



# **Kansas Wesleyan University and Foundation**

## **Independent Auditor's Report and Combined Financial Statements**

**June 30, 2023 and 2022**

# Kansas Wesleyan University and Foundation

## June 30, 2023 and 2022

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## Independent Auditor's Report

Board of Trustees  
Kansas Wesleyan University and Foundation  
Salina, Kansas

### Report on the Audit of the Combined Financial Statements

#### *Opinion*

We have audited the combined financial statements of Kansas Wesleyan University and Foundation, which comprise the combined statements of financial position as of June 30, 2023 and 2022, and the related combined statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the combined financial statements.

In our opinion, the accompanying combined financial statements referred to above present fairly, in all material respects, the combined financial position of Kansas Wesleyan University and Foundation as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinion*

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the combined Financial Statements" section of our report. We are required to be independent of the Kansas Wesleyan University and Foundation, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

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

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

### ***Auditor's Responsibilities for the Audit of the Combined Financial Statements***

Our objectives are to obtain reasonable assurance about whether the combined financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the combined financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the combined 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 combined 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 Kansas Wesleyan University and Foundation'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 combined financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Kansas Wesleyan University and Foundation's ability to continue as a going concern for a reasonable period of time.

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

### ***Supplementary Information***

Our audits were conducted for the purpose of forming an opinion on the combined financial statements as a whole. The schedule of expenditures of federal awards as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the U.S. Department of Education Financial Responsibility Supplemental Schedule, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the combined financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2023, on our consideration of Kansas Wesleyan University and Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Kansas Wesleyan University and Foundation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Kansas Wesleyan University and Foundation's internal control over financial reporting and compliance.

**FORVIS,LLP**

Wichita, Kansas  
December 20, 2023

**Kansas Wesleyan University and Foundation**  
**Combined Statements of Financial Position**  
**June 30, 2023 and 2022**

	<b>2023</b>	<b>2022</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 4,821,037	\$ 4,481,785
Investments	3,966,914	1,735,744
Accounts receivable, less allowance for uncollectible accounts of \$112,761 and \$112,761 in 2023 and 2022	567,250	126,863
Unconditional promises to give, net	1,565,487	3,319,549
Notes receivable, net	372,452	406,106
Cash and investments restricted for long-term purposes	24,969,610	22,866,290
Beneficial interest in perpetual trusts	16,087,607	14,384,600
Property and equipment, net	38,115,235	37,190,662
Other assets	222,757	423,163
Total assets	<b>\$ 90,688,349</b>	<b>\$ 84,934,762</b>
 <b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 843,990	\$ 1,241,361
Deposits, advance enrollments and other	16,536	17,786
Deposits held in custody for others	338,393	495,133
Federal contribution to loan program	482,816	482,816
Bonds payable less unamortized debt issuance costs of \$207,399 and \$106,528 in 2023 and 2022	4,715,210	3,049,772
Liability for future annuity payments	-	54,618
Total liabilities	6,396,945	5,341,486
 <b>Net Assets</b>		
Without donor restrictions	32,313,021	34,523,950
With donor restrictions	51,978,383	45,069,326
Total net assets	84,291,404	79,593,276
Total liabilities and net assets	<b>\$ 90,688,349</b>	<b>\$ 84,934,762</b>

**Kansas Wesleyan University and Foundation**  
**Combined Statements of Activities**  
**Years Ended June 30, 2023 and 2022**

	<b>2023</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Revenues, Gains and Other Support</b>			
Educational and general			
Tuition and fees	\$ 10,939,605	\$ -	\$ 10,939,605
Gifts and bequests	701,868	5,100,278	5,802,146
Governmental grants	652,949	-	652,949
Investment return, net	157,857	3,990,011	4,147,868
Other	413,543	-	413,543
Total educational and general	<u>12,865,822</u>	<u>9,090,289</u>	<u>21,956,111</u>
Auxiliary enterprises income	5,339,375	-	5,339,375
Total revenues and gains	<u>18,205,197</u>	<u>9,090,289</u>	<u>27,295,486</u>
Net assets released from restrictions	<u>2,181,232</u>	<u>(2,181,232)</u>	<u>-</u>
Total revenues, gains and other support	<u>20,386,429</u>	<u>6,909,057</u>	<u>27,295,486</u>
<b>Expenses and Losses</b>			
Educational and general			
Instructional	4,553,453	-	4,553,453
Academic support	984,379	-	984,379
Student services	2,084,508	-	2,084,508
Athletics	3,620,039	-	3,620,039
Institutional support	4,123,610	-	4,123,610
Operation and maintenance of plant	2,478,762	-	2,478,762
Other expenses	108,887	-	108,887
Loss on disposal of property	-	-	-
Fundraising	757,603	-	757,603
Total educational and general	<u>18,711,241</u>	<u>-</u>	<u>18,711,241</u>
Auxiliary enterprises	<u>3,886,117</u>	<u>-</u>	<u>3,886,117</u>
Total expenses	<u>22,597,358</u>	<u>-</u>	<u>22,597,358</u>
<b>Change in Net Assets</b>	(2,210,929)	6,909,057	4,698,128
<b>Net Assets, Beginning of Year</b>	<u>34,523,950</u>	<u>45,069,326</u>	<u>79,593,276</u>
<b>Net Assets, End of Year</b>	<u>\$ 32,313,021</u>	<u>\$ 51,978,383</u>	<u>\$ 84,291,404</u>

<b>2022</b>		
<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
\$ 9,456,127	\$ -	\$ 9,456,127
530,093	8,138,644	8,668,737
3,529,739	-	3,529,739
22,361	(4,042,320)	(4,019,959)
100,142	-	100,142
<u>13,638,462</u>	<u>4,096,324</u>	<u>17,734,786</u>
4,907,508	-	4,907,508
<u>18,545,970</u>	<u>4,096,324</u>	<u>22,642,294</u>
<u>3,252,525</u>	<u>(3,252,525)</u>	<u>-</u>
<u>21,798,495</u>	<u>843,799</u>	<u>22,642,294</u>
4,519,919	-	4,519,919
943,526	-	943,526
2,022,756	-	2,022,756
3,574,518	-	3,574,518
5,150,000	-	5,150,000
1,481,293	-	1,481,293
99,572	-	99,572
573,226	-	573,226
724,957	-	724,957
<u>19,089,767</u>	<u>-</u>	<u>19,089,767</u>
<u>3,761,211</u>	<u>-</u>	<u>3,761,211</u>
<u>22,850,978</u>	<u>-</u>	<u>22,850,978</u>
(1,052,483)	843,799	(208,684)
<u>35,576,433</u>	<u>44,225,527</u>	<u>79,801,960</u>
<u>\$ 34,523,950</u>	<u>\$ 45,069,326</u>	<u>\$ 79,593,276</u>

**Kansas Wesleyan University and Foundation**  
**Combined Statements of Functional Expenses**  
**June 30, 2023 and 2022**

	2023									
	Instructional	Academic Support	Student Services	Athletics	Institutional Support	Operation and Maintenance of Plant	Other	Fund Raising	Auxiliary Enterprise	Total
Professional services	\$ 4,031	\$ 33	\$ 140,596	\$ 90,466	\$ 656,691	\$ -	\$ -	\$ 26,386	\$ 12,621	\$ 930,824
Advertising and recruiting	12,908	-	47,548	93,275	105,675	-	-	12,683	-	272,089
Bad debt	-	-	-	-	56,177	-	-	-	-	56,177
Computer software	15,436	80,617	9,971	57,986	238,751	-	-	18,683	1,180	422,624
Training	152,349	2,147	17,597	171,615	3,514	37	-	407	52	347,718
Library	-	-	-	-	-	-	-	-	181,510	181,510
Printing and postage	36,280	28,240	70,254	18,616	89,995	1,558	-	25,194	7,434	277,571
Depreciation	-	-	-	-	-	1,583,692	-	-	300,297	1,883,989
Dues and fees	51,180	16,121	16,631	116,576	69,097	-	-	7,520	-	277,125
Furniture and equipment	86,233	2,382	11,576	5,104	214,505	17,714	-	5,223	26,549	369,286
Insurance and taxes	-	-	1,791	128,143	876,938	128	-	-	185	1,007,185
Travel	24,146	138,821	59,847	101,570	30,456	-	-	4,195	-	359,035
Meals	20,078	5,049	19,462	128,400	33,572	68	-	31,841	1,877,392	2,115,862
Repairs and maintenance	5,591	-	10,608	15,669	17,354	198,381	-	100	331,368	579,071
Other	41,459	17,346	92,782	20,694	128,246	4,062	108,887	6,410	(43,512)	376,374
Rentals	-	6,936	4,554	60,216	34,146	1,926	-	506	2,769	111,053
Salary and benefits	4,063,993	657,478	1,289,369	2,103,443	1,482,356	421,849	-	585,012	619,002	11,222,502
Security	-	-	204,828	-	-	6,061	-	-	6,544	217,433
Supplies	36,941	29,209	50,471	341,138	16,477	5,733	-	29,017	8,957	517,943
Telephone	2,082	-	15,474	3,160	69,660	87	-	4,426	124	95,013
Utilities	379	-	-	-	-	237,466	-	-	553,645	791,490
Vehicle leases	367	-	21,149	163,968	-	-	-	-	-	185,484
	<u>\$ 4,553,453</u>	<u>\$ 984,379</u>	<u>\$ 2,084,508</u>	<u>\$ 3,620,039</u>	<u>\$ 4,123,610</u>	<u>\$ 2,478,762</u>	<u>\$ 108,887</u>	<u>\$ 757,603</u>	<u>\$ 3,886,117</u>	<u>\$ 22,597,358</u>

**Kansas Wesleyan University and Foundation**  
**Combined Statements of Functional Expenses**  
**June 30, 2023 and 2022**

	2022									
	Instructional	Academic Support	Student Services	Athletics	Institutional Support	Operation and Maintenance of Plant	Other	Fund Raising	Auxiliary Enterprise	Total
Professional services	\$ 4,609	\$ 30,199	\$ 90,877	\$ 92,675	\$ 437,913	\$ -	\$ -	\$ 84,159	\$ 18,702	\$ 759,134
Advertising and recruiting	8,541	300	78,991	137,260	165,636	-	-	7,799	-	398,527
Bad debt	-	-	-	-	128,365	-	-	-	-	128,365
Computer software	34,824	26,103	18,760	27,899	238,809	-	-	16,900	1,020	364,315
Training	143,162	2,378	7,919	204,290	2,744	73	-	3,671	104	364,341
Library	-	-	-	-	-	-	-	-	65,114	65,114
Printing and postage	28,267	23,623	135,549	16,128	68,028	1,493	-	62,347	5,828	341,263
Depreciation	-	-	-	-	22,417	640,543	-	-	977,807	1,640,767
Dues and fees	56,017	46,166	12,397	129,803	75,711	-	-	1,880	-	321,974
Furniture and equipment	25,931	944	9,120	15,582	205,418	8,005	1,448	437	8,927	275,812
Insurance and taxes	-	-	85	138,205	717,504	107	-	-	153	856,054
Travel	20,056	131,181	29,878	198,933	26,244	37	-	8,723	-	415,052
Meals	10,119	12,768	51,233	154,737	36,827	147	-	26,032	1,438,982	1,730,845
Repairs and maintenance	7,598	-	-	59,385	36,091	261,943	-	44	278,779	643,840
Other	142,203	9,774	94,869	(11,408)	115,463	13,605	98,124	2,335	(21,676)	443,289
Rentals	4,280	6,196	1,030	63,347	24,019	3,390	-	1,520	4,780	108,562
Salary and benefits	4,006,915	639,088	1,175,291	1,763,394	1,434,896	374,953	-	470,127	550,849	10,415,513
Loss on disposal of property	-	-	-	-	-	573,226	-	-	-	573,226
Security	-	256	173,116	-	-	2,953	-	-	3,985	180,310
Supplies	23,569	14,549	67,157	469,592	21,500	(39)	-	35,274	169	631,771
COVID	-	-	43,231	103	1,314,541	1,961	-	-	-	1,359,836
Telephone	1,170	1	11,250	3,945	75,292	63	-	3,138	90	94,949
Utilities	1,863	-	1,019	-	-	172,059	-	-	427,598	602,539
Vehicle leases	795	-	20,984	110,648	2,582	-	-	571	-	135,580
	<u>\$ 4,519,919</u>	<u>\$ 943,526</u>	<u>\$ 2,022,756</u>	<u>\$ 3,574,518</u>	<u>\$ 5,150,000</u>	<u>\$ 2,054,519</u>	<u>\$ 99,572</u>	<u>\$ 724,957</u>	<u>\$ 3,761,211</u>	<u>\$ 22,850,978</u>

**Kansas Wesleyan University and Foundation**  
**Combined Statements of Cash Flows**  
**June 30, 2023 and 2022**

	<b>2023</b>	<b>2022</b>
<b>Operating Activities</b>		
Change in net assets	\$ 4,698,128	\$ (208,684)
Items not requiring (providing) operating cash flows		
Depreciation of property, plant and equipment	1,883,989	1,640,767
Loss on disposal of property	-	573,226
Amortization of bond issuance costs	8,526	8,532
Realized and unrealized (gains) losses on investments, net	(3,652,230)	4,412,916
Gifts and bequests restricted for long-term investments and acquisition of long-lived assets	(1,172,832)	(4,311,393)
Changes in		
Accounts receivable	(440,387)	102,429
Unconditional promises to give	166,222	(479,700)
Notes receivable	33,654	164,686
Other assets	200,406	(113,590)
Accounts payable and accrued expenses	(397,371)	6,100
Deposits, advance enrollments and other	(1,250)	(56,301)
Net cash provided by operating activities	1,326,855	1,738,988
<b>Investing Activities</b>		
Purchases of investments	(2,197,729)	(1,380,946)
Proceeds from sales of investments	466,728	655,068
Purchase of property, plant and equipment	(2,808,562)	(2,738,254)
Net cash used in investing activities	(4,539,563)	(3,464,132)
<b>Financing Activities</b>		
Debt issuance costs paid	(104,991)	-
Proceeds from issuance of bond payable	2,121,903	-
Principal payments of bonds payable	(360,000)	(372,000)
Payments on liability for future annuity payments	(54,618)	-
Proceeds from gifts and bequests restricted for long-term investment and acquisition of long-lived assets	2,106,406	3,003,685
Decrease in refundable government loan program	-	62,161
Change in deposits held in custody for others	(156,740)	37,548
Net provided by financing activities	3,551,960	2,731,394
<b>Increase in Cash and Cash Equivalents</b>	339,252	1,006,250
<b>Cash and Cash Equivalents, Beginning of Year</b>	4,481,785	3,475,535
<b>Cash and Cash Equivalents, End of Year</b>	\$ 4,821,037	\$ 4,481,785
<b>Supplemental Disclosure of Cash Flow Information</b>		
Interest paid	\$ 104,325	\$ 87,222

# **Kansas Wesleyan University and Foundation**

## **Notes to Combined Financial Statements**

### **June 30, 2023 and 2022**

#### **Note 1: Nature of Operations and Summary of Significant Accounting Policies**

##### ***Nature of Operations***

Kansas Wesleyan University (a Kansas nonprofit organization) is an accredited liberal arts university situated in Salina, Kansas, and affiliated with The United Methodist Church.

The Kansas Wesleyan University Foundation (the “Foundation”) (a Kansas nonprofit organization) is a foundation established to receive, invest and disburse amounts for the benefit of Kansas Wesleyan University and institutions related to, affiliated with and cooperating with Kansas Wesleyan University. The Foundation’s assets along with certain other assets are presented as an endowment fund of Kansas Wesleyan University (see *Note 9*). The financial statements of the Foundation are combined with the financial statements of Kansas Wesleyan University (collectively the “University”). All significant balances and transactions between these organizations have been eliminated in the combination.

The bylaws of the Foundation state that the Foundation Trustees shall be elected by the Foundation Board. The Chairperson of the University Board of Trustees and the President of Kansas Wesleyan University shall serve as ex-office Foundation Trustees without vote. Kansas Wesleyan University has an economic interest in the net assets of the Foundation; however, Kansas Wesleyan University does not control the Foundation. Combined financial statements are presented in accordance with accounting guidance and the Boards of Trustees of Kansas Wesleyan University and the Foundation determined that presenting combined financial statements of Kansas Wesleyan University and the Foundation is most meaningful to the readers of the financial statements.

##### ***Principles of Combination***

The combined financial statements include the accounts of the University and the Foundation. All significant intercompany accounts and transactions have been eliminated in combination.

##### ***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

# **Kansas Wesleyan University and Foundation**

## **Notes to Financial Statements**

**June 30, 2023 and 2022**

### ***Cash and Cash Equivalents***

For the purposes of the statement of cash flows, the University considers all cash and other highly liquid investments with original maturities of three months or less to be cash equivalents.

Uninvested cash and cash equivalents included in investment accounts, including endowment accounts and assets limited to uses are not considered to be cash and cash equivalents. Deposit accounts restricted internally by the Board are considered to be cash and cash equivalents. At June 30, 2023, the University's cash accounts exceeded federally insured limits by approximately \$3,630,000.

### ***Investments, Net Investment Return, and Cash and Investments Restricted for Long-Term Purposes***

Investments in equity securities having a readily determinable fair value and in all debt securities are carried at fair value. Other investments are valued at the lower of cost or fair value. Investment return includes dividend, interest and other investment income; realized and unrealized gains and losses on investments carried at fair value; and realized gains and losses on other investments, less external and direct internal investment expenses.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in net assets without donor restrictions. Other investment return is reflected in the statements of activities with or without donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.

### ***Accounts Receivable***

Student accounts receivable are stated at the amount of consideration from students and third parties of which the University has an unconditional right to receive plus any accrued and unpaid interest. The College provides an allowance for doubtful accounts, which is based upon a review of outstanding receivables, historical collection information and existing economic conditions.

Tuition is generally due at the beginning of the semester unless the student has signed a payment plan. Charges that are past due without payments for six consecutive months, have had no response to the due diligence process and are assigned to third-party collection agencies are considered delinquent. Delinquent receivables are written off based on individual credit evaluation and specific circumstances of the student.

### ***Notes Receivable***

Notes receivable include amounts due under the Federal Perkins Loan Program which are stated at the outstanding principal amount, net of an allowance for uncollectible accounts. Loans are made to students based on demonstrated financial need and satisfaction of federal eligibility requirements for the Federal Perkins Loan Program. Principal and interest payments on loans generally do not commence until after the borrower graduates or otherwise ceases enrollment. The University provides an allowance for uncollectible accounts, which is based upon a review of outstanding

# Kansas Wesleyan University and Foundation

## Notes to Financial Statements

June 30, 2023 and 2022

loans, historical collection information and existing economic conditions. Interest income is recorded as received which is not materially different from the amount that would have been recognized on the accrual basis. Loans that are past due for at least one payment are considered delinquent. Delinquent loans are written off based on individual credit evaluation and specific circumstances of the student.

### ***Property and Equipment***

Purchases of property, plant and equipment are capitalized at cost. Additions and betterments of \$2,500 or more are capitalized, while maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently. Donated assets are capitalized at fair value when received.

Depreciation expense is determined using the straight-line method over the estimated useful life of each depreciable asset as follows:

Land improvements	10-40 years
Buildings and improvements	10-40 years
Equipment and furnishings	10 years
Vehicles	5 years

### ***Long-lived Asset Impairment***

The University evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

No asset impairment was recognized during the years ended June 30, 2023 and 2022.

### ***Beneficial Interest in Perpetual Trusts***

The University is a beneficiary of certain irrevocable trusts held by third parties where the trustees have no discretion regarding the beneficiaries' participation in the trusts. The University's proportionate share of the fair value of the trusts, which approximates the net present value of the estimated future cash flows receivable by the University, is reported as an asset and as contribution revenue at the formation of the trusts.

Annual income distributions from the trusts are recognized as investment income in the appropriate net asset classification in accordance with the restrictions of the trusts. Changes in the University's proportionate share of the fair value of the trusts are reported as unrealized gains (losses) in the appropriate net asset classification in accordance with the restrictions of the trusts, generally as donor restricted net assets.

# **Kansas Wesleyan University and Foundation**

## **Notes to Financial Statements**

**June 30, 2023 and 2022**

### ***Charitable Gift Annuities***

The University has entered into annuity agreements whereby in exchange for a gift from donors, the University is obligated to make fixed annual payments to the donors or other designated beneficiaries during their lifetime. The assets received and annuity liabilities are recognized at fair value at inception. The fair value of the liability at inception is estimated based on the actuarial present value of the payments expected to be made. In subsequent periods, the annuity liability is reduced by payments and adjusted for amortization of the discount and changes in life expectancy of the beneficiary.

### ***Bond Issuance Costs***

Bond issuance costs represent costs incurred in connection with the issuance of long-term debt. The University records these costs as direct deductions from the related debt. Such costs are being amortized over the term of the respective debt using the effective interest method.

### ***Net Assets***

Net assets, revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions.

Net assets without donor restrictions are available for use in general operations and not subject to donor restrictions.

Net assets with donor restrictions are subject to donor restrictions. Some restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

### ***Tuition and Auxiliary Services Revenue***

Tuition revenue is recognized over the term of the semester as the University provides services to students. Revenue is reported at the amount of consideration which the University expects to be entitled in exchange for providing tuition and auxiliary services. The University determines the transaction price based on standard charges for goods and services provided, reduced by discounts provided for scholarships and other price concessions provided to students.

**Kansas Wesleyan University and Foundation**  
**Notes to Financial Statements**  
**June 30, 2023 and 2022**

**Contributions**

Contributions are provided to the University either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions. The value recorded for each contribution is recognized as follows:

<b>Nature of the Gift</b>	<b>Value Recognized</b>
<i>Conditional gifts, with or without restriction</i>	
Gifts that depend on the University overcoming a donor-imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, <i>i.e.</i> the donor-imposed barrier is met
<i>Unconditional gifts, with or without restriction</i>	
Received at date of gift – cash and other assets	Fair value
Received at date of gift – property, equipment and long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present-value discount is amortized using the level-yield method.

When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment and other long-lived assets are reported when those assets are placed in service.

Gifts and investment income having donor stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets without donor restrictions.

Conditional contributions having donor stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets without donor restrictions.

# **Kansas Wesleyan University and Foundation**

## **Notes to Financial Statements**

### **June 30, 2023 and 2022**

#### ***Government Grants***

Support funded by grants is recognized as the University meets the conditions prescribed by the grant agreement, performs the contracted services or incurs outlays eligible for reimbursement under the grant agreements. Grant activities and outlays are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

#### ***Federal Contribution to Loan Program***

The federal contribution to loan program liability includes advances from the U.S. government under the Federal Perkins Loan Program and the program's cumulative net income (loss), as these funds are ultimately refundable to the U.S. Department of Education.

#### ***Self-Insurance***

The University has elected to self-insure certain costs related to employee health benefit programs beginning in the year ending June 30, 2022. The self-insured plan is administered by the Kansas Independent College Association, of which the University is a member institution. The self-insured plan has insurance that limits exposure for individual claims to \$100,000 and limits aggregate exposure to \$14,500,000. The aggregate limit is for the entire plan, the University's potential exposure is dependent upon timing of claims made by other plan participants. The liability for insurance claims incurred but not received at June 30, 2023 and 2022, was immaterial to the financial statements.

#### ***Income Taxes***

The University is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and a similar provision of state law. The University annually evaluates tax positions taken with regard to unrelated business income, related deductions applied, or other activities that may jeopardize its tax-exempt status and thus would meet the definition of an uncertain tax position. The University recognizes the financial statement benefit of a tax position only after determining the relevant taxing authority would more likely than not sustain the position following an audit. The University has concluded that there are no uncertain tax positions taken that would require recognition of a liability or disclosure in the financial statements. The University recognizes interest and penalties on tax assessments as other expenses within the statement of activities.

#### ***Functional Allocation of Expenses***

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statement of activities. The statements of functional expense present the natural classification detail of expenses by function. Certain costs have been allocated among the program and fund-raising categories based on staff time studies and other methods.

**Kansas Wesleyan University and Foundation**  
**Notes to Financial Statements**  
**June 30, 2023 and 2022**

***Reclassification***

A reclassification between tuition and fees and governmental grants was made to the 2022 combined statement of activities to conform to the 2023 statement of activities presentation. The reclassification had no effect on change in net assets.

**Note 2: Investments and Investment Return**

Investments and cash and investments restricted for long-term purposes at June 30, 2023 and 2022, consist of the following:

	<b>2023</b>	<b>2022</b>
Carried at cost		
Cash	\$ 1,002,477	\$ 180,281
Certificates of deposit	68,063	67,721
	1,070,540	248,002
Carried at net asset value		
Money market funds	3,301,323	1,671,029
Carried at fair value		
Equity securities	-	2,500,029
Equity mutual funds	18,236,628	13,430,995
Fixed income mutual funds	5,940,804	3,477,888
U.S. Government and agency securities	-	813,078
Corporate bonds	-	950,770
Municipal bonds	387,229	1,510,243
	24,564,661	22,683,003
	\$ 28,936,524	\$ 24,602,034

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.

**Kansas Wesleyan University and Foundation**  
**Notes to Financial Statements**  
**June 30, 2023 and 2022**

Investments and cash and investments restricted for long-term purposes are included in the following captions on the Statement of Financial Position.

	<u>2023</u>	<u>2022</u>
Investments	\$ 3,966,914	\$ 1,735,744
Cash and investments restricted for long-term purposes	<u>24,969,610</u>	<u>22,866,290</u>
	<u>\$ 28,936,524</u>	<u>\$ 24,602,034</u>

Investment return for the year ended June 30 includes:

	<u>2023</u>	<u>2022</u>
Investments - Net realized and unrealized gains (losses)	\$ 2,603,489	\$ (3,976,589)
Beneficial interest in perpetual trusts - Net realized and unrealized gains (losses)	965,515	(436,329)
Interest and dividends	<u>578,864</u>	<u>392,959</u>
Net investment return (loss)	<u>\$ 4,147,868</u>	<u>\$ (4,019,959)</u>

Investments as of June 30 valued using net asset value per share, have the following liquidity restrictions:

	<u>Fair Value</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
June 30, 2023			
Money market fund (A)	\$ 3,301,323	Daily	None
June 30, 2022			
Money market fund (A)	\$ 1,671,029	Daily	None

- (A) This fund seeks to maintain liquidity with as high of a level of current income that is consistent with preservation of capital. The fund invests primarily in short-term, high-quality, fixed-income securities issued by banks, corporations and the U.S. government, rated in the highest short-term category or of comparable quality.

**Kansas Wesleyan University and Foundation**  
**Notes to Financial Statements**  
**June 30, 2023 and 2022**

**Note 3: Disclosures About Fair Value of Assets**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

**Recurring Measurements**

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2023 and 2022:

	<b>Fair Value</b>	<b>Fair Value Measurements Using</b>		
		<b>Quoted Prices in Active Markets for Identical Assets Level 1</b>	<b>Significant Other Observable Inputs Level 2</b>	<b>Significant Unobservable Inputs Level 3</b>
<b>June 30, 2023</b>				
Investments				
Equity mutual funds	\$ 18,236,628	\$ 18,236,628	\$ -	\$ -
Fixed income mutual funds	5,940,804	5,940,804	-	-
Municipal bonds	387,229	-	387,229	-
	<u>24,564,661</u>	<u>24,177,432</u>	<u>387,229</u>	<u>-</u>
Beneficial interests in perpetual trusts	<u>16,087,607</u>	<u>-</u>	<u>-</u>	<u>16,087,607</u>
Total investments in the fair value hierarchy	<u>\$ 40,652,268</u>	<u>\$ 24,177,432</u>	<u>\$ 387,229</u>	<u>\$ 16,087,607</u>

**Kansas Wesleyan University and Foundation**  
**Notes to Financial Statements**  
**June 30, 2023 and 2022**

	Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
<b>June 30, 2022</b>				
Investments				
Equity securities	\$ 2,500,029	\$ 2,500,029	\$ -	\$ -
Equity mutual funds	13,430,995	13,430,995	-	-
Fixed income mutual funds	3,477,888	3,477,888	-	-
U.S. government and agency securities	813,078	-	813,078	-
Corporate bonds	950,770	-	950,770	-
Municipal bonds	1,510,243	-	1,510,243	-
	<u>22,683,003</u>	<u>19,408,912</u>	<u>3,274,091</u>	<u>-</u>
Beneficial interests in perpetual trusts	<u>14,384,600</u>	<u>-</u>	<u>-</u>	<u>14,384,600</u>
Total investments in the fair value hierarchy	<u>\$ 37,067,603</u>	<u>\$ 19,408,912</u>	<u>\$ 3,274,091</u>	<u>\$ 14,384,600</u>

Following is a description of the valuation methodologies and inputs used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying statements of financial position, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended June 30, 2023. For assets classified within Level 3 of the fair value hierarchy, the process used to develop the reported fair value is described below.

***Investments***

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.

**Kansas Wesleyan University and Foundation**  
**Notes to Financial Statements**  
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***Beneficial Interests in Perpetual Trusts***

The University has beneficial interests in perpetual trusts administered by third parties. The income earned from these trusts is available for institutional purposes as determined by donor restrictions. Under the terms of the trusts and subject to applicable laws and regulations, the trustee annually determines the estimated total return of the trusts for the next year and distributes those earnings to the University. Because the estimated total return is used to determine the distribution, a portion of the principal of the trust may be received incidentally. Beneficial interests are recognized in the financial statements as the University's proportionate share of the estimated fair value of the beneficial interest. The University uses quoted market prices, interest rates, yield curves and unobservable inputs including the present value calculation of expected future distributions to estimate the fair value of the beneficial interests in perpetual trusts.

Estimates of fair value involve assumptions and estimation methods that are uncertain and, therefore, the estimate could differ from actual results.

**Note 4: Unconditional Promises to Give, Net**

Unconditional promises to give consist of the following at June 30:

	<b>2023</b>	<b>2022</b>
Promises to give expected to be collected in		
Less than one year	\$ 559,406	\$ 2,089,672
One to five years	1,063,648	1,287,444
	1,623,054	3,377,116
Less: Discounts to net present value	(27,567)	(27,567)
Less: Allowance for uncollectible promises to give	(30,000)	(30,000)
Net conditional promises to give	\$ 1,565,487	\$ 3,319,549

Unconditional promises to give with due dates extending beyond one year are discounted at a rate of approximately 3%.

**Kansas Wesleyan University and Foundation**  
**Notes to Financial Statements**  
**June 30, 2023 and 2022**

**Note 5: Property and Equipment**

Property, plant and equipment, net consists of the following as of June 30:

	<u>2023</u>	<u>2022</u>
Land	\$ 126,600	\$ 98,014
Land improvements	679,518	767,797
Buildings	54,376,771	52,963,930
Equipment	5,474,703	6,722,219
Vehicles	154,386	186,186
Total property in service	<u>60,811,978</u>	<u>60,738,146</u>
Accumulated depreciation	(25,460,842)	(23,619,372)
Construction in progress	<u>2,764,099</u>	<u>71,888</u>
	<u>\$ 38,115,235</u>	<u>\$ 37,190,662</u>

**Note 6: Bonds Payable**

	<u>2023</u>	<u>2022</u>
Educational Facility Revenue Bonds Series 2020 (A)	\$ 2,800,706	\$ 3,156,300
Educational Facility Revenue Bonds Series 2022 (B)	<u>2,121,903</u>	<u>-</u>
	4,922,609	3,156,300
Less unamortized debt issuance costs	<u>207,399</u>	<u>106,528</u>
	<u>\$ 4,715,210</u>	<u>\$ 3,049,772</u>

- (A) On September 1, 2020, the Saline County, Kansas Educational Facility Revenue Bonds, Series 2020, were issued in the amount of \$3,662,000 for the purposes of refunding the Saline County, Kansas Education Facilities Revenue Bonds, Series 2012, and to finance the Energy Performance Project. Interest and principal payments began October 1, 2020. The bonds bear interest at 2.568% and mature on June 1, 2030.
- (B) On July 1, 2022, the Saline County, Kansas Educational Facilities Revenue Bonds, Series 2022, were issued in the amount of \$6,300,000 for the construction and improvement of certain educational facilities. At June 30, 2023, \$2,121,903 had been drawn on the bonds. Interest and principal payments are scheduled to begin June 1, 2024. The bonds bear interest at 4.64% and mature on June 1, 2037.

**Kansas Wesleyan University and Foundation**  
**Notes to Financial Statements**  
**June 30, 2023 and 2022**

Scheduled principal payments on the bonds payable at June 30, 2023, are as follows:

Year ending June 30,	
2024	\$ 518,000
2025	536,000
2026	551,000
2027	568,000
2028	588,000
Thereafter	<u>2,161,609</u>
	<u>\$ 4,922,609</u>

**Note 7: Revenue from Contracts with Students**

***Tuition and Auxiliary Services Revenue***

Revenue from contracts with students for tuition and auxiliary services is reported at the amount that reflects the consideration to which the University expects to be entitled in exchange for providing instruction and housing, food and other services. These amounts are due from students, third-party payers and others and includes variable consideration for scholarships.

Revenue is recognized as performance obligations are satisfied, which is ratably over the academic term. Generally, the University bills students prior to the beginning of the semester, and student accounts receivable are due in full by the first day of class.

The University maintains an institutional tuition refund policy, which provides for all or a portion of tuition to be refunded if a student withdrew during certain limited, stated refund periods. If a student withdraws at a time when only a portion, or none of the tuition is refundable, then in accordance with its revenue recognition policy, the University continues to recognize the tuition that is not refunded pro-rata over the applicable period of instruction. The University does not record revenue on amounts that may be refunded. However, for students that take out financial aid to pay their tuition and for which a return of such money to the Department of Education under Title IV is required as a result of his or her withdrawal, the University reassesses collectability for these students each semester for the estimated revenue that will be returned and recognizes the revenue in future periods when payment was received, if any.

Tuition and auxiliary services revenue are considered to be separate contracts.

# Kansas Wesleyan University and Foundation

## Notes to Financial Statements

### June 30, 2023 and 2022

#### ***Transaction Price and Recognition***

The University estimates the transaction price for students based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standards charged by any institutional scholarships and aid in accordance with the University's policies for granting certain merit-based aid. Subsequent changes that are determined to be the result of an adverse change in the student's ability to pay are recorded as bad debt expense.

From time to time the University will receive overpayments of student balances resulting in amounts owed back to either the students or third parties. These amounts are excluded from revenues and are recorded as liabilities until they are refunded. The University had no material liabilities for refunds to students as of June 30, 2023 and 2022.

The University has determined that the nature, amount, timing and uncertainty of revenue and cash flows are affected by the following factors:

- Payers (for example, customer, governmental programs and others) that have different reimbursement and payment methodologies
- Geography of the service location

The University has identified performance obligations associated with the provision of its educational instruction and other educational services, housing services, and other academic related services and used the output measure for recognition as the period of time over which the services are provided to students. The University has identified performance obligations such as book sales or certain merchandise sales and other ancillary activities and recognized revenue at the point in time goods or services are provided to its customers.

For the year ended June 30, 2023, the University recognized revenue of \$15,865,964, from goods and services that transfer to the student over time and \$826,559, from goods and services that transfer to the student at a point in time, respectively. For the year ended June 30, 2022, the University recognized revenue of \$14,095,420 from goods and services that transfer to the student over time and \$538,017, from goods and services that transfer to the student at a point in time, respectively.

During the year ended June 30, 2023, tuition and fee revenue totaling \$24,313,407 was reduced by scholarships totaling \$13,373,802 to calculate the total tuition and fees of \$10,939,605 as presented on the statement of activities. During the year ended June 30, 2022, tuition and fee revenue totaling \$22,721,016 was reduced by scholarships totaling \$13,264,889 to calculate the total tuition and fees of \$9,456,127 as presented on the statement of activities.

**Kansas Wesleyan University and Foundation**  
**Notes to Financial Statements**  
**June 30, 2023 and 2022**

***Contract Assets and Liabilities***

The University’s receivables represent unconditional rights to consideration from its contracts with students; accordingly, students are billed prior to the first day of the semester and the revenue recognition process has commenced. Once a student is invoiced, payment is due immediately unless some alternative payment plan is established by the student in limited circumstances. Included in each invoice to the student are all educational related items including tuition, net of scholarships, housing, educational materials, fees, etc. There were no contract assets at June 30, 2023 and 2022. The University’s contract liabilities are primarily deferred tuition and fees or student credit balances in the statements of financial position. Student credit balances and deposits in any period represent the excess of tuition, fees and other student payments received as compared to amounts recognized as revenue on the statement of activities and are reflected as liabilities in the accompanying statement of financial position.

**Note 8: Net Assets**

***Net Assets With Donor Restrictions***

Net assets with donor restrictions at June 30 are restricted for the following purposes or periods:

	<u><b>2023</b></u>	<u><b>2022</b></u>
Subject to expenditure for specified purpose		
Educational and general expenditures	\$ 517,232	\$ 412,345
Buildings	10,116,424	6,581,291
Endowments		
Beneficial interest in perpetual trusts	16,087,607	14,384,600
Foundation	<u>25,257,120</u>	<u>23,691,090</u>
	<u><u>\$ 51,978,383</u></u>	<u><u>\$ 45,069,326</u></u>

**Kansas Wesleyan University and Foundation**  
**Notes to Financial Statements**  
**June 30, 2023 and 2022**

**Net Assets Without Donor Restrictions**

Net assets without donor restrictions at June 30 have been designated for the following purposes:

	<b>2023</b>	<b>2022</b>
Undesignated	\$ (1,116,691)	\$ 378,844
Loans to students	29,687	4,216
Invested in property and equipment, net of related debt	33,400,025	34,140,890
	\$ 32,313,021	\$ 34,523,950

**Net Assets Released from Restrictions**

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

	<b>2023</b>	<b>2022</b>
Purpose restrictions accomplished		
Buildings	\$ 153,851	\$ 1,072,897
Educational program expenses	2,027,381	2,179,628
	\$ 2,181,232	\$ 3,252,525

**Note 9: Endowment**

The University's governing body is subject to the *Uniform Prudent Management of Institutional Funds Act* (UPMIFA). As a result, the University classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the governing body appropriates such amounts for expenditures. Most of those net assets also are subject to purpose restrictions that must be met before being reclassified as net assets without donor restrictions.

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

1. Duration and preservation of the fund
2. Purposes of the University and the fund
3. General economic conditions
4. Possible effect of inflation and deflation
5. Expected total return from investment income and appreciation or depreciation of investments
6. Other resources of the University
7. Investment policies of the University

# Kansas Wesleyan University and Foundation

## Notes to Financial Statements

June 30, 2023 and 2022

The University endowment consists of several individual funds established for a variety of purposes. The endowment includes both beneficial interest in perpetual trusts and donor-restricted endowment funds. As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The composition of net assets by type of endowment fund at June 30, 2023 and 2022, was:

	<b>2023</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Beneficial interest in perpetual trusts	\$ -	\$ 16,087,607	\$ 16,087,607
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	20,528,301	20,528,301
Accumulated investment gains	-	4,728,819	4,728,819
Endowment net assets, June 30, 2023	\$ -	\$ 41,344,727	\$ 41,344,727
	<b>2022</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Beneficial interest in perpetual trusts	\$ -	\$ 14,384,600	\$ 14,384,600
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	20,386,132	20,386,132
Accumulated investment gains	-	3,304,958	3,304,958
Endowment net assets, June 30, 2022	\$ -	\$ 38,075,690	\$ 38,075,690

**Kansas Wesleyan University and Foundation**  
**Notes to Financial Statements**  
**June 30, 2023 and 2022**

Changes in endowment net assets for the year ended June 30 are as follows:

	<b>2023</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Endowment net assets, July 1, 2022	\$ -	\$ 38,075,690	\$ 38,075,690
Contributions	-	796,435	796,435
Investment return, net	-	3,587,171	3,587,171
Appropriations	-	(1,114,569)	(1,114,569)
	<u>-</u>	<u>(1,114,569)</u>	<u>(1,114,569)</u>
Endowment net assets, June 30, 2023	<u>\$ -</u>	<u>\$ 41,344,727</u>	<u>\$ 41,344,727</u>

	<b>2022</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Endowment net assets, July 1, 2021	\$ -	\$ 41,700,624	\$ 41,700,624
Contributions	-	1,538,090	1,538,090
Investment return, net	-	(4,042,320)	(4,042,320)
Appropriations	-	(1,120,704)	(1,120,704)
	<u>-</u>	<u>(1,120,704)</u>	<u>(1,120,704)</u>
Endowment net assets, June 30, 2022	<u>\$ -</u>	<u>\$ 38,075,690</u>	<u>\$ 38,075,690</u>

***Investment and Spending Policies***

The endowment consists of donor restricted funds in the University and the Foundation. Net assets associated with the endowment fund are classified and reported based on the existence or absence of donor-imposed restrictions.

The Foundation was established to receive, invest and disburse amounts for the benefit of Kansas Wesleyan University and institutions related to, affiliated with and cooperating with Kansas Wesleyan University. The Foundation has a separate governing board. The Foundation's financial statements are combined with the financial statements of Kansas Wesleyan University (see *Note 1*).

The investment policy consists of investing in a diversified asset or assets in an attempt to maximize total return consistent with an acceptable level of risk. The endowment management strategy is that present and future generations of students will enjoy equivalent levels of purchasing power through a balanced endowment management approach which (a) generates income to provide for current needs and (b) maintains a base for generating income to meet future needs.

# Kansas Wesleyan University and Foundation

## Notes to Financial Statements

June 30, 2023 and 2022

### ***Underwater Endowments***

The governing body of the University has interpreted SPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the University considers a fund to be underwater if the fair value of the fund is less than the sum of:

- a) the original value of initial and subsequent gift amounts donated to the fund and
- b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument.

The University has interpreted SPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. In accordance with GAAP, no deficiencies of this nature are reported at June 30, 2023 and 2022.

**Kansas Wesleyan University and Foundation**  
**Notes to Financial Statements**  
**June 30, 2023 and 2022**

**Note 10: Liquidity and Availability**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of June 30, 2023 and 2022, comprise the following:

	<u>2023</u>	<u>2022</u>
Financial assets at year-end		
Cash and cash equivalents	\$ 4,821,037	\$ 4,481,785
Investments	3,966,914	1,735,744
Receivables	567,250	126,863
Unconditional promises to give	1,623,054	3,377,116
Cash and investments restricted for long-term purposes	24,969,610	22,866,290
Beneficial interest in perpetual trusts	<u>16,087,607</u>	<u>14,384,600</u>
Total financial assets	<u>52,035,472</u>	<u>46,972,398</u>
Donor imposed restrictions		
Restricted funds	10,633,656	6,993,636
Endowments	<u>41,344,727</u>	<u>38,075,690</u>
Financial assets with donor imposed restrictions	<u>51,978,383</u>	<u>45,069,326</u>
Internal designations		
Board-designated funds	<u>615,333</u>	<u>1,012,071</u>
Financial assets available to meet general expenditures within one year	<u>\$ (558,244)</u>	<u>\$ 891,001</u>

The University's endowment funds consist of donor-restricted endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure.

The University's cash and cash equivalents includes approximately \$615,000 and \$1,012,000 that have been internally designated by the Board at June 30, 2023 and 2022, respectively.

The University manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. The University has a Debt and Debt Refinancing Policy to help manage the cost of capital, limit debt-related risk and monitor debt levels. The University regularly evaluates key financial ratios to provide management with an overview of the financial health of the institution and current and projected debt capacity. During the years ended June 30, 2023 and 2022, the level of liquidity and reserves was managed within the policy requirements.

**Kansas Wesleyan University and Foundation**  
**Notes to Financial Statements**  
**June 30, 2023 and 2022**

**Note 11: Retirement Plan**

The University has a defined contribution pension plan covering substantially all full-time employees. Pension expense, which is funded currently, totaled \$514,077 and \$555,064 for the years ended June 30, 2023 and 2022, respectively.

**Note 12: Notes Receivable, Net**

The University makes uncollateralized loans to students based on financial need. Student loans are funded through Federal government resources.

Notes receivable consist of the following at June 30:

	<b>2023</b>	<b>2022</b>
Federal government loan program	\$ 642,452	\$ 676,106
Allowance for uncollectible accounts	(270,000)	(270,000)
	\$ 372,452	\$ 406,106

The University participates in the Perkins federal revolving loan program. The availability of funds for loans under the program is dependent on reimbursements to the pool from repayments on outstanding loans. Funds advanced by the Federal government of \$482,816 and \$482,816 at June 30, 2023 and 2022, respectively, are ultimately refundable to the government and are classified as liabilities in the statements of financial position. Outstanding loans cancelled under the program result in a reduction of the funds available for loan and a decrease in the liability to the government.

The following amounts were past due under the student loan programs:

	<b>1-60 Days Past Due</b>	<b>61-90 Days Past Due</b>	<b>90+ Days Past Due</b>	<b>Total Past Due</b>
June 30, 2023	\$ 33,782	\$ 10,974	\$ 509,605	\$ 554,361
June 30, 2022	\$ 348	\$ 294	\$ 267,187	\$ 267,829

An allowance for uncollectible accounts is established, if necessary, based on prior collection experience and current economic factors which, in management's judgment, could influence the ability of loan recipients to repay the amounts per the loan terms. Loan balances are written off only when they are deemed to be permanently uncollectible.

**Kansas Wesleyan University and Foundation**  
**Notes to Financial Statements**  
**June 30, 2023 and 2022**

**Note 13: Significant Estimates, Concentrations and Uncertainties**

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

***Investments***

The University has invested in money market funds, mutual funds, securities issued by the U.S. Treasury and other federal agencies, corporate bonds and municipal bonds. These investments are held and managed by two institutions. 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 such change could materially affect the amounts reported in the accompanying statements of financial position.

***General Litigation***

The University is subject to claims and lawsuits that arose primarily in the ordinary course of its activities. It is the opinion of management the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the financial position, change in net assets and cash flows of the University. Events could occur that would change this estimate materially in the near term.

***Gifts and Bequests***

Approximately 66 percent of all gifts and bequests were received from four donors during the year ended June 30, 2023. Approximately 35 percent of all gifts and bequests were received from one donor during the year ended June 30, 2022.

**Kansas Wesleyan University and Foundation**  
**Notes to Financial Statements**  
**June 30, 2023 and 2022**

**Note 14: U.S. Department of Education Financial Responsibility Ratio Information**

The following information is required by the U.S. Department of Education for the year ended June 30, 2023:

Property, plant and equipment, net of accumulated depreciation - pre-implementation	\$ 24,736,180
Property, plant and equipment, net of accumulated depreciation - post-implementation without outstanding debt for original purchase	10,614,956
Construction in progress	<u>2,764,099</u>
Total property, plant and equipment, net	<u>\$ 38,115,235</u>
Long-term debt obtained for long-term purposes - post-implementation	<u>\$ 4,922,609</u>
Net assets with donor restrictions - restricted in perpetuity	<u>\$ 36,615,908</u>

**Note 15: Subsequent Events**

Subsequent events have been evaluated through December 20, 2023, which is the date the financial statements were available to be issued.

**Note 16: Related Party Transactions**

Management and the Board of Trustees have in place conflict of interest policies regarding transactions with related parties.

## **Supplementary Information**

**Kansas Wesleyan University and Foundation**  
**U.S. Department of Education Financial Responsibility Supplemental Schedule**  
**Year Ended June 30, 2023**

Ratio Element	Reference to Financial Statements and/or Notes	2023
<b>Primary Reserve Ratio</b>		
<b>Expendable Net Assets</b>		
Net assets without donor restrictions	Statement of Financial Position	\$ 32,313,021
Net assets with donor restrictions	Statement of Financial Position	51,978,383
Net assets with donor restrictions - restricted in perpetuity	Note 14: Financial Responsibility Ratio	36,615,908
Property, plant and equipment, including construction in progress, net of accumulated depreciation -pre-implementation	Note 14: Financial Responsibility Ratio	24,736,180
Property, plant and equipment, net of accumulated depreciation - post-implementation without outstanding debt for original purchase	Note 14: Financial Responsibility Ratio	10,614,956
Construction in progress	Note 14: Financial Responsibility Ratio	<u>2,764,099</u>
Total property, plant and equipment, net	Note 5: Property and Equipment	<u><u>\$ 38,115,235</u></u>
Long-term debt obtained for long-term purposes - post-implementation	Note 6: Bond Payable	4,922,609
<b>Total Expenses and Losses</b>		
Total expenses without donor restrictions	Statement of Activities	22,597,358
<b>Equity Ratio</b>		
<b>Modified Net Assets</b>		
Net assets without donor restrictions	Statement of Financial Position	32,313,021
Net assets with donor restrictions	Statement of Financial Position	51,978,383
<b>Modified Assets</b>		
Total assets	Statement of Financial Position	90,688,349
<b>Net Income Ratio</b>		
Change in net assets without donor restrictions	Statement of Activities	(2,210,929)
Total revenue and gains without donor restrictions	Statement of Activities	20,386,429

**Kansas Wesleyan University and Foundation**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2023**

Federal Grantor/ Pass-through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of Education				
Student Financial Assistance Cluster				
Federal Supplemental Educational				
Opportunity Grants	84.007	N/A	\$ -	\$ 134,414
Federal Work-Study Program	84.033	N/A	-	51,909
Federal Perkins Loan Program	84.038	N/A	-	676,106
Federal Pell Grant Program	84.063	N/A	-	1,674,663
Federal Direct Student Loans	84.268	N/A	-	7,337,496
			<u>-</u>	<u>9,874,588</u>
Total Student Financial Assistance Cluster				
			-	9,874,588
U.S. Department of the Treasury				
Kansas Department of Commerce				
COVID-19 Coronavirus State and Local				
Fiscal Recovery Funds	21.027	FY23-PIC-KWU	-	442,134
Saline County				
COVID-19 Coronavirus State and Local				
Fiscal Recovery Funds	21.027	None	-	180,000
			<u>-</u>	<u>622,134</u>
Total Coronavirus State and Local Fiscal Recovery Funds				
			-	622,134
U.S. Department of Agriculture				
Kansas Rural Center				
Farmers Market and Local Food				
Promotion Program	10.175	None	-	4,056
U.S. Department of Homeland Security				
Disaster Grants - Public Assistance				
	97.036	N/A	-	24,375
			<u>\$ -</u>	<u>\$ 10,525,153</u>

**Kansas Wesleyan University and Foundation**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2023**

**Notes to Schedule**

1. The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal award activity of the University under programs of the federal government for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the University, it is not intended to and does not present the financial position, changes in net assets or cash flows of the University.
2. Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The University has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.
3. The federal loan program listed subsequently is administered directly by the University and balances and transactions relating to this program are included in the University’s basic financial statements. Loans outstanding at the beginning of the year and loans made during the year are included in the federal expenditures presented in the Schedule. The balance of loans outstanding at June 30, 2023, consists of:

<b>Federal Assistance Listing Number</b>	<b>Program Name</b>	<b>Outstanding Balance at June 30, 2023</b>
84.038	Federal Perkins Loan Program	\$ 642,452



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

**Independent Auditor's Report**

Board of Trustees  
Kansas Wesleyan University and Foundation  
Salina, Kansas

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), the combined financial statements of Kansas Wesleyan University and Foundation (the University), which comprise the statement of financial position as of June 30, 2023, and the related combined statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the combined financial statements, and have issued our report thereon dated December 20, 2023.

***Report on Internal Control Over Financial Reporting***

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2023-001, that we consider to be a material weakness.

Board of Trustees  
Kansas Wesleyan University and Foundation  
(Continued)

### ***Report on Compliance and Other Matters***

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

### ***The University's Response to Findings***

*Government Auditing Standards* requires the auditor to perform limited procedures on the University's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The University's response was not subjected to the other auditing procedures applied in the audit of the combined financial statements, and accordingly, we express no opinion on the response.

### ***Purpose of this Report***

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

**FORVIS,LLP**

Wichita, Kansas  
December 20, 2023



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## Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance

### Independent Auditor's Report

Board of Trustees  
Kansas Wesleyan University and Foundation  
Salina, Kansas

#### Report on Compliance for Each Major Federal Program

##### *Opinion on Each Major Federal Program*

We have audited Kansas Wesleyan University and the Foundation's (the University) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the University's major federal programs for the year ended June 30, 2023. The University's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the University complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

##### *Basis for Opinion on Each Major Federal Program*

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

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

##### *Responsibilities of Management for Compliance*

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

### ***Auditor's Responsibilities for the Audit of Compliance***

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

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the University's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the University's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over compliance. Accordingly, no such opinion is expressed.

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

### **Report on Internal Control Over Compliance**

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

Board of Trustees  
Kansas Wesleyan University and Foundation  
(Continued)

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

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

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

**FORVIS,LLP**

Wichita, Kansas  
December 20, 2023

**Kansas Wesleyan University (Combined)**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2023**

**Section I - Summary of Auditor's Results**

*Financial Statements*

1. Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified       Qualified       Adverse       Disclaimer

2. Internal control over financial reporting:

Significant deficiency(ies) identified?       Yes       None reported  
Material weakness(es) identified?       Yes       No

3. Noncompliance material to the financial statements noted?       Yes       No

*Federal Awards*

4. Internal control over major federal awards programs:

Significant deficiency(ies) identified?       Yes       None reported  
Material weakness(es) identified?       Yes       No

5. Type of auditor's report issued on compliance for major federal programs:

Unmodified       Qualified       Adverse       Disclaimer

6. Any audit findings disclosed that are required to be reported by 2 CFR 200.516(a)?       Yes       No

**Kansas Wesleyan University (Combined)**  
**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended June 30, 2023**

7. Identification of major federal programs:

<b>Assistance Listing Numbers</b>	<b>Name of Federal Program or Cluster</b>
	Student Financial Assistance Cluster
84.007	Federal Supplemental Educational Opportunity Grants
84.033	Federal Work-Study Program
84.038	Federal Perkins Loan Program
84.268	Federal Direct Student Loans
84.063	Federal Pell Grant Program
21.027	COVID-19 Coronavirus State and Local Fiscal Recovery Funds

8. Dollar threshold used to distinguish between Type A and Type B programs was \$750,000.

9. Auditee qualified as a low-risk auditee?

Yes       No

**Kansas Wesleyan University (Combined)**  
**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended June 30, 2023**

**Section II – Financial Statement Findings**

Reference Number	Finding
2023-001	<p><b>Criteria</b> - Management is responsible for establishing and maintaining effective internal control over financial reporting.</p> <p><b>Condition</b> - Multiple audit adjustments were proposed and recorded to present the financial statements as materially correct. The Interim Chief Financial Officer of the University has the ability to post manual journal entries with no formal review.</p> <p><b>Cause</b> - The University did not identify necessary adjustments to present the financial statements in accordance with accounting principles generally accepted in the United States of America.</p> <p><b>Effect or potential effect</b> - Adjusting journal entries were proposed during the financial statement audit as a result of items identified as part of the year-end reconciliation process.</p> <p><b>Recommendation</b> - The University should perform a review of the monthly financial statements and related account reconciliations for any unusual transactions, balances, or unreconciled amounts. We recommend all adjusting journal entries include a preparer and reviewer.</p> <p><b>Views of responsible officials an planned corrective actions</b> - Management concurs with the findings. Financial statements and related account reconciliations will be reviewed monthly by management. Journal entries will be reviewed and approved by the CFO/Interim CFO with the CFO/Interim CFO having view access only to the accounting software. Fixed asset software was established in January 2023. The University is converting to a new Jenzabar system called J1 to replace the legacy system with effective date August 2024.</p>

**Section III – Federal Award Findings and Questioned Costs**

Reference Number	Finding
	No matters are reportable.

**Kansas Wesleyan University (Combined)**  
**Summary Schedule of Prior Audit Findings**  
**Year Ended June 30, 2023**

Reference Number	Finding	Status
2022-001	<p><b>Criteria</b> - Management is responsible for establishing and maintaining effective internal control over financial reporting.</p> <p><b>Condition</b> - Multiple audit adjustments were proposed and recorded to present the financial statements as materially correct.</p> <p><b>Cause</b> - The University did not identify necessary adjustments to present the financial statements in accordance with accounting principles generally accepted in the United States of America.</p> <p><b>Effect or potential effect</b> - Adjusting journal entries were proposed during the financial statement audit as a result of items identified as part of the year-end reconciliation process.</p> <p><b>Recommendation</b> - The University should perform a review of the monthly financial statements and related account reconciliations for any unusual transactions, balances, or unreconciled amounts.</p> <p><b>Views of responsible officials an planned corrective actions</b> - Management concurs with this finding. See separate auditee document for planned corrective action.</p>	Not Resolved See Finding 2023-001