



Financial Statements

June 30, 2023 and 2022

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 - 31 |



Independent Auditors' Report

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

Opinion

We have audited the financial statements of Wentworth Institute of Technology, Inc. (the "University"), which comprise the statements of financial position as of June 30, 2023 and 2022, 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, 2023 and 2022, 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.

Auditors' Responsibilities for the Audit of the Financial Statements

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



In performing an audit in accordance with GAAS, we:

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

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

Mayer Hoffmann McCann P.C.

Boston, Massachusetts
November 30, 2023

WENTWORTH INSTITUTE OF TECHNOLOGY, INC.
Statements of Financial Position
June 30, 2023 and 2022

| | 2023 | 2022 |
|---|-----------------------|-----------------------|
| Assets: | | |
| Cash and cash equivalents | \$ 19,619,751 | \$ 21,568,929 |
| Short-term investments | 8,990,307 | 18,983,070 |
| Receivables and other assets, net | 10,614,113 | 12,404,684 |
| Deposits with bond trustees | 37,981,961 | 325,959 |
| Pledges receivable, net | 4,204,516 | 2,896,093 |
| Student loans receivable, net | 1,961,407 | 2,253,786 |
| Investments | 152,382,646 | 146,724,100 |
| Interest rate swap assets | 1,600,259 | - |
| Property and equipment, net | 256,634,640 | 231,009,706 |
| | <u>\$ 493,989,600</u> | <u>\$ 436,166,327</u> |
| Liabilities and net assets: | | |
| Accounts payable and accrued expenses | \$ 8,596,071 | \$ 6,609,972 |
| Construction payables | 4,257,342 | 3,067,386 |
| Deferred revenue and deposits | 21,231,984 | 16,400,416 |
| Other liabilities | 1,347,890 | 1,262,927 |
| Obligation on interest rate swap agreements | - | 1,844,365 |
| Accumulated postretirement benefit obligation | 1,391,055 | 1,800,470 |
| Bonds payable | 168,271,417 | 124,130,429 |
| Government advances for student loans | 1,764,339 | 1,971,088 |
| Deferred lease revenue | 15,000,000 | 15,000,000 |
| | <u>221,860,098</u> | <u>172,087,053</u> |
| Net assets: | | |
| Without donor restrictions | 203,291,447 | 202,448,474 |
| With donor restrictions | 68,838,055 | 61,630,800 |
| | <u>272,129,502</u> | <u>264,079,274</u> |
| | <u>\$ 493,989,600</u> | <u>\$ 436,166,327</u> |

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

WENTWORTH INSTITUTE OF TECHNOLOGY, INC.
Statement of Activities
Year Ended June 30, 2023
(with comparative totals for 2022)

| | 2023 | | Total | 2022 Total |
|--|----------------------------------|-------------------------------|-----------------------|-----------------------|
| | Without Donor Restrictions | With Donor Restrictions | | |
| Operating revenues: | | | | |
| Student tuition and fees, net of student aid of \$57,227,669 in 2023 and \$57,535,235 in 2022 | \$ 81,934,585 | \$ - | \$ 81,934,585 | \$ 84,391,218 |
| Student room and board, net of student aid of \$1,652,463 in 2023 and \$1,046,998 in 2022 | 31,878,622 | - | 31,878,622 | 28,142,299 |
| Other auxiliary services | 4,780,473 | - | 4,780,473 | 4,835,854 |
| Private gifts and bequests | 1,596,366 | 2,817,596 | 4,413,962 | 1,268,489 |
| Government grants | 4,918,592 | - | 4,918,592 | 8,514,329 |
| Other revenues | 1,990,461 | 231,847 | 2,222,308 | 660,978 |
| Investment return utilized for operations | 4,566,533 | 2,828,461 | 7,394,994 | 5,720,443 |
| Net assets released from restrictions | 2,494,928 | (2,494,928) | - | - |
| Total operating revenues | <u>134,160,560</u> | <u>3,382,976</u> | <u>137,543,536</u> | <u>133,533,610</u> |
| Operating expenses: | | | | |
| Instruction | 56,383,942 | - | 56,383,942 | 54,471,821 |
| Academic support | 5,097,688 | - | 5,097,688 | 4,794,988 |
| Student services | 22,960,114 | - | 22,960,114 | 24,833,198 |
| Auxiliary services | 27,949,239 | - | 27,949,239 | 28,274,894 |
| Institutional support | 22,047,946 | - | 22,047,946 | 20,301,371 |
| Fundraising services | 3,971,293 | - | 3,971,293 | 3,824,685 |
| Total operating expenses | <u>138,410,222</u> | <u>-</u> | <u>138,410,222</u> | <u>136,500,957</u> |
| Operating subtotal | <u>(4,249,662)</u> | <u>3,382,976</u> | <u>(866,686)</u> | <u>(2,967,347)</u> |
| Nonoperating: | | | | |
| Private gifts and bequests | - | 2,166,676 | 2,166,676 | 324,013 |
| Investment return | 6,664,485 | 4,036,122 | 10,700,607 | (16,097,599) |
| Investment return utilized for operations | (4,566,533) | (2,828,461) | (7,394,994) | (5,720,443) |
| Net unrealized gain on interest rate swaps | 3,444,625 | - | 3,444,625 | 8,047,735 |
| Net assets released from restrictions | 197,083 | (197,083) | - | - |
| Reclassifications | (647,025) | 647,025 | - | - |
| Nonoperating subtotal | <u>5,092,635</u> | <u>3,824,279</u> | <u>8,916,914</u> | <u>(13,446,294)</u> |
| Change in net assets | 842,973 | 7,207,255 | 8,050,228 | (16,413,641) |
| Net assets at beginning of year | <u>202,448,474</u> | <u>61,630,800</u> | <u>264,079,274</u> | <u>280,492,915</u> |
| Net assets at end of year | <u>\$ 203,291,447</u> | <u>\$ 68,838,055</u> | <u>\$ 272,129,502</u> | <u>\$ 264,079,274</u> |

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

WENTWORTH INSTITUTE OF TECHNOLOGY, INC.
Statement of Activities
Year Ended June 30, 2022

| | 2022 | | Total |
|--|----------------------------------|-------------------------------|-----------------------|
| | Without Donor Restrictions | With Donor Restrictions | |
| Operating revenues: | | | |
| Student tuition and fees, net of student aid of \$57,535,235 | \$ 84,391,218 | \$ - | \$ 84,391,218 |
| Student room and board, net of student aid of \$1,046,998 | 28,142,299 | - | 28,142,299 |
| Other auxiliary services | 4,835,854 | - | 4,835,854 |
| Private gifts and bequests | 808,290 | 460,199 | 1,268,489 |
| Government grants | 8,514,329 | - | 8,514,329 |
| Other revenues | 466,284 | 194,694 | 660,978 |
| Investment return utilized for operations | 3,515,898 | 2,204,545 | 5,720,443 |
| Net assets released from restrictions | 2,312,535 | (2,312,535) | - |
| Total operating revenues | 132,986,707 | 546,903 | 133,533,610 |
| Operating expenses: | | | |
| Instruction | 54,471,821 | - | 54,471,821 |
| Academic support | 4,794,988 | - | 4,794,988 |
| Student services | 24,833,198 | - | 24,833,198 |
| Auxiliary services | 28,274,894 | - | 28,274,894 |
| Institutional support | 20,301,371 | - | 20,301,371 |
| Fundraising services | 3,824,685 | - | 3,824,685 |
| Total operating expenses | 136,500,957 | - | 136,500,957 |
| Operating subtotal | (3,514,250) | 546,903 | (2,967,347) |
| Nonoperating: | | | |
| Private gifts and bequests | - | 324,013 | 324,013 |
| Investment return | (9,470,619) | (6,626,980) | (16,097,599) |
| Investment return utilized for operations | (3,515,898) | (2,204,545) | (5,720,443) |
| Net unrealized gain on interest rate swaps | 8,047,735 | - | 8,047,735 |
| Net assets released from restrictions | 163,632 | (163,632) | - |
| Reclassifications | (825,665) | 825,665 | - |
| Nonoperating subtotal | (5,600,815) | (7,845,479) | (13,446,294) |
| Change in net assets | (9,115,065) | (7,298,576) | (16,413,641) |
| Net assets at beginning of period | 211,563,539 | 68,929,376 | 280,492,915 |
| Net assets at end of period | \$ 202,448,474 | \$ 61,630,800 | \$ 264,079,274 |

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

WENTWORTH INSTITUTE OF TECHNOLOGY, INC.
Statement of Functional Expenses
Year Ended June 30, 2023
(with comparative totals for 2022)

| | 2023 | | | | | | Total | 2022 Total |
|-------------------------------------|----------------------|---------------------|----------------------|-----------------------|--------------------------|-------------------------|-----------------------|-----------------------|
| | Instruction | Academic Support | Student Services | Auxiliary Services | Institutional Support | Fundraising Services | | |
| Operating expenses: | | | | | | | | |
| Salaries and wages | \$ 32,443,124 | \$ 2,560,979 | \$ 10,032,866 | \$ 2,883,042 | \$ 9,785,046 | \$ 2,338,979 | \$ 60,044,036 | \$ 57,623,659 |
| Employee benefits | 8,016,143 | 650,134 | 2,386,670 | 657,753 | 2,406,629 | 612,572 | 14,729,901 | 13,522,696 |
| Professional services | 329,348 | 114,981 | 2,466,647 | 152,919 | 2,101,712 | 68,102 | 5,233,709 | 8,012,081 |
| Dining services | 35,601 | 21,425 | 756,614 | 5,742,175 | 40,597 | 63,408 | 6,659,820 | 4,082,485 |
| Advertising and promotion | 43,497 | 3,304 | 567,644 | 9,559 | 1,176,601 | 165,110 | 1,965,715 | 1,695,949 |
| Supplies | 883,577 | 593,644 | 384,711 | 41,256 | 835,011 | 66,786 | 2,804,985 | 2,471,860 |
| Information technology | 2,181,485 | 195,939 | 694,114 | 137,211 | 754,984 | 159,397 | 4,123,130 | 3,309,449 |
| Travel and conferences | 461,328 | 40,328 | 1,580,287 | 62,575 | 268,431 | 104,358 | 2,517,307 | 1,501,668 |
| Study abroad | 542,844 | - | - | - | - | - | 542,844 | 184,534 |
| Government grant funds for students | - | - | 41,611 | - | - | - | 41,611 | 4,770,660 |
| Other expenses | 339,020 | 107,691 | 897,486 | 85,838 | 1,980,320 | 306,831 | 3,717,186 | 3,262,278 |
| Net loss on asset disposals | 52,602 | 4,757 | 14,491 | 91,827 | 4,809 | 489 | 168,975 | 187,825 |
| Occupancy, utilities and repairs | 3,488,756 | 309,598 | 1,629,535 | 6,394,514 | 1,917,046 | 34,403 | 13,773,852 | 13,395,224 |
| Depreciation and amortization | 5,472,022 | 494,908 | 1,507,438 | 9,552,538 | 500,310 | 50,858 | 17,578,074 | 17,981,615 |
| Interest | 2,094,595 | - | - | 2,138,032 | 276,450 | - | 4,509,077 | 4,498,974 |
| Total operating expenses | <u>\$ 56,383,942</u> | <u>\$ 5,097,688</u> | <u>\$ 22,960,114</u> | <u>\$ 27,949,239</u> | <u>\$ 22,047,946</u> | <u>\$ 3,971,293</u> | <u>\$ 138,410,222</u> | <u>\$ 136,500,957</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, 2022

| | 2022 | | | | | | Total |
|-------------------------------------|----------------------|-------------------------|-------------------------|---------------------------|------------------------------|-----------------------------|-----------------------|
| | Instruction | Academic Support | Student Services | Auxiliary Services | Institutional Support | Fundraising Services | |
| Operating expenses: | | | | | | | |
| Salaries and wages | \$ 31,261,084 | \$ 2,424,578 | \$ 9,108,795 | \$ 3,147,814 | \$ 9,344,931 | \$ 2,336,457 | \$ 57,623,659 |
| Employee benefits | 7,154,150 | 581,986 | 2,083,978 | 641,415 | 2,461,222 | 599,945 | 13,522,696 |
| Professional services | 1,467,742 | 161,700 | 2,362,624 | 2,129,901 | 1,845,263 | 44,851 | 8,012,081 |
| Dining services | 38,876 | 3,237 | 402,423 | 3,511,052 | 41,132 | 85,765 | 4,082,485 |
| Advertising and promotion | 37,401 | 3,365 | 370,642 | 14,917 | 1,091,723 | 177,901 | 1,695,949 |
| Supplies | 931,870 | 546,633 | 367,590 | 38,706 | 508,599 | 78,462 | 2,471,860 |
| Information technology | 1,587,121 | 132,096 | 469,308 | 479,461 | 536,068 | 105,395 | 3,309,449 |
| Travel and conferences | 226,800 | 30,282 | 960,891 | 17,732 | 209,589 | 56,374 | 1,501,668 |
| Study abroad | 184,534 | - | - | - | - | - | 184,534 |
| Government grant funds for students | - | - | 4,770,660 | - | - | - | 4,770,660 |
| Other expenses | 275,615 | 86,153 | 775,662 | 66,386 | 1,803,954 | 254,508 | 3,262,278 |
| Net loss on asset disposals | 58,470 | 5,288 | 16,107 | 102,071 | 5,346 | 543 | 187,825 |
| Occupancy, utilities and repairs | 3,601,320 | 313,401 | 1,602,473 | 6,097,446 | 1,748,126 | 32,458 | 13,395,224 |
| Depreciation and amortization | 5,597,643 | 506,269 | 1,542,045 | 9,771,836 | 511,796 | 52,026 | 17,981,615 |
| Interest | 2,049,195 | - | - | 2,256,157 | 193,622 | - | 4,498,974 |
| Total operating expenses | \$ 54,471,821 | \$ 4,794,988 | \$ 24,833,198 | \$ 28,274,894 | \$ 20,301,371 | \$ 3,824,685 | \$ 136,500,957 |

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

WENTWORTH INSTITUTE OF TECHNOLOGY, INC.

Statements of Cash Flows
Years Ended June 30, 2023 and 2022

| | 2023 | 2022 |
|---|---------------|-----------------|
| Cash flows from operating activities: | | |
| Change in net assets | \$ 8,050,228 | \$ (16,413,641) |
| Gifts of stock and property | (22,462) | (29,562) |
| Contributions restricted for long-term investment | (2,713,587) | (1,350,005) |
| Net realized and unrealized loss/(gain) on investments | (10,274,413) | 17,147,580 |
| Unrealized gain on interest rate swaps | (3,444,625) | (8,047,735) |
| Depreciation and amortization | 17,578,074 | 17,981,615 |
| Loss on sale and/or disposal of property and equipment | 168,976 | 187,826 |
| Changes in operating assets and liabilities: | | |
| Receivables and other assets | 1,640,571 | 2,810,906 |
| Pledges receivable | (1,057,704) | 814,499 |
| Allowance for doubtful accounts | (100,719) | (464,883) |
| Accounts payable, accrued and deferred revenue and deposits | 6,817,667 | 1,870,073 |
| Other liabilities | 109,230 | (245,155) |
| Accumulated postretirement benefit obligation | (409,415) | (337,600) |
| Net cash provided by operating activities | 16,341,821 | 13,923,918 |
| Cash flows from investing activities: | | |
| Purchases of property and equipment | (42,110,324) | (9,083,015) |
| Proceeds from sale of property and equipment | 611 | 9,148 |
| Proceeds from sale of investments | 64,737,629 | 101,159,967 |
| Purchases of investments | (50,106,537) | (111,636,364) |
| Cash collected on student loans | 292,379 | 222,885 |
| Net cash used in investing activities | (27,186,242) | (19,327,379) |
| Cash flows from financing activities: | | |
| Net Perkins and other government payments | (206,749) | (419,416) |
| Payments for bond issuance costs | (300,330) | - |
| Change in funds held by trustees | (37,656,002) | (61,281) |
| Change in obligation on charitable annuity agreements | (24,267) | (6,979) |
| Gifts and bequests restricted for endowment | 2,390,308 | 1,155,720 |
| Gifts and bequests restricted for acquisition of property and equipment | 323,279 | 194,285 |
| Proceeds from issuance of bonds | 50,000,000 | - |
| Principal payments on bonds payable | (5,630,996) | (5,474,221) |
| Proceeds from agreement for future ground lease | - | 15,000,000 |
| Net cash provided by financing activities | 8,895,243 | 10,388,108 |
| Net increase (decrease) in cash and cash equivalents | (1,949,178) | 4,984,647 |
| Cash and cash equivalents at beginning of year | 21,568,929 | 16,584,282 |
| Cash and cash equivalents at end of year | \$ 19,619,751 | \$ 21,568,929 |
| Supplemental data: | | |
| Noncash investing activity - Gifts of stock and property | \$ 22,462 | \$ 29,562 |
| Change in accounts payable from property and equipment | (1,189,956) | (2,449,714) |
| Interest paid | 6,381,225 | 4,631,309 |

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 4,000, predominately from the New England region of the United States, as well as from approximately 30 other U.S. states and 70 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 ("ED") 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 \$310,445 and \$240,409 of monies restricted for the Federal Perkins Loan Program at June 30, 2023 and 2022, 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, right-of-use asset – operating leases, 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 ED or others are subject to specific requirements within those programs as to when those funds can be availed. Certain ED 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 ED. 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 receivables are primarily comprised of loans issued under the Perkins Loan program which is sponsored by the ED and operated by the University, subject to federal eligibility requirements. Perkins Loan receivable is \$1,956,686 and \$2,233,471 at June 30, 2023 and 2022, respectively. 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 ED programs given the ability of the University to place non-performing loans with the ED thus reducing the federal advances, and accordingly, reserves have not been deemed necessary. Loans past due amounted to \$1,706,805 and \$1,206,141 as of June 30, 2023 and 2022, respectively. 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. 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.

Deposits with Bond Trustees

Deposits with bond trustees are reported at fair value as per the fair value policies described elsewhere in this section. These amounts relate to funds held under bond indentures for debt service and project funds. Project funds are made available from the trustees as qualifying project costs are incurred while debt service funds must be maintained per the indentures at specified levels over the term of the agreement.

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.

WENTWORTH INSTITUTE OF TECHNOLOGY, INC.
Notes to Financial Statements

Note 2 – Summary of Significant Accounting Policies – Continued

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 the agreement. The present value of estimated future cash receipts and estimated future payments to beneficiaries are calculated using various discount rates (ranging from 2.6% to 6.0%) based on life expectancies and other actuarial assumptions. Obligations on charitable annuity agreements amounted to approximately \$93,000 and \$117,000 for the years ended June 30, 2023 and 2022, respectively, and are included in other liabilities in the Statements of Financial Position.

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. Asset retirement obligations included in other liabilities were \$914,860 and \$882,122 at June 30, 2023 and 2022, respectively.

Accumulated Postretirement Benefit Obligation

The University had provided certain medical and dental benefits for eligible employees until 2001 when the plan was frozen and new and certain existing employees would no longer be eligible to participate. Benefits are capped and 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, 2024 is \$168,000.

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.

Deferred Lease Revenue

In 2022, the University entered into a preliminary agreement for a future ground lease with a third-party developer and received a \$15 million initial payment, that is nonrefundable except in limited circumstances. The revenue will be recognized in connection with the related lease revenue.

WENTWORTH INSTITUTE OF TECHNOLOGY, INC.
Notes to Financial Statements

Note 2 – Summary of Significant Accounting Policies – Continued

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.

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. 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. Expenses are reported as decreases in net assets without donor restrictions.

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. 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. Other donor-imposed restrictions are perpetual in nature, where the donors stipulate those 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.

WENTWORTH INSTITUTE OF TECHNOLOGY, INC.
Notes to Financial Statements

Note 2 – Summary of Significant Accounting Policies – Continued

Earned Revenues

Earned revenues are recorded using a principles-based process that requires the University 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. Earned revenues include tuition and fees as well as sales and services of auxiliary enterprises, all of which are under arrangements that are aligned to an academic semester and which is less than one year in length.

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 the 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 those are directly linked to the academic calendar of the related academic activity.

Payments made by third parties such as the ED 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. Cash flows are also impacted by the ED's rules which differ for newly enrolled versus continuing students with respect to financial aid. Generally, funds made available by the ED 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.

Contributed Support

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.

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.

Government grants have been accounted for as conditional contributions and are recorded as revenue when such amounts become unconditional which generally involves the meeting of a barrier to entitlement. This can include items such as meeting a matching provision, incurring specific allowable expenses in accordance with a framework of allowable costs, or other barriers.

WENTWORTH INSTITUTE OF TECHNOLOGY, INC.
Notes to Financial Statements

Note 2 – Summary of Significant Accounting Policies – Continued

Investment Return

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 investment expenses.

Operating and Nonoperating Activity

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 as well as certain reclassifications. All other activity is classified as operating revenue.

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.

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.

Subsequent Events

The University has evaluated subsequent events through November 30, 2023, the date the financial statements were issued, and noted no additional items to disclose.

WENTWORTH INSTITUTE OF TECHNOLOGY, INC.
Notes to Financial Statements

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, 2023 and 2022.

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 at June 30:

| | 2023 | 2022 |
|--|-------------------|-------------------|
| Cash and cash equivalents | \$ 19,309,306 | \$ 21,328,520 |
| Short-term investments | 8,990,307 | 18,983,070 |
| Receivables and other assets, net | 6,138,056 | 8,569,690 |
| Reimbursable expense from bond deposits | 6,363,939 | - |
| Pledges receivable for general expenditure due in one year or less | 947,900 | 500,809 |
| Investment income appropriated for operations | 7,515,000 | 7,100,000 |
| Total financial assets available to meet general expenditures over the next 12 months | \$ 49,264,508 | \$ 56,482,089 |

The board-designated endowment funds of \$93,737,604 and \$92,299,691 at June 30, 2023 and 2022, respectively, are subject to the annual spending rate of 5 percent as described in Note 7. 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>2023</u> | <u>2022</u> |
|--|----------------------|----------------------|
| Student accounts receivable | \$ 3,338,519 | \$ 3,208,597 |
| Other receivables | 1,849,832 | 1,717,799 |
| Federal grants receivables related to COVID-19 | 2,049,705 | 4,593,294 |
| Operating lease right-of-use assets | 340,359 | 263,867 |
| Prepaid expenses and other assets | <u>4,135,698</u> | <u>3,571,127</u> |
| Less allowance for doubtful accounts | <u>(1,100,000)</u> | <u>(950,000)</u> |
| Receivables and other assets, net | <u>\$ 10,614,113</u> | <u>\$ 12,404,684</u> |

Note 5 – Pledges Receivable

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

| | <u>2023</u> | <u>2022</u> |
|------------------------------------|---------------------|---------------------|
| Up to one year | \$ 419,229 | \$ 1,392,292 |
| One to five years | 3,584,130 | 1,931,521 |
| Five to ten years | 776,500 | 243,811 |
| More than ten years | <u>29,000</u> | <u>9,000</u> |
| Pledges receivable | 4,808,859 | 3,576,624 |
| Less: present value discount | <u>(347,066)</u> | <u>(172,535)</u> |
| | 4,461,793 | 3,404,089 |
| Less: allowance for uncollectibles | <u>(257,277)</u> | <u>(507,996)</u> |
| Pledges receivable, net | <u>\$ 4,204,516</u> | <u>\$ 2,896,093</u> |

Intentions to give were approximately \$12,750,000 at June 30, 2023 and are not recorded as revenue or assets until the conditions are met.

WENTWORTH INSTITUTE OF TECHNOLOGY, INC.
Notes to Financial Statements

Note 6 – 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:

| | 2023 | | | | Total |
|--|----------------------|---------------------|-------------------|-----------------------------------|-----------------------|
| | Level 1 | Level 2 | Level 3 | Investments Measured at NAV | |
| Short-term investments: | | | | | |
| Certificates of deposit | \$ 8,217,123 | \$ - | \$ - | \$ - | \$ 8,217,123 |
| U.S. equity funds | 747,093 | - | - | - | 747,093 |
| Money market funds | 26,091 | - | - | - | 26,091 |
| Total short-term investments | <u>8,990,307</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>8,990,307</u> |
| Endowment investments: | | | | | |
| Cash and cash equivalents | 1,780,517 | - | - | - | 1,780,517 |
| U.S. equity funds | 45,995,738 | - | - | - | 45,995,738 |
| Global equity funds | - | - | - | 8,663,226 | 8,663,226 |
| International equity funds | 11,238,898 | - | - | 9,510,055 | 20,748,953 |
| Emerging markets equity funds | 7,856,489 | - | - | - | 7,856,489 |
| Fixed income funds | 15,974,452 | - | - | 4,385,184 | 20,359,636 |
| Hedge funds | - | - | - | 15,418,668 | 15,418,668 |
| Public real asset funds | 3,627,632 | - | - | 4,323,660 | 7,951,292 |
| Private real asset funds | - | - | - | 2,406,963 | 2,406,963 |
| Private equity funds | - | - | - | 18,344,101 | 18,344,101 |
| Total endowment investments | <u>86,473,726</u> | <u>-</u> | <u>-</u> | <u>63,051,857</u> | <u>149,525,583</u> |
| Other investments: | | | | | |
| Beneficial interest in perpetual trusts | 1,943,951 | - | 715,080 | - | 2,659,031 |
| Supplemental retirement plan assets | 198,032 | - | - | - | 198,032 |
| Total other investments | <u>2,141,983</u> | <u>-</u> | <u>715,080</u> | <u>-</u> | <u>2,857,063</u> |
| Total investments | <u>88,615,709</u> | <u>-</u> | <u>715,080</u> | <u>63,051,857</u> | <u>152,382,646</u> |
| Total | <u>\$ 97,606,016</u> | <u>\$ -</u> | <u>\$ 715,080</u> | <u>\$ 63,051,857</u> | <u>\$ 161,372,953</u> |
| Deposits with bond trustees: | | | | | |
| Debt service reserve with trustee: | | | | | |
| Money market funds | <u>\$ 556,909</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 556,909</u> |
| Unexpended bond proceeds: | | | | | |
| Certificates of deposit | 37,032,659 | - | - | - | 37,032,659 |
| Money market funds | 392,393 | - | - | - | 392,393 |
| Total unexpended bond proceeds | <u>37,425,052</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>37,425,052</u> |
| Total deposits with bond trustees | <u>\$ 37,981,961</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 37,981,961</u> |
| Assets under interest rate swap agreements | <u>\$ -</u> | <u>\$ 1,600,259</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,600,259</u> |

WENTWORTH INSTITUTE OF TECHNOLOGY, INC.
Notes to Financial Statements

Note 6 – Fair Value and Investments – Continued

| | 2022 | | | | |
|---|-----------------------|--------------|-------------------|-----------------------------------|-----------------------|
| | Level 1 | Level 2 | Level 3 | Investments Measured at NAV | Total |
| Short-term investments: | | | | | |
| Fixed income funds | \$ 18,414,620 | \$ - | \$ - | \$ - | \$ 18,414,620 |
| U.S. equity funds | 539,692 | - | - | - | 539,692 |
| Money market funds | 28,758 | - | - | - | 28,758 |
| Total short-term investments | <u>18,983,070</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>18,983,070</u> |
| Endowment investments: | | | | | |
| Cash and cash equivalents | 898,980 | - | - | - | 898,980 |
| U.S. equity funds | 39,323,357 | - | - | - | 39,323,357 |
| Global equity funds | - | - | - | 8,442,212 | 8,442,212 |
| International equity funds | 8,933,935 | - | - | 6,415,730 | 15,349,665 |
| Emerging markets equity funds | 9,352,759 | - | - | - | 9,352,759 |
| Fixed income funds | 17,937,978 | - | - | 3,187,211 | 21,125,189 |
| Hedge funds | - | - | - | 21,883,148 | 21,883,148 |
| Public real asset funds | 3,754,063 | - | - | 4,251,117 | 8,005,180 |
| Private real asset funds | - | - | - | 2,576,679 | 2,576,679 |
| Private equity funds | - | - | - | 16,940,216 | 16,940,216 |
| Total endowment investments | <u>80,201,072</u> | <u>-</u> | <u>-</u> | <u>63,696,313</u> | <u>143,897,385</u> |
| Other investments: | | | | | |
| Beneficial interest in perpetual trusts | 1,874,787 | - | 678,849 | - | 2,553,636 |
| Supplemental retirement plan assets | 273,079 | - | - | - | 273,079 |
| Total other investments | <u>2,147,866</u> | <u>-</u> | <u>678,849</u> | <u>-</u> | <u>2,826,715</u> |
| Total investments | <u>82,348,938</u> | <u>-</u> | <u>678,849</u> | <u>63,696,313</u> | <u>146,724,100</u> |
| Total | <u>\$ 101,332,008</u> | <u>\$ -</u> | <u>\$ 678,849</u> | <u>\$ 63,696,313</u> | <u>\$ 165,707,170</u> |
| Deposits with bond trustees: | | | | | |
| Debt service reserve with trustee: | | | | | |
| Money market funds | \$ 325,959 | \$ - | \$ - | \$ - | \$ 325,959 |
| Liabilities: | | | | | |
| Obligation on interest rate swap agreements | \$ - | \$ 1,844,365 | \$ - | \$ - | \$ 1,844,365 |

WENTWORTH INSTITUTE OF TECHNOLOGY, INC.
Notes to Financial Statements

Note 6 – Fair Value and Investments – Continued

Private equity funds have unfunded commitments of \$16,593,277 at June 30, 2023. 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:

| | 2023 | 2022 |
|-----------|----------------|----------------|
| Daily | \$ 103,841,100 | \$ 93,140,563 |
| Quarterly | 27,790,482 | 34,066,644 |
| Illiquid | 20,751,064 | 19,516,893 |
| Total | \$ 152,382,646 | \$ 146,724,100 |

Note 7 – Endowment Investments

The University has established two endowment investment pools (Pools A and B). The original pool, Pool A, represents the majority of the University’s endowment and consists of 205 donor-restricted and 11 board-restricted individual funds established for a variety of purposes and had a fair value of \$134,285,420 and \$128,897,385 at June 30, 2023 and 2022, respectively. Pool B funds are designated by the Board of Trustees and had a fair value of \$15,340,164 and \$15,000,000 at June 30, 2023 and 2022, respectively. 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

WENTWORTH INSTITUTE OF TECHNOLOGY, INC.
Notes to Financial Statements

Note 7 – Endowment Investments – Continued

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.

Funds with deficiencies were reported in net assets with donor restrictions as follows at June 30:

| | 2023 | 2022 |
|--|--------------|--------------|
| Fair value of underwater endowment funds | \$ 3,316,712 | \$ 8,435,136 |
| Original endowment gift amount | 3,501,634 | 8,784,051 |
| Underwater endowment | \$ (184,922) | \$ (348,915) |

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 Pool A endowment and to distribute annually up to 5% of the fair value of the Pool B endowment as of June 30th. These spending rates were 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.

The Board of Trustees follows a like policy relative to spending from its Board-designated Pool A endowment funds. The distribution from the Board-designated Pool A endowment funds and the donor-restricted Pool A endowment funds are estimated to be \$4,340,000 and \$2,425,000, respectively, and \$750,000 for Pool B endowment funds for a total of \$7,515,000 for the year ending June 30, 2024. 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.

WENTWORTH INSTITUTE OF TECHNOLOGY, INC.
Notes to Financial Statements

Note 7 – Endowment Investments – Continued

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:

| | 2023 | | |
|--|----------------------------------|-------------------------------|-----------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total |
| Board-designated endowment funds | \$ 93,737,604 | \$ - | \$ 93,737,604 |
| Donor-restricted endowment funds: | | | |
| Original donor-restricted gift amount and amounts required to be maintained in perpetuity by the donor | - | 41,363,224 | 41,363,224 |
| Accumulated gains | - | 14,524,756 | 14,524,756 |
| Total endowment funds | \$ 93,737,604 | \$ 55,887,980 | \$ 149,625,584 |
| | 2022 | | |
| | Without Donor Restrictions | With Donor Restrictions | Total |
| Board-designated endowment funds | \$ 92,299,691 | \$ - | \$ 92,299,691 |
| Donor-restricted endowment funds: | | | |
| Original donor-restricted gift amount and amounts required to be maintained in perpetuity by the donor | - | 38,295,428 | 38,295,428 |
| Accumulated gains | - | 13,302,266 | 13,302,266 |
| Total endowment funds | \$ 92,299,691 | \$ 51,597,694 | \$ 143,897,385 |

WENTWORTH INSTITUTE OF TECHNOLOGY, INC.
Notes to Financial Statements

Note 7 – Endowment Investments – Continued

Changes in endowment net assets are as follows for the years ended June 30, 2023 and 2022:

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|----------------------------------|-------------------------------|-----------------------|
| Endowment as of June 30, 2021 | \$ 91,797,393 | \$ 58,002,496 | \$ 149,799,889 |
| Gifts and additions | 14,309,083 | 1,056,859 | 15,365,942 |
| Reclassifications | (825,665) | 825,665 | - |
| Investment return | (9,465,222) | (6,182,281) | (15,647,503) |
| Appropriation of endowment assets pursuant to spend rate total return policy | - | (2,105,045) | (2,105,045) |
| Distribution from board-designated endowment pursuant to distribution policy | <u>(3,515,898)</u> | <u>-</u> | <u>(3,515,898)</u> |
| Endowment as of June 30, 2022 | 92,299,691 | 51,597,694 | 143,897,385 |
| Gifts and additions | - | 2,341,496 | 2,341,496 |
| Due to endowment from operating | - | 100,000 | 100,000 |
| Reclassifications | (647,025) | 647,025 | - |
| Investment return | 6,651,471 | 3,830,726 | 10,482,197 |
| Appropriation of endowment assets pursuant to spend rate total return policy | - | (2,628,961) | (2,628,961) |
| Distribution from board-designated endowment pursuant to distribution policy | <u>(4,566,533)</u> | <u>-</u> | <u>(4,566,533)</u> |
| Endowment as of June 30, 2023 | <u>\$ 93,737,604</u> | <u>\$ 55,887,980</u> | <u>\$ 149,625,584</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 \$647,025 and \$825,665 of such funds during the years ended June 30, 2023 and 2022, respectively. The remaining contingent commitment as of June 30, 2023 is \$648,457.

WENTWORTH INSTITUTE OF TECHNOLOGY, INC.
Notes to Financial Statements

Note 8 – Net Assets

Net assets are summarized as follows as of June 30:

| Detail of Net Assets | 2023 | | Total |
|---|----------------------------------|-------------------------------|-----------------|
| | Without Donor Restrictions | With Donor Restrictions | |
| Operating funds: | | | |
| Undesignated | \$ (15,876,480) | \$ - | \$ (15,876,480) |
| Investment in plant | 125,430,323 | - | 125,430,323 |
| Donor restricted for scholarship support | - | 1,402,733 | 1,402,733 |
| Donor restricted for instructional support | - | 2,641,591 | 2,641,591 |
| Donor restricted for facilities and other support | - | 2,042,204 | 2,042,204 |
| Pledges, net | - | 4,204,516 | 4,204,516 |
| Perpetual trusts | - | 2,659,031 | 2,659,031 |
| Board-designated endowment funds | 93,737,604 | - | 93,737,604 |
| Donor-restricted endowment funds: | | | |
| Original donor-restricted gift amount and amount required to be maintained in perpetuity by the donor: | | | |
| Restricted for scholarship support | - | 30,603,980 | 30,603,980 |
| Restricted for instructional support | - | 9,506,934 | 9,506,934 |
| Restricted for facilities and other support | - | 1,252,310 | 1,252,310 |
| Total gifts held in perpetuity | - | 41,363,224 | 41,363,224 |
| Accumulated gains: | | | |
| Accumulated gains for scholarship support | - | 10,646,245 | 10,646,245 |
| Accumulated gains for instructional support | - | 3,379,377 | 3,379,377 |
| Accumulated gains for facilities and other support | - | 499,134 | 499,134 |
| Total accumulated gains | - | 14,524,756 | 14,524,756 |
| Total endowment funds | 93,737,604 | 55,887,980 | 149,625,584 |
| Total net assets | \$ 203,291,447 | \$ 68,838,055 | \$ 272,129,502 |

WENTWORTH INSTITUTE OF TECHNOLOGY, INC.
Notes to Financial Statements

Note 8 – Net Assets – Continued

| Detail of Net Assets | 2022 | | Total |
|---|----------------------------------|-------------------------------|---------------------------|
| | Without Donor Restrictions | With Donor Restrictions | |
| Operating funds: | | | |
| Undesignated | \$ 3,825,669 | \$ - | \$ 3,825,669 |
| Investment in plant | 106,323,114 | - | 106,323,114 |
| Donor restricted for scholarship support | - | 882,125 | 882,125 |
| Donor restricted for instructional support | - | 2,153,918 | 2,153,918 |
| Donor restricted for facilities and other support | - | 1,547,334 | 1,547,334 |
| Pledges, net | - | 2,896,093 | 2,896,093 |
| Perpetual trusts | - | 2,553,636 | 2,553,636 |
| Board-designated endowment funds | 92,299,691 | - | 92,299,691 |
| Donor-restricted endowment funds: | | | |
| Original donor-restricted gift amount and amount required to be maintained in perpetuity by the donor: | | | |
| Restricted for scholarship support | - | 27,787,185 | 27,787,185 |
| Restricted for instructional support | - | 9,405,934 | 9,405,934 |
| Restricted for facilities and other support | - | 1,102,309 | 1,102,309 |
| Total gifts held in perpetuity | - | 38,295,428 | 38,295,428 |
| Accumulated gains: | | | |
| Accumulated gains for scholarship support | - | 9,763,831 | 9,763,831 |
| Accumulated gains for instructional support | - | 3,137,574 | 3,137,574 |
| Accumulated gains for facilities and other support | - | 400,861 | 400,861 |
| Total accumulated gains | - | 13,302,266 | 13,302,266 |
| Total endowment funds | 92,299,691 | 51,597,694 | 143,897,385 |
| Total net assets | <u>\$ 202,448,474</u> | <u>\$ 61,630,800</u> | <u>\$ 264,079,274</u> |

WENTWORTH INSTITUTE OF TECHNOLOGY, INC.
Notes to Financial Statements

Note 8 – 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:

| | <u>2023</u> | <u>2022</u> |
|--|---------------------|---------------------|
| Scholarships | \$ 1,584,719 | \$ 1,802,558 |
| Instruction | 293,162 | 170,261 |
| Facilities | - | 61 |
| Other | <u>617,047</u> | <u>339,655</u> |
| Total operating net assets released from restrictions | <u>\$ 2,494,928</u> | <u>\$ 2,312,535</u> |
| Facilities | <u>\$ 197,083</u> | <u>\$ 163,632</u> |
| Total nonoperating net assets released from restrictions | <u>\$ 197,083</u> | <u>\$ 163,632</u> |

Note 9 – Property and Equipment

Property and equipment consist of the following at June 30:

| | <u>Estimated Useful Life in Years</u> | <u>2023</u> | <u>2022</u> |
|-------------------------------------|---|-----------------------|-----------------------|
| Land | | \$ 13,392,323 | \$ 13,392,323 |
| Buildings and building improvements | 4 to 40 | 387,461,258 | 372,393,138 |
| Equipment | 2 to 10 | 50,561,631 | 49,812,407 |
| Land improvements | 10 to 20 | 8,296,854 | 8,296,854 |
| Construction in progress | | <u>30,273,761</u> | <u>5,854,763</u> |
| | | 489,985,827 | 449,749,485 |
| Less: accumulated depreciation | | <u>(233,351,187)</u> | <u>(218,739,779)</u> |
| Property and equipment, net | | <u>\$ 256,634,640</u> | <u>\$ 231,009,706</u> |

Depreciation expense was \$17,505,760 and \$17,918,690 for the years ended June 30, 2023 and 2022, respectively.

Included in construction in progress at June 30, 2023 is \$2,507,914 of cloud computing costs related to an in process systems implementation.

WENTWORTH INSTITUTE OF TECHNOLOGY, INC.
Notes to Financial Statements

Note 10 – Deferred Revenue and Student Deposits

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

| | <u>2023</u> | <u>2022</u> |
|--|----------------------|----------------------|
| Student tuition and fees revenue, net of student aid | \$ 9,374,483 | \$ 9,181,622 |
| Student room and revenue, net of student aid | 1,697,029 | 1,542,236 |
| Vendor advances | 6,872,543 | 3,288,969 |
| Deferred revenue other | 989,822 | 424,661 |
| Student deposits | <u>2,298,107</u> | <u>1,962,928</u> |
| Total deferred revenue and student deposits | <u>\$ 21,231,984</u> | <u>\$ 16,400,416</u> |

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.

Note 11 – 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 \$4,359,427 and \$4,227,037 for the years ended June 30, 2023 and 2022, respectively.

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 \$198,032 and \$273,079 in investments with a corresponding amount in accrued expenses at June 30, 2023 and 2022, respectively.

WENTWORTH INSTITUTE OF TECHNOLOGY, INC.
Notes to Financial Statements

Note 12 – 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:

| | Maturity | Type | Interest Rate | | 2023 | 2022 |
|--------------------------|-----------|----------|---------------|-------|-----------------------|-----------------------|
| | | | 2023 | 2022 | | |
| 2022 Issue | 7/1/2052 | Fixed | 3.63% | - | \$ 50,000,000 | \$ - |
| 2017 Issue | 10/1/2046 | Fixed | 5.00% | 5.00% | 37,160,000 | 37,940,000 |
| 2015A Issue | 10/1/2033 | Variable | 4.77% | 1.42% | 22,940,000 | 24,520,000 |
| 2015B Issue | 10/1/2035 | Variable | 4.78% | 1.44% | 8,575,000 | 9,075,000 |
| 2013A Issue | 9/1/2044 | Variable | 4.58% | 1.53% | 35,520,874 | 36,725,513 |
| 2013B Issue | 10/1/2030 | Variable | 4.77% | 1.42% | 12,243,333 | 13,686,667 |
| | | | | | <u>166,439,207</u> | <u>121,947,180</u> |
| Bond Premium, net | | | | | 2,901,280 | 3,024,303 |
| Bond Issuance Costs, net | | | | | <u>(1,069,070)</u> | <u>(841,054)</u> |
| Total Bonds Payable | | | | | <u>\$ 168,271,417</u> | <u>\$ 124,130,429</u> |

The Series 2013A and B bonds and the Series 2015A and B bonds are variable rate bonds, privately placed with banks. On March 11, 2021, the University amended the Series 2013A mandatory tender date from February 15, 2023 to February 15, 2031. 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 \$123,022 for the years ended June 30, 2023 and 2022.

Bond issuance costs are capitalized and amounted to \$2,061,285 and \$1,760,955 for the years ended June 30, 2023 and 2022, respectively, with such amount being amortized on the straight-line basis over the life of the bonds resulting in amortization expense of \$72,314 and \$62,924 for the years ended June 30, 2023 and 2022, 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.

The required principal amounts to be paid on the bonds payable outstanding as of June 30, 2023 are as follows:

| <u>Year Ending June 30,</u> | <u>Amounts Due</u> |
|-----------------------------|-----------------------|
| 2024 | \$ 6,606,997 |
| 2025 | 6,945,785 |
| 2026 | 7,193,614 |
| 2027 | 7,473,909 |
| 2028 | 7,741,530 |
| Thereafter | <u>130,477,372</u> |
| Total | <u>\$ 166,439,207</u> |

WENTWORTH INSTITUTE OF TECHNOLOGY, INC.
Notes to Financial Statements

Note 12 – Bonds Payable and Interest Rate Swap Agreements – Continued

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. Commencing on March 1, 2021, the University amended the 2013A swap to have a fixed rate of 1.52% and a termination date of February 15, 2031 and is based on 72% of the one month SOFR-BBA Index while the variable rate on the remaining swaps are based on 81.5% of the one month SOFR-BBA Index for the years ended June 30, 2023 and 2022. 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, 2023 and 2022. 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, 2023 and 2022.

The University had the following swaps outstanding at June 30:

| Debt Issuance Hedged | 2023 | | | Remaining Notional Amount | 2022 | |
|----------------------|------------------------|--------------------|------------------|---------------------------|------------------------------|-----------------------|
| | Interest Rate Received | Interest Rate Paid | Termination Date | | Fair Value Asset (Liability) | |
| 2013A Issue | 3.72% | 1.52% | 2/15/2031 | \$ 35,520,874 | \$ 2,523,082 | \$ 1,241,279 |
| 2013B Issue | 4.21% | 3.40% | 10/1/2030 | - | (6,393) | (313,472) |
| 2015A Issue | 5.17% | 3.71% | 10/1/2033 | 45,107 | (617,592) | (1,950,119) |
| 2015B Issue | 4.21% | 3.73% | 10/1/2035 | 8,575,000 | (298,838) | (822,054) |
| | | | | <u>\$ 44,140,981</u> | <u>\$ 1,600,259</u> | <u>\$ (1,844,366)</u> |

WENTWORTH INSTITUTE OF TECHNOLOGY, INC.
Notes to Financial Statements

Note 13 – 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 \$18,800,000 and \$490,000 for the years ended June 30, 2023 and 2022, respectively, relative to construction contracts with companies whose employees are in key positions and are also trustees of the University.

Note 14 – Commitments and Contingencies

Legal

Various legal cases arise in the normal course of the University's operations. The University believes there are currently no outstanding cases which would have a material adverse effect on the financial position of the University.

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, 2023.

Contracts

The University has entered into fixed-priced contracts for a portion of its energy needs. These contracts expire through November 2025 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 public safety, faculty and physical plant employees of the University are subject to collective bargaining agreements which expire December 31, 2025, April 30, 2026 and June 30, 2028, 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.

The University has a food services and dining facilities management contract which expires on June 30, 2031.

WENTWORTH INSTITUTE OF TECHNOLOGY, INC.
Notes to Financial Statements

Note 14 – Commitments and Contingencies – Continued

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 \$257,854 and \$58,000 was recorded for benefit claims incurred but not reported at June 30, 2023 and 2022, 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 \$250,685 and \$167,731 for the years ended June 30, 2023 and 2022, 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.

Note 15 – Impact of COVID-19

Given the effects of COVID-19, the University was eligible for certain federal support. Some of this funding will be expended, and thus recognized as revenue, in future periods. These programs provided substantial support as follows:

Higher Education Emergency Relief Funds

The University was granted three awards to assist students and the institution with the impact of COVID-19 which totaled \$18,378,193. All of these funds have been expended as of June 30, 2023. The University recorded grant revenue of \$41,611 and \$4,770,660 for the years ended June 30, 2023 and 2022, respectively.

Federal Emergency Management Agency Grant

The University determined it had incurred costs eligible for reimbursement from Federal Emergency Management Agency (“FEMA”) grants in the amount of \$2,554,364 and \$2,472,050 for various COVID-19 related costs including personal protective supplies, clinical surveillance and diagnostic testing during the years ended June 30, 2023 and 2022, respectively. The University expects full reimbursement and views FEMA’s approval of the grant application as a final administrative step in the process, and therefore the conditions and barriers of the grant have been met as of June 30, 2023 and 2022.

Included in receivables and other assets is \$934,142 and \$4,593,294 of FEMA grants receivable at June 30, 2023 and 2022, respectively.

Employer Retention Credit Grant

The University has made claims for refundable credits under the Employee Retention Credit (“ERC”) program in the amount of \$1,115,563 as provided under the Federal Coronavirus Aid, Relief and Economic Security Act and subsequently amended by the Consolidated Appropriations Act, 2021. Under the terms of the program, the University must incur qualifying wage or health insurance costs and have either suspended operations under governmental order or experienced specified declines in gross receipts. The University currently awaits formal approval of its ERC application, however, management has determined the conditions and barriers to the grant have been met as of June 30, 2023, and therefore has recorded as government grants revenue and included in receivables and other assets at June 30, 2023.