

Wesleyan University

ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2021



TO: The Board of Trustees

DATE: November 1, 2021

SUBJECT: FY 2020–21 Annual Financial Report

It has been remarkable to see Wesleyan manage through the impacts of the pandemic. Our entire staff—from the pandemic planning teams and facilities crews to our faculty, admissions, financial services cohorts, and beyond—created a safe enough environment so that the academic mission could continue. And we cannot forget that this success would not have been possible without all of our students’ commitment to keeping Wes Safe. We are now ending the year having shared spaces together both in the classroom and around campus, indoors and out.

While safety and community remain at the center of our year-end reflections, we also take a moment to recognize a financial year unlike any in recent memory. Nearly a decade ago, our investment team began laying the foundation for the kind of contribution you will see in the following pages. The investment portfolio saw an over 53% return this past year, and combined with prudent decisions related to financial operations, the University emerged from this past fiscal year with capacity to invest in the academic enterprise and progress through the challenges ahead.

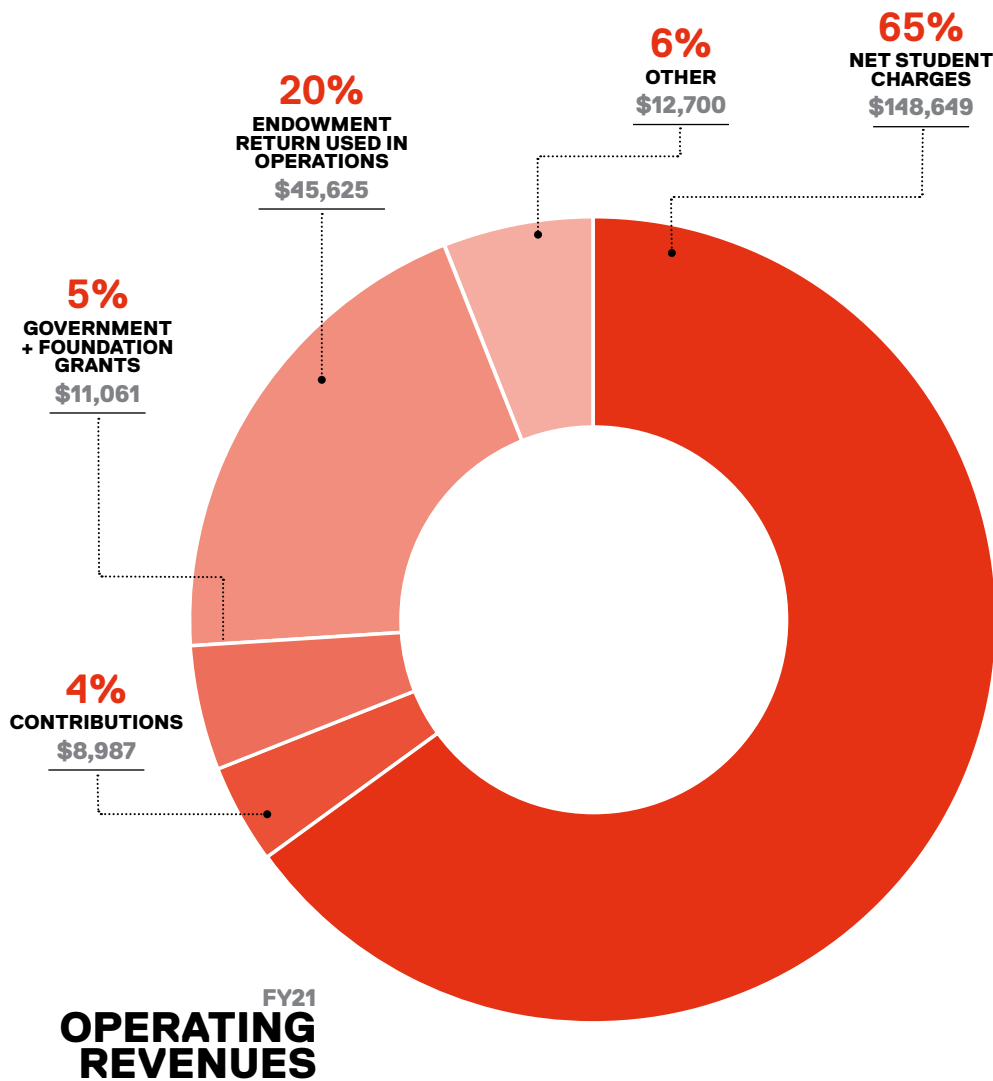
Recent success in endowment management, fundraising, and fiscal management positions Wesleyan to meet our ambitious strategic plans in the years ahead. It will also allow us to contend with the continued uncertainty surrounding COVID-19. While we hope that the worst of the pandemic is behind us, if 2020–21 has taught us nothing else, it is that you must always prepare for the unpredictable.

Last year, we noted that we must position ourselves to weather a difficult and unknowably long situation. The continued support of Wesleyan’s donors, our investment success, and contributions from employees across the University will allow us to continue laying a strong foundation for our future, especially as we approach the University’s bicentennial in the coming years.

Sincerely,

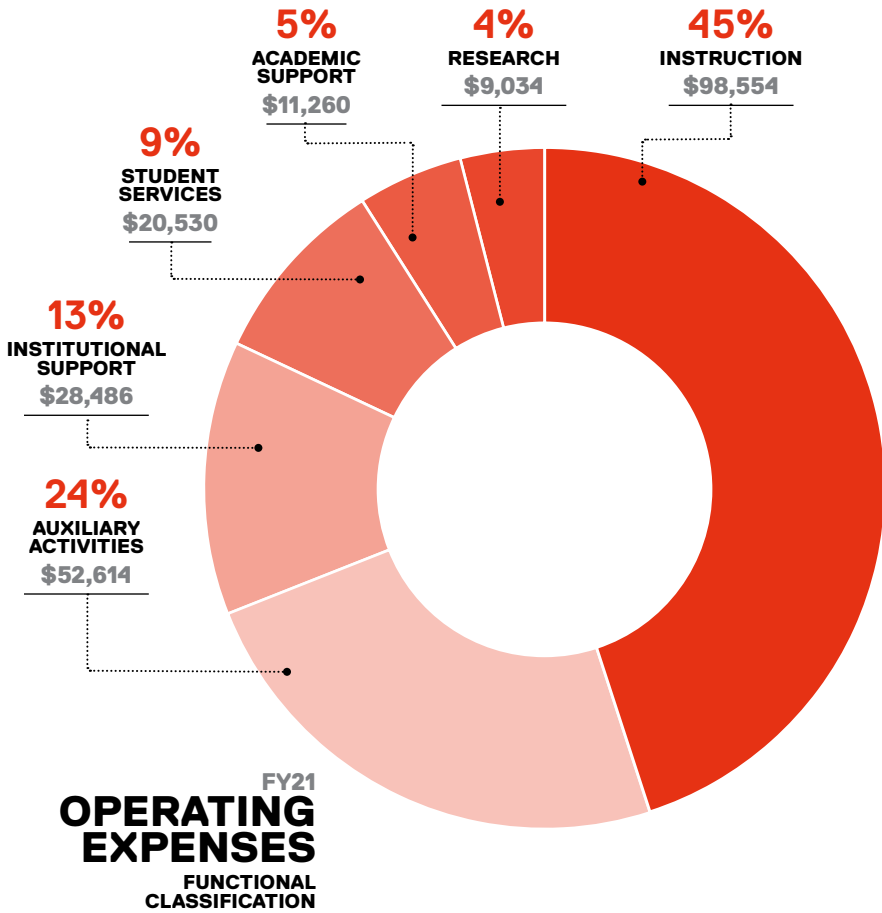
Andy Tanaka '00
Senior Vice President, Chief Administrative Officer and Treasurer





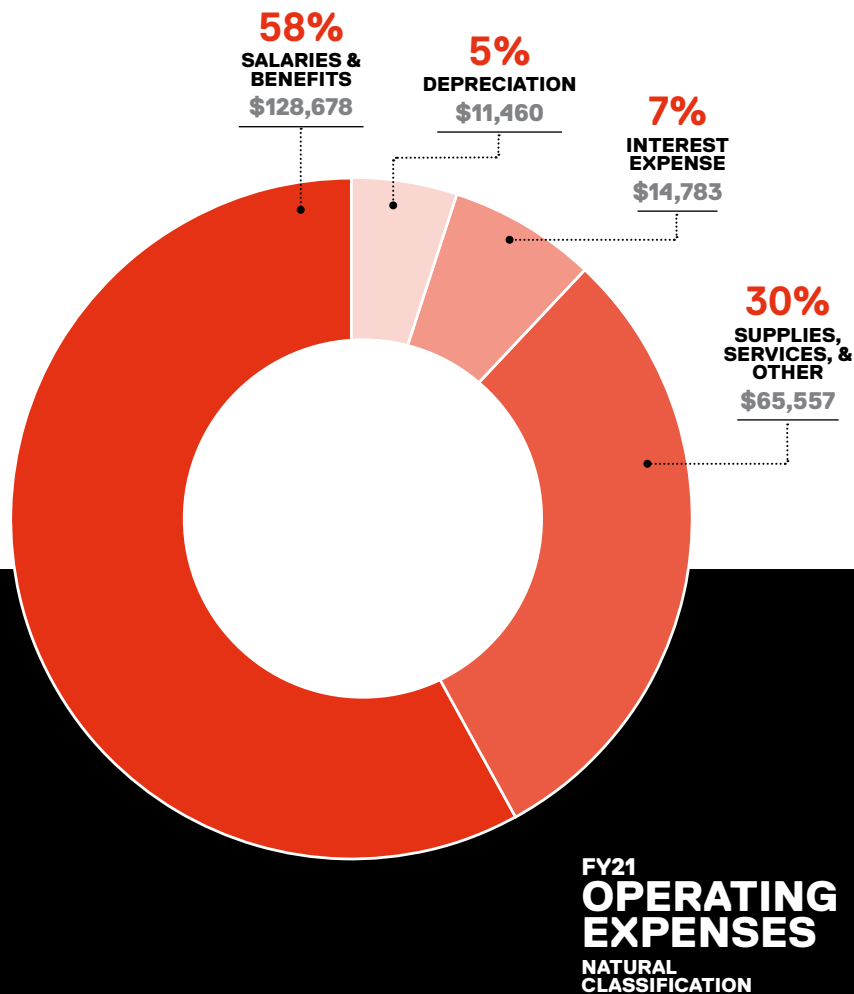
Operating Revenue

Approximately two-thirds of Wesleyan’s operating revenue is derived from fees charged for tuition and the residential comprehensive fee, net of financial aid. In 2021, net student charges of \$148.6 million is comprised of \$177.0 million of gross tuition, \$41.6 million of the Residential Comprehensive Fee (RCF) less \$70.0 million of financial aid. Net student charges declined from \$153.1 million in 2020 primarily due to students electing to defer enrollment or take leaves of absence, and, in some cases, electing to live off-campus and attend classes remotely. Increases in endowment support, government and foundation grants and generous support from donors for annual giving were all key components in maintaining total operating revenues and other support of a level similar to 2020.



Operating Expenses

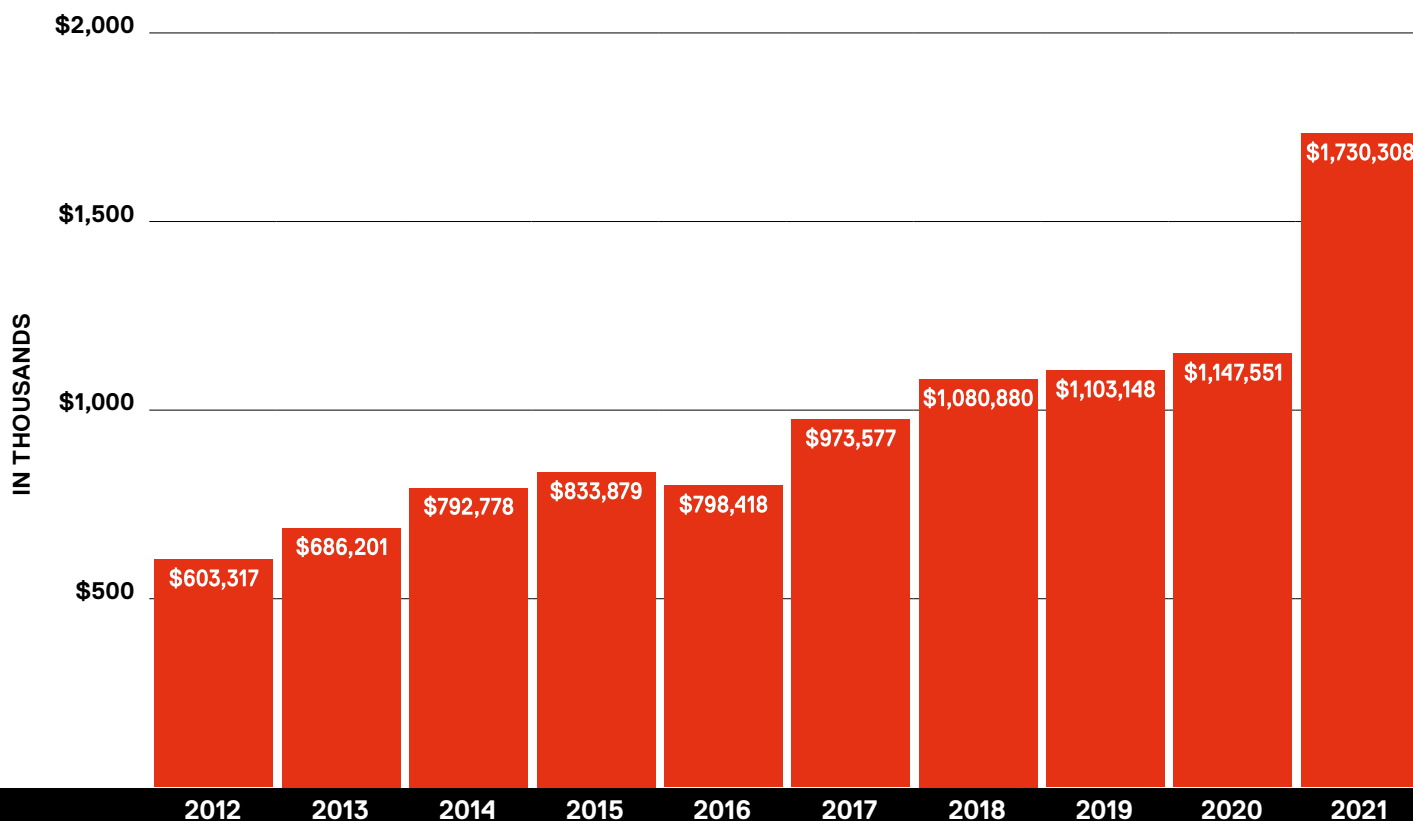
Total operating expenses increased 1.3% to \$220.5 million in 2021. Personnel costs, the largest component of Wesleyan’s operating expenses, decreased 1.7% primarily due to partial hiring freeze and salary freezes related to the COVID-19 pandemic. Offsetting these reductions are costs incurred for COVID-mitigation efforts, including surveillance testing, enhanced cleaning efforts, quarantine space, and personal protective equipment (PPE).



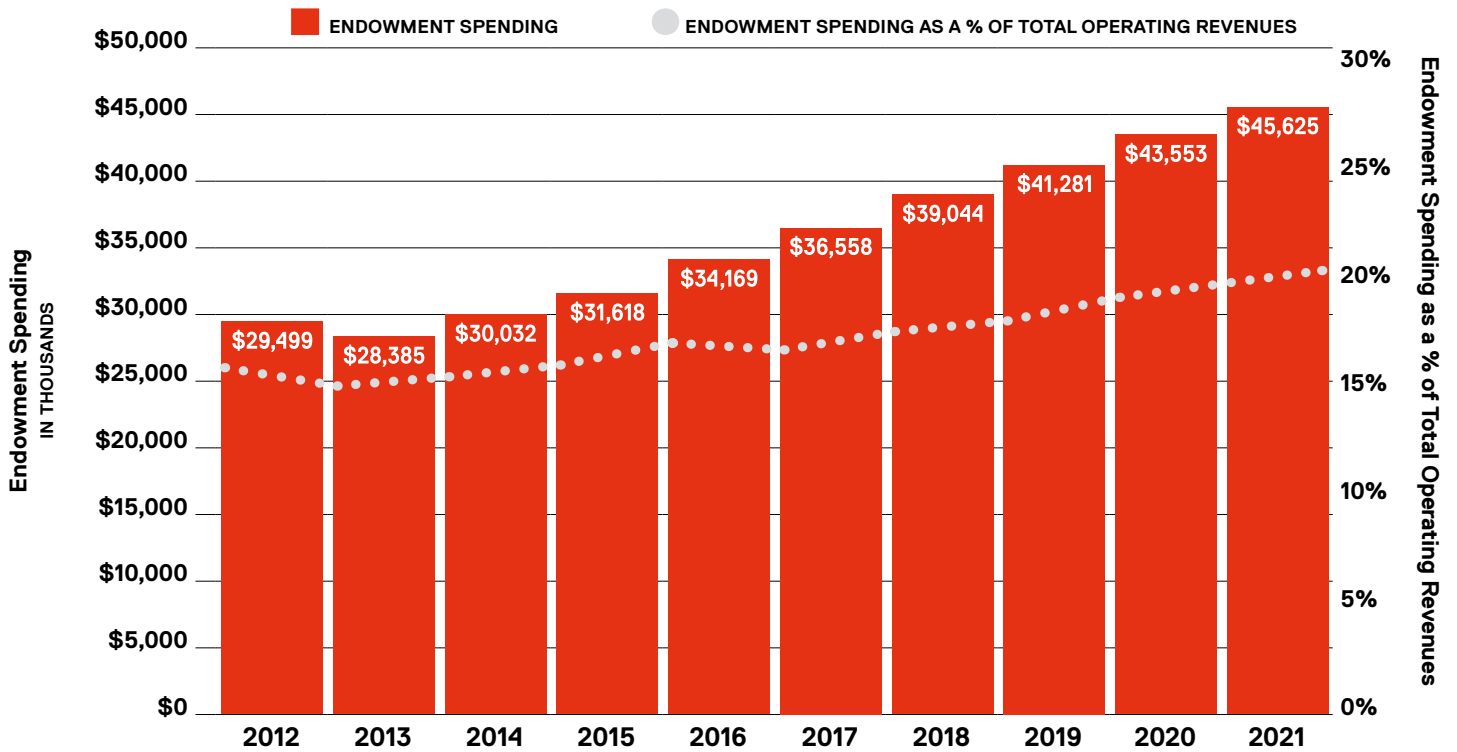
Financial Assets to Support the University

Fiscal year 2021 was a strong year for equity markets and higher education endowment. Wesleyan’s long-term investment portfolio, which represents almost 75% of Wesleyan’s total assets, experienced significant growth to \$1.73 billion as of June 30, 2021. The net endowment return of 53.2% was driven by strong returns across all asset classes and far exceeds the median return for colleges and universities of 33.2%.

Over the past several years, strong investment returns, generous support from donors, and prudent spending from the endowment have provided steady increases in the overall endowment spending. The endowment spending has increased annually since 2013 and has increased its percentage of total operating revenues while consistently keeping the effective spend rate below 5%.



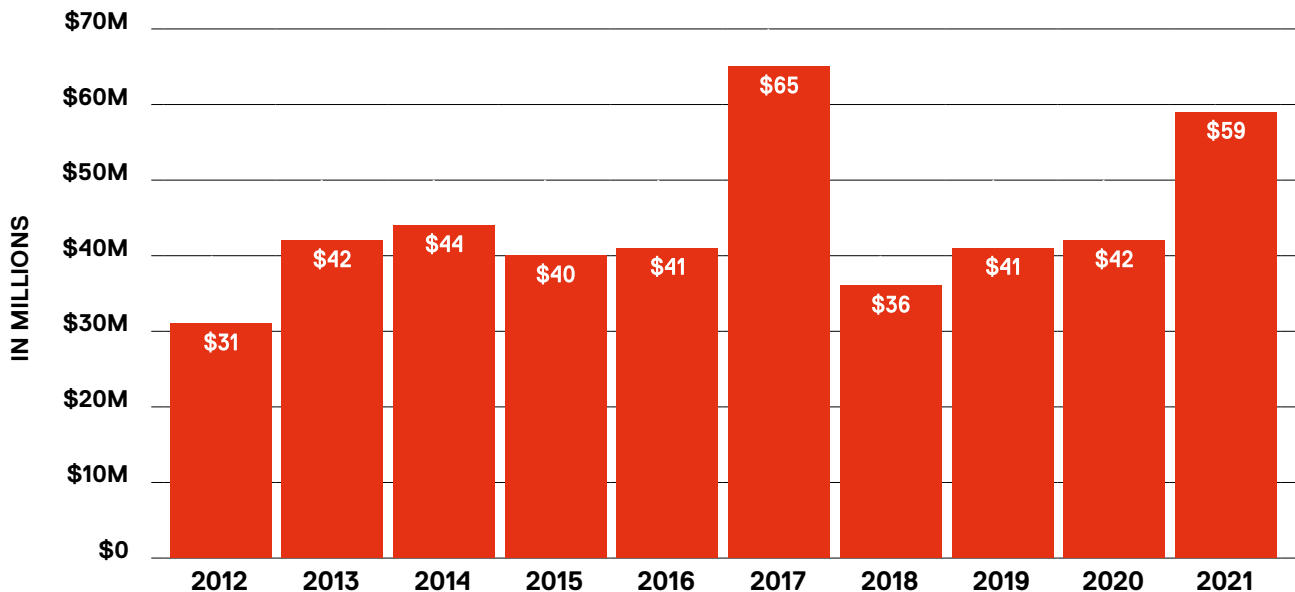
**TOTAL
 LONG-TERM
 INVESTMENTS**



ENDOWMENT SUPPORT AS A PERCENTAGE OF OPERATING REVENUES

Wesleyan Fundraising

Continued strong donor support is important for Wesleyan to be successful in executing our goals of energizing our distinctive educational experience, enhancing recognition and working within a sustainable economic model. We are fortunate to have had generous donor support in fiscal 2021 resulting in \$59 million in cash giving.





Wesleyan University

FINANCIAL RESULTS

YEAR ENDED JUNE 30, 2021



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

Independent Auditors' Report

The Board of Trustees
Wesleyan University:

We have audited the accompanying financial statements of Wesleyan University, which comprise the statement of financial position as of June 30, 2021, the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the University as of June 30, 2021, 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.

Report on Summarized Comparative Information

We have previously audited the University's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 27, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

KPMG LLP

Hartford, Connecticut
October 27, 2021

	2021	2020
ASSETS		
Cash and cash equivalents	\$ 15,801	17,604
Short-term investments	165,724	142,582
Receivables, net, and other assets	12,919	11,818
Pledges receivable, net	28,353	22,474
Long-term investments	1,730,308	1,147,551
Investment in plant, net	376,215	364,400
TOTAL ASSETS	\$ 2,329,320	1,706,429
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 23,347	18,504
Liabilities associated with investments	20,961	8,454
Deferred revenues and other liabilities	4,970	5,958
Split-interest obligations	10,640	10,398
Postretirement benefit obligation	20,402	20,314
Long-term debt	354,916	354,865
Asset retirement obligation	11,981	11,908
Federal student loan advances	3,004	3,409
TOTAL LIABILITIES	450,221	433,810
Net Assets		
Without donor restrictions	602,488	425,030
With donor restrictions	1,276,611	847,589
TOTAL NET ASSETS	1,879,099	1,272,619
TOTAL LIABILITIES AND NET ASSETS	\$ 2,329,320	1,706,429

See accompanying notes to financial statements.

STATEMENT OF FINANCIAL POSITION

YEAR ENDED JUNE 30, 2021

(in thousands of dollars)

• with comparative financial information for June 30, 2020

	2021			2020
	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL	TOTAL
OPERATING ACTIVITIES:				
Revenues and Other Support				
Net student charges	\$ 148,649	—	148,649	153,142
Contributions	8,987	—	8,987	10,049
Government and foundation grants	11,061	—	11,061	8,211
Other revenues	6,199	—	6,199	8,180
Nonoperating net assets used in operations:				
Endowment return used in operations	45,625	—	45,625	43,553
Restricted and designated net assets used in operations	6,501	—	6,501	9,135
TOTAL REVENUES AND OTHER SUPPORT	227,022	—	227,022	232,270
Expenses				
Salaries and benefits	128,678	—	128,678	130,949
Supplies, services, and other	65,557	—	65,557	61,832
Interest expense	14,783	—	14,783	13,742
Depreciation	11,460	—	11,460	11,021
TOTAL EXPENSES	220,478	—	220,478	217,544
CHANGES IN NET ASSETS FROM OPERATING ACTIVITIES	6,544	—	6,544	14,726
NONOPERATING ACTIVITIES:				
Contributions	2,063	51,430	53,493	36,656
Foundation grants	—	1,373	1,373	1,367
Net investment return	180,978	417,682	598,660	87,504
Nonoperating net assets used in operations	(52,126))	—	(52,126))	(52,688)
Other changes	(28)	(1,214)	(1,242)	(1,641)
Postretirement benefit obligation changes other than service cost	(222)	—	(222)	1,533
Net assets released from restrictions	40,249	(40,249)	—	—
TOTAL NONOPERATING ACTIVITIES	170,914	429,022	599,936	69,665
CHANGE IN NET ASSETS	177,458	429,022	606,480	84,391
NET ASSETS AT BEGINNING OF YEAR	425,030	847,589	1,272,619	1,188,228
NET ASSETS AT END OF YEAR	\$ 602,488	1,276,611	1,879,099	1,272,619

See accompanying notes to financial statements.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2021

(in thousands of dollars)

- ♦ with summarized comparative financial information for the year ended June 30, 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 606,480	84,391
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	11,406	11,021
Amortization of bond premium and cost of issuance	51	37
Net gains from investments and trusts	(598,399)	(93,562)
Gifts received for long-term investment	(28,898)	(23,077)
Gifts of property, plant and equipment	(154)	(1,095)
Postretirement benefit obligation change	88	1,499
Changes in assets and liabilities that provide (use) cash:		
Receivables, net and other assets	(1,101)	(583)
Pledges receivable, net	(5,879)	(6,935)
Accounts payable	(3,505)	(640)
Student deposits and deferred revenues	(988)	3,050
Change in valuation of split-interest obligations	1,150	885
Asset retirement obligation	73	(623)
NET CASH USED IN OPERATING ACTIVITIES	(12,666)	(25,632)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to property and equipment	(21,729)	(27,289)
Change in deposit with brokers for short sales	(12,582)	(3,311)
Purchases of securities sold short	(2,706)	(8,329)
Sales of securities sold short	10,770	14,172
Purchases of long-term investments	(354,825)	(235,422)
Sales of long-term investments	387,492	285,418
Purchases of short-term investments	(134,528)	(339,677)
Sales of short-term investments	111,386	234,153
NET CASH USED IN PROVIDED BY INVESTING ACTIVITIES	(16,722)	(80,285)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Gifts received for long-term investment	28,898	23,077
Payments to beneficiaries of split-interest agreements	(908)	(213)
Draws on line of credit	—	5,000
Repayments of line of credit	—	(5,000)
Issuance of long-term debt	—	75,000
Cost of debt issuance	—	(801)
Changes in federal student loan advances	(405)	(633)
NET CASH PROVIDED BY FINANCING ACTIVITIES	27,585	96,430
NET CHANGE IN CASH AND CASH EQUIVALENTS	(1,803)	(9,487)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	17,604	27,091
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 15,801	17,604
OTHER CASH FLOW INFORMATION:		
Cash paid for interest	\$ 14,870	12,395
Change in accounts payable related to property and equipment	1,338	(484)
Right of use assets acquired under operating leases	1,909	—
<i>See accompanying notes to financial statements.</i>		

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2021

(in thousands of dollars)

• with comparative financial information for the year ended June 30, 2020

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

WITH SUMMARIZED COMPARATIVE
INFORMATION FOR JUNE 30, 2020 • *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 coeducational and has approximately 3,000 students situated on a 280-acre campus, located in Middletown, Connecticut. It offers Bachelors of Arts in 45 fields, plus Masters 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, 2020, 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, 2021 and 2020:

	2021	2020
Tuition and fees, net of financial aid of \$70,032 and \$69,966, respectively	\$ 107,008	113,949
Room and board	41,641	39,193
NET STUDENT CHARGES	\$ 148,649	153,142

ii COVID-19 Pandemic

In March 2020, Wesleyan transitioned most students to remote learning during the COVID-19 global pandemic. For students studying remotely, Wesleyan provided a prorated credit for room and board without modification of financial aid award. These credits are included in net student charges for the year ended June 30, 2020.

The University reopened for in-person instruction during the fall 2020 semester with a modified academic calendar and allowed students to study remotely if they desired. Students electing to study remotely were charged tuition but not room and board.

iii Higher Education Emergency Relief Fund

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).

For the years ended June 30, 2021 and 2020, Wesleyan recognized \$4,260 and \$1,248 of HEERF revenue, respectively, which is recorded in government and foundation grants on the statement of activities.

iv 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 Receivables

The University extends credit to students in the form of accounts receivable and loans for educational purposes. At June 30, 2021 and 2020, student accounts receivable were \$670 and \$1,084, net of an allowance for doubtful accounts of \$260 and \$281, respectively. Student loans receivable at June 30, 2021 and 2020 were \$2,675 and \$3,381, respectively, net of an allowance for doubtful accounts of \$1,058.

g 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. If an investment is held directly by the University and an active market with quoted prices exists, the University reports the fair value as the quoted price of an identical security.

The University also holds alternative investments such as private equity, venture capital, hedge funds, and real asset strategies. Such alternative investments, generally held through funds, may hold securities or other financial instruments for which an active market exists and are priced accordingly. In addition, such funds may hold assets which require the estimation of fair values in the absence of readily determinable market values. Such valuations are determined by fund managers and generally consider variables such as operating results, comparable earnings multiples, projected cash flows, recent sales prices, and other pertinent information, and may reflect discounts for the illiquid nature of certain investments held.

The University generally applies the provisions of ASC 820-35-58, *Investments in Certain Entities that Calculate Net Asset Value (NAV) Per Share (or Equivalent)*, with respect to investments in nonregistered and alternative funds. This guidance allows for the estimation of the fair value of such investments using NAV per share or its equivalent reported by the fund managers as a practical expedient.

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, 2021 and 2020, the University had no specific plans or intentions to sell investments at amounts different than NAV.

The GAAP fair value hierarchy prioritizes observable and unobservable 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.

In determining fair value, 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. Investments in funds measured at NAV as a practical expedient are not categorized within the fair value hierarchy.

h 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 straightline 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.

i 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.

j Split-Interest Obligations

Wesleyan 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 \$14,312 and \$11,754, and liabilities to donors were of \$8,138 and \$8,341, as of June 30, 2021 and 2020, respectively.

k 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.

l 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.

m 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 continues to impact various elements of the University's fiscal year 2022 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 full impact of COVID-19 on the University will depend on the depth and duration of the pandemic, medical treatments and applicable regulations and cannot be reasonably estimated at this time.

n Recent Accounting Pronouncements

Accounting Standards Update (ASU) 201602, Leases (Topic 842), as amended, requires lessees to recognize a lease liability and right-of-use (ROU) asset on a discounted basis, for substantially all leases.

The University adopted Topic 842 on July 1, 2020 (the effective date), using the modified retrospective transition method, which applies Topic 842 at the beginning of the period in which it is adopted. Prior period amounts have not been adjusted in connection with the adoption of this standard. The University elected the package of practical expedients under the new standard, which permits entities not to reassess lease classification, lease identification or initial direct costs for existing or expired leases prior to the effective date. Also, the University elected to keep short-term leases with an initial term of 12 months or less off the statement of financial position.

The most significant impact of adoption was the recognition of operating lease ROU assets and operating lease liabilities of \$2,044 as of the effective date and are recorded in receivables, net and other assets and deferred revenues and other liabilities on the statement of financial position.

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 a \$60,000 line of credit with JP Morgan Chase that can be drawn on to manage cash flows.

As of June 30, 2021, 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:

FINANCIAL ASSETS

Cash and cash equivalents	\$ 15,801
Short-term investments	165,724
Accounts receivable, net due within one year	5,056
Student loans receivable, net due within one year	359
Pledges receivable, net available for operations due within one year	1,695
Fiscal 2022 Board-approved endowment appropriation	47,052
Total financial assets available within one year	235,687

LIQUIDITY RESOURCES

Line of credit, undrawn	60,000
Total financial assets and liquidity resources	\$ 295,687

In addition, as of June 30, 2021, subject to liquidity provisions, the University had an additional \$97,145 in working capital investments and \$395,960 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:

	2021	2020
Contributions expected to be collected within:		
Less than one year	\$ 10,911	11,866
One to five years	17,729	10,280
More than five years	3,000	3,950
	31,640	26,096
Less allowance for uncollectible pledges	(3,001)	(3,377)
Less discount for present value	(286)	(245)
NET UNCONDITIONAL PROMISES TO GIVE	\$ 28,353	22,474

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, 2021, approximately 57% of the pledge receivable balance was due from three donors.

Office of Advancement expenditures, which are primarily for fundraising purposes and alumni activity, totaled \$7,365 and \$7,221 in fiscal years 2021 and 2020, respectively.

Conditional contributions receivable as of June 30, 2021 and 2020 are \$13,771 and \$10,001, 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, 2021 and 2020:

AS OF JUNE 30, 2021	INVESTMENTS MEASURED AT NAV	INVESTMENTS CLASSIFIED IN THE FAIR VALUE HIERARCHY			TOTAL
		LEVEL 1	LEVEL 2	LEVEL 3	
Cash	\$ —	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
Domestic equity	155,846	40,117	—	15,750	211,713
International equity	237,182	—	—	—	237,182
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
TOTAL LONG-TERM INVESTMENTS	\$ 1,446,976	240,589	—	42,743	1,730,308
TOTAL	\$ 1,446,976	422,114	—	42,743	1,911,833

* Invested in mutual funds with daily liquidity.

AS OF JUNE 30, 2020	INVESTMENTS MEASURED AT NAV	INVESTMENTS CLASSIFIED IN THE FAIR VALUE HIERARCHY			TOTAL
		LEVEL 1	LEVEL 2	LEVEL 3	
Cash	\$ —	17,604	—	—	17,604
Short-term investments	—	142,582	—	—	142,582
Long-term investments:					
Money market funds and cash equivalents	—	37,961	—	—	37,961
Fixed income	—	49,660	—	—	49,660
Domestic equity	115,988	26,570	—	—	142,558
International equity	166,616	2,753	—	—	169,369
Real estate	55,617	—	—	11,622	67,239
Natural resources	30,076	2,514	—	—	32,590
Venture capital	182,426	—	—	—	182,426
Buyout	178,648	—	—	—	178,648
Other private equity	41,380	681	—	—	42,061
Absolute return:					
Long/short equity	39,249	—	—	—	39,249
Multi-strategy absolute return	80,709	—	—	—	80,709
Other absolute return	95,695	2,668	—	—	98,363
Split-interest agreements*	—	17,032	—	—	17,032
Other investments	—	—	—	2,643	2,643
Funds held or administered by others	—	—	—	7,043	7,043
TOTAL LONG-TERM INVESTMENTS	\$ 986,404	139,839	—	21,308	1,147,551
TOTAL	\$ 986,404	300,025	—	21,308	1,307,737

* 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, 2021 and 2020 for Level 3 investments:

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

	JUNE 30, 2020					
	BEGINNING BALANCE AS OF JULY 1, 2019	TRANSFERS TO MEASURED AT NAV	ADDITIONS	SALES AND MATURITIES	NET REALIZED AND UNREALIZED GAINS/ (LOSSES)	ENDING BALANCE AS OF JUNE 30, 2020
LEVEL 3 ROLL FORWARD						
Real estate	\$ 11,784	—	—	(1,208)	1,046	11,622
Other investments	2,848	—	—	(159)	(46)	2,643
Funds held or administered by others	7,208	—	—	—	(165)	7,043
	\$ 21,840	—	—	(1,367)	835	21,308

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 ten 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 one and eleven years. The aggregate amount of unfunded commitments associated with investments as of June 30, 2021 was \$306,287.

Investment liquidity as of June 30, 2021 is aggregated below based on redemption or sale terms:

	IN LIQUIDATION	DAILY	MONTHLY TO QUARTERLY	SEMIANNUAL TO ANNUAL	INITIAL LOCKUP	ILLIQUID	TOTAL
Cash	\$ —	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
Domestic equity	—	15,778	144,051	32,949	—	18,935	211,713
International equity	18,834	—	89,145	91,994	—	37,209	237,182
Real estate	—	—	—	—	—	81,362	81,362
Natural resources	—	5,417	—	—	—	33,531	38,948
Venture capital	—	—	—	—	—	378,772	378,772
Buyout	—	—	—	—	—	259,305	259,305
Other private equity	—	1,338	—	—	—	32,364	33,702
Absolute return	6,333	—	60,066	157,601	21,747	38,878	284,625
Split-interest agreements	—	20,446	—	—	—	—	20,446
Other investments	—	—	—	—	—	2,609	2,609
Funds held or administered by others	—	—	—	—	—	8,373	8,373
TOTAL	\$ 25,167	397,775	293,262	282,544	21,747	891,338	1,911,833

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, to 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, 2021 and 2020:

	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
Subtotal	395,960	379,057	797,634	1,176,691	1,572,651
Working capital funds	97,145	—	—	—	97,145
TOTAL ENDOWMENT ASSETS	\$ 493,105	379,057	797,634	1,176,691	1,669,796

	2020				
	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS			TOTAL FUNDS
		ORIGINAL GIFT	ACCUMULATED GAINS (LOSSES)	TOTAL DONOR-RESTRICTED	
Board-designated endowment funds	\$ 265,897	687	221	908	266,805
Donor-restricted endowment funds:					
Underwater	—	2,761	(254)	2,507	2,507
Other	—	366,415	430,031	796,446	796,446
Subtotal	265,897	369,863	429,998	799,861	1,065,758
Working capital funds	65,149	—	—	—	65,149
TOTAL ENDOWMENT ASSETS	\$ 331,046	369,863	429,998	799,861	1,130,907

Changes in endowment funds for the years ended June 30, 2021 and 2020 are as follows:

	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)
ENDOWMENT ASSETS, JUNE 30, 2021	\$ 493,105	1,176,691	1,669,796

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
Endowment assets, June 30, 2019	\$ 317,547	762,468	1,080,015
Investment return	25,771	60,061	85,832
Contributions	18	10,764	10,782
Working capital changes	(2,129)	—	(2,129)
Other increases (decreases)	1,124	(1,164)	(40)
Appropriation of endowment assets for expenditure	(11,285)	(32,268)	(43,553)
ENDOWMENT ASSETS, JUNE 30, 2020	\$ 331,046	799,861	1,130,907

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 resulted from unfavorable market fluctuations that occurred 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

Wesleyan 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 2021 and 2020, \$45,625 and \$43,553 was appropriated, respectively.

7 Net Assets

At June 30, 2021 and 2020, net assets were comprised as follows:

	2021		2020	
	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS
Undesignated	\$ 25,702	—	22,146	—
Net investment in plant	83,681	—	71,838	—
Endowment funds:				
Financial aid	19,551	505,014	11,850	359,409
Instruction and research	42,045	350,163	28,352	237,178
Library	—	23,765	—	15,310
General purpose and other	334,265	297,749	225,695	187,964
Working capital	97,244	—	65,149	—
TOTAL ENDOWMENT FUNDS	493,105	1,176,691	331,046	799,861
Pledges receivable, net	—	27,758	—	21,569
Other	—	72,162	—	26,159
TOTAL NET ASSETS	\$ 602,488	1,276,611	425,030	847,589

8 Investment in Plant

At June 30, 2021 and 2020, the components of the University's investment in plant were as follows:

	2021	2020
Campus land and improvements	\$ 37,312	36,919
Buildings and improvements	479,716	459,165
Equipment	126,197	122,776
Construction in progress	19,398	20,542
TOTAL	662,623	639,402
Less accumulated depreciation	(286,408)	(275,002)
TOTAL INVESTMENT IN PLANT	\$ 376,215	364,400

9 Operating Expenses

Expenses presented by natural classification and function are as follows for the year ended June 30, 2021:

2021	INSTRUCTION	RESEARCH	ACADEMIC SUPPORT	STUDENT SERVICES	INSTITUTIONAL SUPPORT	AUXILIARY ACTIVITIES	TOTAL
Salaries and benefits	\$ 79,894	3,488	4,057	13,045	22,790	5,404	128,678
Supplies, services, and other	10,834	2,925	5,291	6,937	4,915	34,655	65,557
Interest expense	4,413	1,478	1,078	309	425	7,080	14,783
Depreciation	3,413	1,143	834	239	356	5,475	11,460
	98,554	9,034	11,260	20,530	28,486	52,614	220,478
2020 (SUMMARIZED)	\$ 106,512	9,269	11,632	14,866	27,222	48,043	217,544

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, 2021 and 2020, long-term debt consisted of the following:

	2021	2020
Taxable bonds, Series 2020	\$ 75,000	75,000
Taxable bonds, Series 2016	250,000	250,000
Revenue bonds payable (CHEFA Series H)	20,105	20,105
Term loans	12,920	12,920
TOTAL	358,025	358,025
Unamortized costs of issuance	(3,109)	(3,160)
LONG-TERM DEBT	\$ 354,916	354,865

a 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 semiannual payments of interest.

b 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 semiannual payments of interest.

c CHEFA Series H

\$20,105 variable rate demand bonds have their interest rates set weekly. The interest rate at June 30, 2021 and 2020 was 0.02% and 0.12% 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.

d 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
2021	\$ —
2022	—
2023	—
2024	12,920
2025	—
Thereafter	345,105
TOTAL OUTSTANDING DEBT	\$ 358,025

f 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, 2021 and 2020, and thus the financial covenants were not applicable.

g CHEFA Series I and Series 2021

Subsequent to year-end, in July 2021, the University issued \$90,910 of Green Bonds in CHEFA Series I and Series 2021. CHEFA Series I is tax-exempt with \$35,390 in par outstanding with a fixed coupon of 4.0% payable semi-annually. Series I was issued at a premium of \$9,946. All principal is due July 1, 2031.

CHEFA Series 2021 is taxable with \$55,520 in par outstanding with fixed interest rate of 2.872% payable semi-annually. All principal is due July 1, 2051.

11 Lines of Credit (LOC)

The University has a \$60,000 revolving loan with JPMorgan Chase Bank that terminates on April 30, 2022 unless renewed. The interest rate is set at 60 basis points above LIBOR (London Interbank Offered Rate). The University has utilized a portion of the line in both 2020 and 2019 for various cash needs. No amounts were outstanding as of June 30, 2021 and 2020.

Subsequent to June 30, 2021, on July 2, 2021, the University and JP Morgan amended the existing line of credit facility and entered into a second Revolving Loan Agreement. As a result, as of July 2, 2021, the University had the following lines of credit:

EXPIRATION DATE	AMOUNT
April 22, 2022	\$ 40,000
July 2, 2023	40,000
TOTAL LINES OF CREDIT	\$ 80,000

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 \$8,989 and \$9,107 for fiscal 2021 and 2020, 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. Pre-Medicare eligible retirees who elect early retirement 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, 2021 and 2020 are as follows:

	2021	2020
Change in benefit obligation:		
Benefit obligation as of beginning of year	\$ 20,314	18,815
Service cost	733	575
Interest cost	446	533
Plan participants' contributions	149	136
Benefits paid	(1,070)	(806)
Medicare Part D Subsidy	54	61
Actuarial (gain) loss	(224)	1,000
Benefit obligation and funded status as of end of year	\$ 20,402	20,314

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

	2021	2020
Operating:		
Service cost	\$ 733	575
Total operating, included in salaries and benefits	733	575
Nonoperating:		
Interest on accumulated postretirement benefit obligation	446	533
Amortization of actuarial gain	(493)	(627)
Total nonoperating	(47)	(94)
TOTAL NET PERIODIC BENEFIT COST	\$ 686	481

For measurement purposes, an annual rate of increase of 5.5% in the per capita cost of covered healthcare and prescription drug benefits was assumed as of June 30, 2021. The rates were assumed to decrease to 4.8% by 2036 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 2.5% and 2.2% for fiscal 2021 and 2020, respectively.

The weighted average discount rates used to determine net periodic benefit costs were 2.2% and 3.1% for fiscal 2021 and 2020, respectively.

The benefits, as of June 30, 2021, 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
2022	\$ 1,041
2023	1,094
2024	1,150
2025	1,210
2026	1,177
Five fiscal years thereafter	6,901

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, 2021 and through October 27, 2021, 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. Other than the subsequent events disclosed in Notes 10 and 11, no additional disclosures were deemed to be necessary.