



THE MEDICAL COLLEGE OF WISCONSIN, INC.

(E.I.N.: 390806261)

Audit Reports in Accordance with
Government Auditing Standards and
Uniform Guidance

June 30, 2025

(With Independent Auditors' Report Thereon)

THE MEDICAL COLLEGE OF WISCONSIN, INC.

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Independent Auditors' Report

The Board of Trustees
The Medical College of Wisconsin, Inc.:

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of The Medical College of Wisconsin, Inc. (MCW), which comprise the consolidated statements of financial position as of June 30, 2025 and 2024, and the related consolidated statements of activities, changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of MCW as of June 30, 2025 and 2024, and changes in net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

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

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 U.S. generally accepted accounting principles, 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 MCW's ability to continue as a going concern for one year after the date that the consolidated financial statements are 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 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 consolidated 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 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 MCW'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 Company'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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2025 on our consideration of MCW'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 MCW'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 MCW's internal control over financial reporting and compliance.

KPMG LLP

Milwaukee, Wisconsin
October 30, 2025

THE MEDICAL COLLEGE OF WISCONSIN, INC.

Consolidated Statements of Financial Position

June 30, 2025 and 2024

(In thousands)

Assets	2025	2024
Cash and cash equivalents	\$ 118,048	116,203
Deposits with bond trustees	41,861	95,700
Investments, at fair value	2,490,165	2,319,595
Receivables:		
Patient accounts	90,072	78,744
Other accounts, net	100,506	110,561
Grants and contracts, net	44,306	32,997
Contributions, net	31,926	46,600
Student loans, net	21,466	21,607
Total receivables	288,276	290,509
Prepaid expenses and other assets	91,840	66,630
Right-of-use assets-operating leases	71,819	64,829
Land, buildings, and equipment, net	379,558	333,666
Total assets	\$ 3,481,567	3,287,132
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 40,029	40,881
Accrued payroll and related liabilities	163,401	159,809
Deferred revenue	51,068	65,097
Estimated liability for unpaid professional liability claims	10,617	10,351
Long-term operating lease obligations	77,587	70,595
Long-term debt	450,753	463,866
Interest rate swap	3,274	2,659
Other liabilities	14,184	14,848
Total liabilities	810,913	828,106
Net assets:		
Without donor restrictions	1,730,386	1,572,855
With donor restrictions	940,268	886,171
Total net assets	2,670,654	2,459,026
Total liabilities and net assets	\$ 3,481,567	3,287,132

See accompanying notes to consolidated financial statements.

THE MEDICAL COLLEGE OF WISCONSIN, INC.

Consolidated Statements of Activities and Changes in Net Assets

Years ended June 30, 2025 and 2024

(In thousands)

	2025	2024
Net assets without donor restrictions:		
Revenue:		
Patient services	\$ 561,698	538,083
Children's Specialty Group contract fees	236,644	228,996
Clinical services contract fees	123,648	112,145
Affiliate hospital contracts	312,457	272,844
Children's Research Institute contract fees	8,950	10,204
Grants and contracts	209,173	199,651
Facilities and administrative cost recovery on grants and contracts	49,033	47,537
Tuition and fees	73,804	70,876
Endowment spendable income	39,372	40,017
Other investment income	11,012	9,616
Contributions	6,869	7,372
State of Wisconsin appropriation	8,077	7,459
Other	17,570	17,263
Total revenue	1,658,307	1,562,063
Net assets released from donor restrictions	44,100	43,945
Total revenue and net assets released from donor restrictions	1,702,407	1,606,008
Expense:		
Faculty salaries	650,135	616,772
Staff salaries	431,229	400,524
Fringe benefits	212,715	206,550
Services, supplies, and other	225,641	203,868
Rent and occupancy	47,060	44,182
Subcontracts	50,138	51,523
Depreciation and amortization	34,051	34,854
Interest on indebtedness	10,335	10,638
Total expense	1,661,304	1,568,911
Revenue and net assets released from donor restrictions in excess of expense before gains and losses	41,103	37,097
Gains and losses:		
Realized gain on investments, net	56,117	23,258
Unrealized gain on investments, net	91,118	153,421
Endowment loss net of spendable income	(27,808)	(32,571)
Change in fair value of interest rate swap	(615)	1,110
Other losses, net	(2,384)	(684)
Gains, net	116,428	144,534
Increase in net assets without donor restrictions	157,531	181,631

THE MEDICAL COLLEGE OF WISCONSIN, INC.

Consolidated Statements of Activities and Changes in Net Assets

Years ended June 30, 2025 and 2024

(In thousands)

	2025	2024
Net assets with donor restrictions:		
Contributions	\$ 14,088	12,951
Investment income, net	7,521	7,023
Realized gain on investments, net	28,599	15,529
Unrealized gain on investments, net	47,813	74,350
Net assets released from donor restrictions	(44,100)	(43,945)
Change in fair value of charitable trusts	176	275
Increase in net assets with donor restrictions	54,097	66,183
Increase in net assets	211,628	247,814
Net assets at beginning of year	2,459,026	2,211,212
Net assets at end of year	\$ 2,670,654	2,459,026

See accompanying notes to consolidated financial statements.

THE MEDICAL COLLEGE OF WISCONSIN, INC.

Consolidated Statements of Cash Flows

Years ended June 30, 2025 and 2024

(In thousands)

	<u>2025</u>	<u>2024</u>
Cash flows from operating activities:		
Increase in net assets	\$ 211,628	247,814
Adjustments to reconcile change in net assets to cash flow used in operations:		
Depreciation and amortization	34,051	34,854
Contributions restricted for long-term investment	(10,061)	(13,885)
Loss on sale of land, buildings, and equipment	70	393
Gain on investments in joint ventures, net	(5,076)	(5,538)
Realized and unrealized gain on investments, net	(223,647)	(266,558)
Change in fair value of interest rate swap	615	(1,110)
Decrease (increase) in receivables	2,232	(10,996)
Increase in prepaid expenses and other assets	(10,125)	(2,616)
Increase in beneficial interest in charitable trusts	(150)	(226)
Increase (decrease) in accounts payable and accrued payroll and related liabilities	11,871	(15,809)
Decrease in deferred revenue	(14,029)	(1,785)
Increase in estimated liability for unpaid professional liability claims	266	2,379
Decrease in refundable advance for U.S. government-sponsored loan funds	(870)	(478)
Payments on operating leases	(10,285)	(10,061)
Net cash used in operating activities	<u>(13,510)</u>	<u>(43,622)</u>
Cash flows from investing activities:		
Purchases of marketable securities	(801,787)	(618,963)
Proceeds from sales and maturities of marketable investments	779,403	513,326
Purchases of non-marketable securities	(143,190)	(93,649)
Proceeds from sales and maturities of non-marketable investments	219,807	250,859
Purchases of deposits with bond trustees	(41,889)	(93,439)
Proceeds from sales of deposits with bond trustees	95,728	136,189
Capital expenditures	(79,376)	(60,809)
Proceeds from sale of land, buildings, and equipment	8	130
Capital contributions to investments in joint ventures	(19,856)	(11,390)
Distributions from investments in joint ventures	8,066	2,060
Net cash provided by investing activities	<u>16,914</u>	<u>24,314</u>
Cash flows from financing activities:		
Restricted contributions and investment income	10,061	13,885
Repayments of long-term debt	(11,621)	(11,075)
Net cash (used in) provided by financing activities	<u>(1,560)</u>	<u>2,810</u>
Net increase (decrease) in cash and cash equivalents	1,844	(16,498)
Cash and cash equivalents at beginning of year	<u>116,203</u>	<u>132,701</u>
Cash and cash equivalents at end of year	\$ <u>118,047</u>	\$ <u>116,203</u>
Supplemental data:		
Cash paid for interest (net of amounts capitalized of \$5,432 and \$5,495 in 2025 and 2024, respectively)	\$ 11,112	11,464
Noncash acquisition of right-of-use assets in exchange for long-term lease obligations	15,854	17,638

See accompanying notes to consolidated financial statements.

THE MEDICAL COLLEGE OF WISCONSIN, INC.

Notes to Consolidated Financial Statements

June 30, 2025 and 2024

(In thousands)

(1) Organization

The Medical College of Wisconsin, Inc. (MCW) is a private, freestanding health science university comprised of a school of medicine, a school of graduate studies and a school of pharmacy. The medical and graduate studies schools are comprised of 7 basic science departments, 21 clinical departments, and 17 centers and institutes, and offer master's and doctoral degrees, certificate programs and post-doctoral educational opportunities. The school of pharmacy focuses on high-end, consultative care, particularly for acute, primary and preventative needs, and offers a doctoral degree. Medical educational activities are performed at or near MCW's main campus in Milwaukee, Wisconsin or at regional campuses located in Green Bay and central Wisconsin. Graduate studies and pharmacy educational activities are performed at or near MCW's main campus in Milwaukee, Wisconsin.

MCW performs research and maintains multi-specialty clinical programs in which faculty and staff physicians, advanced practice providers and allied health professionals employed by MCW (collectively medical professionals) provide medical care. MCW also has affiliations with a number of hospitals and healthcare organizations at which MCW's medical professionals provide services to patients, education to medical students, and training to residents and fellows (graduate medical education). As of June 30, 2025, MCW's Medical College Physicians Practice Plan had 1,316 practicing faculty and staff physicians, 770 practicing advanced practice providers, and 62 allied health professionals (see note 2(b)). In addition, as of June 30, 2025, MCW employed 510 practicing pediatric faculty and staff physicians, 249 practicing pediatric advanced practice providers and 13 pediatric allied health professionals who provide professional services on behalf of Children's Specialty Group (CSG), a related party (see note 3(b)).

The consolidated financial statements include the accounts of the various academic and administrative divisions, the Professional Liability Insurance Program and the Blue and Green I Condominium, Inc. The Professional Liability Insurance Program was created as a grantor trust to self-insure risks related to medical malpractice liability. The Blue and Green I Condominium, Inc. was established as a nonstock, nonprofit corporation to operate a jointly used research facility. All significant intercompany balances and transactions have been eliminated in consolidation.

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

The consolidated financial statements are prepared on the accrual basis of accounting. The statements follow U.S. generally accepted accounting principles (U.S. GAAP) applicable to the not-for-profit industry, which are included in Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, *Not-for-Profit Entities*.

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

Net assets with donor restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or by actions of MCW to fulfill the donor restrictions. Other donor-imposed restrictions are permanent in nature, where the donor stipulates that the resources be maintained in perpetuity.

THE MEDICAL COLLEGE OF WISCONSIN, INC.

Notes to Consolidated Financial Statements

June 30, 2025 and 2024

(In thousands)

Donor-imposed restrictions are released when the stipulated time has elapsed or the stipulated purpose has been fulfilled.

Net assets without donor restrictions – Net assets available for use in general operations and not subject to donor-imposed restrictions. The MCW Board of Trustees has designated a portion of net assets without donor restrictions as funds designated to function as endowments (funds functioning as endowments).

Revenue is reported as an increase in net assets without donor restrictions. Expense is reported as a decrease in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor restriction or by law. Donor-imposed restrictions on net assets expire when the stipulated purpose has been fulfilled, the stipulated time period has elapsed, or the funds have been appropriated in accordance with the MCW Endowment Fund Spending Policy. The net assets are then reported as net assets released from donor restrictions.

(b) Patient Services Revenue and Patient Accounts Receivable

MCW's Medical College Physicians Practice Plan sets forth the provisions under which medical professionals provide professional services to patients and provides for the allocation of all fees generated from such services. MCW medical professionals provide services to patients under agreements MCW has with third-party payors, patients, and others. The revenue related to patient services is recorded as patient services revenue as performance obligations are satisfied. Performance obligations are determined based on the nature of the services provided. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total charges. As required in ASC 606, *Revenue from Contracts with Customers*, revenue is recognized at the time of transfer of control of promised goods and services in the amount that reflects the consideration an entity expects to receive in exchange for those goods and services.

The transaction price of performance obligations is based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to self-pay patients in accordance with policies, or implicit price concessions provided to self-pay patients. Estimates of contractual adjustments and discounts are based on contractual agreements, discount policies and historical experience. The estimate of implicit price concessions is based on historical collection experience with self-pay patients. Subsequent changes to the estimate of the transaction price are recorded as adjustments to patient services revenue in the period of the change.

Patient accounts receivable represent an estimate of net realizable amounts from third-party payors, self-pay patients, and others for unpaid professional fees for patient services. The estimate is based upon contract terms, discount policies, and historical payment experience.

(c) Grants and Contracts Revenue and Deferred Revenue

Grant and contract awards are recognized as revenue in the period in which expenses are incurred for cost-reimbursed agreements. Amounts received under these grants and contracts but not spent are recorded as deferred revenue. Other contract revenue is recognized as revenue in the period in which it is earned.

THE MEDICAL COLLEGE OF WISCONSIN, INC.

Notes to Consolidated Financial Statements

June 30, 2025 and 2024

(In thousands)

(d) Contributions Revenue and Contributions Receivable, Net

Contributions, including unconditional promises to give, are recognized as revenue in the period received. Conditional promises to give are not recognized as revenue until the conditions that represent a barrier are overcome and MCW is entitled to the assets promised. Contributions of assets other than cash are recorded at estimated fair value at the date of the gift. Contributions to be received after one year are discounted using a discount rate consistent with the general principles of present value measurement at the time of the gift. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectable contributions receivable is provided based upon management's judgment, including such factors as prior collection history, type of contribution, and nature of the fund-raising activity.

Contributions that impose restrictions that are met in the same year as the contributions are received are included in revenues of net assets without donor restrictions.

Contributions of land, buildings, and equipment without donor restrictions concerning the use of such long-lived assets are reported as revenues. Contributions of cash or other assets to be used to acquire land, buildings, and equipment with such donor restrictions are reported as an increase in net assets with donor restrictions until the long-lived assets are placed into service.

(e) Revenue and Net Assets Released from Donor Restrictions in Excess of Expense

Revenue and net assets released from donor restrictions in excess of expense in the consolidated statements of activities and changes in net assets reflects all transactions increasing or decreasing net assets without donor restrictions except those gains and losses that are ancillary to the core operations of MCW.

(f) Unreimbursed and Partially Reimbursed Care

MCW has a policy of providing health care services without charge, or at amounts less than established rates, to patients who are unable to pay and who meet certain eligibility criteria established in MCW's community care policy. As MCW does not pursue collection of amounts determined to qualify as community care, the amounts are not reported as revenue. The estimated direct and indirect costs incurred by MCW to provide services under MCW's community care policy during 2025 and 2024 were \$11,660 and \$7,643, respectively. The estimated cost of these community care services was determined using a ratio of cost to gross charges and applying that ratio to the gross charges associated with providing care to these patients for the period. Gross charges associated with providing care to these patients includes only the related charges for those patients who are financially unable to pay and qualify under MCW's community care policy and who do not otherwise qualify for reimbursement from a governmental program.

MCW is a supplier under the Medicare and Title XIX Wisconsin Medical Assistance (Medicaid) programs. Under these programs, MCW is legally bound to accept the amount determined by the Medicare carrier or the State of Wisconsin as payment in full for each patient's charges. Amounts received by MCW from the Medicare and Medicaid programs are subject to audit by governmental agencies.

THE MEDICAL COLLEGE OF WISCONSIN, INC.

Notes to Consolidated Financial Statements

June 30, 2025 and 2024

(In thousands)

(g) Cash and Cash Equivalents

Cash and cash equivalents include bank depository account balances, money market funds and other short-term, highly liquid investments not held by external investment managers or trustees. Short-term, highly liquid investments held by external investment managers or trustees are classified as investments or deposits with bond trustees, respectively, in the consolidated statements of financial position. Cash and cash equivalents included as part of the investment portfolio and deposits with bond trustees are treated as investments for cash flow purposes.

MCW maintains its cash in bank deposit accounts in excess of federally insured limits. MCW monitors cash balances along with the financial condition of the financial institutions to minimize this potential risk.

Total cash and cash equivalents reported in the consolidated statements of financial position includes \$3,559 and \$3,971 as of June 30, 2025 and 2024, respectively, of cash and cash equivalents restricted for the purpose of providing loans to students (see note 2(j)).

(h) Deposits with Bond Trustees

Deposits held by bond trustees consist of investments restricted for debt service and future capital expenditures. These funds are invested in highly liquid securities. Project fund proceeds are not released to MCW until expenditures related to the specific purpose of the bond trust indenture are incurred.

(i) Investments

Investments are comprised of money market funds held by external investment managers, marketable debt and equity securities, bond and equity mutual funds, commingled bond and equity funds, hedge funds, private assets, guaranteed investment contracts, and accrued interest and dividends thereon, and are reported at fair value. Realized gain or loss on the sale of investments is calculated on the basis of specific identification of the securities sold. Investment management fees and service charges are netted against investment income for financial reporting purposes.

Other investment income included in revenue consists of income on investments without donor restriction. Endowment spendable income included in revenue consists of the amount expended from net appreciation appropriated for expenditure (spendable income) from pooled endowment funds. The difference between the net appreciation and the amount expended is reported as a gain or loss for funds functioning as endowments and as a change in net assets with donor restrictions for donor-restricted endowment funds.

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

THE MEDICAL COLLEGE OF WISCONSIN, INC.

Notes to Consolidated Financial Statements

June 30, 2025 and 2024

(In thousands)

(j) Student Loans Receivable, Net

MCW issues loans to eligible students under federal and MCW student loan program guidelines. The Federal Perkins, Primary Care, and Health Professions Student Loan Programs and MCW student loans are administered directly by MCW and the balances and transactions relating to these programs are included in MCW's consolidated financial statements. Under the Federal Perkins Loan Program Extension Act of 2015, no new Federal Perkins Loans were made to medical students after June 30, 2017. Medical students are eligible for the Primary Care Student Loan Program and pharmacy students are eligible for the Health Professions Student Loan Program.

MCW students are eligible under certain federal student loan programs to receive federally guaranteed loans from the Department of Education's Direct Loan Program. MCW is responsible only for the performance of certain administrative duties with respect to the federally guaranteed Direct Loan Program, and accordingly, these loans are not included in its consolidated financial statements. It is not practical to determine the balance of loans outstanding to students and former students of MCW under these programs as of June 30, 2025.

(k) Right-of-Use Assets and Long-term Lease Obligations

MCW is a lessee in several noncancelable operating leases, primarily for land and buildings for clinical, academic, and administrative purposes (see note 13). If an arrangement is a lease or contains a lease at contract inception, a right-of-use (ROU) asset and a long-term lease obligation are recorded at the commencement of the lease and are included in the consolidated statements of financial position. MCW has elected not to recognize ROU assets and long-term lease obligations that have a term of one year or less. MCW recognizes the lease payments associated with its short-term leases as an expense on a straight-line basis over the lease term.

For operating leases, the long-term lease obligation is initially and subsequently measured at the present value of the unpaid lease payments and is included in long-term operating lease obligations in the consolidated statements of financial position. Subsequent measurement of the long-term lease obligation is at amortized cost using the effective interest rate method. The present value of the long-term lease obligation is determined using a discount rate equal to the interest rate implicit in the lease or, if unavailable, MCW's incremental borrowing rate at commencement of the lease. The lease term includes all noncancelable periods of the lease plus any additional periods covered by an option to extend that are reasonably certain to be executed by MCW or are controlled by the lessor.

The ROU asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for lease payments made at or before the lease commencement date, plus any initial direct costs incurred, less any lease incentives received. For operating leases, subsequent measurement of the ROU asset is measured throughout the lease term at the carrying amount of the lease liability, plus initial direct costs, plus any prepaid lease payments, less the unamortized balance of lease incentives received. Lease payments are recognized as rent and occupancy expense in the consolidated statements of activities and changes in net assets on a straight-line basis.

(l) Land, Buildings, and Equipment, Net

Investments in land, buildings, and equipment (including software licenses) are recorded at cost if purchased or at appraised value if donated. These assets are depreciated using the straight-line

THE MEDICAL COLLEGE OF WISCONSIN, INC.

Notes to Consolidated Financial Statements

June 30, 2025 and 2024

(In thousands)

method over their estimated useful lives. The net interest cost incurred on borrowed funds during the period of major construction or renovation is capitalized as a component of the cost of acquiring those assets. Capitalized interest is included as part of the cost of construction and renovation projects and is amortized over the estimated useful life of the related assets.

When MCW commits to the disposal or abandonment of land, buildings, and equipment, the assets are written off or down to the net realizable value.

(m) Impairment of Long-lived Assets

MCW periodically assesses its ability to recover long-lived assets (including land, buildings, equipment, and ROU assets) when there are indications of potential impairment based on estimated undiscounted future cash flows. Management considers such factors as current results, trends, and future prospects, in addition to other economic factors, in determining the impairment of an asset. When such assets are determined to be impaired, the assets are written off or down to the net realizable value. Management believes MCW's long-lived assets are not impaired as of June 30, 2025 and 2024.

(n) Refundable Advances for U.S. Government-Sponsored Loan Funds

Funds provided by the U.S. government under the Federal Perkins, Primary Care, and Health Professions Student Loan Programs are loaned to qualified students. Receipts of principal and interest payments through the Primary Care and Health Professions Student Loan Programs are used to finance future loans to students. If a portion of the receipts are no longer needed to finance future loans to students, MCW is required to return excess cash to the government. Under the Federal Perkins Loan Program Extension Act of 2015, receipts of principal and interest payments through the Federal Perkins Loan Program are retained until the government issues an excess cash return notice. Funds provided by the U.S. government and earnings thereon are ultimately refundable to the government and, therefore, are presented as a liability and are included in other liabilities in the consolidated statements of financial position.

(o) Long-Term Debt – Deferred Costs

Costs incurred related to the issuance of long-term debt and the original issue discount or premium included in long-term debt are deferred and amortized as interest expense over the term of the debt using the effective interest rate method.

(p) Derivative Instruments

MCW entered into an interest rate-related derivative instrument (interest rate swap) to manage interest rate exposure on its variable rate revenue bonds. The fair value of the interest rate swap is reported in the consolidated statements of financial position. MCW does not apply hedge accounting to derivative instruments, and therefore, any change in the interest rate swap value is recognized as a gain or loss in the consolidated statements of activities and a change in net assets. The net cash received or paid under the terms of the interest rate swap agreement over its term is recorded as a component of interest expense.

THE MEDICAL COLLEGE OF WISCONSIN, INC.

Notes to Consolidated Financial Statements

June 30, 2025 and 2024

(In thousands)

(q) Income Taxes

MCW has received a determination letter from the IRS indicating that it is a tax-exempt organization as provided in Section 501(c)(3) of the Internal Revenue Code, and it is exempt from federal and state income taxes, except for taxes pertaining to unrelated business income and certain provisions of the Tax Cuts and Jobs Act of 2017.

MCW applies the standards for accounting for uncertainty in income taxes contained in FASB ASC Topic 740, *Income Taxes* (ASC Topic 740). ASC Topic 740 addresses the determination of how tax benefits resulting from tax positions taken or expected to be taken on a tax return should be recorded in the consolidated financial statements. Under ASC Topic 740, the tax benefit from an uncertain tax position is recognized if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the consolidated financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. MCW does not have a liability for unrecognized tax benefits as of June 30, 2025 and 2024.

(r) Use of Estimates

The presentation of the consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and judgments that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements, the disclosures of contingencies at the date of the consolidated financial statements and revenues and expenses recognized during the reporting period. Actual results could differ from those estimates. Changes in prior year estimates are accounted for within the consolidated statements of activities and changes in net assets in the current year.

(3) Affiliate and Related-Party Transactions

MCW is located on the Milwaukee Regional Medical Center Campus (MRMC Campus), along with Froedtert ThedaCare Health, Inc. (Froedtert Memorial Lutheran Hospital, Inc. and related entities collectively referred to as Froedtert), Children's Hospital and Health System, Inc. (Children's Hospital of Wisconsin, Inc. and related entities collectively referred to as Children's Wisconsin), and several other health care providers. The following is a summary of the transactions with affiliate and related parties.

(a) Froedtert

MCW contracts with Froedtert to receive payment for services performed by MCW medical professionals at hospital and clinic sites. During 2025 and 2024, MCW recognized affiliate hospital contracts revenue of approximately \$240,519 and \$198,550, respectively, for clinical management, graduate medical education, and other program support services provided to Froedtert. The outstanding balance of the accounts receivable from Froedtert at June 30, 2025 and 2024 is \$64,348 and \$49,967, respectively and are recorded as other accounts receivables in the consolidated statement of financial position.

MCW leases space from Froedtert for clinical services, administration and research activities. Rent paid to Froedtert by MCW is \$6,002 and \$5,624 in 2025 and 2024, respectively. Other direct costs for supplies and general services related to professional medical services at Froedtert are incurred by

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MCW directly. MCW also leases clinical space to Froedtert under operating leases. Rental income received from Froedtert by MCW is \$4,668 and \$4,532 in 2025 and 2024, respectively.

On January 30, 2013, MCW entered into a definitive agreement with Froedtert to form a joint clinical practice group effective July 1, 2013 named Froedtert & The Medical College of Wisconsin Community Physicians (FH-MCW Community Physicians). FH-MCW Community Physicians combines many of the community-based practices of Froedtert and MCW's Medical College Physicians. MCW has a 50% interest in the governance of the entity, but Froedtert is the sole financial member. MCW receives payments for MCW medical professionals leased to and performing services on behalf of FH-MCW Community Physicians. Additionally, FH-MCW Community Physicians contracts with MCW to perform billing services for its clinic-based sites. During 2025 and 2024, MCW recognized \$118,702 and \$108,499, respectively, of FH-MCW Community Physician contract fees related to these services. The outstanding balance of accounts receivable from FH-MCW Community Physicians as of June 30, 2025 and 2024 is \$20,887 and \$12,946, respectively, and are recorded as other accounts receivables in the consolidated statement of financial position. MCW also collects patient services revenue for certain specialty services provided by FH-MCW Community Physicians providers performing services on behalf of MCW. These collections, net of assessments, are remitted to FH-MCW Community Physicians and in 2025 and 2024, \$15,351 and \$14,778, respectively, are recorded in services, supplies, and other expense. The outstanding balance of accounts payable to FH-MCW Community Physicians as of June 30, 2025 and 2024 is \$2,291 and \$2,349, respectively, and is recorded as accounts payable in the consolidated statement of financial position.

(b) Children's Wisconsin

MCW entered into an Operations Agreement with Children's Wisconsin to form Children's Specialty Group, Inc. (CSG), a provider of pediatric specialty health care services, on July 1, 2000. Effective July 1, 2021, MCW restructured its longstanding academic and clinical affiliation with Children's Wisconsin. The CSG articles of incorporation and bylaws have been modified to reflect the new governance structure where MCW and Children's Wisconsin remain as the two members. In addition, Children's Wisconsin remains MCW's primary pediatric teaching affiliate.

MCW received a one-time mission support payment of \$30,000 from Children's Wisconsin in 2022 that was recorded as deferred revenue in the consolidated statements of financial position. The restructured definitive agreements require MCW to repay the one-time mission support payment if the definitive agreements are terminated due to MCW's breach. The amount of the repayment is prorated over the initial 10 years of the agreement. The one-time mission support is being released to revenue over the life of the prepayment obligation. In 2025 and 2024, \$3,000 of the one-time mission support is recorded as affiliate hospital contracts revenue in the consolidated statements of activities and changes in net assets. The outstanding balance of the deferred revenue as of June 30, 2025 is \$18,000.

Under the definitive agreements, Children's Wisconsin provides MCW with fixed and variable mission support. Fixed and variable mission support of \$44,300 and \$47,182 is recorded as affiliate hospital contracts revenue in the consolidated statements of activities and changes in net assets in 2025 and 2024, respectively.

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MCW retains employment of the pediatric medical professionals that it employed prior to July 1, 2021 in the pediatric practice plan and continues to lease these pediatric medical professionals exclusively to CSG for the professional services performed on behalf CSG. Additionally, through December 31, 2023, CSG contracted with MCW to perform patient billing services for professional services performed by its leased medical professionals. MCW continues to perform collection activities on the related outstanding accounts receivable balances. The outstanding balance of accounts payable to CSG for collections on patient billing services as of June 30, 2025 and 2024 is \$67 and \$841, respectively. MCW also leases the services of faculty and staff to CSG for clinical activities and clinical administration and CSG supports pediatric research and academic activities. In 2025 and 2024, MCW recognized \$229,792 and \$219,717, respectively, of CSG contract fees in the consolidated statements of activities and changes in net assets related to these services.

CSG has contracted with MCW to incur certain services, supplies and other expenses. These expenses are reimbursed by CSG and the related revenue is recorded as CSG contract fees in the consolidated statements of activities and changes in net assets. In 2025 and 2024, MCW recognized \$6,852 and \$9,279, respectively of CSG contract fees related to these services. Through December 31, 2023, MCW provided invoicing and collection services for CSG related to its affiliate hospital contracts. MCW continues to perform collection activities on the related outstanding accounts receivable balances. The outstanding balance of accounts payable to CSG for collections on CSG affiliate hospital contracts as of June 30, 2025 and 2024 is \$455 and \$386, respectively.

In 2005, MCW and Children's Wisconsin entered into a declaration of condominium to establish the Blue & Green I Condominium, a two-unit biomedical research facility that consists of office and lab space, wet lab research, a vivarium and a secured loading dock. In addition to owning their own units, MCW and Children's Wisconsin have an allocated interest of 69% and 31%, respectively, of the condominium's common elements. Each unit owner is responsible for their allocated interest in the costs of maintaining, servicing and managing the facility. Children's Wisconsin's portion of condominium fees of \$2,192 and \$2,366 is recorded as Children's Research Institute revenue in the consolidated statements of activities and changes in net assets in 2025 and 2024, respectively.

MCW recognized grant and contract revenue of \$2,234 and \$1,801 in 2025 and 2024, respectively, related to restricted awards sponsored by Children's Wisconsin's hospital and hospital foundation and Children's Research Institute revenue of \$5,366 and \$6,452 in 2025 and 2024, respectively, sponsored by Children's Wisconsin's research institute in the consolidated statements of activities and changes in net assets.

Children's Wisconsin's research institute has contracted with MCW to provide pediatric research leadership and to support MCW's pediatric pathology cores. MCW recognized Children's Research Institute revenue of \$1,392 and \$1,386 in 2025 and 2024, respectively, related to these services.

The outstanding balance of the accounts receivable from Children's Wisconsin at June 30, 2025 and 2024 is \$15,361 and \$23,974, respectively, and are recorded as other accounts receivables in the consolidated statement of financial position.

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(c) Related Parties

MCW is a member of the Milwaukee Regional Medical Center (MRMC), a consortium of health care and related institutions located on the MRMC Campus. Milwaukee Regional Medical Center Thermal Services, Inc. (MRMC Thermal), Milwaukee Regional Medical Center Water Services, Inc. (MRMC Water) and Milwaukee Regional Medical Center Infrastructure, LLC (MRMC Infrastructure) are wholly owned subsidiaries of MRMC that provide services to MCW.

On March 31, 2016, MCW entered into an agreement with MRMC Thermal to obtain chilled water and steam service for a period of 30 years. On March 31, 2022, MCW entered into an agreement with MRMC Water to obtain the supply of water and the provision of sanitary and storm sewer water discharge access for a period of 30 years. On May 31, 2022, MCW entered into an agreement with MRMC Infrastructure to provide permitted access and certain transportation and utility infrastructure improvements on the MRMC campus for a period of 30 years. Under the agreements, MCW must make specified minimum payments regardless of the actual amount of services used. The minimum payments are based on fixed costs associated with providing the services and are updated periodically. In 2025 and 2024, MCW purchased \$11,417 and \$10,410, respectively, of services from MRMC subsidiaries.

The Medical College of Wisconsin Affiliated Hospitals, Inc. (MCWAH) is a separate, nonprofit organization that sponsors graduate medical education programs conducted jointly with MCW and other healthcare organizations (participating members). MCW and MCWAH have entered into an affiliation agreement where MCW provides faculty to educate, train and supervise the residents and fellows that participate in the graduate medical education sponsored by MCWAH and administrative and clerical services necessary in carrying out MCWAH's missions. In 2025 and 2024, MCW recognized \$1,668 and \$1,496, respectively, of affiliate hospital contracts revenue in the consolidated statements of activities and changes in net assets for these services. As a participating member, MCW is required to reimburse MCWAH for its allocable share of costs that MCWAH incurs to employ the residents and fellows and for other administrative expenses. In 2025 and 2024, MCW recognized \$12,518 and \$11,316, respectively, of services supplies and other expenses in the consolidated statements of activities and changes in net assets for its allocable share of costs.

Members of the MCW Board of Trustees may serve in management roles for corporations that provide goods or services to MCW, causing these corporations to be related parties. In 2025 and 2024, MCW purchased from these related parties \$6,901 and \$8,807, respectively, of subcontract and contractual fees, \$632 and \$404, respectively, of building services equipment and \$293 and \$291, respectively, of investment management fees. Significant purchases of goods and services from related parties are reviewed to ensure such transactions are competitively priced as compared to other goods and services available in the marketplace.

(4) Joint Ventures

MCW is a member of several joint ventures where MCW owns 10% to 50% of the joint venture and does not hold a controlling financial interest. As of June 30, 2025 and 2024, these joint ventures had total assets of \$284,736 and \$230,781, respectively, and total liabilities of \$110,412 and \$78,899, respectively. Total net income of these joint ventures for 2025 and 2024 was \$6,576 and \$21,965, respectively. MCW accounts for its investment in these joint ventures using the equity method of accounting.

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MCW's investment in joint ventures accounted for using the equity method of accounting includes:

	Ownership percentage	
	2025	2024
Children's Health Network of Wisconsin, LLC	50.0 %	50.0 %
Drexel Town Square Surgery Center, LLC	49.0	49.0
FMLH MCW Real Estate Ventures, LLC	50.0	50.0
Fresenius Medical Care Midwest Dialysis, LLC	10.0	10.0
Froedtert & The Medical College of Wisconsin ACO, LLC	50.0	50.0
Froedtert & The Medical College of Wisconsin Network, LLC	50.0	50.0
Froedtert Surgery Center, LLC	49.0	49.0
Menomonee Falls Ambulatory Surgery Center, LLC	49.0	49.0
MRMC Land Bank, LLC	33.3	33.3
ThriveOn King, LLC	50.0	50.0
West Bend Surgery Center, LLC	49.0	49.0
Wisconsin Renal Care Group, LLC	10.0	10.0
HPO Tosa Center	49.0	—

On February 26, 2025, MCW entered into a joint venture with Hammes Income & Growth Healthcare Fund OP, L.P. to form HPO Milwaukee, LLC. On February 29, 2025, HPO Milwaukee, LLC purchased the Tosa Health Center located at 1155 Mayfair Road, Wauwatosa, WI. MCW's investment in HPO Milwaukee, LLC, as of June 30, 2025 is \$11,069.

MCW received capital distributions from joint ventures of \$8,066 and \$2,060 as of June 30, 2025 and 2024, respectively. MCW made capital contributions to joint ventures of \$19,856 and \$11,390 in 2025 and 2024, respectively. MCW's share of gains and losses in joint ventures for 2025 and 2024 of \$5,076 and \$5,538, respectively, is recorded in other revenue. MCW's investment in joint ventures is approximately \$53,294 and \$36,428 as of June 30, 2025 and 2024, respectively, and is included in prepaid expenses and other assets in the consolidated statements of financial position.

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(5) Investments

The fair value of investments as of June 30, 2025 and 2024 is summarized below:

	2025	2024
Money market funds	\$ 95,329	87,116
U.S. government obligations	26,143	24,127
Corporate bonds	47,942	45,598
Bond and equity mutual funds	637,862	575,853
Commingled bond and equity funds	919,989	961,468
Equity securities	711	844
Hedge funds	330,404	311,780
Private assets	428,930	309,384
Other	2,855	3,425
Total	\$ 2,490,165	2,319,595

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

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

Private assets are comprised of ownership interests in limited partnerships.

Other includes accrued investment income, state and municipal bonds, corporate bonds, asset- and mortgage-backed securities and guaranteed investment contracts. Mortgage-backed securities are comprised of widely traded tranches of principal and interest strips in the form of collateralized mortgage obligations and real estate mortgage investment conduits. Asset-backed securities are comprised of principal and interest strips derived from underlying receivables. Guaranteed investment contracts are comprised of fixed annuities issued by insurance companies.

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MCW's return on investments as reported in the consolidated financial statements for the years ended June 30, 2025 and 2024 is summarized below:

	Year ended June 30, 2025		
	Without donor restrictions	With donor restrictions	Total
Endowment spendable income	\$ 39,372	3,537	42,909
Endowment investment income required to be reinvested	—	4,756	4,756
Endowment income earned over (deficient of) spendable income under the total return concept	<u>(27,808)</u>	<u>(1,065)</u>	<u>(28,873)</u>
Interest and dividends, net of fees, on pooled endowments	11,564	7,228	18,792
Other investment income	<u>11,012</u>	<u>293</u>	<u>11,305</u>
Total interest and dividends, net of fees	22,576	7,521	30,097
Realized gain on investments, net	56,117	28,599	84,716
Unrealized gain on investments, net	<u>91,118</u>	<u>47,813</u>	<u>138,931</u>
	<u>\$ 169,811</u>	<u>83,933</u>	<u>253,744</u>
	Year ended June 30, 2024		
	Without donor restrictions	With donor restrictions	Total
Endowment spendable income	\$ 40,017	2,434	42,451
Endowment investment income required to be reinvested	—	3,848	3,848
Endowment income earned over (deficient of) spendable income under the total return concept	<u>(32,571)</u>	<u>529</u>	<u>(32,042)</u>
Interest and dividends, net of fees, on pooled endowments	7,446	6,811	14,257
Other investment income	<u>9,616</u>	<u>212</u>	<u>9,828</u>
Total interest and dividends, net of fees	17,062	7,023	24,085
Realized gain on investments, net	23,258	15,529	38,787
Unrealized gain on investments, net	<u>153,421</u>	<u>74,350</u>	<u>227,771</u>
	<u>\$ 193,741</u>	<u>96,902</u>	<u>290,643</u>

Investment management and custodial fees incurred in 2025 and 2024 were \$10,583 and \$10,164, respectively.

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(6) Fair Value Measurements

FASB ASC Topic 820, *Fair Value Measurements and Disclosures* (ASC Topic 820), establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

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

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

The following section describes the valuation methodologies used for financial assets and liabilities measured at fair value. The techniques utilized in estimating the fair values are affected by the assumptions. There were no changes in valuation methodologies used for the years ended June 30, 2025 and 2024.

Cash and cash equivalents: The fair value of cash and cash equivalents is based on observable market quotation prices provided by custodial financial institutions.

Deposits with bond trustees: The fair value of the money market funds on deposit with bond trustees is based on observable market quotation prices. The fair value of fixed maturity securities on deposit with bond trustees is based on prices provided by each bond trustee's financial institution using a variety of pricing sources. Each bond trustee's financial institution designates specific pricing services or indices for each sector of the market based on the pricing service's expertise.

Investments: The fair value of investments is based on valuations provided by external investment managers and custodial financial institutions. Valuations of investments in Level 1, which include money market funds, accrued investment income, bond and equity mutual funds, and equity securities, are provided by custodial financial institutions based on observable market quotation prices. Valuations of certain investments in Level 2, which include accrued investment income, U.S. government obligations, state and municipal bonds, corporate bonds, and asset-backed and mortgage-backed securities, are provided by custodial financial institutions based on observable inputs other than quoted prices, such as pricing services or indices. Valuations of investments in Level 3, which are comprised of guaranteed investment contracts with an insurance company, are valued at the contract value which represents the accumulated contributions and interest credited to the contracts, less any withdrawals. Contract value approximates fair value. Investments with valuations classified as Level 1, 2 or 3 are considered marketable securities.

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MCW applies the measurement provisions of ASC Topic 820 related to certain investments in funds that do not have readily determinable fair values including commingled bond and equity funds, hedge funds, and private assets. ASC Topic 820 allows MCW to estimate the fair value of an investment using the net asset value per share of the investment as a practical expedient, when that net asset value per share is determined in accordance with ASC Topic 946, *Financial Services-Investment Companies*. Investments in commingled bond and equity funds, hedge funds and private assets with a fair value of \$1,679,323 and \$1,582,632 were estimated using the net asset value per share, provided by external investment managers as of June 30, 2025 and 2024, respectively. Investments with fair values using the net asset value per share as a practical expedient are considered non-marketable securities. Changes in market conditions and the economic environment may impact the net asset value of the funds and consequently the fair value of MCW's interest in the funds.

The investment strategy of the commingled bond funds is to achieve favorable income-oriented returns from diversified portfolios of domestic and foreign investment grade or below investment grade public and private issue debt and debt-like securities. The investment strategy of the commingled equity funds is to seek investment results that achieve or exceed major market indices. Derivative instruments may be used in these funds in an attempt to hedge existing long and short positions, maximize returns and minimize risk.

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

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

Beneficial interest in charitable trusts: The fair value of the beneficial interest in charitable trusts is based on the future contractual payments considering the life expectancy of beneficiaries, discounted to present value.

Deferred compensation: The fair value of the deferred compensation liability is based on the fair value of its underlying investments which are included in the investment values described above, as the deferred compensation liability is fully funded. The deferred compensation liability is included in accrued payroll and related liabilities in the consolidated statements of financial position.

Interest rate swap: The fair value of the interest rate swap is determined using pricing models developed based on the Secured Overnight Financing Rate (SOFR) plus a fixed spread adjustment and other observable and unobservable market data. The value is determined after considering the potential impact of collateralization agreements and is adjusted to reflect the nonperformance risk of both the counterparty and MCW.

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The following tables present assets and liabilities that are measured at fair value on a recurring basis as of June 30, 2025 and 2024:

	June 30, 2025			
	Total	Level 1	Level 2	Level 3
Assets:				
Cash and cash equivalents	\$ 118,048	118,048	—	—
Deposits with bond trustees	41,861	41,861	—	—
Investments:				
Money market funds	95,329	95,329	—	—
U.S. government obligations	26,143	—	26,143	—
Corporate bonds	47,942	—	47,942	—
Bond and equity mutual funds	637,862	637,862	—	—
Equity securities	711	711	—	—
Other	2,855	718	1,011	1,126
Subtotal	810,842	734,620	75,096	1,126
Investments measured at net asset value	1,679,323			
Total investments	2,490,165			
Beneficial interest in charitable trusts	4,927	—	—	4,927
Total assets	\$ 2,655,001	894,529	75,096	6,053
Liabilities:				
Deferred compensation	\$ 6,102	4,976	—	1,126
Interest rate swap	3,274	—	—	3,274
Total liabilities	\$ 9,376	4,976	—	4,400

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The following table shows the type of investment measured at net asset value. The commingled bond and equity funds can be redeemed monthly, quarterly, semi-annually, or annually. Hedge funds can be redeemed quarterly or annually.

Investments measured at net asset value	June 30, 2025		
	Net asset value	Unfunded commitments	Redemption notice period
Commingled bond and equity funds	\$ 919,989	—	4–180 days
Hedge funds	330,404	—	45–90 days
Private assets	<u>428,930</u>	337,291	—
Total investments measured at net asset value	\$ <u>1,679,323</u>		

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		June 30, 2024			
		Total	Level 1	Level 2	Level 3
Assets:					
Cash and cash equivalents	\$	116,203	116,203	—	—
Deposits with bond trustees		95,700	95,700	—	—
Investments:					
Money market funds		87,116	87,116	—	—
U.S. government obligations		24,127	—	24,127	—
Corporate bonds		45,598	—	45,598	—
Bond and equity mutual funds		575,853	575,853	—	—
Equity securities		844	844	—	—
Other		3,425	1,410	982	1,033
Subtotal		736,963	665,223	70,707	1,033
Investments measured at net asset value		<u>1,582,632</u>			
Total investments		2,319,595			
Beneficial interest in charitable trusts		<u>4,777</u>	—	—	<u>4,777</u>
Total assets	\$	<u>2,536,275</u>	<u>877,126</u>	<u>70,707</u>	<u>5,810</u>
Liabilities:					
Deferred compensation	\$	4,946	3,913	—	1,033
Interest rate swap		<u>2,659</u>	—	—	<u>2,659</u>
Total liabilities	\$	<u>7,605</u>	<u>3,913</u>	—	<u>3,692</u>

Investments measured at net asset value	June 30, 2024		
	Net asset value	Unfunded commitments	Redemption notice period
Commingled bond and equity funds	\$ 961,468	—	4–180 days
Hedge funds	311,780	—	45–90 days
Private assets	<u>309,384</u>	262,075	—
Total investments measured at net asset value	\$ <u>1,582,632</u>		

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(7) Endowment Net Asset Classification

MCW's endowment is comprised of approximately 600 individual funds as of June 30, 2025 established for the following purposes:

- Provide funding of activities that support the missions of education, research, patient care and community engagement.
- Provide a revenue source for endowed purposes such as scholarships, student loans, professorships, and program enhancements.
- Provide a revenue source for capital requirements.
- Provide a revenue source for initiatives of the Advancing a Healthier Wisconsin Program.
- Provide a revenue source for programs, activities, contingencies and other purposes as the MCW Board of Trustees may consider appropriate.

The endowment includes both donor-restricted endowment funds and funds functioning as endowments. As required by U.S. GAAP, net assets associated with endowment funds, including funds functioning as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

(a) Interpretation of Relevant Law

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

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

- The duration and preservation of the funds,
- The purposes of MCW and the donor-restricted endowment funds,
- General economic conditions,
- The possible effect of inflation or deflation,
- The expected total return from income and the appreciation of investments,
- Other resources of MCW, and
- The investment policy of MCW.

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(b) Return Objectives and Risk Parameters

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

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

(c) Strategies Employed for Achieving Objectives

MCW seeks to define its investment policy through control of asset mix and measurement of results utilizing widely recognized market benchmarks. Investment decisions are made with a long-term time horizon. The investment portfolio is well diversified among fixed income, domestic and foreign public equities, hedge funds, private credit, and private equity investments.

(d) Spending Policy and Relationship of Investment Objectives to Spending Policy

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

Spendable income funds are considered appropriated for expenditure when they are expended for the use and purpose for which the endowment fund was established.

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

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Notes to Consolidated Financial Statements

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(In thousands)

(e) Net Asset Composition by Type of Fund

Composition of endowment assets by net asset class (excluding pledges receivable of \$9,692 and \$13,226, respectively) as of June 30, 2025 and 2024 in total and by type is summarized below:

	2025		
	Without donor restrictions	With donor restrictions	Total
Donor-restricted endowments:			
Advancing a Healthier Wisconsin:			
Perpetual in nature	\$ —	290,478	290,478
Restricted by time or purpose	—	262,740	262,740
Other endowments:			
Perpetual in nature	—	181,390	181,390
Restricted by time or purpose	—	120,079	120,079
Endowments designated by the Board of Trustees	1,081,446	—	1,081,446
Total	\$ 1,081,446	854,687	1,936,133

	2024		
	Without donor restrictions	With donor restrictions	Total
Donor-restricted endowments:			
Advancing a Healthier Wisconsin:			
Perpetual in nature	\$ —	290,478	290,478
Restricted by time or purpose	—	229,037	229,037
Other endowments:			
Perpetual in nature	—	171,545	171,545
Restricted by time or purpose	—	104,411	104,411
Endowments designated by the Board of Trustees	1,001,706	—	1,001,706
Total	\$ 1,001,706	795,471	1,797,177

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(In thousands)

(f) Changes in Endowment Net Assets

Roll forwards of the beginning and ending balances of endowments by net asset class for the years ended June 30, 2025 and 2024 are as follows:

	2025		
	Without donor restrictions	With donor restrictions	Total
Interest and dividends, net of fees	\$ 11,564	7,228	18,792
Realized gain on investments, net	36,138	28,599	64,737
Unrealized gain on investments, net	60,624	47,813	108,437
Total investment return	108,326	83,640	191,966
Contributions	10,787	9,711	20,498
Expenditures	(39,373)	(34,135)	(73,508)
Total change in endowments	79,740	59,216	138,956
Net assets, beginning of year	1,001,706	795,471	1,797,177
Net assets, end of year	\$ 1,081,446	854,687	1,936,133

	2024		
	Without donor restrictions	With donor restrictions	Total
Interest and dividends, net of fees	\$ 7,975	6,282	14,257
Realized gain on investments, net	19,632	15,529	35,161
Unrealized gain on investments, net	96,113	74,350	170,463
Total investment return	123,720	96,161	219,881
Contributions	2,276	13,435	15,711
Expenditures	(40,523)	(37,247)	(77,770)
Total change in endowments	85,473	72,349	157,822
Net assets, beginning of year	916,233	723,122	1,639,355
Net assets, end of year	\$ 1,001,706	795,471	1,797,177

(g) Endowments with Fair Value Less Than Original Gift Value

Periodically, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or the MCW Board of Trustees (pursuant to UPMIFA) requires MCW to retain to preserve the fair value of the original gift in perpetuity. In accordance with U.S. GAAP, deficiencies of this nature are reported in net assets with donor restrictions. For MCW, donor-restricted

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(In thousands)

endowment funds with deficiencies had an original gift value of \$13, a current fair value of \$12, and a deficiency of \$1 as of June 30, 2025. As of June 30, 2024, donor-restricted endowment funds with deficiencies had an original gift value of \$3,541, a current fair value of \$3,491, and a deficiency of \$50. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new contributions for donor-restricted endowment funds and continued appropriation for certain programs that was deemed prudent as allowed by the spending policy approved by the MCW Board of Trustees.

(8) Patient Services Revenue and Patient Accounts Receivable

Patient services revenue, net of explicit contractual allowances, discounts and implicit price concessions, by major payor source for the years ended June 30, 2025 and 2024 is as follows:

	<u>2025</u>	<u>2024</u>
Commercial and managed care	\$ 363,851	349,564
Self-pay patients	49,757	48,717
Medicaid	30,389	29,467
Medicare	110,002	102,222
Other	<u>7,699</u>	<u>8,113</u>
Patient services revenue	\$ <u>561,698</u>	<u>538,083</u>

MCW grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of net receivables from self-pay patients and third-party payors at June 30, 2025 and 2024 is as follows:

	<u>2025</u>	<u>2024</u>
Commercial/managed care	\$ 58,192	49,870
Self-pay patients	17,074	16,426
Medicaid	2,731	2,490
Medicare	11,540	9,795
Other	<u>535</u>	<u>163</u>
Patient services receivable	\$ <u>90,072</u>	<u>78,744</u>

The majority of patient accounts receivable is expected to be collected within one year.

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Notes to Consolidated Financial Statements

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(In thousands)

(9) Other Accounts Receivable, Net

Other accounts receivable, at June 30, 2025 and 2024 consist of the following:

	2025	2024
Affiliated hospital	\$ 61,012	56,569
Other	40,338	55,790
Other accounts receivable before allowance for doubtful accounts	101,350	112,359
Allowance for doubtful accounts	(844)	(1,798)
Other accounts receivable, net	\$ 100,506	110,561

MCW has affiliations with a number of hospitals in which MCW medical professionals provide clinical management services, graduate medical education and other program services. In consideration for these services, the affiliated hospitals compensate MCW for salary, fringe benefit and other related expenses.

The majority of other accounts receivable is expected to be collected within one year. The allowance for doubtful accounts for affiliated hospital contracts and other accounts receivable is established based upon an annual review of the collectability of the underlying accounts receivable utilizing the accounts receivable aging and the historical loss rates on affiliated hospital contracts and other accounts receivable.

(10) Grants and Contracts Receivable, Net

Grants and contracts receivable at June 30, 2025 and 2024 consist of the following:

	2025	2024
Grants and contracts	\$ 44,444	33,332
Allowance for doubtful accounts	(138)	(335)
Grants and contracts receivable, net	\$ 44,306	32,997

The contractual maturity of these accounts receivables is less than one year. An allowance for doubtful accounts for grants and contracts receivable is established based upon an annual review of the collectability of the underlying receivables utilizing the grants and contracts receivable aging and the historical loss rates on grants and contracts receivable.

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Notes to Consolidated Financial Statements

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(In thousands)

(11) Contributions Receivable, Net

Net contributions receivable consists primarily of donor pledges and is summarized as follows at June 30, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Total contributions receivable	\$ 34,907	49,632
Allowance for uncollectible contributions	(1,375)	(711)
Adjustment to present value	<u>(1,606)</u>	<u>(2,321)</u>
Contributions receivable, net	\$ <u>31,926</u>	<u>46,600</u>

The discount rates used to adjust the contributions receivable to present value range from 0.09% to 5.43% at June 30, 2025 and 2024. Contributions receivable at June 30, 2025 are expected to be collected in future years as follows:

2026	\$ 9,335
2027	9,815
2028	7,431
2029	5,258
2030	2,868
2031 and beyond	<u>200</u>
Total	\$ <u>34,907</u>

(12) Student Loans Receivable, Net

Student loans receivable at June 30, 2025 and 2024 consist of the following loan funds:

	<u>2025</u>	<u>2024</u>
Primary Care Loan Program	\$ 6,966	6,782
Federal Perkins Loan Program	374	541
Health Professions Student Loan Program	851	965
MCW Institutional Loans	<u>13,692</u>	<u>13,660</u>
Students loans receivable	21,883	21,948
Allowance for loan loss	<u>(417)</u>	<u>(341)</u>
Student loans receivable, net	\$ <u>21,466</u>	<u>21,607</u>

Although there are multiple funding sources for student loans, MCW's student loans receivable is generated through the extension of credit to students to fund educational costs, and therefore, all such loans receivable are considered part of the same portfolio. Student loans receivable are initially measured

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Notes to Consolidated Financial Statements

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(In thousands)

at cost, which approximates fair value, and MCW assesses and monitors risk and performance of the entire portfolio.

An allowance for loan loss in student loans receivable is established based upon an annual review of the collectability of the underlying student loans utilizing the loans receivable aging and the historical loss rates on loans. The allowance represents management's estimate of the amount of student loans receivable for which a loss is probable. Actual losses are charged against the allowance. The allowance for loan loss is increased through charges to expense (provision) and recoveries of loans previously charged to the allowance.

The credit risk profiles of the student loans receivable are based on payment activity as of June 30, 2025 and 2024. Loans are considered nonperforming if they are more than 2 years past due and there has been no activity in the past 6 months. The following table details the credit risk profiles:

	<u>2025</u>	<u>2024</u>
Student loans receivable:		
Performing	\$ 21,883	21,948
Nonperforming	<u>—</u>	<u>—</u>
Total student loans receivable	<u>\$ 21,883</u>	<u>21,948</u>

(13) Leases

MCW is a lessee in several noncancelable operating leases, primarily for land and buildings for clinical, academic, and administrative purposes that expire over the next 19 years. These leases generally contain renewal options for periods ranging from 1 to 5 years. The option period is included in determining the lease term and lease payments if it is reasonably certain the renewal option will be exercised by MCW or its execution is controlled by the lessor. Payments due under the lease contracts include fixed payments and variable payments. Variable payments generally include payments for MCW's proportionate share of the building's property taxes, insurance, and common area maintenance.

Lease rental expense for the years ended June 30, 2025 and 2024 is as follows:

	<u>2025</u>	<u>2024</u>
Operating lease rental expense	\$ 10,285	10,061
Variable rental expense	<u>11,164</u>	<u>9,139</u>
Total lease rental expense	<u>\$ 21,449</u>	<u>19,200</u>

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(In thousands)

ROU assets and long-term lease obligations reported in the consolidated statements of financial position as of June 30, 2025 and 2024 are as follows:

	2025	2024
Operating ROU assets	\$ 71,819	64,829
Operating lease long-term lease obligations	77,587	70,595

ROU assets of \$15,854 and \$17,638 were obtained in exchange for long-term lease obligations on operating leases for the years ended June 30, 2025 and 2024, respectively. Reductions in ROU assets of \$1,075 and \$0 resulted in reductions to long-term lease obligations on operating leases for the years ended June 30, 2025 and 2024, respectively. Amounts disclosed for ROU assets obtained in exchange for long-term lease obligations include amounts added to the carrying amount of ROU assets resulting from lease modifications and reassessments.

Maturities of long-term operating lease obligations under noncancelable leases as of June 30, 2025 are as follows:

2026	\$	9,976
2027		8,882
2028		8,928
2029		9,028
2030		9,149
2031 and beyond		64,893
Total undiscounted long-term operating lease obligations		110,856
Less imputed interest		33,269
Total long-term operating lease obligations	\$	77,587

As of June 30, 2025 and 2024, the weighted-average remaining lease term for all operating leases is 12 and 10 years, respectively.

The weighted average discount rate associated with operating leases as of June 30, 2025 and 2024 is 5% and 4%, respectively.

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(In thousands)

(14) Land, Buildings, and Equipment, Net

Land, buildings, and equipment is comprised of the following at June 30, 2025 and 2024:

	2025	2024
Land, buildings, and improvements	\$ 493,393	490,897
Equipment and furnishings	315,030	319,431
Library books	948	948
Construction in progress	136,809	72,207
	946,180	883,483
Accumulated depreciation and amortization	(566,622)	(549,817)
Land, buildings, and equipment, net	\$ 379,558	333,666

At June 30, 2025 and 2024, construction in progress includes capitalized interest of \$7,724 and \$5,785, respectively.

MCW is a party to construction contracts that exist for various building renovation and grounds improvement projects. As of June 30, 2025, MCW's outstanding contractual commitments on these contracts is \$7,128.

(15) Professional Liability Insurance Program

MCW is required to participate in the Injured Patients and Families Compensation Fund of the State of Wisconsin (the State Fund). MCW is also required to insure for claim losses up to \$1,000 per claim for each medical professional and \$3,000 in the aggregate per year for each medical professional for professional liability claims. Losses with respect to malpractice risks in excess of these amounts are covered by the State Fund.

MCW established a trust, The Medical College of Wisconsin, Inc. Professional Liability Insurance Program (the Program), to self-insure for medical malpractice claims below the levels covered by the State Fund. Actuarially determined amounts are contributed to the Program to provide for the estimated cost of self-insured claims and to meet State of Wisconsin requirements. The Program's independent actuary has estimated the unpaid claims liability of the Program, including claims handling and legal expenses.

During 2025 and 2024, MCW made contributions to the Program in the amounts of \$2,127 and \$996, respectively. The Program has net assets without donor restrictions of \$1,455 and \$2,163 as of June 30, 2025 and 2024, respectively.

Investments held in trust for the Program, as reported in investments at fair value on the consolidated statements of financial position, are \$12,072 and \$12,571 as of June 30, 2025 and 2024, respectively.

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(In thousands)

(16) Long-Term Debt

Long-term debt consists of the following at June 30, 2025 and 2024:

	2025	2024
Tax-exempt variable rate WHEFA Revenue Bonds Series 2008 B, with mandatory sinking fund serial bond maturities due annually 2025 through 2034. Interest is payable monthly at rates reset on a daily basis (3.95% and 4.95% at June 30, 2025 and 2024, respectively)	\$ 66,475	67,500
Tax-exempt fixed rate WHEFA Revenue Bonds Series 2014 A, with principal payments due annually through 2025. Interest is payable monthly at 2.21%	—	2,145
Tax-exempt fixed rate WHEFA Revenue Bonds Series 2014 B, with principal payments due annually through 2027. Interest is payable monthly at 2.36%	4,200	6,250
Tax-exempt fixed rate WHEFA Revenue Bonds Series 2016, with mandatory sinking fund serial bond maturities due annually through 2036 and term bond maturities due in 2041 and 2046. The effective interest rate is 4.44% and 4.45% at June 30, 2025 and 2024 respectively	136,415	137,900
Tax-exempt fixed rate WHEFA Revenue Bonds Series 2018, with principal payments due annually through 2033. Interest is payable monthly at 3.05%	37,530	42,385
Tax-exempt fixed rate WHEFA Revenue Bonds Series 2022, with mandatory sinking fund serial bond maturities due annually 2036 through 2041 and term bond maturities due in 2046 and 2051. The effective interest rate is 4.18% at June 30, 2025 and 2024	165,350	165,350
Note payable, with an effective interest rate of 3.52%. The note is payable to Milwaukee County in annual installment payments through September 2074	8,294	8,354
Total long-term debt before unamortized premium and discount and issuance costs	418,264	429,884
Unamortized discounts and premiums	35,190	36,855
Unamortized issuance costs	(2,701)	(2,873)
Total long-term debt	\$ 450,753	463,866

The revenue bonds, taxable loans and related credit agreements were issued under the Master Trust Indenture and are collateralized by a pledge of certain revenues of MCW. The borrowing agreements contain continuing disclosure requirements and various covenants and restrictions, including a requirement

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that MCW maintain a minimum debt service coverage ratio, a minimum number of days of unrestricted cash on hand, and a maximum debt to capitalization ratio.

The aggregate scheduled principal maturities of long-term debt for each of the five years subsequent to June 30, 2025 and thereafter are as follows:

2026	\$	12,078
2027		12,450
2028		12,823
2029		13,305
2030		13,792
2031 and beyond		<u>353,816</u>
Total	\$	<u>418,264</u>

All or part of the Series 2008 B, 2014 B, 2016, 2018 and 2022 bonds may be redeemed at par plus accrued and unpaid interest, if any, to the date of redemption, as set forth below:

- The Series 2008 B bonds are continuously callable.
- A portion of the Series 2014 B bonds up to \$6,000 may be redeemed at any time. The remaining Series 2014 B bonds may be redeemed at any time subject to prepayment premium provisions.
- The Series 2016 bonds may be redeemed beginning on November 1, 2026. A portion of the Series 2016 bonds may be redeemed prior to November 1, 2026, subject to prepayment premium provisions.
- The Series 2018 bonds may be redeemed at any time, subject to a make-whole provision.
- The Series 2022 bonds may be redeemed beginning on December 1, 2031.

(a) WHEFA Revenue Bond Series 2008

The Series 2008 A bonds, totaling \$83,400, were issued on July 30, 2008 to (i) refund the WHEFA Revenue Bond Series 2004 B1 bonds which had been issued to refund the WHEFA Revenue Bond Series 1993, and to fund construction of a Biomedical Research Facility, certain additional capital projects and a parking structure, (ii) to fund the construction of research capital projects at the Biomedical Research Facility and certain additional capital projects, and (iii) to fund a debt service reserve fund. Certain of the Series 2008 A bonds were advance-refunded by the WHEFA Revenue Bond Series 2016. The remaining Series 2008A bonds were refunded by the WHEFA Revenue Bond Series 2022.

The Series 2008 B bonds, totaling \$67,500, were issued on September 4, 2008 to refund the outstanding WHEFA Revenue Bonds Series 2004 B2 which had been issued to fund construction of a Biomedical Research Facility, certain additional capital projects and a parking structure.

Concurrent with the issuance of the Series 2008 B bonds, MCW entered into a Credit Agreement with a financial institution under which the financial institution issued a renewable direct pay letter of credit. On

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July 6, 2023, in substitution of the existing credit facility, MCW entered into a Reimbursement Agreement with a new financial institution under which a renewable letter of credit was issued which expires on July 6, 2028. The \$67,611 letter of credit is available to secure the Series 2008 B bonds and to make payments (liquidity drawings) in the event that any Series 2008 B bonds are subject to an optional or mandatory tender and are not remarketed. A mandatory tender would occur if the letter of credit is not renewed or replaced by the second business day prior to its expiration date. Any liquidity drawing made under the letter of credit is considered a liquidity advance. Payments of interest under the liquidity advance would be due in monthly interest installments, commencing on the first business day of the month after the date of the liquidity advance. Payments of outstanding principal under the liquidity advance would be due in quarterly principal installments, commencing on the 367th day after the liquidity advance. The outstanding principal balance of any such liquidity advance would bear interest at the base rate plus up to 100 basis points based on the length of the advance. The base rate is calculated as the greater of Prime Rate or 3%. The principal and interest are required to be paid by the fourth anniversary of the date of the initial liquidity advance. If a full optional or mandatory tender occurs, a liquidity advance will be made at a base rate of 7.5% and annual debt service related to the Series 2008 B bonds will change by \$(1,641), \$18,327, \$14,403, and \$17,816 over the next four years, respectively. As of June 30, 2025 and 2024, there were no outstanding liquidity drawings or drawing loans under the Credit Agreement.

(b) WHEFA Revenue Bond Series 2014

The Series 2014 A bonds, totaling \$18,450, were issued on December 16, 2014 to refund the WHEFA Revenue Bond Series 2004 A which had been issued to refund the WHEFA Revenue Bond Series 1993 and to fund the construction of a Biomedical Research Facility, certain additional capital projects and a parking structure. The final principal payment for the Series 2014 A bonds was made on December 1, 2024. The Series 2014 B bonds, totaling \$13,930, were issued on December 16, 2014 to advance refund the Series 2010 term bond. The Series 2014 A and 2014 B bonds were issued as direct placements with a financial institution.

(c) WHEFA Revenue Bond Series 2016

The Series 2016 bonds, totaling \$157,805, were issued on May 11, 2016 to advance-refund a portion of the Series 2008 A bonds, to fund the construction and equipping of a professional office building, and to fund renovations to existing facilities to integrate the new building and to accommodate the operations of a new School of Pharmacy.

(d) WHEFA Revenue Bond Series 2018

The Series 2018 bonds, totaling \$55,000, were issued on September 6, 2018 to fund the equipping of a professional office building, renovations and equipping of an existing basic science building, renovation and equipping of other existing educational facilities and expansion and equipping of an educational facility located in central Wisconsin. The Series 2018 bonds were issued as a direct placement with a financial institution.

(e) WHEFA Revenue Bond Series 2022

The Series 2022 bonds, totaling \$165,350, were issued on February 3, 2022 to refund the remaining Series 2008A bonds, to fund the construction and equipping of a cancer research building, renovations

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and equipping of an existing basic science building, and renovation and equipping of other existing educational facilities.

(f) Taxable Loans

On May 1, 2020, MCW entered into a Loan Agreement with a financial institution under which a taxable revolving loan was made to MCW by the financial institution. The revolving loan is for \$50,000 and is used for working capital expenditures. MCW pays an annual fee of 0.10% on the unused balance of the revolving loan.

(g) Note Payable to Milwaukee County

On April 14, 2020, MCW entered into a Land Payment Agreement with Milwaukee County in exchange for land that MCW previously leased from Milwaukee County under long-term lease agreements. The amounts owed under the Land Payment Agreement are secured by a mortgage of the land acquired in the purchase.

(h) Derivative Instruments

Variable interest rate debt obligations expose MCW to variability in interest payments due to changes in interest rates. Management believes that it is prudent to limit the variability of a portion of its interest payments. To meet this objective, management utilizes an interest rate swap agreement to manage fluctuations in cash flows resulting from interest rate risk. The interest rate swap changes the variable rate cash flow exposure on the debt obligations to fixed cash flows. Under the terms of the interest rate swap, MCW receives variable interest rate payments and makes fixed interest rate payments monthly to the counterparty, thereby creating the equivalent of fixed rate debt. The net difference between the amounts received from and paid to the counterparty is recorded as interest expense.

MCW entered into an interest rate swap agreement for the WHEFA Revenue Bond Series 2004 variable rate debt in October 2004. Effective September 15, 2008, MCW revised the original interest rate swap agreement to conform with the principal amount and amortization schedule of the Series 2008 B bonds. The revised interest rate swap agreement has a notional amount of \$66,475, a fixed payment rate of 3.558% and a variable counterparty payment of 68% of the 30-day LIBOR. The publication of LIBOR rates ceased effective June 30, 2023 and the variable counterparty payment is now based on 68% of SOFR with a spread adjustment. Consistent with the reset schedule of the 2008 B bonds, the interest rate swap has a weekly reset with monthly payments due to or from MCW on the first business day of the month. The revised interest rate swap agreement expires December 1, 2033. The provisions set forth in the interest rate swap agreement require MCW to provide investment securities as collateral if the interest rate swap market value falls below a specified threshold. No investment securities were required as collateral as of June 30, 2025 and 2024, respectively.

By using derivative financial instruments to hedge exposure to changes in interest rates, MCW exposes itself to nonperformance risk and market risk. Nonperformance risk refers to the risk that the obligation will not be fulfilled. Credit risk, a measure of nonperformance risk, is the failure of the counterparty to perform under the terms of the derivative contract. When the fair value of a derivative contract is positive, the counterparty owes MCW, which creates credit risk for MCW. When the fair value of a derivative contract is negative, MCW owes the counterparty, and therefore, it does not possess credit risk. MCW minimized the credit risk in derivative instruments by entering into a transaction with a

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high-quality counterparty. Market risk is the adverse effect on the value of a financial instrument that results from a change in interest rates. The market risk associated with the interest rate swap agreement is managed by limiting the types and degree of market risk that may be undertaken.

(17) Net Assets

Certain net assets without donor restriction are designated for specific purposes by the MCW Board of Trustees but can be used for another institutional purpose with approval of the MCW Board of Trustees . The designations at June 30, 2025 and 2024 are as follows:

	<u>2025</u>	<u>2024</u>
Designated to function as endowment funds to support the following purposes:		
Research	\$ 531,564	492,286
Undesignated	<u>549,882</u>	<u>509,420</u>
	1,081,446	1,001,706
Designated for the professional liability insurance program	1,455	2,163
Designated for student loans	5,417	—
Undesignated	<u>642,068</u>	<u>568,986</u>
	<u>\$ 1,730,386</u>	<u>1,572,855</u>

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Net assets with donor restrictions that are restricted for time, purpose or both at June 30, 2025 and 2024 are as follows:

	<u>2025</u>	<u>2024</u>
Endowments to support the following purposes (including net accumulated earnings of \$681,817 and \$568,988, respectively):		
Advancing a Healthier Wisconsin	\$ 553,218	519,515
Research	100,751	90,450
Scholarships	51,843	48,260
Education	13,075	11,950
Community engagement	4,594	4,285
Other	<u>131,206</u>	<u>121,011</u>
	<u>854,687</u>	<u>795,471</u>
Time implied pledges to support the following purposes:		
Research	20,444	23,080
Scholarships	845	176
Other, including discounts and bad debt allowances	<u>945</u>	<u>10,117</u>
	<u>22,234</u>	<u>33,373</u>
Time implied pledges to support the following purposes in perpetuity:		
Research	5,520	3,499
Scholarships	677	970
Other, including discounts and bad debt allowances	<u>3,495</u>	<u>8,758</u>
	<u>9,692</u>	<u>13,227</u>
Gifts subject to expenditure to support the following purposes:		
Capital projects	29,125	20,556
Research	6,809	5,508
Scholarships	924	1,119
Student loans	10,486	10,145
Community engagement	<u>692</u>	<u>1,329</u>
	<u>48,036</u>	<u>38,657</u>
Charitable gifts that will provide proceeds in the future:		
Trusts and annuities	5,292	5,134
Life insurance	<u>327</u>	<u>309</u>
	<u>5,619</u>	<u>5,443</u>
	\$ <u>940,268</u>	<u>886,171</u>

THE MEDICAL COLLEGE OF WISCONSIN, INC.

Notes to Consolidated Financial Statements

June 30, 2025 and 2024

(In thousands)

(a) *Advancing a Healthier Wisconsin*

MCW received marketable securities from The Wisconsin United for Health Foundation, Inc. (WUHF) having original fair values of approximately \$320,365. These assets are referred to as Advancing a Healthier Wisconsin funds (AHW funds) and are classified as net assets with donor restrictions. The AHW funds are proceeds of the conversion of Blue Cross and Blue Shield United of Wisconsin from a not-for-profit company to a for-profit stock company, as approved by the Wisconsin Commissioner of Insurance in the Findings of Fact, Conclusions of Law, and Order (the Order) issued March 28, 2000. The AHW funds are under the oversight of the MCW Consortium on Public and Community Health, Inc. (the MCW Consortium) and are restricted pursuant to terms of the Order. MCW is entitled to appoint eight of the nine board members of the MCW Consortium (four of whom shall represent MCW). The AHW funds cannot be used to supplant support otherwise available, expended directly or indirectly for land or buildings, or committed as collateral without the approval of two-thirds of all members of the MCW Consortium.

(b) *State of Wisconsin Construction and Equipment Grants*

On November 17, 2004, the Wisconsin State Building Commission approved the release of a \$25,000 grant to MCW to aid in the construction of a Biomedical Research Facility. On March 31, 2005, MCW entered into a Grant and Land Use Restriction Agreement with the State of Wisconsin Department of Administration to formalize the terms for receipt of these funds. The grant agreement provided support for 28.4% of the eligible construction expenses for the facility, conditioned upon receipt of a requisition documenting that such expenditures had been incurred. As of June 30, 2007, MCW had recognized a contribution with donor restriction for the entire \$25,000 related to the construction grant. The Biomedical Research Facility was placed into service during 2007, and MCW began releasing the restriction on the contribution over the estimated life of the use restriction. As of June 30, 2025, \$13,576 remains classified as net assets with donor restriction.

The Grant and Land Use Restriction Agreement places a restriction on the facility, requiring that it be continuously used as a research and medical education center to conduct biomedical research, create new technologies, train students in the substance and methodology of biomedical research, and provide support to individuals and organizations in the state who are engaged in biomedical research and technological innovation consistent with the tax-exempt charitable missions of MCW. MCW has a potential future liability to repay the funds if the facility should cease to be used for its required purpose. Currently, it is not probable that this circumstance will occur, and a liability is not recorded.

On August 6, 2014 and February 20, 2019, the Wisconsin State Building Commission approved the release of \$5,384 and \$2,000, respectively, of grant funds to MCW to aid in the remodel, development, and renovation of two community medical education facilities in northeast Wisconsin and central Wisconsin. On December 22, 2015, MCW entered into a Grant Agreement, a Use Restriction Easement, and a Security Agreement with the State of Wisconsin Department of Administration to formalize the terms for receipt of these funds. The Grant Agreement provided support for reimbursement of 50% of capital expenditures associated with the development of the two community medical education programs. During the years ended June 30, 2024 and 2023, there were no contributions with donor restrictions related to this grant. The project was completed and placed into service in phases starting in 2014, and MCW began releasing the restriction on the contribution over

THE MEDICAL COLLEGE OF WISCONSIN, INC.

Notes to Consolidated Financial Statements

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(In thousands)

the estimated life of the grant restrictions at that time. As of June 30, 2025, \$4,335 remains classified as net assets with donor restrictions.

On August 9, 2022, the Wisconsin State Building Commission approved the release of a \$10,000 grant to MCW to aid in the construction of a cancer research facility. In March 2024, MCW entered into a Grant Agreement and Use Restriction Agreement with the State of Wisconsin Department of Administration to formalize the terms for receipt of these funds. The Grant Agreement provides support for eligible construction expenses for the facility, conditioned upon receipt of a requisition documenting that such expenditures have been incurred. During fiscal 2024, MCW recognized a contribution with donor restriction for the entire \$10,000 related to the construction grant. The Use Restriction Agreement places a restriction on the facility, requiring that it be used primarily as a cancer research facility for a period of 20 years and MCW has a potential future liability to repay the funds if the facility should cease to be used for its required purpose within that period. Currently, it is not probable that this circumstance will occur, and a liability is not recorded. As of June 30, 2025, \$9,658 remains classified as net assets with donor restrictions.

(18) Employee Benefit Plans

MCW sponsors a Section 403(b) defined contribution retirement Plan (the Plan). Employees are eligible to voluntarily participate in the Plan immediately upon hire. Voluntary contributions are made solely through participant payroll withholdings (up to the IRS annual limit) and are not matched by MCW. Upon completing two years of service and attaining the age of 21, participants must contribute 6% of their pretax annual compensation (mandatory participation). Upon mandatory participation, MCW contributes 8% (up to the IRS annual earnings limit) of the participant's compensation. Participants are immediately vested in their contributions, MCW's contributions and earnings thereon. The contributions made by MCW and recognized as expense were approximately \$59,727 and \$55,767, respectively, for the years ended June 30, 2025 and 2024.

On June 24, 2016, MCW established a Section 457(f) defined contribution retirement plan for certain eligible employees. Contributions to the plan remain solely the property of MCW. Eligible participants vest in their contributions for a plan year on the last day of the third plan year for each plan year they are a participant. Distributions are made to the eligible participants in single, lump sum payments when contributions become vested. Assets related to the deferred compensation and defined contribution benefits of \$6,102 and \$4,946 at June 30, 2025 and 2024, respectively, are reflected in investments at fair value. Accrued benefits totaling approximately \$6,102 and \$4,946 at June 30, 2025 and 2024, respectively, are reflected in accrued payroll and related liabilities.

MCW is self-insured for health and dental benefits provided to active employees. A portion of the health care services is provided to employees by faculty and staff physicians. MCW paid health and dental benefit claims, net of employee contributions, of \$84,045 and \$2,615, respectively, during the year ended June 30, 2025 and \$82,102 and \$2,406, respectively, during the year ended June 30, 2024.

THE MEDICAL COLLEGE OF WISCONSIN, INC.

Notes to Consolidated Financial Statements

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(In thousands)

(19) Functional Expenses

Expenses classified by both nature and function for the year ended June 30, 2025 and 2024 are as follows:

	Year ended June 30, 2025						
	Program activities				Supporting activities		Total expenses
	Patient care	Research	Education	Community engagement	Institutional support	Fundraising	
Faculty salaries	\$ 504,915	84,630	49,108	5,127	5,795	560	650,135
Staff salaries	219,569	116,077	32,920	7,173	51,066	4,424	431,229
Fringe benefits	138,247	42,090	17,206	2,685	11,385	1,102	212,715
Services, supplies and other	102,581	56,837	26,085	2,979	34,717	2,442	225,641
Rent and occupancy	15,125	20,573	5,808	1,079	4,402	73	47,060
Subcontracts	246	38,843	1,839	9,210	0	0	50,138
Depreciation and amortization	7,258	18,583	5,017	252	2,898	43	34,051
Interest on indebtedness	3,634	4,596	1,132	45	928	0	10,335
Total expenses	\$ 991,575	382,229	139,115	28,550	111,191	8,644	1,661,304

	Year ended June 30, 2024						
	Program activities				Supporting activities		Total expenses
	Patient care	Research	Education	Community engagement	Institutional support	Fundraising	
Faculty salaries	\$ 480,162	79,977	47,260	4,635	4,280	458	616,772
Staff salaries	198,516	112,752	31,060	6,448	47,822	3,926	400,524
Fringe benefits	127,208	44,561	16,898	2,645	14,251	987	206,550
Services, supplies and other	83,487	55,628	24,285	2,800	35,929	1,739	203,868
Rent and occupancy	13,617	18,072	5,182	599	6,640	72	44,182
Subcontracts	259	39,294	2,310	9,660	—	—	51,523
Depreciation and amortization	7,327	18,955	5,177	193	3,130	72	34,854
Interest on indebtedness	3,789	4,739	1,111	45	954	—	10,638
Total expenses	\$ 914,365	373,978	133,283	27,025	113,006	7,254	1,568,911

Patient care expenses relate to all clinical and clinical support activities including those that are performed in the presence of residents and medical students. Research expenses pertain to all basic, translational, and clinical research and development activities that are externally sponsored or internally funded. Education expenses include credit and noncredit programs for medical students, graduate students, pharmacy students, residents, post-doctoral fellows, student trainees and continuing medical education participants. Community engagement expenses include partnerships with public and private organizations to enhance learning, research, patient care and the health of the community.

The consolidated financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses are allocated on a reasonable basis that is consistently applied. Faculty salaries, staff salaries and fringe benefits are allocated to program and supporting activities on the basis of estimates of time and effort. Interest expense and costs related to the operation and maintenance of physical plant, including depreciation of buildings and equipment, are allocated to program and supporting activities on a square-footage basis based on estimates of functional use of the related space. Administrative and managerial costs that support more than one program activity

THE MEDICAL COLLEGE OF WISCONSIN, INC.

Notes to Consolidated Financial Statements

June 30, 2025 and 2024

(In thousands)

are allocated among the program activities based on the percentage of each program's total expenses in relation to the total expenses for all programs. All other expenses are directly related to their attributed function.

(20) Availability of Resources

MCW holds cash balances to maintain daily cash requirements. To efficiently manage liquidity and capital, MCW continually determines the necessary amount of cash and cash equivalents to meet operational needs.

Financial assets expected to be available for general expenditure within one year of June 30, 2025 and 2024 are as follows:

	2025	2024
Cash and cash equivalents	\$ 118,048	116,203
Investments, at fair value	2,490,165	2,319,595
Receivables:		
Patient accounts	90,072	78,744
Other accounts, net	100,506	110,561
Contributions, net	31,926	46,600
Financial assets at year end	2,830,717	2,671,703
Less financial assets unavailable for general expenditure within one year due to:		
Restrictions:		
Endowments, net of funds to be appropriated for expenditure within one year	735,923	682,609
Funds functioning as endowments, net of funds to be appropriated for expenditure within one year	926,548	859,884
Restricted cash and investments	22,122	21,591
Pledges receivable, net of amounts to be received within one year	22,591	26,613
Liquidity:		
Unrestricted investments with liquidity horizons greater than one year	112,591	120,269
Financial assets available to meet cash needs for general expenditure within one year	\$ 1,010,942	960,737

MCW intends to spend from its funds functioning as endowments only those amounts appropriated for general expenditure as part of its appropriation process. However, the underlying investments are liquid and could be made available for general expenditure with approval of the MCW Board of Trustees.

THE MEDICAL COLLEGE OF WISCONSIN, INC.

Notes to Consolidated Financial Statements

June 30, 2025 and 2024

(In thousands)

(21) Commitments and Contingent Liabilities

Amounts received and expended by MCW under various federal and state programs are subject to audit by governmental agencies. In the opinion of management, audit adjustments, if any, will not have a significant effect in the consolidated financial position of MCW.

MCW periodically conducts internal investigations into deviations from approved research protocols reported to its Institutional Review Board. The investigations are conducted pursuant to MCW's Procedures for Addressing Scientific Misconduct and the model Procedures for Responding to Allegations of Scientific Misconduct issued by the United States Office of Research Integrity. The results of investigations, which have identified potential unallowable costs, are reported by MCW to the Food and Drug Administration and the Office of Human Research Protection. Management is unable to assess the outcome of any pending agency reviews, but it is the opinion of management that these matters will not have a material adverse effect in the consolidated financial statements of MCW.

MCW is a party to various other legal and regulatory actions arising in the ordinary course of its operations. While it is not feasible to predict the ultimate outcome of these actions, it is the opinion of management that the resolution of these matters will not have a material adverse effect in the consolidated financial statements of MCW.

(22) Subsequent Events

In connection with the preparation of the consolidated financial statements and in accordance with FASB ASC Topic 855, *Subsequent Events*, MCW evaluated subsequent events after the consolidated statement of financial position date of June 30, 2025 through October 30, 2025, which was the date the consolidated financial statements were issued.

No significant subsequent events were identified other than those previously disclosed.

THE MEDICAL COLLEGE OF WISCONSIN, INC.
Schedule of Expenditures of Federal and State Awards
Year ended June 30, 2025

Federal grantor/pass-through grantor/cluster title	Federal assistance listing number	Pass-through entity identifying number	Total federal expenditures	Passed through to subrecipients
Student Financial Assistance Cluster (notes 4 and 5)				
U.S. Department of Education				
Federal Perkins Loan Program	84.038	—	\$ 536,423	—
Federal Direct Loan Program	84.268	—	65,516,572	—
Total U.S. Department of Education			66,052,995	—
U.S. Department of Health and Human Services				
Health Professions Student Loans	93.342	—	958,566	—
Primary Care Loans	93.342	—	7,310,359	—
Total U.S. Department of Health and Human Services			8,268,925	—
Total Student Financial Assistance Cluster			74,321,920	—
Research and Development Cluster (note 3)				
U.S. Department of Defense				
Department of the Air Force				
Department of the Army	12.DOD	—	473,149	—
Department of the Army	12.DOD	—	1,211,828	510,182
Department of the Army	12.420	—	2,564,118	462,706
Department of the Army	12.431	—	342,213	—
Baylor Research Institute	12.RD	41011132301	216,319	—
Beth Israel Deaconess Medical Center	12.RD	01063986	41,022	—
Duke University	12.RD	313000072	33,335	—
Indiana University	12.RD	9164-MCW PO0447088	734,132	—
InnoVital Systems, Inc.	12.RD	S010-18-MW-01	124,437	—
J. Craig Venter Institute	12.RD	JCVI 24-002	79,585	—
Medical Technology Enterprise Consortium	12.RD	2021-532	2,722,550	1,841,929
Northwestern University	12.RD	60070609 MCW	8,251	—
Paxauris	12.RD	PAXC012	(4,473)	—
Southwest Research Institute	12.RD	L99043RI	326,453	—
University of California-San Francisco	12.RD	Various	82,356	—
University of Copenhagen	12.RD	122253-1	8,491	—
University of North Carolina at Chapel Hill	12.RD	5119035	(701)	—
University of Pittsburgh	12.RD	Various	86,899	—
University of Wisconsin-Madison	12.RD	N/A	61,517	—
Versiti Wisconsin, Inc.	12.RD	Various	30,319	—
Virginia Polytechnic Institute and State University	12.RD	450982-19844	(845)	—
Total Department of the Army			8,667,806	2,814,817
Department of the Navy				
National Marrow Donor Program	12.DOD	—	6,459	—
	12.RD	Various	453,279	—
Total Department of the Navy			459,738	—
Uniformed Services University of the Health Sciences				
Indiana University	12.RD	9545-MCW	531,126	—
Total U.S. Department of Defense			10,131,819	2,814,817
U.S. Department of Justice				
Office of Justice Programs	16.045	—	112,996	—
Office of Justice Programs	16.817	—	80,847	—
City of West Allis	16.RD	Various	154,791	—
Institute for Intergovernmental Research	16.RD	Various	10,444	—
Milwaukee County Department of Health and Human Services	16.RD	Various	78,533	—
Milwaukee County Medical Examiner	16.RD	N/A	8,067	—
City of Milwaukee	16.RD	E0000018830	21,029	—
State of Wisconsin	16.RD	Various	51,609	—
University of Wisconsin-Madison	16.RD	0000004083	8,741	—
Total U.S. Department of Justice			527,057	—
U.S. Department of Transportation				
National Highway Traffic Safety Administration (NHTSA)	20.DOT	—	482,414	—
U.S. Department of the Treasury				
Departmental Offices				
African American Breastfeeding Network, Inc.	21.RD	N/A	5,602	—
Children's Hospital of Wisconsin	21.RD	N/A	133,699	—
Milwaukee County Department of Health and Human Services	21.RD	40-24632-100	18,832	—
Wisconsin Douglas of Color Collective	21.RD	N/A	73,325	—
Total U.S. Department of the Treasury			231,458	—
National Aeronautics and Space Administration				
National Aeronautics and Space Administration	43.001	—	185,844	166,931
National Aeronautics and Space Administration	43.003	—	(13,097)	—
Total National Aeronautics and Space Administration			172,747	166,931
National Endowment for the Humanities				
Wesleyan University	45.162	—	26,032	1,077
	45.RD	WESU5011057112-MCW	11,356	—
Total National Endowment for the Humanities			37,388	1,077

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Schedule of Expenditures of Federal and State Awards
Year ended June 30, 2025

Federal grantor/pass-through grantor/cluster title	Federal assistance listing number	Pass-through entity identifying number	Total federal expenditures	Passed through to subrecipients
National Science Foundation	47.049	—	\$ 107,967	—
National Science Foundation	47.075	—	52,648	—
National Science Foundation	47.084	—	34,779	—
Marquette University	47.RD	Various	95,618	—
Total National Science Foundation			291,012	—
U.S. Department of Veterans Affairs	64.VA	—	910,945	—
Environmental Protection Agency	66.509	—	556,657	223,607
Milwaukee Board of School Directors	66.RD	C030846	3,487	—
Total Environmental Protection Agency			560,144	223,607
U.S. Department of Health and Human Services				
Agency for Healthcare Research and Quality	93.226	—	580,999	317,140
University of Colorado at Denver	93.RD	FY24.837.012	2,406	—
University of Michigan	93.RD	SUBK00017851	10,413	—
University of Wisconsin-Madison	93.RD	0000002824	(2,373)	—
Total Agency for Healthcare Research and Quality			591,445	317,140
Centers for Disease Control and Prevention	93.CDC	—	100,500	8,000
Centers for Disease Control and Prevention	93.136	—	507,087	2,395
Children's Hospital of Wisconsin	93.RD	U01DD001239	10,173	—
Eastern Virginia Medical School	93.RD	V221271-15	76	—
Improve Care Now, Inc.	93.RD	No 003	4,988	—
Northwestern University	93.RD	60056845 MCW	45,642	—
State of Wisconsin	93.RD	Various	101,856	—
The Task Force for Global Health, Inc.	93.RD	N/A	21,520	—
COVID-19 The Task Force for Global Health, Inc.	93.RD	PO#6198	50,399	—
Total The Task Force for Global Health, Inc.			71,919	—
University of California-Davis	93.RD	A24-0766-S003	42,232	—
University of Colorado at Denver	93.RD	FY25.347.003	12,404	—
University of Michigan	93.RD	SUBK00020652	33,605	—
Total Centers for Disease Control and Prevention			930,482	10,395
Administration for Community Living				
University of Wisconsin-Milwaukee	93.RD	Various	20,860	—
Food and Drug Administration				
Applied Research Associates, Inc.	93.RD	S-003956-02-MCW	3,149	—
Memorial Sloan Kettering Cancer Center	93.RD	Various	19,839	—
University of Pittsburgh	93.RD	AWD00010030 (200355-3)	48,804	—
Total Food and Drug Administration			71,792	—
Health Resources and Services Administration (HRSA)	93.HRSA	—	5,467,233	2,684,587
Health Resources and Services Administration (HRSA)	93.250	—	94,127	—
Ann & Robert H. Lurie Children's Hospital of Chicago	93.RD	A21-0138-S005	7,498	—
Cincinnati Children's Hospital Medical Center	93.RD	Various	184,668	—
Marquette University	93.RD	2593-02-01	158,854	—
Stanford University	93.RD	63702887-343865	37,335	—
State of Wisconsin	93.RD	152018	148,903	—
University of Buffalo	93.RD	R1373081	51,894	—
University of California-San Francisco	93.RD	12650sc	(543)	—
University of Illinois-Chicago	93.RD	19654	51,183	—
University of Wisconsin-Madison	93.RD	0000004036	22,625	—
Total Health Resources and Services Administration (HRSA)			6,223,777	2,684,587
National Institutes of Health (NIH)	93.NIH	—	856,654	95,142
National Institutes of Health (NIH)	93.113	—	15,247	15,247
National Institutes of Health (NIH)	93.121	—	183,258	—
National Institutes of Health (NIH)	93.173	—	1,116,343	173,611
National Institutes of Health (NIH)	93.213	—	207,621	19,243
National Institutes of Health (NIH)	93.233	—	11,471	—
National Institutes of Health (NIH)	93.242	—	2,772,087	604,177
National Institutes of Health (NIH)	93.279	—	3,727,740	841,475
National Institutes of Health (NIH)	93.307	—	324,452	140,096
COVID-19 National Institutes of Health (NIH)	93.307	—	204,203	—
Total Federal assistance listing number 93.307			528,655	140,096
National Institutes of Health (NIH)	93.310	—	400,807	—
National Institutes of Health (NIH)	93.350	—	4,551,403	965,277
National Institutes of Health (NIH)	93.351	—	2,226,242	—
National Institutes of Health (NIH)	93.361	—	1,332,524	319,868
National Institutes of Health (NIH)	93.393	—	2,047,346	538,685
National Institutes of Health (NIH)	93.394	—	2,760,462	118,226
National Institutes of Health (NIH)	93.395	—	8,329,082	3,833,108
National Institutes of Health (NIH)	93.396	—	3,617,767	301,471
National Institutes of Health (NIH)	93.398	—	615,886	—
National Institutes of Health (NIH)	93.837	—	16,005,073	1,265,439
National Institutes of Health (NIH)	93.838	—	2,752,127	—
National Institutes of Health (NIH)	93.839	—	19,993,018	11,626,849
National Institutes of Health (NIH)	93.847	—	8,714,313	661,751

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Year ended June 30, 2025

Federal grantor/pass-through grantor/cluster title	Federal assistance listing number	Pass-through entity identifying number	Total federal expenditures	Passed through to subrecipients
National Institutes of Health (NIH)	93.853	—	\$ 4,385,516	717,913
National Institutes of Health (NIH)	93.855	—	7,899,396	1,872,450
National Institutes of Health (NIH)	93.859	—	6,165,887	331,985
National Institutes of Health (NIH)	93.865	—	4,406,797	525,278
National Institutes of Health (NIH)	93.866	—	4,749,591	2,483,934
COVID-19 National Institutes of Health (NIH)	93.866	—	61,056	—
Total Federal assistance listing number 93.866			4,810,647	2,483,934
National Institutes of Health (NIH)	93.867	—	4,430,097	845,996
Alliance NCTN Foundation	93.RD	Various	51,830	—
Applied Physics Systems	93.RD	R44HL160257-2	4,194	—
Arkansas Children's Hospital Research Institute	93.RD	Various	3,199	—
Beckman Research Institute of the City of Hope	93.RD	61998.2006995.669310	2	—
Beth Israel Deaconess Medical Center	93.RD	GRT66177	205,644	—
Board of Regents of the University of Oklahoma	93.RD	Various	(2,226)	(1,444)
Boise State University	93.RD	8871_PO145806	11,809	—
California Institute of Technology	93.RD	Various	402,308	—
Case Western Reserve University	93.RD	RES603087	8,474	—
Cedars-Sinai Medical Center	93.RD	2265505	41,390	—
Childrens Hospital Los Angeles	93.RD	Various	26,296	—
Children's Hospital of Boston	93.RD	Various	14,006	—
Children's Hospital of Philadelphia	93.RD	Various	102,159	—
Children's Mercy Hospitals and Clinics	93.RD	Various	16,398	—
CIAN, Inc.	93.RD	None	90,360	—
Cincinnati Children's Hospital Medical Center	93.RD	Various	141,339	—
Cleveland Clinic Lerner College of Medicine of CWRU	93.RD	Various	54,800	—
Columbia University	93.RD	Various	359,472	—
Connecticut Children's Medical Center	93.RD	23-181084-11 (CAMEO)	2,749	—
Dignity Health dab St. Joseph's Hospital and Medical Center	93.RD	034365-MCW	52,634	—
Duke University	93.RD	Various	302,370	—
COVID-19 Duke University	93.RD	383001278 (SPS 282235)	504	—
Total Duke University			302,874	—
ECOG-ACRIN	93.RD	Various	6,224	—
Emmes Corp	93.RD	None	10,925	—
Emory University	93.RD	Various	66,569	—
Georgetown University	93.RD	427038_GR427033-MCW	6,493	—
Godiagnostic	93.RD	N/A	30,974	—
Great Lakes Inter-Tribal Council, Inc	93.RD	N/A	178,828	—
Houston Methodist Research Institute	93.RD	Various	329,395	—
iFIT Prosthetics, LLC	93.RD	N/A	994	—
Indiana University	93.RD	Various	202,731	—
Innovation Pathways	93.RD	Various	619,316	—
Institute For Clinical Research, Inc	93.RD	M54-WI-052-1101-3	23,214	—
Jaeb Center for Health Research Inc	93.RD	N/A	(1,261)	—
Johns Hopkins University	93.RD	Various	89,599	—
Loyola University Medical Center	93.RD	213711-MCW	4,115	—
Marquette University	93.RD	Various	548,298	—
Marshfield Clinic	93.RD	Various	784,520	—
Massachusetts General Hospital	93.RD	2023A004166	5,861	—
Mayo Foundation	93.RD	MCW-278621	14,281	—
Medical University of South Carolina	93.RD	Various	132,332	—
Mount Sinai School of Medicine	93.RD	0255-1841-4609	205,440	—
Myelo Therapeutics GmbH	93.RD	Various	10,884	—
National Marrow Donor Program	93.RD	Various	321,972	—
Nationwide Children's Hospital	93.RD	Various	30,269	—
Nelson Scientific Laboratories, LLC	93.RD	NSL-SUB-003-B	139,620	—
New England Research Institutes, Inc.	93.RD	Various	44,503	—
New York University School Of Medicine	93.RD	21-A2-00-10046666	20,184	—
Northwestern University	93.RD	Various	407,875	—
NRG Oncology Foundation, Inc.	93.RD	Various	252,010	—
Oregon Health & Science University	93.RD	1013080_MCW	71,117	—
Pennsylvania State University	93.RD	Various	40,252	—
Protein Foundry LLC	93.RD	PFSub00115	(2)	—
Public Health Institute	93.RD	Various	267,907	—
RAND Corporation	93.RD	SCON-00000512	57,163	—
ReNeurogen LLC	93.RD	N/A	484,263	—
RTI International	93.RD	2-312-0216392-66485L	4,691	—
Rush University Medical Center	93.RD	23050904-Sub01	22,887	—
Rutgers, The State University	93.RD	Various	(22,808)	—
San Diego State University Research Foundation	93.RD	D12168-03 SA1067 A1 5B246B7802	19,764	—
SRI International	93.RD	PO89528,Task Order PO90250	290,477	—
Stanford University	93.RD	63437381-319717	46,642	—
The Morgridge Institute for Research	93.RD	MIRC-002548	32,053	—
The Nemours Foundation	93.RD	PO0122678	67,059	—
The Ohio State University	93.RD	Various	147,816	—
The Research Institute at Nationwide Children's Hospital	93.RD	700338-0825SA12	60,518	—
Thomas Jefferson University	93.RD	080-03800-S53801	39,456	—
University College London	93.RD	PID7657383	42,473	—
University of Alabama at Birmingham	93.RD	Various	298,675	—

THE MEDICAL COLLEGE OF WISCONSIN, INC.
Schedule of Expenditures of Federal and State Awards
Year ended June 30, 2025

Federal grantor/pass-through grantor/cluster title	Federal assistance listing number	Pass-through entity identifying number	Total federal expenditures	Passed through to subrecipients
University of Arizona	93.RD	Various	\$ 786,793	—
University of Arkansas for Medical Sciences	93.RD	Various	103,285	—
University of California-Los Angeles	93.RD	Various	692,409	—
University of California-San Diego	93.RD	704372	120,516	—
University of California-San Francisco	93.RD	Various	558,137	—
University of Chicago	93.RD	Various	198,594	—
University of Cincinnati	93.RD	Various	10,014	—
University of Colorado at Denver	93.RD	FY25.220.012	1,906	—
University of Connecticut	93.RD	183799851	47,046	—
University of Florida	93.RD	Various	432,914	—
University Of Houston	93.RD	R-25-0039	1,536	—
University of Iowa	93.RD	Various	36,399	—
COVID-19 University of Kentucky	93.RD	3200006851-25-296	16,800	—
University of Maryland	93.RD	20882	57,382	—
University of Michigan	93.RD	Various	128,297	—
COVID-19 University of Minnesota	93.RD	P010515103	72,779	—
University of Missouri	93.RD	C00068524-1	64,774	—
University of North Carolina at Chapel Hill	93.RD	Various	286,777	—
University of Pennsylvania	93.RD	Various	24,263	—
COVID-19 University of Pennsylvania	93.RD	587633	110,213	—
Total University of Pennsylvania			134,476	—
University of Pittsburgh	93.RD	Various	41,387	—
University of Rochester	93.RD	Various	238,660	—
University of South Florida	93.RD	Site 3302	16,240	—
University of Texas M.D. Anderson Cancer Center	93.RD	Various	273,312	—
University of Utah	93.RD	Various	16,305	—
University of Virginia	93.RD	Various	56,882	—
University of Washington	93.RD	Various	94,716	—
University of Wisconsin-Madison	93.RD	Various	607,691	—
University of Wisconsin-Milwaukee	93.RD	Various	445,660	—
Vanderbilt University Medical Center	93.RD	Various	532,248	—
Versiti Wisconsin, Inc.	93.RD	Various	314,247	—
Virginia Polytechnic Institute and State University	93.RD	412889-19844	4,481	—
Wake Forest University	93.RD	Various	16,465	—
Washington University in St Louis	93.RD	Various	65,164	—
Wayne State University	93.RD	Various	496,501	—
COVID-19 Weill Medical College of Cornell University	93.RD	230557-12	12,498	—
West Virginia University	93.RD	24-720-MCW	340,920	—
XLock Biosciences, LLC	93.RD	23-MCW081754	119,655	—
Yale University	93.RD	Various	5,556	—
Total National Institutes of Health			130,659,167	28,295,777
Substance Abuse and Mental Health Services Administration				
Mental Health America of Wisconsin	93.RD	083123-MCW	21,570	—
Northeastern Wisconsin Area Health Education Center	93.RD	H79SP082346	29,026	—
State of Wisconsin	93.RD	Various	7,114	—
WellPoint Foundation	93.RD	N/A	52,296	—
Total Substance Abuse and Mental Health Services Administration			110,006	—
Immediate Office of the Secretary	93.078	—	150,882	—
University Hospitals Medical Group, Inc.	93.RD	N/A	118,099	—
University of Pittsburgh	93.RD	AWD00008169-7	4,709	—
Total Immediate Office of the Secretary			273,690	—
Total U.S. Department of Health and Human Services			138,881,219	31,307,899
Total Research and Development Cluster			152,226,203	34,514,331
U.S. Department of Education	84.116	—	144,047	—
U.S. Department of Commerce				
Economic Development Administration	11.039	—	65,797	—
University of Wisconsin-Madison	11.039	0000004149	262,576	—
Total U.S. Department of Commerce			328,373	—
U.S. Department of Justice				
Office of Justice Programs				
State of Wisconsin	16.609	2021-PE-01-18942	15,821	—
U.S. Department of Labor				
Employment and Training Administration				
Dallas College	17.DOL	N/A	10,000	—
U.S. Department of Transportation				
National Highway Traffic Safety Administration (NHTSA)	20.DOT	—	9,279	—
U.S. Department of the Treasury				
State of Wisconsin	21.027	Various	8,802,538	4,933,593
City of Milwaukee	21.027	Various	526,415	—
Milwaukee County Department of Health and Human Services	21.027	2939	51,511	—
Froedtert Memorial Lutheran Hospital	21.027	0000003452	61,158	—
Total U.S. Department of the Treasury			9,441,622	4,933,593

THE MEDICAL COLLEGE OF WISCONSIN, INC.
Schedule of Expenditures of Federal and State Awards
Year ended June 30, 2025

Federal grantor/pass-through grantor/cluster title	Federal assistance listing number	Pass-through entity identifying number	Total federal expenditures	Passed through to subrecipients
U.S. Department of Veterans Affairs				
Veterans Outreach of Wisconsin	64.055	N/A	\$ 269,865	—
Wisconsin Department of Veterans Affairs	64.057	N/A	89,304	—
Total U.S. Department of Veterans Affairs			<u>359,169</u>	<u>—</u>
U.S. Department of Health and Human Services				
Centers for Disease Control and Prevention	93.080	—	451,431	3,316
State of Wisconsin	93.136	Various	157,609	—
State of Wisconsin	93.354	435100-G25-EMSMEDDIR-00	85,000	—
State of Wisconsin	93.426	Various	(14)	—
State of Wisconsin	93.977	Various	34,522	—
Total Centers for Disease Control and Prevention			<u>728,548</u>	<u>3,316</u>
Administration for Children and Families				
State of Wisconsin	93.092	159354	19,119	—
State of Wisconsin	93.566	437004-G23-0002025-R01-08	234,329	—
Total Administration for Children and Families			<u>253,448</u>	<u>—</u>
Health Resources and Services Administration (HRSA)	93.153	—	848,663	307,581
Health Resources and Services Administration (HRSA)	93.516	—	690,497	—
State of Wisconsin	93.110	152021	172,440	20,807
Milwaukee Health Services, Inc.	93.530	N/A	262,187	—
State of Wisconsin	93.917	Various	1,401,445	209,102
Total Health Resources and Services Administration (HRSA)			<u>3,375,232</u>	<u>537,490</u>
Centers for Medicare and Medicaid Services				
State of Wisconsin	93.778	435400-G22-GMERES-02	311,546	—
Substance Abuse And Mental Health Services Administration				
State of Wisconsin	93.788	533206	159,621	35,760
State of Wisconsin	93.959	Various	355,753	—
Total Substance Abuse And Mental Health Services Administration			<u>515,374</u>	<u>35,760</u>
Immediate Office of the Secretary				
Southeast Wisconsin Healthcare Emergency Readiness Coalition, Inc.	93.889	N/A	34,323	—
Total U.S. Department of Health and Human Services			<u>5,218,471</u>	<u>576,566</u>
Total expenditures of federal awards			<u>242,074,905</u>	<u>40,024,490</u>
State Awards				
Wisconsin Department of Health Services				
Division of Public Health		435.128010	317,688	—
Division of Public Health		435.128012	383,887	—
Division of Public Health		435.151306	71,300	—
Division of Public Health		435.155201	1,965,901	310,522
Division of Public Health		435.154792	6,758	—
Division of Public Health		435.155950	5,110	—
Division of Public Health		435.533514	272,572	—
University of Wisconsin-Madison		0000004026	16,507	—
University of Wisconsin-Madison		0000003574	66,747	—
Wisconsin Department of Public Instruction				
Milwaukee Public Schools		C033043	15,546	8,365
Wisconsin Department of Corrections		41000-0000033318	97,568	—
Total expenditures of state awards			<u>3,219,584</u>	<u>318,887</u>
Total expenditures of federal awards and state expenditures			<u>\$ 245,294,489</u>	<u>40,343,377</u>

See accompanying independent auditors' report and notes to schedule of expenditures of federal and state awards.

THE MEDICAL COLLEGE OF WISCONSIN, INC.

Notes to Schedule of Expenditures of Federal and State Awards

Year ended June 30, 2025

(1) Basis of Presentation

The schedule of expenditures of federal and state awards (the Schedule) includes the federal and state award activity of The Medical College of Wisconsin, Inc. (MCW) under programs of the federal and state governments for the year ended June 30, 2025 and should be read in conjunction with MCW's consolidated financial statements. The information in the 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) and the *State Single Audit Guidelines for Wisconsin*.

Federal and state expenditures are expenditures from all grants, contracts, and similar sponsored agreements entered into directly between MCW and agencies and departments of federal and state government and all sponsored awards to MCW by nonfederal and nonstate agencies pursuant to federal and state grants, contracts, and similar sponsored agreements. The Schedule summarizes expenditures by the following:

- Primary federal and state funding agency,
- Direct award agreements between MCW and federal granting agencies,
- Pass-through federal award agreements between MCW and nonfederal granting agencies,
- Direct award agreements between MCW and state granting agencies, and
- Pass-through state award agreements between MCW and nonstate granting agencies

Federal Award Expenditures

Expenditures consist of direct costs and facilities and administrative costs. Direct costs are those that can be easily identified with an individual federally sponsored award. The salary of a principal investigator of a sponsored research award and the materials consumed by the award are examples of direct costs.

Unlike direct costs, facilities and administrative costs cannot be easily identified with an individual sponsored award. Facilities and administrative costs are the costs of services and resources that benefit many sponsored awards as well as nonsponsored awards and activities. Expenditures incurred for administration, library, building maintenance, and building and equipment depreciation are examples of facilities and administrative costs.

MCW and federal agencies use a facilities and administrative cost rate to charge facilities and administrative costs to individual sponsored awards. The rate is the result of a number of complex cost allocation procedures that MCW uses to allocate its facilities and administrative costs to both sponsored and nonsponsored activities. The costs allocated to sponsored awards are divided by the direct costs of sponsored awards to arrive at a rate. The U.S. Department of Health and Human Services (DHHS) must approve the rate before MCW can use it to charge facilities and administrative costs to federally sponsored awards. MCW has elected not to use the 15% de minimis indirect cost rate allowed under the Uniform Guidance.

THE MEDICAL COLLEGE OF WISCONSIN, INC.

Notes to Schedule of Expenditures of Federal and State Awards

Year ended June 30, 2025

During the year ended June 30, 2025, MCW Charged Facilities and administrative costs of \$39,168,105 to its federal programs based on provisional rates approved by US DHHS. The following rates were in effect:

- Organized Research located at:
 - On Campus: 56%
 - Froedtert Memorial Lutheran Hospital, Inc.: 44%
 - Children's Research Institute: 26%
 - This rate is related to space cost only. MCW's 26% off campus rate is added to this rate
- Instruction located On Campus: 43%
- Other Sponsored Programs located On Campus: 43%
- All Other Programs located Off Campus: 26%

Although these rates are applicable for the fiscal year for these US DHHS programs, facilities and administrative cost rates agreed to within certain agreements supersede the agreement between MCW and US DHHS.

For State awards, facilities and administrative costs rates are agreed to within the award agreements.

(2) Summary of Significant Accounting Policies

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 and State Single Audit Guidelines for Wisconsin, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

(3) Research and Development Program Cluster

Research and development programs include those awards that are for basic and applied research and development activities, including all awards issued by the National Institutes of Health. The Uniform Guidance defines research and development as follows: research is the systematic study directed toward fuller scientific knowledge or understanding of the subject studied; development is the systematic use of knowledge and understanding gained from research directed toward the production of useful materials, devices, systems, or methods, including design and development of prototypes and processes.

(4) Student Financial Assistance Program Cluster

MCW receives awards to make loans to eligible students under certain federal student loan programs, and federally guaranteed loans are issued to the students of MCW through the Department of Education's Direct Loan Program. These loans are considered for purposes of determining whether student financial assistance is a major program under Uniform Guidance; Perkins, Primary Care, and Health Professions Student Loans outstanding at the beginning of the year, loans made during the year, and administrative charges are included in the federal expenditures presented in the Schedule, in addition to Direct Loan Program disbursements. The student financial assistance category does not include programs that provide fellowships or similar awards to students on a competitive basis. Those programs are classified either as research and development or as nonmajor programs.

THE MEDICAL COLLEGE OF WISCONSIN, INC.

Notes to Schedule of Expenditures of Federal and State Awards

Year ended June 30, 2025

(5) Federal Government Student Loan Programs

The Perkins, Primary Care, and Health Professions Student Loan Programs are administered directly by MCW, and balances and transactions relating to these programs are included in MCW's consolidated financial statements.

Loans outstanding at the beginning of the year, loans made during the year, and administrative charges are included in the federal expenditures presented in the Schedule. The balance of loans outstanding under the Perkins, Primary Care, and Health Professions Student Loan Programs was \$371,099, \$6,891,805, and \$845,965 respectively, at June 30, 2025.

MCW is responsible only for the performance of certain administrative duties with respect to the federally guaranteed Direct Loan Program, and accordingly, these loans are not included in its consolidated financial statements. It is not practical to determine the balance of loans outstanding to students and former students of MCW under these programs at June 30, 2025.

(6) State of Wisconsin Appropriations and Department of Medicaid Services

MCW receives an annual appropriation from the State of Wisconsin to support the training of health professionals in family medicine and practice. The appropriation was \$5,652,010 for the year ended June 30, 2025. MCW receives an annual appropriation from the State of Wisconsin for a residency program to support the recruitment and training of psychiatry and behavioral health residents. MCW expended \$2,353,765 of the psychiatry and behavioral health residency program appropriations for the year ended June 30, 2025. MCW receives an annual appropriation from the State of Wisconsin based on a per capita formula for an amount for each Wisconsin resident enrolled at MCW who is paying full tuition. The appropriation was \$1,926,600 for the year ended June 30, 2025. MCW also receives annual appropriations from the State of Wisconsin to support breast and prostate cancer research. MCW expended \$81,596 of the cancer research appropriations during the year ended June 30, 2025. These appropriations and the related expenditures have been excluded from the scope of this audit. The State of Wisconsin statutes mandate that the Legislative Audit Bureau perform an annual audit on the family medicine and practice funds and that the Higher Education Advisory Board review the request for the tuition capitation funds each semester, prior to the release of the funds. MCW must annually report to the legislature and to the governor on the cancer research programs it has conducted. These actions thereby satisfy the state audit requirement.

MCW receives funds from the State of Wisconsin Division of Medicaid Services (Division) to support the general surgery resident training program. The funding was \$8,710 for the year ended June 30, 2025. This funding and the related expenditures have been excluded from the scope of this audit. MCW must annually report to the Division a full accounting of all funds received and expenditures. These actions thereby satisfy the state requirement.

THE MEDICAL COLLEGE OF WISCONSIN, INC.

Notes to Schedule of Expenditures of Federal and State Awards

Year ended June 30, 2025

(7) Settlement of State of Wisconsin Department of Health Services Cost Reimbursement Awards

MCW's settlement of State of Wisconsin Department of Health Services (DHS) cost reimbursement awards presented in the Schedule for the year ended June 30, 2025 is summarized as follows:

DHS identification number (GEARS profile)	GEARS profile name	Award amount	Award period	Expenditures reported to DHS for payment	Total program expenses	Total management and general expense allocated to program	Total allowable costs
128010	Congenital Disorders	\$ 320,918	7/1/23-6/30/24	\$ 320,917	71,193	(122)	71,071
128010	Congenital Disorders	320,918	7/1/24-6/30/25	320,917	227,065	19,552	246,617
128012	Congenital Disorders 2	330,229	7/1/23-6/30/24	330,229	114,739	947	115,686
128012	Congenital Disorders 2	330,229	7/1/24-6/30/25	330,229	259,219	8,982	268,201
150426	1815 Diabetes	22,507	7/1/22-6/30/23	20,145	6	1	7
150427	1815 Heart Disease Prevention	22,506	7/1/22-6/30/23	20,145	(17)	(4)	(21)
151306	Community Health Centers Clinics	75,000	7/1/23-6/30/24	56,863	19,700	2,955	22,655
151306	Community Health Centers Clinics	75,000	7/1/24-6/30/25	57,795	42,300	6,345	48,645
152018	Pediatric Mental Health Care Access	65,000	2/1/24-9/30/24	49,668	31,838	17,830	49,668
152018	Pediatric Mental Health Care Access	153,000	10/1/24-9/30/25	99,235	63,612	35,623	99,235
152021	Maternal Health Innovation	51,499	7/1/24-9/30/24	51,037	40,506	10,531	51,037
152021	Maternal Health Innovation	208,858	10/1/24-9/30/25	121,403	102,789	18,614	121,403
152401	Comprehensive Suicide Prevention	55,936	9/1/24-9/30/25	30,883	21,597	9,286	30,883
154792	Birth Defects Media Campaign	25,000	7/1/24-6/30/25	24,495	5,363	1,395	6,758
155201	Child Psychiatry Consultation Program GPR	2,000,000	7/1/23-6/30/24	1,818,870	134,257	(497)	133,760
155201	Child Psychiatry Consultation Program GPR	2,000,000	7/1/24-6/30/25	1,847,401	1,678,961	153,180	1,832,141
155958	HIV Prevention Targeted	45,958	1/1/24-7/31/24	32,061	11,221	1,121	12,342
159354	Personal Responsibility Educational Program-PREP	90,000	10/1/23-9/30/24	83,095	17,381	1,738	19,119
531284	Opioid Treatment Program Expansion SOR 2	415,923	10/1/21-9/30/22	332,975	(19)	(8)	(27)
533167	Substance Abuse Prevention and Treatment Block Grant Prevention Proj	348,026	10/1/23-9/30/24	342,096	64,689	27,816	92,505
533167	Substance Abuse Prevention and Treatment Block Grant Prevention Proj	348,026	10/1/24-9/30/25	253,135	177,017	76,118	253,135
533206	Low Threshold Medications for Opioid Use Disorder SOR3	216,172	10/1/23-9/30/24	199,578	127,147	32,474	159,621
533514	Maternal Health-Opioid	600,000	1/1/25-12/31/25	272,572	247,792	24,780	272,572
533529	Alcohol Policy Project ARPA	94,991	10/1/24-9/30/25	10,113	7,072	3,041	10,113
				\$ <u>7,025,857</u>	<u>3,465,428</u>	<u>451,698</u>	<u>3,917,126</u>



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Independent Auditors' 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*

The Board of Trustees
The Medical College of Wisconsin, Inc.:

We have audited, in accordance with the 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, the consolidated financial statements of the Medical College of Wisconsin, Inc. (MCW) which comprise MCW's consolidated statement of financial position as of June 30, 2025 and the related consolidated statements of activities and changes in net assets, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated October 30, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered MCW'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of MCW's internal control. Accordingly, we do not express an opinion on the effectiveness of MCW'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 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether MCW's 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 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*.



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.

KPMG LLP

Milwaukee, Wisconsin
October 30, 2025



KPMG LLP
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Independent Auditors' Report on Compliance for Each Major Federal and State Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal and State Awards Required by the Uniform Guidance

The Board of Trustees
Medical College of Wisconsin, Inc.:

Report on Compliance for Each Major Federal and State Program

Opinion on Each Major Federal and State Program

We have audited The Medical College of Wisconsin, Inc.'s (MCC) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the MCW's major federal and state programs, respectively, for the year ended June 30, 2025. The MCW's major federal and state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the MCW 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 and state programs for the year ended June 30, 2025.

Basis for Opinion on Each Major Federal and State 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; 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) and State Single Audit Guidelines for Wisconsin. Our responsibilities under those standards, the Uniform Guidance, and State Single Audit Guidelines for Wisconsin are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the MCW 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 and state program. Our audit does not provide a legal determination of the MCW'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 MCW's federal and state programs.

Auditors' 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 MCW'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, the Uniform Guidance, and the State Single Audit Guidelines for Wisconsin 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 MCW's compliance with the requirements of each major federal and state program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance, and the State Single Audit Guidelines for Wisconsin 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 MCW'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 MCW'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 and the State Single Audit Guidelines for Wisconsin, but not for the purpose of expressing an opinion on the effectiveness of the MCW'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 and state 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 and state 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 and state 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.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' 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 and the State Single Audit Guidelines for Wisconsin. Accordingly, this report is not suitable for any other purpose.



Report on Schedule of Expenditures of Federal and State Awards Required by the Uniform Guidance and the State Single Audit Guidelines for Wisconsin

We have audited the consolidated financial statements of the MCW as of and for the year ended June 30, 2025, and have issued our report thereon dated October 30, 2025, which contained an unmodified opinion on those consolidated financial statements. Our audit was performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by the Uniform Guidance and the State Single Audit Guidelines for Wisconsin, and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the schedule of expenditures of federal and state awards is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

KPMG LLP

Milwaukee, Wisconsin
March 19, 2026

THE MEDICAL COLLEGE OF WISCONSIN, INC.

Schedule of Findings and Questioned Costs

Year ended June 30, 2025

(1) Schedule of Findings and Questioned Costs

Financial Statements

- A. Type of report issued on whether the consolidated financial statements were prepared in accordance with generally accepted accounting principles: **Unmodified**
- B. Internal control deficiencies over financial reporting disclosed by the audit of the consolidated financial statements:
- Material weaknesses: **No**
 - Significant deficiencies: **None reported**
- C. Noncompliance material to the consolidated financial statements: **No**

Federal and State Awards

- D. Internal control deficiencies over major programs disclosed by the audit:
- Material weaknesses: **No**
 - Significant deficiencies: **None reported**
- E. Type of report issued on compliance for major programs:
- Federal major programs: **Unmodified**
 - State major programs: **Unmodified**
- F. Any audit findings that are required to be reported in accordance with 2 CFR 200.516(a): **No**
- Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Guide: **No**

- G. Major federal programs:

Program names:

Student Financial Assistance Cluster – Various AL Numbers

- H. Major state programs:

Program names:

Division of Public Health – Congenital Disorder/Newborn Screening Program – State ID Number 435.128010

Division of Public Health – Congenital Disorder/Newborn Screening Program – State ID Number 435.128012

Division of Public Health – Maternal Health – Opioid Settlement – State ID Number 435.533514

THE MEDICAL COLLEGE OF WISCONSIN, INC.

Schedule of Findings and Questioned Costs

Year ended June 30, 2025

Wisconsin Department of Corrections – State ID Number 41000-0000033318

I. Dollar threshold used to distinguish between Type A and Type B programs: *Federal Awards* – **\$3,000,000**; *State Awards* – **\$250,000**

J. Auditee qualified as low risk auditee: Federal: **Yes**; State: **Yes**

(2) Findings Relating to the Financial Statements Reported in Accordance with Government Auditing Standards

None

(3) Findings and Questioned Costs Relating to Federal Awards

None

(4) Findings and Questioned Costs Relating to State Awards

None

(5) Other Issues

A. Does the auditors' report or notes to the financial statements include disclosure with regard to substantial doubt as to the auditees' ability to continue as a going concern? **No**

B. Does the audit report show audit issues (i.e., material noncompliance, nonmaterial noncompliance, questioned costs, material weakness, significant deficiencies, management letter comment, excess revenue, or excess reserve) related to grants/contract with funding agencies that require audits to be in accordance with the *State Single Audit Guidelines*: **No**

C. Was a management letter or other document conveying audit comments issued as a result of this audit? **No**

D. Date of Report: March 19, 2026