



Financial Statements

Western New England University

June 30, 2024 and 2023

WESTERN NEW ENGLAND UNIVERSITY

Financial Statements

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Independent Auditors' Report

Board of Trustees
Western New England University
Springfield, Massachusetts

Opinion

We have audited the financial statements of Western New England University (the "University"), which comprise the statements of financial position as of June 30, 2024 and 2023, and the related statements of activities, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Western New England University as of June 30, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). 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 University and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the 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 University's ability to continue as a going concern for one year after the date that the financial statements are issued.

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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 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.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 University'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 University'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.

CBIZ CPAs P.C.¹

Boston, Massachusetts
October 25, 2024

¹In certain jurisdictions, CBIZ CPAs P.C. operates under its previous name, Mayer Hoffman McCann P.C.

WESTERN NEW ENGLAND UNIVERSITY

Statements of Financial Position

(Dollars in thousands)

	<i>June 30,</i>	
	2024	2023
Assets		
Cash and cash equivalents	\$ 14,101	\$ 20,943
Accounts, grants and pledges receivable, net	4,660	7,388
Prepaid expenses and other assets	2,770	3,014
Loans receivable, net	583	1,048
Long-term investments	91,976	88,423
Investments held in trust	802	794
Investment in property, plant and equipment, net	139,885	137,909
Total assets	\$ 254,777	\$ 259,519
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 13,999	\$ 14,888
Deposits, deferred revenue, and other liabilities	8,907	7,900
Bonds payable	89,810	92,204
Refundable government grants for student loans	1,021	1,213
Total liabilities	113,737	116,205
Net assets:		
Without donor restrictions	92,506	96,941
With donor restrictions	48,534	46,373
Total net assets	141,040	143,314
Total liabilities and net assets	\$ 254,777	\$ 259,519

WESTERN NEW ENGLAND UNIVERSITY

Statement of Activities

Year Ended June 30, 2024
(with comparative totals for 2023)

(Dollars in thousands)

	2024			2023
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Operating revenues and other support:				
Tuition and fees, net of financial aid	\$ 74,105	\$ -	\$ 74,105	\$ 75,856
Residence and dining, net of financial aid	20,097	-	20,097	19,236
Net student revenue	94,202	-	94,202	95,092
Government and private grants	3,545	-	3,545	6,432
Investment return utilized for operations	1,088	-	1,088	2,153
Net assets released from board designation as quasi endowment	8,293	-	8,293	-
Contributions	1,089	-	1,089	1,403
Other income	2,241	-	2,241	1,807
Net assets released from restrictions	4,503	-	4,503	2,462
Total operating revenues and other support	114,961	-	114,961	109,349
Operating expenses:				
Instruction	42,912	-	42,912	39,747
Student support	20,367	-	20,367	18,601
Academic support	14,760	-	14,760	13,697
Auxiliary activities	18,644	-	18,644	17,479
Institutional support	20,788	-	20,788	19,811
Total operating expenses	117,471	-	117,471	109,335
Change in net assets from operations	(2,510)	-	(2,510)	14
Nonoperating activities:				
Contributions	-	917	917	676
Investment return	7,468	5,595	13,063	8,795
Investment return utilized for operations	(1,088)	-	(1,088)	(2,153)
Net assets released from board designation as quasi endowment	(8,293)	-	(8,293)	-
Net assets released from restrictions	-	(4,503)	(4,503)	(2,462)
Other nonoperating activity	(12)	152	140	41
Total nonoperating activities	(1,925)	2,161	236	4,897
Change in net assets	(4,435)	2,161	(2,274)	4,911
Net assets, beginning of year	96,941	46,373	143,314	138,403
Net assets, end of year	\$ 92,506	\$ 48,534	\$ 141,040	\$ 143,314

WESTERN NEW ENGLAND UNIVERSITY

Statement of Activities

Year Ended June 30, 2023

(Dollars in thousands)

	<i>Without Donor Restrictions</i>	<i>With Donor Restrictions</i>	<i>Total</i>
Operating revenues and other support:			
Tuition and fees, net of financial aid	\$ 75,856	\$ -	\$ 75,856
Residence and dining, net of financial aid	19,236	-	19,236
Net student revenue	<u>95,092</u>	<u>-</u>	<u>95,092</u>
Government and private grants	6,432	-	6,432
Investment return utilized for operations	2,153	-	2,153
Contributions	1,403	-	1,403
Other income	1,807	-	1,807
Net assets released from restrictions	<u>2,462</u>	<u>-</u>	<u>2,462</u>
Total operating revenues and other support	<u>109,349</u>	<u>-</u>	<u>109,349</u>
Operating expenses:			
Instruction	39,747	-	39,747
Student support	18,601	-	18,601
Academic support	13,697	-	13,697
Auxiliary activities	17,479	-	17,479
Institutional support	<u>19,811</u>	<u>-</u>	<u>19,811</u>
Total operating expenses	<u>109,335</u>	<u>-</u>	<u>109,335</u>
Change in net assets from operations	<u>14</u>	<u>-</u>	<u>14</u>
Nonoperating activities:			
Contributions	-	676	676
Investment return	4,998	3,797	8,795
Investment return utilized for operations	(2,153)	-	(2,153)
Net assets released from restrictions	-	(2,462)	(2,462)
Other nonoperating activity	<u>(38)</u>	<u>79</u>	<u>41</u>
Total nonoperating activities	<u>2,807</u>	<u>2,090</u>	<u>4,897</u>
Change in net assets	<u>2,821</u>	<u>2,090</u>	<u>4,911</u>
Net assets, beginning of year	<u>94,120</u>	<u>44,283</u>	<u>138,403</u>
Net assets, end of year	<u>\$ 96,941</u>	<u>\$ 46,373</u>	<u>\$ 143,314</u>

WESTERN NEW ENGLAND UNIVERSITY

Statements of Cash Flows

(Dollars in thousands)

	Years Ended June 30,	
	2024	2023
Cash flows from operating activities:		
Change in net assets	\$ (2,274)	\$ 4,911
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	7,183	6,832
Realized loss on sale of plant and equipment	13	39
Net unrealized and realized gain on long-term investments	(12,557)	(8,286)
Contributions restricted for long-term investment	(453)	(570)
Change in:		
Accounts, grants and pledges receivable	2,728	(3,219)
Prepaid expenses and other assets	244	(329)
Loans receivable	465	680
Investments held in trust	(8)	(34)
Accounts payable and accrued expenses	(889)	(927)
Deposits, deferred revenue, and other liabilities	1,007	(1,480)
Refundable government grants for student loans	(192)	(302)
	<u>(4,733)</u>	<u>(2,685)</u>
Net cash used in operating activities	(4,733)	(2,685)
Cash flows from investing activities:		
Purchases of plant and equipment	(9,430)	(6,207)
Proceeds from sale of plant and equipment	-	15
Proceeds from sale of long-term investments	33,569	8,455
Purchases of long-term investments	(24,565)	(9,185)
	<u>(426)</u>	<u>(6,922)</u>
Net cash used in investing activities	(426)	(6,922)
Cash flows from financing activities:		
Contributions restricted for long-term investment	453	570
Payments of long-term debt	(2,136)	(2,039)
	<u>(1,683)</u>	<u>(1,469)</u>
Net cash used in financing activities	(1,683)	(1,469)
Net decrease in cash and cash equivalents	(6,842)	(11,076)
Cash and cash equivalents at beginning of year	<u>20,943</u>	<u>32,019</u>
Cash and cash equivalents at end of year	\$ <u>14,101</u>	\$ <u>20,943</u>
Supplemental data:		
Interest paid	\$ 4,190	\$ 4,274

See accompanying notes to financial statements.

WESTERN NEW ENGLAND UNIVERSITY

Notes to Financial Statements

(Dollars in thousands)

Note 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 more than 200 full-time faculty members in the University's four Colleges and one School.

The University annually enrolls approximately 3,500 students: 2,500 full-time undergraduates, 330 in full- and part-time programs in the School of Law, and 430 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 42 states and 30 foreign countries. There are more than 46,400 alumni of the University.

Note 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.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP") which requires that information regarding the University's financial position and activities are reported based on the existence or absence of donor-imposed restrictions.

Net Assets Without Donor Restrictions: Net assets available for general use and not subject to donor restrictions. The Board of Trustees has designated from net assets without donor restrictions funds to function as endowment.

Net Assets With Donor Restrictions: Net assets subject to donor-imposed restrictions of which some are temporary in nature that may or will be met by the passage of time, events specified by the donor, or both and others are perpetual in nature where the donor stipulates the resources be maintained in perpetuity. Accumulated unspent gains on perpetual funds are temporary in nature and are subject to the endowment spending policy as adopted by the Board of Trustees.

Expenses are reported as decreases in net assets without donor restrictions. Expirations of donor-imposed restrictions on net assets, such as the donor stipulated purpose has been fulfilled and/or the stipulated time period has elapsed, are reported as net assets released from restrictions between the classes of net assets.

WESTERN NEW ENGLAND UNIVERSITY

Notes to Financial Statements

(Dollars in thousands)

Note 2 - Summary of Significant Accounting Policies (Continued)

Operating and Nonoperating Activity

The statements of activities report the change in net assets from operating and nonoperating activities. Operating activities principally include all revenues and expenses that relate to the University's educational programs and supporting activities. Operating activity also includes investment return utilized for operations pursuant to the spending policy earned on invested assets held for endowment or similar purposes as well as any net assets released from board designation as quasi endowment. Investment returns in excess of or less than the spending rate and net assets released from board designation as quasi endowment are considered nonoperating. Contributions and net assets released for capital or long-term investment, and other minor activities are reported as nonoperating.

Revenue Recognition

Contributed Support

All unconditional contributions are recorded as revenue in the period verifiably committed by the donor. Contributions with donor-imposed restrictions, including unconditional promises to give, are reported in net assets with donor restrictions. 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. 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. Contributions of assets other than cash are recorded at their estimated fair value as per the fair value policies described elsewhere in these policies. Conditional contributions are recognized as revenues when the barriers to entitlement have been met. Conditional contributions under grant agreements that have been committed but not yet recognized as revenue given the barrier to entitlement amounted to \$3,114 and \$2,709 at June 30, 2024 and 2023, respectively.

Earned Revenues

Earned revenues are recorded using a principles-based process that requires the University to 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; and 5) recognize revenue when (or as) performance obligations are satisfied.

The majority of earned revenues include tuition, fees, residence, and dining charges as well as sales of auxiliary services and are recognized ratably over the academic period of the course or program offered based on time elapsed.

WESTERN NEW ENGLAND UNIVERSITY

Notes to Financial Statements

(Dollars in thousands)

Note 2 - Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

Earned Revenues (Continued)

As described in Note 1, the University offers undergraduate and graduate degree programs. The following table summarizes the percentages of revenue from each of the programs, with residence and dining charges, if any, being ascribed to the program from which such revenues are derived.

	2024	2023
Undergraduate	79%	78%
Graduate and Professional Programs	21%	22%

The majority of the University's programs are designed to be completed within the fiscal year. Management believes that recognizing revenue over time is the best measure of services rendered based on its academic calendar and has not made any changes in the timing of satisfaction of its performance obligations or amounts allocated to those obligations. 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 \$70,651 and \$62,184 at June 30, 2024 and 2023, respectively. Discounts provided to employees are considered part of fringe benefits within operating expenses and likewise are recorded over time.

Revenue earned on grants is recognized as related costs are incurred. Any amounts received in advance of incurring costs are included in deposits, deferred revenue and other liabilities in the statements of financial position until the related costs are incurred at which time the related revenue will be recognized.

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. Certain accounts exceed insured limits while others do not include deposit insurance. The University has not experienced any losses in such accounts. Cash includes amounts restricted for a student loan program in the amount of \$255 and \$378 at June 30, 2024 and 2023, respectively. Cash also includes amounts held on behalf of student organizations of \$2,024 and \$2,434 at June 30, 2024 and 2023, respectively.

WESTERN NEW ENGLAND UNIVERSITY

Notes to Financial Statements

(Dollars in thousands)

Note 2 - Summary of Significant Accounting Policies (Continued)

Accounts, Pledges and Loans Receivable and Government Advances for Student Loans

Accounts receivable principally relate to amounts due from students for educational and residence and dining services provided by the University. Such amounts are financial instruments that potentially subject the University to concentrations of credit risk and are generally uncollateralized. The University estimates expected credit losses over the life of its financial assets and certain off-balance sheet exposures as of the reporting date based on relevant information about past events, current conditions, and reasonable and supportable forecasts. The University records the estimate of expected credit losses as an allowance for credit losses. Change in the allowance for credit losses are reported in credit loss expense. Accounts receivable are presented net of allowance for credits losses of \$935 and \$990 as of June 30, 2024 and 2023, respectively.

Pledges receivable are initially recorded at fair value utilizing Level 2 inputs as per the fair value policies covered in this section. Pledges expected to be collected after one year are valued using the present value of a risk adjusted rate (ranging up to 5.08%) to account for the inherent risk associated with the expected future cash flows. Pledges receivable of shorter duration are recorded at estimated net realizable value. An allowance for pledges receivable is provided based on management estimates including factors of historical experience and a specific review of circumstances relative to major grants and pledges and other factors. Conditional promises are not included as support until the conditions are substantially met.

Loans receivable primarily represent amounts due from students under the Federal Perkins Loan Program. A substantial portion of the funding for this program was made available by the Department of Education (the "DOE") and must be returned should the University no longer participate in the program. Accordingly, the University carries a liability for funds advanced under the program subject to certain adjustments. Loans in default that meet certain requirements can be, and have been, assigned to the DOE, reducing the obligation for Refundable government grants for student loans. Credit risk is mitigated given the ability to assign such loans to the DOE. Given this program has been terminated by the DOE, management expects that loans will be assigned back to the DOE in due course. Loans receivable is recorded net of allowance for credit losses of \$219 and \$438 for the years ended June 30, 2024 and 2023, respectively.

Investments and Fair Value Measurements

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.

Investments are reported at fair value as per the fair value policies described elsewhere in these policies. Investment return is reported in the statements of activities and consists of interest and dividend income, realized and unrealized gains and losses, less external investment expenses.

WESTERN NEW ENGLAND UNIVERSITY

Notes to Financial Statements

(Dollars in thousands)

Note 2 - Summary of Significant Accounting Policies (Continued)

Investments and Fair Value Measurements (Continued)

The University reports required types of financial instruments in accordance with fair value standards on a recurring or non-recurring basis depending on the underlying policy of the instrument. Recurring fair value items include investments. Non-recurring fair values include items such as the present value of expected cash flows on contributions. Fair value is defined as the price that would be required to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. 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 University reports certain investments using the net asset value ("NAV") per share as determined by investment managers under the so-called "practical expedient" for such investments. The practical expedient allows NAV per share to represent fair value for reporting purposes when the criteria for using this method are met.

Instruments measured and reported at fair value are classified and disclosed in one of the following categories along with a category for items at NAV as follows:

Level 1 – quoted prices are available in active markets for identical instruments as of the reporting date. Instruments which are generally included in this category include listed equity and debt securities publicly traded on an exchange.

Level 2 – pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.

Level 3 – pricing inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument. The inputs into the determination of fair value require significant management judgment or estimation.

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. It is possible that redemption rights may be restricted or eliminated by investment managers in the future in accordance with the underlying fund agreements. Market price is affected by a number of factors, including the type of instrument and the characteristics specific to the instrument. Instruments with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observable inputs and a lesser degree of judgment used in measuring fair value. It is reasonably possible that changes in the values of these instruments will occur in the near term and that such changes could materially affect amounts reported in the financial statements.

WESTERN NEW ENGLAND UNIVERSITY

Notes to Financial Statements

(Dollars in thousands)

Note 2 - Summary of Significant Accounting Policies (Continued)

Investment in Property, Plant and Equipment

All plant assets are stated at cost when the useful life is over one year and when such amounts exceed a management established threshold, less accumulated depreciation. Depreciation is computed on the 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 statements of activities. Major betterments are capitalized while maintenance and repairs are expensed as incurred.

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 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 statements of activities. Asset retirement obligations amounted to \$1,943 and \$2,005 at June 30, 2024 and 2023, respectively, and are included in accounts payable and accrued expenses in the statements of financial position.

Bonds Payable, Bond Issuance Costs and Bond Premium

Bonds payable are reported at face value of the remaining obligation under the related debt, net of issuance costs. Origination costs incurred and underwriting premiums of bonds are capitalized in the period of issuance and included as part of bonds payable. Such amounts are amortized using the straight-line method, which approximates the effective interest method, over the period of the related bonds.

Deposits and Deferred Revenue

Deposits and deferred revenue represent reservation deposits and other advance payments by students on account and other payments in advance of revenue being recognized. Such amounts are reflected as revenue ratably over time with such amounts generally being recognized in the upcoming year given the nature and duration of the underlying services being provided.

Income Taxes

The University is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code (the "IRC"), and is generally exempt from federal income taxes pursuant to Section 501(a) of the IRC. The University is also generally exempt from state income taxes. Given the limited taxable activities of the University, management concluded that such disclosures related to tax provisions are not necessary.

WESTERN NEW ENGLAND UNIVERSITY

Notes to Financial Statements

(Dollars in thousands)

Note 2 - Summary of Significant Accounting Policies (Continued)

Income Taxes (Continued)

The University is required to assess uncertain tax positions. The University has determined that its tax status and decisions over which activities are related and unrelated are its only tax positions and that such positions do not result in uncertainty requiring recognition. The University's federal and state tax returns are generally open for examination for three years following the date filed. No examinations are currently in process.

Functional Allocation of Expenses

The costs of providing the various programs and other activities and supporting services 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. Depreciation of plant assets and operation and maintenance of plant expenses have been allocated to functional classifications based on square footage of facilities. Interest expense is allocated to functional classifications that benefited from the use of the proceeds of debt. Fundraising expenses are included in institutional support in the statements of activities and amount to \$1,563 and \$1,088 for the years ended June 30, 2024 and 2023, respectively.

Use of Estimates

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

New Accounting Pronouncements

Certain new accounting standards are effective in future years. Management's preliminary assessment is that these items will be of limited impact to the University, and, as such, has determined that detail of those pending standards is not necessary.

Reclassifications

Certain reclassifications have been made to the prior year financial statements in order to conform with the current year presentation.

Subsequent Events

Subsequent events have been evaluated through October 25, 2024, the date the financial statements were issued. The University has concluded that no material events have occurred that impact disclosures or reported amounts in the financial statements.

WESTERN NEW ENGLAND UNIVERSITY

Notes to Financial Statements

(Dollars in thousands)

Note 3 - Liquidity

The University regularly monitors liquidity to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The University has various sources of liquidity at its disposal as noted below.

For purposes of analyzing resources available to meet the general expenditures over a 12-month period, the University considers all expenditures related to its ongoing activities of providing educational and residential services as well as the conduct of services undertaken to support those activities to be general expenditures.

The University has \$17,231 and \$23,231 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, 2024 and 2023, respectively. The University has \$3,923 and \$5,865 within cash and cash equivalents that is subject to donor restrictions as of June 30, 2024 and 2023, 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.

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, were as follows on June 30:

	2024	2023
Financial assets:		
Cash	\$ 13,846	\$ 20,565
Accounts and grants receivable, net	1,573	3,465
Pledge payments available for operations	155	180
Long-term investments available for operations	31,011	25,626
Subsequent year endowment appropriation	2,996	2,883
Other unrestricted invested funds	433	395
	<u> </u>	<u> </u>
Total financial assets available within one year	\$ 50,014	\$ 53,114

WESTERN NEW ENGLAND UNIVERSITY

Notes to Financial Statements

(Dollars in thousands)

Note 4 - Pledges Receivable

Pledges receivable consist of the following at June 30:

	2024	2023
Unconditional promises expected to be collected in:		
Less than one year	\$ 159	\$ 223
One year to five years	62	77
	<u>221</u>	<u>300</u>
Less allowance for doubtful accounts and present value discount	<u>(30)</u>	<u>(19)</u>
Total pledges receivable, net	<u>\$ 191</u>	<u>\$ 281</u>

Note 5 - Investments

The valuation of the University's financial instruments by the fair value hierarchy consist of the following at June 30:

	2024				
	Level 1	Level 2	Level 3	NAV	Total
Long-term investments:					
Cash equivalents	\$ 2,984	\$ -	\$ -	\$ -	\$ 2,984
Fixed income securities - bonds	4,902	-	-	3,586	8,488
Equity investments - stocks	49,961	-	47	-	50,008
Equity investments - long/short	-	-	-	10,729	10,729
Hedge	-	-	-	15,297	15,297
Real assets	-	-	-	4,470	4,470
	<u>57,847</u>	<u>-</u>	<u>47</u>	<u>34,082</u>	<u>91,976</u>
Investments held in trust by others	-	-	802	-	802
	<u>\$ 57,847</u>	<u>\$ -</u>	<u>\$ 849</u>	<u>\$ 34,082</u>	<u>\$ 92,778</u>

WESTERN NEW ENGLAND UNIVERSITY

Notes to Financial Statements

(Dollars in thousands)

Note 5 - Investments (Continued)

	2023				
	Level 1	Level 2	Level 3	NAV	Total
Long-term investments:					
Cash equivalents	\$ 1,966	\$ -	\$ -	\$ -	\$ 1,966
Fixed income securities - bonds	3,569	-	-	4,279	7,848
Equity investments - stocks	47,788	-	-	-	47,788
Equity investments - long/short	-	-	-	10,949	10,949
Hedge	-	-	-	13,643	13,643
Real assets	-	-	-	6,229	6,229
	53,323	-	-	35,100	88,423
Investments held in trust by others	-	-	794	-	794
	\$ 53,323	\$ -	\$ 794	\$ 35,100	\$ 89,217

Investments held in trust relates to assets which are held by independent donor-appointed trustees. There was no significant activity among Level 3 valuations during the years ended June 30, 2024 and 2023.

There are no unfunded investment commitments at June 30, 2024 and 2023. There were no changes in methodologies used at June 30, 2024 or 2023, and there were no transfers among levels during the years ended June 30, 2024 or 2023.

The University has no plans or intentions to liquidate any of its investments using NAV methods at other than the ordinary course as allowed under such investments.

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

	2024	2023
Interest and dividends (pooled)	\$ 506	\$ 509
Net realized gains on sale of investments	8,217	1,456
Net unrealized gains on investments	4,340	6,830
Total long-term net investment return	\$ 13,063	\$ 8,795

Interest and dividends are presented net of manager fees of \$274 and \$260 for the years ended June 30, 2024 and 2023, respectively.

WESTERN NEW ENGLAND UNIVERSITY

Notes to Financial Statements

(Dollars in thousands)

Note 5 - Investments (Continued)

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, 2024 are shown below by their redemption frequency.

	<i>Daily</i>	<i>Monthly</i>	<i>Quarterly</i>	<i>Total</i>	<i>Days' Notice</i>
Cash equivalents	\$ 2,984	\$ -	\$ -	\$ 2,984	1
Fixed income securities - bonds	8,488	-	-	8,488	1-7
Equity investments - stocks	50,008	-	-	50,008	1-7
Equity investments - long/short	-	10,729	-	10,729	30
Hedge	-	-	15,297	15,297	65
Real assets	<u>4,470</u>	<u>-</u>	<u>-</u>	<u>4,470</u>	2
Total	<u>\$ 65,950</u>	<u>\$ 10,729</u>	<u>\$ 15,297</u>	<u>\$ 91,976</u>	

Note 6 - Endowment

The University's endowment consists of over 230 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). The classification of funds is based on the existence or absence of donor-imposed restrictions.

Relevant Law

The University has interpreted the Massachusetts-enacted version of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the tracking of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the University tracks the original value of gifts donated to the permanent endowment, subsequent gifts to the permanent endowment and any required additions to these funds per the donor agreement. Funds are subject to appropriation for expenditure by the University in a manner consistent with the standard of prudence prescribed by UPMIFA.

In 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 appreciation of investments
6. Other resources of the University
7. Investment policy of the University

WESTERN NEW ENGLAND UNIVERSITY

Notes to Financial Statements

(Dollars in thousands)

Note 6 - Endowment (Continued)

Relevant Law (Continued)

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.

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. There were no such deficiencies as of June 30, 2024 and 2023.

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 various asset classes, compared against several benchmarks, and are reviewed annually.

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 Investment Committee designs a 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.

WESTERN NEW ENGLAND UNIVERSITY

Notes to Financial Statements

(Dollars in thousands)

Note 6 - Endowment (Continued)

Spending Policy

The University's endowment funds and charitable gift annuities are in a unitized investment pool. Endowment spending is calculated under a total return policy, which permits the University to spend 5% of the average market value of the total investments for the previous thirteen quarters as determined annually on December 31.

Additional distributions were taken in the amount of \$8,293 and \$1,023 during the years ended June 30, 2024 and 2023, respectively, as approved by the Board of Trustees.

Endowment net assets consisted of the following at June 30:

<u>2024</u>	<i>Without Donor Restrictions</i>	<u>With Donor Restrictions</u>		<i>Total</i>
		<i>Original Gift</i>	<i>Accumulated Gains</i>	
Quasi	\$ 17,231	\$ -	\$ -	\$ 17,231
Donor restricted	-	31,147	11,863	43,010
	<u>\$ 17,231</u>	<u>\$ 31,147</u>	<u>\$ 11,863</u>	<u>\$ 60,241</u>
<u>2023</u>	<i>Without Donor Restrictions</i>	<u>With Donor Restrictions</u>		<i>Total</i>
		<i>Original Gift</i>	<i>Accumulated Gains</i>	
Quasi	\$ 23,231	\$ -	\$ -	\$ 23,231
Donor restricted	-	30,819	8,077	38,896
	<u>\$ 23,231</u>	<u>\$ 30,819</u>	<u>\$ 8,077</u>	<u>\$ 62,127</u>

WESTERN NEW ENGLAND UNIVERSITY

Notes to Financial Statements

(Dollars in thousands)

Note 6 - Endowment (Continued)

Changes in endowment net assets were as follows for the years ended June 30:

	<i>Without Donor Restrictions</i>	<i>With Donor Restrictions</i>		<i>Total</i>
Balance, July 1, 2023	\$ 23,231	\$ 38,896	\$	62,127
Interest and dividends, net of fees	190	313		503
Realized/unrealized gains	3,160	5,267		8,427
Contributions	-	329		329
Distributions	(1,057)	(1,795)		(2,852)
Net assets released from board designation as quasi endowment	(8,293)	-		(8,293)
Balance, June 30, 2024	\$ 17,231	\$ 43,010	\$	60,241

	<i>Without Donor Restrictions</i>	<i>With Donor Restrictions</i>		<i>Total</i>
Balance, July 1, 2022	\$ 22,954	\$ 36,576	\$	59,530
Interest and dividends, net of fees	139	219		358
Realized/unrealized gains	2,260	3,566		5,826
Contributions	-	294		294
Distributions	(2,122)	(1,759)		(3,881)
Balance, June 30, 2023	\$ 23,231	\$ 38,896	\$	62,127

WESTERN NEW ENGLAND UNIVERSITY

Notes to Financial Statements

(Dollars in thousands)

Note 6 - Endowment (Continued)

Total spending from the University's net asset funds, including those not endowed, was as follows for the years ended June 30:

	2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Spending from endowment	\$ 1,058	\$ 1,884	\$ 2,942
Net assets released from board designation as quasi endowment	8,293	-	8,293
Other spending	30	-	30
	\$ 9,381	\$ 1,884	\$ 11,265
	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Spending from endowment	\$ 2,122	\$ 1,759	\$ 3,881
Other spending	31	-	31
	\$ 2,153	\$ 1,759	\$ 3,912

WESTERN NEW ENGLAND UNIVERSITY

Notes to Financial Statements

(Dollars in thousands)

Note 7 - Net Assets

Net assets consisted of the following as of June 30:

	2024	
	Without Donor Restrictions	With Donor Restrictions
Undesignated	\$ 22,660	\$ -
Plant	50,075	-
Academic support	1,933	258
Student support	607	1,360
Other	-	683
Facilities	-	1,283
Life insurance and charitable remainder trust	-	1,564
Scholarships and awards	-	376
Endowment net assets:		
Scholarships and awards	17,231	41,162
Faculty development	-	393
Other	-	1,455
Total endowment net assets	17,231	43,010
Total	\$ 92,506	\$ 48,534

WESTERN NEW ENGLAND UNIVERSITY

Notes to Financial Statements

(Dollars in thousands)

Note 7 - Net Assets (Continued)

	2023	
	Without Donor Restrictions	With Donor Restrictions
Undesignated	\$ 25,732	\$ -
Plant	45,705	-
Academic support	1,738	-
Student support	535	1,730
Other	-	644
Facilities	-	3,034
Life insurance and charitable remainder trust	-	1,653
Scholarships and awards	-	416
Endowment net assets:		
Scholarships and awards	23,231	37,251
Faculty development	-	325
Other	-	1,320
Total endowment net assets	23,231	38,896
Total	\$ 96,941	\$ 46,373

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

	2024	2023
With donor restrictions satisfied:		
Student and academic support	\$ 527	\$ 315
Student aid	1,942	1,891
Other institutional activities	2,034	256
Total	\$ 4,503	\$ 2,462

WESTERN NEW ENGLAND UNIVERSITY

Notes to Financial Statements

(Dollars in thousands)

Note 8 - Investment in Property, Plant and Equipment

Plant assets consist of the following at June 30:

	2024	2023	Estimated Useful Lives
Land	\$ 4,526	\$ 4,526	-
Buildings	218,095	216,704	30-60 Years
Improvements	15,235	14,817	10-20 Years
Equipment	67,455	65,167	3-10 Years
Construction in progress	9,654	4,380	-
	<u>314,965</u>	<u>305,594</u>	
Less accumulated depreciation	<u>(175,080)</u>	<u>(167,685)</u>	
	<u>\$ 139,885</u>	<u>\$ 137,909</u>	

Depreciation expense amounted to \$7,441 and \$7,090 for the years ended June 20, 2024 and 2023, respectively.

WESTERN NEW ENGLAND UNIVERSITY

Notes to Financial Statements

(Dollars in thousands)

Note 9 - Bonds Payable

	2024	2023
Massachusetts Development Finance Agency (MDFA) Revenue Bonds Series 2008, which are exempt from federal taxes, bears interest at a variable rate of 4.69% and 4.52% as of June 30, 2024 and 2023, respectively. The bond matures in 2028 and is secured by a mortgage on the S. Prestley Blake Law Center.	\$ 1,327	\$ 1,633
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 mature annually through 2045. The bonds are secured by a mortgage on all the University's core campus, including The Center for Sciences and Pharmacy.	30,530	31,325
Massachusetts Development Finance Agency (MDFA) Revenue Bonds, Series 2018, which are exempt from federal taxes, bear interest at a rate of 5% and mature annually through 2048. The bonds are secured by a mortgage on all the University's core campus, including the University Commons.	<u>51,985</u>	<u>53,020</u>
Bonds payable	83,842	85,978
Unamortized bond premium	6,954	7,259
Bond issuance costs	<u>(986)</u>	<u>(1,033)</u>
Total bonds payable	\$ <u>89,810</u>	\$ <u>92,204</u>

The following is a schedule of bonds payable as of June 30:

2025	\$	2,244
2026		2,352
2027		2,456
2028		2,520
2029		2,285
Thereafter		<u>71,985</u>
Total	\$	<u>83,842</u>

WESTERN NEW ENGLAND UNIVERSITY

Notes to Financial Statements

(Dollars in thousands)

Note 9 - Bonds Payable (Continued)

All bond 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. Interest expense amounted to \$4,160 and \$4,245 for the years ended June 30, 2024 and 2023, respectively.

Note 10 - Line of Credit

The University has a revolving line of credit in the amount of \$7,500, expiring June 30, 2025. The line of credit provides for interest as a variable rate. No borrowings against the line were made during 2024 and 2023.

Note 11 - Retirement Plan

The University maintains a defined contribution retirement plan under Internal Revenue Code Section 403(b). The plan covers substantially all full-time employees. During the year ended June 30, 2024, the University increased the employer contribution from 2% to 5% of employee contributions. Cost incurred under this plan amounted to \$2,253 and \$870 for the years ended June 30, 2024 and 2023, respectively.

Note 12 - Functional Expenses

Expenses by both their nature and function are as follows for the years ended June 30:

	2024					
	<i>Instruction</i>	<i>Student Support</i>	<i>Academic Support</i>	<i>Residence, Dining, and Other Auxiliary Services</i>	<i>Management and General</i>	<i>Total</i>
Salaries and wages	\$ 28,541	\$ 9,404	\$ 7,779	\$ 2,585	\$ 9,659	\$ 57,968
Employee benefits	9,012	2,728	2,267	854	2,952	17,813
Supplies, services, and other	2,718	6,609	3,842	9,575	7,590	30,334
Depreciation and amortization	1,118	1,425	684	3,549	408	7,184
Interest	1,523	201	188	2,081	179	4,172
	\$ 42,912	\$ 20,367	\$ 14,760	\$ 18,644	\$ 20,788	\$ 117,471

WESTERN NEW ENGLAND UNIVERSITY

Notes to Financial Statements

(Dollars in thousands)

Note 12 - Functional Expenses (Continued)

	2023					
	<i>Instruction</i>	<i>Student Support</i>	<i>Academic Support</i>	<i>Residence, Dining, and Other Auxiliary Services</i>	<i>Management and General</i>	<i>Total</i>
Salaries and wages	\$ 25,459	\$ 8,602	\$ 7,063	\$ 2,466	\$ 9,206	\$ 52,796
Employee benefits	7,934	2,378	2,044	801	2,734	15,891
Supplies, services, and other	3,738	6,060	3,749	8,705	7,307	29,559
Depreciation and amortization	1,063	1,355	650	3,376	388	6,832
Interest	1,553	206	191	2,131	176	4,257
	\$ 39,747	\$ 18,601	\$ 13,697	\$ 17,479	\$ 19,811	\$ 109,335

Note 13 - Commitments and Contingencies

The University participates in the Massachusetts College Savings Prepaid Tuition Program. This program allows participants to lock in tuition prices by limiting future increases to the changes in CPI plus 2%. This could result in discounts on tuition charged to students in the future.

The University also participates in a number of federal programs that are subject to post-award review. Management believes amounts requested under these programs have been appropriate.

The University has a long-term agreement with a third-party food service vendor that expires in fiscal year 2026 with customary clauses for cancelation.

The University has key employee agreements common in the education sector. The University also has a tenure program for certain faculty.

From time to time, various claims and suits generally incident to the conduct of normal business are pending or may rise against the University. In the opinion of management, these matters are not expected to have a significant effect on the financial statements of the University.