



Financial Statements

Lesley University

June 30, 2024 and 2023

LESLEY UNIVERSITY

Financial Statements

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Independent Auditors' Report

The Board of Trustees
Lesley University
Cambridge, Massachusetts

Opinion

We have audited the financial statements of Lesley University (the "University"), which comprise the statements of financial position as of June 30, 2024 and 2023, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the University as of June 30, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the 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 audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

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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 audits.
- 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 audits 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.

CBIZ CPAs P.C.¹

Boston, Massachusetts
December 19, 2024

¹In certain jurisdictions, CBIZ CPAs P.C. operates under its previous name, Mayer Hoffman McCann P.C.

LESLEY UNIVERSITY

Statements of Financial Position

June 30,

	2024	2023
Assets		
Cash and cash equivalents	\$ 16,713,420	\$ 2,040,450
Student accounts receivable, net	2,836,303	3,351,550
Accounts, grants and interest receivable, net	1,103,674	8,204,914
Prepaid expenses and other assets	5,791,115	5,551,671
Debt service reserve with trustee	4,323	5,910,686
Contributions receivable, net	1,820,635	3,465,641
Investments held on behalf of employees for retirement	1,371,907	1,233,020
Student loans receivable, net	350,300	478,256
Property and equipment, net	216,594,168	204,642,979
Deferred implementation costs, net	3,715,793	-
Investments and trusts	<u>184,914,869</u>	<u>188,022,581</u>
Total assets	\$ <u>435,216,507</u>	\$ <u>422,901,748</u>
Liabilities and Net Assets		
Line of credit	\$ -	\$ 9,000,000
Accounts payable and accrued expenses	12,618,163	12,779,593
Deferred revenue and advance payments	7,842,176	8,703,459
Annuities payable	1,764,063	2,016,125
Obligations to employees for retirement	1,371,907	1,233,020
Bonds, notes and loans payable, net	109,626,266	113,478,736
U.S. government loan advances	<u>13,466</u>	<u>267,452</u>
Total liabilities	<u>133,236,041</u>	<u>147,478,385</u>
Net assets:		
Without donor restrictions	254,199,249	232,580,258
With donor restrictions	<u>47,781,217</u>	<u>42,843,105</u>
Total net assets	<u>301,980,466</u>	<u>275,423,363</u>
Total liabilities and net assets	\$ <u>435,216,507</u>	\$ <u>422,901,748</u>

LESLEY UNIVERSITY

Statement of Activities

Year Ended June 30, 2024
(with comparative totals for 2023)

	2024			2023
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Operating revenues:				
Tuition, fees, room and board (net of discount of \$17,742,478 and \$16,820,881 in 2024 and 2023, respectively)	\$ 60,476,362	\$ -	\$ 60,476,362	\$ 62,246,012
Government grants and contracts	2,679,565	-	2,679,565	1,439,620
Private grants and contracts	-	864,048	864,048	486,251
Auxiliary enterprises	2,989,479	-	2,989,479	3,513,297
Contributions	971,766	414,266	1,386,032	1,127,756
Other investment income	346,226	-	346,226	163,653
Other income	732,011	13,130	745,141	643,204
Amounts reclassified under spending formula	8,145,102	1,558,493	9,703,595	9,762,734
Amounts reclassified under board designations	6,129,489	-	6,129,489	6,100,000
Net assets released from restrictions	5,102,114	(5,102,114)	-	-
Total operating revenues	87,572,114	(2,252,177)	85,319,937	85,482,527
Operating expenses:				
Instruction	35,677,747	-	35,677,747	38,712,053
Academic support	13,093,437	-	13,093,437	14,031,158
Student services	11,937,078	-	11,937,078	11,199,606
Management and general	27,454,551	-	27,454,551	23,126,139
Fundraising	352,719	-	352,719	542,062
Student aid and CARES Act distribution	290,497	-	290,497	249,162
Auxiliary enterprises	13,454,529	-	13,454,529	12,607,266
Total operating expenses	102,260,558	-	102,260,558	100,467,446
Change in net assets from operating activities	(14,688,444)	(2,252,177)	(16,940,621)	(14,984,919)
Nonoperating activities:				
Investment return, net of fees	10,486,827	2,048,749	12,535,576	15,794,104
Amounts reclassified under spending formula	(8,145,102)	(1,558,493)	(9,703,595)	(9,762,734)
Amounts reclassified under board designations	(6,129,489)	-	(6,129,489)	(6,100,000)
Contributions	-	6,706,845	6,706,845	2,974,307
COVID related expenditures	-	-	-	(131,463)
Gain on sale of property and equipment	43,224,282	-	43,224,282	23,773,174
Gain (loss) on assets held with outside trustees	-	(6,812)	(6,812)	12,541
Restructuring costs	(3,129,083)	-	(3,129,083)	-
Change in net assets from nonoperating activities	36,307,435	7,190,289	43,497,724	26,559,929
Change in net assets	21,618,991	4,938,112	26,557,103	11,575,010
Net assets, beginning of the year	232,580,258	42,843,105	275,423,363	263,848,353
Net assets, end of the year	\$ 254,199,249	\$ 47,781,217	\$ 301,980,466	\$ 275,423,363

LESLEY UNIVERSITY

Statement of Activities

Year Ended June 30, 2023

	<i>Without Donor Restrictions</i>	<i>With Donor Restrictions</i>	<i>Total</i>
Operating revenues:			
Tuition, fees, room and board (net of discount of \$16,820,881)	\$ 62,246,012	\$ -	\$ 62,246,012
Government grants and contracts	1,439,620	-	1,439,620
Private grants and contracts	-	486,251	486,251
Auxiliary enterprises	3,513,297	-	3,513,297
Contributions	(407,307)	1,535,063	1,127,756
Other investment income	163,653	-	163,653
Other income	595,309	47,895	643,204
Amounts reclassified under spending formula	8,266,006	1,496,728	9,762,734
Amounts reclassified under board designations	6,100,000	-	6,100,000
Net assets released from restrictions	<u>2,830,572</u>	<u>(2,830,572)</u>	<u>-</u>
Total operating revenues	<u>84,747,162</u>	<u>735,365</u>	<u>85,482,527</u>
Operating expenses:			
Instruction	38,712,053	-	38,712,053
Academic support	14,031,158	-	14,031,158
Student services	11,199,606	-	11,199,606
Management and general	23,126,139	-	23,126,139
Fundraising	542,062	-	542,062
Student aid and CARES Act distribution	249,162	-	249,162
Auxiliary enterprises	<u>12,607,266</u>	<u>-</u>	<u>12,607,266</u>
Total operating expenses	<u>100,467,446</u>	<u>-</u>	<u>100,467,446</u>
Change in net assets from operating activities	<u>(15,720,284)</u>	<u>735,365</u>	<u>(14,984,919)</u>
Nonoperating activities:			
Investment return, net of fees	13,212,193	2,581,911	15,794,104
Amounts reclassified under spending formula	(8,266,006)	(1,496,728)	(9,762,734)
Amounts reclassified under board designations	(6,100,000)	-	(6,100,000)
Contributions	-	2,974,307	2,974,307
COVID related expenditures	(131,463)	-	(131,463)
Gain on sale of property and equipment	23,773,174	-	23,773,174
Gain on assets held with outside trustees	<u>-</u>	<u>12,541</u>	<u>12,541</u>
Change in net assets from nonoperating activities	<u>22,487,898</u>	<u>4,072,031</u>	<u>26,559,929</u>
Change in net assets	<u>6,767,614</u>	<u>4,807,396</u>	<u>11,575,010</u>
Net assets, beginning of the year	<u>225,812,644</u>	<u>38,035,709</u>	<u>263,848,353</u>
Net assets, end of the year	<u>\$ 232,580,258</u>	<u>\$ 42,843,105</u>	<u>\$ 275,423,363</u>

LESLEY UNIVERSITY

Statement of Functional Expenses

*Year Ended June 30, 2024
(with comparative totals for 2023)*

	2024							2023	
	<i>Instruction</i>	<i>Academic Support</i>	<i>Student Services</i>	<i>Management and General</i>	<i>Fundraising</i>	<i>Student Aid</i>	<i>Auxiliary Enterprises</i>	<i>Total</i>	
Salaries and wages	\$ 22,576,233	\$ 7,166,189	\$ 6,095,970	\$ 9,388,484	\$ 262,976	\$ -	\$ 1,062,164	\$ 46,552,016	\$ 48,059,075
Employee benefits and payroll taxes	5,459,223	1,964,908	1,800,052	2,894,273	74,888	-	317,656	12,511,000	10,987,703
Fees for services	-	-	-	1,132,576	-	-	702	1,133,278	1,523,123
Advertising and promotions	440	-	465,823	5,549	-	-	-	471,812	469,828
Office expenses	110,933	130,851	157,740	443,925	250	-	18,110	861,809	726,513
Information technology	10,090	21,906	11,555	3,588,254	-	-	423	3,632,228	3,201,057
Occupancy	136,655	2,443	51,210	174,285	-	-	1,950,606	2,315,199	2,115,033
Travel	420,873	127,451	430,385	99,070	14,605	-	13,562	1,105,946	754,525
Conferences, meetings	27,272	45,340	25,776	7,609	-	-	-	105,997	72,691
Insurance	-	-	480	1,117,055	-	-	84,430	1,201,965	1,166,831
Dining services	-	-	-	-	-	-	4,067,114	4,067,114	3,872,806
Custodial services	-	-	-	-	-	-	141,314	141,314	108,022
Security services	-	-	-	-	-	-	818,122	818,122	599,714
Books, memberships and dues	35,814	338,805	45,445	94,949	-	-	3,293	518,306	455,919
Student aid	-	-	-	-	-	290,497	-	290,497	246,963
Other expenses	651,745	127,142	1,409,817	2,516,380	-	-	192,144	4,897,228	4,894,651
Depreciation and amortization	1,910,462	968,735	441,142	1,760,107	-	-	2,535,353	7,615,799	7,622,187
Interest	1,077,924	546,582	248,902	1,562,248	-	-	1,595,048	5,030,704	4,722,149
Plant	3,260,083	1,653,085	752,781	2,669,787	-	-	654,488	8,990,224	8,868,656
Total functional expenses	\$ 35,677,747	\$ 13,093,437	\$ 11,937,078	\$ 27,454,551	\$ 352,719	\$ 290,497	\$ 13,454,529	\$ 102,260,558	\$ 100,467,446

LESLEY UNIVERSITY

Statement of Functional Expenses

Year Ended June 30, 2023

	<i>Instruction</i>	<i>Academic Support</i>	<i>Student Services</i>	<i>Management and General</i>	<i>Fundraising</i>	<i>Student Aid and CARES Act Distribution</i>	<i>Auxiliary Enterprises</i>	<i>Total</i>
Salaries and wages	\$ 24,260,781	\$ 8,154,312	\$ 5,936,809	\$ 8,625,961	\$ 411,361	\$ -	\$ 669,851	\$ 48,059,075
Employee benefits and payroll taxes	5,849,329	2,243,738	1,689,067	888,423	116,627	-	200,519	10,987,703
Fees for services	3	55	-	1,522,198	-	-	867	1,523,123
Advertising and promotions	4,560	-	446,373	18,895	-	-	-	469,828
Office expenses	98,743	77,420	95,875	430,022	346	578	23,529	726,513
Information technology	6,353	21,119	1,014	3,172,135	79	-	357	3,201,057
Occupancy	530	800	178,638	210,698	-	-	1,724,367	2,115,033
Travel	255,428	124,506	273,390	93,881	7,070	-	250	754,525
Conferences, meetings	13,733	22,156	32,106	4,266	-	-	430	72,691
Insurance	-	-	864	970,433	-	-	195,534	1,166,831
Dining services	-	-	-	-	-	-	3,872,806	3,872,806
Custodial services	-	-	-	-	-	-	108,022	108,022
Security services	-	-	-	-	-	-	599,714	599,714
Books, memberships and dues	27,454	284,411	58,711	76,448	2,845	352	5,698	455,919
Student aid	-	-	-	-	-	246,963	-	246,963
Other expenses	742,198	415,459	1,156,590	2,205,983	3,734	1,269	369,418	4,894,651
Depreciation	2,297,942	828,530	410,127	1,437,728	-	-	2,647,860	7,622,187
Interest	1,344,855	484,892	240,024	1,085,218	-	-	1,567,160	4,722,149
Plant	3,810,144	1,373,760	680,018	2,383,850	-	-	620,884	8,868,656
Total functional expenses	\$ 38,712,053	\$ 14,031,158	\$ 11,199,606	\$ 23,126,139	\$ 542,062	\$ 249,162	\$ 12,607,266	\$ 100,467,446

LESLEY UNIVERSITY
Statements of Cash Flows

Years Ended June 30,

	2024	2023
Cash flows from operating activities:		
Change in net assets	\$ 26,557,103	\$ 11,575,010
Adjustments to reconcile change in net assets to cash used in operating activities:		
Depreciation and amortization	7,615,799	7,622,187
Amortization on bond issuance cost and bond premiums, net	(597,166)	(597,166)
Gain on sale of property and equipment	(43,224,282)	(23,773,174)
Provision for credit loss expense	201,228	197,693
Net realized and unrealized gains on investments and trusts	(12,856,991)	(15,806,645)
Receipts of long-term contributions	(8,216,845)	(1,448,050)
Changes in:		
Student accounts receivable	314,019	1,101,963
Accounts, grants and interest receivable	7,101,240	5,056,529
Prepaid expenses and other assets	(2,989,022)	(919,520)
Contributions receivable	1,645,006	(1,261,857)
Investments held on behalf of employees for retirement	(138,887)	(60,644)
Accounts payable and accrued expenses	(2,390,930)	(347,180)
Deferred revenue and advance payments	(861,283)	60,644
Annuities payable	(252,062)	(237,834)
Obligations to employees for retirement	138,887	(832,671)
Net cash used in operating activities	<u>(27,954,186)</u>	<u>(19,670,715)</u>
Cash flows from investing activities:		
Purchase of property and equipment, net	(34,844,622)	(14,052,740)
Payments for deferred implementation costs	(1,161,783)	(2,749,578)
Purchase of investments	(158,941,408)	(68,590,421)
Sale of investments	174,906,111	83,005,121
Proceeds from sale of property and equipment	60,926,984	28,428,116
Cash collections on student loans	127,956	408,874
Net cash provided by investing activities	<u>41,013,238</u>	<u>26,449,372</u>
Cash flows from financing activities:		
Proceeds from issuance of bonds, notes and loans payable	580,000	-
Payments on bonds, notes and loans payable	(3,835,304)	(3,760,000)
Net repayments on line of credit	(9,000,000)	(5,645,200)
Decrease in U.S. government loan advances	(253,986)	(541,540)
Receipt of long-term contributions	8,216,845	1,448,050
Decrease in debt service reserve with trustees	5,906,363	614,179
Net cash provided by (used in) financing activities	<u>1,613,918</u>	<u>(7,884,511)</u>
Net increase (decrease) in cash and cash equivalents	14,672,970	(1,105,854)
Cash and cash equivalents, beginning of year	<u>2,040,450</u>	<u>3,146,304</u>
Cash and cash equivalents, end of year	<u>\$ 16,713,420</u>	<u>\$ 2,040,450</u>

LESLEY UNIVERSITY

Notes to Financial Statements

Note 1 - Organization and Summary of Significant Accounting Policies

Lesley University (the “University”) is a Cambridge, Massachusetts-based institution of higher education with programs focused on education, mental health and art and design. The University also offers business and liberal arts programs that support these key disciplines and the Threshold Program (“Threshold”), a special offering designed for neurodiverse students seeking a college experience to learn independent living and working skills.

The University is largely a regional institution, with 83% of undergraduate program and Threshold students and 76% of graduate students hailing from the northeast. Approximately 52% of the University’s students are enrolled in graduate programs while 48% of students are enrolled in undergraduate and Threshold programs. Across the University’s key disciplines, degrees are offered at the associate to the doctoral levels. Art and Design contains undergraduate programs such as fine arts, graphic design, media arts, digital film and gaming. Additionally, masters programs in visual arts and creative writing are offered. Liberal Arts and Business supports the University’s key undergraduate programs.

The University’s location in Cambridge is a distinct advantage. The University operates three campuses across a mile-long stretch of Cambridge ranging from Harvard Square to Porter Square, representing 14 acres containing 39 buildings representing 804,000 square feet.

In 2015, the University completed the Lunder Arts Center, a state-of-the-art building for art and design. In 2018, the former Episcopal Divinity School along historic Brattle Street became the University’s expanded third campus. With this addition, the University has begun to sell properties that no longer meet its strategic needs and expects to generate sale proceeds of approximately \$100 million. Such proceeds are expected to be utilized for state-of-the-art renovations for existing facilities. This work is currently underway, with significant work being already completed in three residence halls, spaces in the main academic buildings, the utility loop and centerpiece administrative building, which is due to be completed in November 2024. Work on a stunning performance center, central student classroom and library space and substantial landscaping will begin thereafter with expected completion in March of 2025.

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.

LESLEY UNIVERSITY

Notes to Financial Statements

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

Basis of Presentation (Continued)

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.

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. Substantial elements of the cash and cash equivalents are related to restricted items.

Students Accounts Receivable

Students accounts receivable principally relate to amounts due from students for educational and residence and dining services provided by the University. Such amounts are financial instruments that potentially subject the University to concentrations of credit risk and are generally uncollateralized. The University estimates expected credit losses over the life of its financial assets and certain off-balance sheet exposures as of the reporting date based on relevant information about past events, current conditions, and reasonable and supportable forecasts. The University records the estimate of expected credit losses as an allowance for credit losses. Change in the allowance for credit losses are reported in credit loss expense. Students accounts receivable are presented net of allowance for credits losses of \$3,253,614 and \$3,052,385 as of June 30, 2024 and 2023, respectively.

Accounts, Grants and Interest Receivable

Accounts, grants and interest receivable includes amounts due from other than student sources. This account also includes other receivables. Management has provided a reserve of \$70,000 in 2024 and 2023, to cover uncollectable amounts.

LESLEY UNIVERSITY

Notes to Financial Statements

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

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.

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 contributions receivable. 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.

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 which 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 receivables were \$406,335 and \$534,290 at June 30, 2024 and 2023, respectively. Given the limited amounts involved, management has omitted detailed disclosures regarding details relative to the aging of these loans.

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. 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.

Deferred Implementation Costs

Deferred implementation costs represent capitalized costs associated with licensed cloud computing arrangements. Deferred implementation costs are stated at cost less accumulated amortization. Deferred implementation costs are capitalized when the useful life is over one year and when they exceed a management established threshold. The useful life of licensed cloud computing arrangements included in deferred implementation costs is up to 10 years.

Investments and Trusts

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

Net investment return 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 debt service reserve with trustee. 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.

LESLEY UNIVERSITY

Notes to Financial Statements

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

Fair Value Measurements (Continued)

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.

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, 2024 or 2023.

LESLEY UNIVERSITY

Notes to Financial Statements

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

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 donated assets and the present value of the annuity obligation represents contribution revenue. The annuity obligations are unsecured with the obligations being amortized as payments are made. Obligations are periodically reviewed for changes in life expectancy. 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.

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.

LESLEY UNIVERSITY

Notes to Financial Statements

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

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.

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, room and board 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.

LESLEY UNIVERSITY

Notes to Financial Statements

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

Revenue Recognition and Operations (Continued)

Earned Revenues (Continued)

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. This revenue is included in auxiliary enterprises.

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.

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 of cash or other assets that must be used to acquire long-lived assets 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 approved by the board from board designated funds, COVID related expenditures, gains on the sale of property and equipment, gains and losses on outside trusts as well as restructuring costs.

During 2024, the University underwent a transition from a separate school structure to a one university model. This unification of functions across the University along with a focus on the core academic strengths of education, mental health and wellbeing, art and design, liberal arts and business, and the Threshold Program, has resulted in transition costs of approximately \$3,130,000. These one-time transition costs relate to severance, moving, and consulting expenses.

LESLEY UNIVERSITY

Notes to Financial Statements

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

Advertising and Promotion

The University expenses the cost of advertising when incurred.

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.

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 is an equity participant in a self-insured health insurance captive (the "Captive") which supports the administration of health insurance benefits to employees. The University accrues costs at year end associated with incurred but not reported claims. Cash is advanced to the Captive monthly to cover near term claims with any advance payment which is considered a prepaid. The Captive has purchased reinsurance for itself to limit claims to the capital in the Captive. In addition, a stop-loss insurance policy is in force to limit exposures on individual claims impacting the University.

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 December 19, 2024, the date the financial statements were issued.

The University is under agreement to sell two parcels of land after year end for gross proceeds of \$10,500,000. This sale is expected to result in a gain of approximately \$10,000,000, which will be recorded in fiscal year 2025.

No other events have occurred requiring measurement or disclosure in the financial statements through the date of issuance of this report.

LESLEY UNIVERSITY

Notes to Financial Statements

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.

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.

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 table shows 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:

	2024	2023
Financial assets available to meet general expenditures over the next 12 months:		
Cash and cash equivalents	\$ 4,681,579	\$ 1,563,298
Student accounts receivable	2,836,303	3,351,550
Accounts, grants and interest receivable	1,103,674	8,204,914
Contributions for general expenditures due in one year or less	1,455,061	1,075,048
Endowment spending rate distribution and appropriations	<u>15,900,000</u>	<u>15,900,000</u>
Total financial assets available to meet general expenditures over the next 12 months	\$ <u>25,976,617</u>	\$ <u>30,094,810</u>

The University also has board designated funds functioning as endowments of approximately \$151 million and \$155 million at June 30, 2024 and 2023, respectively.

LESLEY UNIVERSITY

Notes to Financial Statements

Note 3 - Contributions Receivable, Net

Contributions receivable are summarized as follows at June 30:

	2024	2023
Unconditional promises expected to be collected in:		
Less than one year	\$ 2,113,694	\$ 3,563,679
One year to five years	<u>796,181</u>	<u>1,211,193</u>
	2,909,875	4,774,872
Less present value discount and allowance for doubtful accounts	<u>(1,089,240)</u>	<u>(1,309,231)</u>
Contributions receivable, net	<u>\$ 1,820,635</u>	<u>\$ 3,465,641</u>

Note 4 - 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:

	2024			
	Total	Net Asset Value	Level 1	Level 3
Assets				
Debt service reserve	\$ 4,323	\$ -	\$ 4,323	\$ -
Investments held on behalf of employees for retirement	<u>1,371,907</u>	-	<u>1,371,907</u>	-
	<u>1,376,230</u>	-	<u>1,376,230</u>	-
Investments and trusts				
Cash equivalents	28,257,480	-	28,257,480	-
Global equities	71,214,764	55,225,204	15,989,560	-
Domestic equities	8,991,413	-	8,991,413	-
Private equity	29,929,597	29,929,597	-	-
Hedge funds	1,335,311	1,335,311	-	-
Fixed income	31,348,813	16,332,685	15,016,128	-
Real estate	7,987,873	7,987,873	-	-
Real assets	4,508,078	2,862,930	1,645,148	-
Trusts held by others	<u>1,341,540</u>	-	-	<u>1,341,540</u>
	<u>184,914,869</u>	<u>113,673,600</u>	<u>69,899,729</u>	<u>1,341,540</u>
Total assets at fair value	<u>\$ 186,291,099</u>	<u>\$ 113,673,600</u>	<u>\$ 71,275,959</u>	<u>\$ 1,341,540</u>

LESLEY UNIVERSITY

Notes to Financial Statements

Note 4 - Investments and Trusts and Other Fair Value Measurements (Continued)

	2023			
	Total	Net Asset Value	Level 1	Level 3
Assets				
Debt service reserve	\$ 5,910,686	\$ -	\$ 5,910,686	\$ -
Investments held on behalf of employees for retirement	1,233,020	-	1,233,020	-
	7,143,706	-	7,143,706	-
Investments and trusts				
Cash equivalents	2,970,659	-	2,970,659	-
Domestic equities	12,978,379	-	12,978,379	-
Global equities	98,656,548	86,149,877	12,506,671	-
Private equity	24,799,827	24,799,827	-	-
Hedge funds	655,768	655,768	-	-
Fixed income	31,902,615	11,447,411	20,455,204	-
Real estate	10,610,372	10,610,372	-	-
Real assets	4,204,696	2,491,563	1,713,133	-
Trusts held by others	1,243,717	-	-	1,243,717
	188,022,581	136,154,818	50,624,046	1,243,717
Total assets at fair value	\$ 195,166,287	\$ 136,154,818	\$ 57,767,752	\$ 1,243,717

The University's investments can be redeemed as follows at June 30, 2024:

Redemption Frequency	Fair Value
Daily	\$ 119,861,422
Monthly	16,082,669
Quarterly	7,987,873
Annual	-
Illiquid	40,982,905
Total investments	\$ 184,914,869

Unfunded commitments under various investment vehicles amounted to approximately \$17.7 million at June 30, 2024. 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.

LESLEY UNIVERSITY

Notes to Financial Statements

Note 5 - Property and Equipment

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

	2024	2023
Land and improvements	\$ 26,214,276	\$ 30,848,109
Building and improvements	219,043,276	240,284,089
Furniture and equipment	27,873,944	26,978,269
Construction in progress	<u>47,544,317</u>	<u>12,813,746</u>
Total property and equipment	320,675,813	310,924,213
Less accumulated depreciation and amortization	<u>(104,081,645)</u>	<u>(106,281,234)</u>
Property and equipment, net	\$ <u>216,594,168</u>	\$ <u>204,642,979</u>

During 2024, the University sold 12 properties with total gross proceeds of \$64,100,000. Net cash received by the University totaled approximately \$60,900,000, and the net book value of the assets at the time of sale totaled approximately \$17,700,000 resulting in a gain on sale of approximately \$43,200,000.

During 2023, the University sold 4 properties with total gross proceeds of \$30,200,000. Net cash received by the University totaled approximately \$28,600,000, and the net book value of the assets at the time of sale totaled approximately \$4,800,000 resulting in a gain on sale of approximately \$23,800,000.

Note 6 - Line of Credit, Bonds, Notes and Loans Payable

Line of Credit

The University had a \$20,000,000 revolving line of credit with a bank. Interest was computed at a variable rate as defined in the agreement with the actual rate being 6.75% at June 30 2023. The line of credit was repaid in full and expired on April 30, 2024. Management has elected to not renew this facility.

LESLEY UNIVERSITY

Notes to Financial Statements

Note 6 - Line of Credit, Bonds, Notes and Loans Payable (Continued)

Bonds, Notes and Loans Payable

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

	2024	2023
Massachusetts Development Finance Agency Revenue Bonds (Series 2019), maturing at various times through 2049 with fixed interest rates ranging from 2.13%-5.00%.	\$ 48,500,000	\$ 50,605,000
Massachusetts Development Finance Agency Revenue Bonds (Series 2016), maturing at various times through 2039 with fixed interest rates ranging from 4.00%-5.00%.	41,150,000	42,350,000
Massachusetts Development Finance Agency Revenue Bonds (Series 2017), maturing at various times through 2033 with fixed interest rates ranging from 2.17%-5.00%.	7,620,000	7,985,000
Aramark Capital Loan with an interest rate of 0.0%.	1,694,696	1,280,000
	98,964,696	102,220,000
Less unamortized bond issuance costs	(1,011,331)	(1,083,481)
Plus unamortized bond premium	11,672,901	12,342,217
Bonds, notes and loans payable, net	\$ 109,626,266	\$ 113,478,736

Scheduled maturities are as follows at June 30, 2024:

2025	\$ 3,979,091
2026	4,114,091
2027	4,269,091
2028	4,419,091
2029	4,584,091
Thereafter	77,599,241
Total bonds, notes and loans payable	\$ 98,964,696

LESLEY UNIVERSITY

Notes to Financial Statements

Note 7 - Net Assets and Endowment Matters

Net Assets Without Donor Restrictions

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

	2024	2023
Funds without donor restrictions:		
General and other purposes	\$ 147,231,347	\$ 141,416,015
Net investment in plant	<u>106,967,902</u>	<u>91,164,243</u>
Total net assets without donor restrictions	\$ <u>254,199,249</u>	\$ <u>232,580,258</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.

LESLEY UNIVERSITY

Notes to Financial Statements

Note 7 - Net Assets and Endowment Matters (Continued)

Net Assets With Donor Restrictions

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

	2024	2023
Accumulated unspent gains on endowment:		
Instruction	\$ 5,706,550	\$ 6,468,111
Student aid	1,952,276	2,528,546
Other (academic support, student services, general institutional)	<u>1,466,540</u>	<u>(152,947)</u>
Total accumulated unspent gains on endowment	<u>9,125,366</u>	<u>8,843,710</u>
Endowment corpus:		
Instruction	22,335,133	15,659,131
Student aid	11,973,581	11,740,948
Other (academic support, student services, general institutional)	<u>1,997,784</u>	<u>1,997,784</u>
Total endowment corpus	<u>36,306,498</u>	<u>29,397,863</u>
Total endowment	<u>45,431,864</u>	<u>38,241,573</u>
Other donor-restricted net assets:		
Contributions and other receivables	738,411	1,278,996
Instruction	699,226	1,903,813
Student aid	323,921	(282,229)
Capital improvements, plant	26,913	50,707
Other (academic support, student services, general institutional)	<u>560,882</u>	<u>1,650,245</u>
Total other donor-restricted net assets	<u>2,349,353</u>	<u>4,601,532</u>
Total net assets with donor restrictions	<u>\$ 47,781,217</u>	<u>\$ 42,843,105</u>

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

	2024	2023
Instruction	\$ 3,426,166	\$ 1,894,952
Student aid	715,010	725,975
Other (academic support, student services, general institutional)	<u>960,938</u>	<u>209,645</u>
	<u>\$ 5,102,114</u>	<u>\$ 2,830,572</u>

LESLEY UNIVERSITY

Notes to Financial Statements

Note 7 - 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:

	2024		Total
	Without Donor Restrictions	With Donor Restrictions	
Endowment assets and those functioning as endowment assets, June 30, 2023	\$ 154,753,931	\$ 33,268,650	\$ 188,022,581
Gifts and additions	-	196,609	196,609
Investment returns	10,486,827	2,041,936	12,528,763
Expenditures:			
Amounts appropriated for operations	(14,274,591)	(1,558,493)	(15,833,084)
Change in investments	(3,787,764)	680,052	(3,107,712)
Endowment assets and those functioning as endowment assets, June 30, 2024	\$ 150,966,167	\$ 33,948,702	\$ 184,914,869
	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment assets and those functioning as endowment assets, July 1, 2022	\$ 155,907,744	\$ 30,722,876	\$ 186,630,620
Gifts and additions	-	1,448,050	1,448,050
Investment returns	13,212,193	2,594,452	15,806,645
Expenditures:			
Amounts appropriated for operations	(14,366,006)	(1,496,728)	(15,862,734)
Change in investments	(1,153,813)	2,545,774	1,391,961
Endowment assets and those functioning as endowment assets, June 30, 2023	\$ 154,753,931	\$ 33,268,650	\$ 188,022,581

LESLEY UNIVERSITY

Notes to Financial Statements

Note 7 - Net Assets and Endowment Matters (Continued)

Net Assets With Donor Restrictions (Continued)

Endowment assets with donor restrictions held in cash and not included in the table above totaled approximately \$11,300,000 and \$4,500,000 at June 30, 2024 and 2023, respectively. Endowment assets with donor restrictions recorded as contributions receivable and not included in the table above totaled \$0 and \$1,500,000 at June 30, 2024 and 2023, respectively. Amounts appropriated for operations but not drawn at June 30, 2024 and 2023 were \$0 and \$995,995, respectively.

Endowment

The University's endowment consists of approximately 120 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

LESLEY UNIVERSITY

Notes to Financial Statements

Note 7 - 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. During fiscal year 2023, the Board of Trustees recognized that the cost of the purchase and operation of the South Campus and emerging from the COVID-19 pandemic warrant reinstatement of a higher spend level from the endowment in fiscal year 2023 through fiscal year 2025 to facilitate the University's ongoing transition to financially sustainable operations. For each fiscal year prior to the 2026 fiscal year, the Board of Trustees will establish the University's annual spending with the annual drawdown divided into three sections: a. normal operating budget consisting of 4% to 5% spending from the endowment, b. interest expense for the South Campus related financing, and c. incremental spending up to \$5,000,000 per year for University operations to improve efficiency and growth as well as to close the budget gap to sustainable levels by fiscal year 2026.

Management expects the distribution from funds functioning as endowment without donor restrictions and the endowment to be \$9,779,000 for the year ending June 30, 2025. Additional draws based on budgeted need of \$6,121,000 have been approved for the year ending June 30, 2025 for an aggregate draw \$15,900,000.

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 as follows at June 30:

	2024	2023
Fair value of underwater endowment funds	\$ 13,520,397	\$ 9,226,601
Original endowment gift amount	<u>14,297,312</u>	<u>9,600,032</u>
Deficiencies of underwater endowment funds	\$ <u>(776,915)</u>	\$ <u>(373,431)</u>

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.

LESLEY UNIVERSITY

Notes to Financial Statements

Note 7 - Net Assets and Endowment Matters (Continued)

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.

Note 8 - 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, and online programs. The following table summarizes the percentages of revenue from each of these programs:

	2024	2023
Revenue		
Undergraduate tuition, fees, room and board	56%	57%
Graduate tuition and fees	33%	34%
Continuing Ed programs	3%	3%
Threshold program tuition, fees, room and board	4%	4%
Other fees	4%	2%

Note 9 - Lessor Arrangements

Certain University owned properties are rented to outside parties based on a combination of tenancy-at-will and operating lease arrangements through 2034. The rental income, which is included in auxiliary enterprises, amounted to \$2,665,719 and \$3,193,031 for the years ended June 30, 2024 and 2023, respectively.

LESLEY UNIVERSITY

Notes to Financial Statements

Note 9 - Lessor Arrangements (Continued)

Scheduled lease payments under leasing arrangements were as follows at June 30, 2024:

2025	\$	1,480,744
2026		1,388,350
2027		1,113,394
2028		773,988
2029		612,206
Thereafter		<u>3,290,419</u>
	\$	<u><u>8,659,101</u></u>

Note 10 - 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 \$2,463,541 and \$2,490,102 for the years ended June 30, 2024 and 2023, respectively.

Note 11 - Commitments and Contingencies

Commitments

The University has long-term agreements with several third-party vendors for custodial services, security, and food services. The expiration dates on these contracts run through 2024 and contain customary termination provisions.

The University has four construction contracts associated with renovations on the University's campus. The agreements are for an aggregate amount of approximately \$12,700,000 and run through fiscal year 2025. 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.

LESLEY UNIVERSITY

Notes to Financial Statements

Note 11 - Commitments and Contingencies (Continued)

Contingencies (Continued)

The University underwent a reduction in force during 2024, with such costs being incurred during the year ended June 30, 2024. In connection with the reduction in force, several impacted employees have made legal filings against the University. Given the early stages of these filings as of the date of this report, management cannot determine the value of these claims.

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 is currently in negotiations with its core faculty for a new collective bargaining agreement; the prior collective bargaining agreement expired on October 1, 2024. The University also has in place a collective bargaining agreement with its adjunct faculty that will expire on June 30, 2025.

Note 12 - Cash Flows Information

Cash paid for interest was \$7,269,880 and \$4,780,733 in 2024 and 2023, 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.

Additions to property and equipment, net of \$4,083,734 and \$1,854,234 are included in accounts payable and accrued expenses as of June 30, 2024 and 2023, respectively.

Note 13 - Federal Support Associated with COVID

Given the effects of COVID, the University was eligible for certain funding in 2024 and 2023. These programs provided substantial support as follows:

Coronavirus State and Local Fiscal Recovery Funds

The University recorded grant revenue of approximately \$1,360,000 for the year ended June 30, 2024.

Federal Emergency Management Agency Funds

The University recorded grant revenue of approximately \$100,000 and \$550,000 for the years ended June 30, 2024 and 2023, respectively.