

ANNUAL FINANCIAL REPORT 2022



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Editor: Rod Dole

Cover Photo: A University of Wisconsin Oshkosh student walks by the three-story Polk Library, which opened in 1962. Polk Library was named in honor of the school's longest-serving leader, Forrest R. Polk, and recognized as Library of the Year in 1964 by the Wisconsin Library Association. Today, Polk Library strives to be the teaching and learning hub of campus, supporting student success and the work of faculty and staff. The facility continues to attract students seeking collaborative and individual study and technology-enabled environments. Polk staff provide information literacy instruction via varied teaching platforms, helping students grow into lifelong learners, informed citizens, and critical consumers of information.

Founded in 1871, UW Oshkosh began as a teacher-training school. Now UW Oshkosh is three campuses, one university, offering undergraduate and graduate programs and more than 250 majors, minors, and emphases. Located in northeastern Wisconsin's populous Fox Valley region, UW Oshkosh offers students access to high-impact internships and job opportunities.

With a strong research focus and national ranking in sustainability, UW Oshkosh demonstrates on a daily basis what students can do to change the world. Students benefit from personalized support with small class sizes, a wealth of academic and personal support services, and personalized career and academic advising.

Photo Credit: UW Oshkosh

University of Wisconsin System

2022 Annual Financial Report

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2022 Annual Financial Report

Regents, Chancellors, and Officers of the UW System

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Mark Mone, UW-Milwaukee

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Katherine P. Frank, UW-Stout

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Edmund Manydeeds III, Eau Claire

John Miller, Fox Point

Rodney Pasch, Elroy

Cris Peterson, Grantsburg

Ashok Rai, Suamico

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Jill Underly, Hollandale

Dana Wachs, Eau Claire

Karen Walsh, Madison (Regent President)

Kyle Weatherly, Milwaukee



Years Ended June 30, 2022 and 2021

INTRODUCTION FROM THE VICE PRESIDENT FOR FINANCE AND ADMINISTRATION



INTRODUCTION FROM THE VICE PRESIDENT FOR FINANCE AND ADMINISTRATION

FINANCIAL REPORT 2022

We are pleased to submit the University of Wisconsin (UW) System's 2022 Annual Financial Report, which includes accrual-based statements for fiscal years 2021-22 and 2020-21. This report has received an unmodified (clean) audit opinion from the state's Legislative Audit Bureau.

Some of the UW System's accomplishments in 2021-22 include:

- Enrolling nearly 163,000 students across our 13 four-year universities and 13 additional branch campuses, including students from every county in Wisconsin, every state in the nation and 141 other countries;
- Continuing to serve underrepresented minority students, as this population more than doubled over the past decade to

23,000 students, despite reduced enrollments;

- Limiting the average increase of the cost of attendance (tuition, room and board, segregated fees) to just 1% over the prior year;
- Signaling to UW students that resident tuition rates would not increase in the 2022-23 academic year, maintaining tuition at the 2012-13 levels for the 10th consecutive year; and
- Advancing groundbreaking research with related expenses of more than \$1.2 billion.

Annual Financial Report Highlights

Guided by health and safety protocols, our university communities saw a greater return to traditional, on-campus activities for students, faculty, and staff in the 2021-22 academic year. The return, as well as the receipt of federal COVID relief funds, have strengthened UW operations in fiscal year 2022.

Revenues—both operating and non-operating—within the Statement of Revenues, Expenses, and Changes in Net Position reflect this activity. For example, in fiscal year 2022:

- Sales and Services of Auxiliary Enterprises, such as housing, dining services, and parking, increased \$141.7 million, or 53.8%, to nearly \$405.0 million.
- Other Operating Revenue, which includes operations such as athletics and student health centers, increased \$74.6 million, or 20.2%, to \$444.4 million.
- The UW System received \$288.8 million and \$240.5 million of federal COVID relief aid in fiscal years 2022 and 2021, respectively, which are reported as Coronavirus Federal Grants and Aid in Non-Operating Revenue.

The federal relief funds have been or will be used in accordance with grant requirements to offset COVID-related expenses and to mitigate a portion of the lost revenues. Federal regulations require a significant portion of the Higher Education Emergency Relief Funds (HEERF) to be put towards emergency student aid. More than 78,000 UW students received \$135.1 million as emergency student grants in academic year 2021-22. This is in addition to the 54,600 students who received grants of \$54.4 million the prior year. These grants largely account for the 45.1% increase in expenses for Scholarships and Fellowships.

Although our public health situation has improved, the UW System must still carefully manage our financial resources in support of the respective missions of the 13 universities. Other highlights within the UW System's 2022 Annual Financial Report include the following:

- In fiscal year 2022, the UW System established the University Cash Management Fund, an intermediate term portfolio. This fund was created in accordance with both the State of Wisconsin statutes and the investment policies and guidelines authorized by the Board of Regents, and it is governed by a Memorandum of Understanding between UW System Administration and UW-Madison. The objectives of the Cash Management Fund are to manage principal, ensure liquidity for anticipated needs, and maintain purchasing power for existing assets. Largely due to the creation of the University Cash Management Fund, Cash and Cash Equivalents decreased by \$328.7 million, ending the year at \$1.9 billion, and investments of \$479.3 million now appear as a line on the UW System's Statement of Net Position.
- Endowment Investments, which represent primarily gifts and bequests, are separate from the University Cash Management Fund. Endowment Investments are managed in a long-term fund, with target asset allocations met through externally managed index funds. With instability in the global economy and markets, Endowment Investments were valued at

\$530.2 million at the end of fiscal year 2022, a decrease of \$61.1 million.

- Market instability in both the University Cash Management Fund and Endowment Investments also resulted in a significant swing in Investment Income. While the UW System reported investment revenue of \$129.0 million in fiscal year 2021, an investment loss of \$63.8 million is reported for fiscal year 2022.
- Capital Assets increased \$169.6 million in fiscal year 2022, to \$5.8 billion. This increase is largely 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 2022, the UW System adopted GASB Statement No. 87, *Leases*, (GASB 87) which establishes new requirements for calculating and reporting lease activities. The UW System recognized lease assets and related lease payables at the present value of expected future payments for lease agreements in which the University is the lessee. Lease receivables and deferred inflows of resources at the present value of expected future receipts were recognized for lease agreements in which the University is the lessor. The financial statements for fiscal year 2021 have been restated to present the impact of GASB 87.
- The Wisconsin Retirement System, which is managed by the State of Wisconsin's Department of Employee Trust Funds (ETF), reported a significant increase in its Restricted Net Pension Asset, with the UW System's share of it being nearly \$1.1 billion, a 30.5% increase. While ETF attributes this increase to investment returns being above their anticipated levels, the ETF valuation date is December 31, 2021, and may not include all market fluctuations that impacted UW System investments.

As a result of these changes, the UW System's Net Position increased significantly, from \$6.0 billion in fiscal year 2021 to over \$6.4 billion in 2022. This increase is largely attributable to our investment in capital assets and other restricted assets, such as pension assets.

If the UW System has learned anything over the course of the pandemic, it is that the UW System has proven to be both flexible and resilient. Instead of returning to "business as usual," the UW System is applying the knowledge gained from the pandemic, with respect to digital pedagogy, student access, research, and dynamic approaches to work, to address current challenges of rising inflation, changing enrollments, and volatility in the capital markets. These challenges demand ongoing vigilance and innovative shifts in the way the UW System operates.

In looking ahead, under the leadership of President Rothman, the UW System is set to adopt a bold, new strategic plan that will serve to better align resources with our priorities and further elevate the strong reputation of the UW System throughout the state, the nation, and the world. The UW System remains committed to maintaining responsible stewardship of our resources while identifying new opportunities that enhance the university mission.

Sean P. Nelson, Vice President for Finance and Administration



Years Ended June 30, 2022 and 2021

INDEPENDENT AUDITOR'S REPORT



STATE OF WISCONSIN

Legislative Audit Bureau

Joe Chrisman
State Auditor

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

Senator Robert Cowles, Co-chairperson
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 and its aggregate discretely presented component units as of and for the years ended June 30, 2022, and June 30, 2021, 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 the aggregate discretely presented component units as of June 30, 2022, and June 30, 2021, and the respective changes in its financial position, and cash flows thereof for the years 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 financial statements as of June 30, 2022. Those statements were audited by other auditors, and reports for the UW Foundation, the UW Milwaukee Foundation, and certain other component units, which represent 92.8 percent of the assets of the aggregate discretely presented component units as of June 30, 2022, have been furnished to us. Our opinion insofar as it relates to the aggregate discretely presented component units are based solely on the reports of the other auditors. We also did not audit the financial statements of the aggregate discretely presented component units reported as the Related University Campus Foundations financial statements as of June 30, 2021. Those statements were audited by other auditors, and the report for the UW Foundation, which represents 85.8 percent of the assets of the aggregate discretely presented component units as of June 30, 2021, has been furnished to us. Our opinion insofar as it relates to the aggregate discretely presented component units is based solely on the report of the other auditor.

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 of our report. 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 UW Foundation, UW Milwaukee Foundation, and certain other 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 to the financial statements, the financial statements referred to in the first paragraph present only UW System and its aggregately 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, 2022, and June 30, 2021, 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 1 to the financial statements, UW System implemented Governmental Accounting Standards Board (GASB) Statement Number 87, *Leases*, which changed the accounting and financial reporting for leases for the year ending June 30, 2022, and further resulted in restated amounts for the year ending June 30, 2021.

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 judgement 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 judgement 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 14 through 21 and required supplementary information on pages 98 through 104, which 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, be presented to supplement the financial statements. 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 4 through 6 and the supplementary information on pages 106 and 107 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 20, 2022, and published in report 22-25, 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 20, 2022

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Years Ended June 30, 2022 and 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

UNIVERSITY OF WISCONSIN SYSTEM
Management's Discussion and Analysis
Years Ended June 30, 2022 and 2021

Management's Discussion and Analysis

The following discussion and analysis provides an overview of the financial position and activities of the University of Wisconsin System (University) for the years ended June 30, 2022 and 2021, with comparative information for the year ended June 30, 2020, 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 13 universities across 26 campuses and a statewide extension. In academic year 2021-2022, the University enrolled 162,980 students, employed approximately 31,800 faculty and staff, and granted 36,150 associate, bachelor's, master's, and other advanced degrees. University institutions were awarded over \$1,145.9 million in federal grants and contracts in fiscal year 2022 and an additional \$780.0 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		Headcount Enrollments	
<i>UW-Madison</i>	<i>11,418</i>	<i>UW-Madison</i>	<i>47,824</i>
<i>UW-Milwaukee</i>	<i>5,182</i>	<i>UW-Milwaukee</i>	<i>24,019</i>
<i>UW-Eau Claire</i>	<i>2,369</i>	<i>UW-Eau Claire</i>	<i>10,559</i>
<i>UW-Green Bay</i>	<i>1,657</i>	<i>UW-Green Bay</i>	<i>9,799</i>
<i>UW-La Crosse</i>	<i>2,375</i>	<i>UW-La Crosse</i>	<i>10,330</i>
<i>UW-Oshkosh</i>	<i>2,370</i>	<i>UW-Oshkosh</i>	<i>14,152</i>
<i>UW-Parkside</i>	<i>995</i>	<i>UW-Parkside</i>	<i>4,143</i>
<i>UW-Platteville</i>	<i>1,640</i>	<i>UW-Platteville</i>	<i>6,777</i>
<i>UW-River Falls</i>	<i>1,396</i>	<i>UW-River Falls</i>	<i>5,410</i>
<i>UW-Stevens Point</i>	<i>1,633</i>	<i>UW-Stevens Point</i>	<i>8,206</i>
<i>UW-Stout</i>	<i>1,629</i>	<i>UW-Stout</i>	<i>7,692</i>
<i>UW-Superior</i>	<i>617</i>	<i>UW-Superior</i>	<i>2,609</i>
<i>UW-Whitewater</i>	<i>2,869</i>	<i>UW-Whitewater</i>	<i>11,460</i>
Total	36,150	Total	162,980

UNIVERSITY OF WISCONSIN SYSTEM
Management's Discussion and Analysis
Years Ended June 30, 2022 and 2021

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, 2022, the University adopted GASB Statement No. 87, *Leases* (GASB 87). This statement establishes new requirements for calculating and reporting the University's lease activities. The University recognized lease assets and related lease payables at the present value of expected future payments for lease agreements in which the University is the lessee. The University recognized lease receivables and related deferred inflows of resources at the present value of expected future receipts for lease agreements in which the University is the lessor. The impacts to the Statement of Revenues, Expenses, and Changes in Net Position include reclassifying certain lease payments from operating revenues and expenses to non-operating revenues and expenses and recognizing annual amortization of lease assets and deferred inflows of resources over the term of the lease. The adoption of GASB 87 has been reflected as of July 1, 2020. The financial statements for the year ended June 30, 2021, and 2020, have been restated to present the impact of GASB 87. See Note 14 for the effects of the University's adoption of GASB 87.

The Statement of Net Position is a financial condition snapshot as of June 30, 2022 and 2021, 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.

UNIVERSITY OF WISCONSIN SYSTEM
Management's Discussion and Analysis
Years Ended June 30, 2022 and 2021

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 2022. As of June 30, 2022, the University had total assets of \$10.7 billion and total liabilities of \$3.8 billion.

Statement of Net Position (in millions)

	2022	2021 Restated	2020 Restated
Current Assets	\$ 3,042.8	\$ 2,778.2	\$ 2,436.7
Capital Assets, Net	5,821.9	5,652.3	5,636.2
Other Noncurrent Assets	1,864.9	1,667.3	1,111.0
Total Assets	10,729.6	10,097.8	9,183.9
Deferred Outflows of Resources	2,340.5	1,556.2	1,183.4
Current Liabilities	1,044.6	815.1	727.2
Noncurrent Liabilities	2,719.4	2,729.1	2,691.7
Total Liabilities	3,764.0	3,544.2	3,418.9
Deferred Inflows of Resources	2,871.3	2,111.0	1,545.6
Net Investment in Capital Assets	3,840.9	3,668.3	3,577.6
Restricted Net Position	2,803.5	2,486.0	1,680.7
Unrestricted Net Position	(209.6)	(155.5)	144.4
Total Net Position	<u>\$ 6,434.8</u>	<u>\$ 5,998.8</u>	<u>\$ 5,402.7</u>

Current assets minus current liabilities represents the net working capital of the University. Net working capital increased from \$1,963.1 million at June 30, 2021 to \$1,998.2 million at June 30, 2022.

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 2022 and 2021 was in cash and cash equivalents, which decreased by \$328.8 million due to assets transferred into the University Cash Management Fund, a current asset investment, established during fiscal year 2022.

UNIVERSITY OF WISCONSIN SYSTEM
Management's Discussion and Analysis
Years Ended June 30, 2022 and 2021

Current Assets (in millions)

	2022	2021 Restated	2020 Restated
Cash & Cash Equivalents	\$ 1,890.6	\$ 2,219.4	\$ 1,949.1
Investments	479.3	—	—
Securities Lending Collateral	228.9	148.0	109.4
Accounts Receivable, Net	339.2	320.7	290.0
Other Current Assets	104.8	90.1	88.2
Total Current Assets	<u>\$ 3,042.8</u>	<u>\$ 2,778.2</u>	<u>\$ 2,436.7</u>

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 UW 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. A comparison of university-controlled endowments over the past several years can be found in Chart 3 of the Supplemental Information section of this report. Additional information on cash and investments is provided in Note 2 to the Financial Statements.

Non-current 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 \$530.2 million at June 30, 2022, decreased by \$61.1 million during fiscal year 2022. The decrease was driven by market-based fluctuations in investment performance.
- Investment earnings related to the pension plan fiduciary net position outpaced projected earnings in both 2022 and 2021, resulting in a non-current net pension asset of \$1,085.1 million and \$831.6 million, respectively.
- 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 non-current asset at June 30, 2022 and 2021 of \$148.3 million and \$124.5 million, respectively.

Deferred outflows increased by \$784.3 million in fiscal year 2022, due to adjustments related to pension and OPEB obligations.

Current liabilities increased by \$229.5 million in fiscal year 2022, driven by increases in securities lending collateral liabilities and current portion of employer payroll and payroll related liabilities.

Noncurrent liabilities decreased by \$9.7 million in fiscal year 2022. The most significant reason for this is the payment of employer deferred payroll tax amounts due.

Deferred inflows increased by \$760.3 million in fiscal year 2022, due to adjustments related to pension and OPEB obligations.

Further, these reporting changes resulted in \$255.3 million of pension expense credit 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.

UNIVERSITY OF WISCONSIN SYSTEM
Management's Discussion and Analysis
Years Ended June 30, 2022 and 2021

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, \$3.8 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):

	2022	2021 Restated	2020 Restated
Total Revenues	\$ 5,727.0	\$ 5,432.9	\$ 5,229.8
Total Expenses	5,502.5	5,094.2	5,395.6
Income (Loss) Before Capital and Endowment Additions	224.5	338.7	(165.8)
Capital Appropriations, Contributions & Endowment Additions	211.5	257.4	209.0
Increase in Net Position	<u>\$ 436.0</u>	<u>\$ 596.1</u>	<u>\$ 43.2</u>

The University's operating and non-operating revenues are provided in the table below. Operating revenues increased \$253.7 million since fiscal year 2020 with the primary increases in federal grants and contracts, sales and services of auxiliaries and sales and services of educational activities. Non-operating revenues increased \$243.4 million between fiscal year 2020 and fiscal year 2022 primarily due to changes in state appropriations, gifts and coronavirus federal grants and aid funding, offset by lower net investment income.

The University was awarded \$640.6 million in coronavirus federal grants and aid through 2021-22. In accordance with the federal award agreements, the University must meet certain eligibility requirements before recognizing the funding. The University recognized \$288.8 million as non-operating revenue in 2021-22, \$240.5 million as non-operating revenue in 2020-21, and \$72.3 million as non-operating revenue in 2019-20. 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.

UNIVERSITY OF WISCONSIN SYSTEM
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Revenues (in millions):	2022	2021 Restated	2020 Restated
Operating Revenues			
Student Tuition and Fees, Net	\$ 1,422.7	\$ 1,403.2	\$ 1,407.9
Federal Grants and Contracts	725.7	707.8	685.0
State, Local, & Private Grants and Contracts	532.1	438.0	421.2
Sales and Services of Educational Activities	328.5	241.1	338.6
Sales and Services of Auxiliaries, Net	405.0	263.3	354.3
All Other Operating Revenues	508.3	430.8	461.6
Total Operating Revenues	3,922.3	3,484.2	3,668.6
Non-Operating Revenues			
State Appropriations	998.2	961.6	885.3
Gifts	415.8	438.1	382.3
Federal Pell Grants	137.5	141.0	149.6
Coronavirus Federal Grants and Aid	288.8	240.5	72.3
Net Investment (Loss) Income	(63.8)	129.0	44.0
Other Non-Operating Revenues	28.1	38.5	27.7
Total Non-Operating Revenues	1,804.6	1,948.7	1,561.2
Total Revenues	<u>\$ 5,726.9</u>	<u>\$ 5,432.9</u>	<u>\$ 5,229.8</u>

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

Expenses (in millions):	2022	2021 Restated	2020 Restated
Operating Expenses			
Instruction	\$ 1,136.7	\$ 1,012.8	\$ 1,314.8
Research	1,119.1	1,056.5	1,032.0
Public Service	346.1	345.8	348.7
Academic Support	428.4	412.4	442.2
Student Services	550.9	487.9	500.7
Institutional Support	308.7	324.5	338.7
Operation/Maintenance	338.6	316.1	312.8
Financial Aid	380.7	292.0	273.3
Auxiliary Enterprises	283.3	247.0	298.8
Other Functions	74.9	70.9	69.3
Depreciation and Amortization	393.6	378.2	329.1
Total Operating Expenses	5,361.0	4,944.1	5,260.4
Non-Operating Expenses	141.5	150.1	135.2
Total Expenses	<u>\$ 5,502.5</u>	<u>\$ 5,094.2</u>	<u>\$ 5,395.6</u>

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

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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 2020 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 UW System are as follows (in millions):

	2022	Adjustment for Pension and OPEB	Adjusted 2022	2021 Restated	Adjustment for Pension and OPEB	Adjusted 2021 Restated
Current Assets	\$ 3,042.8	\$ —	\$ 3,042.8	\$ 2,778.2	\$ —	\$ 2,778.2
Capital Assets, Net	5,821.9	—	5,821.9	5,652.3	—	5,652.3
Other Noncurrent Assets	1,864.9	1,233.4	631.5	1,667.3	956.2	711.1
Total Assets	10,729.6	1,233.4	9,496.2	10,097.8	956.2	9,141.6
Deferred Outflows of Resources	2,340.5	2,297.6	42.9	1,556.2	1,508.7	47.5
Current Liabilities	1,044.6	—	1,044.6	815.1	—	815.1
Noncurrent Liabilities	2,719.4	709.2	2,010.2	2,729.1	651.3	2,077.8
Total Liabilities	3,764.0	709.2	3,054.8	3,544.2	651.3	2,892.9
Deferred Inflows of Resources	2,871.3	2,856.0	15.3	2,111.0	2,092.3	18.7
Net Investment in Capital Assets	3,840.9	—	3,840.9	3,668.3	—	3,668.3
Restricted Net Position	2,803.5	1,233.4	1,570.1	2,486.0	956.2	1,529.8
Unrestricted Net Position	(209.6)	(1,267.6)	1,058.0	(155.5)	(1,234.9)	1,079.4
Total Net Position	<u>\$ 6,434.8</u>	<u>\$ (34.2)</u>	<u>\$ 6,469.0</u>	<u>\$ 5,998.8</u>	<u>\$ (278.7)</u>	<u>\$ 6,277.5</u>

In 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. Compared to fiscal year 2021, salary and fringe benefits expenses amounted to \$3,279.0 million, including an expense credit of \$205.7 million related to the pension and other postemployment benefit obligations.

Factors Affecting Future Periods

2021 Wisconsin Act 58 (Act 58), the 2021-23 biennial budget, returns tuition-setting authority to the UW Board of Regents, which approved a resolution for no increase in UW resident undergraduate tuition in the upcoming 2022-23 academic year.

Act 58 also allocated an additional \$4.0 million to the UW System in fiscal year 2022-23. The UW System will receive \$2.5 million in fiscal year 2022-23 in Freshwater Collaborative funding; \$1.0 million in fiscal year 2022-23 in funding for UW-Extension Cooperative County Agriculture Agents; \$500,000 in fiscal year 2022-23 in Foster Youth Program funding.

The UW System was subsequently awarded an additional \$9.1 million of coronavirus federal grant funding in fiscal year 2022-23 to expand and support behavioral health provider trainees and build educational pathways.

The UW System will continue to be impacted by the pandemic and fluctuations in enrollment in fiscal year 2023 and beyond. Inflationary pressures on capital and operating costs and a competitive labor market will present additional economic challenges. The leadership of the UW System is set to

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adopt a bold, new strategic plan that will serve to better align resources with our priorities and further elevate the strong reputation of the UW System throughout the state, the nation, and the world. The UW System 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, 2022 and 2021

FINANCIAL STATEMENTS OF THE UNIVERSITY OF WISCONSIN SYSTEM

University of Wisconsin System

Statement of Net Position

	June 30, 2022	June 30, 2021 Restated
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 1,890,633,800	\$ 2,219,371,735
Investments	479,346,772	—
Securities Lending Collateral	228,877,256	147,978,347
Accounts Receivable, Net	339,153,958	320,691,832
Student Loans Receivable, Net	17,469,694	19,868,721
Inventories	38,535,572	30,825,315
Prepaid Expenses & Other Current Assets	48,771,964	39,456,453
Total Current Assets	<u>3,042,789,016</u>	<u>2,778,192,403</u>
Noncurrent Assets		
Endowment Investments	530,189,820	591,337,801
Accounts Receivable, Net	11,806,692	14,237,432
Student Loans Receivable, Net	89,454,189	105,578,088
Capital Assets, Net	5,821,891,632	5,652,325,100
Restricted Net Pension Asset	1,085,067,412	831,629,182
Restricted Other Postemployment Benefits Asset	148,325,679	124,539,601
Total Noncurrent Assets	<u>7,686,735,424</u>	<u>7,319,647,204</u>
TOTAL ASSETS	<u>\$10,729,524,440</u>	<u>\$10,097,839,607</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 2,340,546,782</u>	<u>\$ 1,556,179,957</u>
LIABILITIES		
Current Liabilities		
Accounts Payable and Accrued Liabilities	\$ 322,120,684	\$ 200,951,042
Securities Lending Collateral Liabilities	228,877,256	147,978,347
Notes and Bonds Payable	112,346,558	112,802,825
Lease and Financing Obligations	24,690,468	26,890,468
Unearned Revenue	203,715,058	167,511,738
Compensated Absences	98,758,514	105,286,926
Deposits Held for Others	6,308,495	5,933,849
Other Current Liabilities	47,740,576	47,740,576
Total Current Liabilities	<u>1,044,557,609</u>	<u>815,095,771</u>
Noncurrent Liabilities		
Notes and Bonds Payable	1,594,349,838	1,577,169,777
Lease and Financing Obligations	249,581,241	267,359,679
Perkins Loan Program	73,557,110	93,987,125
Compensated Absences	79,709,131	79,301,571
Other Postemployment Benefits	709,192,081	651,344,124
Other Noncurrent Liabilities	13,056,310	59,972,940
Total Noncurrent Liabilities	<u>2,719,445,711</u>	<u>2,729,135,216</u>
TOTAL LIABILITIES	<u>\$ 3,764,003,320</u>	<u>\$ 3,544,230,987</u>
DEFERRED INFLOWS OF RESOURCES	<u>\$ 2,871,277,871</u>	<u>\$ 2,110,974,531</u>

(continued)

University of Wisconsin System

Statement of Net Position (continued)

	June 30, 2022	June 30, 2021 Restated
NET POSITION		
Net Investment in Capital Assets	\$ 3,840,923,527	\$ 3,668,252,607
Restricted for		
Nonexpendable	229,619,124	259,629,079
Expendable		
Pension	1,085,067,412	831,629,182
Other Postemployment Benefits	148,325,679	124,539,601
Gifts, Grants & Contracts	391,535,797	393,633,723
Donor Investments & Earnings	307,458,099	352,140,381
Construction Fund	386,585,441	304,312,257
Student Loans & Federal Aid	140,050,615	108,342,905
Other	114,841,296	111,850,707
Total Restricted-Expendable	2,573,864,339	2,226,448,756
Unrestricted	(209,616,959)	(155,516,396)
TOTAL NET POSITION	\$ 6,434,790,031	\$ 5,998,814,046

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

University of Wisconsin System

Statement of Revenues, Expenses, and Changes in Net Position

	Year ended June 30, 2022	Year ended June 30, 2021 Restated
OPERATING REVENUES		
Student Tuition and Fees (net of Scholarship Allowances of \$331.3 million and \$328.9 million, respectively)	\$ 1,422,724,026	\$ 1,403,236,537
Federal Grants and Contracts	725,744,678	707,821,453
State, Local, and Private Grants and Contracts	532,083,158	438,028,997
Sales and Services of Educational Activities	328,538,986	241,094,740
Sales and Services of Auxiliary Enterprises (net of Scholarship Allowances of \$47.7 million and \$35.4 million, respectively)	404,998,108	263,300,377
Sales and Services to UW Hospitals and Clinics Authority	60,560,814	56,866,443
Student Loan Interest Income and Fees	3,272,153	4,033,301
Other Operating Revenue	444,409,883	369,783,342
Total Operating Revenues	3,922,331,806	3,484,165,190
OPERATING EXPENSES		
Salaries	2,704,802,032	2,558,781,768
Fringe Benefits	976,874,067	925,968,876
Fringe Benefits Related to Noncash Pension and OPEB	(245,758,624)	(205,708,929)
Total Salary and Fringe Benefits	3,435,917,475	3,279,041,715
Scholarship and Fellowships	269,921,116	186,086,039
Supplies and Services	1,236,756,220	1,082,708,993
Other Operating Expenses	24,794,753	18,131,786
Depreciation and Amortization	393,637,700	378,155,831
Total Operating Expenses	5,361,027,264	4,944,124,364
OPERATING LOSS	(1,438,695,458)	(1,459,959,174)
NON-OPERATING REVENUES AND (EXPENSES)		
State Appropriations	998,232,594	961,630,593
Gifts	415,776,981	438,100,971
Federal Pell Grants	137,477,922	141,008,168
Coronavirus Federal Grants and Aid	288,846,012	240,534,993
Investment (Loss) Income (net of Investment Expense of \$0.7 million and \$0.8 million, respectively)	(63,792,475)	128,956,471
Loss on Disposal of Capital Assets	(2,790,095)	(184,295)
Interest Expense on Capital Asset-related Debt	(46,151,119)	(55,349,015)
Transfer to State Agencies	(92,483,835)	(94,579,431)
Other Non-Operating Revenues	28,119,189	38,511,246
Gain Before Capital and Endowment Additions	224,539,716	338,670,527
Capital Appropriations	191,287,604	188,585,261
Capital Grants and Gifts	19,075,963	57,380,596
Additions to Permanent Endowment	1,072,702	11,461,507
INCREASE IN NET POSITION	435,975,985	596,097,891
NET POSITION		
Net Position - beginning of period	5,998,814,046	5,402,716,155
NET POSITION - end of period	\$ 6,434,790,031	\$ 5,998,814,046

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

University of Wisconsin System

Statement of Cash Flows

	Year ended June 30, 2022	Year ended June 30, 2021 Restated
Cash Flows from Operating Activities		
Student Tuition and Fees	\$ 1,432,888,431	\$ 1,392,928,013
Federal, State, Local, and Private Grants & Contracts	1,258,439,423	1,114,360,275
Sales and Services of Educational Activities	322,551,971	237,989,094
Sales and Services of Auxiliary Enterprises	416,044,054	272,866,069
Sales and Services to UW Hospitals and Clinics Authority	54,050,394	61,012,693
Payments for Salaries and Fringe Benefits	(3,673,128,346)	(3,370,128,574)
Payments to Vendors and Suppliers	(1,217,392,346)	(1,111,407,439)
Payments for Scholarships and Fellowships	(269,921,116)	(186,086,039)
Student Loans Collected	24,845,232	29,658,917
Student Loan Interest and Fees Collected	3,272,153	4,033,301
Student Loans Issued	(9,068,422)	(7,523,828)
Student Direct Lending Receipts	527,008,248	557,204,512
Student Direct Lending Disbursements	(527,668,502)	(553,035,181)
Other Revenue	405,027,095	327,602,613
Net Cash Used in Operating Activities	(1,253,051,731)	(1,230,525,574)
Cash Flows from Investing Activities		
Interest and Dividends on Investments, Net	1,180,823	1,857,303
Proceeds from Sales and Maturities of Investments	183,304,028	43,043,935
Purchase of Investments	(666,515,478)	(37,921,830)
Net Cash (Used in) Provided by Investing Activities	(482,030,627)	6,979,408
Cash Flows from Capital and Related Financing Activities		
Proceeds from Issuance of Capital Debt	192,832,128	360,067,691
Payments for Debt Retirements (Refundings)	(63,943,792)	(264,062,867)
Capital Appropriations	191,287,604	188,585,261
Gifts and Other Receipts	5,357,048	56,082,159
Purchase of Capital Assets	(509,797,950)	(403,530,177)
Principal Payments on Capital Debt and Leases	(260,136,963)	(242,157,874)
Interest Payments on Capital Debt and Leases	(126,433,406)	(132,476,512)
Net Cash Used in Capital and Related Financing Activities	(570,835,331)	(437,492,319)
Cash Flows from Noncapital Financing Activities		
State Appropriations	1,204,804,996	1,162,116,271
Gifts and Other Receipts	432,917,124	465,812,835
Federal Pell Grants	137,477,922	141,008,168
Coronavirus Federal Grants and Aid Receipts	293,390,845	245,521,018
Transfer to State Agencies	(92,483,835)	(94,579,431)
Additions to Permanent Endowments	1,072,702	11,461,507
Net Cash Provided by Noncapital Financing Activities	1,977,179,754	1,931,340,368
Net (Decrease) Increase in Cash and Cash Equivalents	(328,737,935)	270,301,883
Cash and Cash Equivalents - beginning of year	2,219,371,735	1,949,069,852
Cash and Cash Equivalents - end of year	\$ 1,890,633,800	\$ 2,219,371,735

(continued)

University of Wisconsin System

Statement of Cash Flows (continued)

	Year ended June 30, 2022	Year ended June 30, 2021 Restated
Reconciliation of Operating Loss to Net Cash Used in Operating Activities		
Operating Loss	\$ (1,438,695,458)	\$ (1,459,959,174)
<i>Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities:</i>		
Depreciation and Amortization Expense	393,637,700	378,155,831
Changes in Assets, Liabilities and Deferred Outflows and Inflows of Resources:		
Receivables, net	(6,066,983)	(12,118,353)
Inventories	(7,710,257)	(1,924,905)
Prepaid Expense (including Deferred Charges)	(9,520,029)	(4,208,506)
Accounts Payable and Accrued Liabilities	99,857,220	54,830,170
Perkins Loan Liability	(20,430,015)	(22,060,132)
Unearned Revenue	35,496,143	4,213,208
Compensated Absences	(6,120,852)	34,116,674
Other Noncurrent Liabilities	(47,740,576)	4,138,542
Deferred Outflows of Resources	(790,048,483)	(378,792,472)
Pension Liability (Asset) and Deferred Inflows of Resources	510,227,980	168,735,948
Other Postemployment Benefits	34,061,879	4,347,595
Net Cash Used in Operating Activities	\$ (1,253,051,731)	\$ (1,230,525,574)
Noncash Investing, Capital and Financing Activities		
Lease and Financing Obligations (Initial Year):		
Fair Market Value	\$ 8,008,540	\$ 3,745,693
Current Year Cash Payments	1,014,542	625,398
Gifts-In-Kind	17,133,850	2,439,043
Net Change in Unrealized (Losses) Gains	(62,606,522)	112,730,945

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



Years Ended June 30, 2022 and 2021

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 institutions.

University of Wisconsin System Campus Foundations

Consolidated Statements of Financial Position

	June 30, 2022	June 30, 2021
ASSETS		
Cash and Cash Equivalents	\$ 176,695,581	\$ 44,656,514
Income and Redemption Receivables	149,464,158	290,098,626
Pledges Receivable, Net	170,502,407	179,542,558
Prepaid Expenses and Other Assets	73,972,617	28,130,796
Investments	5,193,245,703	5,918,234,511
Property and Equipment, Net	154,719,013	170,747,142
Real Estate	1,366,380	1,910,180
TOTAL ASSETS	\$ 5,919,965,859	\$ 6,633,320,327
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable	\$ 13,334,250	\$ 9,636,081
Pending Investment Purchases Payable	115,409,595	349,396,887
Accrued Expenses and Other Liabilities	27,134,512	46,130,549
Note Payable	149,277,493	153,006,533
Liability Under Split-Interest Agreements	41,535,214	47,785,879
Funds Due to Other Organizations	235,626,601	301,051,968
Total Liabilities	582,317,665	907,007,897
NET ASSETS		
Without Donor Restrictions	158,595,051	205,623,105
With Donor Restrictions	5,179,053,143	5,520,689,325
Total Net Assets	5,337,648,194	5,726,312,430
TOTAL LIABILITIES AND NET ASSETS	\$ 5,919,965,859	\$ 6,633,320,327

Consolidated Statements of Activities

	Year ended June 30, 2022	Year ended June 30, 2021
REVENUES, GAINS AND OTHER SUPPORT		
Contributions	\$ 523,981,714	\$ 446,482,622
Investment Return, Net of Fees	(506,272,831)	1,038,927,158
Rental Income	14,591,980	12,904,471
Other Income	7,743,122	14,253,495
Total Revenues, Gains and Other Support	40,043,985	1,512,567,746
EXPENSES		
Program Expenses	340,573,713	366,424,507
Management and General Expenses	38,966,490	38,656,520
Fundraising Expenses	38,586,475	33,388,461
Total Expenses	418,126,678	438,469,488
OTHER CHANGES IN NET ASSETS	(10,581,543)	—
CHANGE IN NET ASSETS	(388,664,236)	1,074,098,258
Net Assets - Beginning of Year	5,726,312,430	4,652,214,172
Net Assets - End of Year	\$ 5,337,648,194	\$ 5,726,312,430

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



Years Ended June 30, 2022 and 2021

NOTES TO THE FINANCIAL STATEMENTS OF THE UNIVERSITY OF WISCONSIN SYSTEM

UNIVERSITY OF WISCONSIN SYSTEM
Notes to the Financial Statements
Years Ended June 30, 2022 and 2021

NOTE 1 – Organization and Summary of Significant Accounting Policies

Basis of Accounting and Financial Statement Presentation

The University of Wisconsin System (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 2022, the University adopted GASB Statement No. 87, *Leases* (GASB 87). In fiscal year 2021, the University adopted GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* (GASB 89); GASB Statement No. 90, *Majority Equity Interests—An Amendment of GASB Statements No. 14 and No. 61* (GASB 90); GASB Statement No. 93, *Replacement of Interbank Offered Rates* (GASB 93); and GASB Statement No. 98, *The Annual Comprehensive Financial Report* (GASB 98).

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 University of Wisconsin System 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, 2022	Year ended June 30, 2021
Athletics	\$ 147,357,725	\$ 107,327,523
Student Health Services	49,121,000	44,466,752
Student Union/Student Center	42,944,992	39,491,402
All Other Areas	204,986,166	178,497,665
Total Other Operating Revenues	<u>\$ 444,409,883</u>	<u>\$ 369,783,342</u>

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.

UNIVERSITY OF WISCONSIN SYSTEM
Notes to the Financial Statements
Years Ended June 30, 2022 and 2021

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

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 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 universities across 26 campuses and a statewide extension. 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 campus 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 institutional cost centers are

UNIVERSITY OF WISCONSIN SYSTEM
Notes to the Financial Statements
Years Ended June 30, 2022 and 2021

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

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 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 2022 and 2021 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 2022 and 2021, 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

UNIVERSITY OF WISCONSIN SYSTEM
Notes to the Financial Statements
Years Ended June 30, 2022 and 2021

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

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.

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 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 UW institutions 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 2022 and 2021 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, 2022	Year ended June 30, 2021
Coronavirus Aid, Relief, and Economic Securities (CARES) Act:		
Emergency Student Aid	\$ —	\$ 7,160,619
Institutional Aid	29,137	19,817,806
Coronavirus Relief Funds	4,702,075	48,043,384
Coronavirus Response and Relief Supplemental Appropriations:		
Emergency Student Aid	531,983	46,582,308
Institutional Aid	9,074,903	117,907,085
American Rescue Plan:		
Emergency Student Aid	134,584,630	688,831
Institutional Aid	139,923,284	334,960
Total Coronavirus Federal Grants and Aid	<u>\$ 288,846,012</u>	<u>\$ 240,534,993</u>

Newly Adopted Accounting Pronouncements

The University adopted GASB Statement No. 87, *Leases* (GASB 87), effective for the fiscal year ended June 30, 2022. The GASB statement increases the usefulness of financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. All previously reported capital leases held by the University are now included in the right-to-use asset. Under the GASB statement, a lessee is required to recognize a lease obligation and a right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of

UNIVERSITY OF WISCONSIN SYSTEM
Notes to the Financial Statements
Years Ended June 30, 2022 and 2021

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

resources. The adoption of GASB 87 has been reflected as of July 1, 2020. See Note 14 for the effects of the University's adoption of GASB 87.

New Accounting Pronouncements

GASB Statement No. 91, *Conduit Debt Obligations* (GASB 91), provides a single method of reporting conduit debt obligations by issuers and aims to eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement clarifies the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The provisions of GASB 91 are effective for fiscal year 2023.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* (GASB 94), intends to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements. The provisions of GASB 94 are effective for fiscal year 2023.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (GASB 96), provides guidance on the accounting and financial reporting for subscription-based information technology arrangements. The provisions of GASB 96 are effective for fiscal year 2023.

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.

Management is in the process of evaluating whether these GASB statements will be applicable to the University and the impact these statements may have on the University'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, 2022. 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, 2022.

UNIVERSITY OF WISCONSIN SYSTEM
Notes to the Financial Statements
Years Ended June 30, 2022 and 2021

NOTE 2 – Cash and Investments (continued)

Of the \$1,890.6 million and \$2,219.4 million in cash and cash equivalents as of June 30, 2022 and 2021, respectively, \$1,608.0 million and \$1,988.7 million, respectively, represent amounts held within the SIF; \$282.6 million and \$230.7 million, respectively, was maintained by individual University institutions 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 \$276.3 million and \$224.3 million at June 30, 2022 and 2021, respectively. These amounts, deposited in approved financial institutions, are uninsured and uncollateralized. A 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, 2022 and 2021 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 its 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 University 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 Cash Management Fund is to manage principal, ensure liquidity for anticipated needs and maintain purchasing power for existing assets. The target allocations were last affirmed/approved by the University Investment Committee in January 2022. The Cash Management Fund is an intermediate term portfolio, governed by and subject to a Memorandum of Understanding between University of Wisconsin System 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

UNIVERSITY OF WISCONSIN SYSTEM**Notes to the Financial Statements****Years Ended June 30, 2022 and 2021****NOTE 2 – Cash and Investments (continued)**

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, 2022 and 2021:

<u>Investment Category</u>	<u>2022</u>	<u>2021</u>
Global Equities	38.9 %	44.0 %
Treasury Inflation Protection Securities (TIPS)	17.0 %	15.2 %
Investment Grade Government/Credit	16.8 %	15.2 %
Hedged Non-U.S. Equities (Developed Markets)	5.2 %	4.9 %
Real Estate Investment Trusts (REITs)	2.7 %	2.8 %
Emerging Markets Equities	2.4 %	2.9 %
Private Markets ¹	17.0 %	15.0 %
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.

The Cash Management Fund consisted of the following actual asset allocation by investment category on June 30, 2022 and 2021:

<u>Investment Category</u>	<u>2022</u>	<u>2021</u>
Global Equities	14.9 %	—
High Yield Fixed Income	7.9 %	—
Bank Loans	8.2 %	—
Short-Term Fixed Income	34.5 %	—
Intermediate Fixed Income	17.3 %	—
Broad Fixed Income	17.2 %	—
Total	100.0 %	N/A

The RegentFund consisted of the following actual asset allocation by investment category on June 30, 2022 and 2021:

<u>Investment Category</u>	<u>2022</u>	<u>2021</u>
Fixed Income Securities	93.2 %	95.4 %
Short Term Investment Funds	6.8 %	4.6 %
Total	100.0 %	100.0 %

Benefiting University entities receive quarterly distributions from the Long Term Fund and the Cash Management 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 Cash Management 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, 2022, the amount made available to spend from these funds was \$20.6 million, relative to \$18.7 million available during the fiscal year ended June 30, 2021.

UNIVERSITY OF WISCONSIN SYSTEM
Notes to the Financial Statements
Years Ended June 30, 2022 and 2021

NOTE 2 – Cash and Investments (continued)

At June 30, 2022 and 2021, the University's investments were as follows:

Investments	2022	2021
Equity Index Funds	\$ 315,072,324	\$ 301,487,892
Fixed Income Index Funds	583,998,483	177,651,011
Real Estate Index Fund	14,012,201	16,085,125
Fixed Income Securities	6,372,818	7,562,817
Short Term Investment Funds	1,211,162	376,279
Private Markets Limited Partnership	88,869,604	88,174,677
Total Investments	\$1,009,536,592	\$ 591,337,801

The total return on the Long Term Fund, including capital appreciation, was (7.6%) for fiscal year 2022 compared to 27.4% in fiscal year 2021. The total return on the Cash Management Fund, including capital appreciation, was (4.1%) in fiscal year 2022. The total return on the RegentFund, including capital appreciation, was (10.8%) for fiscal year 2022, compared to 3.1% for fiscal year 2021.

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 credit quality of the issuer. As of June 30, 2022, 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, 2022 and 2021. Obligations of the United States and obligations explicitly guaranteed by the U.S. government are included in the Aaa rating below.

Ratings	2022	2021
AAA/Aaa	\$ —	\$ 1,432,139
AA/Aa	1,388,814	140
A	1,133,535	835,549
BBB/Baa	2,886,738	3,740,826
BB/Ba	788,998	1,454,913
B	—	99,250
Commingled Fixed Income Funds	583,998,483	177,651,011
Not Rated	1,385,895	376,279
Totals	\$ 591,582,463	\$ 185,590,107

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

UNIVERSITY OF WISCONSIN SYSTEM**Notes to the Financial Statements****Years Ended June 30, 2022 and 2021****NOTE 2 – Cash and Investments (continued)**

that the University held as of June 30, 2022 and 2021 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, 2022 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, 2022 and 2021, grouped by sector.

Fixed Income Sector

	2022		2021	
	Market Value	Effective Duration (In Years)	Market Value	Effective Duration (In Years)
Corporate Debt	\$ 5,265,650	5.00	\$ 6,130,677	4.79
Government Debt	2,318,330	6.97	1,808,419	4.10
Totals	<u>\$ 7,583,980</u>		<u>\$ 7,939,096</u>	

The following schedule displays the interest rate risk statistics for the commingled debt/fixed income funds held as of June 30, 2022 and 2021, as determined by the providers of the funds.

Fixed Income Commingled Fund

	2022		2021	
	Market Value	Effective Duration (In Years)	Market Value	Effective Duration (In Years)
BlackRock U.S. TIPS Fund B	\$ 88,162,587	6.89	\$ 88,823,080	7.51
BlackRock Government/Credit Bond Index Fund B	88,971,982	6.67	88,827,931	7.35
iShares Core 1-5 Year USD Bond Fund	164,952,000	2.81	—	
Intermediate Government/Credit Bond Index Fund B	82,829,258	3.95	—	
U.S. Debt Index Fund B	82,101,047	6.54	—	
U.S. High Yield Bond Index Non-Lendable Fund B	37,974,990	1.08	—	
BlackRock Floating Rate Income Portfolio	39,006,619	0.3	—	
Totals	<u>\$583,998,483</u>		<u>\$177,651,011</u>	

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, 2022 are immaterial.

UNIVERSITY OF WISCONSIN SYSTEM

Notes to the Financial Statements

Years Ended June 30, 2022 and 2021

NOTE 2 – Cash and Investments (continued)

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 Cash Management 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 \$299,345 and \$275,301 earned by the University during the fiscal years ended June 30, 2022 and 2021, respectively, in conjunction with the securities lending program.

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, 2022 and 2021, the fair value of securities loaned was \$223.8 million and \$144.9 million, respectively, while the collateral held was \$228.9 million and \$148.0 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 \$415,447 and \$175,608 as of June 30, 2022 and 2021, 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 \$166.0 million and \$213.3 million at June 30, 2022 and June 30, 2021, 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.

UNIVERSITY OF WISCONSIN SYSTEM**Notes to the Financial Statements****Years Ended June 30, 2022 and 2021****NOTE 2 – Cash and Investments (continued)**

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, 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.

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	<u>\$ 1,509,861</u>	<u>\$170,217,650</u>	<u>\$ —</u>	<u>\$ 837,809,081</u>	<u>\$ 1,009,536,592</u>

The equity index funds include a global equity index fund (84%) with an investment strategy designed to track the return of equity securities traded both inside and outside of the United States. An additional 5% 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 11% 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 (29%) 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 (15%) 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 (14%) and U.S. High Yield Bond Index Fund (7%) with the objective of approximating the total rate of return of the market for debt securities and a floating rate income fund (7%) with an investment strategy focused on seeking high-quality loans with attractive risk-adjusted returns. Also a Level 2 investment that is a 1-5 year USD Bond ETF (28%) 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.

UNIVERSITY OF WISCONSIN SYSTEM
Notes to the Financial Statements
Years Ended June 30, 2022 and 2021

NOTE 2 – Cash and Investments (continued)

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.

As of June 30, 2021, 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.

The following table presents these investments by investment category.

Investments	Level 1	Level 2	Level 3	Measured at NAV	Total June 30, 2021
Equity Index Funds	\$ —	\$ —	\$ —	\$ 301,487,892	\$ 301,487,892
Fixed Income Index Funds	—	—	—	177,651,011	177,651,011
Real Estate Index Fund	—	—	—	16,085,125	16,085,125
Fixed Income Securities	1,432,139	6,130,678	—	—	7,562,817
Short Term Investment Funds	301,253	—	—	75,026	376,279
Private Equity Limited Partnership	—	—	—	88,174,677	88,174,677
Total Investments at Fair Value	<u>\$ 1,733,392</u>	<u>\$ 6,130,678</u>	<u>\$ —</u>	<u>\$ 583,473,731</u>	<u>\$ 591,337,801</u>

As part of the investment management transfer to SWIB, Terrace Investment Holdings SMF, LLC was created to centrally hold and manage the University's investments in private markets Limited Partnership Funds. 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 4.1 years at June 30, 2022. The estimated remaining life of the underlying investments are between 0-7 years at June 30, 2022.

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:

Investment Type	2022		2021	
	Fair Value	Unfunded Commitments	Fair Value	Unfunded Commitments
Private Markets Limited Partnership Funds	\$ 88,869,604	\$ 7,431,046	\$ 88,174,677	\$ 8,891,124

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.

UNIVERSITY OF WISCONSIN SYSTEM
Notes to the Financial Statements
Years Ended June 30, 2022 and 2021

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	<u>\$1,721,937,688</u>	<u>\$ 812,416,747</u>	<u>\$ 11,831,852</u>	<u>\$2,647,059,416</u>	<u>\$5,193,245,703</u>

UNIVERSITY OF WISCONSIN SYSTEM

Notes to the Financial Statements

Years Ended June 30, 2022 and 2021

NOTE 2 – Cash and Investments (continued)

As of June 30, 2021, 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, 2021
Certificates of Deposit	\$ —	\$ 100,000	\$ —	\$ —	\$ 100,000
Money Market Funds	140,039,168	7,585,272	—	—	147,624,440
Federal and State Government Securities	—	479,902	—	—	479,902
Equity Securities	1,439,811,730	207,500	1,970,273	—	1,441,989,503
Debt Securities	97,649,978	972,762,060	11,117,038	—	1,081,529,076
Bond Funds	8,578,841	12,518,891	—	255,476,523	276,574,255
Stock Funds	84,059,198	—	—	888,639,491	972,698,689
Exchange Traded Funds	72,983,567	—	—	—	72,983,567
Mutual Funds	551,551,379	—	17,503,225	—	569,054,604
Other	97,770,721	10,958,766	848,644	163,038,332	272,616,463
Subtotal	2,492,444,582	1,004,612,391	31,439,180	1,307,154,346	4,835,650,499
Alternate Investments					
Private Equity	—	—	1,200,728	465,463,213	466,663,941
Real Estate	—	—	177,943	350,933,940	351,111,883
Hedge Funds	—	—	—	191,534,025	191,534,025
Other	1,685,250	—	—	71,588,913	73,274,163
Total investments at fair value	<u>\$2,494,129,832</u>	<u>\$1,004,612,391</u>	<u>\$ 32,817,851</u>	<u>\$2,386,674,437</u>	<u>\$5,918,234,511</u>

NOTE 3 – Receivables

Accounts receivable and student loans receivable as of June 30, 2022 and June 30, 2021, are summarized as follows:

Receivables (Net)	2022	2021 Restated
Student Academic Fees	\$ 23,500,377	\$ 26,484,464
Grants and Contracts	69,807,936	51,234,854
Educational Activities and Other	27,869,082	28,329,271
Auxiliary Enterprises	10,157,826	9,801,762
UW Hospitals and Clinics Authority and La Crosse Medical Health Science Consortium Inc.	13,322,284	6,811,864
Investment	121,542	77,928
Student Loans Receivable	106,923,883	125,446,809
Leases Receivable	14,790,854	18,740,607
State Agencies	30,270,005	55,954,905
Other Governments	161,120,744	137,493,609
Total Receivables (Net)	<u>\$457,884,533</u>	<u>\$460,376,073</u>

UNIVERSITY OF WISCONSIN SYSTEM
Notes to the Financial Statements
Years Ended June 30, 2022 and 2021

NOTE 3 – Receivables (continued)

Student loans receivable at June 30, 2022 included allowances for uncollectible loans of \$4.2 million relative to \$5.3 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 \$40.8 million and \$38.0 million at June 30, 2022 and 2021, respectively.

The University distributed student loans through the United States Department of Education federal direct lending program totaling \$527.7 million during fiscal year 2022 and \$553.0 million in fiscal year 2021. 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, 2022 and 2021, the University recognized revenues related to these lease agreements totaling \$5.4 million and \$4.6 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 2022 or 2021. No reportable insurance recoveries were received in fiscal year 2022. Insurance recoveries received in fiscal year 2021 included \$1.7 million for building water damage at the University of Wisconsin-Madison. 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. Depreciation for intangible assets is calculated on a straight-line basis over ten years. At June 30, 2022, the equipment

UNIVERSITY OF WISCONSIN SYSTEM
Notes to the Financial Statements
Years Ended June 30, 2022 and 2021

NOTE 4 - Capital Assets (continued)

balance includes \$25.7 million for intangible assets net of depreciation, compared to \$29.5 million at June 30, 2021.

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 in the following restated schedules as of July 1, 2020. Amortization for leased assets is calculated on a systematic manner over the shorter of the lease 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 \$1.0 million and \$1.2 million as of June 30, 2022 and 2021, respectively. Work-in-Progress for the FOP under these awards totaled \$5.5 million and \$4.6 million as of June 30, 2022 and 2021, respectively.

Depreciation and amortization expense for fiscal years ended June 30, 2022 and 2021 was \$393.6 million and \$378.2 million, respectively.

During both fiscal year 2021 and 2022, several major construction projects were in progress including the following projects with a budget of \$50.0 million or more:

UW Institution	Project	Primary Purpose	Approx. Budget (in millions)	Primary Funding Sources
Eau Claire	Science and Health Sciences Building	Academic	\$ 109.0	GFSB/Cash/Gifts
Madison	Camp Randall Stadium Renovation & Field House Repairs	Athletics	77.6	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

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

UW Institution	Project	Primary Purpose	Approx. Budget (in millions)	Primary Funding Sources
Green Bay	Cofrin Technology & Education Center	Academic	\$ 96.3	GFSB/PRSB
Madison	College of Letters & Science Academic Building	Academic	88.4	GFSB/Gifts
Madison	Engineering Drive Utilities Replacement & Renovation	Utilities	73.1	GFSB/PRSB
River Falls	Science & Technology Innovation Center	Academic	116.7	GFSB/Gifts
Stevens Point	Albertson Hall Replacement	Academic	96.0	GFSB
Madison	Computer, Data, & Information Sciences Building	Academic	230.0	Gifts

UNIVERSITY OF WISCONSIN SYSTEM
Notes to the Financial Statements
Years Ended June 30, 2022 and 2021

NOTE 4 - Capital Assets (continued)

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

UW Institution	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

One construction project was completed during fiscal year 2021 with \$50.0 million or more in actual expenditures:

UW Institution	Project	Primary Purpose	Approx. Budget (in millions)	Primary Funding Sources
Madison	Meat Science and Muscle Biology Laboratory	Academic	\$ 57.1	GFSB/Cash/Gifts

UNIVERSITY OF WISCONSIN SYSTEM
Notes to the Financial Statements
Years Ended June 30, 2022 and 2021

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	Additions	Transfers	Deductions	Book Value June 30, 2022
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	299,934,918	(233,943,443)	—	469,668,369
Equipment	1,272,917,169	89,702,995	890,400	(25,475,823)	1,338,034,741
Right-to-Use Assets	319,206,575	4,267,336	—	—	323,473,911
Library Holdings	1,138,044,260	22,986,188	—	(19,928,908)	1,141,101,540
Subtotal	<u>\$11,844,193,591</u>	<u>\$ 567,094,145</u>	<u>\$ —</u>	<u>\$ (49,682,876)</u>	<u>\$12,361,604,860</u>

Less Accumulated Depreciation and Amortization:

	Book Value July 1, 2021	Additions	Transfers	Deductions	Book Value June 30, 2022
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	961,234,054	75,699,755	—	(24,166,582)	1,012,767,227
Right-to-Use Assets	29,764,276	30,078,226	—	—	59,842,502
Library Holdings	988,249,834	22,181,421	—	(19,928,908)	990,502,347
Total Accumulated Depreciation and Amortization	<u>6,191,868,491</u>	<u>393,637,700</u>	<u>—</u>	<u>(45,792,962)</u>	<u>6,539,713,229</u>
Capital Assets, Net	<u>\$ 5,652,325,100</u>	<u>\$ 173,456,445</u>	<u>\$ —</u>	<u>\$ (3,889,914)</u>	<u>\$ 5,821,891,632</u>

UNIVERSITY OF WISCONSIN SYSTEM
Notes to the Financial Statements
Years Ended June 30, 2022 and 2021

NOTE 4 - Capital Assets (continued)

The change in book value from July 1, 2020 to June 30, 2021 is summarized as follows:

	Book Value July 1, 2020 Restated	Additions	Transfers	Deductions	Book Value June 30, 2021 Restated
Buildings	\$ 7,448,159,643	\$ 107,419,986	\$ 488,269,079	\$ (48,975,229)	\$ 7,994,873,479
Improvements	551,532,198	2,513,268	2,983,502	(4,196,663)	552,832,305
Land	160,337,973	2,304,936	—	—	162,642,909
Construction in Progress	671,464,753	230,049,400	(497,837,259)	—	403,676,894
Equipment	1,216,181,152	78,308,579	6,584,678	(28,157,240)	1,272,917,169
Right-to-Use Assets	316,169,182	3,037,393	—	—	319,206,575
Library Holdings	1,128,051,806	21,552,982	—	(11,560,528)	1,138,044,260
Subtotal	<u>\$11,491,896,707</u>	<u>\$ 445,186,544</u>	<u>\$ —</u>	<u>\$ (92,889,660)</u>	<u>\$11,844,193,591</u>

Less Accumulated Depreciation and Amortization:

	Book Value July 1, 2020 Restated	Additions	Transfers	Deductions	Book Value June 30, 2021 Restated
Buildings	\$ 3,624,801,512	\$ 233,832,525	\$ —	\$ (5,290,803)	\$ 3,853,343,234
Improvements	340,990,162	18,286,931	—	—	359,277,093
Equipment	912,382,387	74,023,145	—	(25,171,478)	961,234,054
Right-to-Use Assets	—	29,764,276	—	—	29,764,276
Library Holdings	977,561,408	22,248,954	—	(11,560,528)	988,249,834
Total Accumulated Depreciation and Amortization	<u>5,855,735,469</u>	<u>378,155,831</u>	<u>—</u>	<u>(42,022,809)</u>	<u>6,191,868,491</u>
Capital Assets, Net	<u>\$ 5,636,161,238</u>	<u>\$ 67,030,713</u>	<u>\$ —</u>	<u>\$ (50,866,851)</u>	<u>\$ 5,652,325,100</u>

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.

UNIVERSITY OF WISCONSIN SYSTEM
Notes to the Financial Statements
Years Ended June 30, 2022 and 2021

NOTE 4 - Capital Assets (continued)

The amount of lease assets by major classes of underlying assets at June 30, 2022 and 2021, respectively, are as follows:

Asset Class	Right-to-Use Assets			
	June 30, 2022		June 30, 2021	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	\$ 2,169,859	\$ 932,360	\$ 1,297,674	\$ 453,484
Buildings	307,069,030	50,151,444	304,561,352	25,004,865
Equipment and Other	14,235,022	8,758,698	13,347,549	4,305,927
Totals	<u>\$ 323,473,911</u>	<u>\$ 59,842,502</u>	<u>\$ 319,206,575</u>	<u>\$ 29,764,276</u>

UNIVERSITY OF WISCONSIN SYSTEM
Notes to the Financial Statements
Years Ended June 30, 2022 and 2021

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, 2022 and 2021, are summarized as follows:

Fiscal Year 2022

UW System 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

Fiscal Year 2021

UW System Activities	Salary and Fringe Benefits	Due to State Agencies and Other Governments	Vendors	Total Payables
Operating	\$ 21,474,815	\$ 87,099,983	\$ 24,431,329	\$ 133,006,127
Gifts, Grants, and Contracts	3,105,404	4,462,127	17,380,283	24,947,814
Capital Projects	—	259,323	35,785,073	36,044,396
Auxiliary Enterprises	1,981,239	540,168	3,759,699	6,281,106
Investment and Other	41,440	338,496	291,663	671,599
Total Activities	\$ 26,602,898	\$ 92,700,097	\$ 81,648,047	\$ 200,951,042

Long-term liability activity for the fiscal years ended June 30, 2022 and 2021 is as follows:

Long-term Liabilities 2022	Balance July 1, 2021	Increases (Decreases)	Balance June 30, 2022	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	294,250,147	(19,978,438)	274,271,709	24,690,468
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	\$ 3,021,856,011	\$ (18,874,184)	\$ 3,002,981,827	\$ 283,536,116

UNIVERSITY OF WISCONSIN SYSTEM
Notes to the Financial Statements
Years Ended June 30, 2022 and 2021

NOTE 5 - Liabilities (continued)

Long-term Liabilities 2021	Balance July 1, 2020 Restated	Increases (Decreases)	Balance June 30, 2021 Restated	Current Portion
Bonds Payable	\$ 1,628,928,196	\$ 2,261,978	\$ 1,631,190,174	\$ 101,085,492
Notes Payable	63,392,720	(4,610,292)	58,782,428	11,717,333
Lease and Financing Obligations	316,989,767	(22,739,620)	294,250,147	26,890,468
Perkins Loan Program	116,047,257	(22,060,132)	93,987,125	—
Compensated Absences	150,471,823	34,116,674	184,588,497	105,286,926
Other Postemployment Health	302,798,250	(15,283,029)	287,515,221	—
Other Postemployment Life	287,530,560	76,298,343	363,828,903	—
Capital Asset Retirement Obligations	12,199,702	32,662	12,232,364	—
Employer Deferred Payroll Tax	43,602,034	51,879,118	95,481,152	47,740,576
Total	\$ 2,921,960,309	\$ 99,895,702	\$ 3,021,856,011	\$ 292,720,795

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.

UNIVERSITY OF WISCONSIN SYSTEM
Notes to the Financial Statements
Years Ended June 30, 2022 and 2021

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 2022 and 2021:

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
			<u>\$ 177,198,885</u>	

2021 Series	Interest Rate	Maturity Fiscal Year	Initial Amount	Use
2020-B	4.00% - 5.00%	2041	\$ 28,916,282	Capitalized Projects
2020-3	0.39% - 2.49%	2042	85,221,805	Refunding
2021-A	4.00% - 5.00%	2041	44,933,515	Capitalized Projects
2021-1	5.00%	2031	30,334,704	Refunding
2021-2	5.00%	2041	72,368,760	Refunding
2021-3	0.11% - 1.12%	2028	59,014,685	Refunding
			<u>\$ 320,789,751</u>	

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	<u>\$ 1,544,542,679</u>	<u>\$ 177,198,885</u>	<u>\$ (150,213,351)</u>	<u>\$ 1,571,528,213</u>

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	<u>\$ 1,706,696,396</u>	<u>\$ 112,346,558</u>	<u>\$ 1,594,349,838</u>

UNIVERSITY OF WISCONSIN SYSTEM
Notes to the Financial Statements
Years Ended June 30, 2022 and 2021

NOTE 6 - Long Term Debt (continued)

The following information relates to the status of bonds and notes payable outstanding at June 30, 2021:

	Balance July 1, 2020	New Debt/ Accretion	Principal Paid/ Adjustments	Balance June 30, 2021
Bonds (Gross)	\$ 1,501,089,355	\$ 320,789,751	\$ (336,118,855)	\$ 1,485,760,251
Notes	63,392,720	—	(4,610,292)	58,782,428
Total	<u>\$ 1,564,482,075</u>	<u>\$ 320,789,751</u>	<u>\$ (340,729,147)</u>	<u>\$ 1,544,542,679</u>

The bonds have maturity dates ranging from May 1, 2022 to May 1, 2042. The notes have maturity dates ranging from May 1, 2026 to May 1, 2038. Interest rates range from 0.8% to 7.0%.

As of June 30, 2021, the current and noncurrent bonds and notes payable net of discounts and premiums totaled \$112.8 million and \$1,577.2 million, respectively.

	Balance June 30, 2021	Current	Noncurrent
Bonds (Gross)	1,485,760,251	74,552,225	1,411,208,026
Discount	(51,228)	1,066	(52,294)
Premium	145,481,151	26,532,201	118,948,950
Bonds (Net)	1,631,190,174	101,085,492	1,530,104,682
Notes	58,782,428	11,717,333	47,065,095
Total	<u>\$ 1,689,972,602</u>	<u>\$ 112,802,825</u>	<u>\$ 1,577,169,777</u>

Future debt service requirements for bonds and notes outstanding at June 30, 2022 are as follows:

Fiscal Year(s)	Bonds		Notes	
	Principal	Interest	Principal	Interest
2023	\$ 84,971,963	\$ 62,405,891	\$ 3,010,140	\$ 1,675,505
2024	100,877,748	58,351,386	3,160,647	1,524,998
2025	116,911,777	54,309,121	3,318,681	1,366,967
2026	92,470,313	50,207,428	3,484,614	1,201,032
2027	132,253,745	46,380,361	—	1,026,801
2028-2032	494,056,546	161,381,723	—	5,134,007
2033-2037	327,102,974	75,553,867	4,795,434	5,134,007
2038-2042	184,239,029	19,502,315	20,874,602	834,985
Total	<u>\$ 1,532,884,095</u>	<u>\$ 528,092,092</u>	<u>\$ 38,644,118</u>	<u>\$ 17,898,302</u>

UNIVERSITY OF WISCONSIN SYSTEM
Notes to the Financial Statements
Years Ended June 30, 2022 and 2021

NOTE 6 - Long Term Debt (continued)

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, 2022, the principal balances of such bonds and notes were \$1,419.7 million and \$30.1 million, respectively. As of June 30, 2021, the principal balances of such bonds and notes were \$1,353.8 million and \$69.3 million, respectively. Debt service payments made by the State of Wisconsin for the years ended June 30, 2022 and 2021 were allocated as follows:

2022	Bonds	Notes
Principal	\$ 117,434,447	\$ 28,675,596
Interest	60,462,360	—
Total Paid	<u>\$ 177,896,807</u>	<u>\$ 28,675,596</u>
2021	Bonds	Notes
Principal	\$ 109,039,407	\$ 31,322,043
Interest	60,124,227	—
Total Paid	<u>\$ 169,163,634</u>	<u>\$ 31,322,043</u>

UNIVERSITY OF WISCONSIN SYSTEM
Notes to the Financial Statements
Years Ended June 30, 2022 and 2021

NOTE 7 – Lease and Financing Obligations

The University had lease and financing obligations with a net present value of \$274.3 million as of June 30, 2022 compared to \$294.3 million at June 30, 2021.

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

	Balance July 1, 2021	New Leases/ Financings	Principal Paid/ Adjustments	Balance June 30, 2022
Lease Obligations	\$ 293,159,666	\$ 4,267,336	\$ (27,068,881)	\$ 270,358,121
Installment Purchases	1,090,481	2,889,059	(65,952)	3,913,588
Total	<u>\$ 294,250,147</u>	<u>\$ 7,156,395</u>	<u>\$ (27,134,833)</u>	<u>\$ 274,271,709</u>

	Balance June 30, 2022	Current	Noncurrent
Lease Obligations	\$ 270,358,121	\$ 24,215,385	\$ 246,142,736
Installment Purchases	3,913,588	475,083	3,438,505
Total	<u>\$ 274,271,709</u>	<u>\$ 24,690,468</u>	<u>\$ 249,581,241</u>

The following information relates to the status of lease and financing obligations outstanding at June 30, 2021:

	Balance July 1, 2020	New Leases/ Financings	Principal Paid/ Adjustments	Balance June 30, 2021
Lease Obligations	\$ 316,169,181	\$ 3,037,393	\$ (26,046,908)	\$ 293,159,666
Installment Purchases	820,585	494,811	(224,915)	1,090,481
Total	<u>\$ 316,989,766</u>	<u>\$ 3,532,204</u>	<u>\$ (26,271,823)</u>	<u>\$ 294,250,147</u>

	Balance June 30, 2021	Current	Noncurrent
Lease Obligations	\$ 293,159,666	\$ 26,625,319	\$ 266,534,347
Installment Purchases	1,090,481	265,149	825,332
Total	<u>\$ 294,250,147</u>	<u>\$ 26,890,468</u>	<u>\$ 267,359,679</u>

UNIVERSITY OF WISCONSIN SYSTEM
Notes to the Financial Statements
Years Ended June 30, 2022 and 2021

NOTE 7 – Lease and Financing Obligations (continued)

Future principal and interest payment requirements related to the University's lease and financing obligations at June 30, 2022 are as follows:

Fiscal Year(s)	Lease Obligations		Installment Purchases	
	Principal	Interest	Principal	Interest
2023	\$ 24,215,385	\$ 4,569,357	\$ 475,083	\$ 168,527
2024	18,785,311	4,285,930	481,753	136,721
2025	16,562,421	4,019,065	482,681	117,272
2026	15,604,220	3,759,686	458,785	98,116
2027	14,606,030	3,504,236	400,664	79,129
2028-2032	67,531,113	13,782,190	1,614,622	165,906
2033-2037	53,776,594	8,102,900	—	—
2038-2042	35,324,980	4,089,645	—	—
2043-2047	23,938,898	813,364	—	—
2048-2052	13,169	171	—	—
Total	<u>\$ 270,358,121</u>	<u>\$ 46,926,544</u>	<u>\$ 3,913,588</u>	<u>\$ 765,671</u>

NOTE 8 – Retirement Benefits

Plan Description. The Wisconsin Retirement System (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. 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.

UNIVERSITY OF WISCONSIN SYSTEM**Notes to the Financial Statements****Years Ended June 30, 2022 and 2021****NOTE 8 – Retirement Benefits (continued)**

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

Year	Core Fund Adjustment	Variable Fund Adjustment
2012	(7.0)%	(7.0)%
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%

UNIVERSITY OF WISCONSIN SYSTEM
Notes to the Financial Statements
Years Ended June 30, 2022 and 2021

NOTE 8 – Retirement Benefits (continued)

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 \$159.6 million and \$149.2 million, respectively. Contribution rates as of June 30, 2022 and 2021 were:

Employee Category	June 30, 2022		June 30, 2021	
	Employee	Employer	Employee	Employer
General (including teachers, executives, and elected officials)	6.50%	6.50%	6.75%	6.75%
Protective with Social Security	6.50%	12.00%	6.75%	11.75%
Protective without Social Security	6.50%	16.40%	6.75%	16.35%

Pension Assets, Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2022, the University reported a net pension asset of \$1,085.1 million for its proportionate share of the net pension asset, compared to the net pension asset of \$831.6 million at June 30, 2021. The net pension asset was measured as of December 31, 2021, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2020 rolled forward to December 31, 2021. 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 asset was based on the University's share of contributions to the pension plan relative to the contributions of all participating employers. 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. At December 31, 2020, the University's proportion was 13.3 percent, which was a decrease of 0.1 percent from its proportion measured as of December 31, 2019.

For the fiscal year ended June 30, 2022 and June 30, 2021, the University recognized pension expense of \$93.4 million and \$90.3 million, respectively.

UNIVERSITY OF WISCONSIN SYSTEM
Notes to the Financial Statements
Years Ended June 30, 2022 and 2021

NOTE 8 – Retirement Benefits (continued)

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	<u>\$ (524,671,195)</u>	<u>\$ 2,030,017,904</u>	<u>\$ (2,554,689,099)</u>

At June 30, 2021, the University reported deferred outflows and inflows of resources related to pensions from the following sources:

	Fiscal Year ended June 30, 2021	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ 944,364,590	\$ 1,203,622,767	\$ (259,258,177)
Change in Proportion	91,212	1,334,581	(1,243,369)
Employer Contributions Subsequent to Measurement Date	71,501,588	71,501,588	—
Net Difference Between Projected and Actual Earnings	(1,561,316,010)	—	(1,561,316,010)
Assumption Changes	18,862,976	18,862,976	—
Total	<u>\$ (526,495,644)</u>	<u>\$ 1,295,321,912</u>	<u>\$ (1,821,817,556)</u>

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 asset calculation in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension benefits will be recognized in pension expense as follows:

Fiscal Year ended June 30	Deferred Outflows of Resources	Deferred Inflows of Resources
2023	\$ 910,806,809	\$ (961,098,761)
2024	540,421,724	(834,697,793)
2025	370,989,869	(500,526,939)
2026	134,320,505	(258,365,606)
Totals	<u>\$ 1,956,538,907</u>	<u>\$ (2,554,689,099)</u>

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

UNIVERSITY OF WISCONSIN SYSTEM
Notes to the Financial Statements
Years Ended June 30, 2022 and 2021

NOTE 8 – Retirement Benefits (continued)

Actuarial assumptions. The total pension liability in the December 31, 2020 and December 31, 2019 actuarial valuations were determined using the following fiscal year 2022 and 2021, respectively, actuarial assumptions, applied to all periods included in the measurement.

Actuarial Valuation Date:	December 31, 2020	December 31, 2019
Measurement Date of Net Pension Asset/Liability	December 31, 2021	December 31, 2020
Experience Study:	January 1, 2018 - December 31, 2020, published November 2021	January 1, 2015 - December 31, 2017
Actuarial Cost Method:	Entry Age Normal	Entry Age Normal
Asset Valuation Method:	Fair Value	Fair Value
Long-Term Expected Rate of Return:	6.8%	7.0%
Discount Rate:	6.8%	7.0%
Salary Increases:		
Wage Inflation	3.0%	3.0%
Seniority/Merit	0.1% - 5.6%	0.1% - 5.6%
Mortality:	2020 WRS Experience Mortality Table	Wisconsin 2018 Mortality Table
Postretirement Adjustments*	1.7%	1.9%

* 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. Based on this experience study, actuarial assumptions used to measure the Total Pension Liability changed from prior year, including the discount rate, long-term expected rate of return, postretirement adjustment, price inflation, mortality and separation rates. The Total Pension Liability for December 31, 2021 is based upon a roll-forward of the liability calculated from the December 31, 2020 actuarial valuation.

Long-term Expected Real Rate of Return. 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. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

UNIVERSITY OF WISCONSIN SYSTEM

Notes to the Financial Statements

Years Ended June 30, 2022 and 2021

NOTE 8 – Retirement Benefits (continued)

Asset Allocation Targets and Expected Returns¹

	As of December 31, 2021			As of December 31, 2020		
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
Global Equities	52.0%	6.8%	4.2%	51.0%	7.2%	4.7%
Fixed Income	25.0%	4.3%	1.8%	25.0%	3.2%	0.8%
Inflation Sensitive Assets	19.0%	2.7%	0.2%	16.0%	2.0%	(0.4)%
Real Estate	7.0%	5.6%	3.0%	8.0%	5.6%	3.1%
Private Equity/Debt	12.0%	9.7%	7.0%	11.0%	10.2%	7.6%
Multi-Asset	—%	—%	—%	4.0%	5.8%	3.3%
Total Core Fund ³	115.0%	6.6%	4.0%	115.0%	6.6%	4.1%
Variable Fund Asset Class						
U.S. Equities	70.0%	6.3%	3.7%	70.0%	6.6%	4.1%
International Equities	30.0%	7.2%	4.6%	30.0%	7.4%	4.9%
Total Variable Fund	100.0%	6.8%	4.2%	100.0%	7.1%	4.6%

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

²New England Pension Consultants Long Term US CPI (Inflation) Forecast: 2.5% (2021); 2.4% (2020)

³The 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, as opposed to a discount rate of 7.0% for the prior year. This single discount rate is based on the expected rate of return on pension plan investments of 6.80% and a municipal bond rate of 1.84% (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, 2021. 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.

UNIVERSITY OF WISCONSIN SYSTEM

Notes to the Financial Statements

Years Ended June 30, 2022 and 2021

NOTE 8 – Retirement Benefits (continued)

Sensitivity of the University's proportionate share of the net pension (asset)/liability to changes in the discount rate. The following presents the University's proportionate share of the net pension (asset)/liability calculated using the current discount rate, as well as what the University's proportionate share of the net pension 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, 2022 and 2021:

	1% Decrease in Discount Rate	Current Discount Rate	1% Increase in Discount Rate
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)
June 30, 2021			
Discount Rate	6.00 %	7.00 %	8.00 %
Net Pension Liability/(Asset) \$	791,595,725	\$ (831,629,182)	\$ (2,023,875,769)

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 \$59,383 during fiscal year 2022, compared with \$63,997 during fiscal year 2021.

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

UNIVERSITY OF WISCONSIN SYSTEM
Notes to the Financial Statements
Years Ended June 30, 2022 and 2021

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, 2021 are:

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

UNIVERSITY OF WISCONSIN SYSTEM
Notes to the Financial Statements
Years Ended June 30, 2022 and 2021

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, 2021 are as listed below:

<u>Attained Age</u>	<u>Basic</u>	<u>Supplemental</u>
Under 30	\$0.0463	\$0.0463
30-34	0.0463	0.0463
35-39	0.0463	0.0463
40-44	0.0695	0.0695
45-49	0.1158	0.1158
50-54	0.1852	0.1852
55-59	0.2547	0.2547
60-64	0.3473	0.3473
65-69	0.4515	0.4515

During the reporting period, the OPEB plan recognized \$691,619 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 \$392.5 million and \$363.8 million for its proportionate share of the net OPEB liability at June 30, 2022 and 2021, respectively. The June 30, 2022 and June 30, 2021 net liability was measured as of December 31, 2021, and 2020, respectively, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2021, and January 1, 2020, respectively, rolled forward to December 31, 2021 and December 31, 2020, respectively. Changes to the municipal bond rate were the primary cause of assumption changes between the January 1, 2021 actuarial valuation date and the December 31, 2021 measurement date. No other material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. 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, 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. At December 31, 2020, the University's proportion was 42.0 percent, which was a decrease of 0.1 percent from its proportion of 42.1 percent measured as of December 31, 2019.

For the years ended June 30, 2022 and 2021, the University recognized OPEB expense of \$44.3 million and \$40.6 million, respectively.

UNIVERSITY OF WISCONSIN SYSTEM
Notes to the Financial Statements
Years Ended June 30, 2022 and 2021

NOTE 9 – Postemployment Benefits Other Than Pensions (continued)

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	<u>\$ 79,444,751</u>	<u>\$ 109,144,258</u>	<u>\$ (29,699,507)</u>

At June 30, 2021, the University reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Fiscal Year ended June 30, 2021	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ (10,592,700)	\$ —	\$ (10,592,700)
Net Differences Between Projected and Actual Earnings on OPEB Plan Investments	4,625,909	4,625,909	—
Assumption Changes	101,979,002	124,222,430	(22,243,428)
Changes in Proportion	(1,677,698)	1,920,321	(3,598,019)
Total	<u>\$ 94,334,513</u>	<u>\$ 130,768,660</u>	<u>\$ (36,434,147)</u>

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
2023	\$ 28,372,704	\$ (9,796,465)
2024	27,856,163	(9,796,465)
2025	24,446,010	(7,143,736)
2026	20,335,078	(1,547,635)
2027	7,489,141	(1,088,381)
Thereafter	645,161	(326,824)
Total	<u>\$ 109,144,257</u>	<u>\$ (29,699,506)</u>

UNIVERSITY OF WISCONSIN SYSTEM
Notes to the Financial Statements
Years Ended June 30, 2022 and 2021

NOTE 9 – Postemployment Benefits Other Than Pensions (continued)

The total OPEB expense is determined as follows:

Net Proportionate Share of Plan OPEB Expense (Income)	\$ 45,462,107
Net Amortization of Deferred Amounts from Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	(1,168,747)
Total OPEB Expense	<u>\$ 44,293,360</u>

Actuarial Assumptions. The total OPEB liability in the January 1, 2021 and January 1, 2020 actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date	January 1, 2021	January 1, 2020
Measurement Date of Net OPEB Liability	December 31, 2021	December 31, 2020
Experience Study:	January 1, 2018 - December 31, 2020, published November 2021	January 1, 2015 - December 31, 2017
Actuarial cost method	Entry age normal	Entry age normal
20-year tax-exempt municipal bond yield	2.06%	2.12%
Long-term expected rate of return	4.25%	4.25%
Discount rate	2.15%	2.22%
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	Wisconsin 2018 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. Based on this experience study, actuarial assumptions used to measure the Total OPEB Liability changed from the prior year, including the price inflation, mortality and separation rates. The Total OPEB Liability for December 31, 2021 is based upon a roll-forward of the liability calculated from the January 1, 2021 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.

UNIVERSITY OF WISCONSIN SYSTEM
Notes to the Financial Statements
Years Ended June 30, 2022 and 2021

NOTE 9 – Postemployment Benefits Other Than Pensions (continued)

State OPEB Life Insurance
Asset Allocation Targets and Expected Returns

Asset Class	Index	As of December 31, 2021		As of December 31, 2020	
		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	Barclays U.S. Interm Credit	45%	1.68%	50%	1.47%
U.S. Long Credit Bonds	Barclays U.S. Long Credit	5%	1.82%	—	—
U.S. Mortgages	Barclays U.S. MBS	50%	1.94%	50%	0.82%
Inflation		—	2.30%	—	2.20%
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 increased from 2.20 percent as of December 31, 2020 to 2.30 percent as of December 31, 2021.

Single Discount Rate. A single discount rate of 2.15 percent was used to measure the total OPEB liability for the current year, as opposed to a discount rate of 2.22 percent for the prior year. The significant change in the discount rate was primarily caused by the decrease in the municipal bond rate from 2.12 percent as of December 31, 2020 to 2.06 percent as of December 31, 2021. The plan's fiduciary net position was projected to be insufficient to make all projected future benefit payments of current active and inactive employees. 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, determined using the Bond Buyer General Obligation 20-Bond Municipal Bond Index, 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.

UNIVERSITY OF WISCONSIN SYSTEM
Notes to the Financial Statements
Years Ended June 30, 2022 and 2021

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, 2022			
Discount Rate	1.15 %	2.15 %	3.15 %
OPEB Liability	\$ 516,352,191	\$ 392,540,881	\$ 298,218,312
June 30, 2021			
Discount Rate	1.22 %	2.22 %	3.22 %
OPEB Liability	\$ 480,543,103	\$ 363,828,903	\$ 274,480,771

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. As of the January 2021 actuarial valuation, the State’s annual required contributions were \$105.4 million and \$88.5 million for fiscal years ended June 30, 2022 and June 30, 2021, respectively. The State’s annual OPEB costs were \$45.1 million and \$46.3 million for fiscal years ended June 30, 2022 and June 30, 2021, respectively, and the State’s actual contributions were \$47.4 million in fiscal year 2022 and \$56.8 million in fiscal year 2021, which results in a net OPEB obligation for the State of \$712.9 million as of June 30, 2022, and \$642.0 million as of June 30, 2021.

UNIVERSITY OF WISCONSIN SYSTEM
Notes to the Financial Statements
Years Ended June 30, 2022 and 2021

NOTE 9 – Postemployment Benefits Other Than Pensions (continued)

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 \$597 to \$1,436 for single coverage and \$1,455 to \$3,553 for family coverage.

Total Retiree Health OPEB Liability. The OPEB plan liability was measured as of June 30, 2021. It was determined by an actuarial valuation as of January 1, 2021. The University reported a liability of \$316.7 million and \$287.5 million for its proportionate share of the OPEB liability amounts as of a June 30, 2022 and June 30, 2021 reporting date, respectively. 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. At June 30, 2021, the University's proportion was 44.8 percent which was 0.8 percent of an increase from its proportion of 44.0 percent measured as of June 30, 2019.

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, 2021	\$ 287,515,221
Service Cost	23,309,801
Interest	6,586,267
Differences Between Expected and Actual Experience	36,716,222
Change of Assumptions	(16,408,757)
Benefit Payments	(21,067,551)
OPEB Liability – June 30, 2022	<u>\$ 316,651,203</u>

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.

UNIVERSITY OF WISCONSIN SYSTEM
Notes to the Financial Statements
Years Ended June 30, 2022 and 2021

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, 2021
Reporting Date	June 30, 2022
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 2.16% for the June 30, 2021 measurement from 2.21% for the June 30, 2020 measurement
Health care cost trend rates	
Medical	4.10% for first year then 6.75% grading down 0.25% per year to 4.50%
Prescription drug	10.67% for first year then 7.50% grading down 0.25% per year to 4.50%
Dental	0.00% for first year then 3.00% thereafter
Administrative costs	(4.03)% for first year 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, 12.5% 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 \$16.4 million. This was a net result of a decrease in obligations due to changes in the participation rate assumptions and the valuation-year per capita health costs based on recent experience, offset by an increase in obligations due to

UNIVERSITY OF WISCONSIN SYSTEM
Notes to the Financial Statements
Years Ended June 30, 2022 and 2021

NOTE 9 – Postemployment Benefits Other Than Pensions (continued)

updating the healthcare trend rates, adopting updated demographic assumptions, and lowering the discount rate. An actuarial experience gain increased the liability by \$36.7 million. This was the net result of gains and losses due to demographic changes and actual 2021 contributions and benefit payments that were different from expected.

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, 2022			
Discount Rate	1.16 %	2.16 %	3.16 %
OPEB Liability	\$ 339,756,133	\$ 316,651,203	\$ 294,839,430
June 30, 2021			
Discount Rate	1.21 %	2.21 %	3.21 %
OPEB Liability	\$ 306,726,801	\$ 287,515,221	\$ 269,068,492

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, 2022			
OPEB Liability	\$ 281,947,864	\$ 316,651,203	\$ 357,950,707
June 30, 2021			
OPEB Liability	\$ 251,723,488	\$ 287,515,221	\$ 330,438,378

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, 2022 and 2021, the University recognized OPEB expense amounting to \$20.0 million and \$19.5 million, respectively.

UNIVERSITY OF WISCONSIN SYSTEM
Notes to the Financial Statements
Years Ended June 30, 2022 and 2021

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, 2022 and 2021 are as follows:

	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	<u>\$ (9,919,680)</u>	<u>\$ 8,743,497</u>	<u>\$ (18,663,177)</u>

	Fiscal Year ended June 30, 2021	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ 981,758	\$ 2,969,668	\$ (1,987,910)
Assumption Changes	(14,240,837)	2,550,269	(16,791,106)
Total	<u>\$ (13,259,079)</u>	<u>\$ 5,519,937</u>	<u>\$ (18,779,016)</u>

In addition, the contributions subsequent to the measurement date of \$21.2 million (a deferred outflow of resources) will be included as a reduction of the net OPEB liability in the next year (2023). The deferred outflows and inflows of resources to be recognized in the future OPEB expense for the fiscal year ended June 30, 2022 and 2021 are as follows:

	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	<u>\$ (26,657,882)</u>	<u>\$ 103,610,650</u>	<u>\$ (130,268,532)</u>

	Fiscal Year ended June 30, 2021	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ 6,615,180	\$ 24,104,829	\$ (17,489,649)
Change in Proportion	2,920,109	6,352,643	(3,432,534)
Assumption Changes	(87,602,839)	20,765,592	(108,368,431)
Employer Contributions Subsequent to Measurement Date	21,239,503	21,239,503	—
Total	<u>\$ (56,828,047)</u>	<u>\$ 72,462,567</u>	<u>\$ (129,290,614)</u>

UNIVERSITY OF WISCONSIN SYSTEM
Notes to the Financial Statements
Years Ended June 30, 2022 and 2021

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
2023	\$ 8,743,497	\$ (18,663,152)
2024	8,743,497	(18,663,152)
2025	8,743,497	(18,663,152)
2026	8,743,497	(18,663,152)
2027	8,743,497	(18,663,152)
Thereafter	38,710,620	(36,952,772)
Total	<u>\$ 82,428,105</u>	<u>\$ (130,268,532)</u>

The total OPEB expense is determined as follows:

Service Cost	\$ 23,309,801
Interest	6,586,267
Recognition of Deferred Outflows of Resources	8,743,497
Recognition of Deferred Inflows of Resources	(18,663,177)
Total OPEB Expense	<u>\$ 19,976,388</u>

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

UNIVERSITY OF WISCONSIN SYSTEM
Notes to the Financial Statements
Years Ended June 30, 2022 and 2021

NOTE 9 – Postemployment Benefits Other Than Pensions (continued)

credits may be escrowed indefinitely after retirement for participants who provide evidence of comparable health insurance coverage from another source.

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 rate for the University as of December 31, 2021 and December 31, 2020 was 0.3 percent.

During the reporting period, the SHICC recognized \$7.1 million and \$6.6 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 \$148.3 million and \$124.5 million for its proportionate share of the net OPEB asset at June 30, 2022 and 2021, respectively. The June 30, 2022 and June 30, 2021 net OPEB asset was measured as of December 31, 2021 and 2020, respectively, and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2021 and 2020, 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, 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. At December 31, 2020, the University's proportion was 43.7 percent, which was 1.0 percent of a decrease from its proportion measured as of December 31, 2019.

For the fiscal year ended June 30, 2022 and June 30, 2021, the University recognized OPEB income of \$27.4 million and \$16.0 million, respectively.

UNIVERSITY OF WISCONSIN SYSTEM
Notes to the Financial Statements
Years Ended June 30, 2022 and 2021

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)

At June 30, 2021, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Fiscal Year ended June 30, 2021	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Projected and Actual Experience	\$ (56,958,705)	\$ —	\$ (56,958,705)
Net Difference Between Projected and Actual Earnings	(47,799,096)	—	(47,799,096)
Assumption Changes	7,403,447	7,403,447	—
Change in Proportion	85,967	112,605	(26,638)
Employer Contributions Subsequent to Measurement Date	2,582,277	2,582,277	—
Total	\$ (94,686,110)	\$ 10,098,329	\$ (104,784,439)

The \$1.2 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, 2022. 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
2023	\$ 12,181,290	\$ (34,665,976)
2024	2,403,582	(34,665,976)
2025	7,292,436	(29,128,644)
2026	7,292,436	(21,482,800)
2027	7,292,436	(9,621,388)
Thereafter	18,281,416	(11,771,045)
Total	\$ 54,743,596	\$ (141,335,829)

UNIVERSITY OF WISCONSIN SYSTEM
Notes to the Financial Statements
Years Ended June 30, 2022 and 2021

NOTE 9 – Postemployment Benefits Other Than Pensions (continued)

Actuarial Assumptions. The total OPEB asset in the December 31, 2021 and December 31, 2020 actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date	December 31, 2021	December 31, 2020
Measurement Date of Net OPEB Liability	December 31, 2021	December 31, 2020
Actuarial cost method	Entry age normal	Entry age normal
Long-term expected rate of return	6.80%	7.00%
Discount rate	6.80%	7.00%
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	Wisconsin 2018 Mortality Table
Health Care Trend Rate	6.0% for the first year grading down to an ultimate health care trend rate of 3.5% over a 12 year period	3.0% per year

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. Based on these experience studies, actuarial assumptions used to measure the Total OPEB Liability changed from prior year, including the following: discount rate, long-term expected rate of return, price inflation, mortality and separation rates, healthcare trend rates, sick leave accumulation, usage for escrowed benefits, and modeling survivor benefits. Further, the decrement rates for State and non-State members were studied during the 2018-2020 WRS Experience Study for the first time. State only decrements were used in the valuation of the total OPEB liability for SHICC as of December 31, 2021.

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.

UNIVERSITY OF WISCONSIN SYSTEM
Notes to the Financial Statements
Years Ended June 30, 2022 and 2021

NOTE 9 – Postemployment Benefits Other Than Pensions (continued)

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**

Asset Class	As of December 31, 2021		As of December 31, 2020	
	Asset Allocation	Long-Term Expected Real Rate of Return	Asset Allocation	Long-Term Expected Real Rate of Return
Global Equities	52.0%	4.2%	51.0%	4.7%
Fixed Income	25.0%	1.8%	25.0%	0.8%
Inflation Sensitive Assets	19.0%	0.2%	16.0%	(0.4)%
Real Estate	7.0%	3.0%	8.0%	3.1%
Private Equity/Debt	12.0%	7.0%	11.0%	7.6%
Multi-Asset	—	—	4.0%	3.3%
Total Fund	115.0%	4.0%	115.0%	4.1%
Inflation		2.4%		2.4%
Long-Term Expected Rate of Return		6.8%		7.0%

The long-term expected rate of return is 6.8 percent as compared to 7.0 percent for the 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 year, as opposed to a discount rate of 7.0 percent for the 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 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.

UNIVERSITY OF WISCONSIN SYSTEM
Notes to the Financial Statements
Years Ended June 30, 2022 and 2021

NOTE 9 – Postemployment Benefits Other Than Pensions (continued)

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 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, 2022			
Discount Rate	5.80 %	6.80 %	7.80 %
OPEB Liability/(Asset)	\$ (98,582,201)	\$ (148,325,679)	\$ (191,199,635)
June 30, 2021			
Discount Rate	6.00 %	7.00 %	8.00 %
OPEB Liability/(Asset)	\$ (83,443,568)	\$ (124,539,601)	\$ (160,033,338)

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 plan'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, 2022			
Healthcare Trend Rate	5.00 %	6.00 %	7.00 %
OPEB Liability/(Asset)	\$ (179,146,488)	\$ (148,325,679)	\$ (119,151,348)
June 30, 2021			
Healthcare Trend Rate	2.00 %	3.00 %	4.00 %
OPEB Liability/(Asset)	\$ (155,012,190)	\$ (124,539,601)	\$ (95,018,846)

UNIVERSITY OF WISCONSIN SYSTEM
Notes to the Financial Statements
Years Ended June 30, 2022 and 2021

NOTE 10 – Deferred Outflows and Deferred Inflows of Resources

At June 30, 2022 and June 30, 2021, 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 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
Fiscal Year 2021					
Differences between expected and actual experience	\$1,203,622,767	\$ 24,104,829	\$ —	\$ —	\$ 1,227,727,596
Net differences between projected and actual earnings on pension and OPEB plan investments	—	4,625,909	—	—	4,625,909
Employer contributions subsequent to the measurement date	71,501,588	23,821,780	—	—	95,323,368
Changes in Actuarial Assumptions	18,862,976	152,391,470	—	—	171,254,446
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,334,581	8,385,569	—	—	9,720,150
Unamortized Losses	—	—	38,273,332	—	38,273,332
Asset Retirement Obligations	—	—	—	9,255,156	9,255,156
Total Deferred Outflows	\$1,295,321,912	\$ 213,329,557	\$ 38,273,332	\$ 9,255,156	\$ 1,556,179,957

UNIVERSITY OF WISCONSIN SYSTEM
Notes to the Financial Statements
Years Ended June 30, 2022 and 2021

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

At June 30, 2022 and June 30, 2021, the University reported deferred inflows of resources from the following sources:

<u>Deferred Inflows of Resources</u>	<u>Pension</u>	<u>Other Postemployment Benefits</u>	<u>Debt Refundings</u>	<u>Other</u>	<u>Total</u>
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	<u>\$2,554,689,099</u>	<u>\$ 301,303,868</u>	<u>\$ 612,333</u>	<u>\$ 14,672,571</u>	<u>\$ 2,871,277,871</u>
Fiscal Year 2021 Restated					
Differences between expected and actual experience	\$ 259,258,177	\$ 85,041,055	\$ —	\$ —	\$ 344,299,232
Net differences between projected and actual earnings on pension and OPEB plan investments	1,561,316,010	47,799,096	—	—	1,609,115,106
Changes in Actuarial Assumptions	—	130,611,859	—	—	130,611,859
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,243,369	7,057,192	—	—	8,300,561
Unamortized Gains	—	—	1,211	—	1,211
Leases Receivable	—	—	—	18,575,049	18,575,049
Gifts	—	—	—	71,513	71,513
Total Deferred Inflows	<u>\$1,821,817,556</u>	<u>\$ 270,509,202</u>	<u>\$ 1,211</u>	<u>\$ 18,646,562</u>	<u>\$ 2,110,974,531</u>

UNIVERSITY OF WISCONSIN SYSTEM
Notes to the Financial Statements
Years Ended June 30, 2022 and 2021

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.

UNIVERSITY OF WISCONSIN SYSTEM
Notes to the Financial Statements
Years Ended June 30, 2022 and 2021

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
Fund raising 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

UNIVERSITY OF WISCONSIN SYSTEM
Notes to the Financial Statements
Years Ended June 30, 2022 and 2021

NOTE 11 – Other Organizations (continued)

Condensed financial statement information related to the University's campus foundations for the year ended June 30, 2021 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	\$ 15,642,741	\$ 8,271,438	\$ 20,742,335	\$ 44,656,514
Income and Redemption Receivables	290,079,648	—	18,978	290,098,626
Pledges Receivable, Net	140,664,551	16,491,556	22,386,451	179,542,558
Prepaid Expenses and Other Assets	8,620,066	1,661,383	17,849,347	28,130,796
Investments	5,223,802,186	217,134,458	477,297,867	5,918,234,511
Property and Equipment, Net	13,652,218	66,371,045	90,723,879	170,747,142
Real Estate	—	—	1,910,180	1,910,180
TOTAL ASSETS	\$5,692,461,410	\$ 309,929,880	\$ 630,929,037	\$6,633,320,327
LIABILITIES AND NET ASSETS				
LIABILITIES				
Accounts Payable	\$ 5,749,442	\$ 58,578	\$ 3,828,061	\$ 9,636,081
Pending Investment Purchases Payable	349,396,887	—	—	349,396,887
Accrued Expenses and Other Liabilities	28,183,724	3,402,675	14,544,150	46,130,549
Note Payable	—	77,763,308	75,243,225	153,006,533
Liability Under Split-Interest Agreements	46,825,628	—	960,251	47,785,879
Funds Due to Other Organizations	296,667,031	4,044,488	340,449	301,051,968
Total Liabilities	726,822,712	85,269,049	94,916,136	907,007,897
NET ASSETS				
Without Donor Restrictions	158,065,377	8,350,953	39,206,775	205,623,105
With Donor Restrictions	4,807,573,321	216,309,878	496,806,126	5,520,689,325
Total Net Assets	4,965,638,698	224,660,831	536,012,901	5,726,312,430
TOTAL LIABILITIES AND NET ASSETS	\$5,692,461,410	\$ 309,929,880	\$ 630,929,037	\$6,633,320,327
Condensed Statement of Activities				
REVENUES, GAINS AND OTHER SUPPORT				
Contributions	\$ 383,703,656	\$ 18,666,032	\$ 44,112,934	\$ 446,482,622
Investment Return, Net of Fees	917,304,195	40,239,630	81,383,333	1,038,927,158
Rental Income	—	5,565,853	7,338,618	12,904,471
Other Income	3,934,238	3,151,458	7,167,799	14,253,495
Total Revenues, Gains and Other Support	1,304,942,089	67,622,973	140,002,684	1,512,567,746
EXPENSES				
Program Expenses	305,424,681	25,804,776	35,195,050	366,424,507
Management and General Expenses	28,955,156	4,298,393	5,402,971	38,656,520
Fundraising Expenses	27,587,580	856,620	4,944,261	33,388,461
Total Expenses	361,967,417	30,959,789	45,542,282	438,469,488
CHANGE IN NET ASSETS	942,974,672	36,663,184	94,460,402	1,074,098,258
Net Assets - Beginning of Year	4,022,664,026	187,997,647	441,552,499	4,652,214,172
Net Assets - End of Year	\$4,965,638,698	\$ 224,660,831	\$ 536,012,901	\$5,726,312,430

UNIVERSITY OF WISCONSIN SYSTEM
Notes to the Financial Statements
Years Ended June 30, 2022 and 2021

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 UW faculty physicians group provides to Medical Assistance (MA) recipients. Because the UW 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 \$9.6 million to DHS during fiscal year 2022 and \$11.1 million in fiscal year 2021, representing the state's share of this difference. DHS then claimed the federal share of the difference from the federal government and subsequently provided \$25.3 million during fiscal year 2022 and \$26.9 million during fiscal year 2021, representing both the state and federal share of the difference, to the UWMF. In addition, transfers of \$15.7 million and \$15.8 million were made by UW-Madison to the MA Trust Fund under this program during fiscal year 2022 and fiscal year 2021, respectively, reported as a transfer to state agencies on the financial statements.

During fiscal year 2022, the UWMF remitted \$25.3 million to UW-Madison as reimbursement for payments to DHS during fiscal year 2021. During fiscal year 2021, the UWMF remitted \$26.9 million to UW-Madison as reimbursement for payments to DHS during fiscal year 2020.

In addition, UW-Madison incurred expenditures for which reimbursement was received from the UWMF. Of the \$157.4 million expended in fiscal year 2022, \$143.8 million was for salaries and fringe benefits of staff in the UW-Madison School of Medicine. In fiscal year 2021, of the \$143.0 million expended, \$132.0 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, 2022, the present value of these future lease payments totaled \$9,466, compared to \$38,582 at June 30, 2021, 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 \$1,532.9 million and \$1,485.8 million at June 30, 2022 and June 30, 2021, 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.

UNIVERSITY OF WISCONSIN SYSTEM
Notes to the Financial Statements
Years Ended June 30, 2022 and 2021

NOTE 11 – Other Organizations (continued)

During the fiscal year ended June 30, 2022, the University received services from UWHCA totaling \$4.8 million and provided services to UWHCA totaling \$60.6 million, compared to amounts for fiscal year ended June 30, 2021 of \$4.7 million and \$56.9 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 University of Wisconsin System 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

UNIVERSITY OF WISCONSIN SYSTEM
Notes to the Financial Statements
Years Ended June 30, 2022 and 2021

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, 2022 and 2021, the University provided services and rent to The Consortium totaling \$0.7 million and \$0.6 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 \$136.1 million at June 30, 2022, compared with \$234.6 million at June 30, 2021. During fiscal year 2022, \$1.4 million of these funds was made available by the trustees for spending. In fiscal year 2021, \$1.3 million of these funds was made available by the trustees for spending.

UNIVERSITY OF WISCONSIN SYSTEM
Notes to the Financial Statements
Years Ended June 30, 2022 and 2021

NOTE 12 – Operating Expenses by Functional Classification

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

	Salary and Fringe Benefits	Scholarships and Fellowships	Supplies and Services	Other	Depreciation and Amortization	Total
Instruction	\$ 1,038,238,387	\$ 985,508	\$ 94,577,689	\$ 2,856,960	\$ —	\$ 1,136,658,544
Research	812,572,009	3,442,330	300,124,283	3,006,849	—	1,119,145,471
Public Service	214,935,685	410,578	111,932,132	18,792,623	—	346,071,018
Academic Support	337,464,107	536,492	90,722,566	(329,732)	—	428,393,433
Student Services	336,926,292	506,048	212,742,954	709,082	—	550,884,376
Institutional Support	290,227,245	327,328	18,226,708	(98,081)	—	308,683,200
Operation/Maintenance	163,801,295	—	174,135,252	676,247	—	338,612,794
Financial Aid	117,979,596	263,704,230	176,083	(1,129,384)	—	380,730,525
Auxiliary Enterprises	109,519,767	8,602	173,468,791	313,165	—	283,310,325
Other Functions	14,253,092	—	60,649,762	(2,976)	—	74,899,878
Depreciation and Amortization	—	—	—	—	393,637,700	393,637,700
Total Operating Expenses	<u>\$ 3,435,917,475</u>	<u>\$ 269,921,116</u>	<u>\$ 1,236,756,220</u>	<u>\$ 24,794,753</u>	<u>\$ 393,637,700</u>	<u>\$ 5,361,027,264</u>

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 23.6% of total operating expenses, respectively. Depreciation and amortization comprised \$393.6 million or 7.3% of total operating expenses.

Operating expenses by functional classification for the fiscal year ended June 30, 2021 (restated):

	Salary and Fringe Benefits	Scholarships and Fellowships	Supplies and Services	Other	Depreciation and Amortization	Total
Instruction	\$ 949,577,949	\$ 2,040,507	\$ 53,461,811	\$ 7,722,643	\$ —	\$ 1,012,802,910
Research	784,380,789	2,216,401	266,273,608	3,586,062	—	1,056,456,860
Public Service	214,572,524	171,205	121,926,641	9,092,910	—	345,763,280
Academic Support	324,745,885	100,391	89,670,246	(1,936,187)	—	412,580,335
Student Services	321,524,491	656,344	166,061,152	(389,620)	—	487,852,367
Institutional Support	293,719,937	58,123	31,287,249	(553,445)	—	324,511,864
Operation/Maintenance	164,189,406	—	150,871,398	1,038,768	—	316,099,572
Financial Aid	110,772,799	180,832,832	366,536	4,358	—	291,976,525
Auxiliary Enterprises	101,772,960	10,236	145,655,470	(440,043)	—	246,998,623
Other Functions	13,784,975	—	57,134,882	6,340	—	70,926,197
Depreciation and Amortization	—	—	—	—	378,155,831	378,155,831
Total Operating Expenses	<u>\$ 3,279,041,715</u>	<u>\$ 186,086,039</u>	<u>\$ 1,082,708,993</u>	<u>\$ 18,131,786</u>	<u>\$ 378,155,831</u>	<u>\$ 4,944,124,364</u>

Operating expenses totaled \$4.9 billion. Salary and fringe benefits; scholarships and fellowships; and supplies and services and other expenses constituted 66.3%, 3.8%, and 22.3% of total operating expenses, respectively. Depreciation and amortization comprised \$378.2 million or 7.6% of total operating expenses.

UNIVERSITY OF WISCONSIN SYSTEM
Notes to the Financial Statements
Years Ended June 30, 2022 and 2021

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.

UNIVERSITY OF WISCONSIN SYSTEM
Notes to the Financial Statements
Years Ended June 30, 2022 and 2021

NOTE 13 – Classification of Net Position (continued)

The amounts within each category at June 30, 2022 and June 30, 2021 are as follows:

	2022	2021 Restated
Net Investment in Capital Assets	\$3,840,923,527	\$3,668,252,607
Restricted - Nonexpendable Permanent Endowment	229,619,124	259,629,079
Restricted - Expendable		
Restricted for Pensions	1,085,067,412	831,629,182
Restricted for Other Postemployment Benefits	148,325,679	124,539,601
Restricted Endowment Earnings	1,078,193	4,069,573
Restricted Donor Investments	306,379,906	348,070,808
Auxiliary Operations - Segregated Fees	109,108,064	106,856,770
Restricted for Student Loans		
Federal Aid	15,659,321	16,196,343
Gifts	48,164,150	35,674,500
Endowment Funds	14,498,599	2,827,249
Subtotal	78,322,070	54,698,092
Restricted - Other		
Federal Aid	61,728,545	53,644,813
Gifts and Nonfederal Grants & Contracts	391,535,797	393,633,723
Construction Fund	386,585,441	304,312,257
Segregated Revenue	1,568,985	1,598,600
All Other Restricted Program Revenue	4,164,247	3,395,337
Subtotal	845,583,015	756,584,730
Total Restricted - Expendable	2,573,864,339	2,226,448,756
Unrestricted		
Tuition (Academic & Extension Student Fees)	134,522,748	196,620,362
General Operations	83,297,908	75,758,478
Auxiliary Operations (Non-Segregated Fee)	139,453,543	82,491,423
Indirect Cost Reimbursement	228,491,848	154,909,088
Quasi-Endowment Funds	47,229,620	52,276,011
Unrestricted Donor Investments	62,039,000	68,064,496
All Other Unrestricted Program Revenue	19,899,270	75,813,822
Gifts and Nonfederal Grants & Contracts [^]	(61,088,057)	(61,574,489)
Federal Aid [^]	(146,736,871)	(123,042,735)
All Other Non-Program Revenue*	(716,725,968)	(676,832,852)
Total Unrestricted	(209,616,959)	(155,516,396)
Total Net Position	\$6,434,790,031	\$5,998,814,046

[^] Funds are typically collected on a reimbursement basis resulting 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.

UNIVERSITY OF WISCONSIN SYSTEM
Notes to the Financial Statements
Years Ended June 30, 2022 and 2021

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, 2022 (in millions):

	University of Wisconsin System	Auxiliary Operations	Endowments	Student Loans	State of Wisconsin ACFR
Net Investment in Capital Assets	\$ 3,840.9	\$ —	\$ —	\$ —	\$ 3,840.9
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	845.6	—	—	78.3	923.9
Unrestricted	(209.6)	109.1	(47.2)	—	(147.7)
Total Net Position	<u>\$ 6,434.8</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 6,434.8</u>

ACFR reclassifications, restated, as of June 30, 2021 (in millions):

	University of Wisconsin System	Auxiliary Operations	Endowments	Student Loans	State of Wisconsin ACFR
Net Investment in Capital Assets	\$ 3,668.3	\$ —	\$ —	\$ —	\$ 3,668.3
Restricted for					
Pension	831.6	—	—	—	831.6
OPEB	124.5	—	—	—	124.5
Nonexpendable	259.6	—	—	—	259.6
Expendable	459.0	(106.9)	52.3	—	404.4
Student Loans	54.7	—	—	(54.7)	—
Other	756.6	—	—	54.7	811.3
Unrestricted	(155.5)	106.9	(52.3)	—	(100.9)
Total Net Position	<u>\$ 5,998.8</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 5,998.8</u>

UNIVERSITY OF WISCONSIN SYSTEM
Notes to the Financial Statements
Years Ended June 30, 2022 and 2021

NOTE 14 – Adoption of New Accounting Standards and Other Restatements

Effective for the fiscal year ended June 30, 2022, the University adopted GASB Statement No. 87, Leases (GASB 87). This statement supersedes GASB Statement No. 62 and establishes new requirements for calculating and reporting the University's lease activities. The adoption of GASB 87 has been reflected as of July 1, 2020.

Beginning net position as of July 1, 2020 was restated for the effects of the University's adoption of GASB 87 as follows:

	June 30, 2020 as Originally Reported	GASB 87 Adoption	July 1, 2020 Restated
Current Assets	\$ 2,432,527,477	\$ 4,202,265	\$ 2,436,729,742
Noncurrent Assets	6,437,685,089	309,439,018	6,747,124,107
Total Assets	8,870,212,566	313,641,283	9,183,853,849
Deferred Outflows of Resources	1,183,412,908	—	1,183,412,908
Current Liabilities	702,382,179	24,833,189	727,215,368
Noncurrent Liabilities	2,429,013,722	262,718,569	2,691,732,291
Total Liabilities	3,131,395,901	287,551,758	3,418,947,659
Deferred Inflows of Resources	1,522,698,653	22,904,290	1,545,602,943
Net Position	\$ 5,399,530,920	\$ 3,185,235	\$ 5,402,716,155

The Statement of Net Position as of June 30, 2021 was restated for the effects of the University's adoption of GASB 87 as follows:

	June 30, 2021 as Originally Reported	GASB 87 Adoption	June 30, 2021 Restated
Current Assets	\$ 2,773,719,796	\$ 4,472,607	\$ 2,778,192,403
Noncurrent Assets	7,041,407,676	278,239,528	7,319,647,204
Total Assets	9,815,127,472	282,712,135	10,097,839,607
Deferred Outflows of Resources	1,556,179,957	—	1,556,179,957
Current Liabilities	789,569,034	25,526,737	815,095,771
Noncurrent Liabilities	2,489,059,946	240,075,270	2,729,135,216
Total Liabilities	3,278,628,980	265,602,007	3,544,230,987
Deferred Inflows of Resources	2,092,399,482	18,575,049	2,110,974,531
Net Position	\$ 6,000,278,967	\$ (1,464,921)	\$ 5,998,814,046

UNIVERSITY OF WISCONSIN SYSTEM
Notes to the Financial Statements
Years Ended June 30, 2022 and 2021

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, 2021 was restated for the effects of the University's adoption of GASB 87 as follows:

	June 30, 2021 as Originally Reported	GASB 87 Adoption	June 30, 2021 Restated
Operating Revenues	\$ 3,484,165,190	\$ —	\$ 3,484,165,190
Operating Expenses	4,941,769,590	2,354,774	4,944,124,364
Operating Loss	(1,457,604,400)	(2,354,774)	(1,459,959,174)
Non-operating Revenues	1,948,615,467	126,975	1,948,742,442
Non-operating Expenses	(147,690,384)	(2,422,357)	(150,112,741)
Capital Appropriations	188,585,261	—	188,585,261
Capital Grants and Gifts	57,380,596	—	57,380,596
Additions to Permanent Endowment	11,461,507	—	11,461,507
Increase(Decrease) in Net Position	600,748,047	(4,650,156)	596,097,891
Net Position, Beginning of Year	5,399,530,920	—	5,399,530,920
Effect of Change in Accounting Principle	—	3,185,235	3,185,235
Net Position, Beginning of Year, As Adjusted	<u>\$ 6,000,278,967</u>	<u>\$ (1,464,921)</u>	<u>\$ 5,998,814,046</u>

The Statement of Cash Flows for the year ended June 30, 2021 was restated for the effects of the University's adoption of GASB 87 as follows:

	June 30, 2021 as Originally Reported	GASB 87 Adoption	June 30, 2021 Restated
Net Cash Used in Operating Activities	\$ (1,257,470,369)	\$ 26,944,795	\$ (1,230,525,574)
Net Cash Provided by Investing Activities	6,979,408	—	6,979,408
Net Cash Used in Capital and Related Financing Activities	(410,547,524)	(26,944,795)	(437,492,319)
Net Cash Provided by Noncapital Financing Activities	1,931,340,368	—	1,931,340,368
Net Increase in Cash	270,301,883	—	270,301,883
Cash and Cash Equivalents - beginning of year	1,949,069,852	—	1,949,069,852
Cash and Cash Equivalents - end of year	<u>\$ 2,219,371,735</u>	<u>\$ —</u>	<u>\$ 2,219,371,735</u>

UNIVERSITY OF WISCONSIN SYSTEM
Notes to the Financial Statements
Years Ended June 30, 2022 and 2021

NOTE 15 – Contingent Liabilities

The University of Wisconsin System 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 institutions in subsequent years based on exposure and experience with caps in place for large losses.

The University of Wisconsin System 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 University of Wisconsin System's financial position.

NOTE 16 – Subsequent Events

In July 2022, the State of Wisconsin issued \$134.8 million of 2022 Series A general obligation notes 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 notes are variable and payable monthly beginning August 1, 2022. The notes mature May 1, 2023 and May 1, 2025. The total par amount of the 2022 Series A notes that was issued for University of Wisconsin purposes is \$66.7 million.

In August 2022, the State of Wisconsin issued \$73.5 million of general obligation extendible municipal commercial paper notes to be used to fund previously issued general obligation extendible municipal commercial paper notes.

In October 2022, the State of Wisconsin issued \$54.1 million of 2022 Series 3 general obligation refunding bonds to be used for the current refunding of certain principal of previously issued general obligation bonds. The interest rate associated with these bonds was set at 5.0 percent payable semiannually beginning May 1, 2023. The bonds mature November 1, 2023.

In November 2022, the State of Wisconsin issued \$257.1 million of 2022 Series 4 general obligation refunding bonds to be used for the current and advance refunding of certain principal of previously issued general obligation bonds. The interest rates associated with these bonds were set at 5.0 percent payable semiannually beginning May 1, 2023. The bonds mature annually beginning May 1, 2025 through May 1, 2043.

In November 2022, the State of Wisconsin issued \$20.6 million of 2022 Series 5 general obligation refunding bonds (taxable) to be used for the advance refunding of certain principal of previously issued general obligation bonds. The interest rates associated with these bonds were set at 4.8 percent to 5.7 percent payable semiannually beginning May 1, 2023. The bonds mature annually beginning May 1, 2027 through May 1, 2028, May 1, 2031, and May 1, 2033 through May 1, 2037.

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Years Ended June 30, 2022 and 2021

REQUIRED SUPPLEMENTARY INFORMATION

UNIVERSITY OF WISCONSIN SYSTEM
Required Supplementary Information and
Notes to Required Supplementary Information
Years Ended June 30, 2022 and 2021

University of Wisconsin System'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
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.

University of Wisconsin System'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
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, 2022

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

UNIVERSITY OF WISCONSIN SYSTEM
Required Supplementary Information and
Notes to Required Supplementary Information
Years Ended June 30, 2022 and 2021

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

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.

UNIVERSITY OF WISCONSIN SYSTEM
Required Supplementary Information and
Notes to Required Supplementary Information
Years Ended June 30, 2022 and 2021

University of Wisconsin System'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
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.

University of Wisconsin System'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
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 to Required Supplementary Information
for the Year Ended June 30, 2022

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

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.

UNIVERSITY OF WISCONSIN SYSTEM
Required Supplementary Information and
Notes to Required Supplementary Information
Years Ended June 30, 2022 and 2021

University of Wisconsin System's Proportionate Share of the OPEB Liability
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.

UNIVERSITY OF WISCONSIN SYSTEM
Required Supplementary Information and
Notes to Required Supplementary Information
Years Ended June 30, 2022 and 2021

University of Wisconsin System'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
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.

University of Wisconsin System'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
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, 2022

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

Changes in assumptions.

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.

UNIVERSITY OF WISCONSIN SYSTEM
Required Supplementary Information and
Notes to Required Supplementary Information
Years Ended June 30, 2022 and 2021

University of Wisconsin System's Proportionate Share of the OPEB Liability
Retiree Health Insurance Plan (continued)

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.

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.

UNIVERSITY OF WISCONSIN SYSTEM
Required Supplementary Information and
Notes to Required Supplementary Information
Years Ended June 30, 2022 and 2021

University of Wisconsin System'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)
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.

University of Wisconsin System'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
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, 2022

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

Changes of assumptions. The actuarial assumptions used to develop Total OPEB liability, including the single discount rate, long-term expected rate of return and expected inflation remained consistent with prior year. Refer to Note 9 for the Actuarial Assumptions.



Years Ended June 30, 2022 and 2021

SUPPLEMENTAL INFORMATION

CHART 1
COMPARISON OF CURRENT FUNDS REVENUES
2012 - 2022

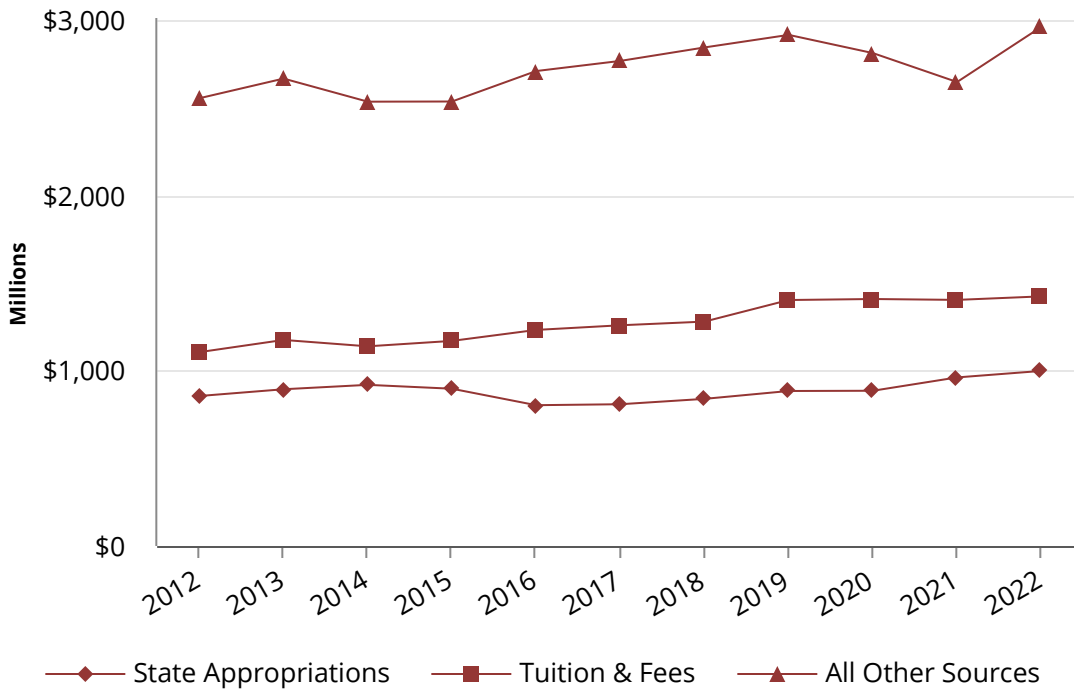


CHART 2
COMPARISON OF CURRENT FUNDS REVENUES
ADJUSTED FOR INFLATION
2012 - 2022

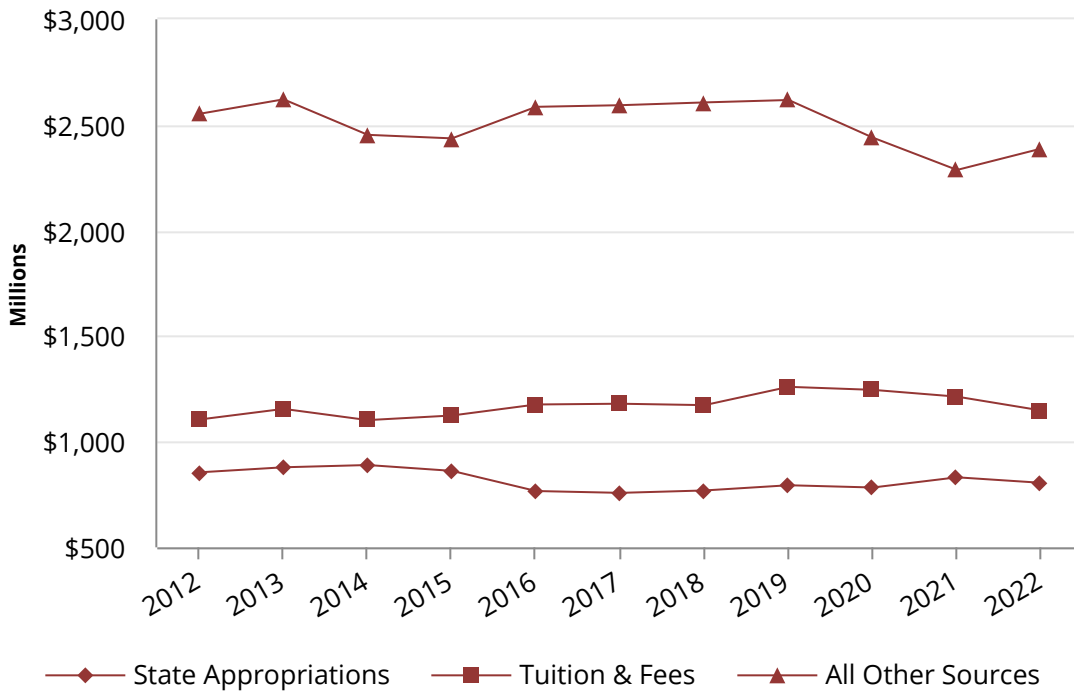
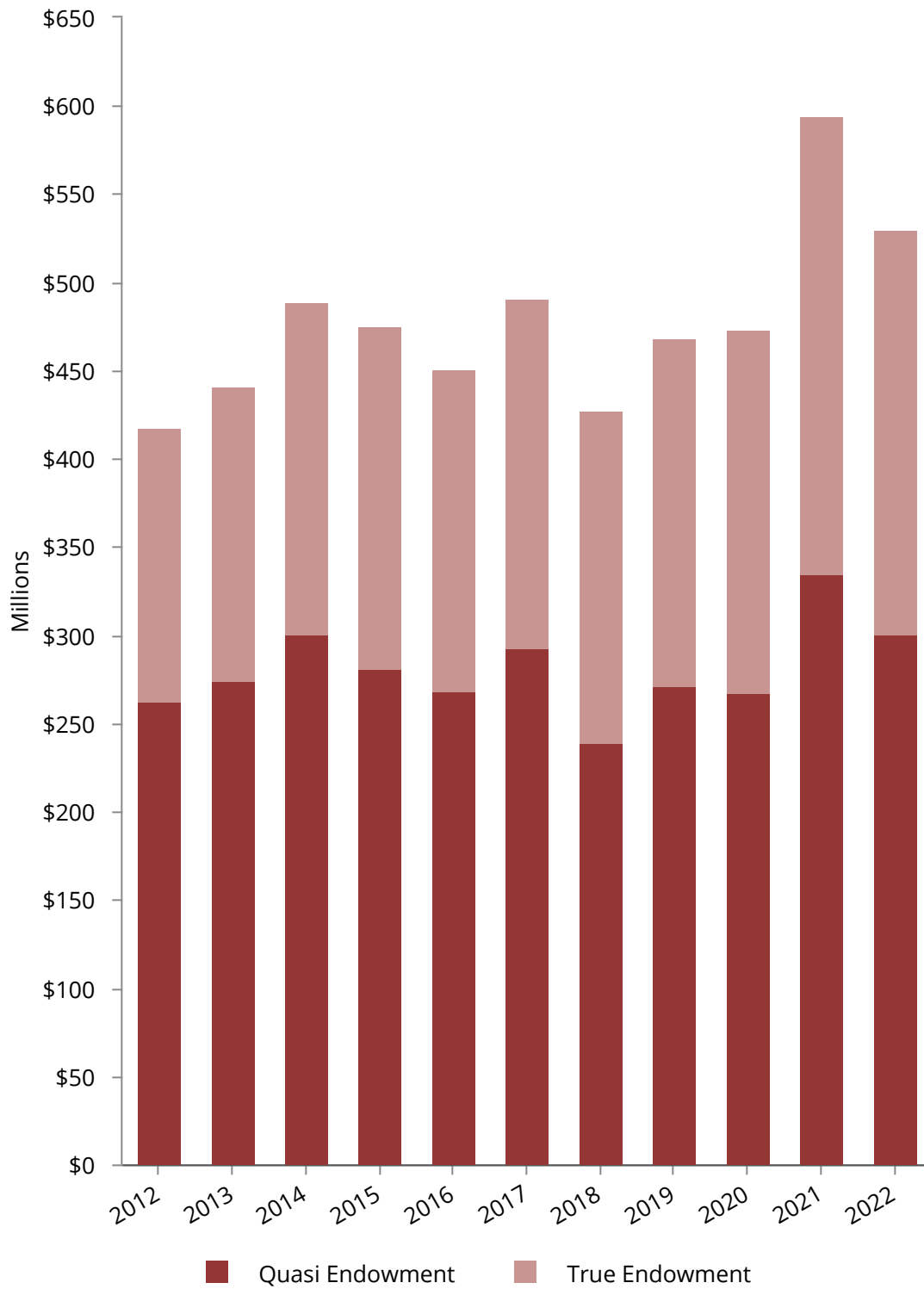


CHART 3
UNIVERSITY-CONTROLLED ENDOWMENTS
2012 - 2022



Charts have been prepared on generally accepted accounting principles in effect prior to the adoption of GASB Statement No. 35

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