



WESTERN NEW ENGLAND UNIVERSITY

Financial Statements

June 30, 2021 and 2020

(With Independent Auditors' Report Thereon)

WESTERN NEW ENGLAND UNIVERSITY

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KPMG LLP
One Financial Plaza
755 Main Street
Hartford, CT 06103

Independent Auditors' Report

The Board of Trustees
Western New England University:

We have audited the accompanying financial statements of Western New England University, which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Western New England University as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.

KPMG LLP

Hartford, Connecticut
October 15, 2021

WESTERN NEW ENGLAND UNIVERSITY

Statements of Financial Position

June 30, 2021 and 2020

(Dollars in thousands)

Assets	2021	2020
Cash and cash equivalents	\$ 29,693	23,612
Accounts and pledges receivable, net (note 5)	4,428	3,974
Prepaid expenses and other assets	3,332	2,706
Loans receivable, net (note 6)	2,191	3,142
Long-term investments (notes 7 and 8)	90,794	67,738
Investment in plant, net (note 9)	144,656	148,722
Investments held in trust by others (notes 7 and 10)	901	736
Total assets	<u>\$ 275,995</u>	<u>250,630</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 17,381	13,557
Deposits, deferred revenue, and other liabilities	9,714	8,664
Bonds and capital leases payable (note 11)	96,701	98,896
Government grants refundable	1,924	2,362
Total liabilities	<u>125,720</u>	<u>123,479</u>
Net assets:		
Without donor restrictions (note 14)	99,498	85,850
With donor restrictions (note 14)	50,777	41,301
Total net assets	150,275	127,151
Commitments and contingencies (note 17)		
Total liabilities and net assets	<u>\$ 275,995</u>	<u>250,630</u>

See accompanying notes to financial statements.

WESTERN NEW ENGLAND UNIVERSITY

Statement of Activities

Year ended June 30, 2021

(With comparative totals for the year ended June 30, 2020)

(Dollars in thousands)

	Without donor restrictions	With donor restrictions	2021 Total	2020 Total
Operating revenues and other support:				
Revenues:				
Tuition and fees, net of financial aid	\$ 76,241	—	76,241	79,278
Residence and dining, net of financial aid	19,898	—	19,898	18,149
Net student revenue	96,139	—	96,139	97,427
Federal, state, and private grants	7,627	—	7,627	4,457
Income and gains from long-term investments utilized (note 8)	2,273	—	2,273	1,280
Contributions	750	—	750	925
Other income	1,375	—	1,375	1,241
Other auxiliary services	78	—	78	109
Net assets released from restriction (note 15)	1,726	—	1,726	1,677
Total revenues and other support	109,968	—	109,968	107,116
Expenses (note 16):				
Instruction	39,175	—	39,175	40,619
Student support	16,276	—	16,276	17,666
Student aid	1,372	—	1,372	1,313
Academic support	12,218	—	12,218	13,737
Residence, dining, and other auxiliary services	17,262	—	17,262	16,970
Management and general	20,093	—	20,093	17,394
Total operating expenses	106,396	—	106,396	107,699
Change in net assets from operations	3,572	—	3,572	(583)
Nonoperating:				
Contributions	—	607	607	2,398
Long-term net investment income (note 7)	12,349	10,385	22,734	124
Long-term investment gains utilized in operations (note 8)	(2,273)	—	(2,273)	(1,280)
Net asset released from restriction (note 15)	—	(1,726)	(1,726)	(1,677)
Change in value of split-interest agreements	—	165	165	(23)
Other nonoperating activity	—	45	45	(1,132)
Change in net assets from nonoperating activities	10,076	9,476	19,552	(1,590)
Change in net assets	13,648	9,476	23,124	(2,173)
Net assets, beginning of year	85,850	41,301	127,151	129,324
Net assets, end of year	\$ 99,498	50,777	150,275	127,151

See accompanying notes to financial statements.

WESTERN NEW ENGLAND UNIVERSITY

Statement of Activities

Year ended June 30, 2020

(Dollars in thousands)

	Without donor restrictions	With donor restrictions	2020 Total
Operating revenues and other support:			
Revenues:			
Tuition and fees, net of financial aid	\$ 79,278	—	79,278
Residence and dining, net of financial aid	18,149	—	18,149
Net student revenue	97,427	—	97,427
Federal, state, and private grants	4,457	—	4,457
Income and gains from long-term investments utilized (note 8)	1,280	—	1,280
Contributions	925	—	925
Other income	1,241	—	1,241
Other auxiliary services	109	—	109
Net assets released from restriction (note 15)	1,677	—	1,677
Total revenues and other support	107,116	—	107,116
Expenses (note 16):			
Instruction	40,619	—	40,619
Student support	17,666	—	17,666
Student aid	1,313	—	1,313
Academic support	13,737	—	13,737
Residence, dining, and other auxiliary services	16,970	—	16,970
Management and general	17,394	—	17,394
Total operating expenses	107,699	—	107,699
Change in net assets from operations	(583)	—	(583)
Nonoperating:			
Contributions	—	2,398	2,398
Long-term net investment income (note 7)	138	(14)	124
Long-term investment gains utilized in operations (note 8)	(1,280)	—	(1,280)
Net assets released from restriction (note 15)	—	(1,677)	(1,677)
Change in value of split-interest agreements	(7)	(16)	(23)
Other nonoperating activity	(1,180)	48	(1,132)
Change in net assets from nonoperating activities	(2,329)	739	(1,590)
Change in net assets	(2,912)	739	(2,173)
Net assets, beginning of year	88,762	40,562	129,324
Net assets, end of year	\$ 85,850	41,301	127,151

See accompanying notes to financial statements.

WESTERN NEW ENGLAND UNIVERSITY

Statements of Cash Flows

Years ended June 30, 2021 and 2020

(Dollars in thousands)

	2021	2020
Cash flows from operating activities:		
Change in net assets	\$ 23,124	(2,173)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	8,042	8,415
Realized loss on sale of equipment	—	2
Net unrealized and realized (gain) loss on long-term investments	(22,422)	554
Contributions restricted for long-term investment	(1,323)	(4,405)
Change in:		
Investments held in trust by others	(165)	10
Accounts and pledges receivable	(454)	939
Prepaid expenses and other assets	(626)	811
Loans receivable	951	736
Accounts payable and accrued expenses	3,601	1,385
Deposits, deferred revenue, and other liabilities	1,050	511
Government grants refundable	(438)	(400)
Net cash provided by operating activities	11,340	6,385
Cash flows from investing activities:		
Purchases of plant and equipment	(4,011)	(3,733)
Proceeds from maturity and sale of long-term investments	4,421	5,172
Purchases of long-term investments	(5,055)	(6,155)
Net cash used in investing activities	(4,645)	(4,716)
Cash flows from financing activities:		
Contributions restricted for long-term investment	1,323	4,405
Change in deposits under bond indenture	—	450
Payments on finance leases	(82)	(153)
Payments of long-term debt	(1,855)	(915)
Net cash (used in) provided by financing activities	(614)	3,787
Net increase in cash and cash equivalents	6,081	5,456
Cash and cash equivalents at beginning of year	23,612	18,156
Cash and cash equivalents at end of year	\$ 29,693	23,612
Supplemental data:		
Interest paid	\$ 4,404	4,489
Noncash investing and financing activity:		
Plant and equipment purchases included in accounts payable	283	60

See accompanying notes to financial statements.

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Notes to Financial Statements

June 30, 2021 and 2020

(Dollars in thousands)

(1) Organization

Western New England University (the University) is a private, nonsectarian, coeducational university located on a 215-acre campus in a suburban neighborhood in Springfield, Massachusetts and is accredited by the New England Association of Schools and Colleges. Originally founded in 1919 as the Springfield Division of Northeastern University, it became established with its own charter and identity as Western New England College in 1951. Building of the new and current campus began in 1958. Its name was changed to Western New England University in July 2011.

The University offers a wide range of undergraduate degree programs, as well as graduate programs and first-professional opportunities, in Arts and Sciences, Business, Engineering, Law, Pharmacy and Health Sciences, which includes a Doctor of Occupational Therapy program. There are 233 full-time faculty members in the University's four Colleges and one School.

The University annually enrolls approximately 3,700 students: 2,500 full-time undergraduates, 365 in full- and part-time programs in the School of Law, and 310 full-time students in the College of Pharmacy and Health Sciences, and a variable number in part-time undergraduate or graduate degree programs offered on campus. The University attracts students from approximately 39 states and 23 foreign countries. There are more than 48,000 alumni of the University.

(2) Summary of Significant Accounting Policies

The significant accounting policies followed by the University are described below to enhance the usefulness of the financial statements to the reader.

(a) Basis of Presentation

The accompanying financial statements, which are presented on the accrual basis of accounting, have been prepared to focus on the University as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions.

(b) Net Asset Classes

The accompanying financial statements present information regarding the University's financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions.

Without donor restrictions: Net assets are not subject to donor stipulations restricting their use but may be designated for specific purposes by the University or may be limited by contractual agreements with outside parties.

With donor restrictions: Net assets are subject to donor stipulations that expire with the passage of time, can be fulfilled by actions pursuant to the stipulations, or which may be perpetual.

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(Dollars in thousands)

Changes in net assets are classified as operating and nonoperating. Nonoperating changes in net assets are net realized and unrealized gains and losses on long-term investments, less amounts distributed for operating purposes, and reclassifications of net assets received in prior periods and contributions with donor restrictions. All other unrestricted activity is reported as operating without donor restrictions.

Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

(c) Operations

The statement of activities reports the change in net assets from operating and nonoperating activities. Operating revenues consist of those items attributable to the University's undergraduate, graduate, professional, and doctoral programs. Income appropriated for spending from the University's invested assets are reported as operating revenue. Contributions for capital or long-term investment, realized and unrealized net gains/losses on all investments, net of amounts appropriated for operations, and changes in the value of split-interest agreements are reported as nonoperating revenue.

(d) Revenue Recognition

All unconditional contributions, donations, legacies, and gifts are recorded as revenue when received or when a promise to give is received. Contributions with donor-imposed restrictions, including unconditional promises to give, are reported in net assets with donor restrictions and are recognized as revenue when or as the University satisfies performance obligations by rendering promised goods or services. Restricted gifts that impact more than one reporting period are recognized as increases in net assets with donor restrictions and are released to net assets without donor restrictions when the donor restrictions, or time restrictions, are satisfied.

Student revenue consists of charges for tuition and fees, residence, and dining and are recorded as revenue during the year in which the related services are rendered. Such revenue is presented at transaction prices, which are determined based on standard published rates for the services provided. Tuition and fees are net of any scholarships and aid awarded by the University to qualifying students. The amount of revenue per student varies based on the specific programs in which the student is enrolled, as well as whether the student lives on campus. Scholarships and aid awarded for tuition and fees and residence amounted to \$54,175 and \$52,318 at June 30, 2021 and 2020, respectively.

Contributions of cash or other assets that must be used to acquire long-lived assets are reported in net assets without donor restrictions, provided the long-lived assets are placed in service in the same reporting period; otherwise, the contributions are reported as net assets with donor restrictions until the assets are acquired and placed in service.

(e) Cash and Cash Equivalents

The University considers all highly liquid debt instruments purchased with an original maturity date of three months or less to be cash equivalents, except those held as long-term investments.

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(Dollars in thousands)

(f) Investments

Investments are reported at fair value. Investments in securities traded on a national exchange are based upon quoted market prices. The University also holds shares or units in alternative investment funds involving hedge strategies. Such alternative investment funds may hold securities or other financial instruments for which a ready market exists and are priced accordingly. In addition, such funds may hold assets that require using current estimates of fair value obtained from the general partner or investment manager in the absence of readily determinable public market values. Such valuations generally reflect discounts for liquidity and consider variables such as financial performance of investments, including comparison of comparable companies' earnings multiples, cash flow analysis, recent sales prices of investments, and other pertinent information.

The University's interest in alternative investment funds are reported at the net asset value (NAV) reported by the fund managers, because the University owns interests in such entities rather than the underlying securities owned by each partnership or fund, even though the underlying securities may not be difficult to value or may be readily marketable. NAV is used as a practical expedient to estimate the fair value of the University's interest therein, unless it is probable that all or a portion of the investment will be sold for an amount different from NAV. Accordingly, the inputs or methodology used for valuing or classifying investments for financial reporting purposes are not necessarily an indication of the risk associated with investing in those investments.

Alternative investments are generally redeemable or may be liquidated at NAV under the original terms of the subscription agreements and operations of the underlying funds. However, it is possible that these redemption rights may be restricted or eliminated by the funds in the future in accordance with the underlying fund agreements. Due to the nature of the investments held by these funds, changes in market conditions and the economic environment may significantly impact the NAV of the funds and, consequently, the fair value of the University's interests in the funds. Furthermore, changes to the liquidity provisions of the funds may significantly impact the fair value of the University's interest in the funds. Although such investments may be sold in a secondary market transaction, subject to meeting certain requirements of the governing documents of the funds, the secondary market is not active and individual transactions are not necessarily observable. It is therefore reasonably possible that if the University were to sell a fund in the secondary market, the sale could occur at an amount materially different than the reported value. However, the University has no current plans to sell such investments in the secondary market.

(g) Physical Plant Assets

All plant assets are stated at cost except gifts in kind, which are recorded at their estimated fair value on the date of the gift. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets. When plant assets are retired or disposed of, the cost and related accumulated depreciation are removed and any resulting gain or loss is reflected in the statement of activities.

The University recognizes the fair value of a liability for legal obligations associated with asset retirements in the period in which the obligation is incurred, if a reasonable estimate of the fair value of the obligation can be made. When the liability is initially recorded, the University capitalizes the cost of the asset retirement obligation by increasing the carrying amount of the related long-lived asset. The

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capitalized cost associated with the retirement obligation is depreciated over the useful life of the related asset. Upon settlement of the obligation, any difference between the cost to settle the asset retirement obligation and the liability recorded is recognized as a gain or loss in the statement of activities.

(h) Unamortized Bond Costs

Deferred bond issue costs are stated net of accumulated amortization, and are amortized over the lives of the related bonds.

(i) Income Taxes

In November 1956, the University was granted exempt status under the Internal Revenue Code (IRC) Section 501(a) as an organization described in Section 501(c)(3). Under IRC Section 501(a), the University is generally exempt from income taxes. The University assesses uncertain tax positions and determined that there were no such positions that have a material effect on the financial statements at June 30, 2021 or 2020.

(j) Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. These costs include direct and indirect costs that have been allocated, on a consistent basis, among the programs and supporting services benefited. Note 16 summarizes the University's functional expenses by natural classification.

(k) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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 dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

(l) Reclassifications

Certain reclassifications have been made to the prior-year amounts in order to conform to the current-year presentations.

(3) Recent Accounting Pronouncements

Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*, issued by the Financial Accounting Standards Board (FASB) in February 2016, requires statement of financial position recognition of lease assets and lease liabilities with a term exceeding 12 months. Effective July 1, 2020, the University adopted this ASU and its practical expedients prospectively. The University's adoption did not have a material effect on the University's financial statements.

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Notes to Financial Statements

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(Dollars in thousands)

(4) Liquidity

The financial assets and liquidity resources available within one year for general expenditure, such as operating expenses, scheduled principal payments on debt, and capitalized construction costs not financed with debt, as of June 30 were as follows:

	<u>2021</u>	<u>2020</u>
Financial assets:		
Cash	\$ 23,213	17,917
Accounts and loans receivable, net	1,872	2,118
Pledge payments available for operations	121	180
Long-term investments available for operations	19,077	11,125
Subsequent year endowment appropriation	3,672	3,918
Other unrestricted invested funds	446	266
Total financial assets available within one year	<u>\$ 48,401</u>	<u>35,524</u>

The University has \$28,484 and \$23,354 in funds designated by the Board of Trustees to function as endowment, which can be made available for general expenditure with approval from the Board, subject to investment liquidity provisions as of June 30, 2021 and 2020, respectively. The Board of Trustees approved a change to the investment policy, in light of the financial challenges posed by the COVID-19 pandemic, to allow a temporary increase to the spending distribution rate, to be approved on an annual basis. The approved change increased the spending rate on the general-purpose portion of the endowment fund to 10% for fiscal years 2021 and 2022, which is included in the endowment appropriation above. The University has \$5,668 and \$4,785 within cash and cash equivalents that is subject to donor restrictions as of June 30, 2021 and 2020, respectively. Funds subject to donor restrictions are an available resource provided those restrictions are met by actions of the University or the passage of time. An additional liquidity resource includes a line of credit for \$7,500, with a maturity date of March 22, 2022.

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Notes to Financial Statements

June 30, 2021 and 2020

(Dollars in thousands)

(5) Accounts and Pledges Receivable

Amounts receivable consist of the following at June 30:

	2021	2020
Accounts receivable:		
Student	\$ 2,720	1,633
Other	1,178	388
Less allowance for doubtful accounts	(750)	(705)
	3,148	1,316
Pledges receivable	1,346	2,807
Less allowance for doubtful accounts and present value discount	(66)	(149)
	1,280	2,658
Total accounts and pledges receivable, net	\$ 4,428	3,974

The University's gross pledges receivable as of June 30 are due as follows:

	2021	2020
Less than one year	\$ 633	1,136
One to five years	713	1,671
	\$ 1,346	2,807

Pledges are discounted at rates ranging between .07% and 2.25%.

Fundraising expenses for the years ended June 30, 2021 and 2020 totaling \$836 and \$911, respectively, have been classified as management and general expenses in the statements of activities.

(6) Loans Receivable

Loans receivable consist of the following at June 30:

	2021	2020
Student loans	\$ 2,988	3,804
Less allowance for doubtful accounts	(797)	(662)
Total loans receivable, net	\$ 2,191	3,142

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Notes to Financial Statements

June 30, 2021 and 2020

(Dollars in thousands)

(7) Investments and Fair Value

The University maintains a pooled investment fund for purposes of maximizing investment return. The investment objective of the University is to invest its assets in a prudent manner to achieve a long-term rate of return sufficient to fund a portion of its spending and to increase investment value after inflation.

At June 30, 2021 and 2020, the carrying values of the University's cash and cash equivalents; receivables; accounts payable and accrued expenses; and deposits, deferred revenue, and other liabilities approximated their fair values based on their short-term maturities.

Fair value represents the price that would be received upon the sale of an asset or paid upon the transfer of a liability in an orderly transaction between market participants as of the measurement date. Except for investments reported at NAV or its equivalents as a practical expedient to estimate fair value, the University uses a three-tiered hierarchy to categorize those financial instruments carried at fair value based on the valuation methodologies employed. The hierarchy is defined as follows:

- **Level 1** – Valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the University has the ability to access at the measurement date.
- **Level 2** – Valuation based on inputs other than the quoted prices included in Level 1 that are either directly or indirectly observable for the assets or liabilities.
- **Level 3** – Valuation based on unobservable inputs for the assets or liabilities, for which little or no market data is available.

The following table summarizes the valuation of investments as of June 30, 2021:

<u>Investment</u>	<u>Quoted prices in active markets (Level 1)</u>	<u>Significant other observable inputs (Level 2)</u>	<u>Significant unobservable inputs (Level 3)</u>	<u>Investments measured at NAV or equivalent</u>	<u>Total</u>
Long-term investments:					
Cash equivalents	\$ 218	—	—	—	218
Fixed income securities – bonds	7,297	—	—	—	7,297
Equity investments – stocks	52,574	—	—	—	52,574
Equity investments – long/short	—	—	—	9,746	9,746
Hedge	—	—	—	14,722	14,722
Real assets	6,237	—	—	—	6,237
Total long-term investments	66,326	—	—	24,468	90,794
Other assets:					
Investments held in trust by others	—	—	901	—	901
	<u>\$ 66,326</u>	<u>—</u>	<u>901</u>	<u>24,468</u>	<u>91,695</u>

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Notes to Financial Statements

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(Dollars in thousands)

The following table summarizes the valuation of investments as of June 30, 2020:

Investment	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Investments measured at NAV or equivalent	Total
Long-term investments:					
Cash equivalents	\$ 341	—	—	—	341
Fixed income securities – bonds	7,279	—	—	—	7,279
Equity investments – stocks	36,730	—	—	—	36,730
Equity investments – long/short	—	—	—	7,089	7,089
Hedge	—	—	—	11,530	11,530
Real assets	4,769	—	—	—	4,769
Total long-term investments	49,119	—	—	18,619	67,738
Other assets:					
Investments held in trust by others	—	—	736	—	736
	<u>\$ 49,119</u>	<u>—</u>	<u>736</u>	<u>18,619</u>	<u>68,474</u>

There were no changes in methodologies used at June 30, 2021 or 2020, and there were no transfers among levels during the years ended June 30, 2021 or 2020.

The following table presents the activity for investments measured at fair value on a recurring basis using significant inputs (Level 3) for the years ended June 30:

	<u>2021</u>	<u>2020</u>
Fair value at beginning of year	\$ 736	746
Unrealized gains (losses)	165	(10)
Fair value at end of year	<u>\$ 901</u>	<u>736</u>

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(Dollars in thousands)

The University's total return on its invested assets consists of the following components for the years ended June 30:

	2021	2020
Nonoperating:		
Interest and dividends (pooled)	\$ 312	678
Net realized gains on sale of investments	1,833	1,525
Net unrealized gains (losses) on investments	20,589	(2,079)
Total long-term net investment income	\$ 22,734	124

Interest and dividends are presented net of manager fees of \$250 and \$236 for the years ended June 30, 2021 and 2020, respectively.

Hedge funds are redeemable with the funds or limited partnerships at NAV under the original terms of the subscription agreement and/or partnership agreements. The investments' fair values as of June 30, 2021 are shown below by their redemption frequency.

	Daily	Monthly	Quarterly	Total	Days' notice
Cash equivalents	\$ 218	—	—	218	1
Fixed income securities – bonds	7,297	—	—	7,297	1–7
Equity investments – stocks	52,574	—	—	52,574	1–7
Equity investments – long/short	—	9,746	—	9,746	30
Hedge	—	—	14,722	14,722	65
Real assets	6,237	—	—	6,237	2
Total	\$ 66,326	9,746	14,722	90,794	

(8) Endowment

The University's endowment consists of 235 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments (quasi-endowment). As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

(a) Relevant Law

The University has interpreted the Massachusetts-enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as allowing the University to appropriate for expenditure or accumulate so much of an endowment fund as the University determines as prudent for the uses, benefits, purposes, and duration of 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

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(Dollars in thousands)

accordance with UPMIFA, the University considers the following factors in determining appropriate spending levels from donor-restricted endowment funds:

1. Duration and preservation of the endowment fund
2. Purposes of the University and the endowed fund
3. General economic conditions
4. Possible effects of inflation or deflation
5. Expected total return from income and the appropriation of investments
6. Other resources of the University
7. Investment policy of the University

Although UPMIFA offers short-term spending flexibility, the explicit consideration of the preservation of funds among factors for prudent spending suggests that a donor-restricted endowment fund is still perpetual in nature. Under UPMIFA, the Board is permitted to determine and continue a prudent payout amount, even if the market value of the fund is below historic dollar value. There is an expectation that, over time, the donor-restricted amount will remain intact. This perspective is aligned with the accounting standards definition that donor-restricted funds are those that must be held in perpetuity even though the historic-dollar-value may be invaded on a temporary basis. Unless otherwise stated in the gift instrument, the assets in the endowment fund shall be donor-restricted net assets until appropriated for expenditure.

Endowment net assets consisted of the following at June 30, 2021 and 2020:

<u>2021</u>	<u>Without donor restrictions</u>	<u>With donor restrictions</u>		<u>Total</u>
		<u>Original gift</u>	<u>Accumulated gains</u>	
Quasi	\$ 28,484	—	—	28,484
Donor restricted	—	30,019	12,830	42,849
	<u>\$ 28,484</u>	<u>30,019</u>	<u>12,830</u>	<u>71,333</u>

<u>2020</u>	<u>Without donor restrictions</u>	<u>With donor restrictions</u>		<u>Total</u>
		<u>Original gift</u>	<u>Accumulated gains</u>	
Quasi	\$ 23,354	—	—	23,354
Donor restricted	—	29,626	4,015	33,641
	<u>\$ 23,354</u>	<u>29,626</u>	<u>4,015</u>	<u>56,995</u>

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Changes in endowment net assets for the fiscal years ended June 30, 2021 and 2020 were as follows:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Balance, June 30, 2020	\$ 23,354	33,641	56,995
Interest and dividends, net of fees	101	142	243
Realized/unrealized gains	7,273	10,207	17,480
Contributions	—	393	393
Distributions	<u>(2,244)</u>	<u>(1,534)</u>	<u>(3,778)</u>
Balance, June 30, 2021	<u>\$ 28,484</u>	<u>42,849</u>	<u>71,333</u>

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Balance, June 30, 2019	\$ 24,560	32,123	56,683
Interest and dividends, net of fees	243	307	550
Realized/unrealized losses	(197)	(325)	(522)
Contributions	—	3,007	3,007
Distributions	<u>(1,252)</u>	<u>(1,471)</u>	<u>(2,723)</u>
Balance, June 30, 2020	<u>\$ 23,354</u>	<u>33,641</u>	<u>56,995</u>

(b) Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below their original contributed value. Deficiencies of this nature are reported as reductions in net assets with donor restrictions and aggregated zero and \$285 as of June 30, 2021 and 2020, respectively. Future market gains will be used to restore this reduction in net assets.

(c) Return Objectives and Risk Parameters

The University's primary investment objective for the endowment is to earn a total return within prudent levels of risk, which is sufficient to maintain in real terms the purchasing power of the endowment's assets, while generating an income stream to support the activities of the University. To achieve its investment objective to the extent provided by law, the endowment's assets are allocated among seven asset classes, compared against several benchmarks, and are reviewed annually.

(d) Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the University 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). The Investment Committee is responsible for establishing an asset allocation policy. The asset allocation policy is designed to achieve diversity among capital markets and within capital markets, by investment discipline and management style. The Committee designs a

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policy portfolio in light of the endowment's needs for liquidity, preservation of purchasing power, and risk tolerances.

The University targets a diversified asset allocation that places emphasis on investments in domestic and global equities, fixed income, hedge funds, and real assets strategies to achieve its long-term return objectives within prudent risk constraints. The Investment Committee reviews the policy portfolio asset allocation, exposures, and risk profile on an ongoing basis.

(e) Spending Policy and How the Investment Objectives Relate to Spending Policy

The University's endowment funds and charitable gift annuities are in a unitized investment pool, which is currently invested with twelve investment managers. Endowment spending is calculated under a total return policy, which permits the University to spend 5% of the average market value of the endowment assets for the previous thirteen quarters as determined annually on December 31. Allowed spending of endowed funds totaled \$3,778 and \$2,723 for the years ended June 30, 2021 and 2020, respectively. Total spending from the University's net asset funds, including those not endowed, for the years ended June 30, 2021 and 2020, was as follows:

	2021		
	Without donor restrictions	With donor restrictions	Total
Spending from endowment	\$ 2,244	1,534	3,778
Other spending	29	—	29
	\$ 2,273	1,534	3,807
	2020		
	Without donor restrictions	With donor restrictions	Total
Spending from endowment	\$ 1,252	1,471	2,723
Other spending	28	—	28
	\$ 1,280	1,471	2,751

In establishing these policies, the University considered the expected return on its endowment and its programming needs. Accordingly, the University expects the current spending policy to allow its endowment to maintain its purchasing power and to provide a predictable and stable source of revenue to the annual operating budget. Additional real growth will be provided through new gifts, any excess investment return, or additions by the Board of Trustees.

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(9) Investment in Plant

Plant assets consist of the following at June 30:

	2021	2020	Estimated useful lives
Land	\$ 4,526	4,526	—
Buildings	215,635	214,868	30–60 Years
Improvements	13,655	13,574	10–20 Years
Equipment	61,517	59,184	3–10 Years
Construction in progress	965	170	—
	296,298	292,322	
Less accumulated depreciation	(151,642)	(143,600)	
	\$ 144,656	148,722	

Depreciation expense amounted to \$8,300 in 2021 and \$8,673 in 2020.

(10) Investments Held in Trust by Others

An investment held in trust by others represents the fair value of the University's rights to split-interest agreements and pooled life income funds. All of the perpetual trusts included in the University's split-interest agreement assets are classified as donor-restricted net assets. The present value of the future payments is estimated to equal the current fair value of these investments and, accordingly, are recorded by the University at this value.

The University's share of its split-interest agreements and pooled life income funds had a fair value of \$901 and \$736 as of June 30, 2021 and 2020, respectively. The income from these investments is restricted for scholarships.

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(11) Bonds and Capital Leases Payable

	2021	2020
Massachusetts Development Finance Agency (MDFA) Revenue Bonds Series 2008, which are exempt from federal taxes, and bear interest at the date of issuance through and including May 28, 2018 of 1.27%. Subsequent interest is set at 65.6% of the one-month LIBOR rate plus 1.7%. The bond matures in 2028 and is secured by a mortgage on the S. Prestley Blake Law Center.	\$ 2,209	2,479
Massachusetts Development Finance Agency (MDFA) Revenue Bonds, Series 2015, which are exempt from federal taxes, bear interest at rates ranging from 2% to 5% and matures annually through 2045. The bonds are secured by a mortgage on all the University's core campus, including The Center for Sciences and Pharmacy.	32,800	33,485
Massachusetts Development Finance Agency (MDFA) Revenue Bonds, Series 2018, which are exempt from federal taxes, bears interest at rate of 5% and matures annually through 2048. The bonds are secured by a mortgage on all the University's core campus, including the University Commons.	54,950	55,850
Bonds payable	89,959	91,814
Unamortized bond premium	7,867	8,171
Bond issuance costs	(1,125)	(1,171)
Total bonds payable, net	96,701	98,814
Obligation under capital leases	—	82
Total bonds and capital leases payable	\$ 96,701	98,896

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The following is a schedule of bonds payable as of June 30, 2021 over the next five years and thereafter by the University:

Year ending June 30:		
2022	\$	1,942
2023		2,039
2024		2,136
2025		2,244
2026		2,352
Thereafter		<u>79,246</u>
Total	\$	<u><u>89,959</u></u>

The 2008, 2015, and 2018 Bond Series indentures require the maintenance of certain financial covenants. In addition, the University has pledged all revenues and has granted the issuer a security interest in tuition receipts and tuition receivables.

(12) Line of Credit

The University has an uncollateralized line of credit with a bank in the amount of \$7,500 as of June 30, 2021 and 2020. The line of credit bears interest, which is variable at a rate per annum equal to the *Wall Street Journal* prime rate. A commitment fee equal to 0.25% of the original principal amount of the note is payable each year on the anniversary date of the line. No borrowings against this line were outstanding at June 30, 2021 or 2020.

(13) Retirement Plan

The University maintains a 403(b) contributory retirement plan with Teachers Insurance and Annuity Association (TIAA) and College Retirement Equities Fund (CREF). The plan covers substantially all full-time employees. The University's contributions in 2021 and 2020 amounted to \$2,022 and \$3,110, respectively.

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(14) Net Assets

Net assets as of June 30 consisted of the following:

		2021	
		Without donor restrictions	With donor restrictions
	Undesignated	\$ 19,472	—
	Plant	47,955	—
	Loan	1,216	—
	Other	—	574
	Facilities	—	3,006
	Academic support	1,765	—
	Student support	606	2,059
	Life insurance and charitable remainder trust	—	1,537
	Scholarships and awards	—	752
	Endowment net assets:		
	Scholarships and awards	28,484	41,115
	Faculty development	—	294
	Other	—	1,440
	Total	\$ 99,498	50,777
		2020	
		Without donor restrictions	With donor restrictions
	Undesignated	\$ 8,699	—
	Plant	49,826	—
	Loan	1,807	—
	Other	—	450
	Facilities	—	2,973
	Academic support	1,719	—
	Student support	445	2,067
	Life insurance and charitable remainder trust	—	1,361
	Scholarships and awards	—	809
	Endowment net assets:		
	Scholarships and awards	23,354	32,366
	Faculty development	—	144
	Other	—	1,131
	Total	\$ 85,850	41,301

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(15) Net Assets Released from Restrictions

Net assets were released as follows for the years ended June 30:

	2021	2020
With donor restrictions satisfied:		
Student aid	\$ 1,687	1,598
Instruction and research	18	59
Other institutional activities	21	20
Total	\$ 1,726	1,677

(16) Functional Expenses

The statements of activities present expenses by functional classification. The University also summarizes its expenses by natural classification. The University's primary program service is academic instruction. Expenses reported as student support and residence, dining, and other auxiliary services are incurred in support of this primary program activity.

Operation and maintenance of plant and depreciation expenses are allocated based on square footage. Interest expense is allocated based on the functional purpose for which the debt proceeds were used. Expenses by both their nature and their function for the years ended June 30, 2021 and 2020 are as follows:

	2021					
	Instruction	Student support	Academic support	Residence, dining, and other auxiliary services	Management and general	Total
Salaries and wages	\$ 25,382	8,231	6,410	2,530	9,266	51,819
Employee benefits	8,617	2,615	2,142	896	2,960	17,230
Supplies, services, and other	2,316	3,621	2,701	7,638	7,277	23,553
Depreciation and amortization	1,251	1,595	766	3,974	456	8,042
Interest	1,609	214	199	2,224	134	4,380
Grants to students	—	1,372	—	—	—	1,372
	\$ 39,175	17,648	12,218	17,262	20,093	106,396

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2020							
		Instruction	Student support	Academic support	Residence, dining, and other auxiliary services	Management and general	Total
Salaries and wages	\$	26,062	8,647	6,991	2,421	8,544	52,665
Employee benefits		9,032	2,771	2,419	889	3,074	18,185
Supplies, services, and other		2,583	4,361	3,323	7,201	5,138	22,606
Depreciation and amortization		1,309	1,669	801	4,158	478	8,415
Interest		1,633	218	203	2,301	160	4,515
Grants to students		—	1,313	—	—	—	1,313
	\$	40,619	18,979	13,737	16,970	17,394	107,699

(17) Commitments and Contingencies

The University participates in the Massachusetts College Savings Prepaid Tuition Program. This program allows participants to pay in advance (against a bond) for future tuition at the cost of tuition at the time of the bond purchase increased by the Consumer Price Index plus 2%. The potential cost associated with this program cannot be determined as it is contingent on future tuition increases and the bond purchasers who attend the University.

The University also participates in a number of federal programs that are subject to financial and compliance audits. The amount of expenditures that may be disallowed by the granting agencies cannot be determined at this time, although the University does not expect these amounts, if any, to be material to the financial statements.

(18) Risks and Uncertainties – Pandemic

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) emerged globally, and in March 2020, the World Health Organization recognized COVID-19 as a pandemic. Although it is not possible to reliably estimate the length or severity of this outbreak and hence its financial impact, the University could be materially and possibly adversely affected by the risks, or the public perception of the risks, related to the outbreak of COVID-19. As a result of the pandemic, the University experienced disruption to its ability to provide in-person education to its students most notably in the year ended June 30, 2020, when the campus suspended in-person education. The most significant financial statement impact during the years ended June 30, 2021 and 2020 was the decline in residence and dining revenues. The duration and intensity of the impact of COVID-19 on the University's operations are uncertain and will depend on future developments, including the duration and spread of the outbreak.

(19) Subsequent Events

The University evaluated subsequent events for potential recognition or disclosure through October 15, 2021, the date on which the financial statements were issued.