KPMG LLP
Two Financial Center
60 South Street
Boston, MA 02111

BENTLEY UNIVERSITY

Financial Statements

June 30, 2021

(With Independent Auditors' Report Thereon)

KPMG LLP
Two Financial Center
60 South Street
Boston, MA 02111

Independent Auditors' Report

The Board of Trustees
Bentley University:

We have audited the accompanying financial statements of Bentley University (the University), which comprise the statement of financial position as of June 30, 2021, the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

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

Report on Summarized Comparative Information

We have previously audited the University's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 30, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

KPMG LLP

Boston, Massachusetts
October 29, 2021

BENTLEY UNIVERSITY

Statement of Financial Position

June 30, 2021
(with comparative totals as of June 30, 2020)

(Dollars in thousands)

Assets		**2021**	**2020**
Cash and cash equivalents	$	70,255	73,786
Restricted cash		9,443	15,230
Pledges and accounts receivable, net		6,828	7,537
Other assets		4,149	4,571
Student loans, net		—	3,077
Investments		371,228	272,819
Property, plant, and equipment, net		294,285	304,062
Total assets	$	756,188	681,082
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued liabilities	$	28,750	33,084
Student deposits and deferred income		17,404	12,232
Other liabilities		8,623	8,188
Interest rate swaps		20,243	27,357
Line of credit		—	25,000
Refundable U.S. government grants		—	2,921
Bonds and notes payable, net		154,576	160,805
Total liabilities		229,596	269,587
Net assets:			
Without donor restrictions		367,364	293,027
With donor restrictions		159,228	118,468
Total net assets		526,592	411,495
Total liabilities and net assets	$	756,188	681,082

See accompanying notes to financial statements.

BENTLEY UNIVERSITY

Statement of Activities

Year ended June 30, 2021
(with comparative totals for the year ended June 30, 2020)

(Dollars in thousands)

	Without donor restrictions	With donor restrictions	2021 Total	2020 Total
Changes in unrestricted net assets:				
Operating activities:				
Revenues:				
Tuition, fees, room and board, net	$ 180,869	—	180,869	199,110
Other education programs	1,550	—	1,550	1,084
Endowment return utilized in operations	12,336	—	12,336	11,978
Contributions and private grants	1,934	—	1,934	2,009
Government grants	5,860	—	5,860	4,079
Other sources	703	—	703	1,976
Other auxiliary enterprises	1,798	—	1,798	4,131
Net assets released from restrictions	2,573	—	2,573	2,675
Total revenues	207,623	—	207,623	227,042
Expenses:				
Salaries and wages	101,546	—	101,546	107,526
Employee benefits	23,116	—	23,116	27,926
Supplies and services	44,264	—	44,264	45,777
Utilities	4,298	—	4,298	4,926
Depreciation and amortization	18,552	—	18,552	20,163
Interest	6,885	—	6,885	7,196
Total expenses	198,661	—	198,661	213,514
Increase in net assets from operating activities	8,962	—	8,962	13,528
Nonoperating activities:				
Contributions and private grants	2,421	5,384	7,805	6,816
Investment return	63,962	43,277	107,239	(3,145)
Endowment return utilized in operations	(7,180)	(5,156)	(12,336)	(11,978)
Change in fair value of interest rate swaps	7,114	—	7,114	(6,534)
Net assets released from restrictions	—	(2,573)	(2,573)	(2,675)
Voluntary retirement costs	—	—	—	(5,040)
Other	(942)	(172)	(1,114)	(965)
Increase (decrease) in net assets from nonoperating activities	65,375	40,760	106,135	(23,521)
Change in net assets	74,337	40,760	115,097	(9,993)
Net assets at beginning of year	293,027	118,468	411,495	421,488
Net assets at end of year	$ 367,364	159,228	526,592	411,495

See accompanying notes to financial statements.

BENTLEY UNIVERSITY

Statement of Cash Flows

Year ended June 30, 2021
(with comparative totals for the year ended June 30, 2020)

(Dollars in thousands)

		2021	2020
Operating activities:			
Change in net assets	$	115,097	(9,993)
Adjustments to reconcile change in net assets to net cash provided by operating activities:			
Depreciation and amortization		18,402	20,163
Net realized and unrealized (gains) losses on investments		(108,056)	2,386
Contributions restricted for long-term purposes		(3,518)	(1,794)
Change in fair value of interest rate swaps		(7,114)	6,534
Changes in operating assets, net		4,208	(2,923)
Changes in operating liabilities, net		(1,606)	8,014
Net cash provided by operating activities		17,413	22,387
Investing activities:			
Proceeds from sales and maturities of investments		40,937	85,911
Purchases of investments		(39,229)	(56,872)
Additions of property, plant, and equipment		(9,411)	(17,396)
Net cash (used in) provided by investing activities		(7,703)	11,643
Financing activities:			
Contributions restricted for long-term purposes		3,518	1,794
Payments on borrowings and refinancing of debt		(5,485)	(4,445)
Proceeds from line of credit		—	25,000
Payments on line of credit		(25,000)	—
Net cash (used in) provided by financing activities		(26,967)	22,349
Net (decrease) increase in cash, cash equivalents, and restricted cash		(17,257)	56,379
Cash, cash equivalents, and restricted cash at beginning of year		116,835	60,456
Cash, cash equivalents, and restricted cash at end of year	$	99,578	116,835
Supplemental disclosures:			
Cash and cash equivalents	$	70,255	73,786
Restricted cash		9,443	15,230
Cash held in investments		19,880	27,819
Total cash, cash equivalents and restricted cash	$	99,578	116,835
Cash paid for interest	$	7,099	7,494
Change in accounts payable from capital additions		(42)	(1,211)

See accompanying notes to financial statements.

(1) Description of the University

Bentley University is a lifelong-learning community that creates successful leaders who make business a force for positive change. With a combination of business and the arts and sciences and a flexible, personalized approach to education, Bentley provides students with critical thinking and practical skills that prepare them to lead successful, rewarding careers. Founded in 1917, the University enrolls approximately 4,000 undergraduate and 1,000 graduate and PhD students and is set on 163 acres in Waltham, Massachusetts, 10 miles west of Boston.

(2) Summary of Significant Accounting Policies

(a) Basis of Financial Statement Presentation

The accompanying financial statements are presented on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (GAAP) and have been prepared to focus on the University as a whole and to present balances and transactions according to two classes of net assets: without donor restrictions and with donor restrictions:

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

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

(b) Cash Equivalents

For purposes of the statement of cash flows, cash equivalents include treasuries and short-term instruments not held for future long-term investment with original maturities of three months or less.

(c) Restricted Cash

Restricted cash represents required deposits with a bond holder, in accordance with the bond covenants, and collateral cash for certain interest rate swaps.

(d) Pledges and Accounts Receivable

Pledges and accounts receivable are stated net of allowance for doubtful accounts and discount to present value.

(e) Tuition and Related Revenues

Under Accounting Standards Codification Topic 606, revenue from contracts with customers is recognized when control of the promised goods or services is transferred in an amount that reflects the consideration to which the University expects to be entitled in exchange for those goods or services (i.e., the transaction price).

(Continued)

(Dollars in thousands)

Revenue from student tuition, fees, room and board is recognized as services are provided over the academic year, which generally aligns with the University's fiscal year. Revenues are presented at transaction prices, which are determined based on standard published rates for the services less institutional aid awarded to qualifying students and any incentive discounts. Student tuition, fees, and room and board received prior to the academic term is reported in student deposits and deferred revenue for services to be rendered in the following fiscal year. Revenues associated with academic programs that cross fiscal years are recognized to the extent of the related services provided in each fiscal year. As of June 30, 2021 and 2020, net tuition, fees, and room and board of $10,400 and $1,730 that crossed fiscal years are included in student deposits and deferred income on the statement of financial position.

The amount of revenue per student varies based on the specific program or class in which the student enrolls as well as whether the student resides in university housing. In addition, students who adjust their course load, residence assignment, board assignment, or withdraw completely within the specified period published in the University's academic calendar may receive a full or partial refund in accordance with the University's refund policy. Refunds issued reduce the amount of revenue recognized. Payments are generally due prior to the start of the academic term.

The composition of student tuition, fee, residence hall and dining revenues was as follows for the years ended June 30, 2021 and 2020:

		2021	2020
Undergraduate tuition and fees	$	201,034	217,606
Postgraduate tuition and fees		31,796	30,164
Residence hall and dining		31,554	42,230
Gross tuition, fees, room and board		264,384	290,000
Financial aid		(83,515)	(90,890)
Net tuition, fees, room and board	$	180,869	199,110

(f) Contributions

Contributions, including unconditional promises from donors, are nonreciprocal, unconditional transfers of assets, or cancellations of liabilities, and are initially recognized at fair value. Contributions received without donor-imposed restrictions are recorded as revenue without donor restrictions. Contributions received with donor-imposed restrictions are reported as increases in net assets with donor restrictions. Contributions of noncash assets are recorded at estimated fair value on the date of the contribution. Conditional pledges become unconditional and are recognized as revenues when the conditions are satisfied.

(g) Property, Plant, and Equipment

Land, buildings, plant renovations, and equipment are stated at cost at the date of acquisition or renovation or at estimated fair value at the date of donation in the case of gifts. Purchases of library books are expensed as incurred. Minor renovations and repairs are charged to operations as incurred. Depreciation of plant and equipment is computed on a straight-line basis over the useful lives of buildings (40–60 years), building and improvements (5–30 years), and equipment and furnishings (2–15 years). Interest incurred on tax-exempt debt used to finance building construction is added to the cost of the asset, net of any income earned on temporarily invested debt proceeds during construction.

(h) Bond Premiums and Issuance Costs

Bond premiums and issuance costs are amortized through the final maturity date of the respective bond issues.

(i) Use of Estimates

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

(j) Income Taxes

The University is a tax-exempt organization as described in Section 501(c)(3) of the Internal Revenue Code and is generally exempt from income taxes pursuant to Section 501(a) of the Code, as amended. Accordingly, it is generally not subject to income taxes except to the extent it has taxable income from activities that are not related to its exempt purpose. The University believes it has taken no significant uncertain tax positions as of June 30, 2021 or 2020.

(k) Statement of Activities

The statement of activities reports the changes in net assets from operating and nonoperating activities. Nonoperating activities reflect contributions for long-term investments and capital projects and the investment return in excess of the amount utilized in operations, as described in note 8. In addition, nonoperating activities include changes in the values of split-interest agreements and interest rate swaps, net assets released from restrictions for capital purposes, and certain other nonrecurring transactions. All other activity is classified in operating activities.

Grants and contracts awarded by federal and other sponsors, which are generally considered nonreciprocal transactions restricted by sponsors for certain purposes, are recognized as revenue when qualifying expenditures are incurred and conditions under the agreements are met. Other grants and contracts are considered contribution revenue when donor imposed conditions, if any, are met. There were no significant conditional contributions or advance payments from sponsors at June 30, 2021. Total revenue from grants and contracts recognized in net assets without donor restrictions was $5,860 and $4,079 for the years ended June 30, 2021 and 2020, respectively.

The University offered a voluntary early retirement package to all active nonfaculty employees with a combination of age and years of service totaling 75 as of June 30, 2020. Participants in the program had a retirement date of June 30, 2020, unless they received approval to extend to an agreed upon date. The cost of the program was $5,040 and is included in nonoperating activities in the comparative totals on the statement of activities for the year ended June 30, 2020 and accounts payable and accrued liabilities on the statement of financial position as of June 30, 2020.

Dividends, interest, and realized and unrealized gains (losses) on long-term investments are reported as follows:

- Increases in net assets with donor restrictions if the terms of the gift require these to be added to the principal
- Increases (decreases) in net assets with donor restrictions if the terms of the gift or relevant state law imposes restrictions on the use of the income and gains
- Increases (decreases) in net assets without donor restrictions in all other cases

(l) Split-Interest Agreements

The University's split-interest agreements with donors consist of irrevocable charitable gift annuities and charitable remainder trusts held by the University. For such split-interest agreements, the contributed assets are included as part of investments at fair value. Contribution revenue, net of the accompanying obligation, is recognized as of the date the donated assets are transferred to the University and liabilities are recorded for the present value of the estimated future payments to the beneficiaries. These liabilities amounted to $2,254 and $2,303 at June 30, 2021 and 2020, respectively, and are reported within other liabilities on the statement of financial position. The split-interest liabilities are adjusted during the term of the agreements consistent with changes in the value of the assets and actuarial assumptions.

(m) Derivative Instruments

The University utilized interest-rate swap agreements with counterparties to effectively convert its variable-rate debt to fixed rates. The swaps' fair values and changes therein are recognized in the University's financial statements. Differences between the fixed and variable rates in effect at each interest due date are settled net under each swap, increasing or decreasing interest expense. The fair value of the swap instruments considers the estimated benefit or cost to the University to cancel the agreements as of the reporting dates and is based on option pricing models that consider interest rates and other market factors, as well as the credit risks of the parties to the agreements. Interest rate volatility, remaining outstanding principal, and time to maturity will affect the swaps' fair values at subsequent reporting dates.

(n) Related-Party Transactions

Members of the University's Board of Trustees and senior management may, from time to time, be associated, either directly or indirectly, with companies doing business with the University. The University has a written conflict of interest policy that requires, among other things, that no member of the Board of Trustees may participate in any decision in which he or she has a material financial interest. Each Trustee and senior manager are required to certify compliance with the conflict of interest policy on an annual basis as well as disclose any potential related-party transactions to the audit committee. When such a relationship exists, the University requires that such transactions be conducted at arms' length, with terms that are fair and reasonable to and for the benefit of the University. For senior management, the University requires annual disclosure of significant financial interests in, or governance of employment or consulting relationships with, entities doing business with the University. When such relationships exist, measures are taken to appropriately manage the actual or perceived conflict in the best interest of the University.

(o) Fair Value Measurements

Fair value represents the price that would be received upon the sale of an asset or paid upon the transfer of a liability in an orderly transaction between market participants as of the measurement date. GAAP establishes a fair value hierarchy that prioritizes inputs used to measure fair value into three levels:

- Level 1 – Quoted prices (unadjusted) in active markets that are accessible at the measurement date for assets or liabilities
- Level 2 – Observable prices that are based on inputs not quoted in active markets, but corroborated by market data
- Level 3 – Unobservable inputs are used when little or no market data is available

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. In determining fair value, the University utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. Investments measured using net asset value as a practical expedient to estimate fair value, as described in note 4, are not classified in the fair value hierarchy.

(p) Benefit Plans

Defined-Contribution Plan – Eligible faculty and staff of the University are participants in a defined-contribution 403(b) retirement plan. The University contributes, for the benefit of the participants, 10% of eligible earnings annually to the plan, up to the IRS maximum per employee. The University's contribution was reduced from 10% to 5% for the period from August 2020 to June 2021. Total expense under this plan for the years ended June 30, 2021 and 2020 amounted to $4,288 and $8,242, respectively.

Postretirement Benefits – The University provides certain healthcare benefits for retired employees covered under the Bentley University Retiree Medical Benefits Plan (the Plan). This plan is closed to employees hired after December 31, 1999. Benefits are paid through an insurance company as claims are settled. The Plan is a noncontributory, defined-benefit plan. The liability as of June 30, 2021 and 2020 amounted to $6,369 and $5,885, respectively, and is reported in other liabilities on the statement of financial position.

(q) Prior Year Information

Prior year information presented is not intended to constitute a full presentation in accordance with GAAP. Accordingly, summarized 2020 information should be read in conjunction with the University's financial statements for the year ended June 30, 2020.

(r) Recent Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, as amended, that requires, among other things, a lessee to recognize a right-of-use asset representing an entity's right to use the underlying asset for the lease term and a liability for lease payments on the statement of financial position, regardless of classification of a lease as an operating or finance lease. The ASU became effective for the University for the year ended June 30, 2021. As permitted by the ASU, for leases with a term of twelve months or less as a lessee, the University has elected not to recognize lease assets and liabilities and account for such leases similar to existing guidance for operating leases. The University's adoption of the ASU did not have a material effect on its financial statements.

(s) Risks and Uncertainties – Pandemic

In March 2020, the World Health Organization declared the novel coronavirus (COVID-19) a pandemic. As a result of the pandemic, beginning in March 2020, the University suspended in-person education and other campus-based activities, resulting in foregone revenues, the most significant of which resulted from the refunding of a portion of residence and dining revenues. Although the University incurred and continues to incur certain incremental costs due to the pandemic, including COVID-19 testing costs, transitioning to online education and work environments, and has also taken certain steps resulting in reductions in recurring costs, such as travel, utilities, and certain benefits. In addition, the University received funding from the Higher Education Emergency Relief Fund (HEERF) that was used to provide aid to students and to offset certain costs of the pandemic during the years ended June 30, 2021 and 2020.

The University's pandemic response has multiple facets and continues to evolve as the pandemic unfolds. The continued spread of COVID-19 and its impact on social interaction, travel, economies, and financial markets may adversely affect the University's operations and financial conditions. The full extent of the impact of COVID-19 on the University will depend on emerging medical treatments and any health and safety regulations the University will be required to follow.

(Dollars in thousands)

(3) Liquidity

As of June 30, 2021, financial assets and liquidity resources available within one year for general expenditure, such as operating expenses, scheduled principal payments on debt, and capitalized construction costs not financed with debt, were as follows:

		2021
Financial assets:		
Cash and cash equivalents	$	70,175
Restricted cash held for debt service		2,561
Accounts receivable, net		3,089
Pledge payments available for operations, net		1,301
Fiscal year 2022 board-approved endowment appropriation		13,120
Total financial assets available within one year	$	90,246

The University's Board of Trustees approves the annual spending distribution. For fiscal year 2022, the Board has approved a total spending allocation of $13,120. Additionally, the University has board-designated endowment funds of $213,165 as of June 30, 2021. Although the University does not intend to spend from its board-designated endowment funds other than amounts appropriated for operations, amounts could be made available, if necessary, subject to investment liquidity provisions.

The University's cash flows have seasonal variations attributable to the timing of tuition billing and contributions received. The University has a committed line of credit with a bank for a maximum amount of $25,000 that expires in January 2023.The full balance was drawn in May 2020 and the full line of credit was repaid in its entirety in March 2021.

(4) Investments

The overall investment objective of the University is to invest its assets in a prudent manner that will achieve a long-term rate of return sufficient to fund a portion of its annual operating activities and increase investment value after inflation while providing adequate liquidity with reasonable risk. The University diversifies its investments among various asset classes incorporating multiple strategies and managers. Major investment decisions are authorized by the Investment Committee of the Board of Trustees, which oversees the University's investment program in accordance with established guidelines.

(a) Investment Strategies

In addition to traditional stocks and fixed income securities, the University may also hold shares or units in traditional institutional funds as well as in alternative investment funds involving hedged strategies, private equity, and real asset strategies. Hedged strategies involve funds whose managers have the authority to invest in various asset classes at their discretion, including the ability to invest long and short. Funds with hedged strategies generally hold securities or other financial instruments for which a ready market exists and may include stocks, bonds, put or call options, swaps, currency hedges, and other instruments, and are valued accordingly. Private equity funds employ buyout and venture capital strategies and focus on investments in turn-around situations. Real asset funds generally hold interests in public real estate investment trusts (REITs) and commodities, including oil, gas, and gold. Private equity and real asset strategies therefore often require the estimation of fair values by the fund managers in the absence of readily determinable market values. Because of the inherent uncertainties of valuation, these estimated fair values may differ significantly from values that would have been used had a ready market existed, and the differences could be material.

(Dollars in thousands)

Investments are reported at estimated fair value. If an investment security is owned directly by the University and an active market with quoted prices exists, the market price of an identical security is used as reported fair value. Shares in mutual funds are based on share prices reported by the funds as of the last business day of the fiscal year. The University's interests in alternative investment funds are generally reported at the net asset value (NAV) reported by the fund managers which is used as a practical expedient to estimate the fair value of the University's interest therein, unless it is probable that all or a portion of the investment will be sold for an amount different from NAV. Such valuations are determined by fund managers and generally consider variables such as operating results, comparable earnings multiples, projected cash flows, recent sales prices, and other pertinent information, and may reflect discounts for the illiquid nature of certain investments held. As of June 30, 2021 and 2020, the University had no plans or intentions to sell investments at amounts different from NAV.

The University's investments are summarized in the following table by strategy and, as applicable, their fair value hierarchy classification as of June 30:

	2021					
	Measured	Measured in fair value hierarchy				2020
	at NAV	Level 1	Level 2	Level 3	Total	Total
Long-term investment strategies:						
Cash and cash equivalents	$ —	19,880	—	—	19,880	27,819
Municipal bonds	—	—	2,768	—	2,768	2,742
Equities:						
Domestic	54,460	17,700	—	—	72,160	53,075
Global	89,483	904	—	—	90,387	66,674
U.S. real estate equity	—	20,237	—	—	20,237	14,323
Hedged equity funds of funds	76,681	—	—	—	76,681	60,436
Private equity and venture capital funds	67,838	—	—	—	67,838	33,446
Commodities	—	15,294	—	—	15,294	9,974
Life insurance	—	—	—	5,983	5,983	4,330
Total investments	$ 288,462	74,015	2,768	5,983	371,228	272,819

(Dollars in thousands)

Private equity and venture capital investments are generally made through limited partnerships. Under the terms of these agreements, the University is obligated to remit additional funding periodically as capital is called by the manager. These partnerships have a limited term and, under such agreements, may provide for annual extensions for the purpose of disposing portfolio positions and returning capital to investors. However, depending on market conditions, the inability to execute the fund's strategy, and other factors, a manager may extend the terms of a fund beyond its originally anticipated existence or may wind the fund down prematurely. The University cannot anticipate such changes because they are based on unforeseen events, but should they occur, they might result in less liquidity or return from the investment than originally anticipated. As a result, the timing and amount of future capital calls in any particular future year are uncertain.

The following table presents liquidity information for investments at June 30, 2021:

		Daily	Monthly	Quarterly	Annual	Rolling lock-ups	Illiquid	Total
Cash and cash equivalents	$	19,880	—	—	—	—	—	19,880
Municipal bonds		2,768	—	—	—	—	—	2,768
Equities:								
Domestic		17,700	—	54,460	—	—	—	72,160
Global		904	81,865	—	—	7,618	—	90,387
U.S. real estate equities		20,237	—	—	—	—	—	20,237
Hedged equity funds of funds		—	—	53,188	1,506	10,872	11,115	76,681
Private equity and venture capital funds		—	—	—	—	—	67,838	67,838
Commodities		15,294	—	—	—	—	—	15,294
Life insurance		—	—	—	—	—	5,983	5,983
Total investments	$	76,783	81,865	107,648	1,506	18,490	84,936	371,228

Included in the equity funds is $7,618 subject to three-year rolling lockups, which currently expire July 1, 2021. Also included in the hedged equity funds of funds is $10,872 subject to a two-year lockup, of which $5,356 expires on September 1, 2021, and $5,516 expires on December 31, 2021. Private equity and venture capital funds are expected to liquidate within 5 to 10 years. The University had unfunded future commitments to invest in these funds at June 30, 2021 of $40,709. For redemption purposes, the equity funds require 1–60 days' notice, hedged equity funds require 90–100 days' notice, and all other liquid investments require a one-day notice.

(Dollars in thousands)

(5) Property, Plant, and Equipment

Property, plant, and equipment as of June 30 are as follows:

		2021	2020
Land	$	31,871	31,871
Buildings and building improvements		476,815	472,687
Equipment and furnishings		58,643	57,434
Construction in progress		10,196	9,101
		577,525	571,093
Less accumulated depreciation		(283,240)	(267,031)
Property, plant and equipment, net	$	294,285	304,062

Depreciation expense was $19,146 and $20,756 for the years ended June 30, 2021 and 2020, respectively.

(6) Bonds and Notes Payable

The principal amounts of outstanding bonds and notes payable as of June 30 are as follows:

		2021	2020
Massachusetts Development Finance Agency (MDFA): Series 2010 Revenue Bonds, 3.5% to 5.00%, fully redeemed July 2020	$	—	3,035
MDFA: Series 2013A Issue Variable rate (.78% as of June 30, 2020), due serially through July 1, 2030		57,093	59,543
MDFA: Series 2013B Issue Variable rate (.69% as of June 30, 2020), due serially commencing July 1, 2030 through July 1, 2033		37,157	37,157
MDFA: Series 2016 Revenue Bonds, 3.125% to 5.00%, due serially commencing July 1, 2034 through July 1, 2040		36,225	36,225
MDFA: Series 2017 Revenue Bonds, 3.5% to 5.00%, due serially commencing July 1, 2021 through July 1, 2028		19,240	19,240
Total bonds and notes payable		149,715	155,200
Net premium and debt issuance costs		4,861	5,605
Bonds payable, net	$	154,576	160,805

(Continued)

(Dollars in thousands)

The MDFA Series 2013 A and B bonds bear interest on a floating rate basis. Accordingly, the financing was designed to align the basis and amortization of its debt with its outstanding swap agreements, thereby synthetically fixing the rates of all of its floating rate debt, which aggregated $94,250 at June 30, 2021 and matched the swap notional value. The University pays a tax-exempt equivalent of one-month LIBOR plus a variable spread on the Series 2013A Issue. On the Series 2013B Issue, the University pays the tax-exempt equivalent of the sum of the one-month LIBOR plus a fixed spread.

Bond indentures require the maintenance of certain financial covenants which, among other restrictions, require the University to maintain a deposit of $5,000 with the bond holder which is reported as restricted cash.

In July 2020, the University fully redeemed Series 2010 fixed rate bonds. As a result of the redemption, unamortized premium and issuance costs of $150 were written off in other nonoperating activities in the statement of activities for the year ended June 30, 2021.

As of June 30, 2021, the aggregate maturities for all bonds payable for the years ending June 30 were as follows:

		Amount due
Fiscal year:		
2022	$	3,865
2023		4,905
2024		5,115
2025		5,405
2026		5,605
Thereafter		124,820
	$	149,715

The University has a committed line of credit with a bank for a maximum amount of $25,000. The full balance was drawn in May 2020 and the full line of credit draw was repaid in March 2021. As of June 30, 2021, the outstanding balance is zero. Borrowing rates on this line of credit are at one-month LIBOR plus 35 basis points. As of June 30, 2021, the interest rate was .45%. The line expires in January 2023.

(Dollars in thousands)

(7) Interest Rate Swaps

As of June 30, the following interest rate swap agreements were outstanding:

Counterparty	Expiration date	Remaining notional balance	Swap fixed rate	Fair value of liability at June 30 2021	Fair value of liability at June 30 2020
JPMorgan	July 1, 2030	$ 25,000	3.690 %	$ 5,626	7,490
JPMorgan	July 1, 2033	20,000	3.505	5,728	7,716
Bank of America	July 1, 2033	10,100	3.505	2,890	3,895
Bank of America	July 1, 2028	15,000	3.630	2,564	3,453
BNY Mellon	July 1, 2028	24,150	4.445	3,435	4,803
Total		$ 94,250		$ 20,243	27,357

In each case, the counterparty pays the University 67% of one-month LIBOR. The swap agreements require the posting of collateral if the mark-to-market liability payable by the University exceeds $10,000 in the aggregate for the JPMorgan swaps and $12,000 for the BNY Mellon. The two Bank of America swaps contain no collateral requirements. The University must deposit cash collateral to the extent these thresholds are exceeded. The counterparties are required to maintain a minimum credit rating based on provisions contained in the individual swap agreements. The University was required to post collateral for the JPMorgan swaps in the aggregate amount of $1,354 and $5,206 as of June 30, 2021 and 2020, respectively, which is reported in restricted cash on the statement of financial position.

Interest rate volatility, remaining outstanding principal, and time to maturity will affect each swap's fair value at subsequent reporting dates. Because the swap fair values are based predominantly on observable inputs that are corroborated by market data, they are classified within Level 2 of the fair value hierarchy.

(8) Endowment and Other Net Assets

The University's endowment consists of approximately 400 individual funds established for a variety of purposes, including both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments.

(a) Relevant Law

The University is subject to the Commonwealth of Massachusetts enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA). This law provides standards to invest in a prudent manner by establishing a duty to minimize cost, diversify the investments, investigate facts relevant to the investment of the fund, consider tax consequences of investment decisions, and ensure investment decisions are made in light of the fund's entire portfolio as a part of an investment strategy having risk and return objectives reasonably suited to the fund and to the University. UPMIFA also permits the University to appropriate for expenditure or accumulate so much of an endowment fund as the University determines to be prudent for the uses, benefits, purposes, and duration for which the endowment fund is established, thereby allowing a fund to be spent below its historical dollar value. Unless stated otherwise in the gift instrument, the assets in an endowment fund shall be donor-restricted assets until appropriated for expenditure. Seven criteria are to be used to guide the

(Dollars in thousands)

University in its yearly expenditure decisions: 1) duration and preservation of the endowment fund; 2) the purposes of the University and the endowment fund; 3) general economic conditions; 4) effect of inflation or deflation; 5) the expected total return from income and the appreciation of investments; 6) other resources of the University; and 7) the investment policy of the University.

(b) Return Objectives and Risk Parameters

The University has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the University must hold in perpetuity or for a donor-specified period as well as board-designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that exceed the performance of a mix of several traditional benchmarks reflecting the University's asset allocation while assuming an acceptable level of risk. These benchmarks include the S&P 500 index, Russell 2000, EAFE Index and Barclays Capital Aggregate Bond Index, among others.

(c) Strategies Employed for Achieving Objectives

To satisfy its long-term rate of return objectives, the University relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The University targets a diversified asset allocation that places emphasis on investments in equities, including marketable and nonmarketable equities, fixed income and cash, and real assets to achieve its long-term return objectives within acceptable risk constraints.

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

The University appropriates for distribution up to 5% of the 12-quarter moving average of the market value as of the preceding December 31. The University expects the total return to exceed the current spending policy over time, thereby maintaining the endowment purchasing power. Additional real growth is expected to be provided through new gifts and transfers from operations.

Net assets associated with endowment funds are classified and reported based on the existence or absence associated with donor-imposed restrictions and consisted of the following as of June 30, 2021 and 2020:

	2021					
	Without donor restrictions	With donor restrictions				
		Original gift	Accumulated gains	Total	Total 2021	Total 2020
Quasi	$ 213,165	—	—	—	213,165	157,612
Donor-restricted:						
Underwater	—	—	—	—	—	2,228
All other funds	—	58,167	87,900	146,067	146,067	103,387
Total endowed net assets at June 30	$ 213,165	58,167	87,900	146,067	359,232	263,227

(Dollars in thousands)

Changes in endowment activities for the year ended June 30, 2021 and summary comparative information for the year ended June 30, 2020 are as follows:

		2021			
		Without donor restrictions	**With donor restrictions**	**Total**	**2020**
Endowment activities for the year ended June 30:					
Beginning fair value	$	157,612	105,615	263,227	276,503
Investment return		62,243	42,580	104,823	(3,071)
Contributions		—	3,518	3,518	1,794
Endowment return utilized		(7,180)	(5,156)	(12,336)	(11,978)
Transfer in (out)		490	(490)	—	(21)
Total endowment at June 30	$	213,165	146,067	359,232	263,227

Endowed net assets at June 30, 2021 and 2020 were comprised as follows:

		2021			
		Without donor restrictions	**With donor restrictions**	**Total**	**2020**
Instruction	$	—	38,740	38,740	28,705
Scholarship		—	92,204	92,204	65,915
General		213,165	15,123	228,288	168,607
Total endowed net assets at June 30	$	213,165	146,067	359,232	263,227

(Dollars in thousands)

(9) Net Assets

Net assets at June 30, 2021 and 2020 are as follows:

	2021			
	Without donor restrictions	With donor restrictions	Total	2020
Endowment	$ 213,165	146,067	359,232	263,227
Net investment in plant	139,709	—	139,709	143,257
Net reduction from interest rate swap liabilities	(20,243)	—	(20,243)	(27,357)
Other	34,733	13,161	47,894	32,368
Total net assets at June 30	$ 367,364	159,228	526,592	411,495

(10) Functional Classification of Expenses

The University reports expenses by their natural classification in the statement of activities.

The University's primary program service is academic instruction. Expenses reported as student services and auxiliary enterprises are incurred in support of this primary program activity. Operating expenses presented by functional and natural classification for the year ended June 30, 2021 consist of the following:

	Instruction	Academic support	Student services	Institutional support	Auxiliary enterprises	Total
Salaries and w ages	$ 50,355	9,202	16,585	18,273	7,131	101,546
Employee benefits	11,543	2,151	4,059	3,964	1,399	23,116
Supplies, services, other	3,247	6,692	12,428	9,133	12,764	44,264
Utilities	801	225	634	241	2,397	4,298
Depreciation and amortization	3,444	959	2,764	1,073	10,312	18,552
Interest	1,283	357	1,007	399	3,839	6,885
Total	$ 70,673	19,586	37,477	33,083	37,842	198,661
Total for year ended June 30, 2020	$ 75,689	20,834	37,772	40,398	38,821	213,514

Indirect costs such as depreciation, interest, and operations and maintenance expenses, including utilities, have been allocated to functional classifications based on square footage of building space used for that function.

Total fund-raising costs, which are included in institutional support expense, were $4,790 and $5,502 for the years ended June 30, 2021 and 2020, respectively.

(11) Contingencies

The University is engaged in legal cases that have arisen in the normal course of its operations. The University believes that the outcome of these cases will not have a material adverse effect on the financial position of the University.

(12) Subsequent Events

In September 2021, the University issued $72,175 Series 2021A tax exempt fixed rate and $21,280 Series 2021B taxable fixed rate bonds. The 2021A bonds were issued at a premium, generating total proceeds of $92,193, which were used to refinance the Series 2013A and 2013B bonds. Proceeds from the Series 2021B bonds were used to terminate all of the swap agreements outstanding at June 30, 2021.

Management has evaluated events subsequent to June 30, 2021 and through October 29, 2021, the date on which the financial statements were issued.