

Consolidated Financial Statements

**Lindsey Wilson College, Inc. and Affiliate**

June 30, 2024 and 2023

Consolidated Financial Statements

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## Independent Auditors' Report

Board of Directors  
Lindsey Wilson College, Inc.  
Columbia, Kentucky

### Opinion

We have audited the accompanying consolidated financial statements of Lindsey Wilson College, Inc. and Affiliate (the "College") which comprise the consolidated statements of financial position as of June 30, 2024 and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the College as of June 30, 2024 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America ("GAAP").

### Basis for Opinion

We conducted our audit 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 Consolidated Financial Statements section of our report. We are required to be independent of the College and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Prior Period Consolidated Financial Statements

The consolidated financial statements as of June 30, 2023 were audited by Strothman and Company, who was acquired by LBMC, PC as of November 1, 2023, and whose report dated October 2, 2023 expressed an unmodified opinion on those statements.

### Change in Accounting Principle

As discussed in Note B, the College adopted the requirements of Financial Accounting Standards Board ("FASB") Accounting Standards Update No. 2016-013, *Financial Instruments—Credit Losses* (Topic 326): *Measurement of Credit Losses on Financial Instruments*. Our opinion is not modified with respect to this matter.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with GAAP, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

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

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

*LBM, PC*

Louisville, Kentucky  
September 6, 2024

Consolidated Statements of Financial Position

**Lindsey Wilson College, Inc. and Affiliate**

	<b>June 30</b>	
	<b>2024</b>	<b>2023</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 23,102,758	\$ 15,222,846
Restricted cash and cash equivalents	409,282	400,439
Accounts and student loans receivable, net	5,964,347	3,743,125
Pledges receivable, net		372,000
Employee Retention Tax Credit receivable		3,226,432
Inventories	313,727	271,732
Prepaid expenses	220,030	179,402
Investments	44,311,307	38,241,676
Beneficial interest in third-party held trusts	2,121,878	1,979,028
Beneficial interest in lead trust	432,575	472,070
Asset classified as held for sale	273,000	
Property and equipment, net	49,787,382	49,053,960
Right-of-use lease assets - operating, net	1,405,503	1,530,902
Other assets	977,493	862,384
	<u>\$ 129,319,282</u>	<u>\$ 115,555,996</u>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable and other accrued expenses	\$ 3,366,925	\$ 3,665,898
Contract liabilities	5,173,664	4,320,555
Accrued interest	52,331	211,364
Annuity liability	167,353	167,353
Other liabilities	462,592	764,637
Lease obligations - operating	1,452,797	1,587,769
Bonds and notes payable, net	16,325,120	17,525,116
Advances from federal government for student loans		201,742
	<u>27,000,782</u>	<u>28,444,434</u>
<b>Total Liabilities</b>	<b>27,000,782</b>	<b>28,444,434</b>
<b>Net Assets</b>		
Without donor restrictions	63,473,585	52,811,692
With donor restrictions		
Restricted in perpetuity	17,070,381	16,430,900
Restricted for time or purpose	21,774,534	17,868,970
	<u>38,844,915</u>	<u>34,299,870</u>
<b>Total With Donor Restrictions</b>	<b>38,844,915</b>	<b>34,299,870</b>
<b>Total Net Assets</b>	<b>102,318,500</b>	<b>87,111,562</b>
	<u>\$ 129,319,282</u>	<u>\$ 115,555,996</u>

See Notes to Consolidated Financial Statements

Consolidated Statements of Activities						
Lindsey Wilson College, Inc. and Affiliate						
	Year Ended June 30, 2024			Year Ended June 30, 2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenues and Support</b>						
Tuition and fees	\$ 66,920,266		\$ 66,920,266	\$ 55,540,938	\$ 1,630	\$ 55,542,568
Auxiliary enterprises - food and housing	9,144,402		9,144,402	8,933,921		8,933,921
Scholarships	(26,933,057)	\$ (339,282)	(27,272,339)	(26,785,362)	(268,600)	(27,053,962)
<b>Net Tuition, Fees, Room and Board</b>	49,131,611	(339,282)	48,792,329	37,689,497	(266,970)	37,422,527
Government grants	41,753	593,626	635,379	659,368	411,286	1,070,654
Contributions of cash and other financial assets	610,428	1,324,854	1,935,282	714,558	2,752,748	3,467,306
Contributed non financial assets	647,618		647,618	12,340		12,340
Investment income, net	1,810,998	5,165,311	6,976,309	1,259,646	3,815,648	5,075,294
Beneficial interest in third-party held trusts appreciation		171,681	171,681		124,345	124,345
Auxiliary enterprises - other	2,793,150	17,727	2,810,877	2,264,259	14,040	2,278,299
Other income	1,395,194	342,697	1,737,891	1,367,915	339,394	1,707,309
Employee Retention Tax Credit				5,500,401		5,500,401
Net assets released from restrictions	2,731,569	(2,731,569)		2,591,107	(2,591,107)	
<b>Total Revenues and Support</b>	59,162,321	4,545,045	63,707,366	52,059,091	4,599,384	56,658,475
<b>Expenses</b>						
<b>Program</b>						
Instruction	14,892,627		14,892,627	13,554,732		13,554,732
Academic support	1,926,263		1,926,263	1,615,586		1,615,586
Student services	14,834,721		14,834,721	13,001,558		13,001,558
Auxiliary services	6,587,485		6,587,485	6,448,562		6,448,562
Direct student aid				402,708		402,708
<b>Total Program Expenses</b>	38,241,096		38,241,096	35,023,146		35,023,146
<b>Support Activities</b>						
Institutional support	5,668,121		5,668,121	6,347,248		6,347,248
Operation and maintenance	4,019,402		4,019,402	3,522,578		3,522,578
Institutional advancement	574,549		574,549	489,156		489,156
<b>Total Support Activities</b>	10,262,072		10,262,072	10,358,982		10,358,982
<b>Total Expenses</b>	48,503,168		48,503,168	45,382,128		45,382,128
<b>Change in Net Assets from Operating Activities</b>	10,659,153	4,545,045	15,204,198	6,676,963	4,599,384	11,276,347
<b>Non-Operating Activities</b>						
Gain on disposal of asset	2,740		2,740	300		300
<b>Total Change in Net Assets</b>	10,661,893	4,545,045	15,206,938	6,677,263	4,599,384	11,276,647
<b>Net Assets Beginning of Year</b>	52,811,692	34,299,870	87,111,562	46,134,429	29,700,486	75,834,915
<b>Net Assets End of Year</b>	\$ 63,473,585	\$ 38,844,915	\$ 102,318,500	\$ 52,811,692	\$ 34,299,870	\$ 87,111,562

See Notes to Consolidated Financial Statements

Consolidated Statements of Functional Expenses

Lindsey Wilson College, Inc. and Affiliate

For the Years Ended June 30, 2024 and 2023

2024

	Programs					Support Activities				
	Instruction	Academic Support	Student Services	Auxiliary Services	Direct Student Aid	Total	Institutional Support	Operation and Maintenance	Institutional Advancement	Total
Salaries and wages	\$ 10,985,484	\$ 1,063,136	\$ 5,765,242	\$ 1,643,015		\$ 19,456,877	\$ 2,474,409	\$ 1,333,176	\$ 348,830	\$ 23,613,292
Employee benefits	2,381,504	270,598	1,469,578	356,573		4,478,253	475,490	469,098	86,631	5,509,472
Interest	82,382	2,794	128,618	211,523		425,317	190,439	12,841		628,597
Insurance	123,734	16,004	467,048	54,731		661,517	47,093	33,395	4,774	746,779
Lease expense			5,269	35,674		40,943	146,316			187,259
Operating expenses	40,132	23,363	519,435	1,265,964		1,848,894	90,632	89,039	48,980	2,077,545
Plant services	8,657	1,433	456,880	944,787		1,411,757	152,748	1,887,753	1,152	3,453,410
Supplies	113,377	10,858	530,345	1,283,575		1,938,155	39,567	43,561	2,317	2,023,600
Operating supplies and services	232,245	210,933	389,957	34,282		867,417	1,044,596	61,981	65,609	2,039,603
Travel	410,007	25,719	1,195,847	25		1,631,598	186,087	1,160	9,330	1,828,175
Third party services	1,900	227,406	3,065,726			3,295,032	763,461	70,370	3,600	4,132,463
Depreciation	513,205	74,019	840,776	757,336		2,185,336	57,283	17,028	3,326	2,262,973
Total Expenses	\$ 14,892,627	\$ 1,926,263	\$ 14,834,721	\$ 6,587,485	\$ -	\$ 38,241,096	\$ 5,668,121	\$ 4,019,402	\$ 574,549	\$ 48,503,168

2023

	Programs					Support Activities				
	Instruction	Academic Support	Student Services	Auxiliary Services	Direct Student Aid	Total	Institutional Support	Operation and Maintenance	Institutional Advancement	Total
Salaries and wages	\$ 9,860,758	\$ 869,383	\$ 5,307,667	\$ 1,521,036		\$ 17,558,844	\$ 2,141,123	\$ 1,253,287	\$ 265,675	\$ 21,218,929
Employee benefits	2,448,829	234,407	1,568,040	384,303		4,635,579	475,653	465,170	72,541	5,648,943
Interest	143,878	2,195	101,231	319,838		567,142	242,339	14,138		823,619
Insurance	108,768	12,964	411,568	51,746		585,046	50,933	28,266	3,925	668,170
Lease expense			6,068	89,547		95,615	122,727			218,342
Operating expenses	34,691	37,459	454,548	1,206,592		1,733,290	54,204	50,866	72,259	1,910,619
Plant services	9,003	5,903	276,389	1,002,809		1,294,104	207,189	1,552,215	797	3,054,305
Supplies	124,772	16,690	468,694	1,106,750		1,716,906	52,658	34,208	2,608	1,806,380
Operating supplies and services	194,253	218,211	402,487	41,320		856,271	1,374,641	45,858	53,482	2,330,252
Travel	136,928	18,051	1,230,932	19		1,385,930	111,206	1,871	9,214	1,508,221
Third party services	1,800	97,128	2,044,073			2,143,001	1,462,806	60,960	3,931	3,670,698
Depreciation	491,052	103,195	729,861	724,602		2,048,710	51,769	15,739	4,724	2,120,942
Student aid					\$ 402,708	402,708				402,708
Total Expenses	\$ 13,554,732	\$ 1,615,586	\$ 13,001,558	\$ 6,448,562	\$ 402,708	\$ 35,023,146	\$ 6,347,248	\$ 3,522,578	\$ 489,156	\$ 45,382,128

See Notes to Consolidated Financial Statements



Consolidated Statements of Cash Flows

Lindsey Wilson College, Inc. and Affiliate

	Year Ended June 30	
	2024	2023
<b>Operating Activities</b>		
Change in net assets	\$ 15,206,938	\$ 11,276,647
Depreciation	2,262,973	2,120,942
Net amortization of bond premiums and discounts	(207,330)	(207,330)
Amortization of debt issuance cost	28,319	28,319
Noncash operating lease expense	125,385	395,148
Provision for credit losses	285,079	454,913
Realized gain on investments	(569,798)	(1,192,374)
Unrealized gain on investments	(5,648,009)	(3,300,887)
Gain on disposal of assets	(2,740)	(300)
Donated real estate	(623,000)	
Changes in certain operating assets and liabilities		
Accounts and student loans receivable	(2,506,301)	(1,893,012)
Pledges receivables	372,000	124,853
Endowment receivable		500,309
Employee Retention Tax Credit receivable	3,226,432	(3,226,432)
Inventories	(41,995)	3,538
Prepaid expenses	(40,628)	301
Beneficial interest in third-party held trusts	(142,850)	(472,779)
Beneficial interest in lead trust	39,495	40,985
Other assets	(115,109)	(89,868)
Accounts payable and other accrued expenses	(298,973)	1,407,493
Contract liabilities	853,109	1,418,854
Accrued interest	(159,033)	142,211
Other liabilities	(302,045)	482,918
Advances from federal government for student loans	(201,742)	
Payments on operating lease obligations	(134,972)	(373,818)
<b>Net Cash Provided By Operating Activities</b>	<b>11,405,205</b>	<b>7,640,631</b>
<b>Investing Activities</b>		
Purchases of property and equipment	(2,647,556)	(1,444,161)
Proceeds on sale of equipment	3,901	
Proceeds from sale of investments	4,313,057	6,739,364
Purchases of investments	(4,164,867)	(8,303,823)
<b>Net Cash Used In Investing Activities</b>	<b>(2,495,465)</b>	<b>(3,008,620)</b>
<b>Financing Activity</b>		
Payments on bonds and notes payable	(1,020,985)	(1,205,576)
<b>Net Increase in Cash, Cash Equivalents, and Restricted Cash</b>	<b>7,888,755</b>	<b>3,426,435</b>

Continued

Consolidated Statements of Cash Flows--Continued

**Lindsey Wilson College, Inc. and Affiliate**

	<b>Year Ended June 30</b>	
	<b>2024</b>	<b>2023</b>
<b>Cash, Cash Equivalents, and Restricted Cash</b>		
Beginning of Year	15,623,285	12,196,850
<b>Cash, Cash Equivalents, and Restricted Cash</b>		
End of Year	\$ 23,512,040	\$ 15,623,285
<b>Cash and Cash Equivalents</b>	\$ 23,102,758	\$ 15,222,846
<b>Restricted Cash and Cash Equivalents</b>	409,282	400,439
	\$ 23,512,040	\$ 15,623,285
<b>Supplemental Disclosures</b>		
Cash paid for interest	\$ 736,526	\$ 717,599
Noncash contributions	\$ 647,618	\$ 12,340

See Notes to Consolidated Financial Statements

## Notes to Consolidated Financial Statements

### Lindsey Wilson College, Inc. and Affiliate

June 30, 2024 and 2023

#### Note A--Nature of Operations

Lindsey Wilson College, Inc. (the "College") is a private four-year institution offering graduate, baccalaureate and associate degrees in various areas. The College serves primarily South Central Kentucky and the surrounding areas. Credit is normally extended to students and others on an unsecured basis.

#### Note B--Summary of Significant Accounting Policies

The College follows U.S. generally accepted accounting principles ("GAAP") as outlined in the Financial Accounting Standards Board's ("FASB") *Accounting Standards Codification*. Significant accounting policies are as follows:

Recently Adopted Accounting Standard--In June 2016, the FASB issued Accounting Standards Codification ("ASC") 326 which significantly changed how entities will measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected credit loss model. Under the standard, disclosures are required to provide users of the consolidated financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by the College that are subject to the guidance in FASB ASC 326 were accounts and students loans receivable. The standard was adopted effective July 1, 2023. The impact of the adoption was not considered significant to the consolidated financial statements and primarily resulted in enhanced disclosures.

Scope of Financial Statements--The College has a related entity, The Turner Foundation for Lindsey Wilson College, Inc. (the "Turner Foundation"), an existing 501(c)(3) organization. The Turner Foundation activities are consolidated into these consolidated financial statements when the related entity has financial activity. The Turner Foundation did not have any activity in these consolidated financial statements but the related entity is available for future activity as needed by the College. All trustees and officers of the Turner Foundation are current trustees and officers of the College. The College controls 100% of this entity.

Basis of Presentation--The consolidated financial statements of the College have been prepared on the accrual basis in accordance with GAAP. Based on the existence or absence of donor-imposed restrictions, the College classifies resources into two categories: net assets without donor restrictions and net assets with donor restrictions.

**Net Assets Without Donor Restrictions**--Net assets that are not subject to donor-imposed stipulations. Net assets without donor restrictions may be designated for specific purposes by action of the Board of Trustees. The Board of Trustees has designated \$8,135,906 and

Continued

Notes to Consolidated Financial Statements--Continued

**Lindsey Wilson College, Inc. and Affiliate**

June 30, 2024 and 2023

**Note B--Summary of Significant Accounting Policies--Continued**

\$6,825,088 for the years ended June 30, 2024 and 2023, respectively, as board-designated endowment funds. These funds are included in net assets without donor restrictions in the accompanying consolidated statements of financial position.

Net assets without donor restrictions generally result from tuition revenues, auxiliary enterprises, contributions that are not subject to donor-imposed restrictions, and income from investing excess operating cash, reduced by expenses incurred in providing services, raising contributions, and performing administrative functions.

**Net Assets With Donor Restrictions**--Net assets whose use by the College is subject to donor-imposed stipulations. Certain restrictions can be fulfilled by actions of the College pursuant to those stipulations or that expire by the passage of time. The remaining restrictions on assets have no expiration and held in perpetuity.

Net assets with donor restrictions generally result from donor-restricted contributions and from the investment return generated by the College's donor-restricted endowment.

The College follows the policy of reporting contributions and endowment income restricted by donors in the consolidated statements of activities as increases in net assets with donor restrictions in the period received. Expenses are generally reported as decreases in net assets without donor restriction. Expirations of donor-imposed stipulations that simultaneously increase one category of net assets and decrease another are reported as released from restrictions on the consolidated statements of activities.

The following shows the fund group under fund accounting and the net asset group, which apply to the respective fund groups:

<u>Fund Group</u>	<u>Net Asset Group</u>
Unrestricted current funds	Without Donor Restrictions
Restricted current funds	With Donor Restrictions
Loan funds	With Donor Restrictions
Endowment funds	With and Without Donor Restrictions
Annuity and life income funds	With Donor Restrictions
Unexpended plant funds	With Donor Restrictions
Investments in plant funds	Without Donor Restrictions

Continued

Notes to Consolidated Financial Statements--Continued

**Lindsey Wilson College, Inc. and Affiliate**

June 30, 2024 and 2023

**Note B--Summary of Significant Accounting Policies--Continued**

Cash and Cash Equivalents--The College considers all highly liquid investments with a maturity of three months or less to be cash equivalents. Cash and cash equivalents representing assets of endowment and annuity funds are included in investments.

Restricted Cash--Restricted cash represents the required deposits with South Central Bank, Inc. associated with the line of credit with this financial institution.

Investments--Investments are reported at fair value, based primarily on market quotes. In the accompanying consolidated statements of activities, cumulative market appreciation on endowment funds is classified as with donor restrictions in cases where the donor has placed temporary restrictions on the use of the income until the restrictions have been met. Where no donor restrictions are placed on the use of funds, the market appreciation on endowment funds is classified as without donor restrictions. Investment income on the Statement of Activities includes interest and dividends, unrealized and realized gains and losses, net of investment expenses.

Accounts and Loans Receivable and Credit Losses--Accounts receivables consist of amounts due from students for tuition, food, housing, and fees as well as amounts due from grants. Management allows for estimated losses on accounts receivable based on what may not be collectible. The College separates accounts receivable into risk pools based on their aging and the enrollment status of students. In determining the amount of the allowance as of the date of the consolidated statement of financial position, the College develops a loss rate for each risk pool. This loss rate is based on management's historical collection experience, adjusted for management's expectations about current and future economic conditions.

Loans receivable consist of institutional student loans through various sources, such as: Bagby, Fenley, Chandler/Moore, River, and Schell. Similar to the determination for accounts receivable, the College separates loan receivables into risk pools based on their aging and develops a loss rate for each risk pool that is recorded as an allowance as of the date of the consolidated statement of financial position. This loss rate is based on management's historical collection experience, adjusted for management's expectations about current and future economic conditions.

Inventories--Inventories consist principally of bookstore items and supplies and are carried at the lower of cost (first-in, first-out) or net realizable value.

Property and Equipment--Property and equipment are stated at cost and are depreciated over the estimated useful life of each asset. Donated assets are recorded at their estimated market value at the date of the gift. Depreciation is computed using primarily the straight-line method. Property and equipment with a purchase price of less than \$1,000 and a useful life of less than three years are expensed in the year of purchase.

Continued

Notes to Consolidated Financial Statements--Continued

**Lindsey Wilson College, Inc. and Affiliate**

June 30, 2024 and 2023

**Note B--Summary of Significant Accounting Policies--Continued**

The estimated useful life of fixed assets are as follows:

Buildings and land improvements	30-40 years
Computer equipment	5 years
Vehicles and noncomputer equipment	10 years

Disbursements for maintenance and repairs are expensed as incurred. Disbursements for renewals or betterments are capitalized. When property or equipment is retired or sold, the cost and the related accumulated depreciation are removed from the consolidated statements of financial position, and the resulting gain or loss is included in the consolidated statements of activities.

Leases--The College determines if an arrangement is a lease at inception. Operating leases are included in right-of-use ("ROU") lease assets and lease obligations on the College's consolidated statements of financial position. ROU lease assets represent the College's right to use an underlying asset for the lease term, and lease obligations represent the College's obligation to make lease payments arising from the lease. Operating ROU lease assets and obligations are recognized at the commencement date based on the present value of lease payments over the lease term. As most of the College's leases do not provide an implicit rate, the College uses its incremental borrowing rate based on the information available at the lease commencement date in determining the present value of lease payments. The ROU lease assets also include any lease payments made and excludes lease incentives.

The College's lease terms may include options to extend or terminate the lease. Lease expense for lease payments is recognized on a straight-line basis over the lease terms.

Revenue Recognition

The College generates revenues from various activities associated with higher education, such as tuition, fees, food and housing, and other auxiliary services for the use of the students. As a nonprofit organization, the College receives gifts and donations from various sources, a portion of these are donor restricted for the College's endowment. The endowment generates income, both with and without donor restrictions. The College participates in the Department of Education's Title IV funding as well as other government programs in order to receive grants. In addition, the College operates a golf course, a bookstore, and rents its facilities and services for special events. Funds received in advance of providing services are presented as contract liabilities on the statement of financial position.

Continued

Notes to Consolidated Financial Statements--Continued

**Lindsey Wilson College, Inc. and Affiliate**

June 30, 2024 and 2023

**Note B--Summary of Significant Accounting Policies--Continued**

Following is information about each key source of revenues.

- Tuition is earned from individual students. The College charges tuition rates based on campus, semester, and program for undergraduate and graduate courses. The College requires the payment of tuition at the beginning of the semester and recognizes the tuition revenue over a period of time based on days taught in the semester. Students may drop a class during the first week of classes and receive a full tuition refund. When a student drops a class after the allowable drop window, the revenue is recognized on a prorated basis, the student's transcript will show that the class was dropped if it was after the first week, and the student's account will be credited for the tuition refund. Once the student completes the semester and the College updates the student's transcript, the College has satisfied its performance obligation.
- Fees are earned from individual students. The College charges fees based on the types of services students may access or use such as student activities, technology, parking, graduation, transcript, course fees, and accident insurance. Fees are determined at the beginning of the school year and they do not vary. Generally, the fees are non-refundable and are payable at the beginning of the semester or when the service is requested. Fee revenue related to services that will benefit the student for a period of time, such as the technology fee, housing fee, parking, and insurance, are recognized over a period of time using the input method. For each student that registers for the semester, the College will recognize the revenue based on days in the semester. Once the semester ends, the College has satisfied its performance obligation. Other fees such as printing transcripts, graduation fees, etc. are recognized at a point in time using the output method. Once the student is provided with the requested document or service, the College has fulfilled its performance obligation.
- Food and housing is earned from individual students. The College charges food and housing for all students who live on the A.P. White Campus. Rates are determined at the beginning of the school year and they do not vary from contract to contract. The College requires the payment of food and housing at the beginning of the semester and recognizes the food and housing revenue over a period of time based on days in the semester using the input method of students assigned a room and a meal plan. Students may withdraw from the College during the first week of classes and receive a full refund. If students withdraw after the first week of classes, food charges are prorated and credited to the student account, but no adjustments are made for housing. Once the student completes the semester, the College has satisfied its performance obligation. The contract liability related to food and housing at June 30, 2024 and 2023 was zero.
- The College is a recipient of government grants that require expenditure for specified activities before the College is reimbursed by the grantor for the cost incurred.

Continued

Notes to Consolidated Financial Statements--Continued

**Lindsey Wilson College, Inc. and Affiliate**

June 30, 2024 and 2023

**Note B--Summary of Significant Accounting Policies--Continued**

The College participates in the Work Study program, which is based on the number of students participating in the program and the number of hours worked per fiscal year and rates provided by the federal government. The College does not receive any payments from grantor in advance, and therefore no deferred revenue is recorded.

As a result of the Coronavirus, Aid, Relief and Economic Security Act (the "CARES" Act), the Coronavirus Response and Relief Supplemental Appropriations Act (the "CRRSA" Act), and the American Rescue Plan (the "ARP" Act), the College was awarded funding through the Higher Education Emergency Relief Fund ("HEERF"). The student award was for the purpose of providing emergency financial aid grants paid directly to students which may be used for any component of the students' cost of attendance or for emergency costs that arise due to Coronavirus, such as tuition, food, housing, healthcare (including mental health care) or childcare. For the fiscal year ended June 30, 2023, the College recorded revenue of \$402,708. The grant was closed out during fiscal year 2023.

The College also received funding through the HEERF - Strengthening Institutions Program ("SIP") for the purpose of defraying expenses associated with Coronavirus (including lost revenue, reimbursement for expenses already incurred, technology costs associated with a transition to distance education, faculty and staff trainings, and payroll). The College recorded revenue of \$174,007 for the fiscal year ended June 30, 2023. The College also received \$82,653 through the ARP Act for the year ended June 30, 2023 to support summer bridge programs focused on improving college preparation. The SIP program was closed out during the fiscal year ended June 30, 2023.

The College was awarded a Scholarships in Science, Technology, Engineering, and Mathematics (S-STEM) grant from the National Science Foundation in the spring of 2023, totaling \$749,407 over six years for the purpose of recruiting domestic, low-income students with academic ability who are interested in pursuing degrees in biology and math. The grant project title is "Unlimited Pathways to Biology & Mathematics in Southcentral Kentucky" and the College recorded revenue of \$85,262 and \$14,843 for the fiscal years ended June 30, 2024 and 2023, respectively.

In the fall of 2023, the College received another grant from the Department of Education under the Strengthening Institutions Program ("SIP") under Title III. The SIP program provides grants to eligible institutions of higher education to help them become self-sufficient and expand their capacity to serve low-income students by providing funds to improve and strengthen the institution's academic quality, institutional management, and fiscal stability. The project title of the grant is "Building One Lindsey: Increasing Retention through Centralized Services and Co-Requisite Support for Timely Degree Completion." The total amount awarded over five years is \$2,137,278 and the grant revenue for the fiscal year ended June 30, 2024, was \$179,226.

Continued



**Lindsey Wilson College, Inc. and Affiliate**

June 30, 2024 and 2023

**Note B--Summary of Significant Accounting Policies--Continued**

- Gifts and bequests are earned at the time the gifts are received when there is no commensurate exchange of value between the College and the donor. When commensurate value is exchanged, the gift revenue is earned at the time the transfer of value occurs. The majority of the College's gifts are non-exchange transactions. The College does not have a contract liability related to this revenue source.
- Auxiliary enterprises break down into three types of transactions: 1) point-of-sale such as bookstore, vending, and concessions, 2) memberships, and 3) summer camps. Point-of-sale revenue is recognized at a point in time using the output method; the revenue is determined based on the quantity and type of goods transferred. Once the goods have been provided, the College has satisfied its performance obligation. Membership revenue is recognized on a monthly basis, the method used for revenue recognition is the input method. Revenue to be recognized is based on the number and type of memberships for the month. Summer camp revenue is recognized after the camp is over using the input method. The College determines the contract price for each camp based on the input method, usually the number of participants, number of days, and services to be provided.
- Other income is earned at the time the transaction is completed such as gain/loss on sale of assets, credit loss recovery, group fundraising activities, and interest income. Once purchasers, collection agencies, and banks, among others, make payments, the performance obligations are satisfied. The College does not have a contract liability related to this revenue source.

Contributions--Unconditional promises to give (pledges) are recognized as contribution revenue when the donor's commitment is received. Unconditional promises to give, with payments due to the College in future periods, are reported at the estimated present value of future cash flows, net of an allowance for estimated uncollectible promises. Amortization of the discount is recorded as additional contribution revenue in the appropriate net asset class. Allowance is made for uncollectible contributions receivable based upon management's analysis of past collection experience and other judgmental factors.

The College receives income annually from funds held in trust by others that are neither in the possession nor under the control of the College.

Contributions of Nonfinancial Assets--Contributions of donated goods are recorded at fair value in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills and would typically need to be purchased if not donated, are recorded at fair value in the period received. The College does not have a policy regarding monetization of contributed nonfinancial assets.

Continued

Notes to Consolidated Financial Statements--Continued

**Lindsey Wilson College, Inc. and Affiliate**

June 30, 2024 and 2023

**Note B--Summary of Significant Accounting Policies--Continued**

Income Taxes--The College and the Turner Foundation are nonprofit organizations as defined in Section 501(c)(3) of the Internal Revenue Code and are exempt from federal and state income taxes. No provision for income taxes has been made in the accompanying consolidated financial statements. The College has had unrelated business revenues, but no net profit was derived for the years ended June 30, 2024 and 2023.

The College recognizes the tax benefit associated with a tax position taken for tax return purposes when it is more likely than not the position will be sustained. The College does not believe there are any material uncertain tax positions that qualify for either recognition or disclosure in the consolidated financial statements.

Functional Allocation of Expenses--The costs of providing various programs and other activities have been summarized on a functional basis in the consolidated statements of activities and in the consolidated statements of functional expenses. The consolidated financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied to the program and supporting activities. Salaries and wages and the related benefits are allocated based on the amount of time employees spend on each activity. Costs related to depreciation are allocated based on the use of the asset being depreciated, for buildings used for various purposes, the allocation is based on the primary functions of the space. Interest costs are allocated based upon the use of the funds borrowed.

Use of Estimates--The preparation of consolidated financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues, support and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications--Certain reclassifications have been made to the 2023 consolidated financial statements in order for them to conform to the 2024 presentation. These reclassifications had no effect on the net assets or changes in net assets as previously reported.

Subsequent Events--The College's management has evaluated events and transactions that occurred after the year end and through September 6, 2024, which is the date the consolidated financial statements were available to be issued, for possible recognition or disclosure in the consolidated financial statements.

Notes to Consolidated Financial Statements--Continued

**Lindsey Wilson College, Inc. and Affiliate**

June 30, 2024 and 2023

**Note C--Liquidity and Availability of Financial Assets**

The College regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The College has various sources of liquidity at its disposal, including cash and cash equivalents, marketable debt and equity securities, and lines of credit.

As of June 30, 2024 and 2023, the following financial assets are available for general expenditure, that is, without donor or other restrictions limiting their use, within one year:

	<b>June 30</b>	
	<b>2024</b>	<b>2023</b>
Cash and cash equivalents and restricted cash	\$ 23,512,040	\$ 15,623,285
Accounts receivable, net	5,964,347	3,743,125
Employee Retention Tax Credit receivable		3,226,432
Investments	44,311,307	38,241,676
<b>Total Financial Assets</b>	<b>73,787,694</b>	<b>60,834,518</b>
Contractual or donor-imposed restrictions:		
Cash restricted by lender and others to specific uses	(2,201,668)	(2,335,133)
Endowment fund investments	(32,542,940)	(28,136,345)
Board designations	(8,135,906)	(6,825,089)
Add back: amount appropriated from quasi-endowment	218,470	214,230
Add back: amount appropriated from endowment	1,241,530	1,195,770
<b>Financial Assets Available to Meet Cash Needs for Expenditure Within One Year</b>	<b>\$ 32,367,180</b>	<b>\$ 24,947,952</b>

In addition to financial assets available to meet general expenditures over the next 12 months, the College anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. Refer to the consolidated statements of cash flows, which identifies the sources and uses of the College's cash.

The College's Board of Trustees has designated a portion of its resources without donor restrictions for endowment. These funds are invested for long-term appreciation and current income but remain available and may be spent at the discretion of the Board. At June 30, 2024, the total quasi-endowment funds totaled \$8,135,906 and are invested in a portfolio consisting of highly liquid investments.

At June 30, 2024, the College has access to \$9,000,000 through its lines of credit.

Notes to Consolidated Financial Statements--Continued

**Lindsey Wilson College, Inc. and Affiliate**

June 30, 2024 and 2023

**Note D--Credit Risks and Concentrations**

The College manages deposit concentration risk by placing cash, money market accounts, and certificates of deposits with financial institutions believed to be creditworthy. At times, amounts on deposit exceed insured limits or include uninsured investments in money market mutual funds. To date, the College has not experienced losses in any of these accounts. The College had cash and cash equivalents in excess of federally insured limits by approximately \$19,438,000 and \$15,026,000 at June 30, 2024 and 2023, respectively. At June 30, 2024 and 2023, the College had pledged securities as collateral with an approximate market value of \$27,100,000 and \$18,481,000 respectively.

Credit risk associated with accounts receivable and promises to give is considered to be limited due to high historical collection rates and because substantial portions of the outstandings amounts are due from Board members, governmental agencies, foundations and donors supportive of the College's mission.

The College has significant investment instruments. Investment securities in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur and that such changes could significantly affect the amounts reported in the consolidated statements of financial position.

**Note E--Accounts and Student Loans Receivable**

A summary of accounts and student loans receivable (contract assets) is as follows:

	<b>June 30, 2024</b>	<b>June 30, 2023</b>	<b>July 1, 2022</b>
Tuition and fees receivables	\$ 6,145,941	\$ 3,780,420	\$ 2,281,533
Accounts and other receivables	374,484	205,179	190,197
Grants receivable		109,516	196,059
Students loan receivable	529,213	967,783	895,091
	7,049,638	5,062,898	3,562,880
Less allowance for credit losses	(1,085,291)	(1,319,773)	(1,257,854)
	<u>\$ 5,964,347</u>	<u>\$ 3,743,125</u>	<u>\$ 2,305,026</u>

Continued

Notes to Consolidated Financial Statements--Continued

**Lindsey Wilson College, Inc. and Affiliate**

June 30, 2024 and 2023

**Note E--Accounts and Student Loans Receivable--Continued**

Changes in the allowance for credit losses on accounts receivable for the years ended June 30, 2024 and 2023 is as follows:

	<b>Year Ended June 30</b>	
	<b>2024</b>	<b>2023</b>
<b>Beginning balance</b>	\$ 526,000	\$ 491,174
Provision	604,010	389,087
Write-offs	(557,801)	(434,440)
Recoveries	66,744	80,179
<b>Ending balance</b>	<u>\$ 638,953</u>	<u>\$ 526,000</u>

Changes in the allowance for credit losses on student loans receivable for the years ended June 30, 2024 and 2023 is as follows:

	<b>Year Ended June 30</b>	
	<b>2024</b>	<b>2023</b>
<b>Beginning balance</b>	\$ 793,773	\$ 766,680
Provision	(318,931)	65,826
Write-offs	(28,504)	(38,733)
<b>Ending balance</b>	<u>\$ 446,338</u>	<u>\$ 793,773</u>

**Note F--Beneficial Interests in Lead Trust and Third-Party Held Trusts**

The College is the beneficiary of two Charitable Lead Annuity Trusts.

The first annuity gift provides that annual payments of \$25,000 should be made to the College ending on November 28, 2036. The second annuity gift provides that annual payments of \$25,000 should be made to

Continued

**Lindsey Wilson College, Inc. and Affiliate**

June 30, 2024 and 2023

**Note F--Beneficial Interests in Lead Trust and Third-Party Held Trusts--Continued**

the College ending on December 16, 2039. Under both annuity agreements, these are irrevocable trusts held by a trust company. The funds are to be used for student scholarships. Based on these facts and the applicable accounting guidance, the College has recognized the present value of the annuity as a gift using a 3.51% rate as the discount rate for the first annuity gift and 3.22% for the second annuity gift. The trusts have been recorded as a beneficial interest in lead trust and a net asset with donor restrictions on the accompanying consolidated statements of financial position.

The College benefits from two third-party held trusts that are part of the endowment. Through an estate gift that is managed by a third party, Werner and Helen Vogel established the Werner P Vogel & Helen K Vogel Permanent Fund. The annual income is distributed to the College as follows: 90% as unrestricted revenue and 10% is returned to principal. W. Norris Duvall established a scholarship fund known as the W. Norris Duvall Scholarship Fund to provide grants to students from specific Kentucky counties in Kentucky. The endowment is managed and held by a third party.

**Note G--Investments**

The investments of the College are reported at fair value in the accompanying consolidated statements of financial position.

Accounting standards establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: *Level 1* inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, and *Level 3* inputs have the lowest priority. The College uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the College measures fair value using *Level 1* inputs because they generally provide the most reliable evidence of fair value. *Level 3* inputs were only used when *Level 1* or *Level 2* inputs were not available.

*Level 1 Fair Value Measurements* - The fair values of corporate stocks, real estate investment trusts, bonds, and U.S. Government securities are based on quoted market prices.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the College believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Notes to Consolidated Financial Statements--Continued

**Lindsey Wilson College, Inc. and Affiliate**

June 30, 2024 and 2023

**Note G--Investments--Continued**

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 and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risk in the near term would result in material changes in the fair value of investments and net assets of the College.

The following table presents the fair value of investments at June 30, 2024 and 2023.

	<b>Fair Value</b>	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>
<b><u>June 30, 2024</u></b>		
U. S. Government securities	\$ 1,972,862	\$ 1,972,862
Corporate stocks	35,760,792	35,760,792
Bonds	5,762,288	5,762,288
Cash equivalents	815,365	815,365
	<u>\$ 44,311,307</u>	<u>\$ 44,311,307</u>
<b><u>June 30, 2023</u></b>		
U. S. Government securities	\$ 2,011,305	\$ 2,011,305
Corporate stocks	30,168,733	30,168,733
Bonds	5,422,051	5,422,051
Cash equivalents	639,587	639,587
	<u>\$ 38,241,676</u>	<u>\$ 38,241,676</u>

Continued

Consolidated Financial Statements--Continued

**Lindsey Wilson College, Inc. and Affiliate**

June 30, 2024 and 2023

**Note G--Investments--Continued**

The following table provides detail of the investment income presented in the accompanying consolidated statements of activities.

	<b>Year Ended June 30</b>	
	<b>2024</b>	<b>2023</b>
Interest and dividend income	\$ 934,346	\$ 732,595
Realized gains	569,798	1,192,374
Net unrealized appreciation on investments	5,648,009	3,300,887
Investment fees	<u>(175,844)</u>	<u>(150,562)</u>
	<u>\$ 6,976,309</u>	<u>\$ 5,075,294</u>

**Note H--Endowments**

Introduction

Accounting standards provide guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 ("UPMIFA"). Also, additional disclosures about an organization's endowment funds (both donor-restricted endowment funds and board-designated endowment funds) are required, whether or not the organization is subject to UPMIFA. The State of Kentucky enacted UPMIFA in March 2010, the provisions of which apply to endowment funds existing on or established after that date.

Continued



**Lindsey Wilson College, Inc. and Affiliate**

June 30, 2024 and 2023

**Note H--Endowments—Continued**Donor-Designated Endowments

The College follows UPMIFA and its own governing documents. UPMIFA requires the historical dollar amount of a donor-restricted endowment fund to be preserved. In the absence of donor restrictions, the net appreciation on a donor-restricted endowment fund is spendable under UPMIFA. The College currently has three endowment funds. The restrictions on the various endowment funds are summarized in the following table:

<u>Endowment Funds</u>	<u>Description</u>
Unrestricted Endowment (Board Designated)	Earnings are unrestricted.
Endowed Restricted Scholarships	Earnings to be used for scholarships.
Designated Restricted	To fund programs and awards.

Certain contributions are made to the College where the corpus is not restricted by UPMIFA. In these circumstances according to the terms of the College's governing documents, the Board of Trustees has the ability to distribute certain amounts of the original principal. As a result of the ability to distribute the original principal, all contributions not classified as net assets with donor restrictions are classified as net assets without donor restrictions for consolidated financial statement purposes.

Investment and Spending Policy--The College has adopted an investment and spending policy, approved by the Board of Trustees, for endowment assets that attempts to provide a systematic and growing stream of funds to the College to support the identified activities. The investment and spending policy for the Endowment Fund is as follows: each fiscal year, the Endowment Fund shall transfer to the Unrestricted Fund an amount up to 5% of the value of the Endowment Fund. The value shall be defined as the market value of the Endowment Fund, on average, for the previous sixteen quarter-ends.

Funds with Deficiencies--From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or UPMIFA requires the College to retain as a fund of perpetual duration; these are considered underwater endowments and the deficiencies are recorded in the net assets with donor restrictions. The College's policy is not to spend funds from underwater endowments if an endowment fund is less than 80% of the original gift value. If a donor requests that the funds may be spent from an underwater endowment, the donor's wishes will override the College's restriction. As of June 30, 2024, the College did not have any endowment funds considered underwater.

Continued

Notes to Consolidated Financial Statements--Continued

**Lindsey Wilson College, Inc. and Affiliate**

June 30, 2024 and 2023

**Note H--Endowments--Continued**

Changes in the College's endowment net assets as of June 30, 2024 and 2023 are as follows:

	Endowment Funds		
	Net Assets with Donor Restrictions	Net Assets without Donor Restrictions	Total
<b>Balance at July 1, 2022</b>	\$ 26,617,811	\$ 6,144,053	\$ 32,761,864
Investment Return			
Net investment income	3,778,677	966,065	4,744,742
Appropriated for expenditure	(1,071,046)	(297,030)	(1,368,076)
Contributions to perpetual endowment	789,932	12,000	801,932
<b>Total Change in Endowment     Funds for the Year</b>	3,497,563	681,035	4,178,598
<b>Balance at June 30, 2023</b>	30,115,374	6,825,088	36,940,462
Investment Return			
Net investment income	5,047,760	1,320,284	6,368,044
Appropriated for expenditure	(1,127,797)	(295,000)	(1,422,797)
Contributions to perpetual endowment	629,481	285,534	915,015
<b>Total Change in Endowment     Funds for the Year</b>	4,549,444	1,310,818	5,860,262
<b>Balance at June 30, 2024</b>	<u>\$ 34,664,818</u>	<u>\$ 8,135,906</u>	<u>\$ 42,800,724</u>

Notes to Consolidated Financial Statements--Continued

**Lindsey Wilson College, Inc. and Affiliate**

June 30, 2024 and 2023

**Note I--Net Assets with Donor Restrictions**

The College's restricted net assets are available for the following purposes:

	<b>June 30</b>	
	<b>2024</b>	<b>2023</b>
Subject to expenditure for specified purpose:		
Educational programs	\$ 1,434,448	\$ 1,428,139
Student scholarships	360,618	352,503
Student loans	198,537	380,251
Annuities	28,598	20,472
Plant	1,682,825	1,507,116
Subject to passage of time:		
Student scholarships (lead trust)	475,071	1,479,128
Operations (endowment)	1,587,955	507,065
Subject to the College's spending policy and appropriation:		
Investment in perpetuity (including amount above		
original gift amount of \$17,070,381 for 2024		
and \$16,430,900 for 2023), which, once appropriated,		
is expendable to support:		
Educational programs	1,313,445	1,197,320
Operations	2,720,781	2,401,789
Student scholarships	29,042,637	25,026,087
<b>Total Net Assets with Donor Restrictions</b>	<b>\$ 38,844,915</b>	<b>\$ 34,299,870</b>

Notes to Consolidated Financial Statements--Continued

**Lindsey Wilson College, Inc. and Affiliate**

June 30, 2024 and 2023

**Note J--Property and Equipment**

The following is a summary of property and equipment at cost, less accumulated depreciation:

	<b>June 30</b>	
	<b>2024</b>	<b>2023</b>
Land and land improvements	\$ 7,212,204	\$ 7,224,688
Buildings	75,421,129	73,543,232
Machinery, equipment and other	19,137,246	18,134,721
	101,770,579	98,902,641
Accumulated depreciation	(52,424,863)	(50,168,930)
	49,345,716	48,733,711
Construction in progress	441,666	320,249
	<u>\$ 49,787,382</u>	<u>\$ 49,053,960</u>

**Note K--Leases**

The College has multiple office equipment leases and two building leases which are included as operating lease right-of-use ("ROU") lease assets and operating lease obligations on the consolidated statements of financial position.

The College entered into a lease agreement for the use of a building for general purposes. The lease term expires in 2116. The annual lease payments changed in October 2021 to \$10,176, as the lease was adjusted based on inflation over the last 5 years. The College is using a rate of 2.8% inflation to determine future cash flows, and 4.02% as the discount rate to calculate the present value of the future lease payments, which represents the College's borrowing rate. In addition, the College has entered into various operating leases of residence buildings and general equipment. These leases expire at various dates through October 2028. The College has the option and the intent to extend various leases through October 2035. The operating lease liability has been calculated based on the expected lease terms. The College is using the discount rate of 4.02%, which represents the College's borrowing rate at the time it initially calculated the present value of the future lease payments.

Continued

Notes to Consolidated Financial Statements--Continued

**Lindsey Wilson College, Inc. and Affiliate**

June 30, 2024 and 2023

**Note K--Leases--Continued**

ROU lease assets consist of the following:

	<b>Operating Leases</b>		<b>Total</b>
	<b>Buildings</b>	<b>Equipment</b>	
<b>Balance at June 30, 2022</b>	\$ 817,662	\$ 504,062	\$ 1,321,724
Additions		604,326	604,326
Lease expense	(50,742)	(344,406)	(395,148)
<b>Balance at June 30, 2023</b>	766,920	763,982	1,530,902
Additions		100,148	100,148
Reassessment adjustment		(100,162)	(100,162)
Lease expense	(52,642)	(72,743)	(125,385)
<b>Balance at June 30, 2024</b>	<u>\$ 714,278</u>	<u>\$ 691,225</u>	<u>\$ 1,405,503</u>

For the years ended June 30, 2024 and 2023, the College recorded financial expense related to these leases of \$179,797 and \$198,687, respectively. The cash flows for these operating leases totaled \$184,555 and \$192,960 in 2024 and 2023, respectively.

Future minimum lease payments under non-cancellable leases are as follows:

<b><u>Year Ending June 30</u></b>	<b><u>Operating Leases</u></b>
2025	\$ 193,145
2026	194,441
2027	196,472
2028	188,660
2029	166,969
Thereafter	<u>1,583,405</u>
	2,523,092
Less amount representing interest	<u>1,070,295</u>
	<u><b>Lease Liability</b> \$ 1,452,797</u>

Continued

Notes to Consolidated Financial Statements--Continued

**Lindsey Wilson College, Inc. and Affiliate**

June 30, 2024 and 2023

**Note K--Leases--Continued**

Classified as:	
Short term	\$ 147,591
Long term	<u>1,305,206</u>
<b>Total</b>	<u><u>\$ 1,452,797</u></u>

For the years ended June 30, 2024 and 2023, the College recorded lease expense in the consolidated statement of activities of approximately \$389,181 and \$168,000, respectively, in relation to short-term, low-value leases.

**Note L--Contract Liabilities**

A summary of contract liabilities with customers is as follows:

	<u>June 30, 2024</u>	<u>June 30, 2023</u>	<u>July 1, 2022</u>
Tuition	\$ 5,039,976	\$ 4,225,172	2,825,376
Fees	90,592	79,416	57,875
Auxiliary enterprises	<u>43,096</u>	<u>15,967</u>	<u>18,450</u>
	<u><u>\$ 5,173,664</u></u>	<u><u>\$ 4,320,555</u></u>	<u><u>\$ 2,901,701</u></u>

**Note M--Lines of Credit**

For the year ended June 30, 2024, the College maintained two revolving lines of credit with two banks. The first line of credit has a \$5,000,000 limit at a variable interest rate equal to the Wall Street Journal Prime rate less 50 basis points with a floor of 3.25%. On June 30, 2024, this line was unused and carried a 8.0% interest rate. The second line of credit is \$4,000,000 with a fixed interest rate of 3.00%. As of June 30, 2024, the second line was unused.

Notes to Consolidated Financial Statements--Continued

**Lindsey Wilson College, Inc. and Affiliate**

June 30, 2024 and 2023

**Note N--Bonds and Notes Payable, net**

Bonds and notes payable, net consist of the following:

	June 30	
	2024	2023
City of Columbia, Kentucky Educational Development Revenue Bonds:		
Series 2021	\$ 4,295,000	\$ 4,745,000
Series 2019	11,150,000	11,930,000
College Hill note *	134,020	155,118
<b>Subtotal</b>	15,579,020	16,830,118
Plus unamortized bond premium, net of accumulated amortization of \$271,267 (2024) and \$292,899 (2023)	1,104,577	1,082,945
Less unamortized debt issuance costs, net of accumulated amortization of \$103,316 (2024) and \$73,846 (2023)	(358,477)	(387,947)
<b>Total Bonds and Notes Payable, net</b>	<b>\$ 16,325,120</b>	<b>\$ 17,525,116</b>

\* Related party transaction, see Note O

Series 2021 City Bonds--Series 2021 City bonds were issued in September 2021 and are due in annual principal installments ranging from \$425,000 to \$615,000, with a final maturity on December 1, 2031. Interest is payable semi-annually. Serial bonds were issued with a coupon of 4% at a price ranging from \$104,196 to \$119,443. The bonds are collateralized by general revenues and certain property, primarily on the main campus of the College. The proceeds were used to refinance the 2011 County Bonds.

Series 2019 City Bonds--Series 2019 City bonds were issued in June 2019 and are due in annual principal installments ranging from \$735,000 to \$1,965,000, with a final maturity on December 1, 2033. Interest is payable semi-annually. Three terms were issued: December 1, 2024 with a 3% coupon at a price of 100, December 1, 2028 with a 3.25% coupon at a price of \$98,242, and December 1, 2033 with a 5% coupon at \$110,158. The bonds are collateralized by general revenues and certain property, primarily on the main campus of the College.

Continued

Notes to Consolidated Financial Statements--Continued

**Lindsey Wilson College, Inc. and Affiliate**

June 30, 2024 and 2023

**Note N--Bonds and Notes Payable, net--Continued**

College Hill Note--The College entered into an agreement to purchase an apartment building from the Chancellor and his wife. The sellers financed the mortgage at a 2.51% fixed rate with a final maturity of April 2030. Upon the death of the latter of the Chancellor or his wife, the debt will be considered paid in full. The College is paying the same amount in principal and interest payments as when it was leasing the apartments.

The College's interest rates are fixed for the life of the bonds and the mortgage.

Future Maturities--Aggregate principal maturities of bonds and notes payable are as follows:

<u>Year Ending June 30</u>	<u>Bonds Payable</u>	<u>Notes Payable</u>	<u>Total</u>
2025	\$ 1,270,000	\$ 21,634	\$ 1,291,634
2026	1,315,000	22,183	1,337,183
2027	1,360,000	22,746	1,382,746
2028	1,410,000	23,324	1,433,324
2029	1,460,000	23,916	1,483,916
2030 and Thereafter	8,630,000	20,217	8,650,217
	<u>\$ 15,445,000</u>	<u>\$ 134,020</u>	<u>\$ 15,579,020</u>

The above bonds contain various debt covenants, including the maintenance of certain financial ratios. As of June 30, 2024 and 2023, the College was in compliance with these covenants.

**Note O--Related Party Transactions**

In June 2022, the College purchased apartments owned by the Chancellor of the College for \$307,385. A down payment of \$130,000 was made with a house that was owned by the College which was transferred to the Chancellor. The College carries a note due to the Chancellor with the last principal and interest payment due April 2030. The interest rate of the note is 2.51%. Total payments each year equal \$24,750. Upon the death of the latter of the Chancellor or his wife, the debt will be considered paid in full. If either the Chancellor or his wife should still be alive in May 2030, the payments shall continue until the last day of the month in which the latter of them shall die.

Continued



Notes to Consolidated Financial Statements--Continued

**Lindsey Wilson College, Inc. and Affiliate**

June 30, 2024 and 2023

**Note O--Related Party Transactions--Continued**

The President of the College is a participant in the Executive Benefit Plan (split dollar life insurance). Premium payments made into the life insurance policies are deemed as loans from the College to the President. All premiums paid to the policy must be repaid from the applicable insurance policy. Therefore, the College is entitled to receive from the death benefit proceeds an amount equal to all premiums paid to the policy plus accrued interest. The value of the loan receivable was \$860,849 and \$782,683 as of June 30, 2024 and 2023, respectively, and it is included in other assets in the consolidated statements of financial position.

**Note P--Retirement Plan**

The College has a retirement plan for the benefit of all eligible employees through a contract with the Teachers Insurance and Annuity Association of America. Retirement plan contributions are based on a specific percentage of each employee's annual salary and are funded as they accrue. Total cost to the College under the defined contribution plan was approximately \$728,000 and \$681,000 for the fiscal years ended June 30, 2024 and 2023, respectively

**Note Q--Contributed Nonfinancial Assets**

Contributed nonfinancial assets recognized within the accompanying consolidated statements of activities included:

	<b>Year Ended June 30</b>	
	<b>2024</b>	<b>2023</b>
Books	\$ 162	\$ 4,080
Clothing	334	1,192
Equipment	9,690	550
Food	634	1,199
Furniture	3,122	
Service fees	9,554	4,074
Property	623,000	
Miscellaneous items	1,122	1,245
<b>Total</b>	<b>\$ 647,618</b>	<b>\$ 12,340</b>

Continued

## Notes to Consolidated Financial Statements--Continued

### Lindsey Wilson College, Inc. and Affiliate

June 30, 2024 and 2023

#### Note Q--Contributed Nonfinancial Assets--Continued

The College recognized contributed nonfinancial assets within revenue and unless otherwise noted, there were no donor-imposed restrictions.

Contributed books were used in the College's library and classrooms. The clothing was used in the College's Career Closet and for community development. The donated equipment was used in athletics and the music department. Food was used to feed students and employees. Furniture was used in offices. Miscellaneous items were used in a variety of areas across the College. Two properties were donated for general use and one property was donated for the endowment (with donor-imposed restrictions). Services include employee use of personal telecommunication plans and professional services for work performed on the main campus. Travel was used to support professional development and community development.

The College estimated the fair value on the basis of estimates of wholesale values that would be received for selling similar products or services in the United States and for properties the value was based on appraisals the College obtained.

On August 30, 2024, the College sold at a profit, a property donated during the year, which is presented as an asset held for sale on the consolidated statement of financial position as of June 30, 2024.

#### Note R--Employee Retention Credit

The College believes it met the conditions for the Employee Retention Credit ("ERC") established by the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") and was able to determine eligibility, calculate the credit, and filed the 941-X forms with the Internal Revenue Service in fiscal year ended June 30, 2023. The credits applied for by the College totaled \$7,943,169. As of the date of the issuance of these financial statements, the College has received refunds of \$5,500,401 along with \$481,441 of interest for six quarters from 2020 and 2021.

The remaining quarter in 2021 for which a refund was applied and has not been received totals \$2,442,768. Management of the College believes it is appropriate to record this credit as revenue once collected. Consulting fees related to performing the ERC determination and calculations totaled \$825,060 for the year ended June 30, 2023.

Laws and regulations concerning government programs, including the ERC, are complex and subject to varying interpretations. Claims made under the CARES Act may also be subject to retroactive audit and review for a period up to five years. There can be no assurance that regulatory authorities will not challenge the College's claim to the ERC, and it is not possible to determine the impact, if any, this would have upon the College.