



Financial Statements

Lesley University

June 30, 2021 and 2020



LESLEY UNIVERSITY

Financial Statements

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Independent Auditors' Report

The Board of Trustees
Lesley University
Cambridge, Massachusetts

We have audited the accompanying financial statements of Lesley University (the "University"), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 Lesley University as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Maye Heyman McCann P.C.

October 25, 2021
Boston, Massachusetts

LESLEY UNIVERSITY

Statements of Financial Position

June 30,

	2021	2020
Assets		
Cash and cash equivalents	\$ 5,186,784	\$ 6,337,333
Student accounts receivable, net	4,119,363	3,292,259
Accounts, grants and interest receivable	10,325,395	1,074,328
Prepaid expenses and other assets	1,207,053	1,299,075
Debt service reserve with trustee	2,643,005	-
Unexpended bond proceeds	-	2,702,315
Contributions receivable, net	4,154,560	3,462,491
Investments held on behalf of employees for retirement	1,517,894	1,396,816
Student loans receivable, net	1,026,601	1,272,219
Property and equipment, net	202,972,454	209,522,761
Investments and trusts	<u>226,529,066</u>	<u>187,541,880</u>
Total assets	<u>\$ 459,682,175</u>	<u>\$ 417,901,477</u>
Liabilities and Net Assets		
Line of credit	\$ 9,950,000	\$ 5,600,000
Accounts payable and accrued expenses	11,323,128	14,087,286
Deferred revenue and advance payments	8,505,774	7,789,687
Annuities payable	2,478,371	2,690,123
Obligations to employees for retirement	1,517,894	1,396,816
Bonds, notes and loans payable, net	121,256,332	125,318,056
U.S. government loan advances	<u>1,026,815</u>	<u>1,183,409</u>
Total liabilities	<u>156,058,314</u>	<u>158,065,377</u>
Net assets:		
Without donor restrictions	261,595,747	228,713,610
With donor restrictions	<u>42,028,114</u>	<u>31,122,490</u>
Total net assets	<u>303,623,861</u>	<u>259,836,100</u>
Total liabilities and net assets	<u>\$ 459,682,175</u>	<u>\$ 417,901,477</u>

LESLEY UNIVERSITY

Statement of Activities

Year Ended June 30, 2021
(with comparative totals for 2020)

	2021		2020	
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Operating revenues:				
Tuition, fees, room and board (net of discount of \$19,739,105 and \$19,904,925, respectively)	\$ 53,599,779	\$ -	\$ 53,599,779	\$ 76,737,383
Government grants and contracts	17,305,224	-	17,305,224	2,844,821
Private grants and contracts	-	887,272	887,272	525,121
Auxiliary enterprises	3,862,522	-	3,862,522	4,587,971
Contributions	612,316	1,772,884	2,385,200	2,210,944
Other investment income	10,037	-	10,037	129,471
Other income	667,791	45,351	713,142	403,675
Amounts reclassified under spending formula	9,500,000	932,989	10,432,989	9,382,991
Amounts reclassified under board designations for operating needs	1,000,000	-	1,000,000	1,260,086
Net assets released from restrictions	3,394,737	(3,394,737)	-	-
Total operating revenues	89,952,406	243,759	90,196,165	98,082,463
Operating expenses:				
Instruction	37,027,353	-	37,027,353	43,363,083
Academic support	12,881,868	-	12,881,868	14,494,708
Student services	9,582,506	-	9,582,506	12,200,306
Management and general	16,591,736	-	16,591,736	18,032,166
Fundraising	769,892	-	769,892	1,777,494
Student aid and CARES act distribution	1,679,105	-	1,679,105	856,155
Auxiliary enterprises	7,043,204	-	7,043,204	13,471,179
Total operating expenses	85,575,664	-	85,575,664	104,195,091
Change in net assets from operating activities	4,376,742	243,759	4,620,501	(6,112,628)
Nonoperating activities:				
Investment return, net of fees	42,167,521	6,468,636	48,636,157	8,841,975
Amounts reclassified under spending formula	(9,500,000)	(932,989)	(10,432,989)	(9,382,991)
Contributions	100,000	4,998,953	5,098,953	76,264
Net assets released from restrictions (capital improvements, plant)	122,057	(122,057)	-	-
Amounts reclassified under board designations for operating needs	(1,000,000)	-	(1,000,000)	(1,260,086)
Loss on defeasance of debt	-	-	-	(3,198,756)
Voluntary early separation agreements	-	-	-	(2,985,128)
COVID related expenditures	(3,384,183)	-	(3,384,183)	-
Loss on sale of property and equipment	-	-	-	(36,265)
Gain (loss) on assets held with outside trustees	-	249,322	249,322	(6,157)
Change in net assets from nonoperating activities	28,505,395	10,661,865	39,167,260	(7,951,144)
Change in net assets	32,882,137	10,905,624	43,787,761	(14,063,772)
Net assets, beginning of the year	228,713,610	31,122,490	259,836,100	273,899,872
Net assets, end of the year	\$ 261,595,747	\$ 42,028,114	\$ 303,623,861	\$ 259,836,100

LESLEY UNIVERSITY

Statement of Activities

Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Operating revenues:			
Tuition, fees, room and board (net of discount of \$19,904,925)	\$ 76,737,383	\$ -	\$ 76,737,383
Government grants and contracts	2,844,821	-	2,844,821
Private grants and contracts	-	525,121	525,121
Auxiliary enterprises	4,587,971	-	4,587,971
Contributions	732,853	1,478,091	2,210,944
Other investment income	129,471	-	129,471
Other income	290,555	113,120	403,675
Amounts reclassified under spending formula	8,449,994	932,997	9,382,991
Amounts reclassified under board designations for operating needs	1,260,086	-	1,260,086
Net assets released from restrictions	3,660,494	(3,660,494)	-
Total operating revenues	98,693,628	(611,165)	98,082,463
Operating expenses:			
Instruction	43,363,083	-	43,363,083
Academic support	14,494,708	-	14,494,708
Student services	12,200,306	-	12,200,306
Management and general	18,032,166	-	18,032,166
Fundraising	1,777,494	-	1,777,494
Student aid and CARES act distribution	856,155	-	856,155
Auxiliary enterprises	13,471,179	-	13,471,179
Total operating expenses	104,195,091	-	104,195,091
Change in net assets from operating activities	(5,501,463)	(611,165)	(6,112,628)
Nonoperating activities:			
Investment return, net of fees	7,600,430	1,241,545	8,841,975
Amounts reclassified under spending formula	(8,449,994)	(932,997)	(9,382,991)
Contributions (capital improvements, plant)	100,000	(23,736)	76,264
Net assets released from restrictions (capital improvements, plant)	332,717	(332,717)	-
Amounts reclassified under board designations for operating needs	(1,260,086)	-	(1,260,086)
Loss on defeasance of debt	(3,198,756)	-	(3,198,756)
Voluntary early separation agreements	(2,985,128)	-	(2,985,128)
Loss on sale of property and equipment	(36,265)	-	(36,265)
Loss on assets held with outside trustees	-	(6,157)	(6,157)
Change in net assets from nonoperating activities	(7,897,082)	(54,062)	(7,951,144)
Change in net assets	(13,398,545)	(665,227)	(14,063,772)
Net assets, beginning of the year	242,112,155	31,787,717	273,899,872
Net assets, end of the year	\$ 228,713,610	\$ 31,122,490	\$ 259,836,100

LESLEY UNIVERSITY

Statement of Functional Expenses

Year Ended June 30, 2021
(with comparative totals for 2020)

	2021							2020	
	Instruction	Academic Support	Student Services	Management and General	Fundraising	Student Aid and CARES Act Distribution	Auxiliary Enterprises	Total	Total
Salaries and wages	\$ 24,677,642	\$ 7,570,362	\$ 5,596,661	\$ 7,458,333	\$ 443,259	\$ 14,832	\$ 360,313	\$ 46,121,402	\$ 51,936,558
Employee benefits and payroll taxes	5,613,013	2,089,066	1,567,198	906,158	121,055	1,135	96,888	10,394,513	11,527,372
Fees for services	-	96	-	1,001,301	-	-	15,309	1,016,706	794,562
Advertising and promotions	3,785	2,568	489,697	4,195	-	-	-	500,245	1,088,547
Office expenses	68,840	25,142	181,964	129,321	38,752	-	10,573	454,592	993,455
Information technology	36,292	640,126	366,304	1,341,876	85,848	-	2,228	2,472,674	2,158,591
Occupancy	1,270	576	30,022	62,364	-	-	1,438,178	1,532,410	2,745,835
Travel	29,373	1,451	24,812	865	-	15,495	2,844	74,840	1,032,819
Conferences, meetings	9,363	21,314	5,949	7,141	149	-	-	43,916	163,545
Insurance	-	-	960	630,788	-	-	152,255	784,003	755,655
Dining services	3,704	-	-	-	-	-	112,733	116,437	3,510,599
Custodial services	-	-	-	-	-	-	265,536	265,536	1,254,809
Security services	-	-	-	-	-	-	298,995	298,995	579,125
Books, memberships and dues	93,255	257,155	51,349	147,458	8,549	-	12	557,778	747,567
Student aid	-	-	-	-	-	1,647,643	-	1,647,643	806,587
Other expenses	1,734,909	406,335	465,918	1,353,997	72,280	-	(120,234)	3,913,205	5,482,838
Depreciation	2,228,372	875,098	375,622	1,576,855	-	-	2,609,712	7,665,659	7,825,327
Interest	1,362,975	535,250	229,748	1,147,009	-	-	1,627,192	4,902,174	4,713,186
Plant	1,164,560	457,329	196,302	824,075	-	-	170,670	2,812,936	6,078,114
Total functional expenses	\$ 37,027,353	\$ 12,881,868	\$ 9,582,506	\$ 16,591,736	\$ 769,892	\$ 1,679,105	\$ 7,043,204	\$ 85,575,664	\$ 104,195,091

LESLEY UNIVERSITY

Statement of Functional Expenses

Year Ended June 30, 2020

	Instruction	Academic Support	Student Services	Management and General	Fundraising	Student Aid and CARES Act Distribution	Auxiliary Enterprises	Total
Salaries and wages	\$ 27,578,598	\$ 8,264,665	\$ 6,667,145	\$ 7,702,688	\$ 1,144,849	\$ 25,728	\$ 552,885	\$ 51,936,558
Employee benefits and payroll taxes	6,160,274	2,195,882	1,831,301	868,468	316,214	1,728	153,505	11,527,372
Fees for services	-	68	3	764,531	-	-	29,960	794,562
Advertising and promotions	13,448	1,718	1,045,794	21,511	6,076	-	-	1,088,547
Office expenses	193,634	131,782	458,486	118,922	55,685	-	34,946	993,455
Information technology	31,551	510,020	303,556	1,216,769	96,695	-	-	2,158,591
Occupancy	259,965	23,895	53,867	135,401	141	-	2,272,566	2,745,835
Travel	519,363	146,747	202,145	99,140	58,486	2,200	4,738	1,032,819
Conferences, meetings	49,116	48,399	34,256	31,774	-	-	-	163,545
Insurance	-	-	960	617,679	-	-	137,016	755,655
Dining services	-	-	-	-	-	-	3,510,599	3,510,599
Custodial services	-	-	-	10,906	-	-	1,243,903	1,254,809
Security services	-	-	-	-	-	-	579,125	579,125
Books, memberships and dues	124,419	313,814	106,923	179,394	8,382	13,000	1,635	747,567
Student aid	-	-	-	-	-	806,587	-	806,587
Other expenses	2,275,624	439,785	458,010	1,872,434	90,966	6,912	339,107	5,482,838
Depreciation	2,301,010	903,623	387,866	1,628,256	-	-	2,604,572	7,825,327
Interest	1,339,733	526,122	225,830	983,659	-	-	1,637,842	4,713,186
Plant	2,516,348	988,188	424,164	1,780,634	-	-	368,780	6,078,114
Total functional expenses	\$ 43,363,083	\$ 14,494,708	\$ 12,200,306	\$ 18,032,166	\$ 1,777,494	\$ 856,155	\$ 13,471,179	\$ 104,195,091

LESLEY UNIVERSITY

Statements of Cash Flows

Years Ended June 30,

	2021	2020
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ 43,787,761	\$ (14,063,772)
Adjustments to reconcile change in net assets to cash used in operating activities:		
Depreciation	7,665,659	7,825,327
Amortization on bond issuance cost and bond premiums, net	(596,733)	(273,447)
Loss on sale of property and equipment	-	36,265
Loss on defeasance of debt	-	1,234,041
Provision for uncollectible amounts	302,084	422,467
Net realized and unrealized gains on investments and trusts	(47,476,254)	(7,770,303)
Receipts of long-term contributions	(4,998,623)	(510,332)
Changes in:		
Student accounts receivable	(1,129,188)	477,693
Accounts, grants and interest receivable	(9,251,067)	199,110
Prepaid expenses and other assets	92,022	854,690
Contributions receivable	(692,069)	1,333,072
Investments held on behalf of employees for retirement	(121,078)	(11,987)
Accounts payable and accrued expenses	(2,819,948)	5,917,550
Obligations to employees for retirement	121,078	11,987
Annuities payable	(211,752)	(199,808)
Deferred revenue and advance payments	716,087	(3,622,016)
Net cash used in operating activities	<u>(14,612,021)</u>	<u>(8,139,463)</u>
Cash flows from investing activities:		
Purchase of property and equipment, net	(1,059,562)	(10,138,528)
Purchase of investments	(133,888,203)	(81,336,779)
Sale of investments	142,377,271	90,846,329
Cash collections on student loans	245,618	187,935
Net cash provided by (used in) investing activities	<u>7,675,124</u>	<u>(441,043)</u>
Cash flows from financing activities:		
Proceeds from issuance of bonds, notes and loans payable	-	5,388,300
Payments on bonds, notes and loans payable	(3,464,991)	(2,370,000)
Net proceeds from line of credit	4,350,000	5,600,000
Decrease in U.S. government loan advances	(156,594)	(354,545)
Receipt of long-term contributions	4,998,623	510,332
Decrease in debt service reserve with trustees and unexpended bond proceeds	59,310	1,650,168
Net cash provided by financing activities	<u>5,786,348</u>	<u>10,424,255</u>
Net (decrease) increase in cash and cash equivalents	<u>(1,150,549)</u>	<u>1,843,749</u>
Cash and cash equivalents, beginning of year	6,337,333	4,493,584
Cash and cash equivalents, end of year	<u>\$ 5,186,784</u>	<u>\$ 6,337,333</u>

LESLEY UNIVERSITY

Notes to Financial Statements

Note 1 - Organization and Summary of Significant Accounting Policies

Lesley University (the "University") is a private, not-for-profit, co-educational institution of higher education enrolling students in professional, undergraduate and graduate degree programs. The University's physical campus lies within Cambridge, Massachusetts and is comprised of four schools: the College of Liberal Arts and Sciences, the College of Art and Design, the Graduate School of Education, and the Graduate School of Arts and Social Sciences; and the Threshold Program. The University also offers online degree programs. The University has over one hundred programs of study and draws its student population primarily from Massachusetts and the New England region of the United States.

The University is primarily accredited by the New England Commission of Higher Education, Inc., among other accrediting bodies. The University participates in student financial aid programs sponsored by the United States Department of Education ("DOE") and to a much lesser extent the Commonwealth of Massachusetts, and other states within the United States of America. These programs facilitate the payment of tuition and other expenses for eligible students when they are determined to be eligible as evaluated by the University's financial aid office. Such determinations are subject to after the fact review by funders.

The University engages students in transformative education through active learning, scholarly research, diverse forms of artistic expression, and the integration of rigorous academics with practical, professional experience, leading to meaningful careers and continuing lifelong learning. The University prepares socially responsible graduates with the knowledge, skills, understanding, and ethical judgment to be catalysts shaping a more just, humane, and sustainable world.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis and in accordance with accounting principles generally accepted in the United States of America which require that the University report information regarding its financial position and activities based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions

This net asset class includes resources for general use and is not subject to donor restrictions. The Board of Trustees has designated from net assets without donor restrictions amounts to function as endowment. Net assets without donor restrictions also include the investment in property and equipment, net of accumulated depreciation and amortization and related debt. The University also has designated certain funds to be used for strategic initiatives. The strategic initiatives fund is used to cover expenses incurred for projects and personnel to strategically position the University to sustain growth and encourage innovation. Also included in net assets without donor restrictions are amounts functioning as endowment.

Net Assets With Donor Restrictions

This net asset class includes resources subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature that may or will be met, either by the passage of time or the events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

LESLEY UNIVERSITY

Notes to Financial Statements

Note 1 - Organization and Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

Cash equivalents include all highly liquid debt instruments with maturities at date of purchase of three months or less. Such accounts are carried at cost plus accrued interest. Cash and cash equivalents held by investment managers are considered part of investments.

Cash and cash equivalents may be deposited into bank accounts and other instruments with and without federal deposit insurance and balances may exceed federally insured limits. The University monitors its exposure associated with cash and cash equivalents and has not experienced any losses in such accounts and therefore it believes its exposure to this concentration is limited.

Included in cash and cash equivalents are restricted amounts to be used for specific purposes as required by donors. These restricted amounts totaled \$3,325,596 and \$3,048,339 at June 30, 2021 and 2020, respectively.

Students Accounts Receivable

Students are billed based on dates outlined in the academic catalog as agreed in advance of the delivery of the related academic or auxiliary activity. Payments for tuition, fees, room, board and auxiliary enterprises charges are generally due by the start of the academic period with the recognition that payments being made by the DOE or others are subject to specific requirements within those programs as to when those funds can be availed. Certain DOE funding can be availed prior to the commencement of the academic period, while other amounts are paid on specified intervals based on the rules as promulgated by the DOE. Thus cash flows on accounts receivable balances do not directly depend on meeting specified performance obligations of the University. Student accounts receivable are not collateralized.

Student accounts receivable are stated net of an allowance for doubtful accounts. The allowance for doubtful accounts is established based on historical experience which is reviewed and assessed periodically.

Accounts, Grants and Interest Receivable

Accounts, grants and interest receivable includes amounts due from other than student sources. In 2021, the balance is primarily comprised of amounts due from tax credits being claimed under the Employee Retention Credit program as more fully discussed on Note 14. This account also includes amounts due under operating lease arrangements which remain unpaid at year end. Management has provided a reserve of \$367,000 in 2021 to cover a substantial portion of the amounts due under those arrangements given the uncertainty of ultimate collection. Other amounts are expected to be fully collectable.

Debt Service Reserve with Trustee

Debt service reserve with trustee is carried at fair value using Level 1 inputs as discussed later in this section. The account consists primarily of funds held for debt service pursuant to the bond indentures which require that specified amounts be maintained with the trustee. The assets in the fund are a money market fund of U.S. government securities which complies with provisions of the bond agreements.

LESLEY UNIVERSITY

Notes to Financial Statements

Note 1 - Organization and Summary of Significant Accounting Policies (Continued)

Unexpended Bond Proceeds

Unexpended bond proceeds have been invested in U.S. treasuries and are carried at fair value using Level 2 inputs as discussed later in this section. The account consists primarily of funds held for eligible costs associated with the underlying bond agreement and maintained within such account until such time as qualified costs are incurred.

Contributions Receivable

Contributions receivable are recorded at fair value when initially pledged using Level 2 fair value inputs as described later in this section. For contributions expected to be collected in one year or more, fair value is arrived at by using expected collection rates along with a present value discount to account for the inherent risk associated with the expected future cash flows. Amortization of the discount is included in contributions revenue. Balances are periodically reviewed to adjust the allowance for doubtful accounts. Management estimates the allowance by a review of historical experience along with a specific review of collection trends that differ from plans on individual accounts.

Investments Held on Behalf of Employees for Retirement and Obligations to Employees for Retirement

The University has a non-qualified deferred compensation plan under Section 457 of the Internal Revenue Code covering certain employees. Assets associated with this plan are included in investments held on behalf of employees for retirement along with a corresponding amount for the obligation with such amounts being recorded using Level 1 inputs as described later in this section. Expenses under this plan amounted to approximately \$121,078 and \$56,500 for years ended June 30, 2021 and 2020, respectively.

Student Loans Receivable and U.S. Government Loan Advances

Student loans receivable represent loans made under the Perkins Loan Program sponsored by the DOE and operated by the University. The program was funded over multiple years with federal funds along with a modest match from the University. As loans are repaid, funds are collected and held for this program. Loans are no longer being provided to students under this program. The U.S. Government Loan Advances represent liabilities for federal funds advanced subject to certain adjustments are ultimately repayable should the program cease or should the University elect to no longer participate in the program. The University utilizes the services of a third party for billing, collection, and other requirements associated with this program. Credit risk is mitigated given the ability of the University to place non-performing loans with the DOE thus reducing the federal advances, and accordingly, reserve requirements are modest. Management evaluates its reserves considering its collection experience, current conditions and related items that could have an impact in order to estimate reserves required. Gross student loans receivable and (allowances) were \$1,082,635 (\$56,034) and \$1,328,235 (\$56,034) at June 30, 2021 and 2020, respectively.

LESLEY UNIVERSITY

Notes to Financial Statements

Note 1 - Organization and Summary of Significant Accounting Policies (Continued)

Property and Equipment

Property and equipment are recorded at acquisition cost when the useful life is over one year when such amounts exceed a management established capitalization threshold, net of accumulated depreciation and amortization. Maintenance and repairs are expensed as incurred, and improvements are capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the assets of three to sixty years. Interest incurred during the construction phase of projects is capitalized. Library books are expensed during the period the expenditures are incurred.

Investments and Trusts

Investments are carried at fair value as per those policies discussed later in this section.

Net investment return (loss) is reported in the statement of activities and consists of interest, dividends, realized and unrealized gains and losses, less external and direct internal investment expenses. Returns are allocated to the underlying funds if such funds are with donor restrictions.

Fair Value Measurements

The University reports certain assets and liabilities at fair value on a recurring or non-recurring basis depending on the underlying policy for the particular item, in accordance with fair value standards. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. These standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or valuation techniques) to determine fair value. Recurring fair value measurements include the University's investments and trusts, investments held on behalf of employees for retirement and obligations to employees for retirement and unexpended bond proceeds. Non-recurring measurements include contributions receivable and annuities payable. In addition, the University reports certain investments using the net asset value per share ("NAV") as determined by investment managers under the so called "practical expedient." The practical expedient allows net asset value per share to represent fair value for reporting purposes when the criteria for using this method are met. Fair value standards also require the University to classify financial instruments (but for those measured using NAV) into a three-level hierarchy, based on the priority of inputs to the valuation technique. The three levels of the fair value hierarchy are described below:

Level 1 – Quoted prices are available in active markets for identical instruments as of the reporting date. Instruments which are generally included in this category include listed equity and debt securities publicly traded on an exchange.

Level 2 – Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement. The inputs into the determination of fair value require significant management judgment or estimation.

LESLEY UNIVERSITY

Notes to Financial Statements

Note 1 - Organization and Summary of Significant Accounting Policies (Continued)

Fair Value Measurements (Continued)

In some instances, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such instances, an instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

Market price is affected by a number of factors, including the type of instrument and the characteristics specific to the instrument. Instruments with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. It is reasonably possible that changes in value of these instruments will occur in the near term and that such changes could materially affect amounts reported in these financial statements. It is also possible that redemption rights may be restricted or eliminated by investment managers in the future in accordance with the underlying fund agreements.

Deferred Revenue and Advance Payments

Deferred revenue represents unearned amounts of tuition, fees, room, board and auxiliary enterprises revenue given courses and services in process at year end and are primarily associated with summer academic sessions. Such amounts are computed based on the percentage of completion of courses or use of services such as housing. Revenue is recognized over time with such amounts being recognized over periods less than one year given the nature and duration of the underlying services being provided. Advance payments relate to enrollment deposits or other payments made in advance for which no revenue process is in process.

Substantially all amounts included in deferred revenue at the opening of each period were recognized as revenues during the following fiscal period with very limited amounts not being earned associated with student withdrawal rights that management does not consider material. The remaining performance obligation is time driven given the academic calendar that underlies the earnings process for tuition, fees, room, board and auxiliary revenue. There were no significant changes to deferred revenue amounts on a quantitative or qualitative basis at June 30, 2021 or 2020.

Annuities Payable

Annuities payable generally relate to the obligations associated with split interest agreements where the University agrees to pay a donor and named beneficiaries a fixed amount per year for the life of the annuitants in exchange for assets at the inception of the arrangement. The difference between the fair value of the assets donated and the present value of the annuity obligation represents contribution revenue. The annuity obligations are unsecured debts of the University. The initially recorded fair value of the donated assets is determined based on the underlying nature of the gift received utilizing Level 1, 2 or 3 inputs with such assets generally being included in investments, while the initial measurement of the related obligations is based on Level 2 inputs as per the fair value policies elsewhere in this section. Future payments on annuities payable range from approximately \$225,000 to \$300,000 per year for the next few years.

LESLEY UNIVERSITY

Notes to Financial Statements

Note 1 - Organization and Summary of Significant Accounting Policies (Continued)

Bonds, Notes and Loans Payable

Bonds, notes and loans payable are stated net of premiums, discounts and issuance costs. Premiums, discounts and issuance costs are amortized on the straight-line basis over the term of the underlying debt agreement.

Asset Retirement Obligations

The University follows accounting standards for conditional asset retirement obligations which requires that conditional asset retirement obligations (“AROs”) that meet the definition of liabilities should be recognized when incurred if their fair values can be reasonably estimated.

The University was unable to estimate the range of settlement dates and the related probabilities for certain asbestos remediation AROs. These conditional AROs are primarily related to the necessary structural updates to various properties owned by the University. Because these conditional obligations have indeterminate settlement dates, the University could not develop a reasonable estimate of its AROs. The University will continue to assess its ability to estimate fair values at each future reporting date.

Income Taxes

The University is recognized by the Internal Revenue Service as an organization described in Section 501(c)(3) of the Internal Revenue Code (the “Code”) and is generally exempt from Federal and state income taxes on related income. Certain unrelated activities are subject to Federal and state taxation as unrelated business income. Given the limited taxable activities of the University, management has concluded that disclosures related to tax provisions are not necessary.

Uncertain Tax Positions

The University accounts for the effect of any uncertain tax positions based on a “more likely than not” threshold to the recognition of the tax positions being sustained based on the technical merits of the position under scrutiny by the applicable taxing authority. If a tax position or positions are deemed to result in uncertainties of those positions, the unrecognized tax benefit is estimated based on a “cumulative probability assessment” that aggregates the estimated tax liability for all uncertain tax positions. The University has identified its tax status as a tax-exempt entity and its determinations as to what income is related and unrelated as its only significant tax positions; however, the University has determined that such tax positions do not result in an uncertainty requiring recognition. The University is not currently under examination by any taxing jurisdiction.

The University’s Federal and state tax returns are generally open for examination for three years following the date filed.

LESLEY UNIVERSITY

Notes to Financial Statements

Note 1 - Organization and Summary of Significant Accounting Policies (Continued)

Revenue Recognition and Operations

Revenues are reported as increases in net assets without donor restrictions unless use of the related asset is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. The University has both earned revenues and contributed support.

Earned Revenues

The University earns revenues primarily through tuition, fees, room, board and auxiliary services all of which are under arrangements that are aligned to an academic period.

Accounting standards require earned revenues to be evaluated using a principles based process that requires the entities to: 1) identify the contract with the customer; 2) identify the performance obligations in the contract; 3) determine the transaction price; 4) allocate the transaction price to the performance obligations; and 5) recognize revenue when (or as) performance obligations are satisfied.

Tuition, fees and auxiliary enterprises revenue are recorded at established rates, net of institutional financial aid and scholarships provided directly to students with amounts that are fixed and determinable. Such net amounts are recorded as revenue when performance obligations are satisfied which is generally over time as services are rendered. Management believes that recognizing revenue over time is the best measure of services rendered based on its academic calendar and has not made any changes in the timing of its satisfaction of its performance obligations or amounts allocated to those obligations. Discounts provided to employees are considered part of fringe benefits within operating expenses and likewise are recorded over time. Management does not consider there to be significant judgment involved in the timing of satisfaction of performance obligations as they are directly linked to the academic calendar of the related academic activity.

Students may withdraw from programs of study within certain time limits as under the University's withdrawal policies by semester. These policies vary by program but allow for up to a 100% refund after the start of classes. Given the normal timing of the University's programs, the exposure to such withdrawal rights is limited at year end.

Payments made by third parties such as the DOE relative to loans and grants to students are a mechanism to facilitate payment on behalf of students, and accordingly, such funding does not represent revenue of the University.

Rental income is recorded as revenue over time as earned.

Investment returns are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law.

LESLEY UNIVERSITY

Notes to Financial Statements

Note 1 - Organization and Summary of Significant Accounting Policies (Continued)

Revenue Recognition and Operations (Continued)

Contributed Support

Contributions, including unconditional promises to give, are initially recorded as revenue as either with or without donor restrictions at fair value when verifiably committed. Unconditional promises to give that are expected to be collected in one year or more are recorded at the present value of the estimated future cash flows using a risk adjusted discount rate depending on the time period involved. Fair value is determined at the original date of record as described in this section using Level 2 fair value inputs. Conditional contributions are recorded as revenue when the conditions have been met which generally involves the meeting of a barrier to entitlement such as the achievement of a match or incurring specified allowable expenses in accordance with a framework of allowable cost or other barriers. Intentions to give are not recorded as revenues or assets. Expirations of donor-imposed restrictions on net assets, such as the donor stipulated purpose has been fulfilled and/or the stipulated time period has elapsed, are reported as “net assets released from restriction” between the classes of net assets.

The University reports gifts or property, plant and equipment as revenues without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as revenue with donor restrictions. The University reports expirations on donor restrictions when the donated or acquired long-lived assets are placed in service.

Nonoperating Activities

Nonoperating activities includes contributions for endowment and capital, investment returns less spending draws and additional draws of board designated funds to meet operating needs, funds released from donor restriction associated with capital improvements and plant, loss on defeasance of debt, voluntary early separation agreements, and certain other gains and losses.

Advertising

The University expenses the cost of advertising when incurred. Advertising expense was approximately \$652,000 and \$1,087,000 for the years ended June 30, 2021 and 2020, respectively.

Functional Allocation of Expenses

The costs of providing the various programs and activities and supporting services have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Depreciation of plant assets and operation and maintenance of plant expenses have been allocated to functional classifications based on square footage of facilities. Interest expense is allocated to functional classifications that benefited from the use of the proceeds of the debt.

LESLEY UNIVERSITY

Notes to Financial Statements

Note 1 - Organization and Summary of Significant Accounting Policies (Continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Self-Insurance

The University participates in a self-insured health insurance captive (the "Captive") in order to manage its health insurance costs. The University is an equity participant in the Captive that currently includes a significant group of educational institutions in the area. As a participant, the University is liable for its claim costs plus for its pro-rata share of any Captive losses. Cash is advanced to the Captive monthly to cover near term claims with any advance payment considered to be prepaid. The Captive has purchased reinsurance for itself to limit claims to the capital provided by the members. Specific to the University's plan, a stop-loss insurance policy is in force providing coverage for claims in excess of \$100,000 per participant in a calendar year. An accrual is made at year end for benefit claims incurred but not reported in the amount of approximately \$476,000 and \$514,000 at June 30, 2021 and 2020, respectively.

New Accounting Pronouncements

Management is evaluating pending accounting pronouncements and does not expect a material impact from such standards.

Subsequent Events

The University has evaluated subsequent events through October 25, 2021, the date the financial statements were issued. No events have occurred requiring measurement or disclosure in the financial statements until the date of issuance.

Note 2 - Liquidity and Availability

The University regularly monitors liquidity to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The University has various sources of liquidity at its disposal, including cash and cash equivalents, marketable debt and equity securities and its line of credit.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the University considers all expenditures related to its ongoing activities of teaching, research and public service as well as the conduct of services undertaken to support those activities to be general expenditures. Student loans receivable are not included in the analysis as principal and interest on these loans are not available to meet current operating needs.

LESLEY UNIVERSITY

Notes to Financial Statements

Note 2 - Liquidity and Availability (Continued)

In addition to the financial assets available to meet general expenditures over the next 12 months, the University seeks to operate with as close to a balanced budget as is possible.

Although not expected to be needed, the spendable yet restricted portion of the University's net assets with donor restrictions could be used to meet cash needs if necessary. Prudent investment management, however, must be considered to ensure the preservation of the funds for future use.

The following tables show the total financial assets held by the University and the amounts of those financial assets available within one year of the balance sheet date to meet general expenditures at June 30:

	2021	2020
Financial assets at year end:		
Cash and cash equivalents	\$ 5,186,784	\$ 6,337,333
Student accounts receivable, net	4,119,363	3,292,259
Accounts, grants and interest receivable	10,325,395	1,074,328
Debt service reserve with trustee	2,643,005	-
Unexpended bond proceeds	-	2,702,315
Contributions receivable, net	4,154,560	3,462,491
Student loans receivable, net	1,026,601	1,272,219
Investments and trusts convertible to cash in the next 12 months	<u>199,104,795</u>	<u>167,098,657</u>
Total financial assets at year end	\$ <u>226,560,503</u>	\$ <u>185,239,602</u>
Financial assets available to meet general expenditures over the next 12 months:		
Cash and cash equivalents	\$ 1,301,358	\$ 4,220,007
Student accounts receivable	4,119,363	3,292,259
Accounts, grants and interest receivable	10,325,395	1,074,328
Contributions for general expenditures due in one year or less	2,119,639	1,289,638
Endowment spending rate distribution and appropriations	<u>10,430,000</u>	<u>9,383,000</u>
Total financial assets available to meet general expenditures over the next 12 months	\$ <u>28,295,755</u>	\$ <u>19,259,232</u>

The University also has substantial investments that are board designated as funds functioning as endowments in excess of approximately \$193 million and \$161 million at June 30, 2021 and 2020, respectively. As stated previously, such amounts are available to cover shortfalls or other needs should such need arise by board vote.

LESLEY UNIVERSITY

Notes to Financial Statements

Note 3 - Student Accounts Receivable, Net

Student accounts receivable consist of the following at June 30:

	2021	2020
Student accounts receivable	\$ 6,687,972	\$ 5,822,761
Allowance for doubtful accounts	<u>(2,568,609)</u>	<u>(2,530,502)</u>
	<u>\$ 4,119,363</u>	<u>\$ 3,292,259</u>

Note 4 - Contributions Receivable, Net

Contributions receivable are summarized as follows at June 30:

	2021	2020
Unconditional promises expected to be collected in:		
Less than one year	\$ 2,119,639	\$ 1,289,638
One year to five years	2,259,976	1,927,400
Greater than five years	<u>-</u>	<u>391,432</u>
	4,379,615	3,608,470
Less present value discount and allowance for doubtful accounts	<u>(225,055)</u>	<u>(145,979)</u>
Contributions receivable, net	<u>\$ 4,154,560</u>	<u>\$ 3,462,491</u>

Pledges are concentrated among a small concentration of donors at June 30, 2021 and 2020.

The University has several federal grant awards which are considered conditional contributions that have not been fully drawn down as of year-end. The amounts of remaining available awards equaled approximately \$3,295,000 and \$868,000 at June 30, 2021 and 2020, respectively.

LESLEY UNIVERSITY

Notes to Financial Statements

Note 5 - Investments and Trusts and Other Fair Value Measurements

The valuation of the University's financial instruments by the fair value hierarchy consisted of the following at June 30:

	2021				
	Total	Net Asset Value	Level 1	Level 2	Level 3
Assets					
Debt service reserve	\$ 2,643,005	\$ -	\$ 2,643,005	\$ -	\$ -
Investments held on behalf of employees for retirement	1,517,894	-	1,517,894	-	-
	<u>4,160,899</u>	<u>-</u>	<u>4,160,899</u>	<u>-</u>	<u>-</u>
Investments and trusts					
Cash equivalents	16,430,224	-	16,430,224	-	-
Global equities	134,862,906	107,150,905	27,712,001	-	-
Private equity	23,973,375	23,973,375	-	-	-
Hedge funds	-	-	-	-	-
Fixed income	36,477,380	12,216,474	24,260,906	-	-
Real estate	9,540,210	9,540,210	-	-	-
Real assets	3,693,074	1,743,656	1,949,418	-	-
Trusts held by others	1,551,897	-	-	-	1,551,897
	<u>226,529,066</u>	<u>154,624,620</u>	<u>70,352,549</u>	<u>-</u>	<u>1,551,897</u>
Total assets at fair value	\$ <u>230,689,965</u>	\$ <u>154,624,620</u>	\$ <u>74,513,448</u>	\$ <u>-</u>	\$ <u>1,551,897</u>
2020					
	Total	Net Asset Value	Level 1	Level 2	Level 3
Assets					
Unexpended bond proceeds	\$ 2,702,315	\$ -	\$ 2,702,315	\$ -	\$ -
Investments held on behalf of employees for retirement	1,396,816	-	1,396,816	-	-
	<u>4,099,131</u>	<u>-</u>	<u>4,099,131</u>	<u>-</u>	<u>-</u>
Investments and trusts					
Cash equivalents	5,082,859	-	5,082,859	-	-
Global equities	109,481,702	74,838,486	34,643,216	-	-
Private equity	17,904,415	17,904,415	-	-	-
Hedge funds	16,957,297	13,197,760	3,759,537	-	-
Fixed income	26,566,544	9,538,216	17,028,328	-	-
Real estate	9,149,775	9,149,775	-	-	-
Real assets	1,096,713	1,096,713	-	-	-
Trusts held by others	1,302,575	-	-	-	1,302,575
	<u>187,541,880</u>	<u>125,725,365</u>	<u>60,513,940</u>	<u>-</u>	<u>1,302,575</u>
Total assets at fair value	\$ <u>191,641,011</u>	\$ <u>125,725,365</u>	\$ <u>64,613,071</u>	\$ <u>-</u>	\$ <u>1,302,575</u>

LESLEY UNIVERSITY

Notes to Financial Statements

Note 5 - Investments and Trusts and Other Fair Value Measurements (Continued)

The University's investments can be redeemed as follows at June 30, 2021:

<i>Redemption Frequency</i>	<i>Fair Value</i>
Daily	\$ 132,257,530
Monthly	57,356,581
Quarterly	9,446,966
Annual	-
Illiquid	<u>27,467,989</u>
Total investments	\$ <u>226,529,066</u>

Unfunded commitments under various investment vehicles amounted to approximately \$11,521,000 at June 30, 2021. Management has no plans or intentions to liquidate any of its NAV investments other than in the ordinary course of business as allowed under such instruments.

Trusts held by others relate to the assets of an irrevocable charitable remainder trust and an irrevocable perpetual trust, which are held by independent donor-appointed trustees. Income from the perpetual trust is recognized "upon distribution" unless deemed as return of capital plus or minus any change in the fair value of the underlying asset while income from the remainder trust represents the change in fair value of the trust assets. Management has elected to omit disclosures about details of the Level 3 investment roll forward given the limited amounts involved.

Note 6 - Property and Equipment

The following is a summary of the University's property and equipment at June 30:

	2021	2020
Land and improvements	\$ 32,286,448	\$ 32,286,448
Building and improvements	245,221,397	244,433,066
Furniture and equipment	22,698,097	22,362,783
Construction in progress	<u>120,689</u>	<u>128,981</u>
Total property and equipment	300,326,631	299,211,278
Less accumulated depreciation and amortization	<u>(97,354,177)</u>	<u>(89,688,517)</u>
Property and equipment, net	\$ <u>202,972,454</u>	\$ <u>209,522,761</u>

LESLEY UNIVERSITY

Notes to Financial Statements

Note 7 - Line of Credit, Bonds, Notes and Loans Payable

Line of Credit

The University has a \$20,000,000 revolving line of credit with a bank with an interest rate equal to the higher of the London Interbank Offered Rate ("LIBOR") plus 1.50% (1.60% and 1.66% at June 30, 2021 and 2020, respectively) or 2.00%. The line is on a parity basis with all other indebtedness of the University via a pledge of the University's tuition receipts and is subject to certain covenants. The line of credit incurs a fee on the unused portion of the balance equal to 0.20% annually. This line of credit is due to expire on April 30, 2022. Management expects to renew this credit line under similar terms.

Bonds, Notes and Loans Payable

The following is a summary of the University's bonds and notes payable at June 30:

	2021	2020
Massachusetts Development Finance Agency Revenue Bonds (Series 2019), maturing at various times through 2049 with fixed interest rates ranging from 2.13%-5.00%.	\$ 54,665,000	\$ 56,595,000
Massachusetts Development Finance Agency Revenue Bonds (Series 2016), maturing at various times through 2039 with fixed interest rates ranging from 4.00%-5.00%.	44,565,000	45,590,000
Massachusetts Development Finance Agency Revenue Bonds (Series 2017), maturing at various times through 2033 with fixed interest rates ranging from 2.17%-5.00%.	8,785,000	9,165,000
Bon Appetit Capital Loan with an interest rate of 0.0%.	800,006	929,997
	108,815,006	112,279,997
Less unamortized bond issuance costs	(1,239,523)	(1,312,106)
Plus unamortized bond premium	13,680,849	14,350,165
Bonds, notes and loans payable, net	\$ 121,256,332	\$ 125,318,056

Scheduled maturities are as follows at June 30, 2021:

2022	\$ 3,575,000
2023	3,700,000
2024	3,770,000
2025	3,910,000
2026	4,045,000
Thereafter	89,815,006
Total bonds payable	\$ 108,815,006

LESLEY UNIVERSITY

Notes to Financial Statements

Note 8 - Net Assets and Endowment Matters

Net Assets Without Donor Restrictions

Net assets without donor restrictions are comprised of the following at June 30:

	2021	2020
Funds without donor restrictions:		
General and other purposes	\$ 179,930,394	\$ 144,611,892
Net investment in plant	<u>81,665,353</u>	<u>84,101,718</u>
Total net assets without donor restrictions	<u>\$ 261,595,747</u>	<u>\$ 228,713,610</u>

General and other purposes - Discretionary funds available for carrying on the operating activities of the University. These funds have been set aside by the Board of Trustees to support operations via a draw policy with additional amounts being available under that policy along with additional amounts as approved by the Board of Trustees.

Net investment in plant - The value of buildings and equipment net of depreciation, used in the University's operations. This amount is offset by outstanding liabilities related to the assets, such as bond debt and capital leases.

LESLEY UNIVERSITY

Notes to Financial Statements

Note 8 - Net Assets and Endowment Matters (Continued)

Net Assets With Donor Restrictions

Net assets with donor restrictions consist of the following at June 30:

	2021	2020
Accumulated unspent gains on endowment:		
Instruction	\$ 8,691,013	\$ 6,111,062
Student aid	4,795,431	1,932,463
Other (academic support, student services, general institutional)	<u>280,877</u>	<u>193,617</u>
Total accumulated unspent gains on endowment	<u>13,767,321</u>	<u>8,237,142</u>
Endowment corpus:		
Instruction	8,868,189	5,108,815
Student aid	10,783,575	10,757,500
Other (academic support, student services, general institutional)	<u>2,824,503</u>	<u>2,575,181</u>
Total endowment corpus	<u>22,476,267</u>	<u>18,441,496</u>
Total endowment	<u>36,243,588</u>	<u>26,678,638</u>
Other donor-restricted net assets:		
Contributions and other receivables	2,453,463	1,395,514
Instruction	2,359,817	2,087,623
Student aid	247,405	438,762
Capital improvements, plant	153,378	156,523
Other (academic support, student services, general institutional)	<u>570,463</u>	<u>365,430</u>
Total other donor-restricted net assets	<u>5,784,526</u>	<u>4,443,852</u>
Total net assets with donor restrictions	\$ <u>42,028,114</u>	\$ <u>31,122,490</u>

Net assets with donor restrictions were released from restrictions as follows for the years ended June 30:

	2021	2020
Instruction	\$ 1,871,567	\$ 2,020,972
Student aid	817,773	671,873
Capital improvements, plant	493,384	332,717
Other (academic support, student services, general institutional)	<u>334,070</u>	<u>967,649</u>
	\$ <u>3,516,794</u>	\$ <u>3,993,211</u>

LESLEY UNIVERSITY

Notes to Financial Statements

Note 8 - Net Assets and Endowment Matters (Continued)

Net Assets With Donor Restrictions (Continued)

Endowments and funds functioning as endowment, including trusts, are as follows for the years ended June 30:

	2021		
	<i>Without Donor Restrictions</i>	<i>With Donor Restrictions</i>	<i>Total</i>
Endowment assets and those functioning as endowment assets, June 30, 2020	\$ 161,072,430	\$ 26,469,450	\$ 187,541,880
Gifts and additions	-	1,534,696	1,534,696
Investment returns	42,167,513	6,717,966	48,885,479
Expenditures:			
Amounts appropriated for operations	(10,500,000)	(932,989)	(11,432,989)
Change in investments	31,667,513	7,319,673	38,987,186
Endowment assets and those functioning as endowment assets, June 30, 2021	\$ 192,739,943	\$ 33,789,123	\$ 226,529,066
	2020		
	<i>Without Donor Restrictions</i>	<i>With Donor Restrictions</i>	<i>Total</i>
Endowment assets and those functioning as endowment assets, June 30, 2019	\$ 163,760,132	\$ 25,520,995	\$ 189,281,127
Gifts and additions	-	646,064	646,064
Investment returns	7,600,430	1,235,388	8,835,818
Expenditures:			
Amounts appropriated for operations	(10,288,132)	(932,997)	(11,221,129)
Change in investments	(2,687,702)	948,455	(1,739,247)
Endowment assets and those functioning as endowment assets, June 30, 2020	\$ 161,072,430	\$ 26,469,450	\$ 187,541,880

Endowment assets with donor restrictions held in cash and not included in the table above totaled \$2,454,465 and \$209,188 at June 30, 2021 and 2020, respectively.

LESLEY UNIVERSITY

Notes to Financial Statements

Note 8 - Net Assets and Endowment Matters (Continued)

Endowment

The University's endowment consists of approximately 90 individual funds which are invested and administered in accordance with donor stipulation. The board also invests certain funds as if they are endowment, however those are subject to board oversight rather than state law. The University tracks the value of original gifts to its endowment type funds as well as the appreciation over time, less any spending under its spending policies. Such appreciation follows the original gift instrument that underlies the related funds.

The University's investments are managed in accordance with sound practices emphasizing long-term fundamentals to achieve long-term rates of return, to maintain purchasing power of endowment type funds, and to provide for current spending. Investments are diversified to reduce volatility and risk associated with concentrated positions and returns sought are those comparing favorably to other endowments, foundations and appropriate benchmarks. Portfolio volatility is intended to approximate the weighted composite of market indices correlating with the policy target portfolio, periodically adjusted for market conditions. A diversified target asset allocation places emphasis on equities, fixed income, real estate and managers employing multi-asset and absolute return strategies.

Interpretation of Relevant Law and Spending Policy

The University followed the standards contained in state law as promulgated in the Commonwealth of Massachusetts as it relates to the management of endowment type funds.

The University classifies net assets with donor restrictions based on: (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as corpus is classified as net assets with donor restrictions. The University considers the following standards of prudence when evaluating spending from its endowment type funds:

- The duration and preservation of the fund
- The purposes of the University and the donor-restricted endowment fund
- General economic conditions
- The possible effects of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the University
- The investment policies of the University

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Notes to Financial Statements

Note 8 - Net Assets and Endowment Matters (Continued)

Interpretation of Relevant Law and Spending Policy (Continued)

The University invests its endowment, including funds functioning as endowment, in investment portfolios and allocates the related earnings for expenditure in accordance with the total return concept which considers both appreciation and investment income. Endowment spending is computed on a trailing basis of the market value of the endowment over recent years by the approximately 5% spending rate approved for both 2021 and 2020. The draw policy from funds functioning as endowment is determined differently on an annual basis in relation to the operating budget rather than being strictly on a mathematical basis. The effect of has been that draw rates over these funds are higher than for endowment type funds, however the long-term vision of the board is to align the spending rates for endowment type funds when such becomes possible based on operating results. In addition, the board has in recent years approved additional draws based on budgeted needs for operations as determined by the board in consultation with management.

Management expects the distribution from funds functioning as endowment without donor restrictions and the endowment to be approximately \$10,430,000 for the year ending June 30, 2022. The board has approved an additional draw of \$5,000,000 for capital improvements for the year ending June 30, 2022.

Endowments with Deficiencies

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). These deficits resulted from unfavorable market fluctuations that generally occurred shortly after the investment of newly established endowments, and authorized distribution that was deemed prudent. The University has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. Underwater endowments were not material at June 30, 2021 and 2020.

Return Objectives and Risk Parameters

The University's investment portfolio is managed to provide for the long-term support of the University. Accordingly, these funds are managed with disciplined longer-term investment objectives and strategies designed to meet cash flows and spending requirements. Management of the assets is designed to attain the maximum total return consistent with acceptable and agreed-upon levels of risk. The target for average annual real total return (net of investment management fees) is at least the spending policy plus inflation.

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 an asset allocation strategy wherein assets are diversified among several asset classes. The pursuit of maximizing total return is tempered by the need to minimize the volatility of returns and preserve capital. As such, the University seeks broad diversification among assets having different characteristics with the intent to endure lower relative performance in strong markets in exchange for greater downside protection in weak markets.

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Notes to Financial Statements

Note 9 - Revenue Matters

The University's revenues from tuition, fees, room, board and auxiliary enterprises are all recognized over time. Factors that can impact the amount and timing of amount of cash flows include policies that allow for withdrawal by students after the start of the program subject to certain limits which differ by nature of program. Cash flows are also impacted by DOE rules which differ for newly enrolled versus continuing students with respect to financial aid. Generally, funds made available by the DOE for new students are available later than for continuing students. Management does not view there to be other qualitative factors that have a significant impact on the nature and amount of revenue and cash flow.

The University has a number of lines of business which include traditional undergraduate education, traditional graduate programs, other continuing education programs, online programs and international programs. The following table summarizes the percentages of revenue from each of these programs:

	2021	2020
Revenue		
Undergraduate tuition, fees, room and board	60%	57%
Graduate tuition and fees	33%	35%
Continuing Ed programs	4%	4%
Threshold program tuition, fees, room and board	2%	3%
Other fees	1%	1%

Note 10 - Lessor Arrangements

Certain University owned properties are rented to outside parties based on a combination of tenancy-at-will and operating lease arrangements through 2040. The rental income, which is included in auxiliary enterprises, amounted to \$3,443,000 and \$4,031,803 for the years ended June 30, 2021 and 2020, respectively.

Lease revenue receipts under leasing arrangements were as follows at June 30, 2021:

2022	\$ 1,769,864
2023	1,607,259
2024	1,470,760
2025	1,351,921
2026	1,241,370
Thereafter	<u>9,095,382</u>
	<u>\$ 16,536,556</u>

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Notes to Financial Statements

Note 11 - Employee Benefit Plans

Retirement Plans

All eligible full-time and part-time personnel may elect to participate in a qualified defined contribution retirement plan administered by the Teachers Insurance and Annuity Association and College Retirement Equities Fund. The University makes monthly contributions to the plan which is immediately vested for the benefit of the participants. Contributions are based on years of service with a maximum contribution of 8%. Employees must also contribute between 3% and 5% of annual wages in order to be eligible for a University match. Voluntary contributions by participants above the minimum requirement may be made subject to IRS limitations. The University's retirement expenses under this plan were \$2,496,702 and \$2,741,661 for the years ended June 30, 2021 and 2020, respectively.

Voluntary Employment Separation Program

During 2020, the University offered eligible employees the opportunity to participate in a voluntary separation program. Under the program, employees opting in have a right to a monetary incentive and other inducements to encourage participation. The estimated cost of the plan amounted to \$2,985,128 during the year ended June 30, 2020.

Note 12 - Commitments and Contingencies

Commitments

The University has long-term agreements with several third-party vendors for custodial services, security, food services, and bookstore operations. The expiration dates on these contracts run through 2029 and contain customary termination provisions. There are also smaller commitments in the ordinary course that at times extend several years into the future.

Contingencies

The University generally is subject to claims and investigations, which arise in the normal course of its operations. The University believes that the outcome of these matters will not have a material adverse effect on the financial position of the University.

Employment Agreements

The University has a long-term employment agreement with its President that stipulates a variety of business terms typical in the education sector.

The University also has employment contracts with key employees, which extend over multiple fiscal years that contain provisions for payments if terminated without cause.

The University has in place a collective bargaining agreement with its core faculty and the agreement expires on June 30, 2024. The University also has in place a collective bargaining agreement with its adjunct faculty and the agreement expires on June 30, 2022.

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Notes to Financial Statements

Note 13 - Cash Flows Information

Cash paid for interest was \$5,499,340 and \$5,310,351 in 2021 and 2020, respectively, with the difference from interest expense primarily being the amortization of bond premiums received on issuance of the related debt which has the effect of lowering interest expense reported on the accrual basis.

During 2020, the University paid off the TD Bank bridge loan, Series 2011 Massachusetts Development Finance Agency Revenue Bonds, and Series 2012 Massachusetts Development Finance Agency Revenue Bonds. This transaction was presented net of the paid off amounts and issuance costs in the statement of cash flows.

Note 14 - Federal Support Associated with Covid

Given the effects of Covid, the University was eligible for certain funding in 2021 and 2020. Some of this funding will be expended and thus recognized as revenue in future years. These programs provided substantial support as follows:

Higher Education Emergency Relief Funds

The University was granted three awards to assist students and the institution with the impact of Covid which totaled \$11,746,248. The University recorded grant revenue of \$7,129,381 and \$1,461,079 for the years ended June 30, 2021 and 2020, respectively. Of this grant revenue, amounts provided directly to students was \$1,531,350 and \$462,149 for the years ended June 30, 2021 and 2020, respectively.

Employee Retention Credits

The University determined it was eligible for the so called employee retention credit program during the quarters ended March 31, 2021 and June 30, 2021. The University recorded grant revenue associated with this program in the amount of \$8,859,047 for the year ended June 30, 2021. The program runs through December 31, 2021 and forward eligibility is determined on a quarter by quarter basis.

Forward Impact

The University expects continued impact from Covid associated with revenues and costs, however the level of impact is uncertain and will be driven by the trends of the pandemic, consumer behavior, regulatory requirements along with other factors. The remaining funding as noted above will be available to mitigate such impact, however the impacts may be greater than the funding available.