortium, Inc., which is a Wisconsin non-stock corporation tax exempt under Internal Revenue Code (IRC) 501(c)(3) not meeting the criteria of a component unit. In addition, the financial statements do not include the accounts of various legally independent and fully self-governing support organizations, such as booster clubs and alumni groups; funds contributed to the University by these organizations are reported at the time they are received. Note 11 describes the effect of affiliation and operating agreements with the UWMF; UWHCA; Wisconsin Alumni Research Foundation (WARF), relating to the Wisconsin Institutes for Discovery; and La Crosse Medical Health Science Consortium, Inc. had on the University's financial statements.

Summary of Significant Accounting Policies

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

The University eliminates intra-fund assets and liabilities to prevent double counting in the Statement of Net Position. Likewise, revenues and expenses related to internal service activities are also eliminated in the Statement of Revenues, Expenses, and Changes in Net Position.

Inventories consist of consumable supplies used in operations or items held for resale. Fuels are reported at market value, while other inventories held by individual university cost centers are valued using a variety of cost flow assumptions that, for each type of inventory, are consistently applied from year to year. In addition to central stores and fuels, the major types of inventories

NOTE 1 – Organization and Summary of Significant Accounting Policies (continued)

include laboratory supplies, physical plant supplies, food service and student housing supplies, and items held for resale by campus computer outlets.

Prepaid expenses represent payments made prior to June 30th for goods and services received after the close of the fiscal year, primarily health and life insurance coverage, and costs associated with revenues that have not yet been earned as of June 30th, primarily summer session costs incurred prior to the close of the fiscal year. The revenues and expenses of the 2023 and 2022 summer sessions are reportable within the fiscal year beginning July 1 and ending June 30, based on the prorated portion of the number of summer session days that occurred in fiscal year 2023 and 2022, respectively.

Accounting policies related to capital assets are described in Note 4.

For purposes of measuring the net pension asset or liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Wisconsin Retirement System (WRS) and additions to/deductions from the WRS' fiduciary net position have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Unearned revenues consist of payments received but not yet earned as of June 30th, primarily summer session tuition payments, tuition and room deposits for the next fall term, advance ticket sales for athletic events, and amounts received from grant and contract sponsors which have not yet been earned under the terms of the agreement.

The compensated absences liability consists of accumulated unpaid annual leave, compensatory time, personal holiday hours, and Saturday/legal holiday hours earned and vested. The University leave policies restrict the accumulation of unused vacation and thus limit the actual payments made to employees upon termination or retirement.

Restricted funds received as gifts, grants, and contracts are used according to donor restrictions or the specific purpose of the grantor. In addition, restrictions are statutorily established that limit the use of certain resources for specific purposes. These restrictions apply not only to state support but also to many of the University's program revenue sources, including segregated fee auxiliary operations. The funds reported as restricted will be used in accordance with the purposes for which they are restricted and are the first resources used for these purposes. Unrestricted funds would be used only secondarily to support these restricted purposes.

Deferred outflows of resources, a separate financial statement element, represents a consumption of net position that applies to future periods and will be recognized as an outflow of resources (expense/expenditure) in those periods. The University's deferred outflows of resources are related to the net pension asset (liability), other postemployment benefits (OPEB) asset (liability), debt refunding and capital asset retirement obligation. Additional information related to pensions is available in Note 8, OPEBs is available in Note 9, and debt is available in Note 6. See Note 10 for more information regarding deferred outflows of resources.

Deferred inflows of resources, a separate financial statement element, represents an acquisition of net position that applies to future periods and will be recognized as an inflow of resources (decrease in expense/expenditure) in those periods. The University's deferred inflows of resources are related to the net pension asset (liability), OPEB asset (liability), lease agreements where the University serves as the lessor, and debt refunding. Additional information related to pensions is available in Note 8, OPEBs is available in Note 9, lease receivables is available in Note 3, and debt is available in Note 6. See Note 10 for more information regarding deferred inflows of resources.

NOTE 1 – Organization and Summary of Significant Accounting Policies (continued)

Student tuition and fees are presented net of scholarships and fellowships applied to student accounts. Stipends and other payments made directly to students are presented as scholarship and fellowship expenses.

Coronavirus Federal Grants and Aid

The COVID global pandemic which was first identified in December 2019 has had a significant impact on the University's operations and financial results. The University was compelled to make several difficult decisions as a result of COVID-19, such as implementing employee furloughs, delaying employee recruitments, postponing new projects and initiatives and limiting travel. All these decisions, which resulted in reduced expenses, were intended to safeguard the well-being of our students, faculty, staff and the citizens of Wisconsin, while working to secure the long-term financial health of our public universities.

Federal relief funding also helped offset the financial impact due to the pandemic. In accordance with each individual federal grant, these funds are restricted in use, and University public universities were required to meet certain eligibility requirements before recognizing the funding as revenue, which included distributing certain portions to students as emergency financial aid. Amounts recognized in fiscal year 2023 and 2022 and reported as non-operating revenues in the Statement of Revenues, Expenses and Changes in Net Position are summarized as follows:

	Year ended June 30, 2023	Year ended June 30, 2022
Coronavirus Aid, Relief, and Economic Securities (CARES) Act:		
Institutional Aid	$ —	$ 29,137
Coronavirus Relief Funds	—	4,702,075
Coronavirus Response and Relief Supplemental Appropriations:		
Emergency Student Aid	—	531,983
Institutional Aid	16,731	9,074,903
American Rescue Plan:		
Emergency Student Aid	1,531,039	134,584,630
Institutional Aid	24,801,244	139,923,284
Total Coronavirus Federal Grants and Aid	$ 26,349,014	$ 288,846,012

Newly Adopted Accounting Pronouncements

The University adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (GASB 96), effective for the fiscal year ended June 30, 2023. The GASB statement establishes standards of accounting and financial reporting for University subscription-based information technology arrangements (SBITAs). The University recognized SBITA assets and related SBITA liabilities at the present value of subscription payments expected to be made during the subscription term. GASB 96 increases the usefulness of financial statements by requiring recognition of the amortization of the SBITA assets as an outflow of resources over the subscription term. The adoption of GASB 96 has been reflected as of July 1, 2021. See Note 14 for the effects of the University's adoption of GASB 96.

NOTE 1 – Organization and Summary of Significant Accounting Policies (continued)

New Accounting Pronouncements

GASB Statement No. 100, *Accounting Changes and Error Corrections, an amendment of GASB Statement No. 62* (GASB 100), enhances accounting and financial reporting requirements for accounting changes and error corrections. The provisions of GASB 100 are effective for fiscal year 2024.

GASB Statement No. 101, *Compensated Absences* (GASB 101), updates the recognition and measurement guidance for compensated absences. The provisions of GASB 101 are effective for fiscal year 2025.

The University is in the process of evaluating whether these GASB statements will be applicable to the University and the impact these statements may have on it's financial statements.

NOTE 2 – Cash and Investments

Cash and Cash Equivalents

Cash and cash equivalents consist primarily of shares in the State Investment Fund (SIF), a short-term pool of state and local funds managed by the State of Wisconsin Investment Board (SWIB) with oversight by a Board of Trustees as authorized in Wisconsin Statutes Sections 25.17 (3) (b), (ba), (bd), and (dg). SWIB is not registered with the SEC as an investment company. The fair value of the investment in the SIF is based on net asset value (NAV) per share (or its equivalent), as of June 30, 2023. The SIF is a commingled fund with the investment objective of safety of principal and liquidity while earning a competitive money market rate of return. The valuation of the underlying investments of the SIF depends on asset class. Repurchase Agreements and non-negotiable Certificates of Deposit are valued at cost. All remaining short-term debt investments (U.S. Government/Agency securities, Banker's Acceptances, Commercial Paper, and negotiable Certificates of Deposit) are carried at fair value. Because quoted market prices for SIF securities are often not available, at month end, BNY Mellon, as SWIB's custodial bank, compiles fair values from third party pricing services which use matrix pricing models to estimate a security's fair value. There are no unfunded commitments relating to the SIF and shares of the SIF can be fully redeemed at any time with no notice or other restrictions. Further information about the investments in the SIF can be obtained from the separately issued State Investment Fund Annual Financial Report for the Fiscal Year Ended June 30, 2023.

Of the $1,544.0 million and $1,890.6 million in cash and cash equivalents as of June 30, 2023 and 2022, respectively, $1,346.3 million and $1,608.0 million, respectively, represent amounts held within the SIF; $197.7 million and $282.6 million, respectively, was maintained by individual public universities in local bank accounts to meet operating needs; and a small, residual amount was held at BNY Mellon to meet the cash needs of the investing activities of the Trust Fund. Interest distributions are received on a monthly basis for balances associated with trust funds, federal aid programs, and funds attributable to the appropriations listed in Wisconsin Statutes Section 20.285 (1) (Li). Investment earnings for all other funds do not accrue to the University.

Custodial Credit Risk: Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the University will not be able to recover deposits that are in possession of an outside party. The University does not have a deposit policy specifically for custodial risk. Shares in the SIF are not required to be categorized under GASB Statement No. 40, *Deposit and Investment Risk Disclosures*.

For the remaining deposits, the University had balances in excess of Federal Deposit Insurance Corporation limits totaling $192.0 million and $276.3 million at June 30, 2023 and 2022, respectively. These amounts, deposited in approved financial institutions, are uninsured and uncollateralized. A

NOTE 2 – Cash and Investments (continued)

state appropriation for losses on public deposits (Wisconsin Statutes Section 34.08) insures up to $400,000 over the amount of federal insurance.

Foreign Currency Risk: Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of a deposit. Deposits in foreign currency at June 30, 2023 and 2022 are insignificant. The University does not have a formal policy for foreign currency risk.

Investments

The University invests its Trust Funds, primarily gifts and bequests, in accordance with the investment policies and guidelines governed and authorized by the Board of Regents. The Board of Regents retained SWIB as it's investment manager, as permitted through Section 36.11 (11m) of the Wisconsin statutes. The SWIB-managed Long Term Fund has a target asset allocation to public markets of the following: 57% public equities, 20% fixed income, and 23% inflation sensitive securities. SWIB achieves these allocations through the use of externally-managed index funds. In addition, this fund continues to have an allocation to private markets through a “legacy” portfolio that will self-liquidate over time as investments are sold and cash proceeds are received. The target allocations to public markets were last affirmed/approved by the Board of Regents in April 2018.

The Intermediate Term Cash Management Fund was established in 2022 in accordance with the investment policies and guidelines governed and authorized by the Board of Regents, and is currently distributed among fixed income funds, bank loans and global equities. The objective of the Intermediate Term Fund is to manage principal, ensure liquidity for anticipated needs and maintain purchasing power for existing assets. The Intermediate Term Fund has a target asset allocation to public markets of the following: 83.3% fixed income and 16.7% public equities. The target allocations were last affirmed/approved by the University Investment Committee in January 2022. The Intermediate Term Fund is an intermediate term portfolio, governed by and subject to a Memorandum of Understanding between Universities of Wisconsin administration and the University of Wisconsin - Madison.

An internally managed investment fund was established for a limited and select number of participating Trust Funds accounts by the University Board of Regents to provide educational investment management opportunity for the UW-Madison School of Business's Applied Security Analysis Program. The "RegentFund" is an intermediate-term fixed income portfolio, governed by and subject to a University Board of Regents approved Memorandum of Understanding, which includes detailed investment guidelines.

The SWIB-managed Long Term Fund consisted of the following actual asset allocation by investment category on June 30, 2023 and 2022:

Investment Category	**2023**	**2022**
Global Equities	43.8 %	38.9 %
Treasury Inflation Protection Securities (TIPS)	16.0 %	17.0 %
Investment Grade Government/Credit	16.2 %	16.8 %
Hedged Non-U.S. Equities (Developed Markets)	6.1 %	5.2 %
Real Estate Investment Trusts (REITs)	2.3 %	2.7 %
Emerging Markets Equities	2.3 %	2.4 %
Private Markets[1]	13.3 %	17.0 %
Total	100.0 %	100.0 %

[1] Private Markets is not included in the target allocation. The Private Markets category is comprised of private equity funds of J.P. Morgan, Adams Street Partners, and a TRG Forestry Fund.

NOTE 2 – Cash and Investments (continued)

The Intermediate Term Fund consisted of the following actual asset allocation by investment category on June 30, 2023 and 2022:

Investment Category	2023	2022
Global Equities	17.6 %	14.9 %
High Yield Fixed Income	8.3 %	7.9 %
Bank Loans	8.1 %	8.2 %
Short-Term Fixed Income	32.8 %	34.5 %
Intermediate Fixed Income	16.7 %	17.3 %
Broad Fixed Income	16.5 %	17.2 %
Total	100.0 %	100.0 %

The RegentFund consisted of the following actual asset allocation by investment category on June 30, 2023 and 2022:

Investment Category	2023	2022
Fixed Income Securities	94.5 %	93.2 %
Short Term Investment Funds	5.5 %	6.8 %
Total	100.0 %	100.0 %

Benefiting University entities receive quarterly distributions from the Long Term Fund and the Intermediate Term Fund. The Long Term Fund distribution is primarily comprised of endowed assets, based on an annual spending rate applied to a twelve-quarter moving average market value of the Fund. The annual distribution rate is currently 4.0%. The Intermediate Term Fund distribution is comprised of the accumulated cash from interest and dividends that resides in the fund at the end of each quarter, less any applicable administrative fees. Distributions from the RegentFund, which is comprised of expendable gifts, consisted of quarterly interest earnings distributions. During the fiscal year ended June 30, 2023, the amount made available to spend from these funds was $21.5 million, relative to $20.6 million available during the fiscal year ended June 30, 2022.

At June 30, 2023 and 2022, the University's investments were as follows:

Investments	2023	2022
Equity Index Funds	$ 395,986,821	$ 315,072,324
Fixed Income Index Funds	706,946,954	583,998,483
Real Estate Index Fund	12,626,366	14,012,201
Fixed Income Securities	6,129,962	6,372,818
Short Term Investment Funds	6,306,798	1,211,162
Private Markets Limited Partnership	72,124,668	88,869,604
Total Investments	$1,200,121,569	$1,009,536,592

The total return on the Long Term Fund, including capital appreciation, was 5.6% for fiscal year 2023 compared to (7.6%) in fiscal year 2022. The total return on the Intermediate Term Fund, including capital appreciation, was 4.2% for fiscal year 2023 compared to (4.1%) in fiscal year 2022. The total return on the RegentFund, including capital appreciation, was 1.7% for fiscal year 2023, compared to (10.8%) for fiscal year 2022.

Credit Risk: Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Credit ratings issued by the major rating agencies are one indication of the perceived

NOTE 2 – Cash and Investments (continued)

credit quality of the issuer. As of June 30, 2023, the University was exposed to credit risk directly through its separately-managed fixed income portfolio, the RegentFund, and indirectly through the ownership of shares of commingled or mutual funds.

The following schedule displays the credit ratings for debt securities owned as of June 30, 2023 and 2022. Obligations of the United States and obligations explicitly guaranteed by the U.S. government are included in the Aaa rating below.

Ratings	2023	2022
AAA/Aaa	$ —	$ —
AA/Aa	682,560	1,388,814
A	1,686,422	1,133,535
BBB/Baa	2,764,184	2,886,738
BB/Ba	826,986	788,998
B	—	—
Commingled Fixed Income Funds	706,946,954	583,998,483
Not Rated	6,476,608	1,385,895
Totals	$ 719,383,714	$ 591,582,463

Custodial Credit Risk: Custodial credit risk related to investments is the risk that, in the event of a failure of a counterparty to a transaction, the University will not be able to recover the value of investment or collateral securities that are in possession of an outside party. The University's separately-held investment securities are registered in the name of the University. Investment securities underlying the University's investment in shares of external investment pools or funds are in custody at those entities. The shares owned in these external investment pools are registered in the name of the University. The University does not have a formal policy for custodial credit risk.

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of an organization's investment in a single issuer. Separately-managed debt/fixed income accounts that the University held as of June 30, 2023 and 2022 were limited to holding no more than 5.0% in any one issuer (U.S. Government/Agencies were exempted).

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The University used the option adjusted modified duration method to analyze interest rate risk for separately-held securities. Fixed income securities held by the University as of June 30, 2023 was expected to be within a range of two years below to one year above the effective duration of the established benchmark's duration.

The following schedule displays the interest rate risk statistics for individually-held debt securities owned as of June 30, 2023 and 2022, grouped by sector.

Fixed Income Sector	2023		2022	
	Market Value	Effective Duration (In Years)	Market Value	Effective Duration (In Years)
Corporate Debt	$ 5,447,401	4.7	$ 5,265,650	5.0
Government Debt	6,989,359	4.6	2,318,330	7.0
Totals	$ 12,436,760		$ 7,583,980	

NOTE 2 – Cash and Investments (continued)

The following schedule displays the interest rate risk statistics for the commingled debt/fixed income funds held as of June 30, 2023 and 2022, as determined by the providers of the funds.

Fixed Income Commingled Fund	2023		2022	
	Market Value	Effective Duration (In Years)	Market Value	Effective Duration (In Years)
BlackRock U.S. TIPS Fund B	$ 86,558,284	6.7	$ 88,162,587	6.9
BlackRock Government/Credit Bond Index Fund B	107,973,469	6.5	88,971,982	6.7
iShares Core 1-5 Year USD Bond Fund	211,941,488	2.7	164,952,000	2.8
Intermediate Government/Credit Bond Index Fund B	87,657,653	3.9	82,829,258	4.0
U.S. Debt Index Fund B	106,417,043	6.3	82,101,047	6.5
U.S. High Yield Bond Index Non-Lendable Fund B	53,799,470	3.6	37,974,990	1.1
BlackRock Floating Rate Income Portfolio	52,599,547	0.3	39,006,619	0.3
Totals	$706,946,954		$583,998,483	

Foreign Currency Risk: Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The Long Term Fund held positions only in passively-managed, indexed commingled funds which may invest in securities denominated in foreign currencies. However, the fund used for exposure to developed market equities generally seeks to hedge against the variations in returns deriving solely from the value of the foreign currencies in the fund relative to the U.S. dollar. The fund used for exposure to emerging market equities generally does not engage in similar foreign currency hedging efforts, due largely to the high cost and more limited efficacy of such hedging. Deposits in foreign currency for the RegentFund at June 30, 2023 are immaterial.

Securities Lending: The University has an agreement with BlackRock Institutional Trust Company, N.A., which acts as custodian for the University's Long Term Fund and Intermediate Term Fund investments and authorizes the bank to lend securities held in the University's accounts to third parties. The bank must obtain collateral from the borrower, or acceptable securities. When the University's securities are delivered to a borrower as part of a securities lending arrangement, the borrower is required to place collateral with the lending agent equal to at least 102% of the loaned securities' fair value, including interest accrued, as of the delivery date. Both the collateral and the securities loaned are marked-to-market on a daily basis, with additional collateral obtained or refunded as necessary. In the event that the loaned securities are not returned by the borrower, the bank will, at its own expense, either replace the loaned securities or, if unable to purchase those securities on the open market, credit the University’s accounts with cash equal to the fair value of the loaned securities.

The University receives 75 percent of the net revenue derived from all securities lending activities and the bank receives the remainder of the net revenue. Interest and dividend income reported as part of non-operating investment income in the Statement of Revenues, Expenses, and Changes in Net Position includes $434,144 and $299,345 earned by the University during the fiscal years ended June 30, 2023 and 2022, respectively, in conjunction with the securities lending program.

NOTE 2 – Cash and Investments (continued)

Although the University's securities lending activities are collateralized as described above, the securities lending program involves both market and credit risk. In this context, market risk refers to the possibility that the borrower of securities will be unable to collateralize the loan upon a sudden material change in the fair value of the loaned securities or the collateral, or that the bank's investment of collateral received from the borrowers of the University's securities may be subject to unfavorable market fluctuations. Credit risk refers to the possibility that counterparties involved in the securities lending program may fail to perform in accordance with the terms of their contracts.

At June 30, 2023 and 2022, the fair value of securities loaned was $245.0 million and $223.8 million, respectively, while the collateral held was $244.4 million and $228.9 million, respectively. Collateral received consisted of cash and non-cash collateral. The cash collateral was invested in a U.S. Dollar Cash Collateral Pool. There was non-cash collateral received of $306,033 and $415,447 as of June 30, 2023 and 2022, respectively. In accordance with accounting standards the value of the collateral held and a corresponding liability to return the collateral have been reported on the accompanying Statement of Net Position.

Donor-restricted endowments: For University-controlled, donor-restricted endowments, the Uniform Prudent Management of Institutional Funds Act, as adopted in Wisconsin, permits the Board of Regents of the University to appropriate, for current spending, an amount of realized and unrealized endowment appreciation as it determines to be prudent. Realized and unrealized appreciation in excess of that amount appropriated for current spending is retained by the endowments. Net appreciation since the inception of the endowment accounts of $162.6 million and $166.0 million at June 30, 2023 and June 30, 2022, respectively, is available to meet spending rate distributions and is recorded as restricted net position.

Fair Value Measurements: The University and the Foundations categorize their fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The three levels of the fair value hierarchy are described as follows:

- Level 1 – Quoted market prices in active markets for identical assets or liabilities
- Level 2 – Inputs other than quoted market prices included that are observable for the asset or liability. Matrix pricing, which is a mathematical technique used principally to value debt securities, is consistent with the market approach. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.
- Level 3 – Unobservable inputs for the asset and liability used to measure fair value that rely on the reporting entity’s own assumptions.

The hierarchy is based on the valuation inputs used to measure the fair value of the asset and gives the highest priority to level 1 measurements and the lowest priority to level 3 measurements. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy.

The University and the Foundations measure the fair value of investments in certain entities that do not have a quoted market price at the calculated net asset value (NAV) per share or its equivalent. As these investments are not readily marketable the estimated value is subject to uncertainty, and therefore, may differ from the value that would have been used had a ready market for the investments existed.

As of June 30, 2023, the University’s investments were measured at fair value within the fair value hierarchy established by generally accepted accounting principles, as well as by using the net asset value per share or its equivalent.

NOTE 2 – Cash and Investments (continued)

The following table presents these investments by investment category.

Investments	Level 1	Level 2	Level 3	Measured at NAV	Total June 30, 2023
Equity Index Funds	$ —	$ —	$ —	$ 395,986,821	$ 395,986,821
Fixed Income Index Funds	264,541,035	—	—	442,405,919	706,946,954
Real Estate Index Fund	—	—	—	12,626,366	12,626,366
Fixed Income Securities	682,560	5,447,402	—	—	6,129,962
Short Term Investment Funds	297,721	—	—	6,009,077	6,306,798
Private Equity Limited Partnership	—	—	—	72,124,668	72,124,668
Total Investments at Fair Value	$265,521,316	$ 5,447,402	$ —	$ 929,152,851	$ 1,200,121,569

The equity index funds includes a global equity index fund (89%) with an investment strategy designed to track the return of equity securities traded both inside and outside of the United States. An additional 3% of this category includes an emerging markets index fund with an investment strategy designed to track the return of equity securities in emerging markets. The remaining 8% is included in an international currency hedged equity index fund with an investment strategy designed to track the return of the markets in certain countries for equity securities outside of the United States while mitigating exposure to fluctuations between the value of the currencies in the fund and the U.S. dollar. The international and emerging markets index funds have daily liquidity with 2 days notice. The international hedged index fund has monthly liquidity with 2 days notice.

The fixed income index funds category includes government/credit bond index funds (28%) primarily invested in debt securities to approximate the total rate of return with maturities between one and ten years, a U.S. TIPS index fund (12%) with an investment strategy of closely approximating the return of all outstanding U.S. TIPS with a maturity of one year or greater, a U.S. Debit Index Fund (15%) and U.S. High Yield Bond Index Fund (8%) with the objective of approximating the total rate of return of the market for debt securities. Also Level 1 investments are a floating rate income fund (7%) with an investment strategy focused on seeking high-quality loans with attractive risk-adjusted returns and a 1-5 year USD Bond ETF (30%) that provides exposure to short-term high yield bonds with maturities between one and five years. The index funds have daily liquidity with 2 days notice. ETF has 1-2 day trade settlement.

The real estate index fund includes an investment strategy designed to track the return of publicly traded real estate equity securities. The real estate index fund has daily liquidity with 2 days' notice.

The short term investments fund consists of short-term cash funds with the investment objective of safety of principal and liquidity while earning a competitive money market rate of return. The short-term cash funds have daily liquidity with same day notice.

As of June 30, 2022, the University's investments were measured at fair value within the fair value hierarchy established by generally accepted accounting principles, as well as by using the net asset value per share or its equivalent.

NOTE 2 – Cash and Investments (continued)

The following table presents these investments by investment category.

Investments	Level 1	Level 2	Level 3	Measured at NAV	Total June 30, 2022
Equity Index Funds	$ —	$ —	$ —	$ 315,072,324	$ 315,072,324
Fixed Income Index Funds	164,952,000	—	—	419,046,483	583,998,483
Real Estate Index Fund	—	—	—	14,012,201	14,012,201
Fixed Income Securities	1,107,168	5,265,650	—	—	6,372,818
Short Term Investment Funds	402,693	—	—	808,469	1,211,162
Private Equity Limited Partnership	—	—	—	88,869,604	88,869,604
Total Investments at Fair Value	$166,461,861	$ 5,265,650	$ —	$ 837,809,081	$ 1,009,536,592

The private equity limited partnership fund includes a fund-of-funds private equity limited partnership. This investment is illiquid and is generally not resold or redeemed. Distributions from the fund will be received over the life of the investment as the underlying investments are liquidated. The investment strategy of the limited partnership focuses globally on corporate finance, venture capital, and forestry/agricultural investments. The fund-of-funds limited partnership is estimated to have an average remaining life of approximately 8 years at June 30, 2023. The estimated remaining life of the underlying investments are between 1-6 years at June 30, 2023.

The following table presents the fair value and unfunded commitments of the University's investments in private markets Limited Partnerships Funds as of June 30:

	2023		2022	
Investment Type	Fair Value	Unfunded Commitments	Fair Value	Unfunded Commitments
Private Markets Limited Partnership Funds	$ 72,124,668	$ 4,625,335	$ 88,869,604	$ 7,431,046

No further new commitments to these or other private markets funds are anticipated. The existing positions in the private markets Limited Partnership Funds will eventually self-liquidate, as underlying private investments are sold off and distributions are made to investors.

NOTE 2 – Cash and Investments (continued)

As of June 30, 2023, the Foundations' investments were measured at fair value within the fair value hierarchy established by generally accepted accounting principles, as well as by using the net asset value (NAV) per share or its equivalent. The following table presents these investments by investment category.

Investments	Level 1	Level 2	Level 3	Measured at NAV	Total June 30, 2023
Certificates of Deposit	$ —	$ 3,861,573	$ —	$ —	$ 3,861,573
Money Market Funds	199,756,318	26,561,466	—	—	226,317,784
Federal and State Government Securities	112,490,238	171,718,176	—	—	284,208,414
Equity Securities	494,747,431	—	2,052,561	—	496,799,992
Debt Securities	5,448,086	688,887,316	4,504,824	—	698,840,226
Bond Funds	—	10,433,378	—	—	10,433,378
Stock Funds	12,844,977	—	—	1,825,455,018	1,838,299,995
Exchange Traded Funds	176,031,574	—	—	—	176,031,574
Mutual Funds	306,622,129	—	—	—	306,622,129
Other	87,460,070	6,618,168	3,794,890	178,654,844	276,527,972
Subtotal	1,395,400,823	908,080,077	10,352,275	2,004,109,862	4,317,943,037
Alternate Investments					
Private Equity	—	—	21,889,107	788,714,367	810,603,474
Real Estate	—	—	—	344,306,226	344,306,226
Hedge Funds	—	—	—	234,926,435	234,926,435
Other	—	—	—	73,223,367	73,223,367
Total investments at fair value	$1,395,400,823	$ 908,080,077	$ 32,241,382	$3,445,280,257	$5,781,002,539

NOTE 2 – Cash and Investments (continued)

As of June 30, 2022, the Foundations' investments were measured at fair value within the fair value hierarchy established by generally accepted accounting principles, as well as by using the net asset value (NAV) per share or its equivalent. The following table presents these investments by investment category.

Investments	Level 1	Level 2	Level 3	Measured at NAV	Total June 30, 2022
Certificates of Deposit	$ —	$ 100,000	$ —	$ —	$ 100,000
Money Market Funds	212,147,221	10,756,518	—	—	222,903,739
Federal and State Government Securities	226,978,624	158,830,536	—	—	385,809,160
Equity Securities	734,492,375	—	2,052,561	—	736,544,936
Debt Securities	17,093,229	622,028,833	5,860,369	—	644,982,431
Bond Funds	7,413,023	11,673,686	—	165,387,937	184,474,646
Stock Funds	16,255,719	—	—	1,013,623,823	1,029,879,542
Exchange Traded Funds	122,839,014	—	—	—	122,839,014
Mutual Funds	299,507,990	—	—	—	299,507,990
Other	85,210,493	9,027,174	2,930,102	146,377,354	243,545,123
Subtotal	1,721,937,688	812,416,747	10,843,032	1,325,389,114	3,870,586,581
Alternate Investments					
Private Equity	—	—	231,633	706,095,169	706,326,802
Real Estate	—	—	757,187	325,748,291	326,505,478
Hedge Funds	—	—	—	206,345,409	206,345,409
Other	—	—	—	83,481,433	83,481,433
Total investments at fair value	$1,721,937,688	$ 812,416,747	$ 11,831,852	$2,647,059,416	$5,193,245,703

NOTE 3 – Receivables

Accounts receivable and student loans receivable as of June 30, 2023 and June 30, 2022, are summarized as follows:

Receivables (Net)	2023	2022 Restated
Student Academic Fees	$ 21,415,595	$ 23,500,377
Grants and Contracts	78,806,672	69,807,936
Educational Activities and Other	44,302,559	27,869,082
Auxiliary Enterprises	11,223,953	10,157,826
UW Hospitals and Clinics Authority and La Crosse Medical Health Science Consortium Inc.	1,081,191	13,322,284
Investment	568,659	121,542
Student Loans Receivable	92,572,463	106,923,883
Leases Receivable	21,093,065	14,790,854
State Agencies	33,569,265	30,270,005
Other Governments	154,868,535	161,120,744
Total Receivables (Net)	$ 459,501,957	$ 457,884,533

NOTE 3 – Receivables (continued)

Student loans receivable at June 30, 2023 included allowances for uncollectible loans of $3.6 million relative to $4.2 million in the prior year. Principal repayment and interest rates of University and federal loans vary. Federal loan programs are funded primarily with federal contributions to the University under the Perkins loan program and a variety of health professions loan programs.

Allowances for uncollectible on all non-student loan receivables totaled $35.0 million and $40.8 million at June 30, 2023 and 2022, respectively.

The University distributed student loans through the United States Department of Education federal direct lending program totaling $528.9 million during fiscal year 2023 and $527.7 million in fiscal year 2022. These distributions and the related funding sources are not reflected as expenses and revenues in the financial statements. However, related cash inflows and outflows are shown in the Statement of Cash Flows.

The University leases land, facility space, and equipment to various third parties. In accordance with GASB 87, the University records lease receivables and deferred inflows of resources based on the present value of expected receipts over the term of the respective leases. The expected receipts are discounted using the state's incremental borrowing rate. Variable payments are excluded from the valuations unless they are fixed in substance. During the years ended June 30, 2023 and 2022, the University recognized revenues related to these lease agreements totaling $4.9 million and $5.4 million, respectively.

NOTE 4 - Capital Assets

Land, buildings, improvements (e.g., parking lots, fences, street lighting, etc.), equipment, and library holdings are capitalized at cost at date of acquisition or acquisition value at the date of donation in the case of gifts-in-kind. Generally, capital equipment is defined as any single asset with a minimum value of $5,000 and having a useful life of more than one year. Depreciation is calculated on a straight-line basis over the estimated useful lives of the respective assets: buildings over 40 years, improvements over 20 years, capital equipment over periods ranging from 3 to 15 years for specified asset classes, and library holdings over 15 years. The componentized methodology of depreciation is used for major research facilities generally using estimated useful lives ranging from 10 to 50 years. The buildings and land related to the 13 additional campuses are not owned by the University and thus are not reported in these financial statements. The University does not capitalize works of art or historical treasures that are held for exhibition, education, research, and public service. These collections are neither disposed of for financial gain nor encumbered in any way. Proceeds from the sale, exchange, or other disposal of any item belonging to a collection of works of art or historical treasures must be applied to the acquisition of additional items for the same collection.

GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, establishes accounting and financial reporting standards for a capital asset that has experienced a significant, unexpected decline in its service utility. No individual asset met these criteria in fiscal year 2023 or 2022. Insurance recoveries received in fiscal year 2023 included $3.5 million for water damage at UW-La Crosse, UW-Milwaukee, and a university administration buildings. No reportable insurance recoveries were received in fiscal year 2022. Insurance recoveries are reported as other non-operating revenues in the financial statements.

GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, establishes accounting and financial reporting standards for an intangible asset that lacks physical substance, is nonfinancial in nature, has a useful life extending beyond one year, and is not acquired or created primarily for the purpose of directly obtaining income or profit. Intangible assets are capitalized with a minimum value of $1.0 million and are included in the equipment balance. Amortization for intangible assets is calculated on a straight-line basis over ten years. At June 30, 2023, the equipment

NOTE 4 - Capital Assets (continued)

balance includes $12.2 million for intangible assets net of amortization, compared to $17.5 million at June 30, 2022.

GASB Statement No. 87, *Leases*, establishes standards of accounting and financial reporting for leases by lessees and lessors. The University adopted GASB 87 effective for the fiscal year ended June 30, 2022. The implementation has been reflected as of July 1, 2020. Leases are capitalized with a minimum $100,000 net present value of the lease payments and are amortized over the shorter of the lease term or the useful life of the underlying asset.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, establishes standards of accounting and financial reporting for subscription-based information technology arrangements (SBITAs) by a government end user. The University adopted GASB 96 effective for the fiscal year ended June 30, 2023. The implementation has been reflected in the following restated schedules as of July 1, 2021. Subscription assets are capitalized with a minimum $50,000 net present value of the subscription payments and are amortized over the shorter of the subscription term or the useful life of the underlying asset.

Real property and equipment purchased or constructed under National Science Foundation (NSF) cooperative agreements issued to the University vests immediately with the federal government as Federally-owned property (FOP). Although the University is responsible for the control and maintenance of FOP under these awards, ownership does not transfer to the University and therefore is not recorded as an asset in the statement of net position. Total book value of FOP purchased or constructed under NSF cooperative agreements totaled $0.9 million and $1.0 million as of June 30, 2023 and 2022, respectively. Work-in-Progress for the FOP under these awards totaled $7.9 million and $5.5 million as of June 30, 2023 and 2022, respectively.

Depreciation and amortization expense for fiscal years ended June 30, 2023 and 2022 was $440.6 million and $413.6 million, respectively.

During both fiscal year 2022 and 2023, several major construction projects were in progress including the following projects with a budget of $50.0 million or more:

University	Project	Primary Purpose	Approx. Budget (in millions)	Primary Funding Sources
Eau Claire	Science and Health Sciences Building	Academic	$ 340.3	GFSB/PRSB/Cash/Gifts
Madison	Gymnasium/Natatorium Replacement	Student Life	126.4	PRSB/Gifts
Madison	Sellery Hall Addition & Renovation	Student Life	78.8	PRSB/Cash
Madison	Veterinary Medicine Addition & Renovation	Academic	128.1	GFSB/Gifts
Green Bay	Cofrin Technology & Education Center	Academic	96.3	GFSB/PRSB
Madison	College of Letters & Science Academic Building	Academic	88.4	GFSB/Gifts
River Falls	Science & Technology Innovation Center	Academic	116.7	GFSB/Gifts
Madison	Computer, Data, & Information Sciences Building	Academic	230.0	Gifts
Madison	Camp Randall Stadium Renovation & Field House Repairs	Athletics	77.6	PRSB/Cash/Gifts
Madison	Engineering Drive Utilities Replacement & Renovation	Utilities	73.1	GFSB/PRSB
Stevens Point	Albertson Hall Replacement	Academic	96.0	GFSB

NOTE 4 - Capital Assets (continued)

During fiscal year 2023, several new major construction projects were initiated and in progress including the following projects with a budget of $50.0 million or more:

University	Project	Primary Purpose	Approx. Budget (in millions)	Primary Funding Sources
Madison	Camp Randall Sports Center Replacement	Athletics	$ 285.2	PRSB/Cash
Stout	Heritage Hall Addition & Renovation	Academic	138.9	GFSB

Several construction projects were completed during fiscal year 2022, including the following projects with $50.0 million or more in actual expenditures:

University	Project	Primary Purpose	Approx. Budget (in millions)	Primary Funding Sources
Madison	Babcock Hall Dairy Plant & Center for Dairy Research Addition	Academic	$ 72.6	GFSB/Cash/Gifts
Madison	Chemistry Building Addition & Renovation	Academic	133.1	GFSB/Cash/Gifts
Milwaukee	Chemistry Building STEM Program Renovation	Academic	129.5	GFSB
Milwaukee	Northwest Quadrant Renovation	Academic	52.2	GFSB/PRSB/Cash
Platteville	Sesquicentennial Hall	Academic	55.2	GFSB/PRSB

NOTE 4 - Capital Assets (continued)

The change in book value from July 1, 2022 to June 30, 2023 is summarized as follows:

	Book Value July 1, 2022	Additions	Transfers	Deductions	Book Value June 30, 2023
Buildings	$ 8,368,507,080	$ 185,381,500	$ 126,943,476	$ (5,076,303)	$ 8,675,755,753
Improvements	553,224,253	438,490	19,500	(93,549)	553,588,694
Land	167,594,966	3,960,042	—	—	171,555,008
Construction in Progress	458,333,985	230,363,130	(129,015,743)	—	559,681,372
Equipment	1,327,999,558	112,497,796	2,052,767	(42,362,458)	1,400,187,663
Right-to-Use Assets	323,473,911	17,415,525	—	(6,056,839)	334,832,597
Subscription Assets	77,044,513	28,023,648	—	—	105,068,161
Library Holdings	1,141,101,540	23,320,116	—	(27,496,361)	1,136,925,295
Subtotal	$12,417,279,806	$ 601,400,247	$ —	$ (81,085,510)	$12,937,594,543

Less Accumulated Depreciation and Amortization:

	Book Value July 1, 2022	Additions	Transfers	Deductions	Book Value June 30, 2023
Buildings	$ 4,099,596,355	$ 247,950,593	$ —	$ 7,754,136	$ 4,355,301,084
Improvements	377,004,798	17,727,705	—	(467,696)	394,264,807
Equipment	1,010,959,505	88,568,037	—	(52,858,443)	1,046,669,099
Right-to-Use Assets	59,842,502	30,078,226	—	(5,379,284)	84,541,444
Subscription Assets	21,761,393	34,113,057	—	—	55,874,450
Library Holdings	990,502,347	22,181,421	—	(27,268,285)	985,415,483
Total Accumulated Depreciation and Amortization	6,559,666,900	440,619,039	—	(78,219,572)	6,922,066,367
Capital Assets, Net	$ 5,857,612,906	$ 160,781,208	$ —	$ (2,865,938)	$ 6,015,528,176

NOTE 4 - Capital Assets (continued)

The change in book value from July 1, 2021 to June 30, 2022 is summarized as follows:

	Book Value July 1, 2021 Restated	Additions	Transfers	Deductions	Book Value June 30, 2022 Restated
Buildings	$ 7,994,873,479	$ 144,858,703	$ 233,053,043	$ (4,278,145)	$ 8,368,507,080
Improvements	552,832,305	391,948	—	—	553,224,253
Land	162,642,909	4,952,057	—	—	167,594,966
Construction in Progress	403,676,894	288,600,534	(233,943,443)	—	458,333,985
Equipment	1,265,124,278	89,702,995	(1,351,891)	(25,475,824)	1,327,999,558
Right-to-Use Assets	319,206,575	4,267,336	—	—	323,473,911
Subscription Assets	38,424,884	36,377,338	2,242,291	—	77,044,513
Library Holdings	1,138,044,260	22,986,188	—	(19,928,908)	1,141,101,540
Subtotal	$11,874,825,584	$ 592,137,099	$ —	$ (49,682,877)	$12,417,279,806

Less Accumulated Depreciation and Amortization:

	Book Value July 1, 2021 Restated	Additions	Transfers	Deductions	Book Value June 30, 2022 Restated
Buildings	$ 3,853,343,234	$ 247,950,593	$ —	$ (1,697,472)	$ 4,099,596,355
Improvements	359,277,093	17,727,705	—	—	377,004,798
Equipment	960,454,765	74,671,323	—	(24,166,583)	1,010,959,505
Right-to-Use Assets	29,764,276	30,078,226	—	—	59,842,502
Subscription Assets	779,289	20,982,104	—	—	21,761,393
Library Holdings	988,249,834	22,181,421	—	(19,928,908)	990,502,347
Total Accumulated Depreciation and Amortization	6,191,868,491	413,591,372	—	(45,792,963)	6,559,666,900
Capital Assets, Net	$ 5,682,957,093	$ 178,545,727	$ —	$ (3,889,914)	$ 5,857,612,906

The University leases land, buildings, equipment and vehicles from various third parties. In accordance with GASB 87, the University records right-to-use assets and lease and financing obligations (see Note 7) based on the present value of expected payments over the term of the respective leases. The expected payments are discounted using the interest rate charged on the lease, if available, and are otherwise discounted using the state's incremental borrowing rate. Payments are generally fixed monthly with certain variable payments not included in the measurement of the lease liability unless they are fixed in substance. For leases featuring payments tied to an index or market rate, the valuation is based on the initial index or market rate. The University does not have any leases that contain residual value guarantees.

The University also leases certain assets that are subsequently subleased by the University to a third party. The noncancelable terms of these leasing arrangements mature between 2023 and 2036. The discount rates applicable to these leasing arrangements range from 0.53 percent to 1.81 percent. Payments are generally fixed monthly with certain variable payments required based on initial index or market rate.

NOTE 4 - Capital Assets (continued)

The amount of lease assets by major classes of underlying assets at June 30, 2023 and 2022, respectively, are as follows:

	Right-to-Use Assets			
	June 30, 2023		June 30, 2022	
Asset Class	**Cost**	**Accumulated Amortization**	**Cost**	**Accumulated Amortization**
Land	$ 2,027,953	$ 1,135,887	$ 2,169,859	$ 932,360
Buildings	317,602,996	74,064,718	307,069,030	50,151,444
Equipment and Other	15,201,648	9,340,839	14,235,022	8,758,698
Totals	$ 334,832,597	$ 84,541,444	$ 323,473,911	$ 59,842,502

The University has entered into subscription-based contracts with various third parties that conveys control of the right to use vendor-provided information technology (IT). Subscription-based information technology arrangements (SBITAs) provide the University with access to vendors' IT software, alone or in combination with associated tangible capital assets for subscription payments without granting the University perpetual license or title to the IT software and associated tangible capital assets. In accordance with GASB 96, the University records intangible subscription assets and a subscription liability (see Note 7) measured at the present value of subscription payments expected to be made during the subscription term. The expected payments are discounted using the interest rate charged on the subscription, if available, and are otherwise discounted using the state's incremental borrowing rate. Payments are generally fixed monthly with certain variable payments not included in the measurement of the subscription liability unless they are fixed in substance. For subscriptions featuring payments tied to an index or market rate, the valuation is based on the initial index or market rate.

NOTE 5 - Liabilities

Accounts payable and accrued liabilities, consisting of salary and fringe benefits, due to state agencies and other governments, and vendor payables, resulting from University's activities as of June 30, 2023 and 2022, are summarized as follows:

Fiscal Year 2023 **University Activities**	**Salary and Fringe Benefits**	**Due to State Agencies and Other Governments**	**Vendors**	**Total Payables**
Operating	$ 113,109,122	$ 58,186,453	$ 45,933,907	$ 217,229,482
Gifts, Grants, and Contracts	36,450,992	5,066,689	32,920,848	74,438,529
Capital Projects	—	15,291	58,564,734	58,580,025
Auxiliary Enterprises	7,644,802	1,435,636	5,986,180	15,066,618
Investment and Other	558,345	467,844	2,229,426	3,255,615
Total Activities	$ 157,763,261	$ 65,171,913	$ 145,635,095	$ 368,570,269

Fiscal Year 2022 **University Activities**	**Salary and Fringe Benefits**	**Due to State Agencies and Other Governments**	**Vendors**	**Total Payables**
Operating	$ 75,994,973	$ 70,620,491	$ 30,101,277	$ 176,716,741
Gifts, Grants, and Contracts	29,983,029	5,007,611	15,718,298	50,708,938
Capital Projects	—	1,272,153	81,431,253	82,703,406
Auxiliary Enterprises	5,574,116	1,389,884	2,459,780	9,423,780
Investment and Other	497,229	381,012	1,689,578	2,567,819
Total Activities	$ 112,049,347	$ 78,671,151	$ 131,400,186	$ 322,120,684

Long-term liability activity for the fiscal years ended June 30, 2023 and 2022 is as follows:

Long-term Liabilities 2023	**Balance July 1, 2022**	**Increases (Decreases)**	**Balance June 30, 2023**	**Current Portion**
Bonds Payable	$ 1,668,052,278	(94,785,923)	$ 1,573,266,355	$ 125,128,391
Notes Payable	38,644,118	38,538,774	77,182,892	7,236,085
Lease and Financing Obligations	317,437,358	(21,676,530)	295,760,828	39,048,033
Perkins Loan Program	73,557,110	(13,433,524)	60,123,586	—
Compensated Absences	178,467,645	7,561,949	186,029,594	99,156,591
Net Pension Liability	—	709,734,328	709,734,328	—
Other Postemployment Health	316,651,203	2,903,072	319,554,275	—
Other Postemployment Life	392,540,878	(115,076,031)	277,464,847	—
Capital Asset Retirement Obligations	13,056,310	586,793	13,643,103	—
Employer Deferred Payroll Tax	47,740,576	(47,740,576)	—	—
Total	$ 3,046,147,476	$ 466,612,332	$ 3,512,759,808	$ 270,569,100

NOTE 5 - Liabilities (continued)

Long-term Liabilities 2022	Balance July 1, 2021 Restated	Increases (Decreases)	Balance June 30, 2022 Restated	Current Portion
Bonds Payable	$ 1,631,190,174	$ 36,862,104	$ 1,668,052,278	$ 109,336,417
Notes Payable	58,782,428	(20,138,310)	38,644,118	3,010,141
Lease and Financing Obligations	324,882,140	(7,444,782)	317,437,358	47,428,101
Perkins Loan Program	93,987,125	(20,430,015)	73,557,110	—
Compensated Absences	184,588,497	(6,120,852)	178,467,645	98,758,514
Other Postemployment Health	287,515,221	29,135,982	316,651,203	—
Other Postemployment Life	363,828,903	28,711,975	392,540,878	—
Capital Asset Retirement Obligations	12,232,364	823,946	13,056,310	—
Employer Deferred Payroll Tax	95,481,152	(47,740,576)	47,740,576	47,740,576
Total	$ 3,052,488,004	$ (6,340,528)	$ 3,046,147,476	$ 306,273,749

NOTE 6 - Long Term Debt

The State of Wisconsin issues general obligation bonds and notes on behalf of its constituent agencies, including the University, the proceeds of which are used to construct or acquire facilities and other capital assets. The University holds title to the assets thus acquired. As an enterprise fund of the State of Wisconsin, the University reports on its Statement of Net Position the portion of the debt that will be repaid with program revenues generated by the University's self-supporting operations. Debt on academic facilities that is repaid by an appropriation from the State of Wisconsin to the University for that purpose is reported by the State of Wisconsin and not as an obligation of the University. However, cash inflows and outflows are shown in the Statement of Cash Flows.

NOTE 6 - Long Term Debt (continued)

The following information is the University's proportionate share of the new bonds and notes issued by the State of Wisconsin during the fiscal years of 2023 and 2022:

2023 Series	Interest Rate	Maturity Fiscal Year	Initial Amount	Use
2022-A (FRN)	Variable	2025	$ 24,673,388	Capitalized Projects
2022-3	5.00%	2024	12,247,653	Refunding
2022-4	5.00%	2043	198,955,420	Refunding
2022-5	4.75% - 5.73%	2037	20,585,000	Refunding
2023-A	4.00% - 5.00%	2043	34,579,795	Capitalized Projects
EM23-A (EMCP)	Variable	2032	19,034,842	Capitalized Projects
2023-1	5.00%	2028	33,670,430	Refunding
2023-2	5.00%	2042	126,069,736	Refunding
			$ 469,816,264	

2022 Series	Interest Rate	Maturity Fiscal Year	Initial Amount	Use
2021-4	1.08% - 2.20%	2036	33,974,758	Refunding
2021-B	4.00% - 5.00%	2042	65,107,668	Capitalized Projects
2022-1	5.00%	2028	17,632,282	Refunding
2022-2	2.24% - 3.09%	2037	16,070,543	Refunding
2022-A	4.00% - 5.00%	2042	44,413,634	Capitalized Projects
			$ 177,198,885	

The following information relates to the status of bonds and notes payable outstanding at June 30, 2023:

	Balance July 1, 2022	New Debt/ Accretion	Principal Paid/ Adjustments	Balance June 30, 2023
Bonds (Gross)	$ 1,532,884,095	$ 426,108,034	$ (527,597,498)	$ 1,431,394,631
Notes	38,644,118	43,708,230	(5,169,456)	77,182,892
Total	$ 1,571,528,213	$ 469,816,264	$ (532,766,954)	$ 1,508,577,523

The bonds have maturity dates ranging from October 17, 2023 to May 1, 2043. The notes have maturity dates ranging from May 1, 2026 to May 1, 2038. Interest rates range from 0.4% to 5.7%.

NOTE 6 - Long Term Debt (continued)

As of June 30, 2023, the current and noncurrent bonds and notes payable net of discounts and premiums totaled $132.4 million and $1,518.1 million, respectively.

	Balance June 30, 2023	Current	Noncurrent
Bonds (Gross)	$ 1,431,394,631	$ 99,264,069	$ 1,332,130,562
Discount	(80,913)	(30,262)	(50,651)
Premium	141,952,637	25,894,584	116,058,053
Bonds (Net)	1,573,266,355	125,128,391	1,448,137,964
Notes	77,182,892	7,236,085	69,946,807
Total	$ 1,650,449,247	$ 132,364,476	$ 1,518,084,771

The following information relates to the status of bonds and notes payable outstanding at June 30, 2022:

	Balance July 1, 2021	New Debt/ Accretion	Principal Paid/ Adjustments	Balance June 30, 2022
Bonds (Gross)	$ 1,485,760,251	$ 177,198,885	$ (130,075,041)	$ 1,532,884,095
Notes	58,782,428	—	(20,138,310)	38,644,118
Total	$ 1,544,542,679	$ 177,198,885	$ (150,213,351)	$ 1,571,528,213

The bonds have maturity dates ranging from May 1, 2023 to May 1, 2042. The notes have maturity dates ranging from May 1, 2026 to May 1, 2038. Interest rates range from 0.1% to 5.0%.

As of June 30, 2022, the current and noncurrent bonds and notes payable net of discounts and premiums totaled $112.3 million and $1,594.3 million, respectively.

	Balance June 30, 2022	Current	Noncurrent
Bonds (Gross)	$ 1,532,884,095	$ 84,971,963	$ 1,447,912,132
Discount	(44,691)	(6,537)	(38,154)
Premium	135,212,874	24,370,991	110,841,883
Bonds (Net)	1,668,052,278	109,336,417	1,558,715,861
Notes	38,644,118	3,010,141	35,633,977
Total	$ 1,706,696,396	$ 112,346,558	$ 1,594,349,838

NOTE 6 - Long Term Debt (continued)

Future debt service requirements for bonds and notes outstanding at June 30, 2023 are as follows:

Fiscal Year(s)	Bonds		Notes	
	Principal	Interest	Principal	Interest
2024	$ 99,264,117	$ 63,675,249	$ 7,236,085	$ 3,523,132
2025	71,252,461	59,424,367	25,296,546	3,240,640
2026	96,200,313	55,751,693	5,387,824	1,975,812
2027	81,492,040	51,974,818	1,998,439	1,706,422
2028	98,862,148	47,731,394	2,098,464	1,606,500
2029-2033	447,831,579	175,879,948	9,495,498	6,349,890
2034-2038	332,275,668	89,340,777	25,670,037	4,942,190
2039-2043	204,216,305	20,017,148	—	—
Total	$ 1,431,394,631	$ 563,795,394	$ 77,182,893	$ 23,344,586

As noted above, debt on academic facilities that is repaid by an appropriation from the State of Wisconsin to the University for that purpose is reported by the State of Wisconsin and not as an obligation of the University. As of June 30, 2023, the principal balances of such bonds and notes were $1,384.3 million and $119.4 million, respectively. As of June 30, 2022, the principal balances of such bonds and notes were $1,419.7 million and $30.1 million, respectively. Debt service payments made by the State of Wisconsin for the years ended June 30, 2023 and 2022 were allocated as follows:

2023	Bonds	Notes
Principal	$ 145,861,643	$ 11,723,721
Interest	64,308,036	4,630,005
Total Paid	$ 210,169,679	$ 16,353,726

2022	Bonds	Notes
Principal	$ 117,434,447	$ 28,675,596
Interest	60,462,360	—
Total Paid	$ 177,896,807	$ 28,675,596

NOTE 7 – Lease, Subscription and Financing Obligations

The University had lease, subscription and financing obligations with a net present value of $295.8 million as of June 30, 2023 compared to $317.4 million at June 30, 2022.

The following information relates to the status of lease, subscription and financing obligations outstanding at June 30, 2023:

	Balance July 1, 2022	New Leases/ Subscriptions/ Financings	Principal Paid/ Adjustments	Balance June 30, 2023
Lease Obligations	$ 270,358,121	$ 17,415,525	$ (27,797,473)	$ 259,976,173
Subscription Liabilities	43,165,649	25,866,945	(37,540,148)	31,492,446
Installment Purchases	3,913,588	987,502	(608,881)	4,292,209
Total	$ 317,437,358	$ 44,269,972	$ (65,946,502)	$ 295,760,828

	Balance June 30, 2023	Current	Noncurrent
Lease Obligations	$ 259,976,173	$ 21,763,074	$ 238,213,100
Subscription Liabilities	31,492,446	16,654,701	14,837,744
Installment Purchases	4,292,209	630,258	3,661,951
Total	$ 295,760,828	$ 39,048,033	$ 256,712,795

The following information relates to the status of lease, subscription and financing obligations outstanding at June 30, 2022:

	Balance July 1, 2021	New Leases/ Subscriptions/ Financings	Principal Paid/ Adjustments	Balance June 30, 2022
Lease Obligations	$ 293,159,666	$ 4,267,336	$ (27,068,881)	$ 270,358,121
Subscription Liabilities	30,631,992	36,377,337	(23,843,680)	43,165,649
Installment Purchases	1,090,481	2,889,059	(65,952)	3,913,588
Total	$ 324,882,139	$ 43,533,732	$ (50,978,513)	$ 317,437,358

	Balance June 30, 2022	Current	Noncurrent
Lease Obligations	$ 270,358,121	$ 24,215,385	$ 246,142,736
Subscription Liabilities	43,165,649	22,737,633	20,428,016
Installment Purchases	3,913,588	475,083	3,438,505
Total	$ 317,437,358	$ 47,428,101	$ 270,009,257

NOTE 7 – Lease, Subscription and Financing Obligations (continued)

Future principal and interest payment requirements related to the University's lease, subscription and financing obligations at June 30, 2023 are as follows:

Fiscal Year(s)	Lease Obligations		Subscription Liabilities		Installment Purchases	
	Principal	Interest	Principal	Interest	Principal	Interest
2024	$ 21,763,074	$ 4,647,756	$ 16,654,701	$ 440,307	$ 630,258	$ 166,358
2025	18,546,761	4,314,286	8,922,792	233,219	627,349	150,746
2026	17,364,364	4,002,031	4,633,767	90,662	610,776	124,267
2027	16,384,159	3,696,806	1,233,433	21,549	560,350	97,584
2028	15,718,876	3,395,297	47,752	1,336	524,874	73,012
2029-2033	67,827,157	12,934,683	—	—	1,338,602	106,292
2034-2038	50,225,095	7,238,408	—	—	—	—
2039-2043	35,213,149	3,395,792	—	—	—	—
2044-2048	16,930,405	410,473	—	—	—	—
2049-2053	3,134	9	—	—	—	—
Total	$ 259,976,174	$ 44,035,541	$ 31,492,445	$ 787,073	$ 4,292,209	$ 718,259

NOTE 8 – Retirement Benefits

Basis of Accounting. The fiduciary net position of the Wisconsin Retirement System (WRS) has been determined using the flow of economic resources measurement focus and accrual basis of accounting. This includes for purposes of measuring the following:

- Net Pension Liability (Asset),
- Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions,
- Pension Expense (Revenue).

Information about the fiduciary net position of the WRS and additions to/deductions from WRS' fiduciary net position have been determined on the same basis as they are reported by the WRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Plan Description. The WRS is a cost-sharing multiple-employer defined benefit pension plan. WRS benefits and other plan provisions are established by Chapter 40 of the Wisconsin Statutes. Benefit terms may only be modified by the legislature. The retirement system is administered by the Wisconsin Department of Employee Trust Funds (ETF). The system provides coverage to all eligible State of Wisconsin, local government and other public employees. All employees, initially employed by a participating WRS employer on or after July 1, 2011, expected to work at least 1,200 hours a year (880 hours for teachers and school district educational support employees) and expected to be employed for at least one year from employee’s date of hire are eligible to participate in the WRS.

ETF issues a standalone Annual Comprehensive Financial Report (ACFR), which can be found at https://etf.wi.gov/about-etf/reports-and-studies/financial-reports-and-statements

Additionally, ETF issued a standalone Wisconsin Retirement System Financial Report, which can also be found using the link above.

All assets of the WRS are invested by the State of Wisconsin Investment Board. The retirement fund assets consist of shares in the Variable Retirement Investment Trust and the Core Retirement Investment Trust. The Variable Retirement Investment Trust consists primarily of equity securities.

NOTE 8 – Retirement Benefits (continued)

The Core Retirement Investment Trust is a balanced investment fund made up of fixed income securities and equity securities. Shares in the Core and Variable Retirement Investment Trust are purchased as funds are made available from retirement contributions and investment income, and sold when funds for benefit payments and other expenses are needed.

Vesting. For employees beginning participation on or after January 1, 1990, and no longer actively employed on or after April 24, 1998, creditable service in each of five years is required for eligibility for a retirement annuity. Participants employed prior to 1990 and on or after April 24, 1998, and prior to July 1, 2011, are immediately vested. Participants who initially became WRS eligible on or after July 1, 2011, must have five years of creditable service to be vested.

Benefits provided. Employees who retire at or after age 65 (54 for protective occupations and 62 for elected officials and executive service retirement plan participants, if hired on or before December 31, 2016) are entitled to a retirement benefit based on a formula factor, their final average earnings, and creditable service.

Final average earnings is the average of the participant's three highest annual earnings periods. Creditable service includes current service and prior service for which a participant received earnings and made contributions as required. Creditable service also includes creditable military service. The retirement benefit will be calculated as a money purchase benefit based on the employee’s contributions plus matching employer's contributions, with interest, if that benefit is higher than the formula benefit.

Vested participants may retire at or after age 55 (50 for protective occupations) and receive an actuarially-reduced benefit. Participants terminating covered employment prior to eligibility for an annuity may either receive employee-required contributions plus interest as a separation benefit or leave contributions on deposit and defer application until eligible to receive a retirement benefit.

The WRS also provides death and disability benefits for employees.

Postretirement Adjustments. The Employee Trust Funds Board may periodically adjust annuity payments from the retirement system based on annual investment performance in accordance with s. 40.27, Wis. Stat. An increase (or decrease) in annuity payments may result when investment gains (losses), together with other actuarial experience factors, create a surplus (shortfall) in the reserves, as determined by the system’s consulting actuary. Annuity increases are not based on cost of living or other similar factors. For Core annuities, decreases may be applied only to previously granted increases. By law, Core annuities cannot be reduced to an amount below the original, guaranteed amount (the “floor”) set at retirement.

NOTE 8 – Retirement Benefits (continued)

The Core and Variable annuity adjustments granted during recent years are as follows:

Year	Core Fund Adjustment	Variable Fund Adjustment
2013	(9.6)%	9.0%
2014	4.7%	25.0%
2015	2.9%	2.0%
2016	0.5%	(5.0)%
2017	2.0%	4.0%
2018	2.4%	17.0%
2019	0.0%	(10.0)%
2020	1.7%	21.0%
2021	5.1%	13.0%
2022	7.4%	15.0%

Contributions. Required contributions are determined by an annual actuarial valuation in accordance with Chapter 40 of the Wisconsin Statutes. The employee required contribution is one-half of the actuarially determined contribution rate for General category employees, including Teachers, Executives and Elected Officials. Starting on January 1, 2016, the Executives and Elected Officials category was merged into the General Employee Category. Required contributions for protective employees are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement.

During the reporting period, the University's contributions recognized by the WRS amounted to $156.1 million and $159.6 million, respectively. Contribution rates as of June 30, 2023 and 2022 were:

Employee Category	June 30, 2023		June 30, 2022	
	Employee	Employer	Employee	Employer
General (including teachers, executives, and elected officials)	6.80%	6.80%	6.50%	6.50%
Protective with Social Security	6.80%	13.20%	6.50%	12.00%
Protective without Social Security	6.80%	18.10%	6.50%	16.40%

Pension Assets, Pension Liabilities, Pension Expense (Revenue), and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2023, the University reported a net pension liability of $709.7 million for its proportionate share of the net pension liability, compared to the net pension asset of $1,085.1 million at June 30, 2022. The net pension liability was measured as of December 31, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2021 rolled forward to December 31, 2022. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The University's proportion of the net pension liability was based on the University's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2022, the University's proportion was 13.4 percent, which was a decrease of 0.1 percent from its proportion measured as of December 31, 2021. At December 31, 2021, the University's proportion was 13.5 percent, which was an increase of 0.2 percent from its proportion measured as of December 31, 2020.

NOTE 8 – Retirement Benefits (continued)

For the fiscal year ended June 30, 2023 and June 30, 2022, the University recognized pension expense of $361.5 million and $93.4 million, respectively.

At June 30, 2023, the University reported deferred outflows and inflows of resources related to pensions from the following sources:

	Fiscal Year ended June 30, 2023	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	$ (354,687,656)	$ 1,130,386,889	$ (1,485,074,545)
Change in Proportion	812,368	1,374,812	(562,444)
Employer Contributions Subsequent to Measurement Date	104,726,993	104,726,993	—
Net Difference Between Projected and Actual Earnings	1,205,674,697	1,205,674,697	—
Assumption Changes	139,563,147	139,563,147	—
Total	$ 1,096,089,549	$ 2,581,726,538	$ (1,485,636,989)

At June 30, 2022, the University reported deferred outflows and inflows of resources related to pensions from the following sources:

	Fiscal Year ended June 30, 2022	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	$ 1,626,470,590	$ 1,752,871,558	$ (126,400,968)
Change in Proportion	328,771	1,230,876	(902,105)
Employer Contributions Subsequent to Measurement Date	73,478,997	73,478,997	—
Net Difference Between Projected and Actual Earnings	(2,427,386,026)	—	(2,427,386,026)
Assumption Changes	202,436,473	202,436,473	—
Total	$ (524,671,195)	$ 2,030,017,904	$ (2,554,689,099)

The amount reported as pension-related deferred outflows of resources resulting from the University's contributions subsequent to the measurement date is recognized as part of the net pension liability calculation in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension benefits will be recognized in pension expense (revenue) as follows:

Fiscal Year ended June 30	Deferred Outflows of Resources	Deferred Inflows of Resources
2024	$ 462,925,574	$ (421,673,262)
2025	626,751,287	(421,556,385)
2026	631,994,786	(421,333,601)
2027	755,327,898	(221,073,741)
Totals	$ 2,476,999,545	$ (1,485,636,989)

NOTE 8 – Retirement Benefits (continued)

Additional information related to deferred outflows of resources and deferred inflows of resources is presented in Note 10.

Actuarial assumptions. The total pension liability in the December 31, 2021 and December 31, 2020 actuarial valuations were determined using the following fiscal year 2023 and 2022, respectively, actuarial assumptions, applied to all periods included in the measurement.

Actuarial Valuation Date:	December 31, 2021	December 31, 2020
Measurement Date of Net Pension Asset/Liability	December 31, 2022	December 31, 2021
Experience Study:	January 1, 2018 - December 31, 2020, published November 2021	January 1, 2018 - December 31, 2020, published November 2021
Actuarial Cost Method:	Entry Age Normal	Entry Age Normal
Asset Valuation Method:	Fair Value	Fair Value
Long-Term Expected Rate of Return:	6.8%	6.8%
Discount Rate:	6.8%	6.8%
Salary Increases:		
Wage Inflation	3.0%	3.0%
Seniority/Merit	0.1% - 5.6%	0.1% - 5.6%
Mortality:	2020 WRS Experience Mortality Table	2020 WRS Experience Mortality Table
Postretirement Adjustments*	1.7%	1.7%

** No postretirement adjustment is guaranteed. Actual adjustments are based on recognized investment return, actuarial experience and other factors. 1.7% is the assumed annual adjustment based on the investment return assumption and the postretirement discount rate.*

Actuarial assumptions are based upon an experience study conducted in 2021 that covered a three-year period from January 1, 2018 to December 31, 2020. The Total Pension Liability for December 31, 2022 is based upon a roll-forward of the liability calculated from the December 31, 2021 actuarial valuation.

Long-term Expected Rate on Plan Assets. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

NOTE 8 – Retirement Benefits (continued)

The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Allocation Targets and Expected Returns[1]

	As of December 31, 2022			As of December 31, 2021		
Core Fund Asset Class	**Asset Allocation %**	**Long-Term Expected Nominal Rate of Return %**	**Long-Term Expected Real Rate of Return %[2]**	**Asset Allocation %**	**Long-Term Expected Nominal Rate of Return %**	**Long-Term Expected Real Rate of Return %[2]**
Public Equity	48.0%	7.6%	5.0%	52.0%	6.8%	4.2%
Public Fixed Income	25.0%	5.3%	2.7%	25.0%	4.3%	1.8%
Inflation Sensitive	19.0%	3.6%	1.1%	19.0%	2.7%	0.2%
Real Estate	8.0%	5.2%	2.6%	7.0%	5.6%	3.0%
Private Equity/Debt	15.0%	9.6%	6.9%	12.0%	9.7%	7.0%
Total Core Fund[3]	115.0%	7.4%	4.8%	115.0%	6.6%	4.0%
Variable Fund Asset Class						
U.S. Equities	70.0%	7.2%	4.6%	70.0%	6.3%	3.7%
International Equities	30.0%	8.1%	5.5%	30.0%	7.2%	4.6%
Total Variable Fund	100.0%	7.7%	5.1%	100.0%	6.8%	4.2%

[1]Asset Allocations are managed within established ranges; target percentages may differ from actual monthly allocations

[2]New England Pension Consultants Long Term US CPI (Inflation) Forecast: 2.5% (2022); 2.5% (2021)

[3]The investment policy used for the Core Fund involves reducing equity exposure by leveraging lower-volatility assets, such as fixed income securities. This results in an asset allocation beyond 100%. Currently, an asset allocation target of 15% policy leverage is used, subject to an allowable range of up to 20%.

Single Discount Rate. A single discount rate of 6.8% was used to measure the Total Pension Liability for the current and prior year. This discount rate is based on the expected rate of return on pension plan investments of 6.8% and a municipal bond rate of 4.05% (Source: Fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-year Municipal GO AA Index" as of December 31, 2022. In describing this index, Fidelity notes that the Municipal Curves are constructed using option-adjusted analytics of a diverse population of over 10,000 tax-exempt securities.). Because of the unique structure of WRS, the 6.8% expected rate of return implies that a dividend of approximately 1.7% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the municipal bond rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 8 – Retirement Benefits (continued)

Sensitivity of the University's proportionate share of the net pension liability/(asset) to changes in the discount rate. The following presents the University's proportionate share of the net pension liability/(asset) calculated using the current discount rate, as well as what the University's proportionate share of the net pension liability/(asset) would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate for fiscal years ended June 30, 2023 and 2022:

	1% Decrease in Discount Rate	Current Discount Rate	1% Increase in Discount Rate
June 30, 2023			
Discount Rate	5.80 %	6.80 %	7.80 %
Net Pension Liability/(Asset)	$ 2,355,585,082	$ 709,734,328	$ (422,469,849)
June 30, 2022			
Discount Rate	5.80 %	6.80 %	7.80 %
Net Pension Liability/(Asset)	$ 769,932,263	$ (1,085,067,412)	$ (2,420,322,019)

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in separately issued financial statements available at https://etf.wi.gov/about-etf/reports-and-studies/financial-reports-and-statements

Other Retirement Benefits

In addition to the WRS, certain employees associated with federally funded activities are partially covered by the Federal Retirement Program. The University's contributions to this program totaled $27,354 during fiscal year 2023, compared with $59,383 during fiscal year 2022.

NOTE 9 – Postemployment Benefits Other Than Pensions

Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/ expenditures in financial reports of state and local governmental employers. GASB statement 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*, establishes reporting standards for other postemployment benefits included in the general purpose external financial reports of state and local governmental OPEB plans.

Under Chapter 40 of Wisconsin Statutes, the Department of Employee Trust Funds (ETF) and Group Insurance Board (GIB) have statutory authority for program administration and oversight of postemployment benefits. ETF administers postemployment benefit plans other than pension plans for the Retiree Life Insurance, Retiree Health Insurance, and Supplemental Health Insurance Conversion Credit plans (for retired state employees). University employees are employees of the State.

ETF issues publicly available financial reports that include financial statements, additional note disclosures, and required supplementary information for these plans. The reports are available at www.etf.wi.gov or may be obtained upon request from: Department of Employee Trust Funds, 4822 Madison Yards Way, Madison, Wisconsin 53705-9100.

The State of Wisconsin Annual Comprehensive Financial Report includes financial statements, additional note disclosures, and required supplementary information for this plan. That report is

NOTE 9 – Postemployment Benefits Other Than Pensions (continued)

publicly available at www.doa.state.wi.us or may be obtained by writing to: Department of Administration, 101 East Wilson Street, Madison, Wisconsin 53703.

Basis of Accounting. The OPEB plans are reported in accordance with GASB standards and accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. The OPEB liability, deferred outflows of resources and deferred inflows of resources, OPEB expense, and fiduciary net position, if any, have been determined on the same basis. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments, if any, are reported at fair value.

Retiree Life Insurance Funds

The State Retiree Life Insurance Fund is a single-employer defined benefit OPEB plan for State of Wisconsin employers. GASB standards classify the State Retiree Health Insurance program as a single-employer defined benefit OPEB plan with multiple participating employers, which includes the State, the University, and other component units of the State. Plan benefits and other plan provisions are established by Chapter 40 of the Wisconsin Statutes. The Wisconsin Department of Employee Trust Funds (ETF) and the Group Insurance Board have statutory authority for program administration and oversight. The plan provides postemployment life insurance benefits for all eligible employees.

ETF issues a standalone Annual Comprehensive Financial Report (ACFR), which can be found at https://etf.wi.gov/about-etf/reports-and-studies/financial-reports-and-statements.

Additionally, ETF issued a standalone Retiree Life Insurance Financial Report, which can also be found using the link above.

The plan provides fully paid up life insurance benefits for post-age 64 retired members and pre-65 retirees who pay for their coverage.

Contributions. The GIB approves contribution rates annually, based on recommendations from the insurance carrier. Recommended rates are based on an annual valuation, taking into consideration an estimate of the present value of future benefits and the present value of future contributions. A portion of employer contributions made during a member's working lifetime funds a postretirement benefit.

Employers are required to pay the following contributions based on employee contributions for active members to provide them with basic coverage after age 65. There are no employer contributions required for pre-65 annuitant coverage. If a member retires prior to age 65, they must continue paying the member premiums until age 65 in order to be eligible for the benefit after age 65. All contributions are actuarially determined.

Contribution rates as of December 31, 2022 are:

Coverage Type	Employer Contribution
50% postretirement coverage	28% of employee contribution

NOTE 9 – Postemployment Benefits Other Than Pensions (continued)

Member contributions are based upon nine age bands through age 69 and an additional eight age bands for those age 70 and over. Participating members must pay monthly contribution rates per $1,000 of coverage until the age of 65 (age 70 if active). Disabled members under age 70 receive a waiver-of-premium benefit. The member contribution rates in effect for the year ended December 31, 2022 are as listed below:

Attained Age	Basic	Supplemental
Under 30	$0.0486	$0.0486
30-34	0.0486	0.0486
35-39	0.0486	0.0486
40-44	0.0730	0.0730
45-49	0.1216	0.1216
50-54	0.1945	0.1945
55-59	0.2674	0.2674
60-64	0.3647	0.3647
65-69	0.4741	0.4741

During the reporting period, the OPEB plan recognized $747,217 in contributions from the University.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. The University reported a liability of $277.5 million and $392.5 million for its proportionate share of the net OPEB liability at June 30, 2023 and 2022, respectively. The June 30, 2023 and June 30, 2022 net liability was measured as of December 31, 2022, and 2021, respectively, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2022, and January 1, 2021, respectively, rolled forward to December 31, 2022 and December 31, 2021, respectively. The University's proportion of the net OPEB liability was based on the University's share of contributions to the OPEB plan relative to the contributions of all participating employers. At December 31, 2022, the University's proportion was 42.1 percent, which was an increase of 0.7 percent from its proportion of 41.4 percent measured as of December 31, 2021. At December 31, 2021, the University's proportion was 41.4 percent, which was a decrease of 0.6 percent from its proportion of 42.0 percent measured as of December 31, 2020.

For the years ended June 30, 2023 and 2022, the University recognized OPEB expense of $24.3 million and $44.3 million, respectively.

NOTE 9 – Postemployment Benefits Other Than Pensions (continued)

At June 30, 2023, the University reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Fiscal Year ended June 30, 2023	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	$ (6,686,103)	$ 940,159	$ (7,626,262)
Net Differences Between Projected and Actual Earnings on OPEB Plan Investments	3,920,758	3,920,758	—
Assumption Changes	(57,571,590)	77,541,372	(135,112,962)
Changes in Proportion	1,198,482	5,031,888	(3,833,406)
Total	$ (59,138,453)	$ 87,434,177	$ (146,572,630)

At June 30, 2022, the University reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Fiscal Year ended June 30, 2022	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	$ (6,936,316)	$ 1,126,304	$ (8,062,620)
Net Differences Between Projected and Actual Earnings on OPEB Plan Investments	4,290,744	4,290,744	—
Assumption Changes	86,088,958	102,265,290	(16,176,332)
Changes in Proportion	(3,998,635)	1,461,920	(5,460,555)
Total	$ 79,444,751	$ 109,144,258	$ (29,699,507)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in future OPEB expense as follows:

Fiscal Year ended June 30	Deferred Outflows of Resources	Deferred Inflows of Resources
2024	$ 29,363,359	$ (32,950,015)
2025	25,901,501	(30,271,504)
2026	21,731,292	(24,589,494)
2027	8,689,614	(24,123,537)
2028	1,388,866	(23,354,515)
Thereafter	359,545	(11,283,569)
Total	$ 87,434,177	$ (146,572,634)

NOTE 9 – Postemployment Benefits Other Than Pensions (continued)

The total OPEB expense is determined as follows:

Net Proportionate Share of Plan OPEB Expense (Income)	$ 24,689,369
Net Amortization of Deferred Amounts from Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	(434,982)
Total OPEB Expense	$ 24,254,387

Actuarial Assumptions. The total OPEB liability in the January 1, 2022 and January 1, 2021 actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date	January 1, 2022	January 1, 2021
Measurement Date of Net OPEB Liability	December 31, 2022	December 31, 2021
Experience Study:	January 1, 2018 - December 31, 2020, published November 2021	January 1, 2018 - December 31, 2020, published November 2021
Actuarial cost method	Entry age normal	Entry age normal
20-year tax-exempt municipal bond yield* *Based on the Bond Buyers GO index	3.72%	2.06%
Long-term expected rate of return	4.25%	4.25%
Discount rate	3.75%	2.15%
Salary increases: Wage Inflation Seniority/merit	 3.00% 0.1% - 5.6%	 3.00% 0.1% - 5.6%
Mortality rates	2020 WRS Experience Mortality Table	2020 WRS Experience Mortality Table

Actuarial assumptions are based upon an experience study conducted in 2021 that covered a three-year period from January 1, 2018 to December 31, 2020. The Total OPEB Liability for December 31, 2022 is based upon a roll-forward of the liability calculated from the January 1, 2022 actuarial valuation.

Long-Term Expected Return on Plan Assets. The long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation.Investments for the OPEB plan are held with Securian, the insurance carrier. Interest is calculated and credited to the OPEB plan based on the rate of return for a segment of the insurance carriers' general fund, specifically 10-year A- Bonds (as a proxy, and not tied to any specific investments). The overall aggregate interest rate is calculated using a tiered approach based on the year the funds were originally invested and the rate of return for that year. Investment interest is credited based on the aggregate rate of return and assets are not adjusted to fair market value. Furthermore, the insurance carrier guarantees the principal amounts of the reserves, including all interest previously credited thereto.

NOTE 9 – Postemployment Benefits Other Than Pensions (continued)

State OPEB Life Insurance
Asset Allocation Targets and Expected Returns

		As of December 31, 2022		As of December 31, 2021	
Asset Class	**Index**	**Target Allocation**	**Long-Term Expected Geometric Real Rate of Return**	**Target Allocation**	**Long-Term Expected Geometric Real Rate of Return**
U.S. Intermediate Credit Bonds	Bloomberg U.S. Interm Credit	50%	2.45%	45%	1.68%
U.S. Long Credit Bonds	Bloomberg U.S. Long Credit	—	—	5%	1.82%
U.S. Mortgages	Bloomberg U.S. MBS	50%	2.83%	50%	1.94%
Inflation		—	2.30%	—	2.30%
Long-Term Expected Rate of Return			4.25%		4.25%

The long-term expected rate of return remained unchanged from the prior year at 4.25 percent. The long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The expected inflation rate remained unchanged from the prior year at 2.30 percent.

Single Discount Rate. A single discount rate of 3.7 percent was used to measure the total OPEB liability for the current year, as opposed to a discount rate of 2.15 percent for the prior year. The significant change in the discount rate was primarily caused by the increase in the municipal bond rate from 2.06 percent as of December 31, 2021 to 3.72 percent as of December 31, 2022. The plan's fiduciary net position was projected to be insufficient to make all projected future benefit payments of current active and inactive members. Therefore, the discount rate for calculating the total OPEB liability is equal to the single equivalent rate that results in the same actuarial present value as the long-term expected rate of return applied to benefit payments, to the extent that the plan's fiduciary net position is projected to be sufficient to make projected benefit payments, and the municipal bond rate applied to benefit payment to the extent that the plan's fiduciary net position is projected to be insufficient. The plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through December 31, 2033.

The projection of cash flows used to determine the single discount rate assumed that employer contributions will be made according to the current employer contribution schedule and that contributions are made by plan members retiring prior to age 65. The current employer contribution schedule includes annual increases of 5 percent for nine years, as approved by the Group Insurance Board in August 2019.

NOTE 9 – Postemployment Benefits Other Than Pensions (continued)

Sensitivity of the University's Proportionate Share of Net OPEB Liability to Changes in the Discount Rate. The following presents what the University's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or higher than the current discount rate:

	1% Decrease in Discount Rate	Current Discount Rate	1% Increase in Discount Rate
June 30, 2023			
Discount Rate	2.75 %	3.75 %	4.75 %
OPEB Liability	$ 362,089,682	$ 277,464,847	$ 211,891,094
June 30, 2022			
Discount Rate	1.15 %	2.15 %	3.15 %
OPEB Liability	$ 516,352,191	$ 392,540,881	$ 298,218,312

OPEB Plan Fiduciary Net Position. Detailed information about the OPEB plan's fiduciary net position is available in separately issued financial statements available at https://etf.wi.gov/about-etf/reports-and-studies/financial-reports-and-statements.

Retiree Health Insurance Funds

The Retiree Health Insurance plans offer group health insurance to retired University employees. Retirees pay the full premium amount. The plans are not administered through a trust. The Retiree Health Insurance Funds contain certain non-OPEB components relating to post-Medicare pharmacy and health insurance benefits. ETF and the GIB have statutory authority for program administration and oversight under Wisconsin Statutes Chapters 15.165 (2) and 40.03 (6).

University employees participating in the State Health Insurance Plan are eligible to continue their health insurance coverage after leaving covered employment. Membership includes former university employees or their beneficiaries.

Employees may choose between self-insured health plans and alternate health plans with specific provider networks (i.e., HMOs). The HMOs follow GIB guidelines for eligibility and program requirements. All HMOs offer a prescribed benefit package called Uniform Benefits and participate in a yearly competitive premium rate bid process. The Standard Plan and State Maintenance Plan are self-insured by the GIB and administered by WPS Health Insurance. Self-insured coverage for health insurance was discontinued as of December 31, 2017. The Standard Plan is a preferred provider plan. The pharmacy benefit is self-insured by the GIB and administered by Navitus Health Solutions.

Effective January 1, 2012, prescription drug coverage for Medicare eligible retirees enrolled in the state group health insurance program is provided by a self-funded Medicare Part D Employer Group Waiver Plan (EGWP). A Medicare "Wrap" product is also included to provide full coverage to members, as required by uniform benefits, when they reach the Medicare coverage gap, also known as the "donut hole."

Contributions. Based on the most recent January 1, 2021, actuarial valuation adjusted forward, the state's annual required contributions were $105.4 million and $105.4 million for fiscal years ended June 30, 2023 and June 30, 2022, respectively. The state's annual OPEB costs were $53.4 million and $45.1 million for fiscal years ended June 30, 2023 and June 30, 2022, respectively, and the state's actual contributions were $47.7 million in fiscal year 2023 and $47.4 million in fiscal year 2022, which

NOTE 9 – Postemployment Benefits Other Than Pensions (continued)

results in a net OPEB obligation for the State of $717.2 million as of June 30, 2023, and $712.9 million as of June 30, 2022.

State Retiree Health Insurance OPEB. The State Retiree Health Insurance program provides postemployment health insurance coverage to all eligible retired employees of the University. The University does not directly pay any portion of the premium for participating retirees. However, because retirees pay the same premium rate set for active employees, an implicit rate subsidy exists for employers. This implicit rate subsidy is reported as an OPEB liability. At age 65, when eligible, retirees are required to enroll in Medicare.

Retiree Health Insurance Plan Description. GASB standards classify the State Retiree Health Insurance program as a single employer defined benefit OPEB plan with multiple participating employers. Medical, prescription drug and dental benefits are provided to eligible retirees.

Retirees pay the full premium until age 65 directly to the plan either through “out-of-pocket” or from unused accumulated sick leave conversion credits.

Contribution requirements are established and may be amended by the GIB. Premiums for non-Medicare retirees are based on an effective rate structure for the health care service provider selected. Monthly rates range from $618 to $1,379 for single coverage and $1,509 to $3,415 for family coverage.

Total Retiree Health OPEB Liability. The OPEB plan liability was measured as of June 30, 2022. It was determined by an actuarial valuation as of January 1, 2021. The University reported a liability of $319.6 million and $316.7 million for its proportionate share of the OPEB liability amounts as of a June 30, 2023 and June 30, 2022 reporting date, respectively. At June 30, 2023, the University’s proportion was 44.6 percent which was 0.2 percent of an increase from its proportion of 44.4 percent measured as of June 30, 2021. At June 30, 2022, the University’s proportion was 44.4 percent which was 0.4 percent of a decrease from its proportion of 44.8 percent measured as of June 30, 2020.

The actuarial valuation was based on the plan of retiree benefits and was made for purposes of fulfilling GASB accounting standards which require recognition of the employer cost of postemployment benefits over an employee’s career. The total cost of providing postemployment benefits is projected, considering relevant assumptions, then discounted to determine the total OPEB liability. The total OPEB liability was allocated to participating employers based on their proportionate share of health insurance premiums contributed for active employees.

Changes in the Total OPEB Liability. Changes to the University’s proportionate share of the OPEB plan liability during the fiscal year include the following:

OPEB Liability – June 30, 2022	$ 316,651,203
Service Cost	27,609,990
Interest	7,229,116
Change of Assumptions	(10,687,418)
Benefit Payments	(21,248,616)
OPEB Liability – June 30, 2023	$ 319,554,275

NOTE 9 – Postemployment Benefits Other Than Pensions (continued)

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

NOTE 9 – Postemployment Benefits Other Than Pensions (continued)

The total OPEB liability in the January 1, 2021 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Actuarial Valuation Date	January 1, 2021
Measurement Date of Total OPEB Liability	June 30, 2022
Reporting Date	June 30, 2023
Actuarial cost method	Entry age normal
Asset Valuation Method	N/A
Inflation	2.40%
Salary increases	Separate merit and longevity increase rates by employer and service, plus 3.00%
Discount Rate	Discount rate was changed to 3.54% for the June 30, 2022 measurement from 2.16% for the June 30, 2021 measurement
Health care cost trend rates	
Medical	4.10% and 7.67% for the first two years then 6.50% grading down 0.25% per year to 4.50%
Prescription drug	10.67% and 9.39% for the first two years then 7.25% grading down 0.25% per year to 4.50%
Dental	0.00% and 2.89% for the first two years then 3.00%
Administrative costs	(4.03)% and 2.89% for the first two years then 3.00% every year after
Mortality Rates	Wisconsin 2020 Mortality Table
Benefit Changes	None
Participation Rate	Active: 60% are assumed to elect coverage at retirement, 2.5% of the 40% that defer are assumed to be covered over the next 5 years (1.0% per year), so 65% assumed to be covered after 5 years Deferred: 5% per year over 8 years
Assumed Claims	Per capita claims costs were based on premium equivalent rates for plan year 2021 and actuarial factors applied to weighted average premium rates to estimate costs
Termination Rates	Rates for General, University, Protective, Executive and Elected employees matched the 2018-2020 experience study for the pension valuation
Disability Rates	Rates for General, University, Protective, Executive and Elected employees matched the 2018-2020 experience study for the pension valuation
Normal Retirement Rates	Rates for General, University, Protective, Executive and Elected employees matched the 2018-2020 experience study for the pension valuation
Lapse Rate	5% per year after the later of assumed commencement or the valuation date
Retiree Contribution Increase Rate	Retiree contributions are expected to increase with average benefit trend
Benefit End Date	Benefits end when participants turn 65 years old

Valuation assumption changes decreased the liability by $10.7 million. This was a net result of a decrease in obligations due to raising the discount rate which was offset by an increase in obligations due to updating the healthcare trend rates to reflect recent experience.

NOTE 9 – Postemployment Benefits Other Than Pensions (continued)

There was no actuarial experience gain or loss that impacted the net OPEB liability. This was because actual 2022 contributions and benefit payments were the same as expected 2022 contributions and benefit payments. This was taken into account in reviewing assumptions for the current valuation.

Sensitivity of the University's Proportionate Share of Total OPEB Liability to Changes in the Discount Rate. The following presents what the University's liability would be if it were calculated using a discount rate that is 1-percentage-point lower or higher than the current discount rate:

	1% Decrease in Discount Rate	Current Discount Rate	1% Increase in Discount Rate
June 30, 2023			
Discount Rate	2.54 %	3.54 %	4.54 %
OPEB Liability	$ 343,428,912	$ 319,554,275	$ 297,241,917
June 30, 2022			
Discount Rate	1.16 %	2.16 %	3.16 %
OPEB Liability	$ 339,756,133	$ 316,651,203	$ 294,839,430

Sensitivity of the University's Proportionate Share of Total OPEB liability to Changes in the Healthcare Cost Trend Rates. The following presents what the University's liability would be if it were calculated using a healthcare trend rate that is 1-percentage-point lower or higher than the current healthcare trend rates. The various healthcare trend rates can be found in the actuarial assumptions section listed above.

	1% Decrease in Discount Rate	Current Discount Rate	1% Increase in Discount Rate
June 30, 2023			
OPEB Liability	$ 283,347,097	$ 319,554,275	$ 362,542,388
June 30, 2022			
OPEB Liability	$ 281,947,864	$ 316,651,203	$ 357,950,707

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. The total deferred outflows and inflows of resources are amortized over the average active participants service life of 10 years. For the years ended June 30, 2023 and 2022, the University recognized OPEB expense amounting to $23.8 million and $20.0 million, respectively.

NOTE 9 – Postemployment Benefits Other Than Pensions (continued)

Total deferred outflows and inflows of resources to be recognized in the current OPEB expense for the fiscal year ended June 30, 2023 and 2022 are as follows:

	Fiscal Year ended June 30, 2023	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	$ 4,601,251	$ 6,385,100	$ (1,783,849)
Assumption Changes	(15,605,420)	2,288,480	(17,893,900)
Total	$ (11,004,169)	$ 8,673,580	$ (19,677,749)

	Fiscal Year ended June 30, 2022	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	$ 4,638,341	$ 6,436,570	$ (1,798,229)
Assumption Changes	(14,558,021)	2,306,927	(16,864,948)
Total	$ (9,919,680)	$ 8,743,497	$ (18,663,177)

In addition, the contributions subsequent to the measurement date of $21.8 million (a deferred outflow of resources) will be included as a reduction of the net OPEB liability in the next year (2024). The deferred outflows and inflows of resources to be recognized in the future OPEB expense for the fiscal year ended June 30, 2023 and 2022 are as follows:

	Fiscal Year ended June 30, 2023	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	$ 38,403,284	$ 52,226,406	$ (13,823,122)
Change in Proportion	1,117,095	6,010,146	(4,893,051)
Assumption Changes	(87,044,056)	16,070,211	(103,114,267)
Employer Contributions Subsequent to Measurement Date	21,751,845	21,751,845	—
Total	$ (25,771,832)	$ 96,058,608	$ (121,830,440)

	Fiscal Year ended June 30, 2022	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	$ 42,885,382	$ 58,449,471	$ (15,564,089)
Change in Proportion	15,123	5,669,785	(5,654,662)
Assumption Changes	(90,740,932)	18,308,849	(109,049,781)
Employer Contributions Subsequent to Measurement Date	21,182,545	21,182,545	—
Total	$ (26,657,882)	$ 103,610,650	$ (130,268,532)

NOTE 9 – Postemployment Benefits Other Than Pensions (continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in future OPEB expense as follows:

Fiscal Year ended June 30	Deferred Outflows of Resources	Deferred Inflows of Resources
2024	$ 8,673,580	$ (19,677,749)
2025	8,673,580	(19,677,749)
2026	8,673,580	(19,677,749)
2027	8,673,580	(19,677,749)
2028	8,673,580	(19,677,749)
Thereafter	30,938,864	(23,441,696)
Total	$ 74,306,764	$ (121,830,441)

The total OPEB expense is determined as follows:

Service Cost	$ 27,609,990
Interest	7,229,116
Recognition of Deferred Outflows of Resources	8,673,580
Recognition of Deferred Inflows of Resources	(19,677,749)
Total OPEB Expense	$ 23,834,937

The Schedule of Changes in the University's proportionate share of the total OPEB liability and related ratios is presented as required supplementary information following the notes to the financial statements.

Supplemental Health Insurance Conversion Credit Program

The Supplemental Health Insurance Conversion Credit Program (SHICC) is a single-employer defined benefit OPEB plan for State of Wisconsin employers. GASB standards classify the SHICC as a single-employer defined benefit OPEB plan with multiple participating employers, which includes the State, the University, and other component units of the State. The plan is administered through a trust.

The SHICC program allows members with more than 15 years of eligible service to convert unused sick leave balances into credits to pay for postretirement health insurance premiums. The SHICC program provides a limited match of the members sick leave credits earned through the Accumulated Sick Leave Conversion Credit (ASLCC) program. ASLCC program credits are computed at the time of retirement, layoff or death by multiplying the sick number of hours of unused sick leave by the highest hourly pay rate at which the employee accrued sick leave that is eligible for conversion. The SHICC program also includes a provision for the restoration of 500 hour of credits upon retirement, layoff or death provided at least 500 hours of accrued sick leave were used for a single injury or illness during the three years immediately preceding the retirement, layoff or death while in University service. SHICC benefits and other plan provisions are established by Chapter 40 of the Wisconsin Statutes.

All ASLCC program credits must be used before the SHICC program credits. Unused ASLCC and SHICC credits have no cash value, are carried forward from year to year without interest, and when total health insurance premiums paid on behalf of the retired employee exceed the conversion credits, no further payments are made under the ASLCC and SHICC programs. ASLCC and SHICC credits may be escrowed indefinitely after retirement for participants who provide evidence of comparable health insurance coverage from another source.

NOTE 9 – Postemployment Benefits Other Than Pensions (continued)

OPEB Plan Fiduciary Net Position. ETF issues a standalone Annual Comprehensive Financial Report (ACFR) which can be found at https://etf.wi.gov/about-etf/reports-and-studies/financial-reports-and-statements.

Benefits Provided. The SHICC plan provides eligible members with credits that can be used to pay for postretirement health insurance.

Contributions. The ETF Board approves contribution rates annually, based on recommendations from the actuary. Recommended rates are based on an annual valuation, taking into consideration an estimate of the present value of future benefits and the present value of future contributions in accordance with Wis. Stat. § 40.05(4)(by). Employer contributions made during a member's working lifetime funds a postretirement benefit.

Employer Contribution rates for the University as of December 31, 2022 and December 31, 2021 were 0.1 percent and 0.3 percent, respectively.

During the reporting period, the SHICC recognized $2.4 million and $7.1 million in contributions from the University, respectively.

OPEB Asset, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. The University reported an asset of $45.1 million and $148.3 million for its proportionate share of the net OPEB asset at June 30, 2023 and 2022, respectively. The June 30, 2023 and June 30, 2022 net OPEB asset was measured as of December 31, 2022 and 2021, respectively, and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2022 and 2021, respectively. The University's proportion of the net OPEB asset was based on the University's share of contributions to the OPEB plan relative to the contributions of all participating employers. At December 31, 2022, the University's proportion was 43.9 percent, which was 1.2 percent of a decrease from its proportion of 45.1 percent measured as of December 31, 2021. At December 31, 2021, the University's proportion was 45.1 percent, which was 1.4 percent of an increase from its proportion of 43.7 percent measured as of December 31, 2020.

For the year ended June 30, 2023 and June 30, 2022, the University recognized OPEB expense of $1.8 million and OPEB income of $27.4 million, respectively.

At June 30, 2023, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Fiscal Year ended June 30, 2023	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Projected and Actual Experience	$ (67,556,283)	$ —	$ (67,556,283)
Net Difference Between Projected and Actual Earnings	37,772,296	37,772,296	—
Assumption Changes	46,125,649	46,125,649	—
Change in Proportion	861,579	1,533,117	(671,538)
Employer Contributions Subsequent to Measurement Date	1,702,878	1,702,878	—
Total	$ 18,906,119	$ 87,133,940	$ (68,227,821)

NOTE 9 – Postemployment Benefits Other Than Pensions (continued)

At June 30, 2022, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Fiscal Year ended June 30, 2022	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Projected and Actual Experience	$ (64,241,775)	$ —	$ (64,241,775)
Net Difference Between Projected and Actual Earnings	(76,323,678)	—	(76,323,678)
Assumption Changes	54,646,457	54,646,457	—
Change in Proportion	(673,237)	97,139	(770,376)
Employer Contributions Subsequent to Measurement Date	1,183,544	1,183,544	—
Total	$ (85,408,689)	$ 55,927,140	$ (141,335,829)

The $1.7 million amount reported as deferred outflows of resources resulting from the University's contributions subsequent to the measurement date is recognized as part of the net OPEB asset calculation in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in future OPEB expense (revenue) as follows:

Fiscal Year ended June 30	Deferred Outflows of Resources	Deferred Inflows of Resources
2024	$ 2,819,797	$ (12,623,829)
2025	12,972,209	(12,623,828)
2026	20,417,287	(12,623,828)
2027	30,717,403	(11,373,880)
2028	6,266,154	(8,303,895)
Thereafter	12,238,212	(10,678,561)
Total	$ 85,431,062	$ (68,227,821)

NOTE 9 – Postemployment Benefits Other Than Pensions (continued)

Actuarial Assumptions. The total OPEB asset in the December 31, 2022 and December 31, 2021 actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date	December 31, 2022	December 31, 2021
Measurement Date of Net OPEB Liability	December 31, 2022	December 31, 2021
Wisconsin Sick Leave Conversion Credit Programs Experience Study	January 1, 2018 - December 31, 2020, published November 2021	January 1, 2018 - December 31, 2020, published November 2021
WRS Experience Study	January 1, 2018 - December 31, 2020, published November 2021	January 1, 2018 - December 31, 2020, published November 2021
Actuarial cost method	Entry age normal	Entry age normal
Long-term expected rate of return	6.80%	6.80%
Discount rate	6.80%	6.80%
Salary increases: Wage inflation Seniority/merit	3.00% 0.1% - 5.6%	3.00% 0.1% - 5.6%
Mortality rates*	2020 WRS Experience Mortality Table	2020 WRS Experience Mortality Table
Health Care Trend Rate	5.75% for the first year grading down to an ultimate health care trend rate of 3.5% over a 11 year period	6.0% for the first year grading down to an ultimate health care trend rate of 3.5% over a 12 year period
Participation	100% of active and preserved members will begin using sick leave credits immediately upon reaching eligibility	100% of active and preserved members will begin using sick leave credits immediately upon reaching eligibility
Usage for Escrowed Benefits	50% of members currently in escrow status will at some point begin using their sick leave balances to pay for health care costs	50% of members currently in escrow status will at some point begin using their sick leave balances to pay for health care costs
Sick Leave Accumulation	The assumed annual sick leave accumulation for each individual is at their same rate as in the past (earned less used), but not more than 100% of the gross earned rate based on the person's employer and not less than 25% of their gross earned rate.	The assumed annual sick leave accumulation for each individual is at their same rate as in the past (earned less used), but not more than 100% of the gross earned rate based on the person's employer and not less than 25% of their gross earned rate.

** Note that mortality assumptions were not applied to members who currently have healthcare coverage for more than one person since the benefit may be transferred to a beneficiary upon death.*

NOTE 9 – Postemployment Benefits Other Than Pensions (continued)

Actuarial assumptions are based upon experience studies conducted in 2021 on the WRS and Wisconsin Sick Leave Conversion Credit programs that covered a three-year period from January 1, 2018 to December 31, 2020.

Long-Term Expected Return on Plan Assets. The assets of the SHICC are commingled with assets from other benefit programs and invested in the Core Retirement Investment Trust (Core Fund). Earnings are allocated between the benefit programs based on the average balance invested for each program. The State of Wisconsin Investment Board (SWIB) manages the Core Fund with oversight by the SWIB Board of Trustees, as authorized in Wis. Stat. § 25.17. The long-term expected rate of return is reviewed every three years in conjunction with the Wisconsin Retirement System experience study.

Best estimates of geometric real rates of return of each major asset class included in the OPEB plan's target allocation are summarized in the following table:

Wisconsin Supplemental Health Insurance Conversion Credit
Asset Allocation Targets and Expected Returns[1]

	As of December 31, 2022		As of December 31, 2021	
Asset Class	**Asset Allocation**	**Long-Term Expected Real Rate of Return[2]**	**Asset Allocation**	**Long-Term Expected Real Rate of Return[2]**
Public Equity	48.0%	5.0%	52.0%	4.2%
Public Fixed Income	25.0%	2.7%	25.0%	1.8%
Inflation Sensitive Assets	19.0%	1.1%	19.0%	0.2%
Real Estate	8.0%	2.6%	7.0%	3.0%
Private Equity/Debt	15.0%	6.9%	12.0%	7.0%
Total Core Fund[3]	115.0%	4.8%	115.0%	4.0%
Long-Term Expected Rate of Return		6.8%		6.8%

[1]Asset Allocations are managed within established ranges; target percentages may differ from actual monthly allocations

[2]New England Pension Consultants Long Term U.S. CPI (Inflation) Forecast: 2.5% (2022); 2.5% (2021)

[3]The investment policy used for the Core Fund involves reducing equity exposure by leveraging lower-volatility assets, such as fixed income securities. This results in an asset allocation beyond 100%. Currently, an asset allocation target of 15% policy leverage is used, subject to an allowable range of up to 20%.

The long-term expected rate of return is 6.8 percent for the current and prior year. The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Single Discount Rate. A single discount rate of 6.8 percent was used to measure the Total OPEB Asset for the current and prior year. This single discount rate was based on the expected rate of return on OPEB plan investments of 6.8 percent. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the OPEB plan's fiduciary net

NOTE 9 – Postemployment Benefits Other Than Pensions (continued)

position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the Total OPEB Asset and projections were excluded from this report.

Sensitivity of the University's Proportionate Share of Net OPEB Asset to Changes in the Discount Rate. The following presents what the University's proportionate share of the net OPEB asset calculated using the discount rate, as well as what the University's proportionate share of the net OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower or higher than the current discount rate:

	1% Decrease in Discount Rate	Current Discount Rate	1% Increase in Discount Rate
June 30, 2023			
Discount Rate	5.80 %	6.80 %	7.80 %
OPEB Liability/(Asset)	$ 4,212,620	$ (45,140,684)	$ (87,541,859)
June 30, 2022			
Discount Rate	5.80 %	6.80 %	7.80 %
OPEB Asset	$ (98,582,201)	$ (148,325,679)	$ (191,199,635)

Sensitivity of the University's Proportionate Share of Net OPEB Asset to Changes in the Healthcare Cost Trend Rates. The following presents the University's proportionate share of the collective net OPEB asset, calculated using the assumed healthcare cost trend rate, as well as what the University's net OPEB asset would be if it were calculated using an assumed healthcare cost trend rate that is one percentage point lower or one percentage point higher than the current discount rate:

	1% Decrease in Discount Rate	Current Discount Rate	1% Increase in Discount Rate
June 30, 2023			
Healthcare Trend Rate	4.75 %	5.75 %	6.75 %
OPEB Asset	$ (75,687,268)	$ (45,140,684)	$ (15,668,945)
June 30, 2022			
Healthcare Trend Rate	5.00 %	6.00 %	7.00 %
OPEB Asset	$ (179,146,488)	$ (148,325,679)	$ (119,151,348)

NOTE 10 – Deferred Outflows and Deferred Inflows of Resources

At June 30, 2023 and June 30, 2022, the University reported deferred outflows of resources from the following sources:

Deferred Outflows of Resources	Pension	Other Postemployment Benefits	Debt Refundings	Other	Total
Fiscal Year 2023					
Differences between expected and actual experience	$1,130,386,889	$ 53,166,566	$ —	$ —	$ 1,183,553,455
Net differences between projected and actual earnings on pension and OPEB plan investments	1,205,674,697	41,693,054	—	—	1,247,367,751
Employer contributions subsequent to the measurement date	104,726,993	23,454,723	—	—	128,181,716
Changes in Actuarial Assumptions	139,563,147	139,737,232	—	—	279,300,379
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,374,812	12,575,151	—	—	13,949,963
Unamortized Losses	—	—	19,051,220	—	19,051,220
Asset Retirement Obligations	—	—	—	8,721,790	8,721,790
Total Deferred Outflows	$2,581,726,538	$ 270,626,726	$ 19,051,220	$ 8,721,790	$ 2,880,126,274
Fiscal Year 2022					
Differences between expected and actual experience	$1,752,871,558	$ 59,575,775	$ —	$ —	1,812,447,333
Net differences between projected and actual earnings on pension and OPEB plan investments	—	4,290,744	—	—	4,290,744
Employer contributions subsequent to the measurement date	73,478,997	22,366,089	—	—	95,845,086
Changes in Actuarial Assumptions	202,436,473	175,220,596	—	—	377,657,069
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,230,876	7,228,844	—	—	8,459,720
Unamortized Losses	—	—	32,621,608	—	32,621,608
Asset Retirement Obligations	—	—	—	9,225,222	9,225,222
Total Deferred Outflows	$2,030,017,904	$ 268,682,048	$ 32,621,608	$ 9,225,222	$ 2,340,546,782

NOTE 10 – Deferred Outflows and Deferred Inflows of Resources (continued)

At June 30, 2023 and June 30, 2022, the University reported deferred inflows of resources from the following sources:

Deferred Inflows of Resources	**Pension**	**Other Postemployment Benefits**	**Debt Refundings**	**Other**	**Total**
Fiscal Year 2023					
Differences between expected and actual experience	$1,485,074,545	$ 89,005,667	$ —	$ —	$1,574,080,212
Net differences between projected and actual earnings on pension and OPEB plan investments	—	—	—	—	—
Changes in Actuarial Assumptions	—	238,227,230	—	—	238,227,230
Changes in proportion and differences between employer contributions and proportionate share of contributions	562,444	9,397,996	—	—	9,960,440
Unamortized Gains	—	—	23,831,801	—	23,831,801
Leases Receivable	—	—	—	20,519,845	20,519,845
Gifts	—	—	—	19,315	19,315
Total Deferred Inflows	$1,485,636,989	$ 336,630,893	$ 23,831,801	$ 20,539,160	$1,866,638,843
Fiscal Year 2022					
Differences between expected and actual experience	$ 126,400,968	$ 87,868,484	$ —	$ —	$ 214,269,452
Net differences between projected and actual earnings on pension and OPEB plan investments	2,427,386,026	76,323,678	—	—	2,503,709,704
Changes in Actuarial Assumptions	—	125,226,113	—	—	125,226,113
Changes in proportion and differences between employer contributions and proportionate share of contributions	902,105	11,885,593	—	—	12,787,698
Unamortized Gains	—	—	612,333	—	612,333
Leases Receivable	—	—	—	14,529,509	14,529,509
Gifts	—	—	—	143,062	143,062
Total Deferred Inflows	$2,554,689,099	$ 301,303,868	$ 612,333	$ 14,672,571	$2,871,277,871

NOTE 11 – Other Organizations

GASB Statement No. 14, *The Financial Reporting Entity;* GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units, an amendment of GASB Statement No. 14;* GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, *an amendment of GASB Statements No. 14 and No. 34;* GASB Statement No. 80, *Blending Requirements for Certain Component Units, an amendment of GASB Statement No. 14;* and GASB Statement No. 90, *Majority Equity Interests—An Amendment of GASB Statements No. 14 and No. 61* provide guidance in determining whether organizations are to be included as part of a reporting entity. The University has defined significance as 5% of the primary government (individual campus) that the potential component unit exists to support. The University has determined that the Campus Foundations individually and in aggregate exceed the 5% threshold and therefore are disclosed in these financial statements as discretely presented component units. Campus Foundations have fiscal year reporting periods that end on either December 31 or June 30. The following pages show the summarized financial information of the major component unit campus foundations for the most current audited financial reporting period available.

NOTE 11 – Other Organizations (continued)

Condensed financial statement information related to the University's campus foundations for the year ended June 30, 2023 is as follows:

Condensed Statement of Financial Position	**University of Wisconsin Foundation, Inc.**	**The University of Wisconsin Milwaukee Foundation Inc.**	**Others**	**Total**
ASSETS				
Cash and Cash Equivalents	$ 20,377,383	$ 5,621,628	$ 32,517,170	$ 58,516,181
Income and Redemption Receivables	46,172,986	—	42,047	46,215,033
Pledges Receivable, Net	72,167,885	11,500,406	59,237,738	142,906,029
Prepaid Expenses and Other Assets	29,446,274	2,459,456	44,459,472	76,365,202
Investments	5,066,702,824	225,515,412	488,784,303	5,781,002,539
Property and Equipment, Net	24,105,990	51,450,823	79,723,682	155,280,495
Real Estate	—	—	875,168	875,168
TOTAL ASSETS	$5,258,973,342	$ 296,547,725	$ 705,639,580	$6,261,160,647
LIABILITIES AND NET ASSETS				
LIABILITIES				
Accounts Payable	$ 6,633,486	$ 204,292	$ 2,660,187	$ 9,497,965
Pending Investment Purchases Payable	49,805,680	—	—	49,805,680
Accrued Expenses and Other Liabilities	21,590,714	4,773,597	4,915,327	31,279,638
Note Payable	—	73,933,908	67,061,299	140,995,207
Liability Under Split-Interest Agreements	39,687,483	—	888,411	40,575,894
Funds Due to Other Organizations	257,496,470	4,324,583	200,774	262,021,827
Total Liabilities	375,213,833	83,236,380	75,725,998	534,176,211
NET ASSETS				
Without Donor Restrictions	155,178,205	(7,024,991)	50,550,667	198,703,881
With Donor Restrictions	4,728,581,304	220,336,336	579,362,915	5,528,280,555
Total Net Assets	4,883,759,509	213,311,345	629,913,582	5,726,984,436
TOTAL LIABILITIES AND NET ASSETS	$5,258,973,342	$ 296,547,725	$ 705,639,580	$6,261,160,647
Condensed Statement of Activities				
REVENUES, GAINS AND OTHER SUPPORT				
Contributions	$ 351,322,995	$ 28,820,647	$ 67,461,422	$ 447,605,064
Investment Return, Net of Fees	374,168,329	16,764,795	3,967,042	394,900,166
Rental Income	—	5,504,554	13,504,793	19,009,347
Other Income	4,292,194	50,779	5,788,405	10,131,378
Total Revenues, Gains and Other Support	729,783,518	51,140,775	90,721,662	871,645,955
EXPENSES				
Program Expenses	339,979,657	30,976,338	43,341,240	414,297,235
Management and General Expenses	19,350,448	5,564,411	6,496,614	31,411,473
Fund raising Expenses	36,668,153	1,052,055	5,331,993	43,052,201
Total Expenses	395,998,258	37,592,804	55,169,847	488,760,909
OTHER CHANGES IN NET ASSETS	—	—	6,451,196	6,451,196
CHANGE IN NET ASSETS	333,785,260	13,547,971	42,003,011	389,336,242
Net Assets - Beginning of Year	4,549,974,249	199,763,374	587,910,571	5,337,648,194
Net Assets - End of Year	$4,883,759,509	$ 213,311,345	$ 629,913,582	$5,726,984,436

NOTE 11 – Other Organizations (continued)

Condensed financial statement information related to the University's campus foundations for the year ended June 30, 2022 is as follows:

Condensed Statement of Financial Position	University of Wisconsin Foundation, Inc.	The University of Wisconsin Milwaukee Foundation Inc.	Others	Total
ASSETS				
Cash and Cash Equivalents	$ 137,512,696	$ 5,531,663	$ 33,651,222	$ 176,695,581
Income and Redemption Receivables	149,446,633	—	17,525	149,464,158
Pledges Receivable, Net	100,769,223	12,192,282	57,540,902	170,502,407
Prepaid Expenses and Other Assets	50,075,243	2,080,089	21,817,285	73,972,617
Investments	4,513,308,351	209,322,436	470,614,916	5,193,245,703
Property and Equipment, Net	14,098,126	53,500,390	87,120,497	154,719,013
Real Estate	—	—	1,366,380	1,366,380
TOTAL ASSETS	$4,965,210,272	$ 282,626,860	$ 672,128,727	$5,919,965,859
LIABILITIES AND NET ASSETS				
LIABILITIES				
Accounts Payable	$ 9,075,863	$ 149,007	$ 4,109,380	$ 13,334,250
Pending Investment Purchases Payable	115,409,595	—	—	115,409,595
Accrued Expenses and Other Liabilities	17,701,227	4,023,173	5,410,112	27,134,512
Note Payable	—	75,885,966	73,391,527	149,277,493
Liability Under Split-Interest Agreements	40,645,070	—	890,144	41,535,214
Funds Due to Other Organizations	232,404,268	2,805,340	416,993	235,626,601
Total Liabilities	415,236,023	82,863,486	84,218,156	582,317,665
NET ASSETS				
Without Donor Restrictions	123,117,790	(7,695,581)	43,172,842	158,595,051
With Donor Restrictions	4,426,856,459	207,458,955	544,737,729	5,179,053,143
Total Net Assets	4,549,974,249	199,763,374	587,910,571	5,337,648,194
TOTAL LIABILITIES AND NET ASSETS	$4,965,210,272	$ 282,626,860	$ 672,128,727	$5,919,965,859
Condensed Statement of Activities				
REVENUES, GAINS AND OTHER SUPPORT				
Contributions	$ 378,419,715	$ 34,786,451	$ 110,775,548	$ 523,981,714
Investment Return, Net of Fees	(466,213,412)	(27,830,213)	(12,229,206)	(506,272,831)
Rental Income	—	5,568,119	9,023,861	14,591,980
Other Income	4,403,588	177,789	3,161,745	7,743,122
Total Revenues, Gains and Other Support	(83,390,109)	12,702,146	110,731,948	40,043,985
EXPENSES				
Program Expenses	272,226,114	30,721,434	37,626,165	340,573,713
Management and General Expenses	27,468,593	5,669,881	5,828,016	38,966,490
Fundraising Expenses	32,579,633	1,208,288	4,798,554	38,586,475
Total Expenses	332,274,340	37,599,603	48,252,735	418,126,678
OTHER CHANGES IN NET ASSETS	—	—	(10,581,543)	(10,581,543)
CHANGE IN NET ASSETS	(415,664,449)	(24,897,457)	51,897,670	(388,664,236)
Net Assets - Beginning of Year	4,965,638,698	224,660,831	536,012,901	5,726,312,430
Net Assets - End of Year	$4,549,974,249	$ 199,763,374	$ 587,910,571	$5,337,648,194

NOTE 11 – Other Organizations (continued)

A – University of Wisconsin Medical Foundation

The University of Wisconsin Medical Foundation (UWMF) is the not-for-profit clinical practice organization for the faculty physicians of the School of Medicine and Public Health within the UW-Madison and is reported as a blended component unit of the University of Wisconsin Hospitals and Clinics Authority. The UWMF provides clinical sites, technical and professional staff, and administrative services for the UW-Madison faculty physicians group.

During fiscal year 2007-08, the Wisconsin Department of Health Services (DHS) implemented a Certified Public Expenditure (CPE) program for the services the University faculty physicians group provides to Medical Assistance (MA) recipients. Because the University faculty physicians group qualifies as a public provider, it is eligible to receive cost-based reimbursement under federal MA rules.

Under the CPE program, DHS is able to claim additional federal MA funds based upon the difference between the established MA reimbursement rate for the services provided by the UW-Madison faculty physicians group and the actual cost of providing those services. To enable the draw of these federal funds by DHS, UW-Madison remitted a total of $6.9 million to DHS during fiscal year 2023 and $9.6 million in fiscal year 2022, representing the state's share of this difference. DHS then claimed the federal share of the difference from the federal government and subsequently provided $19.8 million during fiscal year 2023 and $25.3 million during fiscal year 2022, representing both the state and federal share of the difference, to the UWMF. In addition, transfers of $12.9 million and $15.7 million were made by UW-Madison to the MA Trust Fund under this program during fiscal year 2023 and fiscal year 2022, respectively, reported as a transfer to state agencies on the financial statements.

During fiscal year 2023, the UWMF remitted $19.8 million to UW-Madison as reimbursement for payments to DHS during fiscal year 2022. During fiscal year 2022, the UWMF remitted $25.3 million to UW-Madison as reimbursement for payments to DHS during fiscal year 2021.

In addition, UW-Madison incurred expenditures for which reimbursement was received from the UWMF. Of the $181.8 million expended in fiscal year 2023, $165.5 million was for salaries and fringe benefits of staff in the UW-Madison School of Medicine. In fiscal year 2022, of the $157.4 million expended, $143.8 million was for salaries and fringe benefits of staff in the UW-Madison School of Medicine.

B – University of Wisconsin Hospitals and Clinics Authority

The University of Wisconsin Hospitals and Clinics Authority (UWHCA), pursuant to an act of the Wisconsin State Legislature, began operating on June 29, 1996 as a separate public authority, and is reported as a discrete component unit within the financial statements of the State of Wisconsin. As required by this legislation, the University has entered into various affiliation and operating agreements with UWHCA, including a lease agreement. Under the terms of the lease, UWHCA makes payments equal to the debt service on all outstanding bonds issued by the State of Wisconsin to acquire, construct, or improve the leased facilities. At June 30, 2023, the present value of these future lease payments totaled $7,562, compared to $9,466 at June 30, 2022, an amount equal to the principal on the related bonds outstanding; the asset is included on the statement of net position as part of the capital lease receivable, and the related debt is included as part of the total University bonds outstanding of $1,431.4 million and $1,532.9 million at June 30, 2023 and June 30, 2022, respectively. The leased facilities are not included as part of the University's investment in buildings since they have been reported by UWHCA in their audited financial statements in accordance with the generally accepted accounting principles that pertain to the reporting of leased assets.

NOTE 11 – Other Organizations (continued)

During the fiscal year ended June 30, 2023, the University received services from UWHCA totaling $4.9 million and provided services to UWHCA totaling $52.7 million, compared to amounts for fiscal year ended June 30, 2022 of $4.8 million and $60.6 million. The cost of the services provided and the associated revenue are separately identified in the Statement of Revenues, Expenses, and Changes in Net Position. The amounts spent for services received are included as salaries and fringe benefits and supplies and services expenses on this statement. The services received were funded by an equivalent amount of state appropriations revenue.

C – The Wisconsin Institutes for Discovery

The Wisconsin Institutes for Discovery, which opened in December 2010, is a visionary public-private facility that has taken shape as an innovative building housing two world-class biomedical research institutes and a public space known as the Town Center for campus and community members to gather and collaborate. The public institute, the Wisconsin Institute for Discovery, is organized under the UW-Madison Graduate School. The private portion of the facility is owned by the Wisconsin Alumni Research Foundation (WARF), which is an independent, nonprofit foundation chartered to support research at UW-Madison and the designated technology transfer organization for the university. The facility was originally undertaken with $50.0 million in State of Wisconsin and University funding, $110.0 million contributed by WARF, and a $50.0 million donation from a private donor. The Morgridge Institute for Research, an independent IRC 501(c)(3) medical research organization, occupies the majority of the WARF-owned portion of the building.

The Wisconsin Institutes for Discovery facility is a 300,000 square foot building located at 330 North Orchard Street in Madison, Wisconsin. Since the University initially owned all of this land, the University and WARF became parties to a Real Property Exchange Agreement dated January 19, 2007. Under the terms of the Exchange Agreement, the University agreed to convey to WARF a portion of this land, and WARF agreed to convey to the University properties of equal value as defined in the agreement. In fiscal years 2008-09 and 2010-11, the University recorded $4.3 million and $7.7 million, respectively, as Land and Capital Contributions for the fair market value of the properties WARF has conveyed to the Universities of Wisconsin under this agreement. The remainder of the property was transferred to the Board of Regents of the University in November 2016. As such, The Wisconsin Institutes for Discovery does not meet the criteria of a component unit of the University.

The Wisconsin Institutes for Discovery is operated as a condominium. University and WARF are the members of The Wisconsin Institutes for Discovery Condominium Association, Inc. (Association), as set forth in the Condominium Declaration dated September 25, 2009. Ownership of the facility has been determined to be 30% University and 70% WARF. Of the total capitalized cost, the University capitalized $60.1 million as Buildings, and the remaining amount was capitalized by WARF. Under the terms of the Condominium Declaration, the Association contracts with WARF for purposes of the management and operation of the property. The parties also entered into an Operating and Services Agreement that sets forth the mutually agreed upon specifics of such management and operation.

D – La Crosse Medical Health Science Education Research Center

On June 6, 1997, the Board of Regents entered into a Use Agreement with The La Crosse Medical Health Science Consortium, Inc. (The Consortium), a Wisconsin non-stock corporation tax exempt under IRC 501(c)(3) with offices at 1725 State Street, La Crosse, Wisconsin. As such, The Consortium does not meet the criteria of a component unit of the University.

The Use Agreement makes available the exclusive use of the La Crosse Medical Health Science Education Research Center to The Consortium. As required by this Use Agreement, the University has entered into various operating agreements with The Consortium, including a lease agreement. Under the terms of the lease, The Consortium made payments equal to the debt service on all

NOTE 11 – Other Organizations (continued)

outstanding bonds issued by the State of Wisconsin to acquire, construct, or improve the leased facilities. All lease payments were made as of June 30, 2020 and all obligations satisfied. The leased facilities are not included as part of the University's investment in buildings since they have been reported by The Consortium in their audited financial statements in accordance with the generally accepted accounting principles that pertain to the reporting of leased assets.

During the fiscal years ended June 30, 2023 and 2022, the University provided services and rent to The Consortium totaling $0.7 million and $0.7 million, respectively. The cost of the services provided, and the associated revenue are included in the Statement of Revenues, Expenses, and Changes in Net Position. The amounts spent for services received are included as salaries and fringe benefits and supplies and services expenses on this statement. The services received were funded by an equivalent amount of revenue from state appropriations.

E – Funds Held In Trust by Others

Funds held in trust by others are endowment funds held by trustees outside of the University Trust Funds for the benefit of the University. The market value of these funds amounted to $210.1 million at June 30, 2023, compared with $136.1 million at June 30, 2022. During fiscal year 2023, $1.6 million of these funds was made available by the trustees for spending. In fiscal year 2022, $1.4 million of these funds was made available by the trustees for spending.

NOTE 12 – Operating Expenses by Functional Classification

Operating expenses by functional classification for the fiscal year ended June 30, 2023:

	Salary and Fringe Benefits	Scholarships and Fellowships	Supplies and Services	Other	Depreciation and Amortization	Total
Instruction	$ 1,520,463,307	$ 3,321,782	$ 143,575,066	$ 161,280	$ —	$ 1,667,521,435
Research	862,414,276	4,023,324	376,101,612	2,481,333	—	1,245,020,545
Public Service	240,843,494	945,500	150,049,799	17,413,052	—	409,251,845
Academic Support	360,413,453	339,651	109,394,930	(302,043)	—	469,845,991
Student Services	379,124,247	579,452	198,080,556	(860,056)	—	576,924,199
Institutional Support	311,272,621	(150,059)	6,042,538	118,589	—	317,283,689
Operation/Maintenance	178,796,260	18,284	146,531,086	635,689	—	325,981,319
Financial Aid	124,278,672	182,877,410	(306,539)	(931,047)	—	305,918,496
Auxiliary Enterprises	125,548,495	19,365	186,923,627	(32,687)	—	312,458,800
Other Functions	20,300,148	686,247	145,355,342	6,337	—	166,348,074
Depreciation and Amortization	—	—	—	—	440,619,039	440,619,039
Total Operating Expenses	$ 4,123,454,973	$ 192,660,956	$ 1,461,748,017	$ 18,690,447	$ 440,619,039	$ 6,237,173,432

Operating expenses totaled $6.2 billion. Salary and fringe benefits; scholarships and fellowships; and supplies and services and other expenses constituted 66.1%, 3.1%, and 23.7% of total operating expenses, respectively. Depreciation and amortization comprised $440.6 million or 7.1% of total operating expenses.

Operating expenses by functional classification for the fiscal year ended June 30, 2022 (restated):

	Salary and Fringe Benefits	Scholarships and Fellowships	Supplies and Services	Other	Depreciation and Amortization	Total
Instruction	$ 1,038,238,387	$ 985,508	$ 94,113,846	$ 2,856,960	$ —	$ 1,136,194,701
Research	812,572,009	3,442,330	299,380,332	3,006,849	—	1,118,401,520
Public Service	214,935,685	410,578	111,903,632	18,792,623	—	346,042,518
Academic Support	337,464,107	536,492	82,388,127	(329,732)	—	420,058,994
Student Services	336,926,292	506,048	210,280,118	709,082	—	548,421,540
Institutional Support	290,227,245	327,328	7,487,775	(98,081)	—	297,944,267
Operation/Maintenance	163,801,295	—	174,112,063	676,247	—	338,589,605
Financial Aid	117,979,596	263,704,230	176,083	(1,129,384)	—	380,730,525
Auxiliary Enterprises	109,519,767	8,602	172,370,035	313,165	—	282,211,569
Other Functions	14,253,092	—	60,649,765	(2,976)	—	74,899,881
Depreciation and Amortization	—	—	—	—	413,591,372	413,591,372
Total Operating Expenses	$ 3,435,917,475	$ 269,921,116	$ 1,212,861,776	$ 24,794,753	$ 413,591,372	$ 5,357,086,492

Operating expenses totaled $5.4 billion. Salary and fringe benefits; scholarships and fellowships; and supplies and services and other expenses constituted 64.1%, 5.0%, and 23.2% of total operating expenses, respectively. Depreciation and amortization comprised $413.6 million or 7.7% of total operating expenses.

NOTE 13 – Classification of Net Position

Net Position is reported in the following categories: Net Investment in Capital Assets, Restricted - Nonexpendable, Restricted - Expendable, and Unrestricted.

Net Investment in Capital Assets includes assets, such as buildings, construction in progress, and equipment, that are reported net of related debt. Restricted funds are those that have externally-imposed stipulations. Restricted - Nonexpendable funds are those that must be permanently maintained, such as permanent endowments. Restricted - Expendable includes balances such as those for quasi-endowments; segregated fees; student loans; federal aid; and gifts, grants, and contracts. These funds are expendable subject to actions of the University that are pursuant to stipulations or may become expendable by the passage of time. Unrestricted funds are those that are not subject to external stipulations. However, most of the unrestricted funds have been identified for academic and research programs and initiatives, and capital programs.

NOTE 13 – Classification of Net Position (continued)

The amounts within each category at June 30, 2023 and June 30, 2022 are as follows:

	2023	2022 Restated
Net Investment in Capital Assets	$4,069,318,101	$3,833,479,152
Restricted - Nonexpendable Permanent Endowment	239,302,589	229,619,124
Restricted - Expendable		
Restricted for Pensions	—	1,085,067,412
Restricted for Other Postemployment Benefits	45,140,684	148,325,679
Restricted Endowment Earnings	1,117,365	1,078,193
Restricted Donor Investments	322,829,948	306,379,906
Auxiliary Operations - Segregated Fees	104,569,525	109,108,064
Restricted for Student Loans		
Federal Aid	15,659,321	15,659,321
Gifts	58,865,472	48,164,150
Endowment Funds	26,437,424	14,498,599
Subtotal	100,962,217	78,322,070
Restricted - Other		
Federal Aid	96,048,349	61,728,545
Gifts and Nonfederal Grants & Contracts	327,940,185	391,535,797
Construction Fund	341,728,900	394,029,815
Segregated Revenue	1,714,816	1,568,985
All Other Restricted Program Revenue	3,542,907	4,164,247
Subtotal	770,975,157	853,027,389
Total Restricted - Expendable	1,345,594,896	2,581,308,713
Unrestricted		
Tuition (Academic & Extension Student Fees)	138,160,509	134,522,748
General Operations	155,969,893	83,297,908
Auxiliary Operations (Non-Segregated Fee)	216,204,776	139,453,543
Indirect Cost Reimbursement	276,238,854	228,491,848
Quasi-Endowment Funds	47,625,416	47,229,620
Unrestricted Donor Investments	40,471,476	62,039,000
All Other Unrestricted Program Revenue	26,719,623	19,899,270
Gifts and Nonfederal Grants & Contracts^	79,708,729	(61,088,057)
Federal Aid^	(74,899,517)	(146,736,871)
All Other Non-Program Revenue*	(180,235,787)	(712,835,958)
Total Unrestricted	725,963,972	(205,726,949)
Total Net Position	$6,380,179,558	$6,438,680,040

^ Funds are typically collected on a reimbursement basis which could result in a negative balance at year end.
* The negative balance results primarily from an accumulating effect of accrual entries on General Purpose Revenue and Segregated Revenue funds.

NOTE 13 – Classification of Net Position (continued)

The following table shows reclassifications which are done to conform to reporting requirements related to the State of Wisconsin's ACFR. As a reporting entity, the University cannot exercise total discretion over the use of net position of segregated fee auxiliary operations because of statutory mandates; however, they do have discretion in the use of the net position of quasi-endowments reported as unrestricted.

ACFR reclassifications as of June 30, 2023 (in millions):

	Universities of Wisconsin	Auxiliary Operations	Endowments	Student Loans	State of Wisconsin ACFR
Net Investment in Capital Assets	$ 4,069.3	$ —	$ —	$ —	$ 4,069.3
Restricted for					
Pension	—	—	—	—	—
OPEB	45.1	—	—	—	45.1
Nonexpendable	239.3	—	—	—	239.3
Expendable	428.5	(104.6)	47.6	—	371.5
Student Loans	101.0	—	—	(101.0)	—
Other	771.0	—	—	101.0	872
Unrestricted	726.0	104.6	(47.6)	—	783.0
Total Net Position	$ 6,380.2	$ —	$ —	$ —	$ 6,380.2

ACFR reclassifications, restated, as of June 30, 2022 (in millions):

	Universities of Wisconsin	Auxiliary Operations	Endowments	Student Loans	State of Wisconsin ACFR
Net Investment in Capital Assets	$ 3,833.5	$ —	$ —	$ —	$ 3,833.5
Restricted for					
Pension	1,085.1	—	—	—	1,085.1
OPEB	148.3	—	—	—	148.3
Nonexpendable	229.6	—	—	—	229.6
Expendable	416.6	(109.1)	47.2	—	354.7
Student Loans	78.3	—	—	(78.3)	—
Other	853.0	—	—	78.3	931.3
Unrestricted	(205.7)	109.1	(47.2)	—	(143.8)
Total Net Position	$ 6,438.7	$ —	$ —	$ —	$ 6,438.7

NOTE 14 – Adoption of New Accounting Standards and Other Restatements

Effective for the fiscal year ended June 30, 2023, the University adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (GASB 96). This statement establishes standards of accounting and financial reporting for subscription-based information technology arrangements (SBITAs) by a government end user. The adoption of GASB 96 has been reflected as of July 1, 2021.

Beginning net position as of July 1, 2021 was restated for the effects of the University's adoption of GASB 96 as follows:

	June 30, 2021 as Originally Reported	GASB 96 Adoption	July 1, 2021 Restated
Current Assets	$ 2,778,192,403	$ —	$ 2,778,192,403
Noncurrent Assets	7,319,647,204	30,631,992	7,350,279,196
Total Assets	10,097,839,607	30,631,992	10,128,471,599
Deferred Outflows of Resources	1,556,179,957	—	1,556,179,957
Current Liabilities	815,095,771	24,287,243	839,383,014
Noncurrent Liabilities	2,729,135,216	6,344,749	2,735,479,965
Total Liabilities	3,544,230,987	30,631,992	3,574,862,979
Deferred Inflows of Resources	2,110,974,531	—	2,110,974,531
Net Position	$ 5,998,814,046	$ —	$ 5,998,814,046

The Statement of Net Position as of June 30, 2022 was restated for the effects of the University's adoption of GASB 96 as follows:

	June 30, 2022 as Originally Reported	GASB 96 Adoption	June 30, 2022 Restated
Current Assets	$ 3,042,789,016	$ 11,334,384	$ 3,054,123,400
Noncurrent Assets	7,686,735,424	35,721,274	7,722,456,698
Total Assets	10,729,524,440	47,055,658	10,776,580,098
Deferred Outflows of Resources	2,340,546,782	—	2,340,546,782
Current Liabilities	1,044,557,609	22,737,633	1,067,295,242
Noncurrent Liabilities	2,719,445,711	20,428,016	2,739,873,727
Total Liabilities	3,764,003,320	43,165,649	3,807,168,969
Deferred Inflows of Resources	2,871,277,871	—	2,871,277,871
Net Position	$ 6,434,790,031	$ 3,890,009	$ 6,438,680,040

NOTE 14 – Adoption of New Accounting Standards and Other Restatements (continued)

The Statement of Revenues, Expenses, and Changes in Net Position for the year ended June 30, 2022 was restated for the effects of the University's adoption of GASB 96 as follows:

	June 30, 2022 as Originally Reported	GASB 96 Adoption	June 30, 2022 Restated
Operating Revenues	$ 3,922,331,806	$ —	$ 3,922,331,806
Operating Expenses	5,361,027,264	(3,940,772)	5,357,086,492
Operating Loss	(1,438,695,458)	3,940,772	(1,434,754,686)
Non-operating Revenues	1,804,660,223	—	1,804,660,223
Non-operating Expenses	(141,425,049)	(50,763)	(141,475,812)
Capital Appropriations	191,287,604	—	191,287,604
Capital Grants and Gifts	19,075,963	—	19,075,963
Additions to Permanent Endowment	1,072,702	—	1,072,702
Increase in Net Position	435,975,985	3,890,009	439,865,994
Net Position, Beginning of Year	5,998,814,046	—	5,998,814,046
Net Position, Beginning of Year, As Adjusted	$ 6,434,790,031	$ 3,890,009	$ 6,438,680,040

The Statement of Cash Flows for the year ended June 30, 2022 was restated for the effects of the University's adoption of GASB 96 as follows:

	June 30, 2022 as Originally Reported	GASB 96 Adoption	June 30, 2022 Restated
Net Cash Used in Operating Activities	$ (1,253,051,731)	$ 23,894,445	$ (1,229,157,286)
Net Cash Used in Investing Activities	(482,030,627)	—	(482,030,627)
Net Cash Used in Capital and Related Financing Activities	(570,835,331)	(23,894,445)	(594,729,776)
Net Cash Provided by Noncapital Financing Activities	1,977,179,754	—	1,977,179,754
Net Decrease in Cash	(328,737,935)	—	(328,737,935)
Cash and Cash Equivalents - beginning of year	2,219,371,735	—	2,219,371,735
Cash and Cash Equivalents - end of year	$ 1,890,633,800	$ —	$ 1,890,633,800

The prior year fair value hierarchy category of Fixed Income Index Funds investments has been reclassified to conform to the current year's presentation in Note 2 - Cash and Investments.

NOTE 15 – Contingent Liabilities

The Universities of Wisconsin is covered by the State of Wisconsin's self-funded program with settlements or judgments paid from the State Risk Management Fund. Loss experience is charged back to the individual University of Wisconsin public universities in subsequent years based on exposure and experience with caps in place for large losses.

The Universities of Wisconsin is party in a number of legal actions. While final resolutions have not yet been determined, management is of the opinion that any liabilities resulting from these actions will not have a material adverse effect on the Universities of Wisconsin's financial position.

NOTE 16 – Subsequent Events

In August 2023, the State of Wisconsin issued $271.4 million of 2023 Series B general obligation bonds to be used for the acquisition, construction, development, extension, enlargement or improvement of land, water, property, highways, buildings, equipment or facilities for public purposes. The interest rates associated with these bonds were set at 5.0 percent payable semiannually beginning November 1, 2023. The bonds mature annually beginning May 1, 2025 through May 1, 2044. The total par amount of the 2023 Series B bonds that was issued for University of Wisconsin purposes is $77.4 million.

Years Ended June 30, 2023 and 2022

REQUIRED SUPPLEMENTARY INFORMATION

Universities of Wisconsin's Proportionate Share of the Net Pension Liability (Asset)
Wisconsin Retirement System

The University's proportionate share of the net pension liability (NPL) or net pension (asset) (NPA) of the Wisconsin Retirement System is provided below:

Fiscal Year*	Proportion of the NPL (NPA)	Proportionate Share of the NPL (NPA)	Covered Payroll	Proportionate Share as a Percentage of Covered Payroll	WRS' Net Position as a Percentage of the Total Pension Liability
2023	13.40%	$709,734,328	$2,385,255,376	29.76%	95.72%
2022	13.46%	$(1,085,067,412)	$2,353,339,815	(46.11)%	106.02%
2021	13.32%	$(831,629,182)	$2,197,452,793	(37.85)%	105.26%
2020	13.35%	$(430,532,171)	$2,141,382,732	(20.11)%	102.96%
2019	13.34%	$474,419,425	$2,034,643,431	23.32%	96.54%
2018	13.44%	$(399,079,716)	$1,967,891,964	(20.28)%	102.93%
2017	13.54%	$112,698,659	$1,929,105,545	5.79%	99.10%
2016	13.59%	$220,459,696	$1,924,520,818	11.47%	98.20%
2015	13.44%	$(330,166,674)	$1,896,092,723	17.41%	102.74%

*The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year.

GASB standards require the presentation of 10 years of information. Because fiscal year 2015 was the first year for reporting this information, a full 10-year schedule will not be available until fiscal year 2024.

Universities of Wisconsin's Pension Contributions
Wisconsin Retirement System

The University's pension contributions to the Wisconsin Retirement System are provided below:

Fiscal Year*	Contractually Required Contributions	Contributions Made	Contribution Deficiency (Excess)	Covered Payroll	Contributions Made as a Percentage of Covered Payroll
2023	$156,086,421	$156,086,421	$—	$2,385,255,376	6.54%
2022	$159,624,608	$159,624,608	$—	$2,353,339,815	6.78%
2021	$149,158,680	$149,158,680	$—	$2,197,452,793	6.79%
2020	$140,901,540	$140,901,540	$—	$2,141,382,732	6.58%
2019	$136,968,134	$136,968,134	$—	$2,034,643,431	6.73%
2018	$134,517,079	$134,517,079	$—	$1,967,891,964	6.84%
2017	$127,760,738	$127,760,738	$—	$1,929,105,545	6.62%
2016	$131,542,672	$131,542,672	$—	$1,924,520,818	6.84%
2015	$133,468,069	$133,468,069	$—	$1,896,092,723	7.04%

*The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year.

GASB standards require the presentation of 10 years of information. Because fiscal year 2015 was the first year for reporting this information, a full 10-year schedule will not be available until fiscal year 2024.

Notes to Required Supplementary Information for the Year Ended June 30, 2023
Wisconsin Retirement System (continued)

Changes of benefit terms. There were no changes of benefit terms for any participating employer in WRS.

Changes in assumptions.

Based on a three-year experience study conducted in 2021 covering January 1, 2018 through December 31, 2020, the ETF Board adopted assumption changes that were used to measure the total pension liability beginning with the year-end December 31, 2021, including the following:

- Lowering the long-term expected rate of return from 7.0% to 6.8%
- Lowering the discount rate from 7.0% to 6.8%
- Lowering the price inflation rate from 2.5% to 2.4%
- Lowering the postretirement adjustments from 1.9% to 1.7%
- Mortality assumptions were changed to reflect updated trends by transitioning from the Wisconsin 2018 Mortality Table to the 2020 WRS Experience Mortality Table.

Based on a three-year experience study conducted in 2018 covering January 1, 2015 through December 31, 2017, the ETF Board adopted assumption changes that were used to measure the total pension liability beginning with the year-ended December 31, 2018, including the following:

- Lowering the long-term expected rate of return from 7.2% to 7.0%
- Lowering the discount rate from 7.2% to 7.0%
- Lowering the wage inflation rate from 3.2% to 3.0%
- Lowering the price inflation rate from 2.7% to 2.5%
- Lowering the postretirement adjustments from 2.1% to 1.9%
- Mortality assumptions were changed to reflect updated trends by transitioning from the Wisconsin 2012 Mortality Table to the Wisconsin 2018 Mortality Table.

Universities of Wisconsin's Proportionate Share of the OPEB Liability
Retiree Life Insurance Fund

The University's proportionate share of the OPEB liability is provided below:

Fiscal Year*	Proportion of the OPEB Liability	Proportionate Share of the OPEB Liability	Covered Payroll	Proportionate Share as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2023	42.06%	$277,464,847	$1,414,648,000	19.6%	31.49%
2022	41.42%	$392,540,881	$1,307,842,000	30.0%	25.22%
2021	41.96%	$363,828,903	$1,296,225,000	28.1%	27.80%
2020	42.09%	$287,530,560	$1,253,058,000	23.0%	33.75%
2019	41.83%	$180,490,611	$1,205,222,000	15.0%	44.36%
2018	41.42%	$204,440,597	$1,318,898,190	15.5%	41.63%

*The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year.

GASB standards require the presentation of 10 years of information. Because fiscal year 2018 was the first year for reporting this information, a full 10-year schedule will not be available until fiscal year 2027.

Universities of Wisconsin's OPEB Contributions
Retiree Life Insurance Fund

The University's OPEB contributions are provided below:

Fiscal Year*	Contractually Required Contributions	Contributions Made	Contribution Deficiency (Excess)	Covered Payroll	Contributions Made as a Percentage of Covered Payroll
2023	$747,217	$747,217	$—	$1,414,648,000	0.05%
2022	$691,619	$691,619	$—	$1,307,842,000	0.05%
2021	$644,090	$644,090	$—	$1,296,225,000	0.05%
2020	$483,771	$483,771	$—	$1,253,058,000	0.04%
2019	$580,265	$580,265	$—	$1,205,222,000	0.05%
2018	$552,145	$552,145	$—	$1,318,898,190	0.04%

*The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year.

GASB standards require the presentation of 10 years of information. Because fiscal year 2018 was the first year for reporting this information, a full 10-year schedule will not be available until fiscal year 2027.

Notes Notes to Required Supplementary Information for the Year Ended June 30, 2023
Retiree Life Insurance Fund

Changes of benefit terms. There were no recent changes of benefit terms.

Changes in assumptions. In addition to the rate changes detailed in the tables above, the State of Wisconsin Employee Trust Fund Board adopted economic and demographic assumption changes based on a three year experience study performed for the Wisconsin Retirement System. These assumptions are used in the actuarial valuations of OPEB liabilities (assets) for the retiree life insurance programs and are summarized below.

Notes to Required Supplementary Information for the Year Ended June 30, 2023
Retiree Life Insurance Fund (continued)

The assumption changes that were used to measure the December 31, 2021 total OPEB liabilities, including the following:

- Lowering the price inflation rate from 2.5% to 2.4%
- Mortality assumptions were changed to reflect updated trends by transitioning from the Wisconsin 2018 Mortality Table to the 2020 WRS Experience Mortality Table.

The assumption changes that were used to measure the December 31, 2018 total OPEB liabilities, including the following:

- Lowering the long-term expected rate of return from 5.00% to 4.25%
- Lowering the wage inflation rate from 3.2% to 3.0%
- Lowering the price inflation rate from 2.7% to 2.5%
- Mortality assumptions were changed to reflect updated trends by transitioning from the Wisconsin 2012 Mortality Table to the Wisconsin 2018 Mortality Table.

Universities of Wisconsin's Proportionate Share of the OPEB Liability
Retiree Health Insurance Plan

The University's proportionate share of the OPEB liability is provided below:

Fiscal Year*	Proportion of the OPEB Liability	Proportionate Share of the OPEB Liability	Covered Payroll	Proportionate Share as a Percentage of Covered Payroll
2023	44.56%	$ 319,554,275	$ 1,814,298,170	17.6%
2022	44.42%	$ 316,651,203	$ 1,761,454,534	18.0%
2021	44.78%	$ 287,515,221	$ 1,780,579,173	16.1%
2020	44.37%	$ 302,798,250	$ 1,725,367,417	17.6%
2019	43.95%	$ 237,204,014	$ 1,622,101,587	14.6%
2018	43.89%	$ 315,687,625	$ 1,577,063,898	20.0%

*The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year.

GASB standards require the presentation of 10 years of information. Because fiscal year 2018 was the first year for reporting this information, a full 10-year schedule will not be available until fiscal year 2027.

Universities of Wisconsin's OPEB Contributions
Retiree Health Insurance Plan

The University's OPEB contributions are provided below:

Fiscal Year*	Contractually Required Contributions	Contributions Made	Contribution Deficiency (Excess)	Covered Payroll	Contributions Made as a Percentage of Covered Payroll
2023	$ 478,523,132	$ 478,523,132	$—	$ 1,814,298,170	26.4%
2022	$ 471,298,165	$ 471,298,165	$—	$ 1,761,454,534	26.8%
2021	$ 457,551,942	$ 457,551,942	$—	$ 1,780,579,173	25.7%
2020	$ 437,853,488	$ 437,853,488	$—	$ 1,725,367,417	25.4%
2019	$ 435,919,184	$ 435,919,184	$—	$ 1,622,101,587	26.9%
2018	$ 433,914,171	$ 433,914,171	$—	$ 1,577,063,898	27.5%

*The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year.

GASB standards require the presentation of 10 years of information. Because fiscal year 2018 was the first year for reporting this information, a full 10-year schedule will not be available until fiscal year 2027.

Notes to Required Supplementary Information for the Year Ended June 30, 2023
Retiree Health Insurance Plan

Changes of benefit terms. There were no changes of benefit terms.

Changes in assumptions.

Changes Effective June 30, 2022

Healthcare trend rates were updated to reflect recent experience and known premium rates.

The effective discount rate for June 30, 2022, was 3.54%. The effective discount rate as of June 30, 2021 was 2.16%

Notes to Required Supplementary Information for the Year Ended June 30, 2023

Retiree Health Insurance Plan (continued)

Changes Effective June 30, 2021

Healthcare claims costs and trend were updated based on most recent modeling.

Active retiree participation rates for eligible retirees were changed from 80% immediately upon retirement with 2.5% per year of the active deferrals choosing to be covered for 8 years to 60% immediately upon retirement with an additional 1% per year of the active deferrals choosing to be covered over the next 5 years.

Deferred vested participation rates were changed from 12.5% per year for 8 years to 5% per year for 8 years.

Retiree health participation lapse rates changed from 10% to 5%.

The marital assumptions for future retirees were changed from being based on the participants current healthcare tier status in the active population to assuming 60% of future retirees elected to cover a spouse.

The effective discount rate was changed to 2.16% for the June 30, 2021 measurement from 2.21% for the June 30, 2020 measurement.

The inflation, retirement, termination, disability, husband to wife age relationship, and mortality rates were changed in conjunction with the 2018-2020 pension assumption study completed by GRS in 2021.

Changes Effective June 30, 2020

Healthcare claims costs and trend were updated based on most recent modeling.

The discount rate was changed to 2.21% for the June 30, 2020 measurement from 3.50% for the June 30, 2019 measurement.

Changes Effective June 30, 2019

Healthcare claims costs and trend were updated based on most recent modeling.

Administrative expenses no longer include costs associated with the administration of medical and prescription claims. These costs are now reflected in the respective per capita healthcare costs, as they are built into the premium rates used to develop these costs.

The discount rate was changed to 3.50% for the June 30, 2019 measurement from 3.87% for the June 30, 2018 measurement.

The excise tax on high cost health plans was repealed effective December 20, 2019 and as such has been removed from this valuation.

Changes Effective June 30, 2018

The discount rate was changed to 3.87% for the June 30, 2018 measurement from 3.58% for the June 30, 2017 measurement.

The participation rates changed. The Participation rate was previously 85%, and was changed to 80% immediate commencement, with 12.5% of the deferred participants electing coverage each year for eight years, based on the Segal study completed in July 2019.

Lapse rates were added. In this valuation we are assuming 10% of participants that are covered lapse coverage each year, based on the Segal study completed in July 2019.

Notes to Required Supplementary Information for the Year Ended June 30, 2023

Retiree Health Insurance Plan (continued)

The inflation, salary scale, retirement, termination, disability and mortality rates were changed in conjunction with the 2015-2017 pension assumption study completed by GRS in 2018.

No assets accumulated in a trust that meets the criteria of paragraph 4 of GASB 75 to pay related benefits.

Universities of Wisconsin's Proportionate Share of the OPEB Liability(Asset)
Supplemental Health Insurance Conversion Credit Program

The University's proportionate share of the OPEB liability or (asset) is provided below:

Fiscal Year*	Proportion of the OPEB Liability (Asset)	Proportionate Share of the OPEB Liability (Asset)	Covered Payroll	Proportionate Share as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability (Asset)
2023	43.90%	$ (45,140,684)	$ 2,385,255,376	(1.9)%	109.8%
2022	45.09%	$ (148,325,679)	$ 2,353,339,815	(6.3)%	131.6%
2021	43.73%	$ (124,539,601)	$ 2,197,452,793	(5.7)%	130.8%
2020	44.72%	$ (67,871,882)	$ 2,141,382,732	(3.2)%	116.3%

*The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year.
GASB standards require the presentation of 10 years of information. Because fiscal year 2020 was the first year for reporting this information, a full 10-year schedule will not be available until fiscal year 2029.

Universities of Wisconsin's OPEB Contributions
Supplemental Health Insurance Conversion Credit Program

The University's OPEB contributions are provided below:

Fiscal Year*	Contractually Required Contributions	Contributions Made	Contribution Deficiency (Excess)	Covered Payroll	Contributions Made as a Percentage of Covered Payroll
2023	$ 2,387,366	$ 2,387,366	$—	$ 2,385,255,376	0.1%
2022	$ 7,059,851	$ 7,059,851	$—	$ 2,353,339,815	0.3%
2021	$ 6,595,006	$ 6,595,006	$—	$ 2,197,452,793	0.3%
2020	$ 6,425,910	$ 6,425,910	$—	$ 2,141,382,732	0.3%

*The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year.
GASB standards require the presentation of 10 years of information. Because fiscal year 2020 was the first year for reporting this information, a full 10-year schedule will not be available until fiscal year 2029.

Notes to Required Supplementary Information for the Year Ended June 30, 2023
Supplemental Health Insurance Conversion Credit Program

Changes of benefit terms. There were no recent changes in benefit terms.

Changes of assumptions. Based upon experience studies conducted in 2021 on the WRS and Wisconsin Sick Leave Conversion Credit programs that covered a three-year period from January 1, 2018 through December 31, 2020, the ETF Board adopted assumption changes that were used to measure the total OPEB liability, beginning with the year-end December 31, 2021, including the following:

- Lowering the long-term expected rate of return from 7.0% to 6.8%
- Lowering the discount rate from 7.0% to 6.8%
- Lowering the price inflation rate from 2.5% to 2.4%
- Mortality assumptions were changed to reflect updated trends by transitioning from the Wisconsin 2018 Mortality Table to the 2020 WRS Experience Mortality Table

- The healthcare cost trend rate was changed from an increase of 3.0% in each future year to 6.0% for the 1st year and declining each future year to an ultimate trend rate of 3.5% over a 12 year period
- Health care premium assumptions were changed to reflect 1-person and 2-person coverage for non Medicare and Medicare along with an election percentage assumption of 50%. Previously, the average non Medicare and Medicare premiums were based on active annuitant data with a 10% increase applied to the average premium
- The escrowed benefit usage assumes 50% of escrowed members will will at some point begin using their sick leave balance to pay for health care costs. The present value of future benefits is now calculated by drawing down each member's account balance using the same average premiums applicable to active members and a 50% factor applied to the present value to account for the 50% escrowed benefit usage assumption. Previously, the present value of future benefits was calculated by taking the balance on deposit for escrowed annuitants multiplied by the ratio of the present value of future benefits for active status annuitants to the balance on deposit for active status annuitants multiplied by 50%
- The sick leave accumulation assumes each individual is at their same rate as in the past(earned less used), but not more than 100% of the gross earned rate based on the person's employer and not less than 25% of their gross earned rate. The assumed annual gross earned rates range from 6.4 to 16.25 days depending on the employer. Previously, each individual was assumed to continue using sick leave at the same rate as in the past but not less than 25% nor more than 75% of the person's annual accrual rate (usually 16.25 days)

Based upon a three year experience study conducted in 2018 that covered a three-year period from January 1, 2015 through December 31, 2017, the ETF Board adopted assumption changes that were used to measure the total OPEB liability, beginning with the year-end December 31, 2018, including the following:

- Lowering the long-term expected rate of return from 7.2% to 7.0%
- Lowering the discount rate from 7.2% to 7.0%
- Lowering the wage inflation rate from 3.2% to 3.0%
- Lowering the price inflation rate from 2.7% to 2.5%
- Mortality assumptions were changed to reflect updated trends by transitioning from the Wisconsin 2012 Mortality Table to the Wisconsin 2018 Mortality Table
- The healthcare cost trend rate was changed from an increase of 3.2% in each future year to 3.0%

Years Ended June 30, 2023 and 2022

SUPPLEMENTAL INFORMATION

CHART 1
COMPARISON OF CURRENT FUNDS REVENUES
2013 - 2023

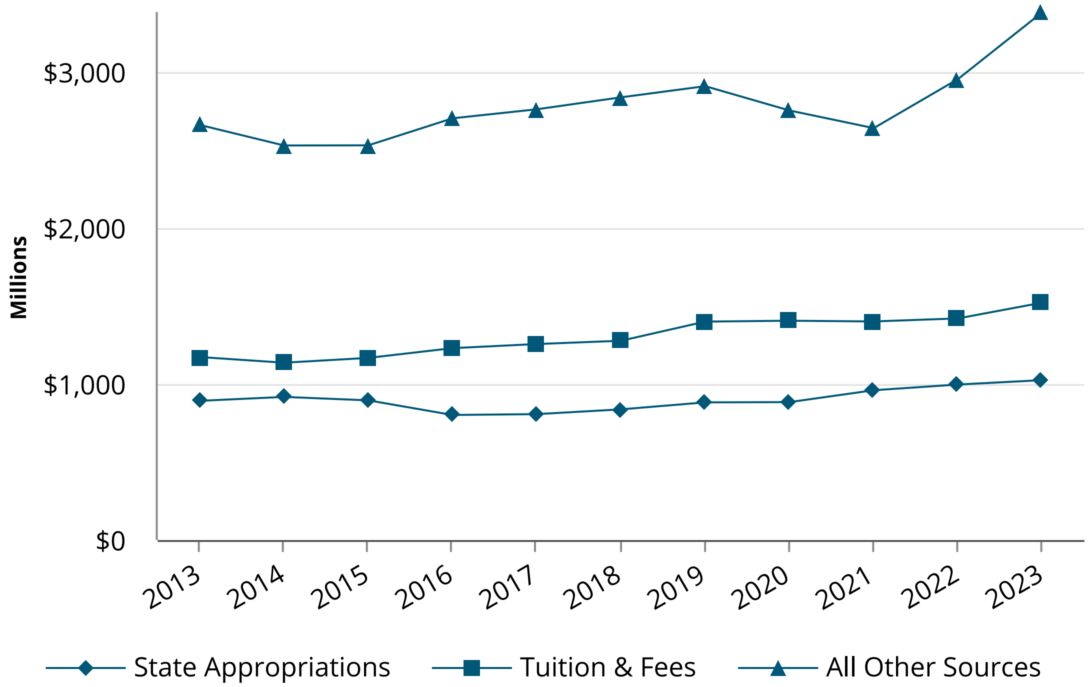

CHART 2
COMPARISON OF CURRENT FUNDS REVENUES
ADJUSTED FOR INFLATION
2013 - 2023