



Wesleyan University

# ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2022



**TO:** The Board of Trustees

**DATE:** December 1, 2022

**SUBJECT:** FY 2021–22 Annual Financial Report

Looking back on 2022, I see much for Wesleyan to be proud of—and reason for confidence going forward. The number of applications for the Class of 2026 was the largest in the University’s history, and we experienced record-setting fundraising, receiving new commitments of more than \$90 million.

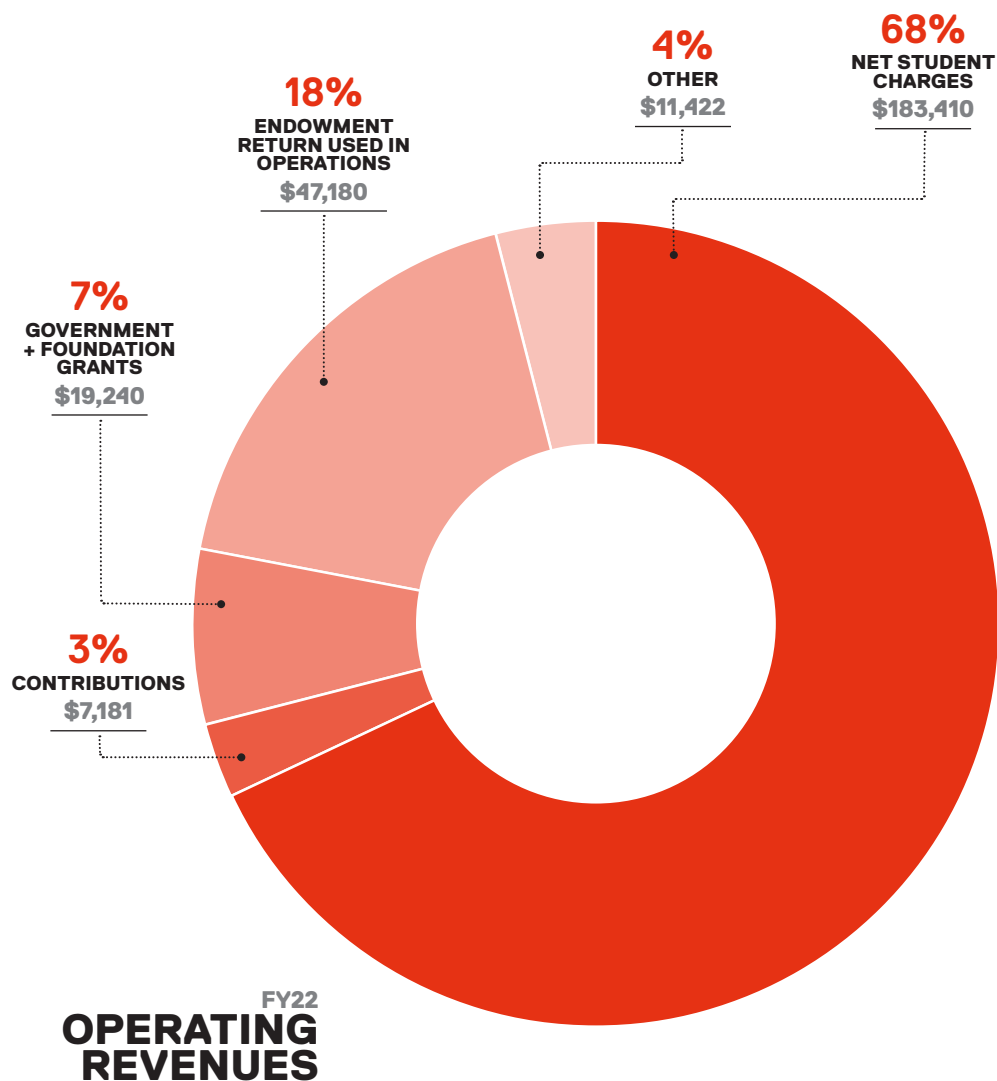
While no university is immune from difficulties caused by crises in the larger world—and today there are many—Wesleyan remains well-positioned to deal with future challenges. Financial capacity is strong, and with continued careful stewardship and deliberate planning, should remain so. Prudent allocation of resources remains key, enabling us to make significant investments in improving access, enhancing our programs, and bringing exciting new faculty, fellows, and artists to campus. Our investments in the physical campus are substantial, and I’m pleased to report that our major facilities projects continue to progress according to plan. Renovations to the Public Affairs Center are well underway; we’re readying ourselves to begin construction on the new science building; and we’ve begun modernizing our utilities infrastructure, which will increase reliability, lower energy consumption, and lessen our carbon footprint.

The University faced many uncertainties in 2022, but it remained on course. Wesleyan has a strong sense of mission, and while uncertainties continue to abound, the University is prepared to deal with what challenges arise as it energetically and steadily pursues its ambitious objectives.

Sincerely,

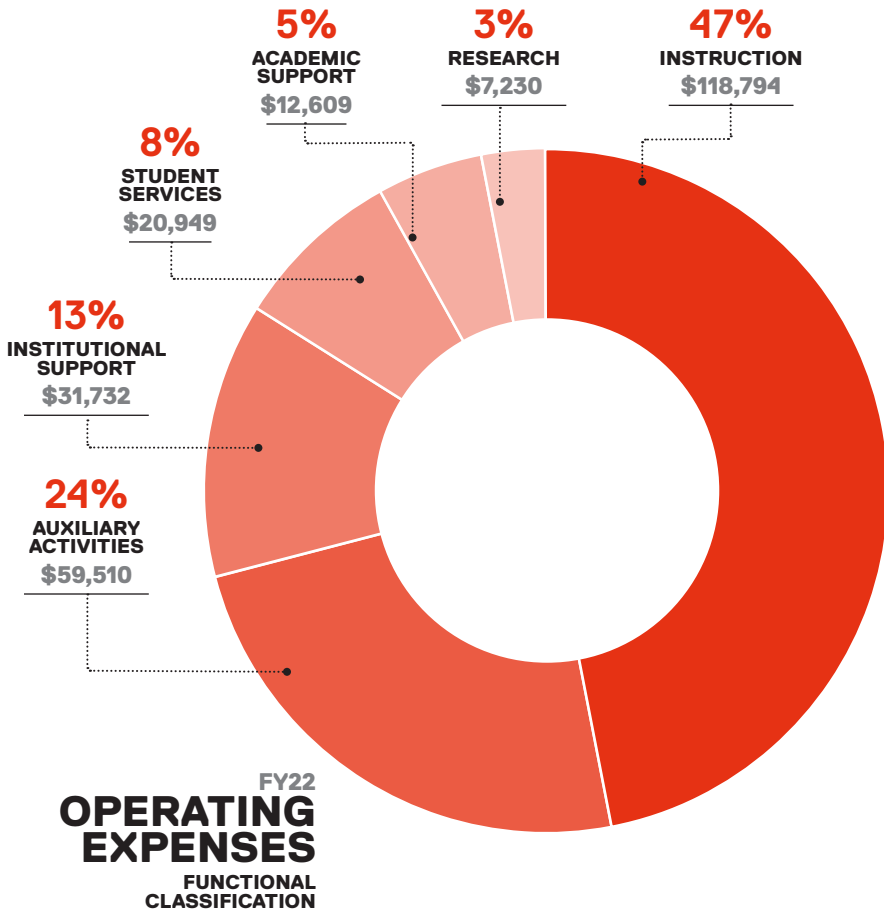
Andy Tanaka ’00  
*Senior Vice President, Chief Administrative Officer and Treasurer*





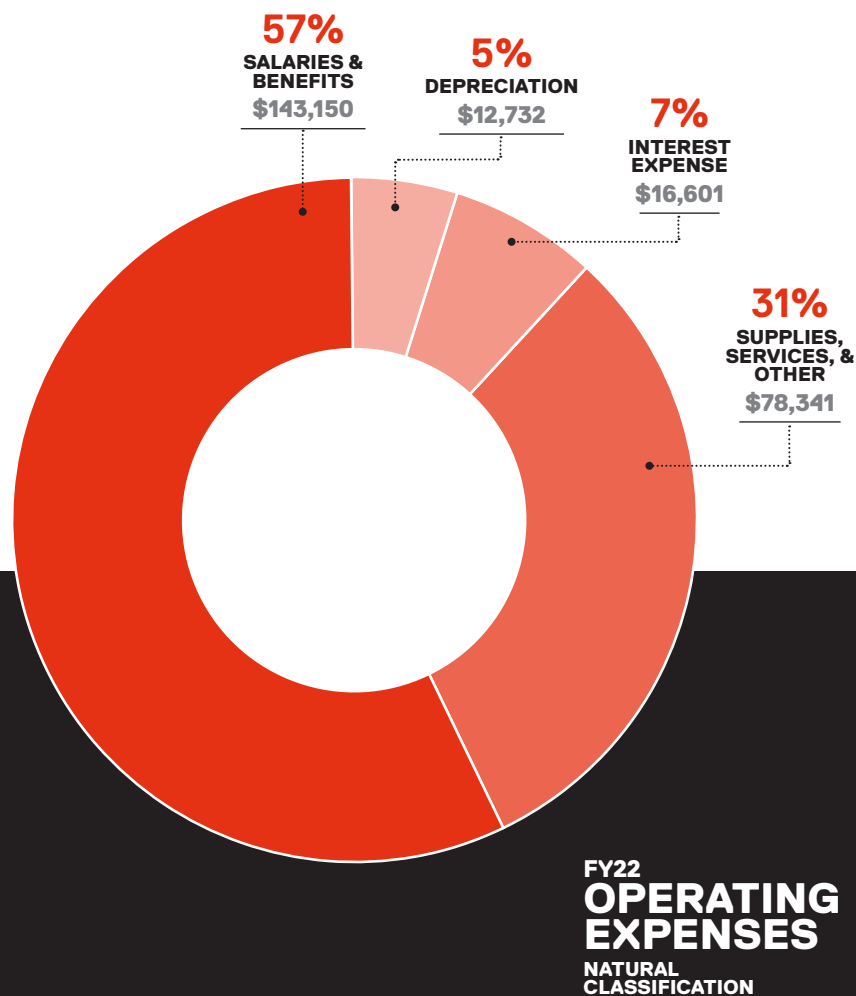
## Operating Revenue

In 2022, slightly more than two-thirds of Wesleyan’s operating revenue was derived from fees charged for tuition and the residential comprehensive fee, net of financial aid. Net student charges of \$183.4 million is comprised of \$206.0 million of tuition, \$56.9 million of the Residential Comprehensive Fee (RCF), less \$79.5 million of financial aid. Net student charges increased markedly from 2021 (\$148.6 million) when enrollment was lower than normal because of the COVID-19 pandemic. Revenues recognized from government and foundation grants increased in 2022 primarily as a result of federal support of COVID mitigation efforts through the Higher Education Emergency Relief Fund (HEERF) and the Federal Emergency Management Agency (FEMA).



## Operating Expenses

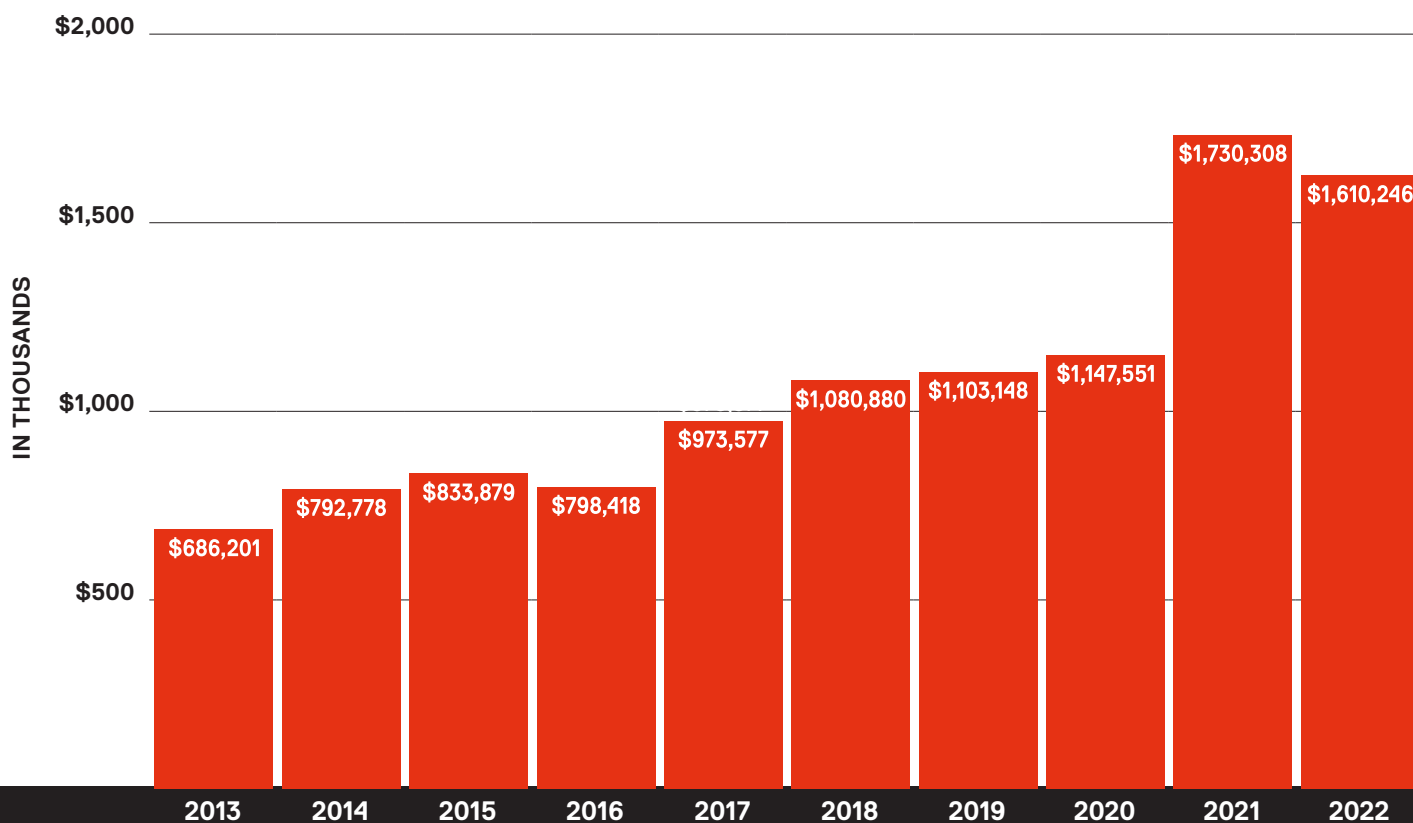
Total operating expenses increased 13.8% to \$250.8 million in 2022. Personnel costs, the largest component of Wesleyan’s operating expenses, increased 11.2% from 2021 when a partial hiring freeze was in effect. Likewise, other operating expenses increased in 2022 as the University returned to more normal operations.



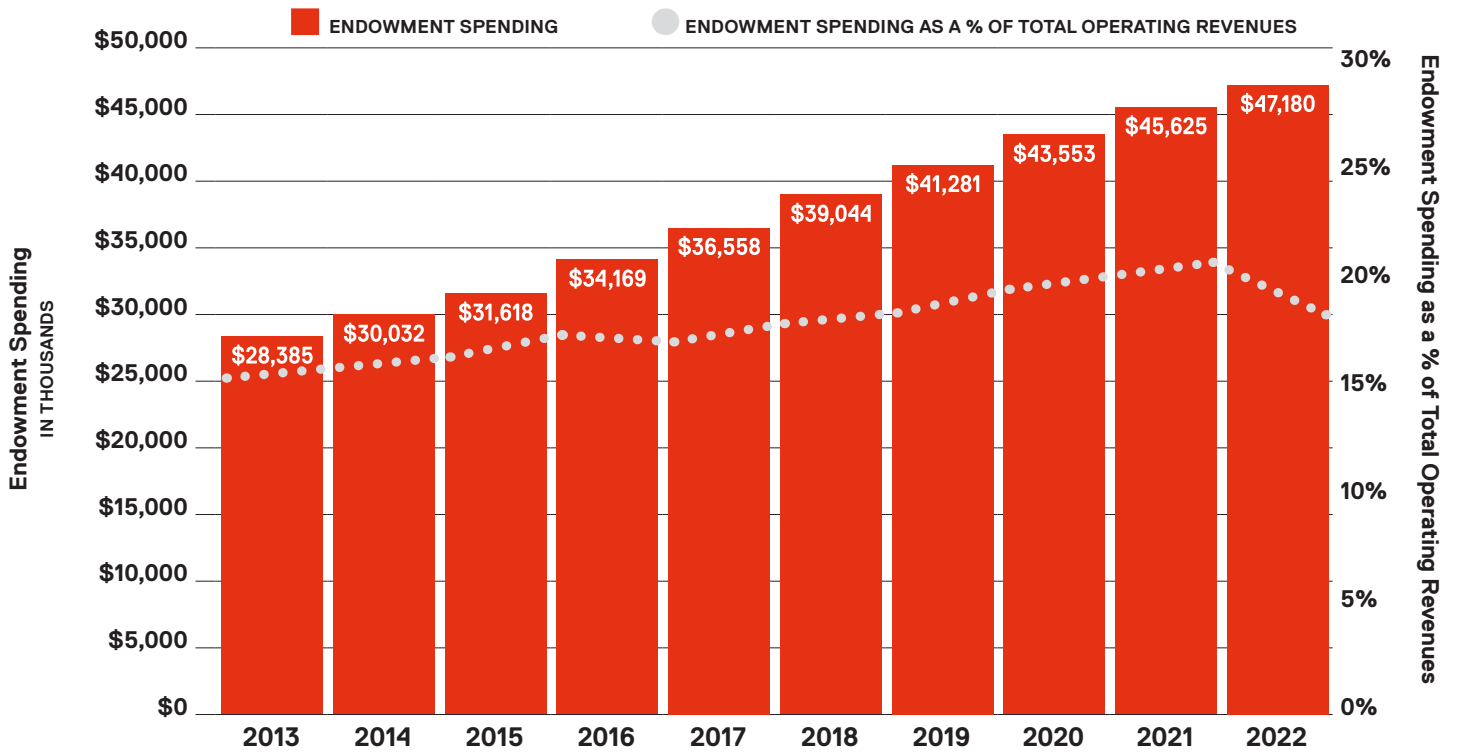
## Financial Assets to Support the University

2022 was a turbulent year for equity markets and higher education endowments. Wesleyan’s long-term investment portfolio, which represents almost 70% of Wesleyan’s total assets, declined 6.9% to \$1.610 billion as of June 30, 2022. The net endowment loss of 5.0% was driven by challenging markets in nearly all asset classes.

Over a longer time horizon, strong investment returns, generous support from donors, and prudent spending from the endowment have provided for steady increases in the overall endowment spending. The endowment spending has steadily increased annually over the last decade and has increased its percentage of total operating revenues while consistently keeping the effective spend rate below 4.5%.



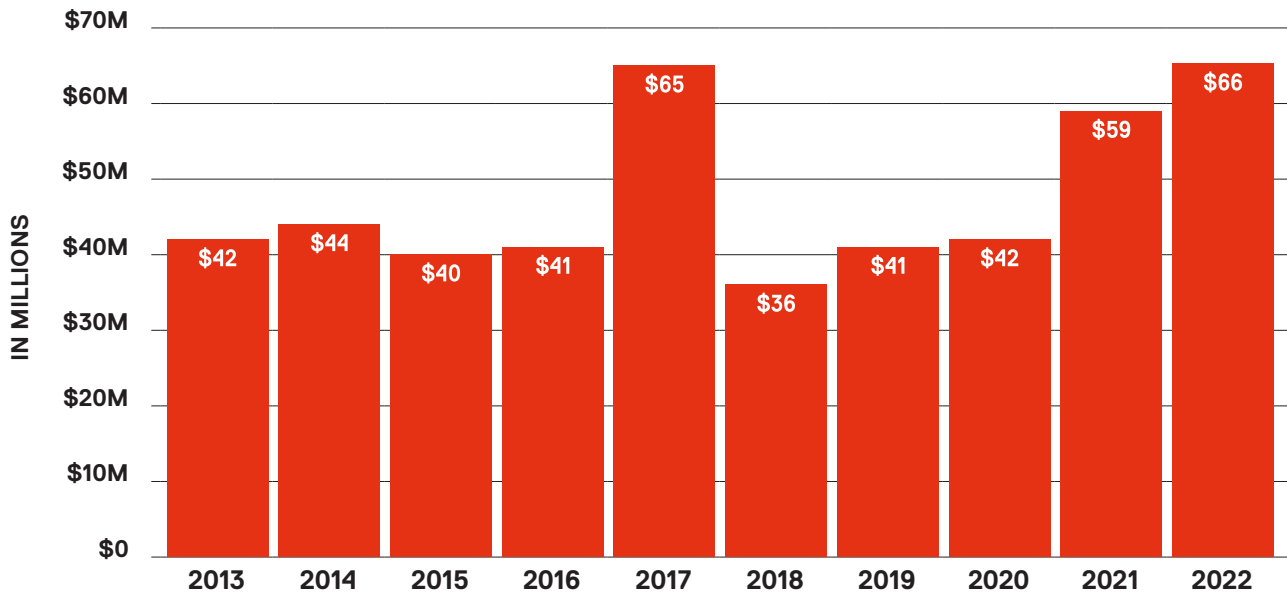
**TOTAL  
 LONG-TERM  
 INVESTMENTS**



## ENDOWMENT SUPPORT AS A PERCENTAGE OF OPERATING REVENUES

### Wesleyan Fundraising

Continued strong donor support is important for Wesleyan to be successful in pursuing its goals of energizing its distinctive educational experience, enhancing recognition, and working within a sustainable economic model. We are fortunate to have had generous donor support in fiscal 2022 resulting in nearly \$66 million in cash giving.





 Wesleyan University

# FINANCIAL RESULTS

YEAR ENDED JUNE 30, 2022



KPMG LLP  
One Financial Plaza  
755 Main Street  
Hartford, CT 06103

## Independent Auditors' Report

The Board of Trustees  
Wesleyan University:

### *Opinion*

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

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

### *Basis for Opinion*

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

### *Responsibilities of Management for the Financial Statements*

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

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

### *Auditors' Responsibilities for the Audit of the Financial Statements*

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



In performing an audit in accordance with GAAS, we:

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

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

*Report on Summarized Comparative Information*

We have previously audited the University's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 27, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

**KPMG LLP**

Hartford, Connecticut  
October 28, 2022

	2022	2021
<b>ASSETS</b>		
Cash and cash equivalents	\$ 58,223	15,801
Deposits with trustees	40,647	—
Short-term investments	207,320	165,724
Receivables, net, and other assets	12,221	12,919
Pledges receivable, net	31,945	28,353
Long-term investments	1,610,246	1,730,308
Investment in plant	407,132	376,215
<b>TOTAL ASSETS</b>	<b>\$ 2,367,734</b>	<b>2,329,320</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities:</b>		
Accounts payable and accrued expenses	\$ 27,543	23,347
Liabilities associated with investments	16,969	20,961
Deferred revenues and other liabilities	15,304	4,970
Split-interest obligations	10,175	10,640
Postretirement benefit obligation	17,180	20,402
Long-term debt	454,119	354,916
Asset retirement obligation	12,067	11,981
Federal student loan advances	2,635	3,004
<b>TOTAL LIABILITIES</b>	<b>\$ 555,992</b>	<b>450,221</b>
<b>Net assets:</b>		
Without donor restrictions	585,139	602,488
With donor restrictions	1,226,603	1,276,611
<b>TOTAL NET ASSETS</b>	<b>1,811,742</b>	<b>1,879,099</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 2,367,734</b>	<b>2,329,320</b>

*See accompanying notes to financial statements.*

# STATEMENT OF FINANCIAL POSITION

## YEAR ENDED JUNE 30, 2022

(in thousands of dollars)

♦ with comparative financial information for June 30, 2021

	2022			2021
	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL	TOTAL
<b>OPERATING ACTIVITIES:</b>				
<b>Revenues and other support:</b>				
Net student charges	\$ 183,410	—	183,410	148,649
Contributions	7,181	—	7,181	8,987
Government and foundation grants	19,240	—	19,240	11,061
Other revenues	7,001	—	7,001	6,199
Nonoperating net assets used in operations:				
Endowment return used in operations	47,180	—	47,180	45,625
Restricted and designated net assets used in operations	4,421	—	4,421	6,501
<b>TOTAL REVENUES AND OTHER SUPPORT</b>	<b>268,433</b>	<b>—</b>	<b>268,433</b>	<b>227,022</b>
<b>Expenses:</b>				
Salaries and benefits	143,150	—	143,150	128,678
Supplies, services and other	78,341	—	78,341	65,557
Interest	16,601	—	16,601	14,783
Depreciation	12,732	—	12,732	11,460
<b>TOTAL EXPENSES</b>	<b>250,824</b>	<b>—</b>	<b>250,824</b>	<b>220,478</b>
<b>CHANGES IN NET ASSETS FROM OPERATING ACTIVITIES</b>	<b>17,609</b>	<b>—</b>	<b>17,609</b>	<b>6,544</b>
<b>NONOPERATING ACTIVITIES:</b>				
Contributions	\$ 1,223	57,252	58,475	53,493
Foundation grants	—	2,505	2,505	1,373
Net investment return	(24,921)	(59,820)	(84,741)	598,660
Nonoperating net assets used in operations	(51,601)	—	(51,601)	(52,126)
Other changes	(12,676)	(474)	(13,150)	(1,242)
Postretirement benefit obligation changes other than service cost	3,546	—	3,546	(222)
Net assets released from restrictions	49,471	(49,471)	—	—
<b>TOTAL NON-OPERATING ACTIVITIES</b>	<b>(34,958)</b>	<b>(50,008)</b>	<b>(84,966)</b>	<b>599,936</b>
<b>CHANGE IN NET ASSETS</b>	<b>(17,349)</b>	<b>(50,008)</b>	<b>(67,357)</b>	<b>606,480</b>
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<b>602,488</b>	<b>1,276,611</b>	<b>1,879,099</b>	<b>1,272,619</b>
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ 585,139</b>	<b>1,226,603</b>	<b>1,811,742</b>	<b>1,879,099</b>

See accompanying notes to financial statements.

# STATEMENT OF ACTIVITIES

## YEAR ENDED JUNE 30, 2022

(in thousands of dollars)

- ◆ with summarized comparative financial information for the year ended June 30, 2021

	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ (67,357)	606,480
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	12,675	11,406
Amortization of bond premium and cost of issuance	(797)	51
Net losses (gains) from investments and trusts	81,046	(598,399)
Gifts received for long-term investment	(34,225)	(28,898)
Gifts of property, plant and equipment	—	(154)
Postretirement benefit obligation change	(3,222)	88
Changes in assets and liabilities that provide (use) cash:		
Receivables, net and other assets	698	(1,101)
Pledges receivable, net	(3,592)	(5,879)
Accounts payable and accrued expenses	8,301	3,505
Deferred revenues and other liabilities	10,334	(988)
Change in valuation of split-interest obligations	480	1,150
Asset retirement obligation	86	73
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b>4,427</b>	<b>(12,666)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Additions to property and equipment	(47,697)	(21,729)
Change in deposit with brokers for short sales	3,703	(12,582)
Purchases of securities sold short	(20,289)	(2,706)
Sales of securities sold short	21,175	10,770
Purchases of long-term investments	(399,290)	(354,381)
Sales of long-term investments	429,227	387,492
Purchases of short-term investments	(119,546)	(134,528)
Sales of short-term investments	77,950	111,386
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(54,767)</b>	<b>(16,278)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Gifts received for long-term investment	34,225	28,898
Payments to beneficiaries of split-interest agreements	(945)	(908)
Draws on line of credit	100,856	—
Cost of debt issuance	(856)	—
Changes in federal student loan advances	(369)	(405)
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<b>132,911</b>	<b>27,585</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH</b>	<b>82,571</b>	<b>(1,359)</b>
<b>CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AT BEGINNING OF YEAR</b>	<b>19,912</b>	<b>21,271</b>
<b>CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AT END OF YEAR</b>	<b>\$ 102,483</b>	<b>19,912</b>
<b>OTHER CASH FLOW INFORMATION:</b>		
Cash paid for interest	\$ 18,056	14,870
Change in accounts payable related to property and equipment	(4,105)	1,338
Right of use assets acquired under operating leases	—	1,909
<b>Reconciliation of cash, cash equivalents and restricted cash:</b>		
Cash and cash equivalents	\$ 58,223	15,801
Deposits with trustees	40,647	—
Long-term investments	3,613	4,111
<b>CASH, CASH EQUIVALENTS AND RESTRICTED CASH</b>	<b>102,483</b>	<b>19,912</b>

See accompanying notes to financial statements.

# STATEMENT OF CASH FLOWS

## YEAR ENDED JUNE 30, 2022

(in thousands of dollars)

• with comparative financial information for the year ended June 30, 2021

# NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

WITH SUMMARIZED COMPARATIVE  
INFORMATION FOR JUNE 30, 2021 • *dollars in thousands*

## 1 Organization

Wesleyan University (the University), founded in 1831, is a private residential not-for-profit institution of higher learning. The University is co-educational and has approximately 3,000 undergraduate and 200 graduate students situated on a 316-acre campus in Middletown, Connecticut. The University offers Bachelor of Arts in 45 fields, plus Bachelor of Liberal Studies, Master's degrees and PhDs in selected disciplines. The University is accredited by the New England Commission of Higher Education.

## 2 Summary of Significant Accounting Policies

The significant accounting policies followed by the University are described below:

### A Basis of Reporting

The financial statements of the University have been prepared on the accrual basis in accordance with U.S. generally accepted accounting principles (GAAP). The University applies the Financial Accounting Standards Board's (FASB's) Accounting Standards Codification (ASC), which is the single source of authoritative GAAP.

The financial statements include prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the University's financial statements for the year ended June 30, 2021, from which the summarized information was derived.

### B Net Asset Classes

The accompanying financial statements present information regarding the University's financial position and activities based upon the existence or absence of donor-imposed restrictions in the following net asset categories:

- *With donor restrictions*: net assets subject to donor restrictions that expire with the passage of time, can be fulfilled by actions pursuant to the stipulations, or which may be perpetual.
- *Without donor restrictions*: net assets not subject to donor stipulations restricting their use.

### C Statement of Activities

The statement of activities reports changes in net assets from operating and nonoperating activities. Operating revenues consist of those items attributable to the University's undergraduate and graduate education programs and research conducted by the academic departments, as well as all contributions other than those restricted for long-term investment or not available for current operations.

Nonoperating activities include investment return on long-term investments, postretirement benefit obligation adjustments other than service cost, changes in value of split-interest agreements, as well as certain items not related to the University's ongoing academic or research activities. To the extent nonoperating contributions, investment income and returns are used for operations, they are reclassified as nonoperating assets used in operations.

## D Revenue Recognition

### i Net Student Charges

Net student charges consist of tuition and fees and room and board charges, which are recorded as revenue in the year in which the related services are rendered. Revenue from student charges is determined based on published rates and billed and reflected net of reductions from institutional financial aid, which may be funded by endowment funds or other institutional resources. Disbursements made directly to students for living costs or other purposes are reported as an expense. Student charges received in advance of services rendered are categorized as deferred revenues and other liabilities in the statement of financial position.

Student charges were as follows for the years ended June 30, 2022 and 2021:

	2022	2021
Tuition and fees	\$ 205,987	177,040
Room and board	56,945	41,641
<b>GROSS STUDENT CHARGES</b>	<b>262,932</b>	<b>218,681</b>
Less scholarships	(79,522)	(70,032)
<b>NET STUDENT CHARGES</b>	<b>\$ 183,410</b>	<b>148,649</b>

### ii COVID-19

Federal stimulus packages created by the Coronavirus Aid, Relief, and Economic Security Act (CARES), Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA) and the American Rescue Plan (ARP) provided funding to support higher education institutions and the students they serve through the Higher Education Emergency Relief Fund (HEERF).

In addition, the Federal Emergency Management Agency (FEMA) has reimbursed the University for costs incurred to mitigate the spread of COVID-19 on campus.

For the years ended June 30, 2022 and 2021, Wesleyan recognized the following activity from government agencies, which is recorded in government and foundation grants on the statement of activities:

	2022	2021
Emergency financial aid grants distributed to students	\$ 2,936	1,633
Other institutional support	2,936	2,627
<b>TOTAL HEERF</b>	<b>5,872</b>	<b>4,260</b>
Federal Emergency Management Agency	5,489	—
<b>TOTAL FEMA</b>	<b>5,489</b>	<b>—</b>
<b>TOTAL FEDERAL SUPPORT FOR COVID-19</b>	<b>\$ 11,361</b>	<b>4,260</b>

### iii Contributions

Contributions, including unconditional promises to give, are recognized in the period received. Contributions of assets other than cash are reported at their estimated fair value. Contributions to be received after one year are discounted at the appropriate rate commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue. Contributions of cash or other assets that must be used to acquire long-lived assets are reported as increases in net assets with donor restrictions until the assets are acquired and placed in service.

The University accounts for nonexchange transfers of assets from government agencies and foundations as contributions. Contributions containing both a barrier and a right of return are accounted for as conditional contributions, and revenue is recognized when conditions are met. However, the University has elected the simultaneous release option for conditional contributions that are also subject to purpose restrictions. Under this option, net assets without donor restrictions include donor restricted- contributions for which purpose restrictions and conditions are met in the same reporting period.

## E Cash Equivalents and Short-Term Investments

Cash equivalents include only short-term-, highly liquid working capital investments (those with original maturities three months or less), exclusive of those recorded as long-term- or short-term- investments. Short-term- investments include amounts invested in short-term-, liquid assets selected to provide optimum return for the University's ongoing operations.

## F Deposits With Trustees

The University maintains unspent proceeds from the issuance of CHEFA Series I as required by the associated bond agreements. The deposits with trustees of debt obligations are reported in deposits with trustees on the balance sheet.

## G Receivables

The University extends credit to students in the form of accounts receivable and loans for educational purposes. At June 30, 2022 and 2021, student accounts receivable were \$672 and \$670, net of an allowance for doubtful accounts of \$301 and \$260, respectively. Student loans receivable at June 30, 2022 and 2021 were \$2,208 and \$2,675, respectively, net of an allowance for doubtful accounts of \$1,058.

## H Fair Value Measurements

Investments are reported at fair value. Fair value generally represents the price that would be received upon the sale of an asset or paid upon the transfer of a liability in an orderly transaction between market participants as of the measurement date. GAAP establishes a fair value hierarchy that prioritizes inputs used to measure fair value into three levels:

- Level 1 — quoted prices (unadjusted) in active markets that are accessible at the measurement date for assets or liabilities;
- Level 2 — observable prices that are based on inputs not quoted in active markets, but corroborated by market data; and
- Level 3 — unobservable inputs are used when little or no market data is available.

The University utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. The University classifies its assets and liabilities in the hierarchy based on these inputs.

Most of the University's investments are held through limited partnerships and commingled funds for which fair value is estimated using net asset values (NAVs) reported by the fund managers as a practical expedient. These NAV-measured investments are not categorized within the fair value hierarchy.

These investments are generally redeemable or may be liquidated at NAV under the original terms of the subscription agreements and operations of the underlying funds. However, it is possible that these redemption rights may be restricted or eliminated by the funds in the future in accordance with the underlying fund agreements. The nature of certain investments held by these funds, changes in market conditions and the economic environment may significantly impact the NAV of the funds and, consequently, the fair value of the University's interests in the funds. Furthermore, changes to the liquidity provisions of the funds may significantly impact the fair value of the University's interest in the funds. Although certain investments may be sold in secondary market transactions, subject to meeting certain requirements of the governing documents of the funds, the secondary market is not active and individual transactions are not necessarily observable. It is therefore reasonably possible that if the University were to sell its interest in a fund in the secondary market, the sale could occur at an amount materially different than the reported value.

As of June 30, 2022 and 2021, the University had no specific plans or intentions to sell investments at amounts different than NAV.

## I Investment in Plant

Investment in plant is stated at cost at the date of acquisition or estimated fair value at the date of donation in the case of gifts. Depreciation is calculated on a straight-line basis using useful lives of 50 years for buildings, 25 years for building improvements, 10 years for equipment and 7 years for computer hardware and software.

The University recognizes the fair value of a liability for legal obligations associated with asset retirements in the period in which the obligation is incurred, in accordance with ASC 410, Asset Retirement and Environmental Obligations, if a reasonable estimate of the fair value of the obligation can be made. When the liability is initially recorded, the cost of the asset retirement obligation is capitalized 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. Any difference between the cost to actually settle the asset retirement obligation and the liability recorded is recognized as an operating gain or loss in the statement of activities.

## **J Liabilities Associated with Investments**

The University may, from time to time, incur liabilities associated with its investment portfolio as a result of securities sold short or other transactions. In order to terminate a short position, the University must acquire and deliver to the lender a security identical to the one it borrowed and sold short, and a gain or loss is recognized for the difference between the short sale proceeds and the cost of the identical security acquired. Liabilities reported on the statement of financial position represent the fair value of the identical securities that must be acquired to settle the obligation to the lender. The liabilities would be classified as Level 1 in the fair value hierarchy given that they are measured based on marketable securities.

## **K Split-Interest Obligations**

The University has a charitable gift annuity plan whereby donors may contribute assets in exchange for the right to receive a fixed-dollar periodic payment of the gift assets during their lifetimes. Payments begin in accordance with the timing stipulated in the gift annuity contracts. The difference between the original annuity amount invested and the discounted liability for future payments, determined on an actuarial basis, is recognized as contribution revenue at the date of the gift. The actuarial liability is revalued annually and any surplus or deficiency is recognized as a change in value in the statements of activities.

Assets under Wesleyan's gift annuity program were \$11,953 and \$14,312, and liabilities to donors were of \$8,161 and \$8,138, as of June 30, 2022 and 2021, respectively.

## **L Income Taxes**

The University is generally exempt from income taxes under Internal Revenue Code, Section 501(a), as an organization described in Section 501(c)(3). The University assesses uncertain tax positions and determined that there were no such positions that have a material effect on the financial statements.

As of June 30, 2021, the University became subject to a federal excise tax of 1.4% on net investment income under the Tax Cuts and Jobs Act signed into law on December 22, 2017. Net investment income includes interest, dividends and net realized gains on the sale of investments. Estimated excise tax expense of \$1,657 is reported in accounts payable and accrued expenses on the statement of financial position and in other changes on the statement of activities.

The University has also made provisions for deferred taxes in the amount of \$10,900. The deferred tax liability represents future excise tax payable on unrealized gains in excess of the tax basis of the investments. The liability is reported in deferred revenues and other liabilities on the statement of financial position and in other changes on the statement of activities.

## **M Use of Estimates**

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

## **N Risks and Uncertainties**

Investments are exposed to various risks, such as interest rate, market and credit. Due to the level of risk associated with certain investments and the level of uncertainty related to changes in their value, it is reasonably possible that changes in these risks in the near term could materially affect amounts reported in the financial statements.

The COVID-19 global pandemic may continue to impact various elements of the University's fiscal year 2023 operations and financial results, including, but not limited to fluctuations in enrollment, loss of auxiliary revenues, and increases in costs relating to COVID-19 testing, technology and cleaning. The future impact of COVID-19 cannot be reasonably estimated.



### 3 Financial Assets and Liquidity Resources

The University's cash flows have seasonal variations during the year attributable to billings for student charges and there is a concentration of contributions received at calendar and fiscal year ends. To manage liquidity, the University maintains a working capital portfolio conservatively invested in cash and short-term investments with daily liquidity. As further described in note 11, the University maintains two lines of credit with JPMorgan Chase that provide up to \$80,000, which can be drawn on to manage cash flows.

As of June 30, 2022, financial assets and liquidity resources available within one year for general expenditures, such as operating expenses, scheduled debt service, and capital construction costs not financed with debt, were as follows:

<b>Financial assets:</b>	
Cash and cash equivalents	\$ 58,223
Short-term investments	207,320
Accounts and student loans receivable, net due within one year	5,366
Pledges receivable, net available for operations due within one year	1,468
Fiscal 2023 Board-approved endowment appropriation	55,378
<b>TOTAL FINANCIAL ASSETS AVAILABLE WITHIN ONE YEAR</b>	<b>327,755</b>
<b>Liquidity resources:</b>	
<b>LINE OF CREDIT, UNDRAWN</b>	<b>80,000</b>
<b>TOTAL FINANCIAL ASSETS AND LIQUIDITY RESOURCES</b>	<b>\$ 407,755</b>

In addition, as of June 30, 2022, subject to liquidity provisions, the University had an additional \$79,501 in working capital investments and \$368,086 in board-designated endowment, which is available for general expenditure with Board approval.

### 4 Contributions Receivable

The following is a summary of unconditional promises to give at June 30 as follows:

	2022	2021
<b>Contributions expected to be collected within:</b>		
Less than one year	\$ 16,605	10,911
One to five years	15,230	17,729
More than five years	1,495	3,000
	<u>33,330</u>	<u>31,640</u>
Less allowance for uncollectible pledges	(613)	(3,001)
Less discount for present value	(772)	(286)
<b>NET UNCONDITIONAL PROMISES TO GIVE</b>	<b>\$ 31,945</b>	<b>28,353</b>

The University applies an allowance for uncollectible pledges based on factors such as prior collection history, type of contribution, nature of the fundraising activity, and future collection expectations. Discount rates used range from 0.22% to 3.69%.

As of June 30, 2022, approximately 47% of the pledge receivable balance was due from three donors.

Office of Advancement expenditures, which are primarily for fundraising purposes and alumni activity, totaled \$9,133 and \$7,365 in fiscal years 2022 and 2021, respectively.

Conditional contributions receivable as of June 30, 2022 and 2021 are \$13,051 and \$13,771, respectively.

## 5 Investments

The University's assets that are reported at estimated fair value are summarized in the following tables by their fair value hierarchy classification as of June 30, 2022 and 2021:

AS OF JUNE 30, 2022	INVESTMENTS MEASURED AT NAV	INVESTMENTS CLASSIFIED IN THE FAIR VALUE HIERARCHY			TOTAL
		LEVEL 1	LEVEL 2	LEVEL 3	
Cash and cash equivalents	\$ —	58,223	—	—	58,223
Funds on deposit with trustee*	—	40,647	—	—	40,647
Short-term investments	—	207,320	—	—	207,320
Long-term investments:					
Money market funds and cash equivalents	—	51,981	—	—	51,981
Fixed income	—	47,765	—	—	47,765
Global Equity	304,872	37,451	—	9,678	352,001
Real estate	77,699	—	—	19,552	97,251
Natural resources	41,216	—	—	—	41,216
Venture capital	426,223	—	—	—	426,223
Buyout	269,815	—	—	—	269,815
Other private equity	23,132	—	—	—	23,132
Absolute return:					
Long/short equity	46,748	—	—	—	46,748
Multi-strategy absolute return	87,891	—	—	—	87,891
Other absolute return	139,875	—	—	—	139,875
Split-interest agreements *	—	17,112	—	—	17,112
Other investments	—	—	—	2,551	2,551
Funds held or administered by others	—	—	—	6,685	6,685
<b>TOTAL LONG-TERM INVESTMENTS</b>	<b>1,417,471</b>	<b>154,309</b>	<b>—</b>	<b>38,466</b>	<b>1,610,246</b>
<b>TOTAL</b>	<b>\$ 1,417,471</b>	<b>460,499</b>	<b>—</b>	<b>38,466</b>	<b>1,916,436</b>

\* Invested in mutual funds with daily liquidity.

AS OF JUNE 30, 2021	INVESTMENTS MEASURED AT NAV	INVESTMENTS CLASSIFIED IN THE FAIR VALUE HIERARCHY			TOTAL
		LEVEL 1	LEVEL 2	LEVEL 3	
Cash and cash equivalents	\$ —	15,801	—	—	15,801
Short-term investments	—	165,724	—	—	165,724
Long-term investments:					
Money market funds and cash equivalents	—	124,222	—	—	124,222
Fixed income	—	49,049	—	—	49,049
Global Equity	393,028	40,117	—	15,750	448,895
Real estate	65,351	—	—	16,011	81,362
Natural resources	33,531	5,417	—	—	38,948
Venture capital	378,772	—	—	—	378,772
Buyout	259,305	—	—	—	259,305
Other private equity	32,364	1,338	—	—	33,702
Absolute return:					
Long/short equity	67,615	—	—	—	67,615
Multi-strategy absolute return	82,546	—	—	—	82,546
Other absolute return	134,464	—	—	—	134,464
Split-interest agreements *	—	20,446	—	—	20,446
Other investments	—	—	—	2,609	2,609
Funds held or administered by others	—	—	—	8,373	8,373
<b>TOTAL LONG-TERM INVESTMENTS</b>	<b>1,446,976</b>	<b>240,589</b>	<b>—</b>	<b>42,743</b>	<b>1,730,308</b>
<b>TOTAL</b>	<b>\$ 1,446,976</b>	<b>422,114</b>	<b>—</b>	<b>42,743</b>	<b>1,911,833</b>

\* Invested in mutual funds with daily liquidity.

Short-term investments consist primarily of money market accounts and other short-term liquid assets.

The following tables present the University's activity for the fiscal years ended June 30, 2022 and 2021 for Level 3 investments:

LEVEL 3 ROLL FORWARD	JUNE 30, 2022				
	BEGINNING BALANCE AS OF JUNE 30, 2021	ADDITIONS	SALES AND MATURITIES	NET REALIZED AND UNREALIZED GAINS/ (LOSSES)	ENDING BALANCE AS OF JUNE 30, 2022
Real estate	\$ 16,011	—	(865)	4,406	19,552
Other investments	2,609	—	(80)	22	2,551
Global Equity	15,750	—	(6,072)	—	9,678
Funds held or administered by others	8,373	—	—	(1,688)	6,685
	<b>\$ 42,743</b>	<b>—</b>	<b>(7,017)</b>	<b>2,740</b>	<b>38,466</b>

LEVEL 3 ROLL FORWARD	JUNE 30, 2021				
	BEGINNING BALANCE AS OF JUNE 30, 2020	ADDITIONS	SALES AND MATURITIES	NET REALIZED AND UNREALIZED GAINS/ (LOSSES)	ENDING BALANCE AS OF JUNE 30, 2021
Real estate	\$ 11,622	—	(1,513)	5,902	16,011
Other investments	2,643	—	(65)	31	2,609
Global Equity	—	15,750	—	—	15,750
Funds held or administered by others	7,043	—	—	1,330	8,373
	<b>\$ 21,308</b>	<b>15,750</b>	<b>(1,578)</b>	<b>7,263</b>	<b>42,743</b>

The University has committed to invest in various limited partnerships. Under the terms of the partnership agreements, the University is obligated to remit additional funding periodically as managers exercise capital calls. These partnerships have a limited existence, generally 10 years, and such agreements may provide annual extensions for the purpose of disposing portfolio holdings and returning capital to investors. Depending on market conditions, an inability to execute the fund's strategy, and other factors, a manager may extend the terms of a fund beyond its originally anticipated existence or may wind the fund down prematurely. As a result, the timing and amount of future capital calls expected in any particular future year is uncertain within a range of between 1 and 11 years. The aggregate amount of unfunded commitments associated with investments as of June 30, 2022 was \$364,381.

Investment liquidity as of June 30, 2022 is aggregated below based on redemption or sale terms:

	IN LIQUIDATION	DAILY	MONTHLY TO QUARTERLY	SEMI-ANNUAL TO ANNUAL	INITIAL LOCKUP	ILLIQUID	TOTAL
Cash and cash equivalents	\$ —	58,223	—	—	—	—	58,223
Deposits with trustees	—	40,647	—	—	—	—	40,647
Short-term investments	—	207,320	—	—	—	—	207,320
Long-term investments:							
Money market funds and cash equivalents	—	51,981	—	—	—	—	51,981
Fixed income	—	47,765	—	—	—	—	47,765
Global Equity	9,740	9,688	178,346	54,888	51,904	47,435	352,001
Real estate	—	—	—	—	—	97,251	97,251
Natural resources	—	—	—	—	—	41,216	41,216
Venture capital	—	—	—	—	—	426,223	426,223
Buyout	—	—	—	—	—	269,815	269,815
Other private equity	—	—	—	—	—	23,132	23,132
Absolute return	4,569	—	61,204	108,851	74,654	25,236	274,514
Split-interest agreements	—	17,112	—	—	—	—	17,112
Other investments	—	—	—	—	—	2,551	2,551
Funds held or administered by others	—	—	—	—	—	6,685	6,685
<b>TOTAL LONG-TERM INVESTMENTS</b>	<b>14,309</b>	<b>126,546</b>	<b>239,550</b>	<b>163,739</b>	<b>126,558</b>	<b>939,544</b>	<b>1,610,246</b>
<b>TOTAL</b>	<b>\$ 14,309</b>	<b>432,736</b>	<b>239,550</b>	<b>163,739</b>	<b>126,558</b>	<b>939,544</b>	<b>1,916,436</b>

Certain funds contain lockup provisions. Under such provisions, share classes of the investment are available for redemption at prescribed dates in accordance with the partnership agreement of the fund. In some cases, funds may impose fees in exchange for advanced liquidity opportunities. A portion of the underlying investments within the categories of monthly to quarterly and semi-annual to annual may include private or side-pocket investments from which the University may not have an ability to redeem. Additionally, tranches of certain funds within these categories may restrict redemptions to a portion of the value over a rolling quarterly or annual basis.

## 6 Endowment

The University follows the guidelines in ASC 958-205 to classify net assets of donor-restricted endowment funds for a not-for-profit organization that is subject to the State of Connecticut's version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA).

The University's endowment consists of approximately 1,300 individual funds established for a variety of purposes, including both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

### A Relevant Law

The University classifies as net assets with donor restrictions (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. Also included in net assets with donor restrictions is accumulated appreciation on donor-restricted endowment funds until those amounts are appropriated for expenditure by the University in a manner consistent with the standard of prudence prescribed by UPMIFA.

UPMIFA provides standards for investing in a prudent manner by establishing a duty to minimize cost; diversify the investments; investigate facts relevant to the investment of the fund; and consider tax consequences of investment decisions and that investment decisions be made in light of the fund's entire portfolio as a part of an investment strategy having risk and return objectives reasonably suited to the fund and to the University. UPMIFA also permits the University to appropriate for expenditure or accumulate so much of an endowment fund as the University determines to be prudent for the uses, benefits, purposes, and duration for which the endowment fund is established, thereby eliminating the restriction that a fund could not be spent below its historical dollar value. The University considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the University and the donor-restricted endowment fund
- General economic conditions
- The possible effect 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

Endowment funds consisted of the following at June 30, 2022 and 2021:

	2022				
	WITHOUT DONOR-RESTRICTIONS	WITH DONOR RESTRICTIONS		TOTAL DONOR RESTRICTED	TOTAL FUNDS
	ORIGINAL GIFT	ACCUMULATED GAINS (LOSSES)			
Board designated endowment funds	\$ 368,086	687	555	1,242	369,328
Donor-restricted endowment funds:					
Underwater	—	29,743	(1,898)	27,845	27,845
Other	—	381,936	705,911	1,087,847	1,087,847
<b>SUB-TOTAL</b>	<b>368,086</b>	<b>412,366</b>	<b>704,568</b>	<b>1,116,934</b>	<b>1,485,020</b>
Working capital funds	79,501	—	—	—	79,501
<b>TOTAL ENDOWMENT ASSETS</b>	<b>\$ 447,587</b>	<b>412,366</b>	<b>704,568</b>	<b>1,116,934</b>	<b>1,564,521</b>

	2021				
	WITHOUT DONOR- RESTRICTIONS	WITH DONOR RESTRICTIONS			TOTAL FUNDS
		ORIGINAL GIFT	ACCUMULATED GAINS (LOSSES)	TOTAL DONOR RESTRICTED	
Board designated endowment funds	\$ 395,960	687	658	1,345	397,305
Donor-restricted endowment funds:					
Underwater	—	508	(4)	504	504
Other	—	377,862	796,980	1,174,842	1,174,842
<b>SUB-TOTAL</b>	<b>395,960</b>	<b>379,057</b>	<b>797,634</b>	<b>1,176,691</b>	<b>1,572,651</b>
Working capital funds	97,145	—	—	—	97,145
<b>TOTAL ENDOWMENT ASSETS</b>	<b>\$ 493,105</b>	<b>379,057</b>	<b>797,634</b>	<b>1,176,691</b>	<b>1,669,796</b>

Changes in endowment funds for the years ended June 30, 2022 and 2021 are as follows:

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
Endowment assets, June 30, 2021	\$ 493,105	1,176,691	1,669,796
Investment return	(22,061)	(57,891)	(79,952)
Contributions	—	33,307	33,307
Working capital changes	(13,818)	—	(13,818)
Other increases (decreases)	2,368	—	2,368
Appropriation of endowment assets for expenditure	(12,007)	(35,173)	(47,180)
<b>ENDOWMENT ASSETS, JUNE 30, 2022</b>	<b>\$ 447,587</b>	<b>1,116,934</b>	<b>1,564,521</b>

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
Endowment assets, June 30, 2020	\$ 331,046	799,861	1,130,907
Investment return	174,288	413,403	587,691
Contributions	6	10,543	10,549
Working capital changes	(2,129)	—	(2,129)
Other increases (decreases)	1,559	(13,156)	(11,597)
Appropriation of endowment assets for expenditure	(11,665)	(33,960)	(45,625)
<b>ENDOWMENT ASSETS, JUNE 30, 2021</b>	<b>\$ 493,105</b>	<b>1,176,691</b>	<b>1,669,796</b>

Working capital funds are operating reserves invested in the endowment and are not subject to the endowment spending policy.

## B Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below their original contributed value. These deficiencies result from unfavorable market fluctuations that occur after the investment of new donor-restricted contributions and/or appropriation from such funds. Subsequent market gains will be used to restore this reduction in net assets.

## C Return Objectives and Risk Parameters

A portion of the endowment assets is included in an investment pool that is accounted for on a unitized market value basis, with each individual fund subscribing to or disposing of units on the basis of the market value per unit of the pool at the end of the calendar month within which the transaction took place. The value of the units is based on a total return investment policy.

The University has adopted investment and spending policies for the endowment that attempt to provide a predictable stream of funding to programs supported by the endowment while seeking to maintain the purchasing power of the endowment assets.

## D Strategies Employed for Achieving Objectives

To satisfy its long term rate-of-return objectives, the University relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The University targets a diversified asset allocation that places emphasis on investments in equities, fixed income, and alternative investments to achieve its long-term return objectives with prudent risk constraints.

## E Spending Policy and How the Investment Objectives Relate to Spending Policy

The University follows a spending policy known as the Tobin rule, named for James Tobin, recipient of the 1981 Nobel Prize in Economics. This rule sets the annual distribution using a quantitative formula that combines elements of stability and market conditions. The University's endowment spending is 70% based on the prior year's spending plus inflation (measured by the Higher Education Price Index (HEPI) as of June 30 of the past fiscal year) and 30% from 4.5% of the market value of endowment as of June 30 of the previous fiscal year. For fiscal 2022 and 2021, \$47,180 and \$45,625 was appropriated, respectively.

# 7 Net Assets

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

	2022	2021
Undesignated	\$ 64,861	25,702
Net investment in plant	72,691	83,681
Board designated endowment	368,002	395,861
Working capital & reserves	79,585	97,244
<b>TOTAL</b>	<b>\$ 585,139</b>	<b>602,488</b>

At June 30, 2022 and 2021, net assets with donor restrictions were comprised as follows:

	HELD IN PERPETUITY	SUBJECT TO ENDOWMENT APPROPRIATION	SUBJECT TO TIME AND/OR DONOR RESTRICTIONS	TOTAL NET ASSETS WITH DONOR RESTRICTIONS
<b>2022</b>				
Capital projects	\$ —	—	68,987	68,987
Financial aid	232,516	249,394	1,387	483,297
Instruction & research	146,496	198,011	7,770	352,277
Library	3,547	18,305	3	21,855
General purpose and other	32,896	245,227	22,064	300,187
	<b>\$ 415,455</b>	<b>710,937</b>	<b>100,211</b>	<b>1,226,603</b>
<b>2021</b>				
Capital projects	\$ —	—	57,611	57,611
Financial aid	223,855	284,768	1,797	510,420
Instruction & research	125,023	225,554	9,353	359,930
Library	3,489	20,276	4	23,769
General purpose and other	32,698	269,697	22,486	324,881
	<b>\$ 385,065</b>	<b>800,295</b>	<b>91,251</b>	<b>1,276,611</b>

## 8 Investment in Plant

At June 30, 2022 and 2021, the components of the University's investment in plant were as follows:

	2022	2021
Campus land and improvements	\$ 37,488	37,312
Buildings and improvements	492,163	479,716
Equipment	127,876	126,197
Construction in progress	48,635	19,398
<b>TOTAL</b>	<b>706,162</b>	<b>662,623</b>
Less accumulated depreciation	(299,030)	(286,408)
<b>TOTAL INVESTMENT IN PLANT</b>	<b>\$ 407,132</b>	<b>376,215</b>

The construction in progress balance at June 30, 2022 primarily relates to construction of two academic buildings.

## 9 Operating Expenses

Expenses presented by natural classification and function are as follows for the year ended June 30, 2022:

2022	SALARIES AND BENEFITS	SUPPLIES, SERVICES, AND OTHER	INTEREST EXPENSE	DEPRECIATION	TOTAL
Instruction	\$ 90,435	19,611	4,955	3,793	118,794
Research	2,723	1,576	1,660	1,271	7,230
Academic support	4,652	5,821	1,210	926	12,609
Student services	14,517	5,819	347	266	20,949
Institutional support	24,355	6,508	478	391	31,732
Auxiliary activities	6,468	39,006	7,951	6,085	59,510
<b>TOTAL</b>	<b>\$ 143,150</b>	<b>78,341</b>	<b>16,601</b>	<b>12,732</b>	<b>250,824</b>

2021	SALARIES AND BENEFITS	SUPPLIES, SERVICES, AND OTHER	INTEREST EXPENSE	DEPRECIATION	TOTAL
Instruction	\$ 79,894	10,834	4,413	3,413	98,554
Research	3,488	2,925	1,478	1,143	9,034
Academic support	4,057	5,291	1,078	834	11,260
Student services	13,045	6,937	309	239	20,530
Institutional support	22,790	4,915	425	356	28,486
Auxiliary activities	5,404	34,655	7,080	5,475	52,614
<b>TOTAL</b>	<b>\$ 128,678</b>	<b>65,557</b>	<b>14,783</b>	<b>11,460</b>	<b>220,478</b>

The University allocates physical plant operations, depreciation, and interest expenses to functional expenditure categories based on square footage of facilities identified for each functional expenditure category.

## 10 Debt

At June 30, 2022 and 2021, long-term debt consisted of the following:

	2022	2021
Taxable bonds, Series 2021	\$ 55,520	—
Taxable bonds, Series 2020	75,000	75,000
Taxable bonds, Series 2016	250,000	250,000
Revenue bonds payable (CHEFA Series I)	35,390	—
Revenue bonds payable (CHEFA Series H)	20,105	20,105
Term loans	12,920	12,920
<b>TOTAL</b>	<b>448,935</b>	<b>358,025</b>
Unamortized costs of issuance	(3,862)	(3,109)
Unamortized premium	9,046	—
<b>LONG TERM DEBT</b>	<b>\$ 454,119</b>	<b>354,916</b>

### A Taxable Bonds, Series 2021

In July 2021, the University issued \$55,520 of taxable bonds at a fixed rate of 2.872% with all principal due in 2052.

### B Taxable Bonds, Series 2020

In January 2020, the University issued \$75 million of taxable bonds at a fixed rate of 3.37% with all principal due in 2050. The University is required to make semi-annual payments of interest.

### C Taxable Bonds, Series 2016

In May 2016, the University issued \$250 million of taxable bonds at a fixed rate of 4.78% with all principal due in 2116. The University is required to make semi-annual payments of interest.

### D CHEFA Series I

In July 2021, the University issued tax-exempt bonds with \$35,390 in par outstanding with a fixed coupon of 4.0% payable semi-annually. Series I was issued at a premium with an unamortized balance at June 30, 2022 of \$9,046. All principal is due July 1, 2031.

### E CHEFA Series H

\$20,105 variable rate demand bonds have their interest rates set weekly. The interest rate at June 30, 2022 and 2021 was 0.84% and 0.02% respectively. The University makes monthly payments of interest. The University may make prepayments of principal and is required to pay any remaining principal balance on July 1, 2040. The University maintains sufficient liquidity to purchase the bonds if remarketing is not successful.

### F Term Loans

In January 2016, the University entered into a term loan with Farmington Bank in the amount of \$12,920. Farmington Bank was subsequently acquired by People's United Bank during fiscal year 2020. In February 2021, the loan agreement was amended to lower the fixed interest rate from 2.9% to 1.1%. The University makes semiannual payments of interest and all principal is due in February 2024.

### E Debt Maturities

Payments for the principal of all long-term debt for each of the next five fiscal years and thereafter are as follows:

FISCAL YEAR	AMOUNT DUE
2022	\$ —
2023	—
2024	12,920
2025	—
2026	—
Thereafter	436,015
<b>TOTAL OUTSTANDING DEBT</b>	<b>\$ 448,935</b>

### H Debt Covenants

The University is subject to certain financial covenants that would be imposed if the University does not maintain its credit rating. The University maintained its credit rating during the years ended June 30, 2022 and 2021, and thus the financial covenants were not applicable.

## 11 Lines of Credit

As of June 30, 2022, the University had the following revolving loan agreements with JPMorgan Chase:

EXPIRATION DATE	AMOUNT
July 6, 2023	\$ 40,000
July 6, 2025	40,000
<b>TOTAL LINES OF CREDIT</b>	<b>\$ 80,000</b>

The interest rate on both loans is set at 60 basis points above Secured Overnight Financing Rate (SOFR). The University did not utilize these lines in fiscal 2022 or 2021. No amounts were outstanding as of June 30, 2022 and 2021.



## 12 Benefit Plans

### A Defined Contribution Plan

The University has defined contribution retirement plans, with contributions based on a percentage of salary, covering substantially all employees. Total expense was \$9,747 and \$8,989 for fiscal 2022 and 2021, respectively.

### B Postretirement Benefits

The University provides certain postretirement health care benefits to employees. Employees become eligible to receive medical and life insurance benefits at various age and service requirements based on their group classifications (faculty, non-faculty, or physical plant bargaining unit). The University recognizes the cost of providing such benefits to the employees and dependents, if applicable, in the financial statements during the employees' active working lives. Those who elect early retirement before they are eligible for Medicare can continue in plans for active faculty and staff, which require premium sharing. Upon reaching Medicare eligibility, retirees may elect to participate in the Medicare Part D supplement plan or receive a \$300 per year annuity.

The University applies the provisions of ASC 715, Compensation-Retirement Benefits, to its postretirement plan. The status of the University's plan and the amounts recognized in the statements of financial position at June 30, 2022 and 2021 are as follows:

	2022	2021
Change in benefit obligation:		
Benefit obligation as of beginning of year	\$ 20,402	20,314
Service cost	706	733
Interest cost	505	446
Plan participants' contributions	145	149
Plan amendments	1,458	—
Benefits paid	(575)	(1,070)
Medicare Part D Subsidy	48	54
Actuarial (gain) loss	(5,509)	(224)
<b>BENEFIT OBLIGATION AND FUNDED STATUS AS OF END OF YEAR</b>	<b>\$ 17,180</b>	<b>20,402</b>

Components of net periodic benefit cost are as follows for the years ended June 30:

	2022	2021
Operating:		
Service cost	\$ 706	733
<b>TOTAL OPERATING, INCLUDED IN SALARIES AND BENEFITS</b>	<b>706</b>	<b>733</b>
Nonoperating:		
Interest on accumulated postretirement benefit obligation	505	446
Prior service cost amortization	33	—
Amortization of actuarial gain	(1,538)	(493)
<b>TOTAL NONOPERATING</b>	<b>(1,000)</b>	<b>(47)</b>
<b>TOTAL NET PERIODIC BENEFIT COST</b>	<b>\$ (294)</b>	<b>686</b>

For measurement purposes, an annual rate of increase of 6.6% in the per capita cost of covered healthcare and prescription drug benefits was assumed as of June 30, 2022. The rates were assumed to decrease to 4.8% by 2060 and remain at that level thereafter. Assumed healthcare cost trend rates have a significant effect on the amounts reported for the healthcare plans.

The weighted average discount rates used to determine benefit obligations are 4.4% and 2.5% for fiscal 2022 and 2021, respectively.

The weighted average discount rates used to determine net periodic benefit costs were 2.5% and 2.2% for fiscal 2022 and 2021, respectively.

The benefits, as of June 30, 2022, expected to be paid in each of the next five fiscal years and in the aggregate for the five fiscal years thereafter, are as follows:

FISCAL YEAR	AMOUNT
2023	\$ 954
2024	1,019
2025	1,089
2026	1,044
2027	1,103
Five fiscal years thereafter	6,480

### 13 Commitments and Contingencies

All funds expended in conjunction with government grants and contracts are subject to audit by governmental agencies. In the opinion of management, any potential liability resulting from these audits will not have a material effect on the University's financial position.

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 currently be determined, the University believes that eventual liability not reflected on the statement of financial position, if any, will not have a material effect on the University's financial position.

### 14 Related-Party Transactions

Members of the Board of Trustees and senior management may, from time to time, be associated, either directly or indirectly with companies doing business with the University. The University has a written conflict of interest policy that requires annual reporting by each Board member as well as the University senior management. When such relationships exist, measures are taken to mitigate any actual or perceived conflict, including requiring that such transactions be conducted at arms' length, based on terms in the best interest of the University.

### 15 Subsequent Events

Management has evaluated events subsequent to June 30, 2022 and through October 28, 2022, the date on which the financial statements were issued, to provide additional evidence relative to certain estimates or to identify matters that require additional disclosure. No additional disclosures were deemed to be necessary.