

Assumption University

Financial Statements

May 31, 2021 and 2020

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RSM US LLP

Independent Auditor's Report

Board of Trustees
Assumption University

Report on the Financial Statements

We have audited the accompanying financial statements of Assumption University which comprise the statements of financial position as of May 31, 2021 and 2020, the related statements of activities and changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Assumption University as of May 31, 2021 and 2020 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.

RSM US LLP

Boston, Massachusetts
September 3, 2021

Assumption University
Statements of Financial Position
May 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Assets		
Cash	\$ 24,082,202	\$ 16,963,009
Short-term investments	-	10,972,462
Prepaid expenses and other assets	1,290,018	1,049,376
Student tuition receivables, net	1,029,781	1,195,729
Grants and other receivables	4,563,018	109,820
Student loans, net	822,013	1,270,246
Contributions receivable, net	5,420,233	5,198,263
Long-term investments	118,088,363	99,443,482
Beneficial interest in trust	1,829,875	1,466,635
Property, plant and equipment, net	<u>107,192,968</u>	<u>102,844,521</u>
Total assets	<u>\$ 264,318,471</u>	<u>\$ 240,513,543</u>
Liabilities and Net Assets		
Accounts payable and accrued liabilities	\$ 5,796,141	\$ 6,929,663
Student deposits and deferred revenue	7,132,493	6,167,200
Annuity obligations	594,379	591,260
Asset retirement obligation	249,312	234,647
Liability under interest rate swap agreement	196,094	447,937
Refundable government student loans	1,594,655	2,026,340
Debt, net	<u>45,192,340</u>	<u>47,273,521</u>
Total liabilities	<u>60,755,414</u>	<u>63,670,568</u>
Net assets		
Without donor restrictions	149,174,621	133,289,919
With donor restrictions	<u>54,388,436</u>	<u>43,553,056</u>
Total net assets	<u>203,563,057</u>	<u>176,842,975</u>
Total liabilities and net assets	<u>\$ 264,318,471</u>	<u>\$ 240,513,543</u>

The accompanying notes are an integral part of these financial statements.

Assumption University
Statement of Activities and Changes in Net Assets
Year Ended May 31, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Operating revenue and other support			
Tuition and fees, net of financial aid and scholarships of \$53,295,768	\$ 38,783,026	\$ -	\$ 38,783,026
Investment income:			
Operating assets	351,602	-	351,602
Nonoperating assets	2,944,080	1,398,141	4,342,221
Auxiliary enterprises	8,922,052	-	8,922,052
Annual gifts	1,122,828	260,463	1,383,291
Grants	7,414,304	-	7,414,304
Other income	5,610,050	-	5,610,050
Net assets released from restrictions	2,436,175	(2,436,175)	-
Total operating revenue and other support	<u>67,584,117</u>	<u>(777,571)</u>	<u>66,806,546</u>
Operating expenses			
Instruction	25,670,188	-	25,670,188
Academic support	5,889,094	-	5,889,094
Student services	15,699,344	-	15,699,344
Auxiliary enterprises	13,265,119	-	13,265,119
Institutional support	6,266,629	-	6,266,629
Total operating expenses	<u>66,790,374</u>	<u>-</u>	<u>66,790,374</u>
Increase (decrease) in net assets from operations	<u>793,743</u>	<u>(777,571)</u>	<u>16,172</u>
Nonoperating revenue and expense			
Contributions	2,465,299	2,361,751	4,827,050
Investment return, net	16,221,377	10,236,670	26,458,047
Investment income utilized	(2,944,080)	(1,398,141)	(4,342,221)
Change in value of split interest agreements	(7,137)	164,431	157,294
Change in value of beneficial interest in trust	-	363,240	363,240
Change in value of interest rate swap agreement	251,843	-	251,843
Other nonoperating expenses	(1,011,343)	-	(1,011,343)
Net assets released from restrictions	115,000	(115,000)	-
Increase in net assets from nonoperating activities	<u>15,090,959</u>	<u>11,612,951</u>	<u>26,703,910</u>
Increase in net assets	15,884,702	10,835,380	26,720,082
Net assets			
Beginning of year	<u>133,289,919</u>	<u>43,553,056</u>	<u>176,842,975</u>
End of year	<u>\$ 149,174,621</u>	<u>\$ 54,388,436</u>	<u>\$ 203,563,057</u>

The accompanying notes are an integral part of these financial statements.

Assumption University
Statement of Activities and Changes in Net Assets
Year Ended May 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Operating revenue and other support			
Tuition and fees, net of financial aid and scholarships of \$47,313,793	\$ 38,052,576	\$ -	\$ 38,052,576
Investment income:			
Operating assets	296,559	-	296,559
Nonoperating assets	4,182,195	1,483,804	5,665,999
Auxiliary enterprises	17,009,979	-	17,009,979
Annual gifts	1,191,302	3,029,750	4,221,052
Grants	3,581,998	-	3,581,998
Other income	1,485,109	-	1,485,109
Net assets released from restrictions	1,483,804	(1,483,804)	-
Total operating revenue and other support	<u>67,283,522</u>	<u>3,029,750</u>	<u>70,313,272</u>
Operating expenses			
Instruction	25,697,739	-	25,697,739
Academic support	6,450,171	-	6,450,171
Student services	12,651,804	-	12,651,804
Auxiliary enterprises	15,688,299	-	15,688,299
Institutional support	6,533,733	-	6,533,733
Total operating expenses	<u>67,021,746</u>	<u>-</u>	<u>67,021,746</u>
Increase in net assets from operations	<u>261,776</u>	<u>3,029,750</u>	<u>3,291,526</u>
Nonoperating revenue and expense			
Contributions	221,121	738,627	959,748
Investment return, net	1,918,716	1,123,903	3,042,619
Investment income utilized	(4,182,195)	(1,483,804)	(5,665,999)
Change in value of split interest agreements	(7,003)	2,670	(4,333)
Change in value of beneficial interest in trust	-	67,304	67,304
Change in value of interest rate swap agreement	57,885	-	57,885
Other nonoperating expenses	(63,931)	-	(63,931)
(Decrease) increase in net assets from nonoperating activities	<u>(2,055,407)</u>	<u>448,700</u>	<u>(1,606,707)</u>
(Decrease) increase in net assets	<u>(1,793,631)</u>	<u>3,478,450</u>	<u>1,684,819</u>
Net assets			
Beginning of year	<u>135,083,550</u>	<u>40,074,606</u>	<u>175,158,156</u>
End of year	<u>\$ 133,289,919</u>	<u>\$ 43,553,056</u>	<u>\$ 176,842,975</u>

The accompanying notes are an integral part of these financial statements.

Assumption University
Statements of Cash Flows
Years Ended May 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities		
Increase in net assets	\$ 26,720,082	\$ 1,684,819
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	4,660,630	4,128,599
Amortization	55,546	55,337
Contributions restricted for endowment	(559,648)	(463,202)
Realized and unrealized gains on investments	(24,788,501)	(401,216)
Change in the fair value of interest rate swap agreement	(251,843)	(57,885)
Change in allowance for doubtful contributions receivable	-	30,000
Provision for uncollectible student tuition and loans receivable	41,285	21,220
Discount for contributions receivable	(453,489)	(42,144)
Accretion of asset retirement cost	14,665	13,803
Change in value of beneficial interest in trust	(363,240)	(67,304)
Changes in operating assets and liabilities		
Student tuition receivables	124,663	(219,257)
Grants and other receivables	(4,453,198)	(2,994)
Contributions receivable	231,519	(310,876)
Prepaid expenses and other assets	(240,642)	(27,811)
Accounts payable and accrued liabilities	244,975	(863,557)
Student deposits and deferred revenue	965,293	(204,038)
Annuity obligations	3,119	(13,534)
Refundable government student loans	(431,685)	(726,414)
Total adjustments	<u>(25,200,551)</u>	<u>848,727</u>
Net cash provided by operating activities	<u>1,519,531</u>	<u>2,533,546</u>
Cash flows from investing activities		
Purchases of short-term investments	-	(8,998,002)
Proceeds from maturities and sales of short-term investments	10,972,462	10,314,246
Purchases of long-term investments	(28,198,811)	(27,002,315)
Proceeds from maturities and sales of long-term investments	34,342,431	37,952,342
Purchases of property, plant and equipment	(10,387,574)	(12,005,584)
Payments on student loans	448,233	457,003
Net cash provided by investing activities	<u>7,176,741</u>	<u>717,690</u>
Cash flows from financing activities		
Contributions restricted for endowment	559,648	463,202
Payments on long-term debt	(2,136,727)	(2,086,908)
Proceeds from long-term borrowings	-	7,500,000
Net cash (used in) provided by financing activities	<u>(1,577,079)</u>	<u>5,876,294</u>
Net increase in cash	7,119,193	9,127,530
Cash		
Beginning of year	<u>16,963,009</u>	<u>7,835,479</u>
End of year	<u>\$ 24,082,202</u>	<u>\$ 16,963,009</u>
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	\$ 1,079,622	\$ 1,025,798
Supplemental schedule of noncash investing activities		
Acquisition of property, plant and equipment included in accounts payable and accrued liabilities	\$ 195,555	\$ 1,574,052

The accompanying notes are an integral part of these financial statements.

Assumption University

Notes to Financial Statements

May 31, 2021 and 2020

1. Organization and Summary of Significant Accounting Policies

Background

Assumption College was founded in 1904 as a Catholic, nonprofit, coeducational college located in Worcester, Massachusetts on a 185-acre campus. In April 2019, Assumption College applied to the Massachusetts Board of Higher Education to become a university. The application was approved, and the institution became Assumption University (the "University") on June 10, 2020.

Approximately 2,400 undergraduate and graduate students attend the University annually. The University offers bachelor's degrees in the liberal arts core and pre-professional programs with a liberal arts core, and professional master's degrees on a full-time and part-time basis.

The University also operates an additional campus in Rome, Italy. The Rome campus is located on land owned by the Augustinians of the Assumption, the founding order of the University.

Basis of Financial Statement Presentation

The accompanying financial statements are presented on the accrual basis of accounting and 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. Accordingly, net assets and changes are classified as follows:

Without Donor Restrictions - Net assets that are not subject to donor-imposed stipulations. Net assets without donor restrictions may be designated for specific purposes by action of the Board of Trustees (the "Board") or may otherwise be limited by contractual agreements with outside parties. The change in net assets without donor restrictions is primarily impacted by the results of operations, new capital purchases, net of depreciation and debt, unrestricted giving, and by the amount of net assets with donor restrictions that have been released from restrictions.

With Donor Restrictions - Net assets whose use by the University is subject to donor-imposed stipulations that can be fulfilled by actions of the University pursuant to those stipulations or that expire by the passage of time. These also include net assets subject to donor-imposed stipulations that they be maintained in perpetuity by the University, with investment return available for designated purposes. The change in net assets with donor restrictions is impacted primarily by gifts with time and donor constraints, such as restricted annual fund gifts, unconditional pledges and deferred giving instruments. Net assets with donor restrictions also include, under Massachusetts law, funds not yet appropriated by the Board, generally representing cumulative investment earnings and appreciation on endowment funds restricted in perpetuity.

Operations

The statements of activities and changes in net assets report the changes in net assets from operating and nonoperating activities. Operating revenues consist of those items attributable to the University's primary mission of providing education. Additionally, operating revenue includes contributions received related to annual fund support. The University allocates endowment income and appreciation based on the absence or existence of donor-imposed restrictions. Interest and dividends earned on the funds without donor restrictions are included as operating revenue. Operating revenue also includes appropriations from the endowment that are used to support operations.

Assumption University

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The University reports expenses associated with the management of the University's operations, including activities associated with the plant, endowment, annuity and loan funds, as operating expenses within net assets without donor restrictions.

Net investment return, certain contributions, investment income utilized, other nonoperating expenses, and the change in value of split interest agreements, beneficial interest in trust, and the interest rate swap agreement are included in nonoperating revenue and expenses.

All contributions are considered to be available for operations and reported as net assets without donor restrictions unless specifically restricted by the donor or have inherent time restrictions. Amounts received that are stipulated for use in future periods or restricted by the donor for specific purposes are reported as restricted support. When a qualifying expenditure occurs or a time restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions as "net assets released from restrictions" in the statements of activities and changes in net assets. However, if a restriction is fulfilled in the same time period in which the contribution is received, the contribution is immediately reported as a contribution without donor restrictions.

Furthermore, investment return, net, which consists of dividends, investment fees, and realized and unrealized gains (losses) on investments, is reported as follows:

- Increases (decreases) in net assets with donor restrictions if the terms of the gift, or the University's interpretation of the relevant state law, impose restrictions on the use of the income or net gain (loss), or if the terms of the gift require the income or net gain (loss) to be added to the principal of an endowment fund restricted in perpetuity; and
- Increases (decreases) in net assets without donor restrictions in all other cases.

Cash

Most of the University's banking activity is maintained with several regional banks, and from time to time cash deposits exceed federal insurance limits. It is the University's policy to monitor these banks' financial strength on an ongoing basis. The University has not experienced any losses in these accounts.

Short-Term Investments

Short-term investments consisted of money market accounts at May 31, 2020. There were no short-term investments at May 31, 2021.

Student Tuition Receivables

Student tuition receivables are stated at the net amount outstanding, less an allowance for doubtful accounts. The allowance for doubtful accounts is established based on management's assessment as to collectability through a charge to bad debt expense for balances that have been deemed uncollectible. Tuition receivables are considered past due if not paid by the due date, or if any portion of the receivable balance is outstanding when the student graduates or withdraws from the University.

Assumption University

Notes to Financial Statements

May 31, 2021 and 2020

Revenue Recognition

On June 1, 2019, the University adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The five-step model defined by Accounting Standards Codification (ASC) Topic 606 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 in the contract, and (5) recognize revenue when each performance obligation is satisfied. Revenue is recognized when promised goods or services are transferred to the customer in an amount that reflects the consideration expected in exchange for those goods or services.

Tuition and Fee Revenue

Tuition and fee revenue is recorded at the University's established rates, net of institutional, state and federal financial aid administered directly by the University. Payments for tuition and fees are due prior to the start of the academic semester in accordance with the University's due dates. Payments received in advance of performance obligations being satisfied are categorized as student deposits and deferred revenue in the statements of financial position and then recorded over time as the performance obligation is satisfied. The performance obligation relating to tuition and fee revenue is the delivery of educational services. Students are typically entitled to a partial refund through a specific point in the academic term, after which no refunds are due upon withdrawal. Refunds issued reduce the amount of revenue recognized. Discounts provided to employees are considered part of fringe benefits within operating expenses and are recorded over time.

Auxiliary Enterprises

Revenue for auxiliary enterprises primarily consists of fees for student housing and dining services. Fees charged for auxiliary enterprises are priced to offset the cost of the services. The distinguishing characteristic of auxiliary enterprises is that they are managed as an essentially self-supporting activity. Payments for these services are due prior to the start of the academic semester in accordance with the University's due dates, and payments received in advance of performance obligations being satisfied are categorized as student deposits and deferred revenue in the statements of financial position. The performance obligation for auxiliary enterprises is the delivery of student housing and dining services and revenue is recognized over time as the performance obligation is satisfied.

Contributions

Contributions received, including unconditional promises to give, are initially recorded at fair value in the period the donor's commitments are received. Unconditional promises to give which are to be received in future periods are included in the financial statements as contributions receivable. Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discounts on those amounts are computed using a rate commensurate with the risk involved. Amortization of the discount is included in contribution revenue. Contributions receivable are also recorded net of an allowance for doubtful accounts based on management's assessment as to collectability. Conditional promises to give, that is, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend are substantially met. There are no conditional promises to give as of May 31, 2021 and 2020.

Assumption University

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Bequests are recognized as revenue when the right to receive the bequest is unconditional and irrevocable, and the amount to be received is estimable. Such conditions generally occur after a will has cleared probate.

Grants

Individual grant arrangements have been evaluated and most have been determined to be nonreciprocal, meaning the granting entity has not received a direct benefit in exchange for the resources provided. Instead, revenue is recognized like a conditional contribution, i.e., when the barrier to entitlement is overcome. The barrier to entitlement is considered overcome when expenditures associated with each grant are determined to be allowable and all other significant conditions of the grant are met. Grants that have been determined to be reciprocal fall under the scope of ASC Topic 606 and are recognized as the performance obligations are satisfied.

The University received funding from the Federal government through three grants as part of the Higher Education Emergency Relief Fund (HEERF). The total amounts of the first and second rounds of HEERF funding were \$1,485,031 and \$2,203,031, respectively. The barriers to entitlement for the first two HEERF grants were met during the year ended May 31, 2021 and the amounts are included in grant revenue on the statement of activities and changes in net assets. The University did not commit to participation in the third round of HEERF funding as of May 31, 2021, so the third grant of \$3,944,408 will likely be recognized as revenue during the year ended May 31, 2022.

Employee Retention Credit

The Coronavirus Aid, Relief, and Economic Security Act (CARES Act) contained a business relief provision known as the Employee Retention Credit (ERC), which was a refundable payroll tax credit to encourage employers to keep employees on the payroll. The ERC was further expanded under both the Consolidated Appropriations Act and the American Rescue Plan Act. Under the CARES Act, organizations that experienced either a full or partial suspension of operations because of government orders related to COVID-19, or a significant decline in gross receipts, could apply for the ERC. The University determined it was eligible for the program because it paid qualified wages during a partial suspension of service due to government orders related to COVID-19. The University has calculated the amount of the credit, totaling \$4,435,710 from January 1, 2021 to May 31, 2021, and has executed filings for reimbursement. Since the barriers to entitlement were met during the year ended May 31, 2021, the entire amount is included in other income on the statement of activities and changes in net assets, and in grants and other receivables on the statement of financial position.

Investments

The University's portfolio is managed by an outside investment manager who operates under the oversight of the Investment Committee (the "Committee") of the Board. The Committee has established and communicated to the manager the University's investment guidelines.

All long-term investments have been reported in the financial statements at their fair value as of May 31, 2021 and 2020. The fair value of publicly-traded mutual funds, fixed income and equity securities is based upon quoted market prices and exchange rates, if applicable. The alternative investments, which are not readily marketable, are carried at estimated fair values as provided by the investment managers. The University is permitted under accounting principles generally accepted in the United States of America (GAAP) to estimate the fair value of an investment at the measurement date using the reported net asset value (NAV) as a practical expedient of fair value without further adjustment unless the entity expects to sell the investment at a value other than NAV or if the NAV is not calculated in accordance with GAAP. In most cases, the University's alternative investments qualify to be reported using NAV as a practical expedient.

Assumption University

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The net realized and unrealized appreciation in the fair value of such investments has been included in net investment return in the statements of activities and changes in net assets in the applicable net asset category.

The University performs additional procedures including due diligence reviews on its investments in investment companies and other procedures with respect to the capital account or NAV provided by investment companies to ensure conformity with GAAP. The University has assessed factors including, but not limited to, the funds' financial statements being prepared consistent with the measurement principles of an investment company, price transparency and valuation procedures in place, the ability to redeem at NAV at the measurement date, and existence of certain redemption restrictions at the measurement date.

Refundable Government Student Loans

Refundable government student loans represent funds held by the University under the Perkins revolving loan program that are provided by the U.S. Department of Education (DOE). The program expired on September 30, 2017, and the DOE has begun the wind-down of the Perkins loan program and will continue to collect the federal share of the Perkins funds over the upcoming fiscal years.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost at the date of acquisition or, in the case of gifts, at estimated fair value at the date of the gift. The University depreciates its fixed assets using the straight-line depreciation method over the estimated useful lives of the related assets, as follows:

Land improvements	15-20 years
Buildings and improvements	25-50 years
Equipment and automobiles	3-20 years

Projects are accumulated in construction-in-progress until the project is complete and placed in service, at which time the cost is transferred to the appropriate asset account and depreciation begins.

Expenditures for repairs and maintenance are charged to expense as incurred; betterments are capitalized. For assets sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in income for the period.

Fine arts consist of items that include sculptures and other works of art that were donated to or purchased by the University. These items are capitalized at cost, if the items were purchased, or at their fair value on the accession date, if the items were contributed. Gains or losses from deaccessions of these items are reflected on the statements of activities and changes in net assets as changes in the appropriate net asset classes, depending on the existence and type of donor-imposed restrictions. Collection items are depreciated over their estimated useful lives unless they have cultural, aesthetic, or historical value that is worth preserving perpetually, and the University is protecting and preserving essentially the undiminished service potential of the item. As of May 31, 2021 and 2020, the University has not recorded any depreciation on its sculptures or other works of art.

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Impairment of Long-lived Assets

Long-lived assets, which consist primarily of property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. When such events occur, the University compares the carrying amounts of the assets to the undiscounted expected future cash flows over the remaining life of the asset. If this comparison indicates that there may be impairment, the amount of impairment is calculated as the difference between the carrying value and fair value. During the fiscal years ended May 31, 2021 and 2020, no impairment indicators were identified.

Bond Discount and Issuance Costs

Unamortized bond discount and issuance costs are being amortized on a straight-line basis (which approximates the calculation if the effective interest method was used) through the maturity dates of the bonds payable, and are presented in the statements of financial position as a direct reduction from debt.

Annuity Obligations

The University is a beneficiary of certain charitable remainder trusts and gift annuities for which the principal reverts to the University upon the death of the donors or other beneficiaries. The gifts are recorded at estimated fair value at the date of the receipt of such gifts and a liability is recognized equal to the estimated present value of the annuity payments. The liability is adjusted during the term of the obligation for actuarial value, accretion of discount rate, and other changes affecting the estimate of future obligations. The University is trustee for the annuity agreements and the assets are held in trust, generally as investments. These assets are recorded at fair value and are included in long-term investments in the accompanying statements of financial position.

Beneficial Interest in Trust

The University is the remainder beneficiary of an irrevocable trust for which a bank serves as trustee. The University will receive the fair market value of the trust assets upon the death of other certain beneficiaries, at which time the funds will be used to establish an endowed scholarship in accordance with the donor's wishes. Due to the permanent nature of the trust, the University recognizes its interest in the estimated fair value of the trust as an asset on the statements of financial position and as a net asset with donor restrictions. Changes in the fair value of the trust assets are recorded in the net assets with donor restrictions category on the statements of activities and changes in net assets.

Asset Retirement Obligations

An asset retirement obligation (ARO) is a legal obligation associated with the retirement of long-lived assets. These liabilities are initially recorded at fair value and the related asset retirement costs are capitalized by increasing the carrying amount of the related assets by the same amount. Asset retirement costs are subsequently depreciated over the useful lives of the related assets. Subsequent to initial recognition, the University records period-to-period changes in the ARO liability resulting from the passage of time and revisions to either the timing or the amount of the original estimate of undiscounted cash flows.

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 date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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Notes to Financial Statements

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Estimates are primarily used in determining the valuation of investments, discounts and allowances for student tuition receivables, student loans receivable and contributions receivable, the value of the interest rate swap agreement, the estimated liabilities for annuity obligations, and the allocation of expenses.

Income Taxes

The Internal Revenue Service has determined that the University qualifies as a tax-exempt, nonprofit organization under Section 501(c) (3) of the Internal Revenue Code. Accordingly, there is no provision for federal or state income taxes.

The University recognizes a tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities. Management evaluated the University's tax positions and concluded that the University has no material uncertainties in income taxes.

The University is no longer subject to income tax examinations by the U.S. federal, state, or local tax authorities for three years from the filing date.

The University will account for interest and penalties related to uncertain tax positions, if any, as part of tax expense.

Advertising

The University expenses advertising costs as incurred.

Liquidity

In order to provide information about liquidity, assets are sequenced according to the timing of their conversion to cash and liabilities according to the nearness of their estimated maturity.

Recently Issued Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in ASC Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. In June 2020, the FASB issued ASU 2020-05 to postpone the effective date of ASU 2016-02, and the new standard is now effective for fiscal years beginning after December 15, 2021. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The University is currently evaluating the impact of the pending adoption of the new standard on the financial statements.

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This ASU increases the transparency of contributed nonfinancial assets through enhancements to presentation and disclosure. ASU 2020-07 is effective for annual periods beginning after June 15, 2021. Early adoption is permitted. The University is currently evaluating the impact of the pending adoption of the new standard on the financial statements.

Assumption University

Notes to Financial Statements

May 31, 2021 and 2020

Recently Adopted Accounting Pronouncements

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*. This ASU modifies the disclosure requirements for fair value measurement in addition to the removal of disclosures related to transfers between level 1 and level 2 of the fair value hierarchy, the policy for timing of transfers between levels, the valuation process of level 3 fair value measurements, and a roll forward of level 3 investments. Furthermore, entities are no longer required to estimate and disclose the timing of liquidity events for investments measured at fair value. Instead, the requirement to disclose such events applies only when they have been communicated to the reporting entities by the investees or announced publicly. The ASU is effective for all entities for fiscal years beginning after December 15, 2019. The University has adopted the provisions of ASU 2018-13 as of May 31, 2021. The adoption of the ASU did not have a material effect on its financial statements.

Coronavirus

On March 11, 2020, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus a pandemic, now known as COVID-19. In response to COVID-19, governments took preventative or protective actions, such as temporary closures of non-essential businesses, “shelter-at-home” guidelines for individuals, and phased reopening plans. As a result, there have been significant negative effects on local, regional, and global economies. COVID-19 has impacted the University in a number of ways, including the transition to remote learning in March 2020, the refund of approximately \$4.2 million of room and board revenue in the spring of 2020, significant reduction in room and board revenue for the year ended May 31, 2021 due to compliance with de-densification guidelines, the temporary suspension of Rome campus operations, unexpected costs due to COVID-19 testing and personal protection equipment, and reduced enrollment for the fall of 2021.

To offset the financial impact to students and the losses incurred by the University due to the disruption caused by COVID-19, the University received grants and other relief from the Federal government, primarily through HEERF grants and the ERC. In addition, the University received a Payroll Protection Program (PPP) loan of \$7,500,000 and is awaiting a decision by the Small Business Administration (SBA) regarding forgiveness of the loan.

The severity of the continued impact due to COVID-19 on the University's financial condition, results of operations, and cash flows will depend on a number of factors, including, but not limited to, the continued duration and severity of the pandemic and the extent and severity of the impact on the University's community, all of which are uncertain and cannot be predicted with confidence. In particular, the continued spread of COVID-19 could adversely impact the University's operations, including among others, auxiliary enterprises, contributions, grants, and daily operations, and may have a material adverse effect on the financial condition of the University.

Reclassifications

Certain reclassifications have been made to the financial statements as of May 31, 2020 in order to conform to the presentation as of May 31, 2021, with no change to net assets.

Assumption University
Notes to Financial Statements
May 31, 2021 and 2020

2. Contributions Receivable

Contributions receivable consist of the following at May 31:

	<u>2021</u>	<u>2020</u>
Amounts due in:		
Less than one year	\$ 2,071,491	\$ 1,117,418
One to five years	3,805,367	1,350,273
More than five years	<u>-</u>	<u>3,640,686</u>
Total contributions receivable	5,876,858	6,108,377
Less:		
Discount to present value	(151,625)	(605,114)
Reserve for doubtful accounts	<u>(305,000)</u>	<u>(305,000)</u>
Contributions receivable, net	<u>\$ 5,420,233</u>	<u>\$ 5,198,263</u>

During 2021, a major donor accelerated the original planned payment of his pledge. As a result, the amount of contributions receivable due in more than five years was \$0 at May 31, 2021. As of May 31, 2021, approximately 71% of total contributions receivable were from three donors, and as of May 31, 2020, approximately 70% of total contributions receivable were also from three donors.

The discount rates used to calculate the discounted value of contributions receivable as of May 31, 2021 and 2020 ranged from 0.30% to 2.83%.

3. Long-term Investments

The University's long-term investments as of May 31 are as follows:

	<u>2021</u>	<u>2020</u>
Mutual funds:		
Domestic	\$ 40,211,794	\$ 28,649,044
International	26,285,162	22,645,298
Balanced	7,429,682	5,627,473
Fixed income	25,527,970	27,872,148
Equities:		
Domestic	173,420	108,719
International	2,612,427	1,421,959
Limited partnerships	<u>15,847,908</u>	<u>13,118,841</u>
Total long-term investments	<u>\$ 118,088,363</u>	<u>\$ 99,443,482</u>

The University made budgeted appropriations under its spending policy of \$2,599,721 and \$2,705,999 for the years ended May 31, 2021 and 2020, respectively. In addition, the Board voted to appropriate an additional \$1,742,500 and \$2,960,000 from board-designated endowment to fund operations during the years ended May 31, 2021 and 2020, respectively. Therefore, a total of \$4,342,221 and \$5,665,999 was appropriated for the years ended May 31, 2021 and 2020, respectively. Such amounts are included in investment income – nonoperating assets within the University's operating revenues.

Assumption University
Notes to Financial Statements
May 31, 2021 and 2020

4. Property, Plant and Equipment

Property, plant and equipment as of May 31 are as follows:

	<u>2021</u>	<u>2020</u>
Land	\$ 2,250,548	\$ 2,250,548
Land improvements	12,817,172	9,659,801
Buildings and improvements	148,633,075	132,983,085
Fine arts	1,108,996	1,108,996
Equipment	<u>20,974,381</u>	<u>18,585,791</u>
Property, plant and equipment, gross	185,784,172	164,588,221
Less: Accumulated depreciation	<u>(78,829,017)</u>	<u>(74,827,495)</u>
	106,955,155	89,760,726
Construction-in-progress:		
Health Sciences building and parking structure	-	12,972,022
Other projects	<u>237,813</u>	<u>111,773</u>
Property, plant and equipment, net	<u>\$ 107,192,968</u>	<u>\$ 102,844,521</u>

Depreciation expense for the years ended May 31, 2021 and 2020 amounted to \$4,660,630 and \$4,128,599, respectively.

As of May 31, 2021, the University has approximately \$1.5 million of additional spending in order to complete the projects included in construction-in-progress. The University completed construction of a new Health Sciences building and parking structure in October 2020 at a cost of \$20.3 million. This project was funded through a combination of fundraising and investments.

5. Leases

The University has a lease for a campus in Rome which expires on May 31, 2033 and is accounted for as an operating lease. The future minimum rental commitments under this agreement are approximately as follows:

Year Ended May 31,	
2022	\$ 51,632
2023	51,534
2024	51,436
2025	51,339
2026	51,241
Thereafter	<u>355,972</u>
	<u>\$ 613,154</u>

Rent expense related to this lease was approximately \$47,000 for the year ended May 31, 2020. No rent expense was incurred for the year ended May 31, 2021 due to suspended operations at the Rome campus as a result of COVID-19.

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Notes to Financial Statements

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6. Debt, net

Series 2012 Bonds

In May 2012, the University borrowed \$28,610,000 of Massachusetts Development Finance Agency (MDFA) Revenue Bonds, Assumption College Issue, Series 2012 (the "Series 2012 Bonds") purchased by TD Bank. Proceeds were used to refinance the balance of MDFA Revenue Bonds, Assumption College Issue, Series 2002 debt outstanding. The Series 2012 Bonds bear interest at a variable rate and mature on May 1, 2022. The variable rate at May 31, 2021 and 2020 was 0.9% and 1.1%, respectively. Debt covenants include the maintenance of a debt service coverage ratio and a liquidity ratio. The University was in compliance with the debt covenants as of May 31, 2021. In September 2016, \$16,861,150 of the Series 2016 Bonds were used to partially redeem the Series 2012 Bonds. The total amount outstanding as of May 31, 2021 and 2020 was \$1,218,308 and \$2,543,308, respectively.

Series 2013 Bonds

In June 2013, the University borrowed \$9,720,000 of MDFA Revenue Bonds, Assumption College Issue, Series 2013 (the "Series 2013 Bonds"). Proceeds were used to refinance the balance of MDFA Revenue Bonds, Assumption College Issue, Series 2000A debt outstanding. The Series 2013 Bonds bear interest at various fixed rates ranging from 2.0% to 4.0% per year and mature on March 1, 2030. The total amount outstanding as of May 31, 2021 and 2020 was \$5,675,000 and \$6,225,000, respectively.

Series 2016 Bonds

In September 2016, the University borrowed an aggregate of \$32,000,000 of MDFA Revenue Bonds, Assumption College Issue, Series 2016 (the "Series 2016 Bonds") in two series, consisting of \$15,000,000 Series 2016A Bonds and \$17,000,000 Series 2016B Bonds. The proceeds from the Series 2016A Bonds were used to fund the construction of a new academic building, while the proceeds from the Series 2016B Bonds were used to redeem a portion of the Series 2012 Bonds and to pay the bond issuance costs. The Series 2016A Bonds bear interest at a fixed rate of 1.69% and mature on March 1, 2046. The Series 2016B Bonds bear interest at a fixed rate of 1.60% and mature on March 1, 2032. Debt covenants include the maintenance of a debt service coverage ratio and a liquidity ratio. The University was in compliance with the debt covenants as of May 31, 2021. The total amount of Series 2016A Bonds outstanding as of May 31, 2021 and 2020 was \$14,000,000 and \$14,250,000, respectively. The total amount of Series 2016B Bonds outstanding as of May 31, 2021 and 2020 was \$17,000,000.

Payroll Protection Program Loan

In April 2020, the University was granted a loan of \$7,500,000 from TD Bank pursuant to the PPP under the CARES Act. The loan, which was in the form of a promissory note, matures on April 19, 2022 and bears interest at a fixed rate of 1.0%. Under the terms of the PPP, the loan is forgivable if it is used for qualifying expenses as described in the CARES Act. The unforgiven portion of the loan is payable over two years with payments beginning upon notification from the SBA of any amounts not forgiven. The University used the proceeds from the loan for qualifying expenses, submitted its forgiveness application in May 2021 to the SBA, and is awaiting a decision regarding forgiveness of the loan. The total amount outstanding as of May 31, 2021 and 2020 was \$7,500,000.

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Notes to Financial Statements
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Aggregate principal payments due in each of the next five years ending May 31 and thereafter on the Series 2012 Bonds, Series 2013 Bonds, Series 2016 Bonds, and the PPP loan are as follows:

2022	\$ 9,548,308
2023	2,305,000
2024	2,385,000
2025	2,480,000
2026	2,580,000
Thereafter	<u>26,095,000</u>
	45,393,308
Less:	
Unamortized bond issuance costs	(160,063)
Unamortized bond discount	<u>(40,905)</u>
Total long-term debt	<u>\$ 45,192,340</u>

Principal payments are made annually and on various dates throughout the year, in accordance with the respective bond agreements which include provisions for prepayments. The bonds are secured by the University's general obligation pledge.

Total interest expense incurred on indebtedness was \$1,079,622 and \$1,025,798 in 2021 and 2020, respectively.

Interest Rate Swap Agreement

The University maintains an interest-rate risk-management strategy that uses interest rate swap derivative instruments to minimize significant, unanticipated earnings fluctuations caused by interest-rate volatility. The University's specific goal is to lower (where possible) the cost of its borrowed funds.

In April 2002, the University entered into a variable to fixed interest rate swap agreement to manage interest costs. Under this swap agreement, the University pays a fixed rate of 4.1% and receives various London Interbank Offered Rates (LIBOR) and municipal rates on the notional principal amount. The University's swap agreement at May 31, 2021 and 2020 is as follows:

	<u>Original Notional Amount</u>	<u>Notional Amount at May 31, 2021</u>	<u>Fair Value at May 31, 2021</u>	<u>Fair Value at May 31, 2020</u>	<u>Expiration Date</u>
2002 Swap	\$ 11,745,000	\$ 5,905,000	\$ (196,094)	\$ (447,937)	February 28, 2022

The swap agreement is recorded at its fair value in the statements of financial position with the resulting change in fair value recognized as a nonoperating, noncash expense in the statements of activities and changes in net assets of \$251,843 and \$57,885 for the years ended May 31, 2021 and 2020, respectively. These fair values were determined by counter-party financial institutions and were calculated by discounting the present value of the difference between the contractual swap rate and current market swap rate on May 31, utilizing the notional amount and the remaining terms of the swap agreement.

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Notes to Financial Statements
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The University has the option to terminate the swap agreement with a 30-day written notice. The estimated costs to terminate would approximate the fair value at the date of termination. At the present time, the University has no plans to exercise this option since it would be contrary to its plans to manage interest costs and risks. The counterparty does not have the option to terminate the swap.

7. Planned Giving

Planned giving net assets consisted of the following as of May 31:

	<u>2021</u>	<u>2020</u>
Planned giving assets:		
Charitable remainder unitrust	\$ 958,347	\$ 768,763
Charitable remainder annuity trusts	554,247	553,805
Charitable gift annuities	<u>244,728</u>	<u>238,831</u>
Total planned giving assets	1,757,322	1,561,399
Planned giving liabilities:		
Amounts due to beneficiaries	<u>(594,379)</u>	<u>(591,260)</u>
Total planned giving assets, net	<u>\$ 1,162,943</u>	<u>\$ 970,139</u>

Planned giving assets are included in long-term investments and planned giving liabilities are presented as annuity obligations in the accompanying statements of financial position. Planned giving assets represent a combination of amounts both with and without donor restrictions. Amounts due to beneficiaries are discounted at rates ranging from 0.83% to 5.8% at May 31, 2021 and 2020.

8. Student Tuition and Loans Receivable

Student tuition receivables consisted of the following as of May 31:

	<u>2021</u>	<u>2020</u>
Student tuition receivables	\$ 1,294,781	\$ 1,419,444
Allowance for doubtful accounts	<u>(265,000)</u>	<u>(223,715)</u>
Student tuition receivables, net	<u>\$ 1,029,781</u>	<u>\$ 1,195,729</u>

The University makes uncollateralized loans to students based on financial need. Student loans are funded primarily through Federal government loan programs.

At May 31, student loans consisted of the following:

	<u>2021</u>	<u>2020</u>
Federal government program	\$ 1,318,581	\$ 1,765,380
Institutional loans	57,467	67,475
Other loans	<u>49,513</u>	<u>40,939</u>
Total student loans	1,425,561	1,873,794
Allowance for doubtful accounts	<u>(603,548)</u>	<u>(603,548)</u>
Student loans receivable, net	<u>\$ 822,013</u>	<u>\$ 1,270,246</u>

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The University participates in the Perkins federal revolving loan program. The program expired on September 30, 2017 and the University did not disburse Perkins loans to any new student on or after October 1, 2017, except for subsequent disbursements of loans first disbursed between June 30, 2017 and September 30, 2017. The Federal government has begun the wind-down of the Perkins loan program and will continue to collect the federal share of the Perkins funds over the upcoming fiscal years. The University, accordingly, has a liability to the Federal government at May 31, 2021 and 2020 in the amount of \$1,594,655 and \$2,026,340, respectively.

At May 31, the following amounts were past due under student loan programs:

	<u>2021</u>	<u>2020</u>
1-60 Days past due	\$ 158,453	\$ 83,664
61-90 Days past due	36,710	38,850
91-120 Days past due	26,893	-
121+ Days past due	<u>252,393</u>	<u>247,407</u>
Total past due	<u>\$ 474,449</u>	<u>\$ 369,921</u>

Performing loans are those which are less than or equal to 120 days past due. Nonperforming loans are those which are greater than 120 days past due. Allowances for doubtful accounts are established based on prior collection experience and current economic factors which, in management's judgment, could influence the ability of loan recipients to repay the amounts per the loan terms. These allowances are based on historical loan defaults and write-offs. Loan balances are written off only when they are deemed to be permanently uncollectible, which generally results in their being assigned to the Federal government.

9. Retirement Plans and Voluntary Retirement Programs

Most of the University's full-time faculty and administrative staff are eligible to participate in defined contribution plans the University offers. The University contributes to these plans for the benefit of all participating employees. Contributions to the retirement plans amounted to \$1,304,054 and \$1,855,736 in 2021 and 2020, respectively.

The University incurred nonoperating expenses of \$1,011,343 for the year ended May 31, 2021 and \$0 for the year ended May 31, 2020 related to voluntary early retirement programs.

10. Related Party Transactions

The Augustinians of the Assumption (the "Order") is the founding order of the University. In 1972, with the support of the Order, the University's Board elected its first lay president. Since that time, all of the University's presidents have been lay presidents; however, the Assumptionist presence remains an important, if not essential, part of the University's educational endeavors. To encourage the continued presence of the Assumptionists on campus as professors, administrators and clergy, the University provides financial support to the Order. During the years ended May 31, 2021 and 2020, payments totaling \$538,071 and \$585,890, respectively, were made to the Order. In 2013, the University opened an additional campus in Rome, Italy. The campus is located on land owned by the Order. Lease-related payments for the Rome campus during the years ended May 31, 2021 and 2020 totaling approximately \$0 and \$47,000, respectively, were made to the Order.

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The University's health insurance provider employs an individual who is also a member of the University's Board. During the years ended May 31, 2021 and 2020, the University paid \$4,120,484 and \$3,897,736, respectively, to this provider for health insurance costs. The procurement of health insurance is performed in accordance with the University's established policies and procedures, and management and the Board report and monitor related party transactions in accordance with a formally adopted Conflict of Interest Policy.

11. Fair Value Measurements

The University records its investments, including alternative investments, at fair value. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

The University reviews and evaluates values provided by the investment managers and assesses the valuation methods and assumptions used in determining their fair value. Those estimated fair values may differ significantly from the values that would have been used had a ready market for these investments existed and the differences could be material. The University has the ability to liquidate its investments periodically in accordance with the provisions of the respective fund managers.

There is a hierarchy of valuation inputs for assets and liabilities based on the extent to which the inputs are observable in the marketplace.

The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used by the University for financial instruments measured at fair value on a recurring basis.

The three levels of inputs are as follows:

- Level 1 Observable inputs such as quoted prices in active markets.
- Level 2 Inputs other than the quoted prices in active markets, that are observable either directly or indirectly.
- Level 3 Unobservable inputs that are supported by little or no market data, which require the reporting entity to develop its own assumptions. Level 3 also includes beneficial interests in trusts managed by third party trustees.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Assumption University
Notes to Financial Statements
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The following tables present the financial instruments carried at fair value as of May 31:

	2021				Total
	Level 1	Level 2	Level 3	Investments Measured at NAV (a)	
Assets at fair value:					
Mutual funds:					
Domestic	\$ 40,211,794	\$ -	\$ -	\$ -	\$ 40,211,794
International	26,285,162	-	-	-	26,285,162
Balanced	7,429,682	-	-	-	7,429,682
Fixed income	15,644,370	-	-	9,883,600	25,527,970
Equities:					
Domestic	173,420	-	-	-	173,420
International	-	-	-	2,612,427	2,612,427
Limited partnerships	-	-	-	15,847,908	15,847,908
Total investments	89,744,428	-	-	28,343,935	118,088,363
Beneficial interest in trust	-	-	1,829,875	-	1,829,875
Total assets at fair value	\$ 89,744,428	\$ -	\$ 1,829,875	\$ 28,343,935	\$ 119,918,238
Liabilities at fair value:					
Annuity obligations	\$ -	\$ 594,379	\$ -	\$ -	\$ 594,379
Interest rate swap agreement	-	196,094	-	-	196,094
Total liabilities at fair value	\$ -	\$ 790,473	\$ -	\$ -	\$ 790,473

- (a) Certain investments that are measured at fair value using the NAV per share (or its equivalent) practical expedient have not been classified within the fair value hierarchy. The fair value amounts presented in the above table are reported for the purpose of reconciling the fair value hierarchy to the investment amounts presented in the statement of financial position.

	2020				Total
	Level 1	Level 2	Level 3	Investments Measured at NAV (a)	
Assets at fair value:					
Mutual funds:					
Domestic	\$ 25,759,980	\$ -	\$ -	\$ 2,889,064	\$ 28,649,044
International	22,645,298	-	-	-	22,645,298
Balanced	5,627,473	-	-	-	5,627,473
Fixed income	33,654,337	-	-	5,190,273	38,844,610
Equities:					
Domestic	108,719	-	-	-	108,719
International	-	-	-	1,421,959	1,421,959
Limited partnerships	-	-	-	13,118,841	13,118,841
Total investments	87,795,807	-	-	22,620,137	110,415,944
Beneficial interest in trust	-	-	1,466,635	-	1,466,635
Total assets at fair value	\$ 87,795,807	\$ -	\$ 1,466,635	\$ 22,620,137	\$ 111,882,579
Liabilities at fair value:					
Annuity obligations	\$ -	\$ 591,260	\$ -	\$ -	\$ 591,260
Interest rate swap agreement	-	447,937	-	-	447,937
Total liabilities at fair value	\$ -	\$ 1,039,197	\$ -	\$ -	\$ 1,039,197

- (a) Certain investments that are measured at fair value using the NAV per share (or its equivalent) practical expedient have not been classified within the fair value hierarchy. The fair value amounts presented in the above table are reported for the purpose of reconciling the fair value hierarchy to the investment amounts presented in the statement of financial position.

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The assets held in trust are managed by an independent third party trustee, and the University has no authority over investment decisions. Thus, the trust assets are classified as Level 3 within the fair value hierarchy levels.

There were no transfers between fair value hierarchy levels during the years ended May 31, 2021 and 2020.

The redemption terms for those investments valued at NAV consisted of the following as of May 31:

2021				
Asset Class	Fair Value	Number of Funds	Redemption Terms	Redemption Notice Period
Fixed income (a)	\$ 9,883,600	1	daily	2 days
Equities - international (b)	2,612,427	1	monthly	2 days
Limited partnerships (c)	15,847,908	3	monthly, quarterly, 5 years	1 day
	<u>\$ 28,343,935</u>			

(a) Earn long-term capital from a broadly diversified portfolio of U.S. centric fixed income holdings, while keeping capital preservation in mind

(b) Earn long-term capital from a broadly diversified portfolio of primarily emerging market equities

(c) Identify quality companies with potential for above-average rates of profitability that sell at a discount relative to their underlying value

2020				
Asset Class	Fair Value	Number of Funds	Redemption Terms	Redemption Notice Period
Mutual funds - domestic (a)	\$ 2,889,064	1	monthly	1-30 days
Fixed income (b)	5,190,273	1	daily	2 days
Equities - international (c)	1,421,959	1	monthly	2 days
Limited partnerships (d)	13,118,841	3	monthly, quarterly, 5 years	1 day
	<u>\$ 22,620,137</u>			

(a) Earn long-term capital from a broadly diversified portfolio of primarily U.S. stocks

(b) Earn long-term capital from a broadly diversified portfolio of U.S. centric fixed income holdings, while keeping capital preservation in mind

(c) Earn long-term capital from a broadly diversified portfolio of primarily emerging market equities

(d) Identify quality companies with potential for above-average rates of profitability that sell at a discount relative to their underlying value

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In January 2014, the University entered into a limited partnership with a commitment to invest \$4,500,000. The University had unfunded commitments of \$578,250 to this limited partnership at May 31, 2021 and 2020. In January 2016, the University entered into a second limited partnership with a commitment to invest \$1,282,139. The University had unfunded commitments of \$208,297 to this limited partnership at May 31, 2021 and 2020.

Interest rate swaps are valued using both observable and unobservable inputs, such as quotations received from the counterparty, dealers or brokers, whenever available and considered reliable. In instances where models are used, the value of the interest rate swap depends upon the contractual terms of, and specific risks inherent in, the instrument as well as the availability and reliability of observable inputs. Such inputs include market prices for reference securities, yield curves, credit curves, measures of volatility, prepayment rates, assumptions for nonperformance risk, and correlations of such inputs. The University's interest rate swap agreement has inputs which can generally be corroborated by market data and is therefore classified within Level 2.

The methods described above may produce a fair value calculation that may not be indicative of net realized value or reflective of future fair values. Furthermore, while the University believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

12. Endowment Disclosures

The University endowment funds consist of approximately 200 individual accounts established for a variety of purposes. The endowment consists of donor-restricted endowment funds and funds designated by the Board to function as endowments. Net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Massachusetts adopted a version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA). UPMIFA is a model act that provides rules of construction concerning the investment, use and modification of funds held by operating charitable organizations, including endowment funds. The standard does provide guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to UPMIFA and also requires additional disclosures about an organization's endowment funds related to net asset classifications, net asset composition, changes in net asset composition, and spending and investment policies.

The Board has interpreted UPMIFA as requiring the preservation of the purchasing power 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 classifies as donor-restricted net assets (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

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From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the University to retain as a fund of perpetual duration. At May 31, 2021 and 2020, there were no underwater funds of this nature. Although UPMIFA authorizes the expenditure of underwater endowments where such expenditure is prudent, the University has adopted a policy to not spend from underwater endowments.

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

1. The duration and preservation of the fund
2. The purpose of the University and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the University
7. Investment policies of the University

Investment Objective

The endowment's assets shall be invested in accordance with sound investment practices that emphasize long-term investment fundamentals. In establishing the investment objectives of the endowment, the Trustees have taken into account the financial needs and circumstances of the University, the time horizon available for investment, the nature of the endowment's cash flows and liabilities, and other factors that affect their risk tolerance. Consistent with this, the Trustees have determined that the investment of these assets shall be guided by the following underlying goals:

- To achieve a positive rate of return over the long term that would contribute to the cash flow needs of the organization for on-going operations, special initiatives and capital projects in support of the endowment;
- To provide for asset growth at a rate in excess of the rate of inflation, net of expenses and spending;
- To diversify the assets in order to reduce the risk of wide swings in market value from year-to-year, or of incurring large losses that could occur from concentrated positions;
- To achieve investment results over the long term that compare favorably with those of other endowments and foundations, professionally managed portfolios and of appropriate market indexes.

Spending Policy

Spending policy is the implementation of an approach that assists the Board in determining future distributions from the endowment. The spending decision is important because of its impact on income and future asset value. The spending policy is controlled by the Investment Committee of the Board, which has a fiduciary responsibility to ensure that the University's funds are prudently managed.

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The specific spending policy of the University's endowment starts with the prior year's spending and adjusts for the change in the consumer price index subject to a band with the floor at 3.75% and the ceiling at 5.25% of the trailing 20 quarter average value of the endowment. The purpose is to ensure a stable and predictable level of endowment support to the operating budget.

The University has interpreted relevant state law as generally permitting the spending of income and gains on endowment funds restricted in perpetuity over a stipulated period of time. State law allows the Board to appropriate a specified percentage of the income and appreciation earned on the endowment as is prudent considering the University's long and short-term needs, present and anticipated financial requirements, expected total return on its investments, price level trends and general economic conditions. Under the University's spending policy, cumulative appreciation (including interest and dividends) in an amount up to 5.25% of the average market value of qualifying endowment funds restricted in perpetuity at the end of the previous 20 quarters may be appropriated.

The endowment net asset composition by type of fund consisted of the following at May 31:

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 47,023,546	\$ 47,023,546
Board-designated endowment funds	54,767,645	-	54,767,645
Total endowment funds	<u>\$ 54,767,645</u>	<u>\$ 47,023,546</u>	<u>\$ 101,791,191</u>
	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 37,625,367	\$ 37,625,367
Board-designated endowment funds	45,278,884	-	45,278,884
Total endowment funds	<u>\$ 45,278,884</u>	<u>\$ 37,625,367</u>	<u>\$ 82,904,251</u>

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Changes in endowment net assets for the fiscal years ended May 31 consisted of the following:

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 45,278,884	\$ 37,625,367	\$ 82,904,251
Investment return, net	12,428,311	10,236,671	22,664,982
Contributions/designations	4,530	559,649	564,179
Appropriation of endowment assets for expenditure	<u>(2,944,080)</u>	<u>(1,398,141)</u>	<u>(4,342,221)</u>
Endowment net assets, end of year	<u>\$ 54,767,645</u>	<u>\$ 47,023,546</u>	<u>\$ 101,791,191</u>
	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 65,420,008	\$ 37,522,065	\$ 102,942,073
Investment return, net	2,025,101	1,123,904	3,149,005
Contributions/designations	15,970	463,202	479,172
Appropriation of endowment assets for expenditure	(4,182,195)	(1,483,804)	(5,665,999)
Transfer from board-designated endowment to general funds without donor restrictions	<u>(18,000,000)</u>	<u>-</u>	<u>(18,000,000)</u>
Endowment net assets, end of year	<u>\$ 45,278,884</u>	<u>\$ 37,625,367</u>	<u>\$ 82,904,251</u>

In February 2020, the Investment Committee of the Board allocated \$18 million of board-designated endowment for construction of the new Health Sciences building.

Endowment net assets include \$128,869 and \$178,792 of contributions receivable as of May 31, 2021 and 2020, respectively.

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13. Composition of Net Assets

Net assets consisted of the following at May 31:

	<u>2021</u>	<u>2020</u>
Net assets without donor restrictions		
Board-designated endowments:		
Designated for repair and replacement	\$ 28,834,453	\$ 23,966,964
Designated for financial aid	7,716,767	6,335,607
Designated for faculty support	5,454,467	4,459,237
Designated for general budget relief	4,839,299	4,082,564
Designated for technology	4,927,797	4,019,655
Designated for other purposes	2,994,862	2,414,857
Total board-designated endowments	<u>\$ 54,767,645</u>	<u>\$ 45,278,884</u>
Net assets with donor restrictions		
Subject to expenditure for specified purpose:		
Transition to university status	\$ 2,252,179	\$ 2,851,295
Capital construction	2,232,580	545,478
Coronavirus relief	-	178,453
	<u>4,484,759</u>	<u>3,575,226</u>
Subject to the passage of time:		
Planned giving assets	<u>546,700</u>	<u>515,655</u>
Subject to restriction in perpetuity:		
Beneficial interest in trust	1,829,875	1,466,635
Planned giving assets	503,556	370,173
	<u>2,333,431</u>	<u>1,836,808</u>
Subject to the College's spending policy and appropriations:		
Endowment returns subject to future appropriation:		
Restricted for scholarship support	18,212,432	11,819,387
Restricted for faculty support	862,275	468,039
Restricted for program support	4,014,258	1,963,009
	<u>23,088,965</u>	<u>14,250,435</u>
Endowment funds restricted in perpetuity:		
Restricted for scholarship support	15,967,058	15,407,409
Restricted for faculty support	1,272,625	1,272,625
Restricted for program support	6,694,898	6,694,898
	<u>23,934,581</u>	<u>23,374,932</u>
Total net assets with donor restrictions	<u>\$ 54,388,436</u>	<u>\$ 43,553,056</u>

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Net Assets Released From Restrictions

Net assets released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of events specified by the donors were as follows:

	<u>2021</u>	<u>2020</u>
Purpose restrictions		
Scholarship support	\$ 998,357	\$ 993,509
Faculty support	82,067	82,010
Program support	317,717	408,285
Transition to university status	859,581	-
Coronavirus relief	178,453	-
Capital construction	115,000	-
	<u>\$ 2,551,175</u>	<u>\$ 1,483,804</u>

Board Appropriations

Board-designated endowment funds were appropriated as follows:

	<u>2021</u>	<u>2020</u>
Repair and replacement	\$ 1,742,500	\$ 2,960,000
Financial aid	348,380	351,559
Faculty support	223,843	227,826
General budget relief	344,561	354,788
Technology	191,595	188,578
Other purposes	93,201	99,444
	<u>\$ 2,944,080</u>	<u>\$ 4,182,195</u>

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14. Liquidity and Availability

The University's financial assets available within one year of the balance sheet date for general expenditures, such as operating expenses, scheduled principal payments on debt, and capitalized construction costs not financed with debt, were as follows:

	<u>2021</u>	<u>2020</u>
Financial assets at year end:		
Cash	\$ 24,082,202	\$ 16,963,009
Short-term investments	-	10,972,462
Student tuition receivables, net	1,029,781	1,195,729
Grants and other receivables	4,563,018	109,820
Student loans, net	822,013	1,270,246
Contributions receivable, net	5,420,233	5,198,263
Long-term investments	118,088,363	99,443,482
Beneficial interest in trust	<u>1,829,875</u>	<u>1,466,635</u>
Total financial assets at year end	155,835,485	136,619,646
Adjusted for amounts not available to meet general expenditures within one year:		
Student loans, net	(822,013)	(1,270,246)
Contributions receivable due in more than one year	(3,456,249)	(4,136,716)
Donor-restricted endowment funds (net of receivables)	(46,894,677)	(37,446,575)
Add: board-approved spending from donor-restricted endowment funds	597,602	600,716
Board-designated endowment funds	(54,767,645)	(45,278,884)
Add: board-approved spending from board-designated endowment funds	3,748,516	4,372,744
Planned giving assets	(1,757,322)	(1,561,399)
Beneficial interest in trust held by others	<u>(1,829,875)</u>	<u>(1,466,635)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 50,653,822</u>	<u>\$ 50,432,651</u>

The University's cash flows have seasonal variations attributable to the timing of tuition billing and contributions received. The University has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition to financial assets available to meet general expenditures within one year, the University operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. Refer to the statements of cash flows, which identify the sources and uses of the University's cash and show positive net cash provided by operating activities for the years ended May 31, 2021 and 2020.

The University's Board has designated a portion of its resources without donor restrictions to function as endowments. Those amounts are identified as board-designated endowment funds in the table above. These funds are invested for long-term appreciation and current income, but remain available and may be spent at the discretion of the Board. For the years ended May 31, 2022 and 2021, the Board has approved spending of \$597,602 and \$600,716, respectively, from the donor-restricted endowment funds for general expenditures, as well as \$3,748,516 and \$4,372,744, respectively, from the board-designated endowment funds.

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15. Expenses by Nature and Function

Direct costs are charged to the applicable natural and functional classifications whenever possible. However, the financial statements report certain categories of expenses that are attributable to more than one program or supporting function of the University. These expenses require allocation on a reasonable basis that is consistently applied. Depreciation, interest, occupancy, and other overhead costs are allocated based on square footage used by each function. Other expenses, including information technology costs, are allocated based on estimates of time and effort.

The following tables presents functional expenses by natural classification as of May 31:

	2021					
	Program Activities					
	Instruction	Academic Support	Student Services	Auxiliary Enterprises	Institutional Support	Total Expenses
Salaries	\$ 15,998,619	\$ 1,874,499	\$ 5,046,496	\$ 2,501,279	\$ 2,769,589	\$ 28,190,482
Employee benefits	4,756,017	656,536	1,966,124	594,137	1,237,456	9,210,270
Contracted services	1,546,689	1,145,538	975,630	5,387,734	359,765	9,415,356
Professional services	221,503	68,344	86,790	93,822	745,139	1,215,598
Events	410,197	7,613	296,352	(9,050)	14,476	719,588
Advertising and marketing	222,965	8,094	851,958	36,432	34,970	1,154,419
Travel and conferences	14,047	6,737	82,727	2,273	3,459	109,243
COVID testing and supplies	-	-	2,179,408	-	-	2,179,408
Student aid emergency relief	-	-	1,485,032	-	-	1,485,032
Depreciation	1,052,518	417,912	1,030,956	1,886,348	272,896	4,660,630
Interest	243,813	96,809	238,818	436,967	63,215	1,079,622
Utilities	346,869	137,795	339,802	621,844	89,866	1,536,176
Other expenses	856,951	1,469,217	1,119,251	1,713,333	675,798	5,834,550
	<u>\$ 25,670,188</u>	<u>\$ 5,889,094</u>	<u>\$ 15,699,344</u>	<u>\$ 13,265,119</u>	<u>\$ 6,266,629</u>	<u>\$ 66,790,374</u>

	2020					
	Program Activities					
	Instruction	Academic Support	Student Services	Auxiliary Enterprises	Institutional Support	Total Expenses
Salaries	\$ 16,013,983	\$ 2,121,279	\$ 4,945,297	\$ 3,029,779	\$ 2,920,623	\$ 29,030,961
Employee benefits	4,822,159	775,697	1,860,178	871,358	1,206,550	9,535,942
Contracted services	1,491,372	1,152,244	1,176,021	6,531,653	408,691	10,759,981
Professional services	194,361	60,407	152,051	82,146	720,713	1,209,678
Events	390,800	44,927	336,195	354,863	69,861	1,196,646
Advertising and marketing	261,732	533	794,785	-	39,844	1,096,894
Travel and conferences	172,044	99,589	472,672	94,673	35,978	874,956
Depreciation	773,382	388,447	957,630	1,755,921	253,219	4,128,599
Interest	192,155	96,514	237,935	436,279	62,915	1,025,798
Utilities	346,761	174,029	429,517	787,386	113,674	1,851,367
Other expenses	1,038,990	1,536,505	1,289,523	1,744,241	701,665	6,310,924
	<u>\$ 25,697,739</u>	<u>\$ 6,450,171</u>	<u>\$ 12,651,804</u>	<u>\$ 15,688,299</u>	<u>\$ 6,533,733</u>	<u>\$ 67,021,746</u>

Total fundraising costs, which are included in institutional support and other nonoperating expenses, were \$1,485,460 and \$1,721,016 for the years ended May 31, 2021 and 2020, respectively.

16. Subsequent Events

The University has assessed the impact of subsequent events through September 3, 2021, the date the audited financial statements were available to be issued, and has concluded that there were no additional events that require adjustment to the audited financial statements or disclosure in the notes to the audited financial statements.