

**Assumption University**  
**Financial Statements**  
**May 31, 2022 and 2021**

**Assumption University**  
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**May 31, 2022 and 2021**

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RSM US LLP

## Independent Auditor's Report

Board of Trustees  
Assumption University

### Opinion

We have audited the financial statements of Assumption University (the University), which comprise the statements of financial position as of May 31, 2022 and 2021, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the University as of May 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the University and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Financial Statements

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

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

### Auditor's 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 auditor's 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.

*RSM US LLP*

Boston, Massachusetts  
September 2, 2022

**Assumption University**  
**Statements of Financial Position**  
**May 31, 2022 and 2021**

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	<u>2022</u>	<u>2021</u>
<b>Assets</b>		
Cash	\$ 24,061,817	\$ 24,082,202
Prepaid expenses and other assets	1,554,136	1,290,018
Student tuition receivables, net	994,398	1,029,781
Grants and other receivables	142,659	4,563,018
Student loans, net	513,840	822,013
Contributions receivable, net	4,245,774	5,420,233
Long-term investments	109,873,614	118,088,363
Beneficial interest in trust	1,718,621	1,829,875
Property, plant and equipment, net	<u>106,094,342</u>	<u>107,192,968</u>
Total assets	<u>\$ 249,199,201</u>	<u>\$ 264,318,471</u>
<b>Liabilities and Net Assets</b>		
Accounts payable and accrued liabilities	\$ 7,396,438	\$ 5,796,141
Student deposits and deferred revenue	5,832,769	7,132,493
Annuity obligations	588,675	594,379
Asset retirement obligation	264,895	249,312
Liability under interest rate swap agreement	-	196,094
Refundable government student loans	1,244,666	1,594,655
Debt, net	<u>35,662,870</u>	<u>45,192,340</u>
Total liabilities	<u>50,990,313</u>	<u>60,755,414</u>
<b>Net assets</b>		
Without donor restrictions	148,404,289	149,174,621
With donor restrictions	<u>49,804,599</u>	<u>54,388,436</u>
Total net assets	<u>198,208,888</u>	<u>203,563,057</u>
Total liabilities and net assets	<u>\$ 249,199,201</u>	<u>\$ 264,318,471</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, 2022**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Operating revenue and other support</b>			
Tuition and fees, net of financial aid and scholarships of \$53,286,657	\$ 38,428,363	\$ -	\$ 38,428,363
Investment income:			
Operating assets	641,047	-	641,047
Nonoperating assets	2,156,727	1,311,435	3,468,162
Auxiliary enterprises	18,659,221	-	18,659,221
Annual gifts	2,369,505	792,540	3,162,045
Grants	8,183,982	-	8,183,982
Other income	1,580,174	-	1,580,174
Net assets released from restrictions	1,740,244	(1,740,244)	-
Total operating revenue and other support	<u>73,759,263</u>	<u>363,731</u>	<u>74,122,994</u>
<b>Operating expenses</b>			
Instruction	25,468,260	-	25,468,260
Academic support	6,455,346	-	6,455,346
Student services	16,737,391	-	16,737,391
Auxiliary enterprises	15,672,853	-	15,672,853
Institutional support	7,900,487	-	7,900,487
Total operating expenses	<u>72,234,337</u>	<u>-</u>	<u>72,234,337</u>
Increase in net assets from operations	<u>1,524,926</u>	<u>363,731</u>	<u>1,888,657</u>
<b>Nonoperating revenue and expense</b>			
Contributions	260,305	709,452	969,757
Investment loss, net	(7,600,455)	(4,304,507)	(11,904,962)
Investment income utilized	(2,156,727)	(1,311,435)	(3,468,162)
Change in value of split interest agreements	(8,228)	(172,428)	(180,656)
Change in value of beneficial interest in trust	-	(111,254)	(111,254)
Change in value of interest rate swap agreement	196,094	-	196,094
Gain on forgiveness of debt	7,581,250	-	7,581,250
Other nonoperating expenses	(324,893)	-	(324,893)
Net assets reclassified to conform to change in donor's intent	(242,604)	242,604	-
Decrease in net assets from nonoperating activities	<u>(2,295,258)</u>	<u>(4,947,568)</u>	<u>(7,242,826)</u>
Decrease in net assets	<u>(770,332)</u>	<u>(4,583,837)</u>	<u>(5,354,169)</u>
<b>Net assets</b>			
Beginning of year	<u>149,174,621</u>	<u>54,388,436</u>	<u>203,563,057</u>
End of year	<u>\$ 148,404,289</u>	<u>\$ 49,804,599</u>	<u>\$ 198,208,888</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>
<b>Operating revenue and other support</b>			
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>
<b>Operating expenses</b>			
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>
<b>Nonoperating revenue and expense</b>			
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
<b>Net assets</b>			
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**  
**Statements of Cash Flows**  
**Years Ended May 31, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
<b>Cash flows from operating activities</b>		
(Decrease) increase in net assets	\$ (5,354,169)	\$ 26,720,082
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	4,974,023	4,660,630
Amortization	18,838	55,546
Contributions restricted for endowment	(674,252)	(559,648)
Realized and unrealized losses (gains) on investments	15,439,630	(24,788,501)
Gain on forgiveness of debt	(7,581,250)	-
Change in the fair value of interest rate swap agreement	(196,094)	(251,843)
Recovery of doubtful contributions receivable	(120,000)	-
(Recovery of) provision for uncollectible student tuition and loans receivable	(80,000)	41,285
Discount for contributions receivable	(71,596)	(453,489)
Accretion of asset retirement cost	15,583	14,665
Change in value of beneficial interest in trust	111,254	(363,240)
Changes in operating assets and liabilities		
Student tuition receivables	115,383	124,663
Grants and other receivables	4,420,359	(4,453,198)
Contributions receivable	1,366,055	231,519
Prepaid expenses and other assets	(264,118)	(240,642)
Accounts payable and accrued liabilities	1,495,680	244,975
Student deposits and deferred revenue	(1,299,724)	965,293
Annuity obligations	(5,704)	3,119
Refundable government student loans	(349,989)	(431,685)
Total adjustments	<u>17,314,078</u>	<u>(25,200,551)</u>
Net cash provided by operating activities	<u>11,959,909</u>	<u>1,519,531</u>
<b>Cash flows from investing activities</b>		
Proceeds from maturities and sales of short-term investments	-	10,972,462
Purchases of long-term investments	(20,749,680)	(28,198,811)
Proceeds from maturities and sales of long-term investments	13,524,799	34,342,431
Purchases of property, plant and equipment	(3,689,530)	(10,387,574)
Payments on student loans	308,173	448,233
Net cash (used in) provided by investing activities	<u>(10,606,238)</u>	<u>7,176,741</u>
<b>Cash flows from financing activities</b>		
Contributions restricted for endowment	674,252	559,648
Payments on long-term debt	(2,048,308)	(2,136,727)
Net cash used in financing activities	<u>(1,374,056)</u>	<u>(1,577,079)</u>
Net (decrease) increase in cash	(20,385)	7,119,193
<b>Cash</b>		
Beginning of year	<u>24,082,202</u>	<u>16,963,009</u>
End of year	<u>\$ 24,061,817</u>	<u>\$ 24,082,202</u>
<b>Supplemental disclosure of cash flow information</b>		
Cash paid during the year for interest	\$ 908,638	\$ 1,079,622
<b>Supplemental schedule of noncash investing activities</b>		
Acquisition of property, plant and equipment included in accounts payable and accrued liabilities	\$ 381,422	\$ 195,555

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



# Assumption University

## Notes to Financial Statements

### May 31, 2022 and 2021

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#### 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 2,200 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, including tuition (net of aid) and revenue for auxiliary enterprises, which includes student housing and dining services. 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

## Notes to Financial Statements

### May 31, 2022 and 2021

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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 (loss), nonoperating contributions, investment income utilized, gain on forgiveness of debt, 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, net investment return (loss), 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.

#### **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (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.

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.

#### **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.

#### **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.

# **Assumption University**

## **Notes to Financial Statements**

### **May 31, 2022 and 2021**

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#### **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.

#### **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, 2022 and 2021. 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 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.

The net realized and unrealized appreciation (depreciation) in the fair value of such investments has been included in net investment return (loss) 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.

#### **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.

# Assumption University

## Notes to Financial Statements

### May 31, 2022 and 2021

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#### 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 the statement of activities and changes in net assets 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, 2022 and 2021, the University has not recorded any depreciation on its sculptures or other works of art.

#### 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, 2022 and 2021, no impairment indicators were identified.

#### 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.

# Assumption University

## Notes to Financial Statements

### May 31, 2022 and 2021

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#### **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.

#### **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.

#### **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.

#### **Revenue Recognition**

The University accounts for revenue recognition based on the guidance provided in Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC), *Revenue from Contracts with Customers (Topic 606)*. This guidance 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.

# Assumption University

## Notes to Financial Statements

### May 31, 2022 and 2021

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#### *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, 2022 and 2021.

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 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 amounts of the first and second rounds of HEERF funding were \$1,485,031 and \$2,203,031, respectively, for a total of \$3,688,062. 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 total amount of the third round of HEERF funding was \$3,944,408. The barriers to entitlement for the third round of HEERF funding were met during the year ended May 31, 2022 and the amount is included in grant revenue for the year ended May 31, 2022.

# **Assumption University**

## **Notes to Financial Statements**

### **May 31, 2022 and 2021**

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#### *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, were eligible 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 calculated the amount of the credit, totaling \$4,435,710 for the period from January 1, 2021 to May 31, 2021, and executed filings for reimbursement. Since the barriers to entitlement were met during the year ended May 31, 2021, the entire amount was 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. The University received payment for the full amount of the receivable during the year ended May 31, 2022.

#### *Payroll Protection Program*

In April 2020, the University received a Payroll Protection Program (PPP) loan of \$7,500,000 under the CARES Act. The University used the proceeds from the loan for qualifying expenses, submitted its forgiveness application in May 2021 to the Small Business Administration (SBA), and was awarded forgiveness of the entire amount in January 2022.

#### **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.

# Assumption University

## Notes to Financial Statements

### May 31, 2022 and 2021

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#### **Recently Issued Accounting Pronouncements**

In February 2016, the FASB issued Accounting Standards Update (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 June 2016, the FASB issued ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which creates a new credit impairment standard for financial assets measured at amortized cost and available-for-sale debt securities. The ASU requires financial assets measured at amortized cost (including loans, trade receivables and held-to-maturity debt securities) to be presented at the net amount expected to be collected, through an allowance for credit losses that are expected to occur over the remaining life of the asset, rather than incurred losses. The ASU requires that credit losses on available-for-sale debt securities be presented as an allowance rather than as a direct write-down. The measurement of credit losses for newly recognized financial assets (other than certain purchased assets) and subsequent changes in the allowance for credit losses are recorded in the statement of income as the amounts expected to be collected change. On November 15, 2019, the FASB issued ASU 2019-10, *Financial Instruments - Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842): Effective Dates*, which defer the effective dates for certain entities. The ASU is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. The University is currently evaluating the impact of adopting this new guidance on its 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**  
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**2. Contributions Receivable**

Contributions receivable consist of the following at May 31:

	<u>2022</u>	<u>2021</u>
Amounts due in:		
Less than one year	\$ 2,422,297	\$ 2,071,491
One to five years	2,048,506	3,805,367
More than five years	<u>40,000</u>	<u>-</u>
Total contributions receivable	4,510,803	5,876,858
Less:		
Discount to present value	(80,029)	(151,625)
Reserve for doubtful accounts	<u>(185,000)</u>	<u>(305,000)</u>
Contributions receivable, net	<u>\$ 4,245,774</u>	<u>\$ 5,420,233</u>

As of May 31, 2022, approximately 77% of total contributions receivable were from three donors, and as of May 31, 2021, approximately 71% 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, 2022 and 2021 ranged from 0.30% to 2.85%.

**3. Long-term Investments**

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

	<u>2022</u>	<u>2021</u>
Mutual funds:		
Domestic	\$ 31,885,132	\$ 40,211,794
International	20,915,311	26,285,162
Balanced	6,810,061	7,429,682
Fixed income	33,530,892	25,527,970
Equities:		
Domestic	127,217	173,420
International	2,210,207	2,612,427
Limited partnerships	<u>14,394,794</u>	<u>15,847,908</u>
Total long-term investments	<u>\$ 109,873,614</u>	<u>\$ 118,088,363</u>

The University made budgeted appropriations under its spending policy of \$2,468,162 and \$2,599,721 for the years ended May 31, 2022 and 2021, respectively. In addition, the Board voted to appropriate an additional \$1,000,000 and \$1,742,500 from board-designated endowment to fund operations during the years ended May 31, 2022 and 2021, respectively. Therefore, a total of \$3,468,162 and \$4,342,221 was appropriated for the years ended May 31, 2022 and 2021, respectively. Such amounts are included in investment income – nonoperating assets within the University's operating revenues.

**Assumption University**  
**Notes to Financial Statements**  
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**4. Property, Plant and Equipment**

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

	<u>2022</u>	<u>2021</u>
Land	\$ 2,250,548	\$ 2,250,548
Land improvements	12,414,538	12,817,172
Buildings and improvements	149,638,426	148,633,075
Fine arts	1,207,696	1,108,996
Equipment	<u>21,060,782</u>	<u>20,974,381</u>
Property, plant and equipment, gross	186,571,990	185,784,172
Less: Accumulated depreciation	<u>(82,257,436)</u>	<u>(78,829,017)</u>
	104,314,554	106,955,155
Construction-in-progress	<u>1,779,788</u>	<u>237,813</u>
Property, plant and equipment, net	<u>\$ 106,094,342</u>	<u>\$ 107,192,968</u>

Depreciation expense for the years ended May 31, 2022 and 2021 amounted to \$4,974,023 and \$4,660,630, respectively.

As of May 31, 2022, the University has approximately \$1.8 million of additional spending in order to complete the projects included in construction-in-progress. The University incurred additional expenditures of approximately \$983,000 to complete the projects included in construction-in-progress at May 31, 2021 that were placed in service during the year ended May 31, 2022.

**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:

<b>Year Ended May 31,</b>	
2023	\$ 49,118
2024	51,034
2025	53,024
2026	55,092
2027	57,241
Thereafter	<u>393,494</u>
	<u>\$ 659,003</u>

Rent expense related to this lease was approximately \$49,000 for the year ended May 31, 2022. 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.

# Assumption University

## Notes to Financial Statements

### May 31, 2022 and 2021

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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. In September 2016, \$16,861,150 of the Series 2016 Bonds were used to partially redeem the Series 2012 Bonds. The Series 2012 Bonds matured on May 1, 2022 and, accordingly, the total amount outstanding as of May 31, 2022 was \$0. The variable rate at May 31, 2021 was 0.9%, and the total amount outstanding as of May 31, 2021 was \$1,218,308.

##### **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, 2022 and 2021 was \$5,120,000 and \$5,675,000, 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, 2022. The total amount of Series 2016A Bonds outstanding as of May 31, 2022 and 2021 was \$13,725,000 and \$14,000,000, respectively. The total amount of Series 2016B Bonds outstanding as of May 31, 2022 and 2021 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 in the form of a promissory note with a fixed rate of 1.0%. The University used the proceeds from the loan for qualifying expenses, submitted its forgiveness application in May 2021 to the SBA, and was awarded forgiveness of the entire amount in January 2022. The loan remains subject to audit by the SBA for six years subsequent to the forgiveness date. The total amount outstanding as of May 31, 2022 and 2021 was \$0 and \$7,500,000, respectively.

**Assumption University**  
**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 2013 Bonds and the Series 2016 Bonds are as follows:

2023	\$ 2,305,000
2024	2,385,000
2025	2,480,000
2026	2,580,000
2027	2,685,000
Thereafter	<u>23,410,000</u>
	35,845,000
Less:	
Unamortized bond issuance costs	(148,042)
Unamortized bond discount	<u>(34,088)</u>
Total long-term debt	<u>\$ 35,662,870</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 \$908,638 and \$1,079,622 in 2022 and 2021, 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 paid a fixed rate of 4.1% and received various London Interbank Offered Rates and municipal rates on the notional principal amount. The swap agreement matured on February 28, 2022. The University's swap agreement at May 31, 2022 and 2021 is as follows:

	<u>Original Notional Amount</u>	<u>Notional Amount at May 31, 2022</u>	<u>Fair Value at May 31, 2022</u>	<u>Fair Value at May 31, 2021</u>	<u>Expiration Date</u>
2002 Swap	\$ 11,745,000	Matured	Matured	\$ (196,094)	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 \$196,094 and \$251,843 for the years ended May 31, 2022 and 2021, 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.

**Assumption University**  
**Notes to Financial Statements**  
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**7. Planned Giving**

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

	<u>2022</u>	<u>2021</u>
Planned giving assets:		
Charitable remainder unitrust	\$ 802,713	\$ 958,347
Charitable remainder annuity trusts	554,413	554,247
Charitable gift annuities	<u>200,383</u>	<u>244,728</u>
Total planned giving assets	1,557,509	1,757,322
Planned giving liabilities:		
Amounts due to beneficiaries	<u>(588,675)</u>	<u>(594,379)</u>
Total planned giving assets, net	<u>\$ 968,834</u>	<u>\$ 1,162,943</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, 2022 and 2021.

**8. Student Tuition and Loans Receivable**

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

	<u>2022</u>	<u>2021</u>
Student tuition receivables	\$ 1,179,398	\$ 1,294,781
Allowance for doubtful accounts	<u>(185,000)</u>	<u>(265,000)</u>
Student tuition receivables, net	<u>\$ 994,398</u>	<u>\$ 1,029,781</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>2022</u>	<u>2021</u>
Federal government program	\$ 1,048,450	\$ 1,318,581
Institutional loans	50,655	57,467
Other loans	<u>18,283</u>	<u>49,513</u>
Total student loans	1,117,388	1,425,561
Allowance for doubtful accounts	<u>(603,548)</u>	<u>(603,548)</u>
Student loans receivable, net	<u>\$ 513,840</u>	<u>\$ 822,013</u>

**Assumption University**  
**Notes to Financial Statements**  
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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, 2022 and 2021 in the amount of \$1,244,666 and \$1,594,655, respectively.

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

	<u>2022</u>	<u>2021</u>
1-60 Days past due	\$ 48,909	\$ 158,453
61-90 Days past due	19,168	36,710
91-120 Days past due	9,034	26,893
121+ Days past due	<u>311,511</u>	<u>252,393</u>
Total past due	<u>\$ 388,622</u>	<u>\$ 474,449</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 \$1,693,811 and \$1,304,054 in 2022 and 2021, respectively.

The University incurred nonoperating expenses of \$324,893 and \$1,011,343 related to voluntary early retirement programs for the years ended May 31, 2022 and 2021, respectively.

**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, 2022 and 2021, payments totaling \$538,427 and \$538,071, 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, 2022 and 2021 totaling approximately \$49,000 and \$0, respectively, were made to the Order.

# Assumption University

## Notes to Financial Statements

### May 31, 2022 and 2021

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In March 2022, the University entered into an agreement with the Order whereby the Order would convey to the University real estate that the Order owns adjacent to the University's campus. In exchange, the University agrees to complete renovations and expansion on campus to accommodate the residential needs of the active and retired Assumptionists in the community. The cost of the renovations is expected to approximate the value of the real estate, which had a market value of \$1.7 million at the time of the agreement. No costs were incurred during the year ended May 31, 2022 related to this agreement, and conveyance of the real estate is conditional upon completion of the renovations by the University.

The health insurance provider that the University used through August 2021 employs an individual who is also a member of the University's Board. During the years ended May 31, 2022 and 2021, the University paid \$582,478 and \$4,120,484, 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. The University switched to a different health insurance provider effective September 1, 2021,

#### 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**  
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The following tables present the financial instruments carried at fair value as of May 31:

	<b>2022</b>				
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Investments Measured at NAV (a)</b>	<b>Total</b>
<b>Assets at fair value:</b>					
Mutual funds:					
Domestic	\$ 31,885,132	\$ -	\$ -	\$ -	\$ 31,885,132
International	20,915,311	-	-	-	20,915,311
Balanced	6,810,061	-	-	-	6,810,061
Fixed income	23,672,328	-	-	9,858,564	33,530,892
Equities:					
Domestic	127,217	-	-	-	127,217
International	-	-	-	2,210,207	2,210,207
Limited partnerships	-	-	-	14,394,794	14,394,794
Total investments	83,410,049	-	-	26,463,565	109,873,614
Beneficial interest in trust	-	-	1,718,621	-	1,718,621
Total assets at fair value	<u>\$ 83,410,049</u>	<u>\$ -</u>	<u>\$ 1,718,621</u>	<u>\$ 26,463,565</u>	<u>\$ 111,592,235</u>
<b>Liabilities at fair value:</b>					
Annuity obligations	\$ -	\$ 588,675	\$ -	\$ -	\$ 588,675

  

	<b>2021</b>				
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Investments Measured at NAV (a)</b>	<b>Total</b>
<b>Assets at fair value:</b>					
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	<u>\$ 89,744,428</u>	<u>\$ -</u>	<u>\$ 1,829,875</u>	<u>\$ 28,343,935</u>	<u>\$ 119,918,238</u>
<b>Liabilities at fair value:</b>					
Annuity obligations	\$ -	\$ 594,379	\$ -	\$ -	\$ 594,379
Interest rate swap agreement	-	196,094	-	-	196,094
Total liabilities at fair value	<u>\$ -</u>	<u>\$ 790,473</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 790,473</u>

(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 statements of financial position.



**Assumption University**  
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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, 2022 and 2021.

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

<b>2022</b>				
<b>Asset Class</b>	<b>Fair Value</b>	<b>Number of Funds</b>	<b>Redemption Terms</b>	<b>Redemption Notice Period</b>
Fixed income (a)	\$ 9,858,564	1	daily	2 days
Equities - international (b)	2,210,207	1	monthly	2 days
Limited partnerships (c)	14,394,794	3	monthly, quarterly, 5 years	1 day
	<u>\$ 26,463,565</u>			

<b>2021</b>				
<b>Asset Class</b>	<b>Fair Value</b>	<b>Number of Funds</b>	<b>Redemption Terms</b>	<b>Redemption Notice Period</b>
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

# Assumption University

## Notes to Financial Statements

### May 31, 2022 and 2021

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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, 2022 and 2021. 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, 2022 and 2021.

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 had 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 210 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.

# Assumption University

## Notes to Financial Statements

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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, 2022 and 2021, there were no material 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 Board has 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 Board has 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.

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**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.

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:

	<b>2022</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Donor-restricted endowment funds	\$ -	\$ 42,824,461	\$ 42,824,461
Board-designated endowment funds	65,402,573	-	65,402,573
Total endowment funds	<u>\$ 65,402,573</u>	<u>\$ 42,824,461</u>	<u>\$ 108,227,034</u>
	<b>2021</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
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>

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

	<b>2022</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Endowment net assets, beginning of year	\$ 54,767,645	\$ 47,023,546	\$ 101,791,191
Investment loss, net	(5,408,049)	(4,304,506)	(9,712,555)
Contributions/designations	3,280	674,252	677,532
Appropriation of endowment assets for expenditure	(2,156,727)	(1,311,435)	(3,468,162)
Reclassification to endowment net assets to conform to donor's intent	(242,604)	242,604	-
Transfer from general funds with donor restrictions to donor-restricted endowment	-	500,000	500,000
Transfer from general funds without donor restrictions to board-designated endowment	18,439,028	-	18,439,028
Endowment net assets, end of year	<u>\$ 65,402,573</u>	<u>\$ 42,824,461</u>	<u>\$ 108,227,034</u>

	<b>2021</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
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	(2,944,080)	(1,398,141)	(4,342,221)
Endowment net assets, end of year	<u>\$ 54,767,645</u>	<u>\$ 47,023,546</u>	<u>\$ 101,791,191</u>

During the year ended May 31, 2022, the Investment Committee of the Board transferred \$18,439,028 of general funds to board-designated endowment.

Endowment net assets include \$65,360 and \$128,869 of contributions receivable as of May 31, 2022 and 2021, respectively.

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**13. Composition of Net Assets**

Net assets consisted of the following at May 31:

	<u>2022</u>	<u>2021</u>
<b>Net assets without donor restrictions</b>		
Board-designated endowments:		
Designated for repair and replacement	\$ 43,121,809	\$ 28,834,453
Designated for financial aid	6,699,476	7,716,767
Designated for faculty support	4,754,311	5,454,467
Designated for general budget relief	4,118,903	4,839,299
Designated for technology	4,300,217	4,927,797
Designated for other purposes	2,407,857	2,994,862
Total board-designated endowments	<u>\$ 65,402,573</u>	<u>\$ 54,767,645</u>
<b>Net assets with donor restrictions</b>		
Subject to expenditure for specified purpose:		
Transition to university status	\$ 2,115,907	\$ 2,252,179
Capital construction	2,267,781	2,232,580
	<u>4,383,688</u>	<u>4,484,759</u>
Subject to the passage of time:		
Planned giving assets	<u>493,053</u>	<u>546,700</u>
Subject to restriction in perpetuity:		
Beneficial interest in trust	1,718,621	1,829,875
Planned giving assets	384,776	503,556
	<u>2,103,397</u>	<u>2,333,431</u>
Subject to the University's spending policy and appropriations:		
Endowment returns subject to future appropriation:		
Restricted for scholarship support	14,136,768	18,212,432
Restricted for faculty support	592,100	862,275
Restricted for program support	2,872,648	4,014,258
	<u>17,601,516</u>	<u>23,088,965</u>
Endowment funds restricted in perpetuity:		
Restricted for scholarship support	17,255,422	15,967,058
Restricted for faculty support	1,272,625	1,272,625
Restricted for program support	6,694,898	6,694,898
	<u>25,222,945</u>	<u>23,934,581</u>
Total net assets with donor restrictions	<u>\$ 49,804,599</u>	<u>\$ 54,388,436</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:

	<b>2022</b>	<b>2021</b>
	<u>          </u>	<u>          </u>
<b>Purpose restrictions</b>		
Scholarship support	\$ 1,042,537	\$ 998,357
Faculty support	81,729	82,067
Program support	187,169	317,717
Transition to university status	428,809	859,581
Coronavirus relief	-	178,453
Capital construction	-	115,000
	<u>\$ 1,740,244</u>	<u>\$ 2,551,175</u>

**Board Appropriations**

Board-designated endowment funds were appropriated as follows:

	<b>2022</b>	<b>2021</b>
	<u>          </u>	<u>          </u>
Repair and replacement	\$ 1,000,000	\$ 1,742,500
Financial aid	341,489	348,380
Faculty support	219,994	223,843
General budget relief	307,421	344,561
Technology	193,128	191,595
Other purposes	94,695	93,201
	<u>\$ 2,156,727</u>	<u>\$ 2,944,080</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>2022</u>	<u>2021</u>
Financial assets at year end:		
Cash	\$ 24,061,817	\$ 24,082,202
Student tuition receivables, net	994,398	1,029,781
Grants and other receivables	142,659	4,563,018
Student loans, net	513,840	822,013
Contributions receivable, net	4,245,774	5,420,233
Long-term investments	109,873,614	118,088,363
Beneficial interest in trust	1,718,621	1,829,875
Total financial assets at year end	<u>141,550,723</u>	<u>155,835,485</u>
Adjusted for amounts not available to meet general expenditures within one year:		
Student loans, net	(513,840)	(822,013)
Contributions receivable due in more than one year	(1,922,822)	(3,456,249)
Donor-restricted endowment funds (net of receivables)	(42,759,101)	(46,894,677)
Add: board-approved spending from donor-restricted endowment funds	621,097	597,602
Board-designated endowment funds	(65,402,573)	(54,767,645)
Add: board-approved spending from board-designated endowment funds	9,080,435	3,748,516
Non-endowment net assets with restrictions	(2,115,907)	(2,252,179)
Planned giving assets	(1,557,509)	(1,757,322)
Beneficial interest in trust held by others	<u>(1,718,621)</u>	<u>(1,829,875)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 35,261,882</u>	<u>\$ 48,401,643</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, 2022 and 2021.

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, 2023 and 2022, the Board has approved spending of \$621,097 and \$597,602, respectively, from the donor-restricted endowment funds for general expenditures, as well as \$9,080,435 and \$3,748,516, 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:

**2022**

	<b>Program Activities</b>					<b>Total Expenses</b>
	<b>Instruction</b>	<b>Academic Support</b>	<b>Student Services</b>	<b>Auxiliary Enterprises</b>	<b>Institutional Support</b>	
Salaries	\$ 15,121,721	\$ 1,939,661	\$ 4,760,767	\$ 3,119,302	\$ 3,818,869	\$ 28,760,320
Employee benefits	4,745,519	709,216	1,815,369	696,777	1,257,039	9,223,920
Contracted services	1,512,562	1,165,291	1,097,798	6,477,535	432,234	10,685,420
Professional services	285,541	314,620	868,989	117,393	914,352	2,500,895
Events	520,143	55,416	549,506	171,178	38,361	1,334,604
Advertising and marketing	233,526	10,609	1,120,345	42,503	106,579	1,513,562
Travel and conferences	113,362	51,540	540,483	122,238	27,637	855,260
COVID testing and supplies	-	-	1,003,633	-	-	1,003,633
Student aid emergency relief	-	-	1,979,751	-	-	1,979,751
Depreciation	1,123,293	446,014	1,100,280	2,013,189	291,247	4,974,023
Interest	205,199	81,477	200,995	367,763	53,204	908,638
Utilities	413,370	164,213	404,950	741,063	107,095	1,830,691
Other expenses	1,194,024	1,517,289	1,294,525	1,803,912	853,870	6,663,620
Total operating expenses	<u>\$ 25,468,260</u>	<u>\$ 6,455,346</u>	<u>\$ 16,737,391</u>	<u>\$ 15,672,853</u>	<u>\$ 7,900,487</u>	<u>\$ 72,234,337</u>

**2021**

	<b>Program Activities</b>					<b>Total Expenses</b>
	<b>Instruction</b>	<b>Academic Support</b>	<b>Student Services</b>	<b>Auxiliary Enterprises</b>	<b>Institutional Support</b>	
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
Total operating expenses	<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>

# Assumption University

## Notes to Financial Statements

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Total fundraising costs, which are included in institutional support expenses, were \$1,435,643 and \$1,485,460 for the years ended May 31, 2022 and 2021, respectively.

#### **16. 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 and 2022.

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, the ERC, and the PPP 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.

#### **17. Subsequent Events**

The University has assessed the impact of subsequent events through September 2, 2022, 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.