



WESTERN NEW ENGLAND UNIVERSITY

Financial Statements

June 30, 2022 and 2021

(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:

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, 2022 and 2021, 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 the University as of June 30, 2022 and 2021, 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.

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 U.S. generally accepted accounting principles, 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.

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.

KPMG LLP

Hartford, Connecticut
October 12, 2022

WESTERN NEW ENGLAND UNIVERSITY

Statements of Financial Position

June 30, 2022 and 2021

(Dollars in thousands)

Assets	2022	2021
Cash and cash equivalents	\$ 32,019	29,693
Accounts and pledges receivable, net (note 5)	4,169	4,428
Prepaid expenses and other assets	2,685	3,332
Loans receivable, net (note 6)	1,728	2,191
Long-term investments (notes 7 and 8)	79,407	90,794
Investment in plant, net (note 9)	138,846	144,656
Investments held in trust by others (notes 7 and 10)	760	901
Total assets	\$ 259,614	275,995
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 15,815	17,381
Deposits, deferred revenue, and other liabilities	9,380	9,714
Bonds payable (note 11)	94,501	96,701
Government grants refundable	1,515	1,924
Total liabilities	121,211	125,720
Net assets:		
Without donor restrictions (note 14)	94,120	99,498
With donor restrictions (note 14)	44,283	50,777
Total net assets	138,403	150,275
Commitments and contingencies (note 17)		
Total liabilities and net assets	\$ 259,614	275,995

See accompanying notes to financial statements.

WESTERN NEW ENGLAND UNIVERSITY

Statement of Activities

Year ended June 30, 2022

(With comparative totals for the year ended June 30, 2021)

(Dollars in thousands)

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>2022 Total</u>	<u>2021 Total</u>
Operating revenues and other support:				
Revenues:				
Tuition and fees, net of financial aid	\$ 75,151	—	75,151	76,241
Residence and dining, net of financial aid	20,480	—	20,480	19,898
Net student revenue	95,631	—	95,631	96,139
Federal, state, and private grants	11,136	—	11,136	7,627
Income and gains from long-term investments utilized (note 8)	2,092	—	2,092	2,273
Contributions	1,073	—	1,073	750
Other income	1,569	—	1,569	1,375
Other auxiliary services	103	—	103	78
Net assets released from restriction (note 15)	1,924	—	1,924	1,726
Total revenues and other support	113,528	—	113,528	109,968
Expenses (note 16):				
Instruction	39,066	—	39,066	39,175
Student support	17,700	—	17,700	16,276
Student aid	3,497	—	3,497	1,372
Academic support	13,146	—	13,146	12,218
Residence, dining, and other auxiliary services	18,207	—	18,207	17,262
Management and general	18,872	—	18,872	20,093
Total operating expenses	110,488	—	110,488	106,396
Change in net assets from operations	3,040	—	3,040	3,572
Nonoperating:				
Contributions	—	723	723	607
Long-term net investment (loss) income (note 7)	(6,326)	(5,217)	(11,543)	22,734
Long-term investment gains utilized in operations (note 8)	(2,092)	—	(2,092)	(2,273)
Net asset released from restriction (note 15)	—	(1,924)	(1,924)	(1,726)
Change in value of split-interest agreements	—	(120)	(120)	165
Other nonoperating activity	—	44	44	45
Change in net assets from nonoperating activities	(8,418)	(6,494)	(14,912)	19,552
Change in net assets	(5,378)	(6,494)	(11,872)	23,124
Net assets, beginning of year	99,498	50,777	150,275	127,151
Net assets, end of year	\$ 94,120	44,283	138,403	150,275

See accompanying notes to financial statements.

WESTERN NEW ENGLAND UNIVERSITY

Statement of Activities

Year ended June 30, 2021

(Dollars in thousands)

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

See accompanying notes to financial statements.

WESTERN NEW ENGLAND UNIVERSITY

Statements of Cash Flows

Years ended June 30, 2022 and 2021

(Dollars in thousands)

	2022	2021
Cash flows from operating activities:		
Change in net assets	\$ (11,872)	23,124
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	8,727	8,042
Net unrealized and realized loss (gain) on long-term investments	12,269	(22,422)
Contributions restricted for long-term investment	(1,582)	(1,323)
Change in:		
Investments held in trust by others	141	(165)
Accounts and pledges receivable	259	(454)
Prepaid expenses and other assets	647	(626)
Loans receivable	463	951
Accounts payable and accrued expenses	(2,152)	3,601
Deposits, deferred revenue, and other liabilities	(334)	1,050
Government grants refundable	(409)	(438)
Net cash provided by operating activities	6,157	11,340
Cash flows from investing activities:		
Purchases of plant and equipment	(2,589)	(4,011)
Proceeds from maturity and sale of long-term investments	5,001	4,421
Purchases of long-term investments	(5,883)	(5,055)
Net cash used in investing activities	(3,471)	(4,645)
Cash flows from financing activities:		
Contributions restricted for long-term investment	1,582	1,323
Payments on finance leases	—	(82)
Payments of long-term debt	(1,942)	(1,855)
Net cash used in financing activities	(360)	(614)
Net increase in cash and cash equivalents	2,326	6,081
Cash and cash equivalents at beginning of year	29,693	23,612
Cash and cash equivalents at end of year	\$ 32,019	29,693
Supplemental data:		
Interest paid	\$ 4,321	4,404
Noncash investing and financing activity:		
Plant and equipment purchases included in accounts payable	586	283

See accompanying notes to financial statements.

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Notes to Financial Statements

June 30, 2022 and 2021

(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 213 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, 400 in full- and part-time programs in the School of Law, and 280 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 38 states and 22 foreign countries. There are more than 45,000 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 statements 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 \$59,373 and \$54,175 at June 30, 2022 and 2021, 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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Notes to Financial Statements

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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 statements 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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June 30, 2022 and 2021

(Dollars in thousands)

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.

(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) Tax Status

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 believes it has taken no significant uncertain tax positions.

(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.

(3) Recent Accounting Pronouncements

Accounting Standards Update (ASU) No. 2020-07, *Presentation and Disclosures for Contributed Nonfinancial Assets*, issued by the Financial Accounting Standards Board (FASB), requires contributed nonfinancial assets (gifts in-kind) to be presented separately under other cash contributions on the statements of activities. Effective July 1, 2021, the University adopted this ASU. The University's adoption did not have a material effect on the University's financial statements.

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Notes to Financial Statements

June 30, 2022 and 2021

(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:

	2022	2021
Financial assets:		
Cash	\$ 25,347	23,213
Accounts and loans receivable, net	2,094	1,872
Pledge payments available for operations	205	121
Long-term investments available for operations	19,264	19,077
Subsequent year endowment appropriation	3,912	3,672
Other unrestricted invested funds	374	446
Total financial assets available within one year	\$ 51,196	48,401

The University has \$22,954 and \$28,484 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, 2022 and 2021, 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 \$6,041 and \$5,668 within cash and cash equivalents that is subject to donor restrictions as of June 30, 2022 and 2021, 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 May 11, 2023.

(5) Accounts and Pledges Receivable

Amounts receivable consist of the following at June 30:

	2022	2021
Accounts receivable:		
Student	\$ 3,264	2,720
Other	1,483	1,178
Less allowance for doubtful accounts	(998)	(750)
	3,749	3,148

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Notes to Financial Statements

June 30, 2022 and 2021

(Dollars in thousands)

	2022	2021
Pledges receivable	\$ 448	1,346
Less allowance for doubtful accounts and present value discount	(28)	(66)
	420	1,280
Total accounts and pledges receivable, net	\$ 4,169	4,428

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

	2022	2021
Less than one year	\$ 269	633
One to five years	179	713
	\$ 448	1,346

Pledges are discounted at rates ranging between 0.44% and 2.74%.

Fundraising expenses for the years ended June 30, 2022 and 2021 totaling \$884 and \$836, 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:

	2022	2021
Student loans	\$ 2,456	2,988
Less allowance for doubtful accounts	(728)	(797)
Total loans receivable, net	\$ 1,728	2,191

(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, 2022 and 2021, 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.

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Notes to Financial Statements

June 30, 2022 and 2021

(Dollars in thousands)

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, 2022:

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	\$ 541	—	—	—	541
Fixed-income securities – bonds	7,960	—	—	—	7,960
Equity investments – stocks	42,290	—	—	—	42,290
Equity investments – long/short	—	—	—	8,993	8,993
Hedge	—	—	—	12,847	12,847
Real assets	6,776	—	—	—	6,776
Total long-term investments	57,567	—	—	21,840	79,407
Other assets:					
Investments held in trust by others	—	—	760	—	760
	\$ 57,567	—	760	21,840	80,167

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Notes to Financial Statements

June 30, 2022 and 2021

(Dollars in thousands)

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>

There were no changes in methodologies used at June 30, 2022 or 2021, and there were no transfers among levels during the years ended June 30, 2022 or 2021.

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>2022</u>	<u>2021</u>
Fair value at beginning of year	\$ 901	736
Unrealized (losses) gains	(141)	165
Fair value at end of year	<u>\$ 760</u>	<u>901</u>

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

	<u>2022</u>	<u>2021</u>
Nonoperating:		
Interest and dividends (pooled)	\$ 726	312
Net realized gains on sale of investments	2,692	1,833
Net unrealized (losses) gains on investments	(14,961)	20,589
Total long-term net investment (loss) income	<u>\$ (11,543)</u>	<u>22,734</u>

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Notes to Financial Statements

June 30, 2022 and 2021

(Dollars in thousands)

Interest and dividends are presented net of manager fees of \$268 and \$250 for the years ended June 30, 2022 and 2021, 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, 2022 are shown below by their redemption frequency.

	<u>Daily</u>	<u>Monthly</u>	<u>Quarterly</u>	<u>Total</u>	<u>Days' notice</u>
Cash equivalents	\$ 541	—	—	541	1
Fixed-income securities – bonds	7,960	—	—	7,960	1–7
Equity investments – stocks	42,290	—	—	42,290	1–7
Equity investments – long/short	—	8,993	—	8,993	30
Hedge	—	—	12,847	12,847	65
Real assets	6,776	—	—	6,776	2
Total	<u>\$ 57,567</u>	<u>8,993</u>	<u>12,847</u>	<u>79,407</u>	

(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 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

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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, 2022 and 2021:

<u>2022</u>	<u>Without donor restrictions</u>	<u>With donor restrictions</u>		<u>Total</u>
		<u>Original gift</u>	<u>Accumulated gains</u>	
Quasi	\$ 22,954	—	—	22,954
Donor restricted	—	30,526	6,050	36,576
	<u>\$ 22,954</u>	<u>30,526</u>	<u>6,050</u>	<u>59,530</u>

<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>

Changes in endowment net assets for the fiscal years ended June 30, 2022 and 2021 were as follows:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Balance, June 30, 2021	\$ 28,484	42,849	71,333
Interest and dividends, net of fees	218	325	543
Realized/unrealized losses	(3,685)	(5,526)	(9,211)
Contributions	—	507	507
Distributions	(2,063)	(1,579)	(3,642)
Balance, June 30, 2022	<u>\$ 22,954</u>	<u>36,576</u>	<u>59,530</u>

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	Without donor restrictions	With donor restrictions	Total
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	(2,244)	(1,534)	(3,778)
Balance, June 30, 2021	\$ 28,484	42,849	71,333

(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 amounted to \$46 as of June 30, 2022. No such deficiencies as of June 30, 2021. 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 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 12 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

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spending of endowed funds totaled \$3,642 and \$3,778 for the years ended June 30, 2022 and 2021, respectively. Total spending from the University's net asset funds, including those not endowed, for the years ended June 30, 2022 and 2021, was as follows:

	2022		
	Without donor restrictions	With donor restrictions	Total
Spending from endowment	\$ 2,063	1,579	3,642
Other spending	29	—	29
	\$ 2,092	1,579	3,671
	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

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:

	2022	2021	Estimated useful lives
Land	\$ 4,526	4,526	—
Buildings	216,414	215,635	30–60 Years
Improvements	13,995	13,655	10–20 Years
Equipment	63,815	61,517	3–10 Years
Construction in progress	723	965	—
	299,473	296,298	
Less accumulated depreciation	(160,627)	(151,642)	
	\$ 138,846	144,656	

Depreciation expense amounted to \$8,985 in 2022 and \$8,300 in 2021.

(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 \$760 and \$901 as of June 30, 2022 and 2021, respectively. The income from these investments is restricted for scholarships.

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(11) Bonds Payable

	2022	2021
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 one-month LIBOR plus 1.7%. The bond matures in 2028 and is secured by a mortgage on the S. Prestley Blake Law Center.	\$ 1,927	2,209
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.	32,080	32,800
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.	<u>54,010</u>	<u>54,950</u>
Bonds payable	88,017	89,959
Unamortized bond premium	7,563	7,867
Unamortized bond issuance costs	<u>(1,079)</u>	<u>(1,125)</u>
Total bonds payable	<u>\$ 94,501</u>	<u>96,701</u>

The following is a schedule of bonds payable as of June 30, 2022, over the next five years and thereafter by the University:

Year ending June 30:	
2023	\$ 2,039
2024	2,136
2025	2,244
2026	2,352
2027	2,456
Thereafter	<u>76,790</u>
Total	<u>\$ 88,017</u>

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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 entered into a new agreement on May 12, 2022, for a revolving line of credit in the amount of \$7,500. The line of credit bears an interest rate per year equal to the sum of the greater of the BSBY Daily Float Rate or the Index Floor, plus .08 percentage points. A commitment fee is calculated at 0.15% per year and is based on the difference between the commitment and the amount of credit used determined by the daily amount of credit outstanding during the specified period. The fee is due quarterly until the expiration date of the agreement, which is May 11, 2023. No borrowings against the line were outstanding as of June 30, 2022 or 2021.

(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 2022 and 2021 amounted to \$845 and \$2,022, respectively.

(14) Net Assets

Net assets as of June 30 consisted of the following:

	2022	
	Without donor restrictions	With donor restrictions
Undesignated	\$ 23,545	—
Plant	44,345	—
Loan	870	—
Other	—	813
Facilities	—	3,036
Academic support	1,799	—
Student support	607	1,963
Life insurance and charitable remainder trust	—	1,436
Scholarships and awards	—	459
Endowment net assets:		
Scholarships and awards	22,954	35,089
Faculty development	—	250
Other	—	1,237
Total	\$ 94,120	44,283

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	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

(15) Net Assets Released from Restrictions

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

	2022	2021
With donor restrictions satisfied:		
Student aid	\$ 1,770	1,687
Instruction and research	9	18
Other institutional activities	145	21
Total	\$ 1,924	1,726

(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.

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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, 2022 and 2021 are as follows:

2022						
				Residence, dining, and other auxiliary services	Management and general	
	Instruction	Student support	Academic support			Total
Salaries and wages	\$ 25,028	8,238	6,852	2,481	8,857	51,456
Employee benefits	7,671	2,300	2,024	795	2,675	15,465
Supplies, services, and other	3,428	5,221	3,244	8,440	6,698	27,031
Depreciation and amortization	1,358	1,731	831	4,312	495	8,727
Interest	1,581	210	195	2,179	147	4,312
Grants to students	—	3,497	—	—	—	3,497
	\$ 39,066	21,197	13,146	18,207	18,872	110,488

2021						
				Residence, dining, and other auxiliary services	Management and general	
	Instruction	Student support	Academic support			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

(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.

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(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. The most significant financial statement impact was the decline in residence and dining revenues for the period ending June 30, 2021. In fiscal year 2022, the University hired additional mental health counselors to assist students in need and incurred other pandemic related expenses, such as diagnostic testing for students, faculty and staff, the purchase of personal protective equipment (masks, sanitizer, sanitizing equipment).

(19) Related Parties

Members of Western New England University's Board of Trustees and senior management (including its affiliates) may from time to time be associated either directly or indirectly with companies doing business with the University. The University's conflict of interest policy requires, among other things, that no member of the Board of Trustees or its committees may participate in any decision when he or she or an immediate family member has a material financial interest. For the Board of Trustees and members of senior management, the University requires an annual disclosure of significant financial interest in, employment, or consulting relationships with entities or related individuals doing business with the University. When such relationships exist, measures are taken to address the actual perceived conflict to protect the best interest of the University and ensure compliance with the relevant conflict of interest laws or policy.

(20) Subsequent Events

The University evaluated subsequent events for potential recognition or disclosure through October 12, 2022, the date on which the financial statements were issued.