FY 2021 Financial Narrative

Bentley University finished the year in a strong financial position with net assets of $527 million, which represents a $115 million or 28% increase over the prior year. While much of this increase was due to an excellent return on our endowment, Bentley also recorded a $9 million operating surplus, even while experiencing significant revenue impacts from the COVID-19 pandemic.

Total net tuition, fees, and room and board declined by $18 million primarily due to loss of room and board revenue associated with the limited residential experience offered during FY2021 and a one-time revenue deferral. To support their health and safety, Bentley gave all students the option to study fully remotely throughout the 2020-2021 academic year if they desired. As a result of fewer on-campus residential students, room and board revenues decreased by approximately $11 million from FY2020, which was already $10 million below FY2019 because of refunds provided when the campus closed in FY2020. During FY2021, the university recognized $3.9 million of revenue of Higher Education Emergency Relief Funding with $1.3 million of these funds distributed directly to students in the form of emergency grants.

In addition, management, with the approval of the Board of Trustees, implemented a trimester academic calendar for the 2020-2021 academic year, which offered the undergraduate students the opportunity to take free courses in the summer trimester if they enrolled full-time during the traditional academic year. The objective of this offer was to provide an incentive to new students who may have been hesitant to enroll with the uncertainly of the pandemic and to persuade continuing students to maintain their enrollment even if much of the semester needed to be remote. The nearly full offerings in the summer trimester would allow students to stay on track even if they were not able to continue full-time under the challenging circumstances. The decision to extend the academic calendar through the summer term, which crosses the fiscal year, resulted in a one-time net revenue deferral of approximately $8 million from FY2021 to FY2022. The university is planning for a return to normal operations, without a summer trimester schedule, in the 2021-2022 academic year with revenue returning to normal levels.

To ensure community safety, Bentley implemented extensive health and safety protocols including an extensive COVID-19 testing and contact tracing program, enhanced cleaning protocols, extended meal plan operations to provide students in isolation and quarantine with meal deliveries, and protective equipment in physical spaces. Included in the operating expense reporting in the financial statements is nearly $7 million related to COVID-19. Despite these large expenditures, the total expenses for FY2021 decreased by $15 million as compared to FY2020 due to a reduction in on-campus offerings. In June 2020, in the face of enrollment uncertainties and anticipated significant declines in auxiliary revenues, management instituted salary freezes, reduced the retirement benefits match, adopted an early retirement plan, and reduced capital and operating budgets to ensure financial sustainability. These cost-saving measures, along with the reduced operating expenses associated with limited campus operations, resulted in savings in all expense categories.

Along with the operating surplus, the university reported a $107 million investment return resulting in a total increase in net assets of $115 million. Since the quasi-endowment represents 60% of total endowment, the increase in our endowment resulted in a $74 million increase in net assets without donor restrictions.

As a result of the experience in spring 2020 and the level of uncertainty for fiscal 2021 resulting from the pandemic, the university elected to drawdown $25 million, the full available balance of its line of credit, to provide additional liquidity coverage in May 2020. The line of credit draw was maintained through March 2021 in light of the possible campus closures. Upon the successful start of the spring term with nearly 60% of resident capacity full, the university paid down the outstanding balance. Even while paying down the full outstanding balance, the university maintained solid liquidity with over $70 million in cash. The investment balance grew by $98 million or 36%.

As noted in the footnotes to the financial statements, in September 2021 the university issued new debt which was used to refinance the Series 2013A and 2013B bonds, and terminate all of the swap agreements outstanding as of June 30, 2021. This further increased the university's liquidity by eliminating the restrictions over the cash reported as restricted cash in the balance sheet.