



**THE MEDICAL COLLEGE OF WISCONSIN, INC.  
ADVANCING A HEALTHIER WISCONSIN PROGRAM**

Financial Statements

June 30, 2023 and 2022

(With Independent Auditors' Report Thereon)

**ATHE MEDICAL COLLEGE OF WISCONSIN, INC.  
ADVANCING A HEALTHIER WISCONSIN PROGRAM**

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## Independent Auditors' Report

The Board of Trustees  
Medical College of Wisconsin, Inc. Advancing a Healthier Wisconsin Program:

### *Opinion*

We have audited the financial statements of Medical College of Wisconsin, Inc. Advancing a Healthier Wisconsin Program (the Program) administered by the Medical College of Wisconsin, Inc. (MCW), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Program as of June 30, 2023 and 2022, and changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

### *Basis for Opinion*

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Program and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Emphasis of Matter*

As discussed in Note 1 to the financial statements, the accompanying financial statements were prepared to present the financial position of the Program administered by MCW as of June 30, 2023 and 2022 and changes in its net assets and its cash flows for the years then ended, and are not intended to be a complete representation of the financial position or the changes in net assets or cash flows of MCW in accordance with U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

### *Responsibilities of Management for the Financial Statements*

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

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

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when



it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Program's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Program's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*KPMG LLP*

Milwaukee, Wisconsin  
October 26, 2023

**THE MEDICAL COLLEGE OF WISCONSIN, INC.  
ADVANCING A HEALTHIER WISCONSIN PROGRAM**

Statements of Financial Position

June 30, 2023 and 2022

(In thousands)

<b>Assets</b>	<b>2023</b>	<b>2022</b>
Investments, at fair value:		
Spendable income funds	\$ 64,618	66,118
Endowed funds	417,834	392,594
Total investments, at fair value	482,452	458,712
Total assets	\$ 482,452	458,712
<b>Liabilities and Net Assets</b>		
Due to The Medical College of Wisconsin, Inc.	\$ 405	450
Total liabilities	405	450
Net assets with donor restrictions	482,047	458,262
Total liabilities and net assets	\$ 482,452	458,712

See accompanying notes to financial statements.

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**ADVANCING A HEALTHIER WISCONSIN PROGRAM**

Statements of Activities

Years ended June 30, 2023 and 2022

(In thousands)

	<u>2023</u>	<u>2022</u>
Changes in net assets without donor restrictions:		
Net assets with donor restrictions released from restrictions	\$ 26,885	20,726
Program expenditures:		
Faculty salaries	5,390	4,426
Staff salaries	6,605	5,388
Fringe benefits	2,627	2,099
Services, supplies, and other	6,982	4,534
Payments to community partners	5,281	4,279
Total expenditures	<u>26,885</u>	<u>20,726</u>
Increase (decrease) in net assets without donor restrictions	<u>\$ —</u>	<u>—</u>
Changes in net assets with donor restrictions:		
Investment return, net	\$ 50,670	(79,309)
Net assets released from restrictions	<u>(26,885)</u>	<u>(20,726)</u>
Increase (decrease) in net assets with donor restrictions	23,785	(100,035)
Net assets with donor restrictions at beginning of year	<u>458,262</u>	<u>558,297</u>
Net assets with donor restrictions at end of year	<u>\$ 482,047</u>	<u>458,262</u>

See accompanying notes to financial statements.

**THE MEDICAL COLLEGE OF WISCONSIN, INC.**  
**ADVANCING A HEALTHIER WISCONSIN PROGRAM**

Statements of Cash Flows

Years ended June 30, 2023 and 2022

(In thousands)

	<b>2023</b>	<b>2022</b>
Cash flows from operating activities:		
Increase (decrease) in net assets with donor restrictions	\$ 23,785	(100,035)
Adjustments to reconcile change in net assets to cash flow used in operations:		
Net realized gains and change in unrealized gains and losses on investments	(46,961)	82,769
(Decrease) increase in due to The Medical College of Wisconsin, Inc.	(45)	352
Net cash used in operating activities	(23,221)	(16,914)
Cash flows from investing activities:		
Purchases of marketable securities	(157,441)	(353,581)
Proceeds from sales and maturities of marketable securities	167,594	362,866
Purchases of non-marketable securities	(66,301)	(178,082)
Proceeds from sales and maturities of non-marketable securities	79,369	185,711
Net cash provided by investing activities	23,221	16,914
Net increase (decrease) in cash	—	—
Cash at beginning of year	—	—
Cash at end of year	\$ —	—

See accompanying notes to financial statements.

**THE MEDICAL COLLEGE OF WISCONSIN, INC.  
ADVANCING A HEALTHIER WISCONSIN PROGRAM**

Notes to Financial Statements

June 30, 2023 and 2022

(In thousands)

**(1) The Program**

The Medical College of Wisconsin, Inc. (MCW) received marketable securities from The Wisconsin United for Health Foundation, Inc. (WUHF) having original fair values of \$303,347 in March 2004, \$15,229 in December 2007, and \$1,789 in August 2019. WUHF was then dissolved. MCW refers to these assets as Advancing a Healthier Wisconsin funds (AHW funds). AHW funds are classified as net assets with donor restrictions. The AHW funds are proceeds of the conversion of Blue Cross and Blue Shield United of Wisconsin from a not-for-profit company to a for-profit stock company, as approved by the Wisconsin Commissioner of Insurance in the Findings of Fact, Conclusions of Law, and Order (the Order) issued March 28, 2000. The AHW funds are under the oversight of the MCW Consortium on Public and Community Health, Inc. (the MCW Consortium) and are restricted pursuant to terms of the Order. MCW is entitled to appoint eight of the nine board members of the MCW Consortium, four of whom shall represent MCW.

The primary purpose of the Advancing a Healthier Wisconsin Program (the Program) is to support initiatives that improve the health of the residents of the State of Wisconsin through pathways that target investments in the following areas:

- Large, long-term strategic initiatives to improve health,
- Basic, clinical and translational research,
- Education and workforce development, and
- Population and community health, policy, systems and culture change.

Pursuant to the Order, the Program dedicates 65% of the spendable funds for research and education initiatives and 35% for community initiatives. The funding allocation can be changed by the affirmative vote of two-thirds of the MCW Consortium. The MCW Consortium evaluates the allocation percentages in accordance with the five-year plan in effect. The AHW funds cannot be used to supplant support otherwise available, be expended directly or indirectly for land or buildings, or be committed as collateral without the approval of two-thirds of all members of the MCW Consortium. The Order requires that the AHW funds be invested in accordance with the endowment fund investment and spending policy approved by the MCW Board of Trustees, as amended from time to time, to the extent such policy is not inconsistent with the Order or the current five-year plan.

The Order requires that MCW obtain a program audit at least every five years from the Legislative Audit Bureau, or from an independent firm approved by the Wisconsin Commissioner of Insurance, to test compliance with policies and regulations related to the Program. The Wisconsin Commissioner of Insurance has approved the use of an Agreed Upon Procedures (AUP) engagement to meet this requirement. MCW has elected to have the AUP performed on an annual basis. The most recent AUP report was issued on October 26, 2023 and covered the period from July 1, 2022 through June 30, 2023.

The Program's books and records are maintained as a separate fund of MCW and the Program is included within the financial reporting entity of MCW. The accompanying financial statements were prepared to present the financial position and activities of the Program administered by MCW and are not intended to be a complete presentation of the financial position or the activities of MCW.



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(In thousands)

**(2) Summary of Significant Accounting Policies**

**(a) Basis of Presentation**

The financial statements are prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (U.S. GAAP). Accordingly, expenditures are recognized when liabilities are incurred and assets released from restriction are recognized only to the extent that expenditures have been recognized.

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

**Net assets with donor restrictions** – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or by actions of the Program to fulfill the donor restrictions. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when the restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose has been fulfilled, or both.

**Net assets without donor restrictions** – Net assets available for use in general operations and not subject to donor restrictions. The Program does not have any net assets without donor restriction at June 30, 2023 and 2022.

**(b) Net Assets Released from Restrictions**

Net assets released from restrictions in the statements of activities represent amounts that have been expended for the restricted purpose and appropriated in accordance with MCW's endowment fund spending policy.

**(c) Program Expenditures**

The MCW Consortium receives, reviews, and authorizes applications for funding. The Program authorizes grants to MCW departments and community partners on a reimbursement basis. The Program records expenditures when requests for reimbursement on authorized grants are received

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from MCW departments and community partners. Program expenditures by initiative for the years ended June 30, 2023 and 2022 are summarized below:

For the year ended June 30, 2023					
		Research and Education Program	Healthier Wisconsin Partnership Program	Support Services	Total
Faculty salaries	\$	3,895	991	504	5,390
Staff salaries		5,225	472	908	6,605
Fringe benefits		2,008	284	335	2,627
Services, supplies and other		5,737	315	930	6,982
Payments to community partners		—	5,281	—	5,281
Total expenditures	\$	16,865	7,343	2,677	26,885

For the year ended June 30, 2022					
		Research and Education Program	Healthier Wisconsin Partnership Program	Support Services	Total
Faculty salaries	\$	3,182	743	501	4,426
Staff salaries		4,275	465	648	5,388
Fringe benefits		1,605	236	258	2,099
Services, supplies and other		3,677	132	725	4,534
Payments to community partners		—	4,279	—	4,279
Total expenditures	\$	12,739	5,855	2,132	20,726

Support services consist of administrative and program development activities. Grants that have been authorized by the MCW Consortium but have not been expended at June 30, 2023 and 2022 are summarized in note 8.

**(d) Investments**

Investments are comprised of money market funds held by external investment managers, marketable debt and equity securities, bond and equity mutual funds, commingled bond and equity funds, hedge funds, private assets, and accrued interest and dividends thereon and are reported at fair value. Cash and cash equivalents included as part of the investment portfolio are treated as investing activities for cash flow purposes. Realized gains and losses on the sale of investments are calculated on the basis of specific identification of the securities sold. Investment income consists of accrued and earned

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(In thousands)

interest and dividends. Investment management fees and service charges are netted against investment income for financial reporting purposes.

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

**(e) Real Property and Equipment**

In accordance with the terms of the Order, the AHW funds may not be directly or indirectly used to purchase real property or financing leases, to construct facilities, or be committed as collateral unless the expenditure or commitment is approved by an affirmative vote of two-thirds of all members of the MCW Consortium.

Title to equipment purchased with AHW funds is retained by MCW, along with complete responsibility for the equipment, and the equipment is not reflected as an asset of the Program.

**(f) Use of Estimates**

The presentation of financial statements in conformity with U.S. GAAP requires management to make estimates and judgments that affect the reported amounts of assets and liabilities at the date of the financial statements, the disclosures of contingencies at the date of the financial statements and revenues and expenditures recognized during the reporting period. Actual results could differ from those estimates.

**(3) Related-Party Transactions**

Members of MCW's Board of Trustees and members of the MCW Consortium may serve in management roles for organizations that provide goods or services for the Program, causing these organizations to be related parties. In 2023 and 2022, the Program purchased from these related parties \$223 and \$217, respectively, of investment and banking services and \$722 and \$471, respectively, of community partner expenses. Purchases of goods and services from related parties are reviewed through the procurement process to ensure such transactions are competitively priced as compared to other goods and services available in the marketplace.

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(In thousands)

**(4) Investments**

The fair value of investments as of June 30, 2023 and 2022 is summarized below:

	<b>2023</b>	<b>2022</b>
Money market funds	\$ 22,669	12,456
U.S. government obligations	4,068	13,657
Corporate bonds	8,646	—
Bond and equity mutual funds	80,759	79,617
Commingled bond and equity funds	235,789	226,096
Equity securities	233	7,817
Hedge funds	61,461	55,163
Private assets	68,523	63,720
Other	304	186
Total	\$ 482,452	458,712

MCW pools and unitizes its aggregate endowment funds for investment purposes, in accordance with the investment policy approved by MCW's Board of Trustees. The AHW funds make up approximately 29% and 30% of the total pooled endowment investments of MCW for 2023 and 2022, respectively.

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

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

Private assets are comprised of ownership interests in limited partnerships and limited companies. The Program owns less than 10% of each limited partnership.

Other is comprised of accrued investment income and asset and mortgage-backed securities. Mortgage-backed securities are comprised of widely traded tranches of principal and interest strips in the form of collateralized mortgage obligations and real estate mortgage investment conduits. Asset-backed securities are comprised of principal and interest strips derived from underlying receivables.

Investment management and custodial fees incurred by MCW that were allocated to the Program in 2023 and 2022 were \$1,892 and \$2,542, respectively.

**(5) Fair Value Measurements**

Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) Topic 820, *Fair Value Measurements and Disclosures* (ASC Topic 820), establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to

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quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

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

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

The following section describes the valuation methodologies used for financial assets measured at fair value. The techniques utilized in estimating the fair values are affected by the assumptions. There have been no changes to the valuation methodologies during the years ended June 30, 2023 and 2022.

The fair value of the Program's investments is based on valuations provided by external investment managers and custodial financial institutions. Valuations of investments in Level 1, which include money market instruments, accrued investment income, bond and equity mutual funds and equity securities, are provided by custodial financial institutions based on observable market quotation prices. Valuations of certain investments in Level 2, which include accrued investment income, U.S. government obligations, asset-backed and mortgage-backed securities, are provided by custodial financial institutions based on observable inputs other than quoted prices, such as pricing services or indices. Investments with valuations classified as Level 1 or 2 are considered marketable securities.

Certain investments in funds that do not have a readily determinable fair value including commingled bond and equity funds, hedge funds, and private assets are priced using net asset value as a practical expedient to fair value per the measurement provisions of FASB ASC Topic 820 *Fair Value Measurements and Disclosures* if the net asset value per share is determined in accordance with FASB ASC Topic 946, *Financial Services-Investment Companies*. Investments in commingled bond and equity funds, hedge funds and private assets with a fair value of \$365,773 and \$344,979 were estimated using the net asset value per share as a practical expedient provided by external investment managers as of June 30, 2023 and 2022, respectively. Investments with fair values using the net asset value per share as a practical expedient are considered non-marketable securities. Changes in market conditions and the economic environment may impact the net asset value of the funds and consequently the fair value of the Program's interest in the funds.

The investment strategy of the commingled bond funds is to achieve favorable income-oriented returns from diversified portfolios of domestic and foreign investment grade or below investment grade public and private issue debt and debt-like securities. The investment strategy of the commingled equity funds is to seek investment results that achieve or exceed major market indices. Derivative instruments may be used

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in these funds in an attempt to hedge existing long and short positions in order to maximize returns and minimize risk.

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

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

The following tables present assets that are measured at fair value on a recurring basis as of June 30, 2023 and 2022:

	<b>June 30, 2023</b>			
	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Investments:				
Money market funds	\$ 22,669	22,669	—	—
U.S. government obligations	4,068	—	4,068	—
Corporate bonds	8,646	—	8,646	—
Bond and equity mutual funds	80,759	80,759	—	—
Equity securities	233	233	—	—
Other	304	173	131	—
Subtotal	116,679	\$ 103,834	12,845	—
Investments measured at net asset value	365,773			
Total investments	\$ 482,452			

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<u>Investments measured at net asset value</u>	<u>June 30, 2023</u>			
	<u>Net asset value</u>	<u>Unfunded commitments</u>	<u>Redemption frequency</u>	<u>Redemption notice period</u>
Commingled bond and equity funds	\$ 235,789	—	Monthly Quarterly, Semi-Annually, Annually	4–180 days
Hedge funds	61,461	—	Quarterly, Annually	45–90 days
Private assets	<u>68,523</u>	55,700	—	—
Total investments measured at net asset value	\$ <u><u>365,773</u></u>			

	<u>June 30, 2022</u>			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments:				
Money market funds	\$ 12,456	12,456	—	—
U.S. government obligations	13,657	—	13,657	—
Bond and equity mutual funds	79,617	79,617	—	—
Equity securities	7,817	7,817	—	—
Other	<u>186</u>	<u>80</u>	<u>106</u>	—
Subtotal	113,733	\$ <u><u>99,970</u></u>	<u><u>13,763</u></u>	<u><u>—</u></u>
Investments measured at net asset value	<u>344,979</u>			
Total investments	\$ <u><u>458,712</u></u>			

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Investments measured at net asset value	June 30, 2022			
	Net asset value	Unfunded commitments	Redemption frequency	Redemption notice period
Commingled bond and equity funds	\$ 226,096	—	Monthly Quarterly, Semi-Annually, Annually	4–180 days
Hedge funds	55,163	—	Quarterly, Annually	45–90 days
Private assets	<u>63,720</u>	26,914	—	—
Total investments measured at net asset value	\$ <u><u>344,979</u></u>			

**(6) Endowment Net Assets Classification**

**(a) Interpretation of Relevant Law**

The MCW Board of Trustees has interpreted the Wisconsin enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as allowing MCW to appropriate for expenditure or accumulate so much of an endowment fund as the MCW Board of Trustees determines is prudent for the uses, benefits, purposes and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift instrument. Unless stated otherwise in the gift instrument, the assets in an endowment fund shall be donor-restricted assets until appropriated for expenditure in accordance with the endowment fund spending policy adopted by the MCW Board of Trustees. As a result of this interpretation, the original gift value will continue to be classified as donor-restricted in perpetuity. The remaining portion of the donor-restricted endowment fund is classified as donor-restricted net assets until those amounts are appropriated for expenditure by MCW in a manner consistent with the standard of prudence prescribed by UPMIFA. See note 2(a) for further information on net asset classification.

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

- The duration and preservation of the AHW funds.
- The purposes of the donor-restricted AHW funds.
- General economic conditions.
- The possible effect of inflation and deflation.
- The expected total return from income and the appreciation of investments.



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- Other resources available to the Program.
- The investment policy of MCW.

**(b) Return Objectives and Risk Parameters**

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

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

**(c) Strategies Employed for Achieving Objectives**

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

**(d) Spending Policy and How Investment Objectives Relate to Spending Policy**

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

Spendable income is calculated as the product of the quarterly distribution rate and the number of shares held at the end of one quarter prior to the present quarter. The quarterly distribution rate is calculated as the product of one-quarter of the current spending rate of 5.00% applied to the average market value per share for the preceding 20 quarters as of the end of the quarter ending three months prior to the beginning of the present quarter. The quarterly distribution rate cannot exceed one-quarter of the maximum spending rate of 5.25% calculated as an effective rate based on the endowment fund market value at the beginning of the present quarter. This spending policy is consistent with the investment objective to earn a real rate of return to provide for a distribution of net appreciation that is prudent, while protecting the original gift value of the AHW funds.

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**(e) Net Asset Composition by Type of Fund**

The Program's composition of net assets by type and in total as of June 30, 2023 and 2022 is summarized below:

	<b>2023</b>	<b>2022</b>
Net assets with donor restrictions:		
Perpetual in nature	\$ 290,478	290,478
Restricted by time or purpose	191,569	167,784
Total	\$ 482,047	458,262

**(f) Endowments with Fair Value Less Than Original Gift Value**

It is possible that the fair value of the assets associated with the endowment fund may fall below the level that the donor or the MCW Board of Trustees (pursuant to UPMIFA) requires the Program to retain to preserve the fair value of the original gift in perpetuity. There were no deficiencies of this nature as of June 30, 2023 and 2022.

**(7) Availability of Resources**

Financial assets expected to be available for general expenditure within one year as of June 30, 2023 and 2022 are as follows:

	<b>2023</b>	<b>2022</b>
Spendable income funds	\$ 64,618	66,118
Endowed funds	417,834	392,594
Financial assets at June 30	482,452	458,712
Less financial assets unavailable for general expenditure within one year due to:		
Restrictions:		
Endowed funds, net of funds to be appropriated for expenditure within one year	399,555	373,684
Financial assets available to meet cash needs for general expenditure within one year	\$ 82,897	85,028

The underlying investments have sufficient liquidity to support the financial assets available to meet cash needs for general expenditure within one year.

**THE MEDICAL COLLEGE OF WISCONSIN, INC.  
ADVANCING A HEALTHIER WISCONSIN PROGRAM**

Notes to Financial Statements

June 30, 2023 and 2022

(In thousands)

**(8) Commitments**

Since inception, the MCW Consortium has authorized the Program to fund the following expended and unexpended grants as of June 30, 2023:

	<u>Authorized funding</u>	<u>Life-to-date expenditures</u>	<u>Outstanding commitments</u>
Research and Education Program	\$ 242,603	178,092	46,591
Healthier Wisconsin Partnership Program	99,763	79,835	14,170
Support Services	<u>38,819</u>	<u>26,995</u>	<u>7,561</u>
Total	<u>\$ 381,185</u>	<u>284,922</u>	<u>68,322</u>

As discussed in note 2(c), these unfunded commitments will be funded and recognized as expenditures of the Program after the amounts have been expended by the various MCW departments and community partners and a request for reimbursement is received by the Program.

**(9) Subsequent Events**

In connection with the preparation of the financial statements and in accordance with FASB ASC Topic 855, *Subsequent Events*, the Program evaluated subsequent events after the statement of financial position date of June 30, 2023 through October 26, 2023, which was the date the financial statements were issued. No significant subsequent events were identified.