



## **Financial Statements**

**June 30, 2020 and 2019**

# WENTWORTH INSTITUTE OF TECHNOLOGY, INC.

## Financial Statements

### *Table of Contents*

#### ***Financial Statements:***

Independent Auditors' Report	1 - 2
Statements of Financial Position	3
Statements of Activities	4 - 5
Statements of Functional Expenses	6 - 7
Statements of Cash Flows	8
Notes to Financial Statements	9 - 29



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## *Independent Auditors' Report*

Board of Trustees  
Wentworth Institute of Technology, Inc.  
Boston, Massachusetts

We have audited the accompanying financial statements of Wentworth Institute of Technology, Inc. (the "university"), which comprise the statements of financial position as of June 30, 2020 and 2019, 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 Wentworth Institute of Technology, Inc. as of June 30, 2020 and 2019, 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.*

November 6, 2020  
Boston, Massachusetts

**WENTWORTH INSTITUTE OF TECHNOLOGY, INC.**  
**Statements of Financial Position**  
**June 30, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
Assets:		
Cash and cash equivalents	\$ 15,251,944	\$ 24,420,620
Short-term investments	20,610,833	20,647,709
Receivables and other assets, net	6,202,228	5,017,257
Pledges receivable, net	6,068,489	4,163,960
Student loans receivable, net	2,902,595	3,510,017
Investments	119,330,096	119,101,604
Property and equipment, net	253,314,013	257,585,599
	<u>                    </u>	<u>                    </u>
Total assets	<u>\$ 423,680,198</u>	<u>\$ 434,446,766</u>
Liabilities and net assets:		
Accounts payable and accrued expenses	\$ 6,372,174	\$ 7,836,283
Construction payables	2,909,954	5,253,581
Deferred revenue and deposits	12,703,140	16,597,009
Obligation on charitable annuity agreements	113,995	146,448
Obligation on interest rate swap agreements	12,747,406	9,051,093
Asset retirement obligations	778,950	742,989
Accumulated postretirement benefit obligation	2,251,466	2,263,265
Bonds payable	134,695,852	139,765,050
Government advances for student loans	2,984,518	3,810,349
	<u>                    </u>	<u>                    </u>
Total liabilities	<u>175,557,455</u>	<u>185,466,067</u>
Net assets:		
Without donor restrictions	194,459,000	200,086,817
With donor restrictions	53,663,743	48,893,882
	<u>                    </u>	<u>                    </u>
Total net assets	<u>248,122,743</u>	<u>248,980,699</u>
	<u>                    </u>	<u>                    </u>
Total liabilities and net assets	<u>\$ 423,680,198</u>	<u>\$ 434,446,766</u>

*The accompanying notes are an integral part of these financial statements.*

# WENTWORTH INSTITUTE OF TECHNOLOGY, INC.

## Statement of Activities Year Ended June 30, 2020 (with comparative totals for 2019)

	Without Donor Restrictions	2020 With Donor Restrictions	Total	2019 Total
Operating revenues:				
Student tuition and fees, net of student aid of \$50,379,300 in 2020 and \$48,194,142 in 2019	\$ 92,117,081	\$ -	\$ 92,117,081	\$ 91,272,964
Student room and board, net of student aid of \$804,890 in 2020 and \$892,714 in 2019	25,782,148	-	25,782,148	32,254,720
Other auxiliary services	2,882,011	-	2,882,011	3,152,433
Private gifts and bequests	827,339	424,269	1,251,608	2,185,009
Government grants	4,619,930	-	4,619,930	976,108
Other revenues	1,314,248	143,273	1,457,521	1,493,207
Investment return utilized for operations	3,185,555	1,782,998	4,968,553	3,791,426
Net assets released from restrictions	2,163,889	(2,163,889)	-	-
Total operating revenues	132,892,201	186,651	133,078,852	135,125,867
Operating expenses:				
Instruction	57,240,209	-	57,240,209	55,727,887
Academic support	4,598,763	-	4,598,763	4,492,669
Student services	21,204,007	-	21,204,007	19,774,385
Auxiliary services	26,634,063	-	26,634,063	27,808,200
Institutional support	20,075,485	-	20,075,485	18,345,991
Fundraising services	4,435,761	-	4,435,761	4,295,767
Total operating expenses	134,188,288	-	134,188,288	130,444,899
Operating subtotal	(1,296,087)	186,651	(1,109,436)	4,680,968
Nonoperating:				
Private gifts and bequests	7,882	5,462,087	5,469,969	2,442,436
Investment return	2,327,480	1,118,897	3,446,377	6,584,277
Investment return utilized for operations	(3,185,555)	(1,782,998)	(4,968,553)	(3,791,426)
Net unrealized loss on interest rate swaps	(3,696,313)	-	(3,696,313)	(3,001,017)
Net assets released from restriction	1,694,911	(1,694,911)	-	-
Reclassifications	(1,480,135)	1,480,135	-	-
Nonoperating subtotal	(4,331,730)	4,583,210	251,480	2,234,270
Change in net assets	(5,627,817)	4,769,861	(857,956)	6,915,238
Net assets at beginning of period	200,086,817	48,893,882	248,980,699	242,065,461
Net assets at end of period	\$ 194,459,000	\$ 53,663,743	\$ 248,122,743	\$ 248,980,699

*The accompanying notes are an integral part of these financial statements.*

**WENTWORTH INSTITUTE OF TECHNOLOGY, INC.**  
**Statement of Activities**  
**Year Ended June 30, 2019**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>2019 Total</b>
Operating revenues:			
Student tuition and fees, net of student aid of \$48,194,142 in 2019	\$ 91,272,964	\$ -	\$ 91,272,964
Student room and board, net of student aid of \$892,714 in 2019	32,254,720	-	32,254,720
Other auxiliary services	3,152,433	-	3,152,433
Private gifts and bequests	824,343	1,360,666	2,185,009
Government grants	976,108	-	976,108
Other revenues	1,323,713	169,494	1,493,207
Investment return utilized for operations	2,477,772	1,313,654	3,791,426
Net assets released from restrictions	2,079,029	(2,079,029)	-
	<u>134,361,082</u>	<u>764,785</u>	<u>135,125,867</u>
Total operating revenues			
Operating expenses:			
Instruction	55,727,887	-	55,727,887
Academic support	4,492,669	-	4,492,669
Student services	19,774,385	-	19,774,385
Auxiliary services	27,808,200	-	27,808,200
Institutional support	18,345,991	-	18,345,991
Fundraising services	4,295,767	-	4,295,767
	<u>130,444,899</u>	<u>-</u>	<u>130,444,899</u>
Total operating expenses			
Operating subtotal	<u>3,916,183</u>	<u>764,785</u>	<u>4,680,968</u>
Nonoperating:			
Private gifts and bequests	179,532	2,262,904	2,442,436
Investment return	4,300,664	2,283,613	6,584,277
Investment return utilized for operations	(2,477,772)	(1,313,654)	(3,791,426)
Net unrealized loss on interest rate swaps	(3,001,017)	-	(3,001,017)
Net assets released from restriction	2,090,452	(2,090,452)	-
Reclassifications	(296,122)	296,122	-
	<u>795,737</u>	<u>1,438,533</u>	<u>2,234,270</u>
Nonoperating subtotal			
Change in net assets	4,711,920	2,203,318	6,915,238
Net assets at beginning of period	195,374,897	46,690,564	242,065,461
Net assets at end of period	<u>\$ 200,086,817</u>	<u>\$ 48,893,882</u>	<u>\$ 248,980,699</u>

*The accompanying notes are an integral part of these financial statements.*

**WENTWORTH INSTITUTE OF TECHNOLOGY, INC.**  
**Statement of Functional Expenses**  
**Year Ended June 30, 2020**  
**(with comparative totals for 2019)**

	2020						2019
	Instruction	Academic Support	Student Services	Auxiliary Services	Institutional Support	Fundraising Services	Total
Operating expenses:							
Salaries and wages	\$ 32,901,248	\$ 1,959,185	\$ 8,851,899	\$ 2,763,930	\$ 8,480,453	\$ 2,714,894	\$ 57,671,609
Employee benefits	7,218,220	515,919	2,029,271	626,591	2,011,500	671,547	13,073,048
Professional services	682,933	345,348	2,085,367	73,875	3,028,696	325,925	6,542,144
Dining services	27,944	11,161	255,385	3,225,025	46,602	5,035	3,571,152
Advertising and promotion	587,179	10,429	881,460	12,334	954,276	172,819	2,618,497
Supplies	776,965	473,376	248,752	21,214	487,799	94,465	2,102,571
Information technology	1,744,758	124,373	474,285	490,235	488,227	126,898	3,448,776
Travel and conferences	264,876	142,717	937,556	20,563	170,554	54,367	1,590,633
Study abroad	835,014	-	-	-	-	-	835,014
Government grant funds for students	-	-	1,734,786	-	-	-	1,734,786
Other expenses	229,498	145,818	775,891	109,356	2,097,839	157,965	3,516,367
Net loss on asset disposals	68,664	6,210	18,915	119,865	6,278	638	220,570
Occupancy, utilities and repairs	3,722,832	329,259	1,280,981	6,330,758	1,428,739	56,233	13,148,802
Depreciation and amortization	5,914,957	534,968	1,629,459	10,325,774	540,808	54,975	19,000,941
Interest	2,265,121	-	-	2,514,543	333,714	-	5,113,378
Total operating expenses	<u>\$ 57,240,209</u>	<u>\$ 4,598,763</u>	<u>\$ 21,204,007</u>	<u>\$ 26,634,063</u>	<u>\$ 20,075,485</u>	<u>\$ 4,435,761</u>	<u>\$ 134,188,288</u>
							<u>\$ 130,444,899</u>

*The accompanying notes are an integral part of these financial statements.*



**WENTWORTH INSTITUTE OF TECHNOLOGY, INC.**  
**Statement of Functional Expenses**  
**Year Ended June 30, 2019**

	<b>Instruction</b>	<b>Academic Support</b>	<b>Student Services</b>	<b>Auxiliary Services</b>	<b>Institutional Support</b>	<b>Fundraising Services</b>	<b>Total</b>
Operating expenses:							
Salaries and wages	\$ 31,587,320	\$ 2,226,069	\$ 8,381,864	\$ 2,834,631	\$ 7,738,609	\$ 2,698,332	\$ 55,466,825
Employee benefits	7,532,711	520,932	1,999,406	682,793	1,956,612	705,420	13,397,874
Professional services	600,028	78,698	2,233,244	41,182	2,217,745	152,578	5,323,475
Dining services	52,115	28,655	526,226	4,442,613	118,270	19,537	5,187,416
Advertising and promotion	902,601	16,587	953,316	44,299	854,674	163,916	2,935,393
Supplies	843,552	457,699	278,834	33,670	567,782	93,891	2,275,428
Information technology	1,522,196	117,426	402,504	441,579	398,493	114,118	2,996,316
Travel and conferences	512,301	82,026	1,057,913	33,563	231,774	95,235	2,012,812
Study abroad	1,086,958	-	-	-	-	-	1,086,958
Other expenses	237,307	112,676	984,985	80,052	1,895,736	156,415	3,467,171
Net loss on asset disposals	-	-	-	-	113,021	-	113,021
Occupancy, utilities and repairs	4,275,800	378,064	1,512,833	7,318,859	1,425,850	47,632	14,959,038
Depreciation and amortization	5,239,051	473,837	1,443,260	9,145,841	479,010	48,693	16,829,692
Interest	1,335,947	-	-	2,709,118	348,415	-	4,393,480
Total operating expenses	<u>\$ 55,727,887</u>	<u>\$ 4,492,669</u>	<u>\$ 19,774,385</u>	<u>\$ 27,808,200</u>	<u>\$ 18,345,991</u>	<u>\$ 4,295,767</u>	<u>\$ 130,444,899</u>

*The accompanying notes are an integral part of these financial statements.*

**WENTWORTH INSTITUTE OF TECHNOLOGY, INC.**

**Statements of Cash Flows**  
**Years Ended June 30, 2020 and 2019**

	<b>2020</b>	<b>2019</b>
Cash flows from operating activities:		
Change in net assets	\$ (857,956)	\$ 6,915,238
Gifts of stock and property	(1,060,144)	(1,120,096)
Contributions restricted for long-term investment	(2,348,078)	(1,867,004)
Net realized and unrealized gain on investments	(2,658,015)	(6,046,955)
Net unrealized loss on interest swaps	3,696,313	3,001,017
Depreciation and amortization	19,000,941	16,829,692
Loss on sale and/or disposal of property and equipment	220,570	113,021
Changes in operating assets and liabilities:		
Receivables and other assets	(2,085,576)	181,228
Pledges receivable	(1,963,881)	189,982
Allowance for doubtful accounts	559,352	(24,340)
Accounts payable, accruals and deferred revenue and deposits	(5,357,978)	270,009
Asset retirement obligations	35,961	46,934
Accumulated postretirement benefit obligation	(11,799)	107,272
Net cash provided by operating activities	<u>7,169,710</u>	<u>18,595,998</u>
Cash flows from investing activities:		
Purchases of property and equipment	(17,224,633)	(36,157,464)
Proceeds from sale of property and equipment	60,230	231,987
Proceeds from sale of investments	27,642,480	12,355,755
Purchases of investments	(24,123,819)	(9,275,956)
Cash collected on student loans	<u>607,422</u>	<u>572,927</u>
Net cash used in investing activities	<u>(13,038,320)</u>	<u>(32,272,751)</u>
Cash flows from financing activities:		
Net Perkins and other government advances (payments)	(825,831)	58,220
Payments for bond issuance costs	(133,346)	-
Change in funds held by trustees	400,605	17,044,115
Change in obligation on charitable annuity agreements	(32,453)	17,748
Gifts and bequests restricted for endowment	1,851,731	692,459
Gifts and bequests restricted for acquisition of property and equipment	496,347	1,174,545
Principal payments on bonds payable	<u>(5,057,119)</u>	<u>(4,781,017)</u>
Net cash (used in) provided by financing activities	<u>(3,300,066)</u>	<u>14,206,070</u>
Net (decrease) increase in cash and cash equivalents	(9,168,676)	529,317
Cash and cash equivalents at beginning of period	<u>24,420,620</u>	<u>23,891,303</u>
Cash and cash equivalents at end of period	<u>\$ 15,251,944</u>	<u>\$ 24,420,620</u>
Supplemental data:		
Noncash investing activity - Gifts of stock and property	\$ 1,060,144	\$ 1,120,096
Change in accounts payable from property and equipment	2,343,627	1,645,606
Interest paid	5,179,801	5,472,634

*The accompanying notes are an integral part of these financial statements.*

**WENTWORTH INSTITUTE OF TECHNOLOGY, INC.**  
**Notes to Financial Statements**

**Note 1 – Nature of Business**

Wentworth Institute of Technology, Inc. (the "university") is located in Boston, Massachusetts and is a private, coeducational institution founded in 1904 and accredited by the New England Commission of Higher Education, Inc. among other accrediting bodies. The university provides academic, residential and other services to a diverse student population of approximately 4,400, predominately from the Northeast region of the United States, as well as from approximately 30 U.S. states and 74 foreign countries.

The university's mission and core purpose is to empower, inspire and innovate through experiential learning via masters, bachelors, and associate degrees, in addition to certificate programs. The university participates in student financial aid programs sponsored by the United States Department of Education ("DOE") and to a much lesser extent state programs. These programs facilitate the payment of substantial portions of student tuition and other expenses incurred by students when they meet certain eligibility requirements as determined by the university's financial aid office. Such determinations are subject to after the fact review by the funders.

**Note 2 – Summary of Significant Accounting Policies**

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 ("GAAP").

Cash and Cash Equivalents

The university considers highly-liquid investments with maturities of three months or less at the date of purchase to be cash equivalents. Cash and cash equivalents are carried at cost. Cash and cash equivalents included \$641,107 and \$897,913 of monies restricted for the Federal Perkins Loan Program at June 30, 2020 and 2019, respectively. Cash equivalents held by investment managers are considered part of investments given the expectation of near-term reinvestment. The university maintains its cash balances at several financial institutions, which at times 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.

Short-Term Investments

Short-term investments are reported at fair market values pursuant to the fair value policies as described later in this section.

Receivables and Other Assets

Receivables and other assets consist of student accounts receivable, other receivables, prepaid expenses and deposits and are reported at their estimated net realizable value. Students are billed based on dates outlined in the academic catalog as agreed in advance of the delivery of the related academic or room and board activity. Payments for tuition, fees, room and board charges are generally due by the start of the academic period with the recognition that on behalf 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 at specified intervals based on the rules as promulgated by the DOE. Thus, cash flows on student accounts receivable balances and the measurement of deferred revenues do not directly depend on meeting specified performance obligations of the university. Student accounts are not collateralized.

Management estimates the allowance for uncollectible accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Student accounts are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded as revenue when received. Accounts receivable are considered past due if any portion of the receivable balance is outstanding for more than 90 days or the student no longer attends the university. Interest is not charged on receivables.

**WENTWORTH INSTITUTE OF TECHNOLOGY, INC.**  
**Notes to Financial Statements**

**Note 2 – Summary of Significant Accounting Policies – continued**

Pledges Receivable

Pledges receivable represent contributions verifiably committed by donors that are scheduled for payment in the future. They are initially recorded at their fair value per the fair value policies described later in this section. This is considered a nonrecurring fair value method which utilizes Level 2 inputs which requires the use of risk adjusted discount rates to account for the inherent risk associated with the expected future cash flows. Unconditional promises to give are periodically reviewed to estimate an allowance for doubtful collections based on history of collections and knowledge acquired about specific facts relating to outstanding items while the initial discount rate is used over the life of the related pledge. An account is considered uncollectible when all collection efforts have been exhausted.

Student Loans Receivable and Government Advances for Student Loans

Student loans receivable are primarily comprised of loans issued under the Perkins Loan program which is sponsored by the DOE and operated by the university, subject to federal eligibility requirements. The program has been funded over multiple years with federal funds along with a modest match from the university. Any un-loaned amounts are held in a restricted cash account which is included in cash and cash equivalents. The advances of federal funds are ultimately repayable should the program cease, or should the university elect to no longer participate in the program, and accordingly, such advances (subject to certain adjustments) are classified as liabilities in the Statements of Financial Position. The university utilizes the services of a third party for billing, collection, and other requirements associated with these programs. Credit risk is mitigated within the DOE programs given the ability of the university to place non-performing loans with the DOE thus reducing the federal advances, and accordingly, reserves have not been deemed necessary. The university also has a small pool of institutional loans for which reserves have been provided based on historical experience.

Investments

Investments are carried at fair value. Fair value is determined as per the fair value policies described later in this section. Net investment return (loss) is reported in the Statements of Activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses. The university utilizes an investment consultant to assist with investment strategies, selection and monitoring, which provides the university access to expertise relative to oversight of its investments.

Fair Value Measurements

The university reports required types of financial instruments in accordance with the fair value standards on a recurring and nonrecurring basis, depending on the underlying policy for the particular item. 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. Recurring fair value measurements include the university's short-term investments, investments and interest rate swap agreements. Nonrecurring measurements include pledges, charitable annuity agreements, and asset retirement obligations. 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. In addition, the university reports certain investments using the net asset value ("NAV") per share as determined by investment managers under the so called "practical expedient." The practical expedient allows NAV per share to represent fair value for reporting purposes when the criteria for using this method are met. These investments are generally redeemable or may be liquidated at NAV under the original terms of the subscription agreements or operations of the underlying funds. However, it is possible that these redemption rights may be restricted by the funds in the future in accordance with the underlying fund agreements, as applicable. 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.

**WENTWORTH INSTITUTE OF TECHNOLOGY, INC.**  
**Notes to Financial Statements**

**Note 2 – Summary of Significant Accounting Policies – continued**

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 the values of these instruments will occur in the near term and that such changes could materially affect amounts reported in these financial statements.

Instruments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 – Quoted prices are available in active markets for identical instruments as of the reporting date.

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 – Pricing inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument. The inputs into the determination of fair value require significant management judgment or estimation.

The inputs used to measure fair value of an instrument 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.

Property and Equipment

Property and equipment are capitalized using a threshold at cost when the expected future life is one year or more at the date of acquisition. Depreciation is computed using the straight-line method over the useful lives of the assets. Maintenance and repairs are expensed as incurred. When assets are retired or disposed of, the cost and related accumulated depreciation are removed from the accounts, and gains or losses are included in net assets without donor restrictions. Interest costs are capitalized during the construction period of long-lived assets as part of the cost of the asset.

Deferred Revenue and Deposits

Deferred revenue represents the amount of unearned related services that are in progress as of year-end related to net tuition, fees and auxiliary enterprises such as room and board. Such amounts are reflected as revenue ratably over time with such amounts generally being recognized on a current basis given the nature and duration of the underlying services being provided. Also included in deferred revenue are advance payments received from the university's food service contractor which are recognized over the terms of the contractual agreement. Deposits represent reservation payments and other advance payments by students on account.

Obligation on Charitable Annuity Agreements

The university has entered into charitable annuity agreements from donors which generally include the receipt of funds up front in exchange for a promise to make specified payments to the donors and other beneficiaries over the agreements' terms. The present value of the estimated future payments to beneficiaries is recorded as a liability as of the date each agreement is established. The difference between the assets received and the liability is recognized as contribution revenue in the period in which such an arrangement is entered into. This is considered a nonrecurring fair value method per the fair value policies earlier in this section with this computation utilizing Level 2 inputs which requires the use of discount rates. The liability is adjusted as distributions are made and for changes in the present value of estimated future distributions over the life of

**WENTWORTH INSTITUTE OF TECHNOLOGY, INC.**  
**Notes to Financial Statements**

**Note 2 – Summary of Significant Accounting Policies – continued**

the agreement. The present value of estimated future cash receipts and estimated future payments to beneficiaries are calculated using various discount rates (ranging from 2.9% to 7.8%) based on life expectancies and other actuarial assumptions.

Obligation on Interest Rate Swap Agreements

Interest rate swaps are reported at fair value as per the fair value policies earlier in this section. Net settlements on swaps are included in interest expense. The change in fair value of the swaps is included in nonoperating as a net unrealized gain or loss on interest rate swaps.

Asset Retirement Obligations

Asset retirement obligations are initially recorded at their fair value per the fair value policies described earlier in this section. This is considered a nonrecurring fair value method which utilizes Level 3 inputs which requires the use of discount rates to estimate the present value of the obligation. When the liability is initially recorded, the university capitalizes the cost of the asset retirement obligation by increasing the carrying amount of the related long-lived asset. The liability is accreted to its present value each period, and the capitalized cost associated with the retirement obligation is depreciated over the useful life of the related asset. Upon settlement of the obligation or any change in assessment of the likely cost or timing of such settlement, any difference between will be recognized as a gain or loss as it becomes known.

Accumulated Postretirement Benefit Obligation

The university provides certain medical and dental benefits for eligible employees. This program was frozen in 2001 whereby new and certain existing employees would no longer be eligible to participate. Benefits are capped. The plan is unfunded. Management has elected to omit detailed actuarial disclosures for its accumulated postretirement benefit obligations given the modest level of obligations under this plan. The estimated expected contribution for the year ending June 30, 2021 is \$207,000.

Bonds Payable

Bonds payable are stated together with premiums, discounts and issuance costs with those amounts being amortized over the term of the related debt agreement.

Income Tax Status

The university is recognized by the Internal Revenue Service as an organization described in Section 501(c)(3) of the Internal Revenue Code ("IRC") and is generally exempt from Federal and state income taxes on related income. Given the limited taxable activities of the university, management concluded that disclosures relative 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 over which of its revenues are 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 to examination for three years following the date filed.

**WENTWORTH INSTITUTE OF TECHNOLOGY, INC.**  
**Notes to Financial Statements**

**Note 2 – Summary of Significant Accounting Policies – continued**

Net Assets

The accompanying financial statements have been prepared to focus on the university as a whole and to present balances and transactions according to 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** include all resources, which are not subject to donor-imposed restrictions. The Board of Trustees has designated from net assets without donor restrictions, net assets for the endowment. The university's policy is to designate unrestricted donor gifts at the discretion of the Board of Trustees. Net assets without donor restrictions also include the investment in plant, net of accumulated depreciation, funds for facilities and related debt as well as undesignated funds.

**Net Assets With Donor Restrictions** include donor-imposed restrictions that may be temporary in nature and may expire either because of the passage of time or because certain actions are taken by the university which fulfill the restriction. Other donor-imposed restrictions are perpetual in nature, where the donors stipulate that resources be maintained in perpetuity. Accumulated unspent gains on endowments are also included in this category until appropriated by the board under the university's spending policy.

Revenue Recognition

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. Realized and unrealized gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or by law. Expirations of donor-imposed restrictions on net assets, that is, the donor-imposed stipulated purpose has been met and/or the stipulated time period has elapsed, are reported as net assets released from restrictions between the classes of net assets.

A substantial portion of the university's revenue is derived from student tuition, fees, room and board provided by the university. Tuition, fees, room and board revenue are recorded at established rates, net of institutional financial aid and scholarships provided directly to students and therefore amounts are deemed to be fixed and determinable. Such net amounts are recognized as revenue when performance obligations are satisfied which is generally over time as services are rendered whether relating to educational services or auxiliary services such as room and board. 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. Management does not consider there to be significant judgment involved in the timing of satisfaction of performance obligations as those are directly linked to the academic calendar of the related academic activity.

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

Gifts, including unconditional promises to give, are recognized as revenues as either without or with donor restrictions in the period when verifiably committed by the donor. Gifts of assets other than cash are recorded at their estimated fair value and per the fair value policies described elsewhere in these policies. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of the estimated future cash flows using a risk adjusted discount rate depending on the time period involved. Amortization of the discount is included in gift revenue in accordance with the donor-imposed restrictions, if any, on the gifts. Gifts with donor-imposed restrictions that can be met through the passage of time or upon the incurring of expenses consistent with the purposes are recorded as net assets with donor restrictions and reclassified to net assets without donor restrictions when such time or purposes restriction has been satisfied.

**WENTWORTH INSTITUTE OF TECHNOLOGY, INC.**  
**Notes to Financial Statements**

**Note 2 – Summary of Significant Accounting Policies – continued**

Gifts of property, plant and equipment are recorded as revenues without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. 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 of donor restrictions when the donated or acquired long-lived assets are placed in service. Conditional gifts are recorded as revenue when such amounts become unconditional which generally involves the meeting of a barrier to entitlement. This can include items like meeting a matching provision, incurring specified allowance expenses in accordance with a framework of allowable costs or other barriers.

Nonoperating revenues include endowment type gifts, gifts for property and equipment, large estate gifts, deferred giving contributions and changes impacting those amounts, investment returns not allocated to operations under the spending policy, unrealized gains and losses on interest rate swaps and net assets released from restrictions for capital acquisitions. All other activity is classified as operating revenue.

During fiscal 2020, as a result of the effects of the COVID-19 pandemic, the university migrated to a remote platform for student instruction. As a result of the move to remote learning, the university refunded a proportionate share of room and board fees in the amount of \$4,498,776. Also, during fiscal 2020, the university was awarded certain Federal grant funds to assist students and the university with COVID-19 related effects. Total revenue associated with these grants in fiscal 2020 amounted to \$3,469,571 with \$1,734,786 of that amount going directly to students.

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. Operation and maintenance of plant expenses are allocated to program and supporting activities based upon a periodic assessment of facilities usage. Other natural expenses attributable to more than one functional expense category are allocated using a variety of cost allocation techniques such as square footage and time and effort. Interest expense is allocated to functional classifications that benefited from the use of the proceeds of the debt.

Reclassifications

Certain amounts have been reclassified to the prior year financial statements in order to conform to the current year presentation.

Use of Estimates

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

Accounting Pronouncements Effective in Future Years

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-02, Leases, which requires a lessee to recognize a right-of-use asset and a lease liability for all leases, initially measured at the present value of the lease payments, in its statement of financial position. The standard also requires a lessee to recognize a single lease cost, calculated so that the cost of the lease is allocated over the lease term, on a generally straight-line basis. The guidance also expands the required quantitative and qualitative disclosures surrounding leases. The ASU is effective for fiscal year 2021 for the university. The university is evaluating the impact of the new and clarified guidance on the financial statements.



**WENTWORTH INSTITUTE OF TECHNOLOGY, INC.**  
**Notes to Financial Statements**

**Note 2 – Summary of Significant Accounting Policies – continued**

Management believes that other pending accounting standards would have limited impact on the university and, accordingly, has not outlined those standards here.

Subsequent Events

The university has evaluated subsequent events through November 6, 2020, the date the financial statements were issued.

**Note 3 – 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, short-term investments and 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 teaching as well as the conduct of services undertaken to support those activities to be general expenditures. Student Perkins loans receivable are not included in the analysis as principal and interest on these loans are generally refundable to the Federal government and are, therefore, 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 anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. Refer to the Statements of Cash Flows which identifies the sources and uses of the university's cash and shows positive cash generated by operations for the years ended June 30, 2020 and 2019.

Although not expected to be needed, the spendable yet restricted portion of the university's net assets 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 amount of financial assets available within one year of the Statement of Financial Position date to meet general expenditures:

	2020	2019
Cash and cash equivalents	\$ 14,610,837	\$ 23,522,707
Short-term investments	20,610,833	20,647,709
Receivables and other assets, net	3,261,768	2,329,454
Pledges receivable for general expenditures due in one year or less	578,512	1,840,677
Investment income appropriated for operations	5,400,000	4,850,000
Investments not encumbered by donor or board restrictions	332,461	372,447
Total financial assets available to meet general expenditures over the next 12 months	<u>\$ 44,794,411</u>	<u>\$ 53,562,994</u>

The board-designated endowment funds of \$74,672,681 are subject to the annual spending rate of 5 percent as described in Footnote 8. Although the university does not intend to spend from these board-designated endowments (other than amounts appropriated for general expenditure as part of the Board's annual budget approval and appropriation), these amounts could be made available if necessary.

**WENTWORTH INSTITUTE OF TECHNOLOGY, INC.**  
**Notes to Financial Statements**

**Note 4 – Receivables and Other Assets**

Receivables and other assets consist of the following at June 30:

	<u>2020</u>	<u>2019</u>
Student accounts receivable	\$ 3,022,086	\$ 1,784,789
Other receivables	1,239,682	1,044,665
Prepaid expenses and deposits	<u>2,940,460</u>	<u>2,687,803</u>
Less allowance for doubtful accounts	<u>(1,000,000)</u>	<u>(500,000)</u>
Receivables and other assets, net	<u><u>\$ 6,202,228</u></u>	<u><u>\$ 5,017,257</u></u>

**Note 5 – Pledges Receivable**

Pledges receivable are expected to be realized as follows at June 30:

	<u>2020</u>	<u>2019</u>
Up to one year	\$ 2,758,524	\$ 2,336,952
One to five years	3,518,266	1,895,442
Five to ten years	307,000	264,167
More than ten years	<u>89,000</u>	<u>134,000</u>
	6,672,790	4,630,561
Less present value discount	<u>(371,819)</u>	<u>(293,471)</u>
	6,300,971	4,337,090
Less allowance for uncollectibles	<u>(232,482)</u>	<u>(173,130)</u>
Pledges receivable, net	<u><u>\$ 6,068,489</u></u>	<u><u>\$ 4,163,960</u></u>

Intentions to give were approximately \$11,000,000 at June 30, 2020 and are not recorded as revenue or assets until the conditions are met.

**WENTWORTH INSTITUTE OF TECHNOLOGY, INC.**  
**Notes to Financial Statements**

**Note 6 – Student Loans Receivable**

Student loans receivable consist of the following at June 30:

	2020	2019
Perkins loans	\$ 2,846,203	\$ 3,415,228
University loans	228,058	276,647
Student loans receivable, gross	3,074,261	3,691,875
Less allowance for uncollectible loans:		
Beginning of year	(181,858)	(195,156)
Change in provision for uncollectible loans	10,192	13,298
End of year	(171,666)	(181,858)
Student loans receivable, net	<u>\$ 2,902,595</u>	<u>\$ 3,510,017</u>

Loans past due amounted to \$1,323,246 and \$1,307,467 as of June 30, 2020 and 2019, respectively.

**Note 7 – Fair Value and Investments**

The valuation of the university's financial instruments measured on a recurring basis using the fair value hierarchy consisted of the following at June 30:

	2020				
	Level 1	Level 2	Level 3	Investments Measured at NAV	Total
Short-term investments:					
Fixed income funds	\$ 20,343,971	\$ -	\$ -	\$ -	\$ 20,343,971
Certificates of deposit	250,594	-	-	-	250,594
Money market funds	16,268	-	-	-	16,268
Total short-term investments	<u>20,610,833</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,610,833</u>
Endowment investments:					
Cash and cash equivalents	1,896,470	-	-	-	1,896,470
U.S. equity funds	31,904,042	-	-	-	31,904,042
Global equity funds	-	-	-	14,530,090	14,530,090
International equity funds	8,141,294	-	-	6,024,768	14,166,062
Emerging markets equity funds	5,935,081	-	-	-	5,935,081
Fixed income funds	14,251,915	-	-	2,788,271	17,040,186
Hedge funds	-	-	-	15,951,847	15,951,847
Public real asset funds	5,676,588	-	-	-	5,676,588
Private real asset funds	-	-	-	945,882	945,882
Private equity funds	-	-	-	8,466,612	8,466,612
Total endowment investments	<u>67,805,390</u>	<u>-</u>	<u>-</u>	<u>48,707,470</u>	<u>116,512,860</u>
Other investments:					
Beneficial interest in perpetual trusts	1,783,393	-	701,382	-	2,484,775
Supplemental retirement plans	332,461	-	-	-	332,461
Total other investments	<u>2,115,854</u>	<u>-</u>	<u>701,382</u>	<u>-</u>	<u>2,817,236</u>
Total investments	<u>69,921,244</u>	<u>-</u>	<u>701,382</u>	<u>48,707,470</u>	<u>119,330,096</u>
Liabilities:					
Obligation on interest rate swap agreements	<u>\$ -</u>	<u>\$ 12,747,406</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,747,406</u>

**WENTWORTH INSTITUTE OF TECHNOLOGY, INC.**  
**Notes to Financial Statements**

**Note 7 – Fair Value and Investments – continued**

	2019				
	Level 1	Level 2	Level 3	Investments Measured at NAV	Total
Short-term investments:					
Fixed income funds	\$ 19,600,897	\$ -	\$ -	\$ -	\$ 19,600,897
Certificates of deposit	1,001,560	-	-	-	1,001,560
Money market funds	45,252	-	-	-	45,252
Total short-term investments	<u>20,647,709</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,647,709</u>
Endowment investments:					
Cash and cash equivalents	1,425,482	-	-	-	1,425,482
U.S. equity funds	29,316,215	-	-	-	29,316,215
Global equity funds	-	-	-	11,787,170	11,787,170
International equity funds	9,485,524	-	-	7,488,669	16,974,193
Emerging markets equity funds	5,559,308	-	-	-	5,559,308
Fixed income funds	8,846,157	-	-	10,230,509	19,076,666
Hedge funds	-	-	-	16,643,583	16,643,583
Public real asset funds	6,049,466	-	-	-	6,049,466
Private real asset funds	-	-	-	1,092,668	1,092,668
Private equity funds	-	-	-	8,217,724	8,217,724
Total endowment investments	<u>60,682,152</u>	<u>-</u>	<u>-</u>	<u>55,460,323</u>	<u>116,142,475</u>
Other investments:					
Beneficial interest in perpetual trusts	1,886,514	-	700,168	-	2,586,682
Supplemental retirement plans	372,447	-	-	-	372,447
Total other investments	<u>2,258,961</u>	<u>-</u>	<u>700,168</u>	<u>-</u>	<u>2,959,129</u>
Total investments	<u>62,941,113</u>	<u>-</u>	<u>700,168</u>	<u>55,460,323</u>	<u>119,101,604</u>
Liabilities:					
Obligation on interest rate swap agreements	<u>\$ -</u>	<u>\$ 9,051,093</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,051,093</u>

Private equity funds have unfunded commitments of \$8,120,598 at June 30, 2020. Beneficial interests in perpetual trusts included in Level 3 consist of trusts with marketable underlying investments; however, the university's share of the trust is not marketable. Management considers the Level 3 activity as not material and thus has elected not to present detailed disclosures.

Investments may be redeemed as follows at June 30:

	2020	2019
Daily	\$ 86,362,438	\$ 86,185,102
Quarterly	23,555,164	23,606,110
Illiquid	<u>9,412,494</u>	<u>9,310,392</u>
Total	<u>\$ 119,330,096</u>	<u>\$ 119,101,604</u>

**WENTWORTH INSTITUTE OF TECHNOLOGY, INC.**  
**Notes to Financial Statements**

**Note 8 – Endowment Investments**

The university's endowment consists of approximately 180 donor-restricted and 11 board-restricted individual funds established for a variety of purposes. Net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Trustees of the university has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") enacted in Massachusetts, as requiring the tracking of the original value of a gift of donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this, the university tracks in perpetuity: (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. Donor-restricted amounts not retained in perpetuity are available to be appropriated for expenditure by the university in a manner consistent with the standard of prudence prescribed by UPMIFA considering the following:

- 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

Funds 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). The university has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. There were no funds with deficiencies at June 30, 2019 and management considered these amounts not to be significant at June 30, 2020.

Return Objectives and Risk Parameters

The university's endowment 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 flow and spending requirements. Management of the assets is designed to attain a total return that exceeds the spending rate plus inflation. The intent of this objective is to preserve, over time, the principal value of the assets as measured in inflation-adjusted terms.

Spending Policy

It is the university's policy to distribute annually up to 5% of a trailing twelve-quarter average fair value of the endowment. This spending rate was adopted by the Board of Trustees in order to balance current consumption of resources against the goal to preserve the purchasing power of these funds into the future. Units in the pool are assigned on the basis of market value at the time funds to be invested are received, and income is distributed quarterly thereafter on a per-unit basis. All realized and unrealized gains and losses arising from pooled investments are allocated to participating funds based on their respective number of units held on a quarterly basis.

**WENTWORTH INSTITUTE OF TECHNOLOGY, INC.**  
**Notes to Financial Statements**

**Note 8 – Endowment Investments – continued**

The Board of Trustees follows a like policy relative to spending from its Board-designated endowment funds, however the university did not avail itself the full 5% draw in 2019. The distribution from the Board-designated endowment funds and the donor-restricted endowment funds are estimated to be \$3,400,000 and \$2,000,000, respectively, for the year ending June 30, 2021. However, the Board retains the discretion to modify its spending or transfer additional Board-designated endowment funds for other institutional purposes beyond the originally budgeted amount of spending.

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.

Under the university's total return policy, during periods when endowment investment return exceeds the distribution, such excess return is added to the endowment funds with donor restrictions or without donor restrictions depending if the underlying funds have restrictions. Conversely, when endowment investment return is less than the distribution, such amount is funded by accumulated unspent gains or the balance of the fund if no accumulated unspent gains remain.

The following is the composition of endowment assets and those functioning as endowment assets by net asset class as of June 30:

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 74,672,681	\$ -	\$ 74,672,681
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by the donor	-	30,663,368	30,663,368
Accumulated gains	-	11,176,811	11,176,811
Total endowment funds	<u>\$ 74,672,681</u>	<u>\$ 41,840,179</u>	<u>\$ 116,512,860</u>
	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 77,032,820	\$ -	\$ 77,032,820
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by the donor	-	27,398,946	27,398,946
Accumulated gains	-	11,710,709	11,710,709
Total endowment funds	<u>\$ 77,032,820</u>	<u>\$ 39,109,655</u>	<u>\$ 116,142,475</u>

**WENTWORTH INSTITUTE OF TECHNOLOGY, INC.**  
**Notes to Financial Statements**

**Note 8 – Endowment Investments – continued**

Changes in endowment net assets are as follows for the years ended June 30, 2020 and 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment as of July 1, 2018	\$ 75,206,862	\$ 37,427,097	\$ 112,633,959
Gifts and additions	-	685,283	685,283
Investment return	4,303,730	2,219,129	6,522,859
Appropriation of endowment assets pursuant to spend rate total return policy	-	(1,221,854)	(1,221,854)
Distribution from board-designated endowment pursuant to distribution policy	(2,477,772)	-	(2,477,772)
Endowment as of June 30, 2019	77,032,820	39,109,655	116,142,475
Gifts and additions	-	1,812,582	1,812,582
Reclassifications	(1,480,135)	1,480,135	-
Investment return	2,305,551	1,128,805	3,434,356
Appropriation of endowment assets pursuant to spend rate total return policy	-	(1,690,998)	(1,690,998)
Distribution from board-designated endowment pursuant to distribution policy	(3,185,555)	-	(3,185,555)
Endowment as of June 30, 2020	<u>\$ 74,672,681</u>	<u>\$ 41,840,179</u>	<u>\$ 116,512,860</u>

Beginning in fiscal year 2020, the Board of Trustees has committed to allocate up to \$5,125,000 from its board-designated endowment funds to match dollar for dollar the creation of new donor-restricted endowed scholarship funds and has reclassified \$1,480,135 of such funds as of June 30, 2020.

**WENTWORTH INSTITUTE OF TECHNOLOGY, INC.**  
**Notes to Financial Statements**

**Note 9 – Net Assets**

Net assets are summarized as follows as of June 30:

	2020	
	Without Donor Restrictions	With Donor Restrictions
<b>Detail of Net Assets</b>		Total
Operating funds:		
Undesignated	\$ 1,946,931	\$ -
Investment in plant	117,839,388	-
Donor restricted for scholarship support	-	627,707
Donor restricted for instructional support	-	1,427,425
Donor restricted for facilities and other support	-	1,215,168
Pledges, net	-	6,068,489
Perpetual trusts	-	2,484,775
Board-designated endowment funds	74,672,681	-
Donor-restricted endowment funds:		
Original donor-restricted gift amount and amount required to be maintained in perpetuity by the donor:		
Restricted for scholarship support	-	21,029,675
Restricted for instructional support	-	8,786,384
Restricted for facilities and other support	-	847,309
Total gifts held in perpetuity	-	30,663,368
Accumulated gains:		
Accumulated gains for scholarship support	-	8,331,875
Accumulated gains for instructional support	-	2,506,824
Accumulated gains for facilities and other support	-	338,112
Total accumulated gains	-	11,176,811
Total endowment funds	74,672,681	41,840,179
Total net assets	\$ 194,459,000	\$ 53,663,743



**WENTWORTH INSTITUTE OF TECHNOLOGY, INC.**  
**Notes to Financial Statements**

**Note 9 – Net Assets – continued**

Detail of Net Assets	2019		Total
	Without Donor Restrictions	With Donor Restrictions	
Operating funds:			
Undesignated	\$ 5,575,655	\$ -	\$ 5,575,655
Investment in plant	117,478,342	-	117,478,342
Donor restricted for scholarship support	-	523,244	523,244
Donor restricted for instructional support	-	1,226,367	1,226,367
Donor restricted for facilities and other support	-	1,283,974	1,283,974
Pledges, net	-	4,163,960	4,163,960
Perpetual trusts	-	2,586,682	2,586,682
Board-designated endowment funds	77,032,820	-	77,032,820
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amount required to be maintained in perpetuity by the donor:			
Restricted for scholarship support	-	17,772,753	17,772,753
Restricted for instructional support	-	8,798,884	8,798,884
Restricted for facilities and other support	-	827,309	827,309
Total gifts held in perpetuity	-	27,398,946	27,398,946
Accumulated gains:			
Accumulated gains for scholarship support	-	8,720,923	8,720,923
Accumulated gains for instructional support	-	2,636,388	2,636,388
Accumulated gains for facilities and other support	-	353,398	353,398
Total accumulated gains	-	11,710,709	11,710,709
Total endowment funds	77,032,820	39,109,655	116,142,475
Total net assets	\$ 200,086,817	\$ 48,893,882	\$ 248,980,699

**WENTWORTH INSTITUTE OF TECHNOLOGY, INC.**  
**Notes to Financial Statements**

**Note 9 – Net Assets – continued**

Net assets were released from donor restrictions as a result of the incurrence of expenses satisfying the restricted purposes, the occurrence of events specified by donors or by the change of restrictions specified by the donors. Net assets released from restrictions were for the following purposes for the years ended June 30:

	2020	2019
Scholarships	\$ 1,433,886	\$ 1,206,713
Instruction	382,940	357,471
Facilities	37,428	-
Other	309,635	514,845
Total operating net assets released from restrictions	<u>\$ 2,163,889</u>	<u>\$ 2,079,029</u>
Instruction	\$ -	\$ 20,203
Facilities	1,694,911	2,070,249
Total nonoperating net assets released from restrictions	<u>\$ 1,694,911</u>	<u>\$ 2,090,452</u>

**Note 10 – Property and Equipment**

Property and equipment consist of the following at June 30:

	Estimated Useful Life in Years	2020	2019
Land		\$ 13,392,323	\$ 13,392,323
Buildings and building improvements	10 to 40	369,382,034	361,899,811
Equipment	2 to 10	45,640,651	51,061,616
Land improvements	10 to 20	8,145,404	8,080,155
Construction in progress		4,122,299	2,645,731
		<u>440,682,711</u>	<u>437,079,636</u>
Less accumulated depreciation		<u>(187,368,698)</u>	<u>(179,494,037)</u>
Property and equipment, net		<u>\$ 253,314,013</u>	<u>\$ 257,585,599</u>

Depreciation expense was \$18,879,674 and \$16,708,588 for the years ended June 30, 2020 and 2019, respectively. The university capitalized interest associated with construction of long-lived assets of \$841,663 during the year ended June 30, 2019.

A net loss on asset disposals of property and equipment of \$220,570 and \$113,021 for the years ended June 30, 2020 and 2019, respectively, were included in Institutional Support.

**WENTWORTH INSTITUTE OF TECHNOLOGY, INC.**  
**Notes to Financial Statements**

**Note 11 – Deferred Revenue and Student Deposits**

Deferred revenue and student deposits consisted of the following at June 30:

	2020	2019
Student tuition and fees revenue, net of student aid	\$ 8,607,979	\$ 9,144,403
Student room and board revenue, net of student aid	20,588	1,702,435
Deferred revenue other	2,808,970	3,033,703
Student deposits	1,265,603	2,716,468
	<hr/>	<hr/>
Total deferred revenue and student deposits	\$ 12,703,140	\$ 16,597,009
	<hr/>	<hr/>

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 did not consider material. The remaining performance obligation is time driven given the academic calendar that underlies the earnings process for tuition, fees and auxiliary revenue. During fiscal 2020, as a result of the effects of the COVID-19 pandemic, the university migrated to a remote platform for student instruction. As a result of the move to remote learning, the university's residential housing was closed for the summer 2020 semester which drove the reduction in deferred revenue associated with student room and board revenue above.

**Note 12 – Benefit Plans**

Defined Contribution Retirement Plan

The university sponsors a defined contribution retirement plan under IRC Section 403(b). The plan covers all employees who meet eligibility requirements. Contributions are equal to 10% of an employee's salary. Employees may also make voluntary deferred salary contributions to the plan subject to statutory limits. Total expense for the plan was \$4,291,008 and \$4,154,879 for the years ended June 30, 2020 and 2019, respectively. Effective October 1, 2020, no further nonelective contributions will be made on behalf of Participants, except any true-up that may apply for the period January 1, 2020 through September 30, 2020 and contributions on behalf of Participants who are covered under the faculty collective bargaining agreement.

Supplemental Retirement Plan

The university sponsors a deferred compensation plan under IRC Section 457(b) which allows select employees to make elective deferrals of compensation up to specified limits. The university does not contribute to this plan. The university held assets of \$332,461 and \$372,447 in investments with a corresponding amount in accrued expenses at June 30, 2020 and 2019, respectively.

**WENTWORTH INSTITUTE OF TECHNOLOGY, INC.**  
**Notes to Financial Statements**

**Note 13 – Bonds Payable and Interest Rate Swap Agreements**

Bonds payable, consisting entirely of various issues of Massachusetts Development Finance Agency, are as follows at June 30:

	<u>Maturity</u>	<u>Type</u>	<u>Interest Rate</u>		<u>2020</u>	<u>2019</u>
			<u>2020</u>	<u>2019</u>		
2017 Issue	10/1/2046	Fixed	5.00%	5.00%	\$ 39,390,000	\$ 40,060,000
2015A Issue	10/1/2033	Variable	0.69%	2.39%	27,510,000	28,920,000
2015B Issue	10/1/2035	Variable	0.71%	2.39%	10,020,000	10,465,000
2013A Issue	9/1/2044	Variable	1.03%	2.66%	39,035,396	40,139,490
2013B Issue	10/1/2030	Variable	0.69%	2.66%	16,431,667	17,736,667
					<u>132,387,063</u>	<u>137,321,157</u>
Bond Premium, net					3,270,348	3,393,372
Bond Issuance Costs, net					<u>(961,559)</u>	<u>(949,479)</u>
Total Bonds Payable					<u>\$ 134,695,852</u>	<u>\$ 139,765,050</u>

The Series 2013A and B bonds and the Series 2015A and B bonds are variable rate bonds, privately placed with banks. The Series 2013A bond has a mandatory tender date on February 15, 2023. On May 8, 2020, the university amended the Series 2013B and the Series 2015A and B bonds to have mandatory tender dates that coincide with the bonds' maturity dates. The university has the option to remarket these bonds at any time in any mode prior to the mandatory tender dates.

An original issue premium of \$3,690,680 was received on the issuance of the Series 2017 bond and is being amortized on the straight-line basis over the life of the bond resulting in amortization expense of \$123,024 for the years ended June 30, 2020 and 2019.

Bond issuance costs are capitalized and amounted to \$1,716,171 and \$1,582,824 for the years ended June 30, 2020 and 2019, respectively, with such amount being amortized on the straight-line basis over the life of the bonds resulting in amortization expense of \$121,267 and \$121,104 for the years ended June 30, 2020 and 2019, respectively.

All of the bonds contain certain restrictive covenants, including limitations on obtaining additional debt, restrictions on the sale of assets, submission of annual audited financial statements, and are collateralized by the university's unrestricted revenue. Certain bonds also contain additional restrictive covenants to meet debt service coverage and liquidity ratios.

**WENTWORTH INSTITUTE OF TECHNOLOGY, INC.**  
**Notes to Financial Statements**

**Note 13 – Bonds Payable and Interest Rate Swap Agreements - continued**

The required principal amounts to be paid on the bonds payable are as follows:

<u>Year Ending June 30,</u>	<u>Amounts Due</u>
2021	\$ 5,118,685
2022	5,321,198
2023	5,507,972
2024	5,713,003
2025	5,927,670
Thereafter	<u>104,798,535</u>
Total	<u><u>\$ 132,387,063</u></u>

Interest Rate Swap Agreements

The university uses interest rate swaps to manage interest rate risk exposure. The university's interest rate swaps mitigate exposure to interest rate risk, primarily through converting portions of floating rate debt under the bond agreement to a fixed rate basis. These agreements involve the receipt of a floating rate and the payment of a fixed rate over the life of the agreements without an exchange of the underlying principal amounts. The variable rate on the 2013A swap is based on 72% of the one month LIBOR-BBA Index, while the variable rate on the remaining swaps were amended by the university on May 26, 2020 and are based on 81.5% and 67% of the one month LIBOR-BBA Index for the years ended June 30, 2020 and 2019, respectively. Net settlements are considered part of interest expense. The university does not enter into derivative instruments for trading or speculative purposes.

As a result of the use of derivative instruments, the university is exposed to the risk that the counterparties will fail to meet their contractual obligations. To mitigate the counterparty risk, the university only enters into contracts with selected major financial institutions based upon their credit ratings and other factors, and continually assesses the creditworthiness of counterparties. The counterparties to the university's interest rate swaps had investment grade ratings at June 30, 2020 and 2019. The interest rate swap agreements contain provisions in which the counterparty could elect to terminate the agreement should the credit rating of the university or affiliated entities to the swap fall below investment grade. If this were to occur, the university could be required to terminate the swap agreement at its then fair value, which could result in the potential for cash outflows or the posting of a collateral account depending on the fair value of the swap at the time of the termination of the agreement. The agreement with the termination date on October 1, 2033 also requires the posting of collateral by the university if the mark to market swap liability exceeds \$10,000,000 and no such requirements were triggered as of June 30, 2020 and 2019.

The university had the following swaps outstanding at June 30:

	<u>2020</u>				<u>2019</u>	
	Interest Rate Received	Interest Rate Paid	Termination Date	Remaining Notional Amount	Fair Value Asset (Liability)	
Debt Issuance Hedged						
2013A Issue	0.12%	1.75%	2/1/2023	\$ 38,587,971	\$ (1,656,506)	\$ (787,220)
2013B Issue	0.14%	3.40%	10/1/2030	8,205,000	(1,432,986)	(1,091,398)
2015A Issue	0.14%	3.71%	10/1/2033	27,510,000	(6,889,971)	(5,126,435)
2015B Issue	0.14%	3.73%	10/1/2035	<u>10,020,000</u>	<u>(2,767,943)</u>	<u>(2,046,040)</u>
				<u><u>\$ 84,322,971</u></u>	<u><u>\$ (12,747,406)</u></u>	<u><u>\$ (9,051,093)</u></u>

**WENTWORTH INSTITUTE OF TECHNOLOGY, INC.**  
**Notes to Financial Statements**

**Note 14 – Related Party Transactions**

Members of the university's Board of Trustees may, from time to time, be associated, either directly or indirectly, with companies doing business with the university. The university has a written conflict of interest policy that requires, among other things, that no member of the Board of Trustees may participate in any decision in which he or she has a material financial interest. Each trustee is required to certify compliance with the conflict of interest policy on an annual basis as well as disclose any potential related-party transactions to the Board of Trustees. When such a relationship exists, the university requires that any such transactions be conducted at arms' length, with terms that are fair and reasonable to and for the benefit of the university.

The university expended approximately \$380,000 and \$16,000,000 relative to a construction contract with a company whose employee is in a key position and is also a trustee of the university for the years ended June 30, 2020 and 2019, respectively.

**Note 15 – Commitments and Contingencies**

Legal

The university is a defendant in various legal actions arising out of the normal course of its operations. Although the final outcome of such actions cannot be determined, the university believes that an eventual liability, if any, will not have a material effect on the university's financial position.

Post Award Review

All funds expended by the university in connection with government grants are subject to review or audit by governmental agencies. There were no reviews or audits in process by governmental agencies as of June 30, 2020.

Contracts

The university has entered into fixed-priced contracts for a portion of its energy needs. These contracts expire through June 2023 and the contracted usage is within the university's current needs.

The university has an employment agreement with its president through June 2024 that stipulates a variety of business terms typical in the education sector. Certain faculty, public safety and physical plant employees of the university are subject to collective bargaining agreements which expire April 30, 2022, December 31, 2022 and June 30, 2023, respectively.

The university participates in the Massachusetts Institute Savings Prepaid Tuition Program. This program allows participants to lock in tuition prices by limiting future increases to the changes in Consumer Price Index plus 2%. This could result in discounts on tuition charged to students in the future.

The university has a number of other agreements with organizations and schools offering a number of opportunities and advantages for students. One such agreement provides access to academic programs and co-curricular activities at four other colleges in direct proximity to the university's campus.

**WENTWORTH INSTITUTE OF TECHNOLOGY, INC.**  
**Notes to Financial Statements**

**Note 15 – Commitments and Contingencies – continued**

Operating Leases

The university is committed under long-term operating leases for the rental of certain equipment and under long-term agreements for receipt of certain services. The commitments expire at various dates through June 30, 2024. Rental and service expenses incurred under the operating leases and service agreements were \$3,183,671 and \$3,197,497 for the years ended June 30, 2020 and 2019, respectively.

Minimum annual commitments under these agreements are as follows:

<u>Year Ending June 30,</u>	<u>Commitments</u>
2021	\$ 3,230,787
2022	3,175,066
2023	849,366
2024	<u>229,694</u>
Total Minimum Commitments	<u>\$ 7,484,913</u>

Medical and Employee Benefits

The university has a partially self-insured medical plan (the “Plan”) for certain medical benefits covering employees and certain retirees. The Plan utilizes a stop-loss insurance for claims in excess of \$125,000 per participant in a calendar year, up to a lifetime stop-loss coverage limit of \$1,000,000 per participant. An accrual of \$255,502 and \$346,000 was recorded for benefit claims incurred but not reported at June 30, 2020 and 2019, respectively. The university is a member of a captive insurer providing stop-loss insurance to cover Plan expenses in excess of certain limits in order to manage its health insurance costs.

The university participates in a workers’ compensation self-insured group (the “Group”). Workers’ compensation expense is determined based on annual premiums less dividends received plus the university’s prorated share of any excess of liabilities, if applicable. Net expense under the Group was \$123,616 and \$144,724 for the years ended June 30, 2020 and 2019, respectively. Specific excess reinsurance has been purchased to provide for statutory benefits and \$1,000,000 for employer’s liability, subject to a \$500,000 per occurrence retention. Management believes the Group is sufficiently capitalized and does not expect liabilities from this arrangement.

COVID-19

Based on the information available through the date of this report, management has noted minimal impact on enrollment trends, while noting an impact on room and board. The effects of the COVID-19 pandemic may impact the future results of operations.