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# TANNER

Accountants & Advisors



**WGU Corporation**

**Consolidated Financial Statements  
and Single Audit Information  
For the Years Ended June 30, 2024 and 2023  
Together with Independent Auditors' Reports**



# TANNER

## Independent Auditors' Report

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### **To the Audit Committee of the Board of Trustees WGU Corporation**

#### ***Opinion***

We have audited the accompanying consolidated financial statements of WGU Corporation and affiliates (collectively, the Organization) which comprise the consolidated statement of financial position as of June 30, 2024, the related consolidated statements of activities and cash flows for the year then ended, and the related notes to consolidated financial statements.

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

#### ***Basis for Opinion***

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

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

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

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

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

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

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

***Recently Adopted Accounting Pronouncement***

As discussed in Note 1 to the consolidated financial statements, the Organization changed its method of accounting for credit losses due to the adoption of Accounting Standards Update No. 2016-13, Financial Instruments – Credit Losses (Topic 326). Our opinion is not modified with respect to this matter.

***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards for the year ended June 30, 2024, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (the Uniform Guidance)*, is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued a report dated November 8, 2024, on our consideration of the Organization'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 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 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 the Organization's internal control over financial reporting and compliance.

***Report on Summarized Comparative Information***

We have previously audited the Organization's fiscal year 2023 consolidated financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 3, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Tanner LLC*

November 8, 2024

## Consolidated Statements of Financial Position

<i>In thousands of dollars</i>	<i>As of June 30,</i>	
	<b>2024</b>	<b>2023</b>
	<b><u>Assets</u></b>	
Cash and cash equivalents	\$ 46,770	\$ 71,756
Student accounts receivable, net of allowance for credit losses of \$8,200 and \$4,468, respectively	93,179	62,087
Pledges receivable, net	4,399	5,820
Prepaid expenses and other assets	31,602	30,756
Investments	790,241	525,817
Property and equipment, net	29,270	23,881
Internally developed software, net	52,730	37,376
Program development costs, net	24,611	14,078
Operating lease right-of-use assets	41,156	43,968
Total assets	<b>\$ 1,113,958</b>	<b>\$ 815,539</b>
	<b><u>Liabilities and Net Assets</u></b>	
Liabilities:		
Accounts payable and accrued liabilities	\$ 138,244	\$ 116,172
Deferred revenue and student deposits	338,401	267,609
Lease liabilities	43,844	47,661
Total liabilities	<b>520,489</b>	<b>431,442</b>
Commitments and contingencies (see Note 18)		
Net assets:		
Without donor restrictions:		
Attributable to controlling interest	559,526	353,897
Attributable to noncontrolling interest	13,868	9,676
Total net assets without donor restrictions	<b>573,394</b>	<b>363,573</b>
With donor restrictions	<b>20,075</b>	<b>20,524</b>
Total net assets	<b>593,469</b>	<b>384,097</b>
Total liabilities and net assets	<b>\$ 1,113,958</b>	<b>\$ 815,539</b>

## Consolidated Statement of Activities (with Comparative Information for 2023)

For the Years Ended June 30,

In thousands of dollars	2024			2023
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenues and support:				
Education services, net	\$ 1,422,606	\$ -	\$ 1,422,606	\$ 1,125,215
Contributions and grants	4,288	1,427	5,715	8,964
Other income	2,509	-	2,509	3,030
Net assets released from restrictions	3,302	(3,302)	-	-
Total revenues and support	1,432,705	(1,875)	1,430,830	1,137,209
Expenses:				
Academic expenses	771,232	-	771,232	694,573
Marketing	283,793	-	283,793	234,007
Information systems	139,157	-	139,157	124,213
Institutional support	81,714	-	81,714	72,051
Research	5,486	-	5,486	7,421
Fundraising	3,962	-	3,962	3,609
Total expenses	1,285,344	-	1,285,344	1,135,874
Change in net assets from operating activities	147,361	(1,875)	145,486	1,335
Net gain on investments	57,972	1,426	59,398	23,948
Change in net assets from operating and investment activities	205,333	(449)	204,884	25,283
Other changes in net assets:				
Adjustment for additional investment in Juvo Ventures, LP	-	-	-	(3,866)
External capital contributions	4,488	-	4,488	835
Total other changes in net assets	4,488	-	4,488	(3,031)
Increase (decrease) in net assets	209,821	(449)	209,372	22,252
Net assets, beginning of the year	363,573	20,524	384,097	361,845
Net assets, end of the year	\$ 573,394	\$ 20,075	\$ 593,469	\$ 384,097

Note: The change in net assets from operating and investment activities of \$205,333 (thousands) reflected above includes a decrease of \$296 (thousands) attributable to non-controlling interest.

## Consolidated Statements of Cash Flows

For the Years Ended June 30,

In thousands of dollars

	2024	2023
<b>Cash flows from operating activities:</b>		
Increase in net assets	\$ 209,372	\$ 22,252
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	20,378	12,883
Amortization of right-of-use assets	9,058	9,876
Gain on investments	(56,039)	(20,871)
Bad debt expense	9,055	4,550
Loss on the disposal of property and equipment	225	186
Decrease (increase) in operating assets:		
Student accounts receivable	(40,147)	(32,294)
Pledges receivable	1,421	804
Prepaid expenses and other assets	(846)	(8,455)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued liabilities	21,612	20,385
Deferred revenue and student deposits	70,792	40,808
Lease liabilities	(10,063)	(10,592)
Net cash provided by operating activities	<u>234,818</u>	<u>39,532</u>
<b>Cash flows from investing activities:</b>		
Net purchase of investments	(207,925)	(41,148)
Purchases of property and equipment	(15,621)	(11,839)
Expenditures for internally developed software	(23,204)	(13,965)
Expenditures for program development	(13,054)	(12,506)
Net cash used in investing activities	<u>(259,804)</u>	<u>(79,458)</u>
Net change in cash and cash equivalents	(24,986)	(39,926)
Cash and cash equivalents, beginning of the year	71,756	111,682
Cash and cash equivalents, end of the year	<u>\$ 46,770</u>	<u>\$ 71,756</u>
<b>Non-cash items:</b>		
Increase in investments associated with deferred compensation liability	\$ 460	\$ 436
Right-of-use assets obtained in exchange for lease obligations	\$ 6,246	\$ 689

## ***Notes to Consolidated Financial Statements***

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### **1. Summary of Significant Accounting Policies**

#### ***Organization***

WGU Corporation is a not-for-profit corporation with headquarters in Salt Lake City, Utah, that was founded in 1997 by various governors of the western United States. Prior to January 1, 2023, WGU Corporation was named Western Governors University and functioned as an online, competency-based, degree-granting, higher-education institution. As of that date, the legal and governance structure and operations were updated, such that the newly named WGU Corporation transitioned into a supporting role, and the university operations were transitioned to an entity that was renamed Western Governors University (WGU). As of January 1, 2023, WGU Corporation supports the operations of WGU and other affiliated organizations, which are controlled by WGU Corporation through board governance.

WGU is accredited by the Northwest Commission on Colleges and Universities, the Commission on Accreditation for Health Informatics and Information Management Education, the Commission on Collegiate Nursing Education, and the National Council for Accreditation of Teacher Education. WGU's mission is to improve quality and expand access to post-secondary educational opportunities by providing a means for individuals to learn independent of time or place and to earn competency-based degrees and other credentials that are credible to both academic institutions and employers.

In addition to WGU, the following entities are included in the consolidated financial statements: WGU Labs, LLC; WGU Academy, LLC; Juvo Ventures, LLC; Juvo Ventures Fund GP, LLC; Juvo Ventures Fund, LP; MeasurEd, LLC; Pineview Financial, LLC; Suncrest Financial, LLC; WGU Labs Management, LLC; WGU Labs General Partnership, LLC; WGU Labs Fund I, LP; WGU Holding, LLC; WGU Reserve, LLC; WGU Innovation Services, SC, and certain other affiliates with insignificant operations and assets in relation to the overall consolidated financial statements.

#### ***Consolidated Financial Statements***

The accompanying consolidated financial statements include the accounts of WGU Corporation, WGU, and other affiliated entities noted above, which are collectively referred to as the "Organization" throughout the notes to the consolidated financial statements. All significant intercompany balances and transactions have been eliminated in consolidation.

#### ***Basis of Presentation***

The financial statements of the Organization have been prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP), which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

**Net assets without donor restrictions:** Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and Board of Trustees.

**Net assets with donor restrictions:** Net assets subject to restrictions imposed by donors and grantors. Some donor restrictions are temporary in nature, which restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where the donor stipulates the funds be maintained in perpetuity.

#### ***Comparative Financial Information***

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with US GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2023, from which the summarized information was derived.

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

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

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### **Recently Adopted Accounting Pronouncement**

Effective July 1, 2023, the Organization adopted Accounting Standards Update (ASU) 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, as amended, which modifies the measurement of expected credit losses on certain financial instruments. The Organization adopted this new guidance utilizing the modified retrospective transition method. Topic 326 requires measurement and recognition of expected versus incurred losses for financial assets held. Financial assets held by the Organization that are subject to ASU 2016-13 are the student accounts receivable. The adoption of this ASU did not have a material impact on the Organization's financial statements but did change how the allowance for credit losses is determined.

### **Cash Equivalents**

The Organization considers all money market funds and highly liquid financial instruments purchased with an original maturity of three months or less to be cash equivalents.

### **Student Accounts Receivable and the Allowance for Credit Losses**

Student accounts receivable are stated at unpaid balances, less an allowance for credit losses. The Organization provides for losses on student accounts receivable through updating its allowance for credit losses based on estimates derived from historical experience, current market conditions, and reasonable and supportable forecasts. According to the Organization's policy, student accounts receivable are considered due and payable at the beginning of each term. Students on an installment plan are required to pay their tuition and fees by a specified due date. Any amounts not paid by the due date are considered past due. The Organization's policy is to write off uncollectible student accounts receivable when management determines the possibility of collection to be remote.

### **Contributions and Pledges Receivable**

Contributions without conditions are recognized at fair value in the period the donor's commitment is made. Pledges receivable that are expected to be collected within one year are recorded at net realizable value. Pledges receivable that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using a risk adjusted rate applicable to the commitments received. Amortization of the discounts is included in contribution revenue. Conditional promises to give, that is, those with a measurable performance or other barriers, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

The Organization reports gifts of equipment (or other long-lived assets) as support without donor restrictions at estimated fair value, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as support with donor restrictions. The Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions. Allowance is made for uncollectible contributions receivable based upon management's judgment and analysis of past collection experience and other relevant factors.

### **Investments**

The Organization maintains accounts with several brokerage firms, which accounts contain cash and marketable securities. Marketable securities are recorded at fair value as described in Note 5. The Organization's investments in marketable securities are exposed to various risks, such as interest rate, currency exchange rate, credit, and overall market volatility. Due to the level of risk associated with these marketable securities, it is at least reasonably possible that changes in the values of marketable securities will occur in the near term and that such changes could materially affect the amounts reported in the Organization's financial statements.

The Organization also, as further described in Note 5, has investments in real estate properties and various private companies in the form of stock, simple agreements for future equity (SAFE), and convertible debt. These investments are accounted for at fair value with changes in fair value recognized in the consolidated statement of activities. Since these investments do not have a readily determinable fair value, the fair value is measured at cost plus or minus changes resulting from observable price changes in orderly transactions of an identical or a similar investment of the same issuer, less impairment, when management determines that an impairment exists.

***Property and Equipment***

The Organization capitalizes all expenditures for property and equipment for which the cost exceeds \$5,000 and the useful life is one year or longer. Depreciation and amortization are calculated using the straight-line method over the estimated economic useful lives of the assets or over the related lease terms (if shorter) as follows:

Assets	Useful Lives
Computers	3 Years
Software	5 Years
Equipment and automobiles	5 Years
Furniture and fixtures	5 Years
Leasehold improvements	10 Years
Buildings	20 Years

Expenditures that materially increase values or capacities or extend useful lives of property and equipment are capitalized. Routine maintenance, repairs, and renewal costs are expensed as incurred. Upon sale or other retirement of depreciable property, the cost and accumulated depreciation and amortization are removed from the related accounts and any gain or loss is reflected in the consolidated statement of activities. Donated property and equipment is recorded at fair value on the date of donation.

***Internally Developed Software***

The Organization’s development costs for internal-use software are charged to expense as incurred until the preliminary project stage has been completed and application development begins. The Organization discontinues capitalization upon entering the post-implementation stage and expenses ongoing maintenance and support costs. Software development costs consist primarily of compensation and benefits paid to software engineers as well as third-party contractors. After becoming available for general use, the costs are amortized over a period of four years.

***Capitalized Program Development Costs***

The Organization internally develops curriculum and electronic instructional materials for certain courses. The curriculum is primarily developed by employees and contractors and is integral to WGU’s learning system. Customers do not acquire the curriculum or future rights to it.

The Organization capitalizes course development costs. Costs that qualify for capitalization are external direct costs, payroll, and payroll-related costs. Costs related to general and administrative functions are not capitalized and are expensed as incurred. Capitalization ends at such time that the course and/or material is available for general use by faculty and students. After becoming available for general use, the costs are amortized on a course-by-course basis over a period of three to five years. After the amortization period commences, the cost of maintenance and support is expensed as incurred, because it does not provide future benefit. If it is determined that the curriculum will not be used, the capitalized curriculum costs are written off and expensed in the period of this determination.

***Long Lived Assets***

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of assets may not be recoverable. When such events or changes in circumstances indicate that an asset may not be recoverable, an impairment loss is recognized for the amount by which the asset's carrying amount exceeds its estimated fair value.

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## **Leases**

The Organization leases certain office space. The Organization assesses whether an arrangement qualifies as a lease (i.e., conveys the right to control the use of an identified asset for a period of time in exchange for consideration) at inception and only reassesses its determination if the terms and conditions of the arrangement are changed. For all arrangements where it is determined that a lease exists, the related right-of-use assets and lease liabilities are recorded within the consolidated statement of financial position as either operating or finance leases. At inception or modification, the Organization uses the private company election, which allows the Organization to calculate the present value of lease payments using the risk-free rate applicable to the lease. The present value is adjusted for prepaid lease payments, lease incentives, and initial direct costs (e.g. commissions). The Organization's leases may require fixed rental payments, variable lease payments based on usage or sales and fixed non-lease costs relating to the leased asset. Variable lease payments are generally not included in the measurement of the right-of-use assets and lease liabilities. Leases with an initial term of 12 months or less are not recorded on the consolidated statement of financial position. Lease expense is recognized for these leases on a straight-line basis over the lease term. Fixed non-lease costs, such as taxes and insurance, are included in the measurement of the right-of-use asset and lease liability as the Organization does not separate lease and non-lease components.

## **Revenue Recognition, Deferred Revenue and Student Deposits**

The Organization follows the revenue recognition guidance of Accounting Standards Codification (ASC) Topic 606, *Revenue from Contracts with Customers*. This ASC outlines five steps to achieve proper revenue recognition: (1) identify the contract with the customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations in the contract; and (5) recognize revenue when (or as) the entity satisfies the performance obligations. Under this standard, revenue is recognized on the basis of when control passes to the customer, instead of the previous model based upon when risks and rewards pass to the customer.

The standard requires that entities analyze their contracts with customers and identify all performance obligations required to be satisfied, whether those performance obligations include transferring goods or services. Revenue is then recognized when control of each good or service is transferred to the customer.

The Organization's contracts with students consist of a single performance obligation to provide degree program academic services during a six-month term and non-degree program academic services over terms that are less than one year. Tuition and fees become due once a student has enrolled in courses and the first day of the term begins. Students are also awarded scholarships, waivers, and discounts, which are considered part of the total contract price and amortized to revenue, along with tuition and fees, over the student's six-month term. The academic services revenue is amortized rateably over the term on the basis that the student has access to and simultaneously consumes the benefits from the learning resources and course material over the entire term. Deferred revenue represents the net amount of tuition, fees, scholarships, waivers, and discounts not yet recognized as of the date of the accompanying consolidated statements of financial position. Student deposits received in advance of the related services being rendered are also recorded as a liability.

Assessment fees provide students a third opportunity to pass an exam, which is not part of the initial contract with the student. As a result, assessment fees are recognized separately from the academic services revenue when the student takes an exam. All other student fees are part of the total contract price and are recognized rateably over the term.

If a student elects to withdraw from the Organization prior to the completion of a degree program term, a portion of the tuition is refunded to the student provided that less than 60% of the term has been completed. The Organization records a withdrawal reserve for expected future withdrawals, which reserve, as of June 30, 2024 and 2023, is classified as a liability in the consolidated statements of financial position.

The Organization has elected to use the practical expedient of not accounting separately for a financing component, since students are obligated to pay all amounts due in less than one year.

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### ***Federal, State, and Private Grants***

The Organization has been awarded various grants from private foundations, the federal government, and several states. Government grants normally provide for the recovery of direct and indirect costs, subject to audit. Unspent amounts may be subject to return at the request of the grantor. When determined to be exchange transactions, grants are recognized as revenue when control of the related goods and services passes to the grantor. If the grant is determined to be a contribution, the grant is recognized as revenue when receipt or retention of the grant funds becomes unconditional.

### ***Expense Allocation***

The costs of providing various programs and other activities have been summarized on a functional basis in the consolidated statements of activities. All direct costs are charged to the related functional area. Indirect costs are allocated to the functional areas based on estimates made by management taking into account the nature of the expense and how it relates to the functional area. The Organization's significant indirect costs of benefits, office and equipment costs, and depreciation and amortization are allocated to the functional areas based upon the number of employees or number of employees occupying office space. Institutional support costs include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

### ***Advertising Costs***

Advertising costs are expensed when incurred. Advertising expenses were approximately \$226 million and \$176 million for the years ended June 30, 2024 and 2023, respectively.

### ***Income Taxes***

WGU Corporation and Western Governors University qualify as tax-exempt organizations under Section 501(c)(3) of the Internal Revenue Code and are generally exempt from federal and state income taxes, except for taxes on income from activities unrelated to their exempt purposes. The consolidated wholly-owned LLC partnerships are treated as disregarded entities for income tax purposes to the extent that their activities are related to an exempt purpose of their tax-exempt parent. The Organization records its allocated income or loss from other majority-owned LLCs, and based on the nature of the operations of those LLCs, determines if any income tax will be due. Activities unrelated to the exempt purpose are subject to income tax. The consolidated LP partnerships seek investments in early-stage, mission-aligned companies. Certain activities of the LP partnerships could be subject to taxation and such taxes are recorded in the consolidated financial statements as applicable. Management believes the Organization has taken no tax positions that more likely than not would not be sustained upon examination by taxing authorities. Accordingly, no provision for income taxes has been made in the accompanying consolidated financial statements.

### ***Fair Value Measurement***

The Organization reports certain assets and liabilities at fair value on a recurring or non-recurring basis depending on the underlying policy for the particular item, in accordance with fair value standards. These standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or valuation techniques) to determine fair value. In addition, the Organization reports certain investments using the net asset value (NAV) per share, as determined by investment managers, as a practical expedient.

Fair value standards also require the Organization to classify the financial instruments measured at fair value into a three-level hierarchy, based on the priority of inputs to the valuation technique. Instruments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 Quoted prices in active markets for identical instruments as of the reporting date.

Level 2 Observable inputs, other than Level 1, including quoted prices for similar assets or liabilities, quoted prices in less active markets, or other observable inputs that can be corroborated by observable market data.

Level 3 Unobservable inputs supported by little or no market activity for financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

In some instances, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such instances, an instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

### **Reclassifications**

Certain amounts in the 2023 financial statements have been reclassified to conform with the current year presentation.

## **2. Legal and Governance Restructuring**

To streamline board-level governance of the Organization and to better support WGU systems expansion and impact on higher education, the legal and governance structure of the entities formerly known as Western Governors University and The Corporation of Western Governors University (CWGU) were updated effective January 1, 2023. The structural updates involved CWGU being renamed to Western Governors University and assuming its role and mission, and the entity formerly known as Western Governors University being renamed to WGU Corporation and transitioning into a supporting role. The articles of incorporation of Western Governors University (formerly known as CWGU) were amended such that its board is nearly identical to that of the entity renamed to WGU Corporation. Because of the control through the board, WGU and all affiliated entities are consolidated with WGU Corporation.

Since the restructuring involved entities under common control, the accounts of the formerly named CWGU and its subsidiaries and affiliated entities are included in the consolidated financial statements of WGU Corporation as of and for the year ended June 30, 2023, as if the restructuring had occurred as of the beginning of that fiscal year. The below table consolidates the assets, liabilities, and net asset beginning balances as of July 1, 2022.

	Previously Reported			Eliminations	Consolidated Balances
	WGU	CWGU			
Assets	\$ 647,791	\$ 82,784	\$ (41,296)	\$ 689,279	
Liabilities	315,982	23,889	(12,437)	327,434	
Net assets	331,809	58,895	(28,859)	361,845	

## **3. Liquidity and Availability**

Financial assets which are available for general expenditure, meaning they are without donor or other restrictions limiting their use within one year of the most recent date of the statement of financial position, comprise the following as of June 30 (in thousands of dollars):

	2024	2023
Cash and cash equivalents	\$ 46,770	\$ 71,756
Student accounts receivable, net	93,179	62,087
Pledges receivable, net	4,399	5,820
Investments	761,481	443,477
	905,829	583,140
Less amounts not available to be used for general expenditure within one year:		
Net assets with donor restrictions not segregated from general assets	(20,075)	(20,524)
Long-term portion of pledges receivable	(3,136)	(3,724)
	\$ 882,618	\$ 558,892

The Organization has financial assets comprised of cash and cash equivalents, student accounts receivable, other receivables, and investments, which can be liquidated within one year of the date of the consolidated statements of financial position.

Included within the Organization’s investments at fair value are private investments, and due to the existence of lock-up or redemption restrictions, only a portion of the private investments are redeemable within one year of the date of the consolidated statements of financial position. As a result, a portion of the private investments is excluded from investments in the table above.

The Organization is not dependent on contributions from public or private sources to fund its operations. Rather, the Organization derives the majority of its revenues from fees for services rendered, which are primarily funded by students obtaining federal student loans and/or grants from United States Government Title IV funds as well as by individual payment plans. Therefore, only limited amounts of the Organization’s financial assets are not available for expenditure within one year due to donor restrictions. The Organization’s private investments held with brokers had unfunded commitments of \$44.8 million and \$32.4 million as of June 30, 2024 and 2023, respectively, meaning that those funds have the ability to call for a capital contribution from the investors. These capital calls have historically been funded from the Organization’s existing positions with those brokers. The Organization’s investment in Juvo Ventures Fund, LP, a mission-aligned, double bottom line venture capital fund, also had unfunded commitments of \$4.8 million and \$4.5 million as of June 30, 2024 and 2023, respectively. Capital calls to fill these unfunded commitments are expected to take place over multiple future years.

The Organization monitors its liquidity and cash flow needs through the use of a budget as well as daily and monthly reviews to ensure that cash balances are sufficient to cover cash outflows. No external financing has been needed to fund operations. However, if additional funds were needed, the Organization could liquidate a portion of its investments to cover any cash flow needs. The accompanying consolidated statements of cash flows identify the sources and uses of the Organization’s cash and the positive cash flow generated from operating activities for the years ended June 30, 2024 and 2023.

#### 4. Pledges Receivable

Pledges receivable consist of promises to give by donors to provide scholarships to the Organization or support other organization objectives. Pledges due in more than one year were discounted at 5.0% to reflect the present value of the estimated future cash flows, which discount is amortized over the life of the related pledge.

Pledges receivable consist of the following as of June 30 (in thousands of dollars):

	2024	2023
Amounts in subsequent fiscal years:		
Year 1	\$ 1,263	\$ 2,096
Year 2	831	814
Year 3	815	777
Year 4	803	766
Year 5	761	761
Thereafter	150	911
Total	4,623	6,125
Less unamortized discount	(224)	(305)
Total	\$ 4,399	\$ 5,820

## 5. Investments

The valuation procedures applied for investments in private companies include consideration of economic and market conditions, current and projected financial performance of the investee companies, recent financing transactions, recent sales of similar companies, and the investee companies' management teams. The Organization believes that the cost of an investment in a private company is considered the best indication of estimated fair value unless there have been significant subsequent positive or negative developments that justify an adjustment in the fair value estimate.

The Organization primarily acquires its investments in private companies by direct purchase from the issuers, and the Organization values the securities on the premise that, in most instances, they may not be sold without registration under the Securities Act of 1933. The price of these investments is determined by direct negotiations between the Organization and the issuer.

During the year ended June 30, 2023, WGU Corporation purchased an additional interest in Juvo Ventures, LP for \$3,866 (in thousands of dollars), which interest was held by a third party. Since Juvo Ventures, LP is consolidated, this caused an additional elimination of net assets on the consolidated statement of activities.

The following tables set forth, by level within the fair value hierarchy, the investments measured on a recurring basis at fair value as of June 30 (in thousands of dollars):

	2024			
	Level 1	Level 2	Level 3	Total
Public equities	\$ 378,985	\$ -	\$ -	\$ 378,985
Fixed income funds	155,214	108,575	-	263,789
Private company equities	-	-	30,470	30,470
Real estate	-	-	10,564	10,564
Convertible promissory notes	-	-	6,245	6,245
Simple agreements for future equity (SAFE)	-	-	5,202	5,202
	<u>\$ 534,199</u>	<u>\$ 108,575</u>	<u>\$ 52,481</u>	<u>695,255</u>
Private investment funds - measured at the NAV per unit practical expedient				94,986
Total				<u>\$ 790,241</u>
	2023			
	Level 1	Level 2	Level 3	Total
Public equities	\$ 188,765	\$ -	\$ -	\$ 188,765
Fixed income funds	33,726	174,881	-	208,607
Private company stock	-	-	33,220	33,220
Real estate	-	-	8,186	8,186
Convertible promissory notes	-	-	5,908	5,908
Simple agreements for future equity (SAFE)	-	-	5,574	5,574
	<u>\$ 222,491</u>	<u>\$ 174,881</u>	<u>\$ 52,888</u>	<u>450,260</u>
Private investment funds - measured at the NAV per unit practical expedient				71,058
Investment - equity method				4,499
Total				<u>\$ 525,817</u>

The following tables summarize the return on investments for the years ended June 30 (in thousands of dollars):

<b>2024</b>				
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>	
Income, interest and dividends	\$ 20,743	\$ -	\$ 20,743	
Net realized and unrealized gains	39,594	1,426	41,020	
Management fees	(2,365)	-	(2,365)	
<b>Net gain on investments</b>	<b>\$ 57,972</b>	<b>\$ 1,426</b>	<b>\$ 59,398</b>	

  

<b>2023</b>				
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>	
Income, interest and dividends	\$ 15,255	\$ -	\$ 15,255	
Net realized and unrealized gains (losses)	10,794	(475)	10,319	
Management fees	(1,626)	-	(1,626)	
<b>Net gain (loss) on investments</b>	<b>\$ 24,423</b>	<b>\$ (475)</b>	<b>\$ 23,948</b>	

The following table summarizes information about investments measured at the NAV per unit practical expedient (in thousands of dollars).

	<b>Unfunded</b>				
	<b>Fair Value June 30, 2024</b>	<b>Fair Value June 30, 2023</b>	<b>Commitments June 30, 2024</b>	<b>Redemption Frequency</b>	<b>Redemption Notice Period</b>
Private investment funds	\$ 94,986	\$ 71,058	\$ 44,754	*	*

\*The private investment funds have various redemption frequencies and notice periods, which range from monthly, quarterly, semi-annual, and annual redemption frequencies with a required notice period ranging from 30 to 120 days. Certain funds also have a lock-up provision, where redemption is not possible until one or two years after the initial investment date or upon a liquidity event of the underlying investments. The unfunded commitments are fulfilled with Organization investment balances already held with the respective party.

## 6. Property and Equipment

Property and equipment consisted of the following as of June 30 (in thousands of dollars):

	2024	2023
Leasehold improvements	\$ 22,746	\$ 18,991
Computers	21,383	14,885
Software	5,728	5,755
Furniture and fixtures	5,082	4,944
Assets under development	6,124	4,432
Equipment	2,129	2,063
Buildings	957	957
Automobiles	540	586
Total cost	64,689	52,613
Accumulated depreciation and amortization	(35,419)	(28,732)
Property and equipment, net	\$ 29,270	\$ 23,881

Depreciation and amortization expense for property and equipment for the years ended June 30, 2024 and 2023 totaled approximately \$10 million and \$11.5 million, respectively.

## 7. Internally Developed Software

Internally developed software consisted of the following as of June 30 (in thousands of dollars):

	2024	2023
Internally developed software in use	\$ 35,953	\$ 15,416
Internally developed software in progress	27,924	25,149
Total cost	63,877	40,565
Accumulated amortization	(11,147)	(3,189)
Internally developed software, net	\$ 52,730	\$ 37,376

Amortization expense for internally developed software for the years ended June 30, 2024 and 2023 totaled approximately \$7.8 million and \$1.1 million, respectively.

## 8. Program Development Costs

Program development costs consisted of the following as of June 30 (in thousands of dollars):

	2024	2023
Program development in use	\$ 17,733	\$ 2,823
Program development in progress	9,622	11,548
Total cost	27,355	14,371
Accumulated amortization	(2,744)	(293)
Program development costs, net	\$ 24,611	\$ 14,078

Amortization expense for program development costs for the years ended June 30, 2024 and 2023 totaled approximately \$2.5 million and \$293 thousand, respectively.

## 9. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consisted of the following as of June 30 (in thousands of dollars):

	2024	2023
Accrued payroll, benefits, and general liabilities	\$ 85,349	\$ 78,470
Vendor payables	47,243	30,226
Withdrawals reserve	5,652	7,476
Total	\$ 138,244	\$ 116,172

## 10. Margin Lines of Credit

The Organization negotiated a margin line of credit with an investment broker. Under the terms of the line of credit, the Organization may borrow 33.3% of the current value of investments held with the investment broker up to a maximum of \$50 million, with interest at the Secured Overnight Financing Rate plus 1.10%. No draws on the line of credit had been made as of June 30, 2024 and 2023. The line expires if the investments securing the line are liquidated from the investment broker.

During July 2024, the Organization entered into an agreement for an additional margin line of credit with a separate bank, which line of credit is secured by investments held at the bank. Under the terms of this agreement, the Organization may borrow up to a maximum of \$50 million, with interest at the Secured Overnight Financing Rate plus 0.75%.

## 11. Endowment

The Organization's endowment includes donor-restricted investments. As required by US GAAP, net assets associated with endowment funds are classified based on the existence or absence of donor-imposed restrictions.

### *Interpretation of Relevant Law*

The Board of Trustees of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. The Organization classifies as net assets with donor restrictions (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the directions of the applicable donor gift instrument at the time the accumulation is added to the fund. Earnings on endowment funds are classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with donor stipulation or the standard of prudence prescribed by UPMIFA.

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

- (1) The duration and preservation of the fund
- (2) The purposes of the Organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and investment appreciation
- (6) Other resources of the Organization
- (7) The investment policies of the Organization

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### **Return Objectives and Risk Parameters**

The Organization's investment portfolio is managed to provide for the long-term support of the Organization. Accordingly, these funds are managed with disciplined long-term investment objectives and strategies designed to meet cash flow and spending requirements. Management of the assets is designed to attain the maximum total return consistent with acceptable and agreed upon levels of risk.

### **Strategies Employed for Achieving Objectives**

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

Changes in endowment net assets for the years ended June 30, 2024 were as follows (in thousands of dollars):

Endowment net assets, beginning of year, July 1, 2023	\$	2,633
Investment income		335
Appropriation of endowment assets for expenditure		(115)
Restricted contributions into endowment		422
Transfer of restricted net assets out of the endowment		(79)
Matching contributions		125
Endowment net assets, end of year, June 30, 2024	\$	3,321

Changes in endowment net assets for the years ended June 30, 2023 were as follows (in thousands of dollars):

Endowment net assets, beginning of year, July 1, 2022	\$	1,327
Investment income		141
Appropriation of endowment assets for expenditure		(49)
Restricted contributions into endowment		334
Matching contributions		880
Endowment net assets, end of year, June 30, 2023	\$	2,633

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires. In accordance with US GAAP, deficiencies of this nature would be reported as net assets with donor restrictions. As of June 30, 2024 and 2023, there were no deficiencies of this nature. Total net assets designated by the Organization to be included in the endowment as of June 30, 2024 and 2023 were \$1,005,000 and \$880,000, respectively, which represent matching contributions from the Organization.

Distributions of endowment funds are approved by the Board of Trustees and are made when deemed appropriate.

## 12. Net Assets With Donor Restrictions

Net assets with donor restrictions consist of the following as of June 30 (in thousands of dollars):

	2024	2023
<b>Purpose restrictions:</b>		
Foundation determined scholarship programs	\$ 11,504	\$ 10,924
Endowment earnings not yet appropriated for scholarships	272	81
Total purpose restriction for scholarship programs	11,776	11,005
Other activities or programs	5,959	6,557
Total purpose restrictions	17,735	17,562
<b>Restricted in perpetuity:</b>		
Pledges and endowments for scholarships	2,340	2,962
Total net assets with donor restrictions	\$ 20,075	\$ 20,524

## 13. Revenues

The Organization's net education services revenues, disaggregated by timing of recognition, are as follows for the years ended June 30 (in thousands of dollars):

	2024	2023
Academic services:		
Degree program revenues (over-time)	\$ 1,417,278	\$ 1,119,513
Assessment fees (point-in-time)	1,806	1,740
Non-degree program revenues (over-time)	3,522	3,962
Total	\$ 1,422,606	\$ 1,125,215

## 14. Expenses by Nature and Function

Expenses by nature and function for the years ended June 30 are as follows (in thousands of dollars):

	2024							Total
	Academic expenses	Marketing	Information systems	Institutional support	Research	Fundraising		
Wages, taxes and benefits	\$ 613,076	\$ 36,580	\$ 72,951	\$ 55,889	\$ 4,795	\$ 2,863	\$ 786,154	
Marketing costs	-	225,881	-	-	-	-	225,881	
Student resources	61,009	-	-	-	-	-	61,009	
Consulting and other fees	13,942	5,332	3,132	9,663	275	406	32,750	
Technology costs	4,608	641	30,211	1,473	5	17	36,955	
Other labor costs	18,705	1,591	6,068	2,254	117	299	29,034	
Office and equipment costs	8,023	2,195	16,198	2,341	8	112	28,877	
External assessment costs	29,060	-	-	-	-	-	29,060	
Travel, meetings and events	7,012	11,153	1,165	2,989	263	237	22,819	
Depreciation and amortization	6,514	328	8,829	4,671	23	13	20,378	
Other costs	9,283	92	603	2,434	-	15	12,427	
Total expenses	\$ 771,232	\$ 283,793	\$ 139,157	\$ 81,714	\$ 5,486	\$ 3,962	\$ 1,285,344	

	2023						
	Academic expenses	Marketing	Information systems	Institutional support	Research	Fundraising	Total
Wages, taxes and benefits	\$ 554,155	\$ 33,839	\$ 65,767	\$ 48,250	\$ 5,488	\$ 2,488	\$ 709,987
Marketing costs	-	176,350	-	-	-	-	176,350
Student resources	58,912	-	-	-	-	-	58,912
Consulting and other fees	17,395	8,913	2,097	10,655	887	564	40,511
Technology costs	2,425	342	28,446	1,381	32	-	32,626
Other labor costs	17,837	1,885	8,263	1,447	428	94	29,954
Office and equipment costs	7,659	1,873	15,131	1,892	198	98	26,851
External assessment costs	23,435	-	-	-	-	-	23,435
Travel, meetings and events	4,162	10,288	737	1,898	241	334	17,660
Depreciation and amortization	4,040	427	3,772	4,506	126	12	12,883
Other costs	4,553	90	-	2,022	21	19	6,705
Total expenses	\$ 694,573	\$ 234,007	\$ 124,213	\$ 72,051	\$ 7,421	\$ 3,609	\$ 1,135,874

## 15. Operating Leases

The Organization leases several office spaces under non-cancelable operating lease agreements expiring on various dates through June 2037. The following table reconciles the undiscounted future cash flows to the operating lease liabilities recorded within the consolidated statement of financial position as of June 30, 2024:

Years ending June 30,	
2025	\$ 11,977
2026	11,359
2027	7,996
2028	6,773
2029	3,511
Thereafter	6,576
Total lease payments	48,192
Less: Interest	(4,348)
Present value of lease liabilities	\$ 43,844

The weighted average remaining lease terms and discount rate were as follows as of June 30:

Lease Term and Discount Rate	2024	2023
Weighted average remaining lease term (years) of operating leases	5.48	5.25
Weighted average discount rate of operating leases	3.2%	2.9%

The components of lease costs were as follows for the years ended June 30 (in thousands of dollars):

	2024	2023
Operating lease costs	\$ 10,839	\$ 10,630
Variable lease costs	1,337	1,248
Less sublease income	-	(780)
Total lease costs	\$ 12,176	\$ 11,098

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As of June 30, 2024, the Organization had entered into an operating lease for office space for which the lease term had not yet commenced. The right-of-use asset and lease liability are expected to be approximately \$4.3 million. This lease has a term of 13 years and is expected to commence during the year ending June 30, 2025.

## **16. Concentrations**

The Organization places its cash and cash equivalents with financial institutions. During the year ending June 30, 2024, the Organization implemented an Insured Cash Sweep (ICS) arrangement to mitigate risks associated with large deposits. This arrangement strategically places funds across multiple financial institutions, ensuring that balances at each institution remain within the federally insured limit of \$250 (in thousands of dollars). For any balances that may temporarily exceed these insured limits, the Organization monitors its exposure with the respective financial institutions. Historically, the Organization has not experienced any losses related to these accounts. As a result of the ICS arrangement and ongoing monitoring practices, the Organization does not believe that it is subject to unusual financial risk beyond the normal risk associated with commercial banking relationships.

The Organization had a vendor which comprised 26% and 23% of total purchases for the years ended June 30, 2024, and 2023, respectively.

Cash collected from student loans or grants, provided by the United States Government, constituted approximately 56% and 53%, of the Organization's net education services revenue for the years ended June 30, 2024 and 2023, respectively.

## **17. Employee Benefit Plans**

The Organization has a defined contribution profit sharing plan (the "Plan") under section 403(b) of the Internal Revenue Code for the benefit of its employees. Participants may elect to contribute up to 100% of their annual eligible earnings on a pre-tax basis, subject to the maximum amount allowable by the Internal Revenue Code. Participants may also contribute amounts representing distributions from other tax qualified retirement plans. The Organization makes matching and nondiscretionary employer contributions each pay period based on the participants' eligible earnings. During the years ended June 30, 2024 and 2023, the Organization's contributions to the Plan were approximately \$30.9 million and \$26.4 million, respectively.

## **18. Commitments and Contingencies**

### ***Litigation and Claims***

Various claims, lawsuits, and other contingent liabilities arise in the ordinary course of the Organization's activities. In the opinion of management, all such matters have been either adequately provided for, are without merit, or are of such a nature that if disposed of unfavorably, would not have a material adverse effect on the consolidated financial position or change in net assets of the Organization.

### ***Request from Department of Education***

On September 27, 2024, the Organization received a Request for Information from the Federal Student Aid Office of Enforcement, Department of Education. The Request asks for the Organization's marketing and communications related to WGU graduate income for the period October 2020 to present. At this stage, the Organization doesn't have sufficient information to determine the implications or next steps as a result of this Request.

### ***Partially Unfunded Commitment***

The Organization entered into a conditional agreement to grant \$10 million to a trust fund established to provide outcome-based loans to WGU students seeking nursing degrees. As of June 30, 2024, the Organization potentially had up to \$5 million in unfunded commitments relating to this grant.

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## **19. Employment Agreements**

The Organization has employment agreements with several of its key executives which, among other things, specify salary amounts and provide compensation for involuntary termination for any reason other than acts of dishonesty or fraud. In one case, compensation for involuntary or voluntary termination, under certain conditions, could range from nothing to three times the executive's previous year's gross taxable earnings.

The Organization has entered into deferred compensation agreements with 16 executives which are fully funded and will be paid out in future years as specified by the agreements. The balance of the related investments for these deferred compensation agreements as of June 30, 2024 and 2023 was approximately \$3.6 million and \$2.9 million, respectively.

## **20. Related-Party Transactions**

During the year ended June 30, 2024, the Organization contributed \$5 million to a trust fund, which provides outcome-based loans to WGU students.

In a prior year, the Organization received a conditional promise-to-give from an entity whose CEO is a member of the Board of Trustees. Collections from this conditional promise-to-give totaled approximately \$536 thousand and \$0 for the years ended June 30, 2024 and 2023, respectively.

The Organization contracts with a company that provides travel-related services, and which is affiliated with a member of the Board of Trustees. The services provided totaled approximately \$371 thousand and \$80 thousand for the years ended June 30, 2024 and 2023, respectively.

The Organization paid for risk assessment services that were provided by an entity that employs a member of the Board of Trustees. The services provided totaled approximately \$201 thousand and \$55 thousand for the years ended June 30, 2024 and 2023, respectively.

## **21. Subsequent Events**

Management has evaluated events and transactions for potential recognition or disclosure through November 8, 2024, which is the date the financial statements were available to be issued.

On September 12, 2024 the Organization acquired The Craft Education System, Inc. for \$6.5 million, subject to net working capital adjustments, plus contingent consideration worth \$3.125 million, if certain conditions are met. The contingent consideration is earned over a period of 2 years and is payable when earned.

## Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2024

Federal Grantor/ Pass Through Grantor/ Program or Cluster Title	Federal AL Number	Pass- Through Entity Identifying Number	Federal Expenditures
<b>U.S. Department of Education</b>			
Student Financial Assistance Program Cluster:			
Federal Direct Student Loans	84.268	N/A	\$ 781,304,232
Federal Pell Grant Program	84.063	N/A	350,599,595
Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)	84.379	N/A	1,328,839
Federal Supplemental Educational Opportunity Grant (FSEOG)	84.007	N/A	5,459,689
Federal Work-Study Program (FWS)	84.033	N/A	104,030
Postsecondary Education Scholarship for Veteran's Dependents	84.408	N/A	<u>10,460</u>
Total U.S. Department of Education Student Financial Assistance Program Cluster			1,138,806,845
Passed through from multiple states - Vocational Rehabilitation Grants to States	84.126	Multiple	813,529
Gaining Early Awareness and Readiness for Undergraduate programs (GEAR UP) Idaho GEAR UP Program	84.334		<u>9,000</u>
Total U.S. Department of Education			<u>1,139,629,374</u>
<b>U.S. Department of the Treasury</b>			
American Rescue Plan Act/Iowa TPRA (COVID)	21.027	Multiple	<u>733,755</u>
<b>U.S. Department of Labor</b>			
Passed through from multiple states - Trade Adjustment Assistance	17.245	Multiple	48,332
Passed through from multiple states - Workforce Innovation and Improvement Act	17.258	Multiple	<u>33,909</u>
Total U.S. Department of Labor			<u>82,241</u>
<b>U.S. Department of Health and Human Services (Administration for Children and Families)</b>			
Passed through from multiple states - John H. Chafee Foster Care Program for Successful Transition to Adulthood (Title IV-E of the Social Security Act)	93.674	Multiple	<u>2,500</u>
Total Expenditures of Federal Awards			<u>\$ 1,140,447,870</u>

### Note 1 – Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Western Governors University (WGU) under programs of the federal government for the year ended June 30, 2024. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR), *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the Schedule presents only a selected portion of the operations of WGU, it is not intended to, and does not, present the consolidated financial position, changes in net assets, or cash flows of WGU. WGU includes loans granted under the Direct Student Loans Program as expenditures of federal awards.

## ***Schedule of Expenditures of Federal Awards – Continued***

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### **Note 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, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available and when applicable. WGU elected not to use the 10% de minimis indirect cost rate.

### **Note 3 – Federal Loans Disbursed**

WGU participated in the Federal Direct Student Loan Program. The dollar amounts are listed in the Schedule although WGU is not the recipient of the funds. Such programs are considered a component of the student financial assistance program cluster. Expenditures represent new loans processed for students during the year ended June 30, 2024.



# TANNER

## Independent Auditors' Report

### INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

#### **To the Audit Committee of the Board of Trustees WGU Corporation**

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 financial statements of WGU Corporation (which includes Western Governors University (WGU) (the Organization)), as of and for the year ended June 30, 2024, and the related notes to the consolidated financial statements, which collectively comprise the Organization's basic financial statements, and have issued our report thereon dated November 8, 2024.

#### **Report on Internal Control over Financial Reporting**

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

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**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 Organization'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 Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Tanner LLC*

November 8, 2024



# TANNER

## Independent Auditors' Report

### INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR MAJOR PROGRAMS AND INTERNAL CONTROL OVER COMPLIANCE AS REQUIRED BY THE UNIFORM GUIDANCE

**To the Audit Committee of the Board of Trustees  
WGU Corporation**

#### **Report on Compliance for Major Federal Programs**

##### **Opinion on Major Federal Programs**

We have audited Western Governors University's (WGU) 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 WGU's major federal programs for the year ended June 30, 2024. WGU's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, WGU complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2024.

##### **Basis for Opinion on Major Federal Programs**

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; 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)*. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of WGU 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 the major federal programs. Our audit does not provide a legal determination of WGU'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 WGU's federal 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 WGU'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 generally accepted auditing

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standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about WGU's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

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

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

#### **Report on Internal Control over Compliance**

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

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.

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

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

*Tanner LLC*

November 8, 2024

## Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2024

### Summary of Auditors' Results

#### Financial Statements

Type of auditors' report issued: Unmodified opinion

Internal control over financial reporting:

Material weakness(es) identified?  yes  no

Significant deficiency(ies) identified that are not considered to be material weaknesses?  yes  none reported

Noncompliance material to financial statements noted?  yes  no

#### Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?  yes  no

Significant deficiency(ies) identified that are not considered to be material weaknesses?  yes  no

Type of auditors' report issued on compliance for major programs: Unmodified opinion

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?  yes  no

Identification of major programs:

<u>AL Number</u>	<u>Name of Federal Program or Cluster</u>
Cluster Program*	Student Financial Assistance Program Cluster
84.126	Vocational Rehabilitation Grants to States

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee?  yes  no

\*See Schedule of Expenditures of Federal Awards for a complete listing of the student financial assistance programs cluster and their related AL numbers.

***Schedule of Findings and Questioned Costs – Continued***

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*For the Year Ended June 30, 2024*

**Findings - Financial Statement Audit**

There were no financial statement findings noted during the audit for the year ended June 30, 2024.

**Findings and Questioned Costs – Federal Award Program Audit**

There were no findings noted during the audit for the year ended June 30, 2024.

**Major Federal Award Program Audit**

Finding 2023-001

Federal Direct Student Loans—Assistance Listing No. 84.268; Grant period—Fiscal year ended June 30, 2023

**Finding:**

In June 2023, during an internal quality assurance review, WGU identified a population of students that had the comment code 282 – Total and Permanent Disability (TPD). Students with a TPD code have had prior loans discharged due to total and permanent disability and must be reviewed before they are eligible for additional Title IV funds. As a result of not reconfiguring WGU’s system after changes were made by the U.S. Department of Education (DOE) in how certain codes are reported to participating universities, WGU’s system did not properly identify students with the TPD code and, therefore, WGU did not initially obtain additional documentation from these students, as required, before disbursing additional Title IV funds to these students.

**Current Status:**

Corrective action was taken by WGU and the matter was resolved.