



Financial Statements

Lasell University

June 30, 2022 and 2021



LASELL UNIVERSITY

Financial Statements

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Independent Auditors' Report

Board of Trustees
Lasell University
Newton, Massachusetts

Opinion

We have audited the financial statements of Lasell University (the "University"), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the University as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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



Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Maye Hoffman McCann P.C.

Boston, Massachusetts
October 17, 2022

LASELL UNIVERSITY

Statements of Financial Position

	<i>June 30,</i>	
	2022	2021
Assets		
Cash and cash equivalents	\$ 1,435,334	\$ 2,362,038
Accounts and student loans receivable, net	1,138,794	897,704
Contributions receivable, net	888,311	1,476,254
Student loans receivable, net	-	197,286
Deposits with trustees	5,351,624	3,418,634
Other assets	1,796,731	1,289,165
Beneficial interests in trusts	2,830,276	3,503,579
Investments	37,404,027	47,289,355
Real estate held for investment	6,225,622	4,758,000
Property and equipment, net	<u>77,037,994</u>	<u>81,360,509</u>
Total assets	<u>\$ 134,108,713</u>	<u>\$ 146,552,524</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 5,539,674	\$ 4,755,623
Deferred revenue and advances	4,798,686	5,427,168
Deferred land lease revenue	1,286,486	1,492,326
Bonds payable	60,131,199	60,516,896
Other liabilities	<u>1,101,308</u>	<u>1,647,280</u>
Total liabilities	<u>72,857,353</u>	<u>73,839,293</u>
Net assets:		
Without donor restrictions	43,906,414	53,031,161
With donor restrictions	<u>17,344,946</u>	<u>19,682,070</u>
Total net assets	<u>61,251,360</u>	<u>72,713,231</u>
Total liabilities and net assets	<u>\$ 134,108,713</u>	<u>\$ 146,552,524</u>

LASELL UNIVERSITY

Statement of Activities

Year Ended June 30, 2022
(With Comparative Totals for 2021)

	2022			2021
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Tuition and fees, net	\$ 30,157,610	\$ -	\$ 30,157,610	\$ 32,864,698
Auxiliary enterprises, net	10,989,161	-	10,989,161	8,033,170
Investment income appropriated	1,897,808	-	1,897,808	1,620,812
Special endowment appropriation	5,000,000	-	5,000,000	6,404,000
Federal and state grants	5,493,384	-	5,493,384	4,075,904
Private gifts and grants	701,310	-	701,310	994,561
Other revenue	398,067	-	398,067	292,558
Net assets released from restrictions to operations	1,010,370	-	1,010,370	456,904
Total revenues, gains and other support	55,647,710	-	55,647,710	54,742,607
Expenses:				
Instruction	15,639,578	-	15,639,578	14,446,754
Academic support	2,813,575	-	2,813,575	2,715,327
Student services	12,904,119	-	12,904,119	10,950,959
Auxiliary enterprises	15,935,058	-	15,935,058	15,580,132
Institutional support	9,182,829	-	9,182,829	10,283,044
Total expenses	56,475,159	-	56,475,159	53,976,216
Change in net assets from operations	(827,449)	-	(827,449)	766,391
Non-operating activities:				
Investment income, net of total return appropriated	(8,554,213)	(1,355,627)	(9,909,840)	3,606,276
Land lease income	205,840	-	205,840	205,840
Private gifts and grants	170,124	875,071	1,045,195	3,119,331
Non-operating fundraising costs	(262,456)	-	(262,456)	(75,000)
Change in fair value of interest rate swaps	-	-	-	767,248
Loss on extinguishment of debt	-	-	-	(1,214,119)
Other non-operating activities, net	(12,219)	(690,572)	(702,791)	743,624
Net assets released from restrictions to operations	-	(1,010,370)	(1,010,370)	(456,904)
Net assets released from restrictions	155,626	(155,626)	-	-
Total non-operating activities	(8,297,298)	(2,337,124)	(10,634,422)	6,696,296
Change in net assets	(9,124,747)	(2,337,124)	(11,461,871)	7,462,687
Net assets, beginning of year	53,031,161	19,682,070	72,713,231	65,250,544
Net assets, end of year	\$ 43,906,414	\$ 17,344,946	\$ 61,251,360	\$ 72,713,231

LASELL UNIVERSITY

Statement of Activities

Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Tuition and fees, net	\$ 32,864,698	\$ -	\$ 32,864,698
Auxiliary enterprises, net	8,033,170	-	8,033,170
Investment income appropriated	1,620,812	-	1,620,812
Special endowment appropriation	6,404,000	-	6,404,000
Federal and state grants	4,075,904	-	4,075,904
Private gifts and grants	994,561	-	994,561
Other revenue	292,558	-	292,558
Net assets released from restrictions to operations	456,904	-	456,904
Total revenues, gains and other support	54,742,607	-	54,742,607
Expenses:			
Instruction	14,446,754	-	14,446,754
Academic support	2,715,327	-	2,715,327
Student services	10,950,959	-	10,950,959
Auxiliary enterprises	15,580,132	-	15,580,132
Institutional support	10,283,044	-	10,283,044
Total expenses	53,976,216	-	53,976,216
Change in net assets from operations	766,391	-	766,391
Non-operating activities:			
Investment income, net of total return appropriated	(2,186,644)	5,792,920	3,606,276
Land lease income	205,840	-	205,840
Private gifts and grants	773,844	2,345,487	3,119,331
Non-operating fundraising costs	(75,000)	-	(75,000)
Change in fair value of interest rate swaps	767,248	-	767,248
Loss on extinguishment of debt	(1,214,119)	-	(1,214,119)
Other non-operating activities, net	4,916	738,708	743,624
Net assets released from restrictions to operations	-	(456,904)	(456,904)
Net assets released from restrictions	7,165,812	(7,165,812)	-
Total non-operating activities	5,441,897	1,254,399	6,696,296
Change in net assets	6,208,288	1,254,399	7,462,687
Net assets, beginning of year	46,822,873	18,427,671	65,250,544
Net assets, end of year	\$ 53,031,161	\$ 19,682,070	\$ 72,713,231

See accompanying notes to financial statements.

LASELL UNIVERSITY
Statements of Cash Flows

	Years Ended June 30,	
	2022	2021
Cash flows from operating activities:		
Change in net assets	\$ (11,461,871)	\$ 7,462,687
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	4,968,147	5,683,395
Provision for bad debts	88,943	(216,114)
Net realized and unrealized loss (gain) on investments	6,384,156	(10,839,547)
(Gain) loss on disposal of property and equipment	(39,480)	(3,000)
Contributions restricted for long-term investment and plant	(834,699)	(902,636)
Investment income restricted for long-term investment	1,934	(5,431)
Loss on extinguishment of debt	-	1,214,119
Change in fair value of interest rate swaps	-	(767,248)
Changes in operating assets and liabilities:		
Accounts receivable	(330,033)	632,955
Contributions receivable	587,943	(235,468)
Beneficial interest in trusts	673,303	(1,055,639)
Other assets	(507,566)	247,425
Accounts payable and accrued expenses	1,084,031	(641,900)
Deferred revenue and advances	(628,482)	(297,892)
Deferred land lease revenue	(205,840)	1,669
Other liabilities	(202,992)	164,910
	<u>(422,506)</u>	<u>442,285</u>
Net cash (used in) provided by operating activities	(422,506)	442,285
Cash flows from investing activities:		
Proceeds from sales of investments	25,762,676	26,424,441
Purchases of investments	(22,261,504)	(27,097,678)
Purchase of real estate held for investment	(1,467,622)	-
Change in annuity obligations	(5,059)	(54,928)
Proceeds from sale of property and equipment	39,480	3,000
Purchase of property and equipment	(1,331,308)	(241,537)
Student loans collected	197,286	62,337
Change in deposits with trustees	(1,932,990)	20,566
	<u>(999,041)</u>	<u>(883,799)</u>
Net cash used in investing activities	(999,041)	(883,799)
Cash flows from financing activities:		
Contributions restricted for long-term investment and plant	834,699	902,636
Investment income restricted for long-term investment	(1,934)	5,431
Change in federal loan program advances	(235,393)	(43,489)
Payments on bonds	-	(54,235,487)
Prepayment penalty on retirement of 2015 bonds	-	(139,387)
Payoff of interest rate swaps	-	(6,035,050)
Proceeds of new bond issue	-	61,788,707
Payment of bond issuance costs	-	(1,271,811)
Payments on capital lease obligations	(102,529)	(112,325)
	<u>494,843</u>	<u>859,225</u>
Net cash provided by financing activities	494,843	859,225
Net (decrease) increase in cash and cash equivalents	(926,704)	417,711
Cash and cash equivalents, beginning of year	<u>2,362,038</u>	<u>1,944,327</u>
Cash and cash equivalents, end of year	\$ <u>1,435,334</u>	\$ <u>2,362,038</u>
Supplemental Disclosures of Cash Flow Information		
Cash payment for interest	\$ 1,254,377	\$ 3,201,136
Amounts included in accounts payable for purchase of property and equipment	41,512	341,491
Noncash financing of equipment under capital leases	-	364,800

See accompanying notes to financial statements.

LASELL UNIVERSITY

Notes to Financial Statements

Note 1 - Organization and Summary of Significant Accounting Policies

Organization

Lasell University (the "University"), founded in 1851, is an independent, comprehensive coeducational university located in Newton, Massachusetts, offering professionally oriented bachelor's and master's degree programs. The student population is drawn predominantly from the Northeast region of the United States. The University is accredited by the New England Commission of Higher Education and participates in student financial assistance programs sponsored by the United States Department of Education ("DOE") and the Commonwealth of Massachusetts. These programs facilitate the payment of tuition and other expenses for students.

Lasell, Inc., a not-for-profit organization, is the sole member of the University. Lasell, Inc. is also the sole member of Lasell Village, Inc. (the "Village"). The Village is a Massachusetts charitable corporation formed in 1990 to establish and operate an educational continuing care retirement community (the "Facility") in Newton, Massachusetts. These financial statements only reflect the activities of the University and do not include the Village or Lasell, Inc.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis and in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Cash and Cash Equivalents

Cash and cash equivalents include all highly liquid debt instruments, bank deposits and other such accounts with an initial maturity of three months or less, excluding balances whose use is restricted or included in the investment accounts. Cash equivalents are carried at cost plus accrued interest. Cash equivalents held by investment managers are considered part of investments given the expectation of near term reinvestment. The University maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The University monitors its exposure associated with cash and cash equivalents and has not experienced any losses in such accounts.

Accounts and Student Loans Receivable

Students are billed based on dates outlined in the academic catalog as agreed in advance of the delivery of the related academic or auxiliary activity. Payments for tuition, fees and auxiliary enterprise charges are generally due by the start of the academic period with the recognition that payments being made by the DOE or others are subject to specific requirements within those programs as to when those funds can be availed. Certain DOE funding can be availed prior to the commencement of the academic period, while other amounts are paid at specified intervals based on the rules as promulgated by the DOE. Thus cash flows on accounts receivable balances and the measurement of deferred revenues do not directly depend on meeting specified performance obligations of the University. Student accounts are not collateralized.

Student accounts and loans receivable are stated net of an allowance for doubtful accounts. The allowance for doubtful accounts is established based on historical experience which is reviewed and assessed periodically.

LASELL UNIVERSITY

Notes to Financial Statements

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

Accounts and Student Loans Receivable (Continued)

The University regularly evaluates the allowance for doubtful accounts by performing ongoing evaluations of the accounts considering such factors as prior collection history, the economic environment and the type of receivable.

The student loans receivable was related to Perkins loans, a DOE sponsored campus based loan program. During 2022, the University liquidated and closed out the Perkins fund to the DOE.

Deposits with Trustees

Deposits with trustees are reported at fair value in accordance with fair value policies described in these footnotes. These amounts relate to funds held under bond indentures for debt service and debt service reserves. Debt service funds are for scheduled debt service obligation due July 1. Debt service reserve funds must be maintained at specific levels over the term of the bond indenture.

Beneficial Interests in Trusts

The University is a 100% income beneficiary of an irrevocable perpetual trust controlled by a third-party trustee. The University is also the remainder man in two irrevocable trusts and three irrevocable gift annuity trusts controlled by third-party trustees. In addition, the University has an annuity interest through 2022 in an irrevocable charitable lead annuity trust controlled by a third-party trustee.

Beneficial interests in trusts are carried at fair value in accordance with fair value policies described in these footnotes. These funds represent restricted financial resources administered by the University or by outside trustees. Assets are recognized when gifts are made and the University is notified of their existence. Amounts recorded are the estimated net value to inure to the University and are subject to periodic adjustment. Beneficial interests in trusts have been classified as donor-restricted in the Statements of Financial Position.

The change in the value of the irrevocable trusts is included in other non-operating activities, net on the Statements of Activities and was (\$673,303) and \$698,906 for the years ended June 30, 2022 and 2021, respectively.

Charitable Gift Annuity Obligations

Assets received under gift annuity agreements are invested with the other investments of the University. Assets received under charitable remainder trust annuity agreements where the University is the trustee are invested in separate investment accounts and included in investments in the Statements of Financial Position. In connection with these annuity gifts, the University records a liability equal to the present value of future cash flows expected to be paid to the beneficiaries based on the actuarial expected lives and records the estimated net residual amount as a contribution at the date of the gift.

The initially recorded fair value of the charitable gift annuities are determined based on the underlying nature of the investments received which have generally represented Level 3 measurements while the initial measurement of the related obligations are Level 2 measurements.

LASELL UNIVERSITY

Notes to Financial Statements

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

Charitable Gift Annuity Obligations (Continued)

Assets of charitable gift annuities are recorded at fair value, net of the present value of the liability for income payable to the donor or the donor's designee, and in the appropriate net asset category based on donor stipulation. Related contributions are recognized as contribution revenue equal to the present value of future benefits less the liability for income payable to the donor or the donor's designee.

During the term of these agreements, changes in the value of split-interest agreements are recognized in the Statements of Activities based on accretion of the discounted amount of the contribution, the expected future benefits to be received by the University, changes in the fair value of underlying investments and the expected future payment to other beneficiaries, based on changes in life expectancy and other actuarial assumptions. Discount rates ranging from 1.6% and 9.6% were used in these calculations. The discount rates were equivalent to the IRS discount rate which approximated fair value at the time the University entered into the arrangement.

The change in the value of the gift annuity agreements is included in other non-operating activities in the Statements of Activities and was (\$54,153) and \$11,790 for the years ended June 30, 2022 and 2021, respectively.

Investments

Investments are stated at fair value consistent with the fair value policies described elsewhere in these policies.

Investments include a separate investment account for a charitable gift annuity. Investments also include certain artwork which was gifted to the University by an artist and for which the University is holding in anticipation of an increase in its fair value, and a life insurance policy which was gifted to the University and which is valued at the cash value of the policy.

The investment objective of the University is to invest its assets in a prudent manner to achieve a long-term rate of return sufficient to fund its board approved spending policy and to increase investment values after inflation. Major investment decisions are authorized by the Investment Subcommittee of the Board of Trustees that oversees the University's investments mindful of diversification among asset classes.

Real Estate Held for Investment

Real estate held for investment consists of six residential properties adjacent to the campus which are held for investment purposes. Fair value of real estate held for investment is effectively recorded using a Level 2 market approach.

LASELL UNIVERSITY

Notes to Financial Statements

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

Property and Equipment

Property and equipment are recorded when the useful life is over one year at cost when such amounts exceed the management established capitalization threshold. In the case of donated property, such amounts are recorded at fair value at the date of the gift using a Level 3 fair value assessment as per the fair value standards described elsewhere in this section. Property and equipment is depreciated using straight-line methods over the lesser of the estimated useful lives of related assets or, in the case of assets under lease agreements, their respective lease terms. Projects that are comprised of multiple phases are placed into service at the substantial completion of each phase. Expenditures for maintenance and repairs are expensed as incurred. Betterments, which increase the value or materially extend the life of the related assets, are capitalized. Interest related to the construction of capital assets is capitalized as a component of the cost of developing capital assets.

Deferred Revenue and Advances

Deferred revenue and advances represent deposits and other advance payments by students on account and the amount of unearned related services that are in progress as of year-end related to net tuition, fees and auxiliary enterprises such as room and board. The majority of student accounts included in deferred at the opening of each period were recognized as revenues during the following fiscal period with very limited amounts not being earned associated with student withdrawal rights that management did not consider material. The remaining performance obligation is time driven given the academic calendar that underlies the earnings process for tuition, fees and auxiliary revenue.

In addition, deferred revenue and advances also includes an upfront payment from a vendor which are being recognized on the straight-line basis over the term of the vendor agreement.

Deferred Land Lease Revenue

Deferred land lease revenue represents payments in excess of revenue recognized in connection with the University's land lease to Lasell Village. Land lease income is recognized on the straight-line basis over the lease term and is recorded as a non-operating activity within the Statements of Activities.

Bond Premium and Issuance Costs

The University issued the series 2021 bonds at a premium of \$6,988,707 and incurred and capitalized \$1,271,811 of bond issuance costs. The issuance costs are amortized using the straight-line method, and the bond premium is amortized using the effective interest method. Amortization expense for the issuance costs was \$38,193 and \$30,994 for the years ended June 30, 2022 and 2021, respectively. The amortization of the premium was \$423,890 and \$0 for the years ended June 30, 2022 and 2021, respectively, and was recorded as a reduction of the interest expense.

LASELL UNIVERSITY

Notes to Financial Statements

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

Net Assets

The accompanying financial statements present information regarding the University's financial position and activities based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for general use and not subject to donor restrictions. The Board of Trustees has designated from net assets without donor restrictions, net assets for endowment. The University's policy is to designate unrestricted donor gifts at the discretion of the Board of Trustees. Net assets without donor restrictions also include the investment in plant, net of accumulated depreciation, funds for facilities and student loans and undesignated funds.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature that may or will be met, either by the passage of time or by the events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

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

Revenue Recognition

Revenues are reported as increases in net assets without donor restrictions unless use of the related asset is limited by donor-imposed restrictions.

Earned Revenue

Earned revenues are recorded using a principles-based process that requires the University 1) identify the contract with the customer; 2) identify the performance obligations in the contract; 3) determine the transaction price; 4) allocate the transaction price to the performance obligations; and 5) recognize revenue when (or as) performance obligations are satisfied. Earned revenues include tuition and fees as well as sales and services of auxiliary enterprises, all of which are under arrangements that are aligned to an academic semester and which is less than one year in length.

LASELL UNIVERSITY

Notes to Financial Statements

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

Earned Revenue (Continued)

The University primarily derives revenues through tuition, fees and auxiliary services. Tuition, fees and auxiliary services are recorded at established rates, net of institutional aid and scholarships provided directly to students. Such net amounts are recorded as revenue when performance obligations are satisfied which is generally over time as services are rendered whether relating to educational or auxiliary services such as room and board. Management believes that recognizing revenue over time is the best measure of services rendered based on its academic calendar and has not made any changes in the timing of its satisfaction of its performance obligations or amounts allocated to those obligations. Discounts provided to employees are considered part of fringe benefits within operating expenses and likewise are recorded over time. Management does not consider there to be significant judgment involved in the timing of satisfaction of performance obligations as those are directly linked to the academic calendar of the related academic activity.

Students may withdraw from programs of study within certain time limits as under the University's withdrawal policies by semester. These policies vary by program but allow for up to a 100% refund before the start of classes declining to no refund shortly after the start of classes. Given the normal timing of the University's programs, the exposure to such is limited at year-end.

Payments made by third parties, such as the DOE, relative to loans and grants to students are a mechanism to facilitate payment of tuition, fees and auxiliary services on behalf of students, and accordingly, such funding does not represent revenue of the University. Cash flows are also impacted by DOE rules which differ for newly enrolled versus continuing students with respect to federal aid. Generally, funds made available by the DOE for new students are available later than for continuing students. Management does not view there to be other qualitative factors that have a significant impact on the nature and amount of revenue and cash flow.

The University has a number of academic programs which include traditional undergraduate education, traditional graduate programs, other continuing education programs, online programs and international programs.

LASELL UNIVERSITY

Notes to Financial Statements

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

Earned Revenue (Continued)

The following table summarizes the revenue from each of these programs for the years ended June 30:

	2022	2021
Undergraduate tuition	\$ 49,161,967	\$ 47,488,422
Graduate tuition	5,472,513	6,221,044
Comprehensive fees	2,014,399	1,968,422
Other fees	<u>123,995</u>	<u>100,612</u>
	56,772,874	55,778,500
Less: financial aid	<u>(26,615,264)</u>	<u>(22,913,802)</u>
	<u>\$ 30,157,610</u>	<u>\$ 32,864,698</u>

Auxiliary enterprises revenue, net consists of the following for the years ended June 30:

	2022	2021
Room and board	\$ 15,714,968	\$ 11,969,708
Less financial aid	<u>(8,662,964)</u>	<u>(7,637,934)</u>
Room and board, net	7,052,004	4,331,774
Childcare programs	882,766	561,379
Contracts with Lasell Village (see Note 13)	1,649,733	2,290,648
Collaborative services	291,495	355,367
Third-party campus programs	564,542	140,562
Other auxiliary enterprises	<u>548,621</u>	<u>353,440</u>
	<u>\$ 10,989,161</u>	<u>\$ 8,033,170</u>

LASELL UNIVERSITY

Notes to Financial Statements

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

Contributed Support

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

Gifts of property, plant and equipment are recorded as without donor restrictions unless the donor explicitly states how such assets should be used. Gifts of cash or other assets that must be used to acquire long-lived assets are reported as net assets with donor restrictions. The University reports expirations of donor restrictions when the donated or acquired long-lived asset is placed into service.

Conditional contributions are recorded as revenue when such amounts become unconditional which generally involves the meeting of a barrier to entitlement. This can include items such as meeting a matching provision, incurring specified allowable expenses in accordance with a framework of allowable costs or other barriers. Contributions received pending designation by the donor are considered with donor restrictions until known at which time such are reclassified if required.

Investment Return

Net investment return (loss) is reported in the Statements of Activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses. Such returns are allocated ratably based on the relative proportion of funds, if any, invested with donor restrictions and those without donor restrictions. Investment returns allocated to net assets with donor restrictions remain in such category until appropriated by the board under the board approved spending policy unless otherwise required by the terms of the gift that they be added to the principal of the endowment.

Operating and Non-operating Activity

The Statements of Activities report the change in net assets from operating and non-operating activities. Operating revenues consist of items attributable to the University's undergraduate and graduate education programs, grants for research conducted by academic departments, auxiliary enterprise activities, certain contributions, amount allocated under the University's spending policy and other sources. Non-operating activities include investment return, less amounts allocated under the spending policy, contributions received for endowment, land lease income, change in fair value of interest rate swaps, loss on extinguishment of debt and miscellaneous items not related to the University's academic or research activities.

LASELL UNIVERSITY

Notes to Financial Statements

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

Functional Expense Allocation

The costs of providing the various programs and activities and supporting services have been summarized on a functional basis in Note 11, which presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Depreciation of plant assets and operation and maintenance of plant expenses have been allocated to functional classifications based on square footage of facilities. Interest expense is allocated to functional classifications that benefited from the use of the proceeds of the debt.

Use of Estimates

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

Fair Value Measurements

The University reports required types of financial instruments in accordance with the fair value standards of accounting. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. These standards require an entity to maximize the use of observable inputs (such as quoted market prices in active markets) and minimize the use of unobservable inputs (such as appraisals or other valuation techniques) to determine fair value. The fair value standards also provide for a practical expedient of fair value allowing for the use of net asset value ("NAV") per share when certain requirements are met. Items reported at fair value on a recurring basis include the University's investment accounts, interest rate swaps and deposits with trustees. Nonrecurring measures include pledges, asset retirement obligations, and annuity obligations.

The fair value standards require that for each item carried at fair value that such be disclosed in accordance with the valuation methods used which fall into three categories (but for those items valued at NAV) as follows:

- Level 1 – inputs are quoted prices in active markets for identical assets or liabilities that the University has the ability to access at measurement date.
- Level 2 – inputs are other than quoted prices included in Level 1 that are either directly or indirectly observable.
- Level 3 – inputs are derived from valuation methodologies, including pricing models, discounted cash flow models and similar techniques, and are not based on market, exchange, dealer, or broker-traded transactions. In addition, Level 3 valuations incorporate assumptions and projections that are not observable in the market and significant professional judgment is required in determining the fair value assigned to such assets or liabilities.

LASELL UNIVERSITY

Notes to Financial Statements

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

Fair Value Measurements (Continued)

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level of input that is significant to the fair value measurement in its entirety.

It is possible that redemption rights may be restricted or eliminated by investment managers in the future in accordance with the underlying fund agreements. Market price is affected by a number of factors, including the type of instrument and the characteristics specific to the instrument. Instruments with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observable inputs and a lesser degree of judgment used in measuring fair value. It is reasonably possible that change in values of these instruments will occur in the near term and that such changes could materially affect amounts reported in these financial statements. For more information on the fair value of the University's financial instruments, see Note 7 - Investments and Fair Values of Financial Instruments.

Tax Status

The University is a not-for-profit organization and is generally exempt from federal and state income taxes on related income as described in Section 501(c)(3) of the Internal Revenue Code. Accordingly, given the limited taxable activities of the University, no provision for income taxes has been included in the accompanying financial statements and management has concluded that disclosures related to tax provisions are not necessary.

Uncertain Tax Positions

The University accounts for the effect of any uncertain tax positions based on a "more likely than not" threshold to the recognition of the tax positions being sustained based on the technical merits of the position under scrutiny by the applicable taxing authority. If a tax position or positions are deemed to result in uncertainties of those positions, the unrecognized tax benefit is estimated based on a "cumulative probability assessment" that aggregates the estimated tax liability for all uncertain tax positions. The University has identified its tax status as a tax-exempt entity and its determination as to its income being related or unrelated as its only significant tax positions; however, the University has determined that such tax positions do not result in an uncertainty requiring recognition. The University is not currently under examination by any taxing jurisdiction. The University's Federal and state income tax returns are generally open for examination for three years following the date filed.

Subsequent Events

The University has evaluated subsequent events through October 17, 2022, the date the financial statements were issued. There were no subsequent events requiring accounting or disclosure through this period.

LASELL UNIVERSITY

Notes to Financial Statements

Note 2 - Liquidity and Availability

The University regularly monitors liquidity to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The University has various sources of liquidity at its disposal, including cash and cash equivalents, marketable debt and equity securities and a line of credit.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the University considers all expenditures related to its ongoing activities of teaching, research and public service as well as the conduct of services undertaken to support those activities to be general expenditures. Student loans receivable are not included in the analysis as principal and interest on these loans are not available to meet current operating needs.

In addition to the financial assets available to meet general expenditures over the next 12 months, the University operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. Refer to the Statements of Cash Flows which identify the sources and uses of the University's cash.

As of June 30, 2022 and 2021, the following tables show the total financial assets held by the University and the amounts of those financial assets available within one year of the balance sheet date to meet general expenditures:

	2022	2021
Financial assets at year end:		
Cash and cash equivalents	\$ 1,435,334	\$ 2,362,038
Accounts and student loans receivable, net	1,138,794	897,704
Contributions receivable, net	888,311	1,476,254
Student loans receivable, net	-	197,286
Deposits with trustees	5,351,624	3,418,634
Beneficial interests in trusts	2,830,276	3,503,579
Investments	<u>37,404,027</u>	<u>47,289,355</u>
Total financial assets at year end	\$ <u>49,048,366</u>	\$ <u>59,144,850</u>
Financial assets available to meet general expenditures over the next 12 months:		
Cash and cash equivalents	\$ 1,435,334	\$ 2,300,168
Accounts receivable, net	1,138,794	897,704
Contributions without restrictions due in one year or less	70,325	94,650
Deposits with trustees	2,131,000	189,890
Endowment spending rate distribution	<u>2,188,007</u>	<u>2,094,850</u>
Total financial assets available to meet general expenditures over the next 12 months	\$ <u>6,963,460</u>	\$ <u>5,577,262</u>

LASELL UNIVERSITY

Notes to Financial Statements

Note 2 - Liquidity and Availability (Continued)

The Board designated portion of the University's net assets of \$29,913,784 and \$31,125,960 at June 30, 2022 and 2021, respectively, could be used to meet cash needs if necessary. Prudent investment management, however, must be considered to ensure the preservation of the funds for future use. See Notes 5 and 8 for further information about the University's investment portfolio, net assets and endowment funds.

Note 3 - Contributions Receivable, Net

Contributions receivable consist of unconditional promises to give as follows as of June 30:

	2022	2021
Amounts due:		
In one year or less	\$ 327,325	\$ 903,154
From one to five years	<u>650,225</u>	<u>674,625</u>
	977,550	1,577,779
Less: unamortized discount and allowance for doubtful accounts	<u>(89,239)</u>	<u>(101,525)</u>
Contributions receivable, net	<u>\$ 888,311</u>	<u>\$ 1,476,254</u>

At June 30, 2022 and 2021, 77% and 79%, respectively, of gross contributions receivable was due from one and two donors, respectively. At June 30, 2022, the University had no conditional promises to give.

Note 4 - Deposits with Trustees

Deposits with trustees under bond agreements consisted of the following at June 30:

	2022	2021
Debt service funds		
Cash and equivalents	\$ <u>2,131,000</u>	\$ <u>189,890</u>
Debt service reserve funds		
Cash and equivalents	1,429,818	230,718
U.S. Treasury obligations	<u>1,790,806</u>	<u>2,998,026</u>
Total debt service reserve funds	<u>3,220,624</u>	<u>3,228,744</u>
Deposits with trustees	<u>\$ 5,351,624</u>	<u>\$ 3,418,634</u>

LASELL UNIVERSITY

Notes to Financial Statements

Note 5 - Investments and Fair Values of Financial Instruments

The valuation of the University's instruments using the fair value hierarchy consisted of the following at June 30, 2022:

	<i>Total</i>	<i>Investments Measured at NAV</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>
Assets:					
Beneficial interests in trusts	\$ 2,830,276	\$ -	\$ -	\$ -	\$ 2,830,276
Deposits with trustees:					
Cash and equivalents	3,560,818	-	3,560,818	-	-
US Treasury Bonds	1,790,806	-	-	1,790,806	-
Total deposits with trustees:	5,351,624	-	3,560,818	1,790,806	-
Investments:					
Mutual funds - equity:					
Domestic	8,913,255	-	8,913,255	-	-
International	10,609,703	-	10,609,703	-	-
Mutual funds - fixed income	9,266,409	-	9,266,409	-	-
Alternative investments:					
Energy debt fund	2,257,716	2,257,716	-	-	-
Private equity funds	3,243,411	3,243,411	-	-	-
Offshore opportunity fund	1,063,358	1,063,358	-	-	-
Core Property Fund LP	1,916,464	1,916,464	-	-	-
Insurance contracts	62,011	-	-	62,011	-
Artwork	71,700	-	-	-	71,700
Total investments at fair value	37,404,027	8,480,949	28,789,367	62,011	71,700
Real estate held for investment	6,225,622	-	-	-	-
Total assets	<u>\$ 51,811,549</u>	<u>\$ 8,480,949</u>	<u>\$ 32,350,185</u>	<u>\$ 1,852,817</u>	<u>\$ 2,901,976</u>

LASELL UNIVERSITY

Notes to Financial Statements

Note 5 - Investments and Fair Values of Financial Instruments (Continued)

The valuation of the University's instruments using the fair value hierarchy consisted of the following at June 30, 2021:

	<i>Total</i>	<i>Investments Measured at NAV</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>
Assets:					
Beneficial interests in trusts	\$ 3,503,579	\$ -	\$ -	\$ -	\$ 3,503,579
Deposits with trustees:					
Cash and equivalents	420,608	-	420,608	-	-
US Treasury Bonds	2,998,026	-	-	2,998,026	-
Total deposits with trustees:	<u>3,418,634</u>	<u>-</u>	<u>420,608</u>	<u>2,998,026</u>	<u>-</u>
Investments:					
Cash and equivalents	3,850,468	-	3,850,468	-	-
Mutual funds - equity:					
Domestic	8,817,423	-	8,817,423	-	-
International	11,800,599	-	11,800,599	-	-
Mutual funds - fixed income	15,711,139	-	15,711,139	-	-
Alternative investments:					
Energy debt fund	2,372,842	2,372,842	-	-	-
Private equity funds	2,329,403	2,329,403	-	-	-
Offshore opportunity fund	883,136	883,136	-	-	-
Core Property Fund LP	1,390,634	1,390,634	-	-	-
Insurance contracts	62,011	-	-	62,011	-
Artwork	71,700	-	-	-	71,700
Total investments at fair value	<u>47,289,355</u>	<u>6,976,015</u>	<u>40,179,629</u>	<u>62,011</u>	<u>71,700</u>
Real estate held for investment	<u>4,758,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 58,969,568</u>	<u>\$ 6,976,015</u>	<u>\$ 40,600,237</u>	<u>\$ 3,060,037</u>	<u>\$ 3,575,279</u>

Aggregate investments liquidity is presented below at fair value based on redemption or sale period at June 30:

	<i>2022</i>	<i>2021</i>
Investment redemption or sale period:		
Daily	\$ 28,789,367	\$ 40,179,629
Quarterly	1,916,464	1,390,634
Illiquid	<u>6,698,196</u>	<u>5,719,092</u>
	<u>\$ 37,404,027</u>	<u>\$ 47,289,355</u>

Many of the University's investment funds contain clauses that under certain unusual circumstances trustees and fund managers may limit distributions from the related fund. The University has not experienced such limitations over distributions from its funds during 2022 or 2021.

LASELL UNIVERSITY

Notes to Financial Statements

Note 5 - Investments and Fair Values of Financial Instruments (Continued)

Unfunded commitments under various investment vehicles amounted to approximately \$2,600,000 at June 30, 2022. The University has no plans or intentions to liquidate any of its investments valued at NAV methods other than in the ordinary course as allowed under such instruments. The University has elected not to disclose the changes of the components of level 3 instruments given the modest level of activity for the year ended June 30, 2022 and 2021.

Long-Term Investment Return

Long-term investment returns are included in the Statements of Activities as follows for the years ended June 30:

	2022	2021
Long-term investment return:		
Operating:		
Investment income appropriated	\$ 1,897,808	\$ 1,620,812
Special endowment appropriation	5,000,000	6,404,000
Non-operating activities:		
Investment income (loss), net of total return appropriated	<u>(9,909,840)</u>	<u>3,606,276</u>
Total investment return	\$ <u>(3,012,032)</u>	\$ <u>11,631,088</u>

Note 6 - Property and Equipment

Property and equipment consist of the following at June 30:

	Estimated Lives	2022	2021
Land and improvements	10 years	\$ 7,539,059	\$ 7,539,059
Land subject to operating lease		438,538	438,538
Buildings and improvements	10-40 years	134,928,877	133,467,509
Furniture, fixtures and equipment	3-7 years	12,605,178	12,284,521
Motor vehicles	5 years	777,170	722,484
Construction in progress		<u>356,058</u>	<u>1,207,189</u>
 Total property and equipment		 156,644,880	 155,659,300
 Less: accumulated depreciation and amortization		 <u>(79,606,886)</u>	 <u>(74,298,791)</u>
 Property and equipment, net		 \$ <u>77,037,994</u>	 \$ <u>81,360,509</u>

LASELL UNIVERSITY

Notes to Financial Statements

Note 7 - Bonds Payable

Bonds payable consist of the following at June 30:

	2022	2021
Series 2021, Massachusetts Development Finance Agency ("MDFA") Revenue Bonds are payable in varying annual installments due July 1 with final maturity in 2050. Interest is payable semi-annually with a fixed interest rate of 4.0%.	\$ 54,800,000	\$ 54,800,000
Plus: unamortized bond premium	6,564,817	6,988,707
Less: unamortized bond issuance costs	<u>(1,233,618)</u>	<u>(1,271,811)</u>
Bonds payable	<u>\$ 60,131,199</u>	<u>\$ 60,516,896</u>

All debt is secured by the tuition receipts of the University. The University is subject to certain financial and non-financial debt covenants. The University is required to maintain escrow accounts sufficient to pay one year's principal and interest on certain of its bonds. Such amounts are included in deposits with bond trustees.

Sinking fund requirements and aggregate principal repayments on the bonds for the next five years and thereafter are as follows for the years ending June 30:

2023	\$ 1,035,000
2024	1,075,000
2025	1,120,000
2026	1,165,000
2027	1,210,000
Thereafter	<u>49,195,000</u>
	<u>\$ 54,800,000</u>

Interest expense consists of the following for the years ended June 30:

	2022	2021
Bond interest expense	\$ 1,768,110	\$ 2,596,347
Other interest expense	<u>24,011</u>	<u>33,152</u>
Interest expense	<u>\$ 1,792,121</u>	<u>\$ 2,629,499</u>

LASELL UNIVERSITY

Notes to Financial Statements

Note 8 - Net Assets and Endowment Matters

The University's endowment primarily consists of numerous individual restricted endowment funds as well as Board designated endowment funds for a variety of purposes. The endowment assets include long-term investments, funds held in support of split-interest agreements net of any related liabilities, real estate held for investment, and contributions receivable for endowment purposes.

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

	2022	2021
Unrealized and realized cumulative net gains on investments with permanent donor restrictions:		
General support	\$ 1,037,266	\$ 2,031,931
Restricted	<u>570,503</u>	<u>1,125,879</u>
	1,607,769	3,157,810
 Endowment principal:		
General support	6,337,785	6,075,983
Restricted	<u>3,728,614</u>	<u>3,228,114</u>
	10,066,399	9,304,097
 Endowment - other:		
Contributions receivable	701,224	683,882
Split-interest agreements and trusts	2,839,806	3,679,640
Donor restricted	<u>1,000,000</u>	<u>1,000,000</u>
	<u>4,541,030</u>	<u>5,363,522</u>
 Total endowment net assets	16,215,198	17,825,429
 Fully expendable purpose restricted	938,940	1,120,171
 Time restricted with unrestricted purpose:		
Contributions receivable	181,809	727,470
 Loan funds	<u>9,000</u>	<u>9,000</u>
	<u>\$ 17,344,947</u>	<u>\$ 19,682,070</u>

LASELL UNIVERSITY

Notes to Financial Statements

Note 8 - Net Assets and Endowment Matters (Continued)

Net assets released from restrictions consist of the following during the years ended June 30:

	2022	2021
Operating:		
Program services	\$ 489,670	\$ 416,904
Collection of contributions receivable without donor purpose restrictions	<u>520,700</u>	<u>40,000</u>
Total operating	<u>1,010,370</u>	<u>456,904</u>
Non-operating:		
Capital improvements	-	49,212
Collection of capital campaign contributions receivable without donor purpose restrictions	-	516,600
Distribution from split-interest agreements	155,626	-
Sale of private stock without donor purpose restrictions	<u>-</u>	<u>6,600,000</u>
Total non-operating	<u>155,626</u>	<u>7,165,812</u>
Total	\$ <u>1,165,996</u>	\$ <u>7,622,716</u>

LASELL UNIVERSITY

Notes to Financial Statements

Note 8 - Net Assets and Endowment Matters (Continued)

The following represents required disclosure relative to the composition and activities of endowment and funds functioning as endowment for the year ended June 30, 2022:

	<i>Without Donor Restrictions</i>	<i>With Donor Restrictions</i>	<i>Total</i>
Donor-restricted endowment funds	\$ -	\$ 16,215,198	\$ 16,215,198
Board-designated funds	<u>29,913,784</u>	<u>-</u>	<u>29,913,784</u>
Total funds	<u>\$ 29,913,784</u>	<u>\$ 16,215,198</u>	<u>\$ 46,128,982</u>
	<i>Without Donor Restrictions</i>	<i>With Donor Restrictions</i>	<i>Total</i>
Endowment assets and those functioning as endowment assets at beginning of year	<u>\$ 31,125,960</u>	<u>\$ 17,825,429</u>	<u>\$ 48,951,389</u>
Gifts and additions	<u>1,034,831</u>	<u>779,643</u>	<u>1,814,474</u>
Return of prior year special appropriation	<u>6,404,000</u>	<u>-</u>	<u>6,404,000</u>
Split-interest agreements and trusts activity	<u>(49,486)</u>	<u>(837,504)</u>	<u>(886,990)</u>
Endowment returns:			
Interest and dividends, net of investment expenses	2,636,759	842,548	3,479,307
Net realized and unrealized gains	<u>(4,624,054)</u>	<u>(1,853,900)</u>	<u>(6,477,954)</u>
Total endowment returns	<u>(1,987,295)</u>	<u>(1,011,352)</u>	<u>(2,998,647)</u>
Appropriations:			
Special endowment appropriation	(5,000,000)	-	(5,000,000)
Amounts appropriated for operations and other purposes	<u>(1,614,226)</u>	<u>(541,018)</u>	<u>(2,155,244)</u>
	<u>(6,614,226)</u>	<u>(541,018)</u>	<u>(7,155,244)</u>
Change in endowment assets and those functioning as endowment assets	<u>(1,212,176)</u>	<u>(1,610,231)</u>	<u>(2,822,407)</u>
Endowment assets and those functioning as endowment assets at end of year	<u>\$ 29,913,784</u>	<u>\$ 16,215,198</u>	<u>\$ 46,128,982</u>

LASELL UNIVERSITY

Notes to Financial Statements

Note 8 - Net Assets and Endowment Matters (Continued)

The following represents required disclosure relative to the composition and activities of endowment and funds functioning as endowment for the year ended June 30, 2021:

	<i>Without Donor Restrictions</i>	<i>With Donor Restrictions</i>	<i>Total</i>
Donor-restricted endowment funds	\$ -	\$ 17,825,429	\$ 17,825,429
Board-designated funds	<u>31,125,960</u>	<u>-</u>	<u>31,125,960</u>
Total funds	<u>\$ 31,125,960</u>	<u>\$ 17,825,429</u>	<u>\$ 48,951,389</u>
	<i>Without Donor Restrictions</i>	<i>With Donor Restrictions</i>	<i>Total</i>
Endowment assets and those functioning as endowment assets at beginning of year	<u>\$ 25,807,603</u>	<u>\$ 16,518,420</u>	<u>\$ 42,326,023</u>
Gifts and additions	970,561	1,566,235	2,536,796
Redesignated contribution	<u>6,600,000</u>	<u>(6,600,000)</u>	<u>-</u>
Split-interest agreements and trusts activity	<u>(26,609)</u>	<u>737,306</u>	<u>710,697</u>
Endowment returns:			
Interest and dividends, net of investment expenses	667,189	214,010	881,199
Net realized and unrealized losses	<u>4,855,777</u>	<u>5,891,970</u>	<u>10,747,747</u>
Total endowment returns	<u>5,522,966</u>	<u>6,105,980</u>	<u>11,628,946</u>
Appropriations:			
Special endowment appropriation	(6,404,000)	-	(6,404,000)
Amounts appropriated for operations and other purposes	<u>(1,344,561)</u>	<u>(502,512)</u>	<u>(1,847,073)</u>
	<u>(7,748,561)</u>	<u>(502,512)</u>	<u>(8,251,073)</u>
Change in endowment assets and those functioning as endowment assets	<u>5,318,357</u>	<u>1,307,009</u>	<u>6,625,366</u>
Endowment assets and those functioning as endowment assets at end of year	<u>\$ 31,125,960</u>	<u>\$ 17,825,429</u>	<u>\$ 48,951,389</u>

LASELL UNIVERSITY

Notes to Financial Statements

Note 8 - Net Assets and Endowment Matters (Continued)

Relevant Law

The Uniform Prudent Management of Institutional Funds Act (“UPMIFA”) as enacted in Massachusetts permits the University to appropriate for expenditure or accumulate so much of an endowment fund as the University determines is prudent for the uses, benefits, purposes and duration for which the endowment is established subject to the intent of the donor as expressed in the gift instrument. Seven criteria are to be used to guide the University in its yearly expenditure decisions: 1) duration and preservation of the endowment fund; 2) the purposes of the University and the endowment fund; 3) general economic conditions; 4) effect of inflation or deflation; 5) the expected total return from income and the appreciation of investments; 6) resources of the University; and 7) the investment policy of the University.

Although UPMIFA offers short-term spending flexibility, the explicit consideration of the preservation of funds among factors for prudent spending suggests that a donor-restricted endowment fund is still perpetual in nature. Under UPMIFA, the Board is permitted to determine and continue a prudent payout amount, even if the market value of the fund is below historic dollar value. There is an expectation that, over time, the permanently restricted amount will remain intact. This perspective is aligned with the accounting standards definition that permanently restricted funds are those that must be held in perpetuity even though the historic dollar value may be dipped into on a temporary basis.

The University tracks the original value of gifts donated to the endowment, subsequent gifts to the endowment, and accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

Investment returns are also allocated to endowment type funds and tracked separately such that information on the above corpus values is maintained. To the extent that there is unappropriated investment returns, such amounts are tracked in accordance with the original restriction of the gift until appropriated for spending by the Board of Trustees.

Spending Policy

The University’s endowment spending policy is computed based on the average market value for the previous three fiscal year ends. The percentage spent was 5.0% for the years ended June 30, 2022 and 2021. The Board of Trustees has approved a 5.0% spending rate for the year ending June 30, 2023, which is approximately \$2,200,000.

Distributions from the investment portfolio are approved by the Board of Trustees using a total return method and consist of interest (excluding permanently restricted interest), dividends and realized and unrealized gains. The University adopted this spending policy in order to protect the inviolate nature of the original corpus of gifts, as well as to preserve the purchasing power of these funds into the future.

The University’s Board of Trustees approved special appropriations of \$5,000,000 and \$6,404,000 for the years ended June 30, 2022 and 2021, respectively. In 2022, the Board of Trustees voted to redesignate the 2021 amount back to the endowment.

LASELL UNIVERSITY

Notes to Financial Statements

Note 8 - Net Assets and Endowment Matters (Continued)

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the University to retain as a fund of perpetual duration. In the event that a donor-restricted endowment fund is in a deficiency, the spending rate for that fiscal year is taken only to the extent of current year net interest and dividend income for that fund. As of June 30, 2022 and 2021, there were no funds with deficiencies to be reported by the University.

Return Objectives and Risk Parameters

The University's investment portfolio is managed to provide for the long-term support of the University. Accordingly, these funds are managed with disciplined longer-term investment objectives and strategies designed to meet cash flow and spending requirements. Management of the assets is designed to attain the maximum total return consistent with acceptable and agreed upon levels of risk. The target for average annual real total return (net of investment management fees and inflation) should equal or exceed the University's spending rate plus core CPI over a rolling 5-year period, targeting an overall performance ranging between 5% - 9% over that period.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the University relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The University targets an asset allocation strategy wherein assets are diversified among several asset classes. The pursuit of maximizing total return is tempered by the need to minimize the volatility of returns and preserve capital. As such, the University seeks broad diversification among assets having different characteristics with the intent to endure lower relative performance in strong markets in exchange for greater downside protection in weak markets.

Note 9 - Employee Benefit Plans

All full-time and part-time faculty and staff of the University working in excess of 1,000 hours per year are eligible after one year of service to participate in a defined contribution retirement plan administered by TIAA and CREF. The University matches, on a 1 to 1 basis, employee contributions to a maximum of 7.5% of compensation, as defined by the plan. Employees may also elect to participate in a supplemental tax-deferred annuity plan sponsored by TIAA and CREF. Contributions may not exceed amounts permitted by the Internal Revenue Code. In Fiscal 2021, the University suspended the employer match on its retirement plan but reinstated it for Fiscal 2022. Retirement plan expense was \$1,058,410 and \$0 for the years ended June 30, 2022 and 2021, respectively.

During the years ended June 30, 2022 and 2021, the University offered retirement plans pursuant to Sections 457(b) and 457(f) of the Internal Revenue Code for certain employees. The University contributed \$19,500 to the 457(b) plan for the years ended June 30, 2022 and 2021, respectively. The assets related to the 457(f) plan totaled \$289,745 and \$216,080 at June 30, 2022 and 2021, respectively, and the liabilities totaled \$289,745 and \$266,080 at June 30, 2022 and 2021, respectively.

LASELL UNIVERSITY

Notes to Financial Statements

Note 9 - Employee Benefit Plans (Continued)

Eligible employees may elect to participate in the University's health insurance program. The University purchases a self-insured medical plan developed by the Educators Health Insurance Exchange of New England ("EdHealth"). The University has a liability for estimated unpaid claims of \$259,000 and \$188,978 at June 30, 2022 and 2021, respectively. The University has deposits on account with EdHealth in the amount of \$258,282 as of June 30, 2022.

Employees may also participate in a flexible spending plan and make contributions for certain benefits such as healthcare and dependent care assistance programs on a pre-tax basis.

Note 10 - Related-Party Transactions

The University and the Village have several contractual relationships as follows:

Land Lease

The Village leases the land on which its facility is located under a thirty-year lease agreement with the University that expires in December 2028. As per the lease agreement, the Village was required to make certain advance payments at the beginning of the lease and annual payments through 2021. Land lease income is recorded on the straight-line basis over the lease term and is included in non-operating activity in the Statement of Activities. Remaining deferred land lease revenue related to the advance payments amounts to approximately \$1,286,000 and \$1,492,000 at June 30, 2022 and 2021, respectively. The Village is responsible for payment of all taxes, assessments, betterments, excises, user fees and any other municipal government fees or charges related to the land.

Other Village Agreements

The University and the Village have a Master Service Agreement (the "Agreement") expiring on June 30, 2025. The Agreement is comprised of five separate agreements which cover management, educational services, information technology services, maintenance and security. At the end of fiscal 2021 the maintenance component of the contract was terminated. Revenue associated with these agreements is recorded as part of auxiliary enterprises on the Statement of Activities (see Note 1).

The Village is also required to reimburse the University for direct costs associated with health insurance and corporate purchasing cards managed by the University. Any amounts due from or due to the Village at the end of the year are included in accounts receivable or other liabilities, in the Statements of Financial Position.

LASELL UNIVERSITY

Notes to Financial Statements

Note 10 - Related-Party Transactions (Continued)

Other Village Agreements (Continued)

The University's related-party transactions with the Village and revenue recognized was as follows for the years ended June 30:

Service	Calculation Basis	2022	2021
	Monthly: 3.7% of Village monthly operating revenue Annually: 10% of any Village surplus up to \$200,000 and 5% of Village operating surplus in excess of \$200,000		
Management fees		\$ 784,811	\$ 663,066
Educational services fees	Cost plus 20%	71,183	240,149
Information technology services fees	Cost plus 15%	231,768	196,379
Maintenance and security fees	Maintenance: cost plus 10% Security: cost plus 15%	225,885	863,584
Executive fees	Village President's compensation plus benefits	336,086	327,472
		<u>1,649,733</u>	<u>2,290,650</u>
Land lease	Straight-line over the remaining life of the lease: December 2028	<u>205,840</u>	<u>205,840</u>
Total related party revenue		\$ <u>1,855,573</u>	\$ <u>2,496,490</u>
Due from/(to) the Village		\$ <u>175,053</u>	\$ <u>(41,726)</u>

LASELL UNIVERSITY

Notes to Financial Statements

Note 11 - Functional Expenses

Expenses by functional classification for the years ended June 30 are as follows:

		2022					
		<u>Instruction</u>	<u>Academic Support</u>	<u>Student Services</u>	<u>Auxiliary Enterprises</u>	<u>Institutional Support</u>	<u>Total</u>
Expenses:							
Salaries and benefits	\$	12,099,309	\$ 2,022,316	\$ 7,340,097	\$ 3,818,731	\$ 5,519,791	\$ 30,800,244
Supplies and services		365,134	413,713	3,116,666	3,790,970	2,238,911	9,925,394
Occupancy, utilities and repairs		1,238,342	232,493	741,012	3,550,709	205,809	5,968,365
Depreciation		1,313,481	26,946	632,219	2,986,451	394,748	5,353,845
Interest		237,014	489	64,638	1,419,639	70,341	1,792,121
Other		386,298	117,618	1,009,487	368,558	753,229	2,635,190
	\$	<u>15,639,578</u>	<u>\$ 2,813,575</u>	<u>\$ 12,904,119</u>	<u>\$ 15,935,058</u>	<u>\$ 9,182,829</u>	<u>\$ 56,475,159</u>
		2021					
		<u>Instruction</u>	<u>Academic Support</u>	<u>Student Services</u>	<u>Auxiliary Enterprises</u>	<u>Institutional Support</u>	<u>Total</u>
Expenses:							
Salaries and benefits	\$	11,329,198	\$ 2,000,666	\$ 6,614,603	\$ 4,443,101	\$ 5,139,885	\$ 29,527,453
Supplies and services		302,783	378,140	2,561,297	2,889,613	3,868,159	9,999,992
Occupancy, utilities and repairs		775,342	223,855	547,269	2,746,361	117,558	4,410,385
Depreciation		1,460,064	34,719	682,962	3,034,233	416,891	5,628,869
Interest		327,711	364	97,950	2,171,248	32,226	2,629,499
Other		251,656	77,583	446,878	416,240	587,661	1,780,018
	\$	<u>14,446,754</u>	<u>\$ 2,715,327</u>	<u>\$ 10,950,959</u>	<u>\$ 15,700,796</u>	<u>\$ 10,162,380</u>	<u>\$ 53,976,216</u>

Note 12 - Commitments and Contingencies

The University committed to pay a fee to a third party equal to 10% of ground rental payments made by the Village to the University through 2021. For the year ended June 30, 2022 no payment was due or made. For the year ended June 30, 2021, \$20,751 was expensed for this purpose.

The University is periodically involved in claims, suits and other legal matters, all of which arise in the normal course of business. Management does not believe that the outcome of any currently pending matters, either individually or in the aggregate, will have a material impact on the University's financial position, changes in net assets and cash flows.

All funds expended by the University in connection with government grants are subject to review or audit by government agencies. In the opinion of management, any liability resulting from a review or audit would not have a significant impact on the financial statements of the University.

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

LASELL UNIVERSITY

Notes to Financial Statements

Note 12 - Commitments and Contingencies (Continued)

The University has employment agreements with its president and certain members of its senior management team that stipulate a variety of business terms typical in the education sector.

An agreement exists with a former president that allows him and/or his spouse to reside at Lasell Village at their discretion upon attaining the age of 65. In August, 2021, the former president elected to reside at the Village. Consequently, the University loaned the former president 90% of the entrance fee which will revert to the University upon the former president's and his spouse's departure or death and is included in other assets on the statement of financial position.

The University has an agreement with a company to operate the University's food services on campus, including the dining hall, providing the exclusive right to provide meals related to the meal plan, flex dollars, and the operation of all retail operations. The contract is up for renewal in 2027.

Note 13 - Federal Support Associated with COVID-19

Higher Education Emergency Relief Funds

The University was granted three awards to assist students and the institution with the impact of COVID-19 which totaled \$8,477,658. The University recorded grant revenue related to these awards of \$4,380,400 and \$3,108,729 for the years ended June 30, 2022 and 2021, respectively, and all awards have been spent by June 30, 2022.

Federal Emergency Management Agency Grant

The University can apply for a grant for reimbursement of various COVID-19 related costs. Including, among other costs, personal protective supplies, and testing costs. The University is currently determining which costs are eligible for reimbursement and will apply for the grant in fiscal 2023 and expects revenue to be reported in fiscal 2023.

Forward Impact

The University expects continued impact from COVID-19 associated with revenues and expenses, however, the level of impact is uncertain and will be driven by the trends of the pandemic, consumer behavior and regulatory requirements, along with other factors. The remaining funding, as noted above, will be available to mitigate such impact, however, the impacts may be greater than the funding available.