KPMG

BENTLEY UNIVERSITY

Financial Statements

June 30, 2022

(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:

Opinion

We have audited the financial statements of Bentley University (the University), which comprise the statement of financial position as of June 30, 2022, the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the University as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the University's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 29, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021 is consistent, in all material respects, with the audited financial statements from which is has been derived.

KPMG LLP

Boston, Massachusetts
October 28, 2022

BENTLEY UNIVERSITY

Statement of Financial Position

June 30, 2022
(with comparative totals as of June 30, 2021)

(Dollars in thousands)

Assets		2022	2021
Cash and cash equivalents	$	63,044	70,255
Working capital investments		27,625	—
Bond deposits with trustee		8,456	2,561
Restricted cash		—	6,882
Pledges and accounts receivable, net		5,551	6,828
Other assets		2,236	4,149
Investments		344,354	371,228
Property, plant, and equipment, net		293,098	294,285
Total assets	$	744,364	756,188
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued liabilities	$	31,423	28,750
Student deposits and deferred income		8,475	17,404
Other liabilities		8,379	8,623
Interest rate swaps		—	20,243
Bonds and notes payable, net		170,318	154,576
Total liabilities		218,595	229,596
Net assets:			
Without donor restrictions		376,826	367,364
With donor restrictions		148,943	159,228
Total net assets		525,769	526,592
Total liabilities and net assets	$	744,364	756,188

See accompanying notes to financial statements.

BENTLEY UNIVERSITY

Statement of Activities

Year ended June 30, 2022
(with comparative totals for the year ended June 30, 2021)

(Dollars in thousands)

	Without donor restrictions	With donor restrictions	2022 Total	2021 Total
Changes in net assets:				
Operating activities:				
Revenues:				
Tuition, fees, room and board, net	$ 213,595	—	213,595	180,869
Other education programs	675	—	675	1,550
Endowment return utilized in operations	13,120	—	13,120	12,336
Contributions and private grants	2,597	—	2,597	1,934
Government grants	10,425	—	10,425	5,860
Other sources	1,517	—	1,517	703
Other auxiliary enterprises	3,889	—	3,889	1,798
Net assets released from restrictions	2,911	—	2,911	2,573
Total revenues	248,729	—	248,729	207,623
Expenses:				
Salaries and wages	109,670	—	109,670	101,546
Employee benefits	26,941	—	26,941	23,116
Supplies and services	56,890	—	56,890	44,264
Utilities	4,634	—	4,634	4,298
Depreciation	18,140	—	18,140	19,146
Interest	4,079	—	4,079	6,291
Total expenses	220,354	—	220,354	198,661
Increase in net assets from operating activities	28,375	—	28,375	8,962
Nonoperating activities:				
Contributions and private grants	533	5,635	6,168	7,805
Investment return	(10,520)	(7,472)	(17,992)	107,239
Endowment return utilized in operations	(7,594)	(5,526)	(13,120)	(12,336)
Change in fair value of interest rate swaps	(900)	—	(900)	7,114
Net assets released from restrictions	—	(2,911)	(2,911)	(2,573)
Other	(432)	(11)	(443)	(1,114)
(Decrease) increase in net assets from nonoperating activities	(18,913)	(10,285)	(29,198)	106,135
Change in net assets	9,462	(10,285)	(823)	115,097
Net assets at beginning of year	367,364	159,228	526,592	411,495
Net assets at end of year	$ 376,826	148,943	525,769	526,592

See accompanying notes to financial statements.

BENTLEY UNIVERSITY

Statement of Cash Flows

Year ended June 30, 2022
(with comparative totals for the year ended June 30, 2021)

(Dollars in thousands)

		2022	2021
Operating activities:			
Change in net assets	$	(823)	115,097
Adjustments to reconcile change in net assets to net cash provided by operating activities:			
Depreciation		18,140	19,146
Amortization of debt premium and issuance costs, net		(1,536)	(744)
Net realized and unrealized losses (gains) on investments		16,671	(108,056)
Contributions restricted for long-term purposes		(3,588)	(3,518)
Change in fair value of interest rate swaps		900	(7,114)
Changes in operating assets, net		3,190	4,208
Changes in operating liabilities, net		(9,420)	(1,606)
Net cash provided by operating activities		23,534	17,413
Investing activities:			
Proceeds from sales and maturities of investments		36,500	40,937
Purchases of investments		(70,186)	(39,229)
Additions of property, plant, and equipment		(14,033)	(9,411)
Net cash used in investing activities		(47,719)	(7,703)
Financing activities:			
Proceed from bonds		93,455	—
Bond premium received		20,018	—
Termination of interest rate swaps		(21,143)	—
Payment of bond issuance costs		(680)	—
Contributions restricted for long-term purposes		3,588	3,518
Payments on borrowings and refinancing of debt		(95,515)	(5,485)
Payments on line of credit		—	(25,000)
Net cash used in financing activities		(277)	(26,967)
Net decrease in cash, cash equivalents, and restricted cash		(24,462)	(17,257)
Cash, cash equivalents, and restricted cash at beginning of year		99,578	116,835
Cash, cash equivalents, and restricted cash at end of year	$	75,116	99,578
Supplemental disclosures:			
Cash and cash equivalents	$	63,044	70,255
Bond deposits with trustee		8,456	2,561
Restricted cash		—	6,882
Cash held in investments		3,616	19,880
Total cash, cash equivalents and restricted cash	$	75,116	99,578
Cash paid for interest	$	4,335	7,099
Change in accounts payable from capital additions		2,920	(42)

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) Working Capital Investments

Working capital investments are intended to be used to cover liquidity needs and includes fixed income securities with maturities greater than three months and are classified in level 1 of the fair value hierarchy, as defined in note 1(q) and presented in note 4.

(d) Bond Deposits with Trustee

Bond deposits with Trustee represents funds held to pay debt service as required by certain bond indentures.

(e) Restricted Cash

Restricted cash represents deposits required by bond covenants and collateral cash for certain interest rate swaps. As of June 30, 2021, restricted cash totaled $6,882. There were no such requirements as of June 30, 2022.

(f) Pledges and Accounts Receivable

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

(Continued)

(Dollars in thousands)

(g) Tuition and Related Revenues

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).

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, 2022 and 2021, net tuition, fees, and room and board of $2,400 and $10,400 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, fees, room and board revenue was as follows for the years ended June 30, 2022 and 2021:

		2022	2021
Undergraduate tuition and fees	$	227,742	201,034
Postgraduate tuition and fees		33,925	31,796
Residence hall and dining		52,937	31,554
Gross tuition, fees, room and board		314,604	264,384
Financial aid		(101,009)	(83,515)
Net tuition, fees, room and board	$	213,595	180,869

(h) 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.

(i) 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 (3–15 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.

(j) Bond Premiums and Issuance Costs

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

(k) Use of Estimates

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

(l) 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, 2022 or 2021.

(m) 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.

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There were no significant conditional contributions or advance payments from sponsors at June 30, 2022. Total revenue from grants and contracts recognized in net assets without donor restrictions was $10,425 and $5,860 for the years ended June 30, 2022 and 2021, respectively.

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; and
- Increases (decreases) in net assets without donor restrictions in all other cases.

(n) 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 $2,009 and $2,254 at June 30, 2022 and 2021, 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.

(o) Derivative Instruments

In September 2021, the University terminated its interest-rate swap agreements that were utilized with counterparties to effectively convert variable-rate debt to fixed rates. The swaps' fair values and changes therein are recognized in the University's financial statements. The fair value of the swap instruments considers the estimated benefit or cost to the University to terminate 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 impacted the swaps' fair value. Because the swap fair values are based predominantly on observable inputs that are corroborated by market data, they were classified within Level 2 of the fair value hierarchy.

(p) 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

(Continued)

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.

(q) 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.

(r) 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, 2022 and 2021 amounted to $7,935 and $4,288, 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, 2022 and 2021 amounted to $6,369, and is reported in other liabilities on the statement of financial position.

(s) Prior Year Information

Prior year information presented is not intended to constitute a full presentation in accordance with GAAP. Accordingly, summarized 2021 information should be read in conjunction with the University's financial statements as of and for the year ended June 30, 2021.

(Dollars in thousands)

(t) 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. The University continues to incur certain incremental costs due to the pandemic, including COVID-19 testing costs, and has also taken certain steps resulting in reductions in recurring costs, such as travel, utilities, and certain benefits. During the year ended June 30, 2022 and 2021, the University received funding of $6,953 and $3,884 respectively, from the Higher Education Emergency Relief Fund (HEERF) that was used to provide aid to students and to offset certain costs of the pandemic and is reported within government grants on the Statement of Activities. In addition, during the year ended June 30, 2022, the University received funding from the Federal Emergency Management Agency (FEMA) of $1,647 that was used to offset certain costs of the pandemic and is reported within government grants on the statement of activities.

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.

(u) Reclassifications

Certain 2021 information has been reclassified to conform to the 2022 presentation.

(3) Liquidity

As of June 30, 2022, 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:

		2022
Financial assets:		
Cash and cash equivalents	$	63,044
Working capital investments		27,625
Bond deposits with trustee		8,456
Accounts receivable, net		2,920
Pledge payments available for operations, net		1,041
Fiscal year 2023 board-approved endowment appropriation		14,436
Total financial assets available within one year	$	117,522

The University has board-designated endowment funds of $196,343 as of June 30, 2022. 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. As described in note 6, the University has a committed line of credit with a bank for a maximum amount of $25,000 that expires in January 2023.

(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.

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, 2022 and 2021, the University had no plans or intentions to sell investments at amounts different from NAV.

(Dollars in thousands)

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

	2022					2021
	Measured	Measured in fair value hierarchy				
	at NAV	Level 1	Level 2	Level 3	Total	Total
Long-term investment strategies:						
Cash and cash equivalents	$ —	3,616	—	—	3,616	19,880
Municipal bonds	—	—	2,502	—	2,502	2,768
Equities:						
Domestic	46,920	9,901	—	—	56,821	72,160
Global	67,132	580	—	—	67,712	90,387
U.S. real estate equity	—	19,115	—	—	19,115	20,237
Hedged equity funds of funds	82,607	—	—	—	82,607	76,681
Private equity and venture capital funds	88,699	—	—	—	88,699	67,838
Commodities	—	16,926	—	—	16,926	15,294
Life insurance	—	—	—	6,356	6,356	5,983
Total investments	$ 285,358	50,138	2,502	6,356	344,354	371,228

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, 2022:

	Daily	Monthly	Quarterly	Annual	Rolling lock-ups	Illiquid	Total
Cash and cash equivalents	$ 3,616	—	—	—	—	—	3,616
Municipal bonds	2,502	—	—	—	—	—	2,502
Equities:							
Domestic	9,901	—	46,920	—	—	—	56,821
Global	580	67,132	—	—	—	—	67,712
U.S. real estate equities	19,115	—	—	—	—	—	19,115
Hedged equity funds of funds	—	—	49,198	13,752	10,038	9,619	82,607
Private equity and venture capital funds	—	—	—	—	—	88,699	88,699
Commodities	16,926	—	—	—	—	—	16,926
Life insurance	—	—	—	—	—	6,356	6,356
Total investments	$ 52,640	67,132	96,118	13,752	10,038	104,674	344,354

(Dollars in thousands)

Included in the hedged equity funds of funds is $4,742 subject to a two-year lockup, which currently expires on December 31, 2023. Also included in the hedged equity funds of funds is $5,296 subject to a lockup period that expires on the earlier of six months after all capital commitments have been called or July 1, 2024. 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, 2022 of $41,311. 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.

(5) Property, Plant, and Equipment

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

		2022	2021
Land	$	31,871	31,871
Buildings and building improvements		492,641	476,815
Equipment and furnishings		59,217	58,643
Construction in progress		8,336	10,196
		592,065	577,525
Less accumulated depreciation		(298,967)	(283,240)
Property, plant and equipment, net	$	293,098	294,285

Depreciation expense was $18,140 and $19,146 for the years ended June 30, 2022 and 2021, respectively.

(Dollars in thousands)

(6) Bonds and Notes Payable

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

		2022	2021
MDFA: Series 2013A Issue Variable rate (.72% as of September 1, 2021), due serially through July 1, 2030, fully redeemed September 2021	$	—	57,093
MDFA: Series 2013B Issue Variable rate (.63% as of September 1, 2021), due serially commencing July 1, 2030 through July 1, 2033, fully redeemed September 2021		—	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		17,975	19,240
MDFA: Series 2021A Revenue Bonds, 4.00 to 5.00%, due serially commencing July 1, 2028 through July 1, 2040		72,175	—
MDFA: Series 2021B Revenue Bonds, 0.574% to 1.82%, due serially commencing July 1, 2022 through July 1, 2028		21,280	—
Total bonds and notes payable		147,655	149,715
Net premium and debt issuance costs		22,663	4,861
Bonds payable, net	$	170,318	154,576

In September 2021, the University issued $72,175 of Series 2021A tax exempt fixed rate bonds and $21,280 of 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 interest-rate swap agreements outstanding at June 30, 2021.

The MDFA Series 2013 A and B bonds bore interest on a floating rate basis and were aligned with the University's outstanding swap agreements, thereby synthetically fixing the rates of all floating rate debt and matching the swap notional values. Through September 2021, the University paid a tax-exempt equivalent of one-month LIBOR plus a variable spread on the Series 2013A. Through September 2021, the University paid the tax-exempt equivalent of the sum of the one-month LIBOR plus a fixed spread on the Series 2013B.

(Dollars in thousands)

As of June 30, 2022, the aggregate maturities for all bonds payable for the years ending June 30 were as follows:

		Amount due
Fiscal year:		
2023	$	5,430
2024		5,565
2025		5,710
2026		5,870
2027		6,045
Thereafter		119,035
	$	147,655

The University has a committed line of credit with a bank for a maximum amount of $25,000. There were no draws or outstanding loans under the line of credit as of and for the year ended June 30, 2022. The current expiration date on the line of credit is January 2023. The University plans to renew the line of credit upon expiration.

(7) Interest Rate Swaps

The University had entered into interest-rate swap agreements that were utilized with counterparties to effectively convert its variable-rate debt to fixed rates. The University terminated all swaps as part of the bond refinancing as described in note 6. The interest rate swaps had an aggregate fair value of $20,243 as of June 30, 2021 and $21,143 at the date of the refinancing.

(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

(Continued)

(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 of donor-imposed restrictions and consisted of the following as of June 30, 2022 and 2021:

	2022					
	Without donor restrictions	With donor restrictions				
		Original gift	Accumulated gains (losses)	Total	Total 2022	Total 2021
Quasi	$ 196,343	—	—	—	196,343	213,165
Donor-restricted:						
Underwater	—	2,272	(191)	2,081	2,081	—
All other funds	—	59,483	75,154	134,637	134,637	146,067
Total endowed net assets at June 30	$ 196,343	61,755	74,963	136,718	333,061	359,232

(Dollars in thousands)

Changes in endowment activities for the year ended June 30, 2022 and summary comparative information for the year ended June 30, 2021 are as follows:

		2022			
		Without donor restrictions	**With donor restrictions**	**Total**	**2021**
Endowment activities for the year ended June 30:					
Beginning fair value	$	213,165	146,067	359,232	263,227
Investment return		(9,678)	(6,961)	(16,639)	104,823
Contributions		—	3,588	3,588	3,518
Endowment return utilized		(7,594)	(5,526)	(13,120)	(12,336)
Transfer in (out)		450	(450)	—	—
Total endowment at June 30	$	196,343	136,718	333,061	359,232

Endowed net assets at June 30, 2022 and 2021 were comprised as follows:

		2022			
		Without donor restrictions	**With donor restrictions**	**Total**	**2021**
Instruction	$	—	35,827	35,827	38,740
Scholarship		—	87,122	87,122	92,204
General		196,343	13,769	210,112	228,288
Total endowed net assets at June 30	$	196,343	136,718	333,061	359,232

(Dollars in thousands)

(9) Net Assets

Net assets at June 30, 2022 and 2021 are as follows:

		2022			
		Without donor restrictions	**With donor restrictions**	**Total**	**2021**
Endowment	$	196,343	136,718	333,061	359,232
Net investment in plant		122,780	—	122,780	139,709
Net reduction from interest rate swap liabilities		—	—	—	(20,243)
Other		57,703	12,225	69,928	47,894
Total net assets at June 30	$	376,826	148,943	525,769	526,592

(10) Functional Classification of Expenses

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

Operating expenses presented by functional and natural classification for the year ended June 30, 2022 consist of the following:

		Instruction	**Academic support**	**Student services**	**Institutional support**	**Auxiliary enterprises**	**Total**
Salaries and wages	$	52,399	9,972	19,270	19,865	8,164	109,670
Employee benefits		12,871	2,450	4,734	4,880	2,006	26,941
Supplies and services		6,498	7,194	16,891	11,750	14,557	56,890
Utilities		852	264	679	326	2,513	4,634
Depreciation		3,379	941	2,652	1,053	10,115	18,140
Interest		760	212	596	237	2,274	4,079
Total	$	76,759	21,033	44,822	38,111	39,629	220,354
Total for year ended June 30, 2021	$	70,673	19,586	37,477	33,083	37,842	198,661

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 $5,364 and $4,790 for the years ended June 30, 2022 and 2021, 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

Management has evaluated events subsequent to June 30, 2022 and through October 28, 2002, the date on which the financial statements were issued.