



# **Financial Statements**

## **Lasell University**

**June 30, 2021 and 2020**



# LASELL UNIVERSITY

## *Financial Statements*

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## *Independent Auditors' Report*

Board of Trustees  
Lasell University  
Newton, Massachusetts

We have audited the accompanying financial statements of Lasell University (the "University"), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

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

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

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



***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lasell University as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Maye Heyman McCann P.C.*

November 1, 2021  
Boston, Massachusetts

**LASELL UNIVERSITY**  
**Statements of Financial Position**

	<i>June 30,</i>	
	<b>2021</b>	<b>2020</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 2,362,038	\$ 1,944,327
Accounts receivable, net	897,704	1,314,545
Contributions receivable, net	1,476,254	1,240,786
Student loans receivable, net	197,286	259,623
Deposits with trustees	3,418,634	3,439,200
Other assets	1,289,165	1,408,912
Beneficial interests in trusts	3,503,579	2,447,940
Investments	47,289,355	35,776,571
Real estate held for investment	4,758,000	4,758,000
Property and equipment, net	<u>81,360,509</u>	<u>86,050,728</u>
<b>Total assets</b>	<b>\$ <u>146,552,524</u></b>	<b>\$ <u>138,640,632</u></b>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 4,755,623	\$ 5,065,209
Deferred revenue and advances	5,427,168	5,725,060
Deferred land lease revenue	1,492,326	1,490,657
Bonds payable	60,516,896	53,106,231
Interest rate swap agreements	-	6,802,298
Other liabilities	<u>1,647,280</u>	<u>1,200,633</u>
<b>Total liabilities</b>	<b><u>73,839,293</u></b>	<b><u>73,390,088</u></b>
Net assets:		
Without donor restrictions	53,031,161	46,822,873
With donor restrictions	<u>19,682,070</u>	<u>18,427,671</u>
<b>Total net assets</b>	<b><u>72,713,231</u></b>	<b><u>65,250,544</u></b>
<b>Total liabilities and net assets</b>	<b>\$ <u>146,552,524</u></b>	<b>\$ <u>138,640,632</u></b>

**LASELL UNIVERSITY**

**Statement of Activities**

**Year Ended June 30, 2021**  
*(With Comparative Totals for 2020)*

	<b>2021</b>		<b>2020</b>	
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>	<b>Total</b>
<b>Revenues, gains and other support:</b>				
Tuition and fees, net	\$ 32,864,698	\$ -	\$ 32,864,698	\$ 37,336,388
Auxiliary enterprises, net	8,033,170	-	8,033,170	12,210,203
Investment income appropriated	1,620,812	-	1,620,812	1,519,533
Special endowment appropriation	6,404,000	-	6,404,000	2,000,000
Federal and state grants	4,075,904	-	4,075,904	1,708,919
Private gifts and grants	994,561	-	994,561	832,039
Other revenue	292,558	-	292,558	752,310
Net assets released from restrictions to operations	456,904	-	456,904	598,488
<b>Total revenues, gains and other support</b>	<b>54,742,607</b>	<b>-</b>	<b>54,742,607</b>	<b>56,957,880</b>
<b>Expenses:</b>				
Instruction	14,446,754	-	14,446,754	16,678,758
Academic support	2,715,327	-	2,715,327	3,160,447
Student services	10,950,959	-	10,950,959	11,851,454
Auxiliary enterprises	15,700,796	-	15,700,796	17,847,826
Institutional support	10,162,380	-	10,162,380	8,918,635
<b>Total expenses</b>	<b>53,976,216</b>	<b>-</b>	<b>53,976,216</b>	<b>58,457,120</b>
<b>Change in net assets from operations</b>	<b>766,391</b>	<b>-</b>	<b>766,391</b>	<b>(1,499,240)</b>
<b>Non-operating activities:</b>				
Investment income (loss), net of total return appropriated	(2,186,644)	5,792,920	3,606,276	(3,815,564)
Land lease income	205,840	-	205,840	205,840
Private gifts and grants	773,844	2,345,487	3,119,331	2,063,352
Non-operating fundraising costs	(75,000)	-	(75,000)	-
Realized and unrealized gain (loss) on interest rate swaps	767,248	-	767,248	(1,384,930)
Loss on extinguishment of debt	(1,214,119)	-	(1,214,119)	-
Other non-operating activities, net	4,916	738,708	743,624	(72,696)
Net assets released from restrictions to operations	-	(456,904)	(456,904)	(598,488)
Net assets released from restrictions	7,165,812	(7,165,812)	-	-
<b>Total non-operating activities</b>	<b>5,441,897</b>	<b>1,254,399</b>	<b>6,696,296</b>	<b>(3,602,486)</b>
<b>Change in net assets</b>	<b>6,208,288</b>	<b>1,254,399</b>	<b>7,462,687</b>	<b>(5,101,726)</b>
Net assets, beginning of year	46,822,873	18,427,671	65,250,544	70,352,270
<b>Net assets, end of year</b>	<b>\$ 53,031,161</b>	<b>\$ 19,682,070</b>	<b>\$ 72,713,231</b>	<b>\$ 65,250,544</b>

# LASELL UNIVERSITY

## Statement of Activities

Year Ended June 30, 2020

	<i>Without Donor Restrictions</i>	<i>With Donor Restrictions</i>	<i>Total</i>
<b>Revenues, gains and other support:</b>			
Tuition and fees, net	\$ 37,336,388	\$ -	\$ 37,336,388
Auxiliary enterprises, net	12,210,203	-	12,210,203
Investment income appropriated	1,519,533	-	1,519,533
Special endowment appropriation	2,000,000	-	2,000,000
Federal and state grants	1,708,919	-	1,708,919
Private gifts and grants	832,039	-	832,039
Other revenue	752,310	-	752,310
Net assets released from restrictions to operations	598,488	-	598,488
	<b>56,957,880</b>	-	<b>56,957,880</b>
<b>Expenses:</b>			
Instruction	16,678,758	-	16,678,758
Academic support	3,160,447	-	3,160,447
Student services	11,851,454	-	11,851,454
Auxiliary enterprises	17,847,826	-	17,847,826
Institutional support	8,918,635	-	8,918,635
	<b>58,457,120</b>	-	<b>58,457,120</b>
<b>Change in net assets from operations</b>	<b>(1,499,240)</b>	-	<b>(1,499,240)</b>
<b>Non-operating activities:</b>			
Investment income, net of total return appropriated	(3,338,879)	(476,685)	(3,815,564)
Land lease income	205,840	-	205,840
Private gifts and grants	1,194,973	868,379	2,063,352
Change in fair value of interest rate swaps	(1,384,930)	-	(1,384,930)
Other non-operating activities, net	(87,235)	14,539	(72,696)
Net assets released from restrictions to operations	-	(598,488)	(598,488)
Net assets released from restrictions	1,040,359	(1,040,359)	-
	<b>(2,369,872)</b>	<b>(1,232,614)</b>	<b>(3,602,486)</b>
<b>Change in net assets</b>	<b>(3,869,112)</b>	<b>(1,232,614)</b>	<b>(5,101,726)</b>
Net assets, beginning of year	50,691,985	19,660,285	70,352,270
<b>Net assets, end of year</b>	<b>\$ 46,822,873</b>	<b>\$ 18,427,671</b>	<b>\$ 65,250,544</b>

**LASELL UNIVERSITY**

**Statements of Cash Flows**

	<b>Years Ended June 30,</b>	
	<b>2021</b>	<b>2020</b>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 7,462,687	\$ (5,101,726)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	5,683,395	6,042,287
Provision for bad debts	(216,114)	149,227
Net realized and unrealized loss (gain) on investments	(10,839,547)	966,777
Contributions restricted for long-term investment and plant	(902,636)	(736,900)
Investment (income) loss restricted for long-term investment	(5,431)	498
Loss on extinguishment of debt	1,214,119	-
Change in fair value of interest rate swaps	(767,248)	1,384,930
Changes in operating assets and liabilities:		
Accounts receivable	632,955	1,366,523
Contributions receivable	(235,468)	1,382,047
Beneficial interest in trusts	(1,055,639)	(11,888)
Other assets	247,425	(689,202)
Accounts payable and accrued expenses	(641,900)	(299,072)
Deferred revenue and advances	(297,892)	(3,795,064)
Deferred land lease revenue	1,669	1,669
Other liabilities	164,910	(25,320)
	<u>442,285</u>	<u>634,786</u>
<b>Net cash provided by operating activities</b>	<b>442,285</b>	<b>634,786</b>
<b>Cash flows from investing activities:</b>		
Proceeds from sales of investments	26,424,441	28,787,827
Purchases of investments	(27,097,678)	(26,379,143)
Purchase of real estate held for investment	-	(692,824)
Change in annuity obligations	(54,928)	(14,982)
Proceeds from sale of property and equipment	3,000	-
Purchase of property and equipment	(241,537)	(737,846)
Student loans collected	62,337	47,834
Change in deposits with trustees	20,566	(48,046)
	<u>(883,799)</u>	<u>962,820</u>
<b>Net cash (used in) provided by investing activities</b>	<b>(883,799)</b>	<b>962,820</b>
<b>Cash flows from financing activities:</b>		
Contributions restricted for long-term investment and plant	902,636	736,900
Investment income restricted for long-term investment	5,431	(498)
Change in federal loan program advances	(43,489)	(43,504)
Payments on bonds	(54,235,487)	(1,673,660)
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 finance lease obligations	(112,325)	(70,764)
	<u>859,225</u>	<u>(1,051,526)</u>
<b>Net cash provided by (used in) financing activities</b>	<b>859,225</b>	<b>(1,051,526)</b>
<b>Net increase in cash and cash equivalents</b>	<b>417,711</b>	<b>546,080</b>
Cash and cash equivalents, beginning of year	1,944,327	1,398,247
<b>Cash and cash equivalents, end of year</b>	<b>\$ 2,362,038</b>	<b>\$ 1,944,327</b>
<b>Supplemental Disclosures of Cash Flow Information</b>		
Cash payment for interest	\$ 3,201,136	\$ 2,812,966
Amounts included in accounts payable for purchase of property and equipment	341,491	9,176
Noncash financing of equipment under finance leases	364,800	22,413



# 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.

Cash and cash equivalents includes cash restricted for student loan funds which was \$61,870 and \$57,832 at June 30, 2021 and 2020, respectively.

#### ***Student Accounts and 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.

# LASELL UNIVERSITY

## *Notes to Financial Statements*

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

#### ***Student Accounts and Loans Receivable (Continued)***

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.

Perkins loans receivable represent amounts due from students associated with a DOE sponsored campus based loan program. The University shared funding of such resources creating a revolving loan fund in concert with funds from the DOE. Perkins loans in default that meet certain requirements can be assigned to the DOE which reduces the obligation for refundable U.S. government grants. The DOE has ended this program and as funds are collected such amounts will be returned to the DOE and the University as applicable based on original funding.

The University regularly evaluates the allowance for doubtful accounts by performing ongoing evaluations of the accounts and loans considering such factors as prior collection history, the economic environment and the type of receivable or loan. Credit risk on the Perkins loans is mitigated given the ability to assign such loans to the DOE as outlined above. Management has omitted detailed disclosures given the modest amounts involved.

#### ***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.

# LASELL UNIVERSITY

## *Notes to Financial Statements*

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

#### ***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.

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 1.2% and 9.8% 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 \$11,790 and \$(44,418) for the years ended June 30, 2021 and 2020, 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.

# LASELL UNIVERSITY

## ***Notes to Financial Statements***

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

#### ***Investments (Continued)***

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 five 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.

#### ***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. Such amounts are reflected as revenue ratably over time with such amounts generally being recognized on a current basis given the nature and duration of the underlying services being provided.

In addition, deferred revenue and advances also includes an upfront payment from a vendor that will be recognized as a reduction of related expenses over the life of the service contract with this vendor.

# LASELL UNIVERSITY

## *Notes to Financial Statements*

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

#### ***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.

#### ***Interest Rate Swap Agreements***

The fair value of interest rate swap agreements is recorded at each period-end as either an asset or a liability, based on the estimated value of the contract at year-end. Fair value is determined as per the fair value policies as described later in this section. The change in the fair value of the contracts is measured at each period-end and recorded as a non-operating activity within the Statements of Activities. The change in fair value of the interest rate swap agreements from July 1, 2020 through June 8, 2021 was a realized gain of \$767,248. On June 9, 2021, the University paid Citizens Bank, NA \$6,035,050 to terminate all of its interest rate swap agreements.

#### ***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.

# LASELL UNIVERSITY

## *Notes to Financial Statements*

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

#### ***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.

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)*

#### *Revenue Recognition (Continued)*

#### *Earned Revenue (Continued)*

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

	<b>2021</b>	<b>2020</b>
Undergraduate tuition	\$ 47,488,422	\$ 55,856,969
Graduate tuition	6,221,044	5,157,534
Comprehensive fees	1,968,422	2,107,722
Other fees	<u>100,612</u>	<u>155,319</u>
	55,778,500	63,277,544
Less: financial aid	<u>(22,913,802)</u>	<u>(25,941,156)</u>
	<b><u>\$ 32,864,698</u></b>	<b><u>\$ 37,336,388</u></b>

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

	<b>2021</b>	<b>2020</b>
Room and board	\$ 11,969,708	\$ 15,654,743
Less financial aid	<u>(7,637,934)</u>	<u>(8,648,644)</u>
Room and board, net	4,331,774	7,006,099
Childcare programs	561,379	1,383,165
Contracts with Lasell Village (see Note 14)	2,290,648	2,258,025
Collaborative services (see Note 14)	355,367	432,319
Third-party campus programs	140,562	529,809
Other auxiliary enterprises	<u>353,440</u>	<u>600,786</u>
	<b><u>\$ 8,033,170</u></b>	<b><u>\$ 12,210,203</u></b>

# LASELL UNIVERSITY

## *Notes to Financial Statements*

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

#### ***Revenue Recognition (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 15, 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, annuity obligations, and the 2019 gift of privately held stock.

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.

#### ***Accounting Pronouncements Effective in Current Year***

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-02, Leases (Topic 842), which requires a lessee to recognize a right-of-use asset representing the entity's right to use the underlying asset for the lease term and a lease liability for lease payments on the Statement of Financial Position. For leases with a life of twelve months or less, lessees are not required to recognize a lease asset and liability, as permitted by the ASU. The University adopted ASU 2016-02 in the fiscal year 2021 using the modified retrospective approach. Right-of-use assets and related lease obligations of \$128,775 and \$128,775, respectively, were recognized as of July 1, 2020 and are included in the Statement of Financial Position in other assets and other liabilities, respectively.

# LASELL UNIVERSITY

## *Notes to Financial Statements*

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

#### ***Accounting Pronouncements Effective in Current Year (Continued)***

Due to the immaterial impact to the financial statements, certain additional disclosures relative to finance and operating leases have been omitted.

#### ***Subsequent Events***

The University has evaluated subsequent events through November 1, 2021, the date the financial statements were issued. There were no subsequent events requiring accounting or disclosure through this period.

### ***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 and show positive cash generated by operations for the years ended June 30, 2021 and 2020.

# LASELL UNIVERSITY

## *Notes to Financial Statements*

### **Note 2 - Liquidity and Availability (Continued)**

As of June 30, 2021 and 2020, 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:

	<b>2021</b>	<b>2020</b>
Financial assets at year end:		
Cash and cash equivalents	\$ 2,362,038	\$ 1,944,327
Accounts receivable, net	897,704	1,314,545
Contributions receivable, net	1,476,254	1,240,786
Student loans receivable, net	197,286	259,623
Deposits with trustees	3,418,634	3,439,200
Beneficial interests in trusts	3,503,579	2,447,940
Investments	<u>47,289,355</u>	<u>35,776,571</u>
<b>Total financial assets at year end</b>	<b>\$ <u>59,144,850</u></b>	<b>\$ <u>46,422,992</u></b>
Financial assets available to meet general expenditures over the next 12 months:		
Cash and cash equivalents	\$ 2,300,168	\$ 1,886,494
Accounts receivable, net	897,704	1,314,545
Contributions without restrictions due in one year or less	94,650	594,115
Deposits with trustees	189,890	582,075
Endowment spending rate distribution	2,094,850	1,799,919
Additional draw from quasi-endowment	<u>-</u>	<u>1,676,000</u>
<b>Total financial assets available to meet general expenditures over the next 12 months</b>	<b>\$ <u>5,577,262</u></b>	<b>\$ <u>7,853,148</u></b>

The Board designated portion of the University's net assets of \$31,125,960 and \$25,807,603 at June 30, 2021 and 2020, 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 7 and 12 for further information about the University's investment portfolio, net assets and endowment funds.

# LASELL UNIVERSITY

## *Notes to Financial Statements*

### **Note 3 - Accounts Receivable, Net**

Accounts receivable consist of the following at June 30:

	<b>2021</b>	<b>2020</b>
Student accounts	\$ 1,128,497	\$ 912,234
Third party collections in transit	40,558	86,183
Other	<u>42,349</u>	<u>642,528</u>
	1,211,404	1,640,945
Less: allowance for doubtful accounts	<u>(313,700)</u>	<u>(326,400)</u>
<b>Total accounts receivable, net</b>	<b><u>\$ 897,704</u></b>	<b><u>\$ 1,314,545</u></b>

The University has no contract assets as of June 30, 2021 and 2020.

### **Note 4 - Contributions Receivable, Net**

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

	<b>2021</b>	<b>2020</b>
Amounts due:		
In one year or less	\$ 903,154	\$ 976,150
From one to five years	<u>674,625</u>	<u>400,245</u>
	1,577,779	1,376,395
Less: unamortized discount (discount rates ranging from 1.45% to 3.55%)	(16,594)	(14,689)
Less: allowance for doubtful accounts	<u>(84,931)</u>	<u>(120,920)</u>
<b>Contributions receivable, net</b>	<b><u>\$ 1,476,254</u></b>	<b><u>\$ 1,240,786</u></b>

At June 30, 2021 and 2020, 79% and 73%, respectively, of gross contributions receivable was due from two donors. At June 30, 2021, the University had no conditional promises to give.

# LASELL UNIVERSITY

## *Notes to Financial Statements*

### ***Note 5 - Deposits with Trustees***

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

	<b>2021</b>	<b>2020</b>
Debt service funds		
Government obligation mutual fund	\$ <u>189,890</u>	\$ <u>1,377,075</u>
Debt service reserve funds		
Government obligation mutual fund	230,718	409,827
U.S. Treasury obligations	<u>2,998,026</u>	<u>1,652,298</u>
Total debt service reserve funds	<u>3,228,744</u>	<u>2,062,125</u>
<b>Deposits with trustees</b>	<b>\$ <u>3,418,634</u></b>	<b>\$ <u>3,439,200</u></b>

### ***Note 6 - Beneficial Interests in Trusts***

Beneficial interests in trusts consisted of the following at June 30:

	<b>2021</b>	<b>2020</b>
Irrevocable perpetual trust	\$ 759,768	\$ 602,205
Remainder interest in irrevocable trusts	1,827,660	1,391,189
Remainder interest in irrevocable gift annuity trusts	903,701	442,096
Annuity interest in irrevocable charitable lead annuity trust	<u>12,450</u>	<u>12,450</u>
<b>Beneficial interests in trusts</b>	<b>\$ <u>3,503,579</u></b>	<b>\$ <u>2,447,940</u></b>

The change in the value of the irrevocable trusts is included in other non-operating activities, net on the Statements of Activities and was \$698,906 and \$16,891 for the years ended June 30, 2021 and 2020, respectively.

# LASELL UNIVERSITY

## *Notes to Financial Statements*

### **Note 7 - 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, 2021:

	<i>Total</i>	<i>Investments Measured at NAV</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>
<b>Assets:</b>					
Beneficial interests in trusts	\$ 3,503,579	\$ -	\$ -	\$ -	\$ 3,503,579
Deposits with trustees	3,418,634	-	420,608	2,998,026	-
Real estate held for investment	4,758,000	-	-	4,758,000	-
<b>Investments:</b>					
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	<u>47,289,355</u>	<u>6,976,015</u>	<u>40,179,629</u>	<u>62,011</u>	<u>71,700</u>
Total assets	<u>\$ 58,969,568</u>	<u>\$ 6,976,015</u>	<u>\$ 40,600,237</u>	<u>\$ 7,818,037</u>	<u>\$ 3,575,279</u>

# LASELL UNIVERSITY

## Notes to Financial Statements

### Note 7 - 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, 2020:

	<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	\$ 2,447,940	\$ -	\$ -	\$ -	\$ 2,447,940
Deposits with trustees	3,439,200	-	1,786,902	1,652,298	-
Real estate held for investment	4,758,000	-	-	4,758,000	-
Investments:					
Cash and equivalents	847,597	-	847,597	-	-
Mutual funds - equity:					
Domestic	8,414,775	-	8,414,775	-	-
International	10,309,641	-	10,309,641	-	-
Mutual funds - fixed income	8,438,871	-	8,438,871	-	-
Mutual funds - other	4,495	-	4,495	-	-
Alternative investments:					
Energy debt fund	1,469,964	1,469,964	-	-	-
Private equity funds	1,951,781	1,951,781	-	-	-
Offshore opportunity fund	112,250	112,250	-	-	-
Core Property Fund LP	1,334,318	1,334,318	-	-	-
Insurance contracts	62,011	-	-	62,011	-
Artwork	71,700	-	-	-	71,700
Total investments	<u>33,017,403</u>	<u>4,868,313</u>	<u>28,015,379</u>	<u>62,011</u>	<u>71,700</u>
Total assets	<u>\$ 43,662,543</u>	<u>\$ 4,868,313</u>	<u>\$ 29,802,281</u>	<u>\$ 6,472,309</u>	<u>\$ 2,519,640</u>
Liabilities:					
Interest rate swap agreements	<u>\$ 6,802,298</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,802,298</u>	<u>\$ -</u>



# LASELL UNIVERSITY

## *Notes to Financial Statements*

### **Note 7 - Investments and Fair Values of Financial Instruments (Continued)**

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

	<b>2021</b>	<b>2020</b>
Investment redemption or sale period:		
Daily	\$ 40,179,629	\$ 28,015,379
Quarterly	1,390,634	1,334,318
Illiquid	5,719,092	3,667,706
	<b>\$ 47,289,355</b>	<b>\$ 33,017,403</b>

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 2021 or 2020.

Unfunded commitments under various investment vehicles amounted to approximately \$1,651,268 at June 30, 2021. 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.

Investments consisted of the following at June 30:

	<b>2021</b>	<b>2020</b>
Investments at fair value	\$ 47,289,355	\$ 33,017,403
Private company stock	-	2,759,168
<b>Total investments</b>	<b>\$ 47,289,355</b>	<b>\$ 35,776,571</b>

### ***Long-Term Investment Return***

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

	<b>2021</b>	<b>2020</b>
Long-term investment return:		
Operating:		
Investment income appropriated	\$ 1,620,812	\$ 1,519,533
Special endowment appropriation	6,404,000	2,000,000
Non-operating activities:		
Investment income (loss), net of total return appropriated	3,606,276	(3,815,564)
<b>Total investment return</b>	<b>\$ 11,631,088</b>	<b>\$ (296,031)</b>

# LASELL UNIVERSITY

## Notes to Financial Statements

### Note 7 - Investments and Fair Values of Financial Instruments (Continued)

The changes in instruments measured at fair value for which the University has used Level 3 inputs to determine fair value are as follows:

	<b>Beneficial Interests in Trusts</b>	<b>Artwork</b>	<b>Total</b>
Balance as of June 30, 2019	\$ 2,436,052	\$ 71,700	\$ 2,507,752
Distribution	(5,003)	-	(5,003)
Change in value of beneficial interests	16,891	-	16,891
Balance as of June 30, 2020	2,447,940	71,700	2,519,640
Contribution	356,733	-	356,733
Change in value of beneficial interests	698,906	-	698,906
<b>Balance as of June 30, 2021</b>	<b>\$ 3,503,579</b>	<b>\$ 71,700</b>	<b>\$ 3,575,279</b>

### Note 8 - Property and Equipment

Property and equipment consist of the following at June 30:

	<b>Estimated Lives</b>	<b>2021</b>	<b>2020</b>
Land and improvements	10 years	\$ 7,539,059	\$ 7,562,797
Land subject to operating lease		438,538	-
Buildings and improvements	10-40 years	133,467,509	133,411,256
Furniture, fixtures and equipment	3-7 years	12,284,521	12,131,630
Motor vehicles	5 years	722,484	686,563
Construction in progress	-	1,207,189	946,902
Total property and equipment		155,659,300	154,739,148
Less: accumulated depreciation and amortization		(74,298,791)	(68,688,420)
<b>Property and equipment, net</b>		<b>\$ 81,360,509</b>	<b>\$ 86,050,728</b>

During the years ended June 30, 2021 and 2020, the University disposed of \$18,499 and \$162,000, respectively, of fully depreciated assets.

# LASELL UNIVERSITY

## Notes to Financial Statements

### Note 9 - Deferred Revenue and Advances

Deferred revenue and advances consists of the following at June 30:

	<b>2021</b>	<b>2020</b>
Deferred revenue - students	\$ 3,489,632	\$ 3,658,104
Advance from vendor	1,612,572	1,881,334
Deferred revenue - other	<u>324,964</u>	<u>185,622</u>
<b>Total deferred revenue and advance payments</b>	<b>\$ <u>5,427,168</u></b>	<b>\$ <u>5,725,060</u></b>

Substantially all amounts included in deferred revenue - students 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. Deferred revenue related to up front vendor payments are being recognized over the term of the vendor agreement.

# LASELL UNIVERSITY

## *Notes to Financial Statements*

### **Note 10 - Bonds Payable**

Bonds payable consist of the following at June 30:

	<b>2021</b>	<b>2020</b>
Series 2021, MDFA Revenue Bonds. The 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	\$ -
Citizens Bank, N.A. Series 2015 direct placement, Massachusetts Development Finance Agency ("MDFA") Revenue Bonds. The bonds are payable in varying monthly installments with final maturity in 2045. Interest is payable on a monthly basis with the interest rate fixed for ten years at 3%.	-	9,415,487
Series 2011, MDFA Revenue Bonds. The bonds are payable in varying annual installments due July 1 with final maturity in 2041. Interest is payable semi-annually with fixed interest rates ranging from 5% to 6%.	-	20,080,000
Citizens Bank, N.A. Series 2008 direct placement, MDFA Revenue Bonds. The bonds are payable in varying annual installments due July 1 with final maturity in 2038. Interest is payable on a monthly basis with interest accruing at the prevailing market rate (4.97% at 2020). Interest is fixed via the use of interest rate swap agreements (Note 11).	-	9,290,000
Citizens Bank, N.A. Series 2006 direct placement, MDFA Revenue Bonds. The bonds are payable in varying annual installments on July 1 with final maturity in 2036. Interest is payable on a monthly basis with interest accruing at the prevailing market rate (5.30% at June 30, 2020). Interest is fixed via the use of interest rate swap agreements (Note 11).	-	15,450,000
	54,800,000	54,235,487
Plus: unamortized bond premium	6,988,707	-
Less: bond issuance costs	(1,271,811)	(779,321)
Less: unamortized discount	-	(349,935)
	<b>\$ 60,516,896</b>	<b>\$ 53,106,231</b>

# LASELL UNIVERSITY

## Notes to Financial Statements

### Note 10 - Bonds Payable (Continued)

On June 9, 2021, the University issued \$54,800,000 of Series 2021 MDFA Revenue Bonds at a premium of \$6,988,707. Issuance costs capitalized were \$1,271,811 and due to the close proximity of the issuance of the bonds and June 30, 2021, the University did not amortize any of the premium or issuance costs related to the Series 2021 bond issue. The proceeds of the Series 2021 bonds were used to retire the 2006, 2008 and 2015 bonds held directly by Citizens Bank, N.A. The University also paid Citizens Bank, N.A. a prepayment penalty on the Series 2015 bonds of \$139,387. In addition, \$17,774,970 of the proceeds were transferred into a refunding escrow along with \$2,096,294 transferred from the debt service fund related to the Series 2011 bonds to legally defease the outstanding balance of \$19,285,000 plus \$586,264 accrued interest through July 9, 2021, the date the 2011 Series Bonds were retired.

Any unamortized bond issuance costs and discounts related to the previous bond issues were written off for a total loss on extinguishment of debt of \$1,214,119 at June 30, 2021 and is recorded in non-operating on the Statements of Activities.

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:

2022	\$	1,035,000
2023		1,075,000
2024		1,120,000
2025		1,165,000
2026		1,210,000
Thereafter		<u>49,195,000</u>
	\$	<u><u>54,800,000</u></u>

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

	2021	2020
Bond interest expense	\$ 2,596,347	\$ 2,710,994
Other interest expense	<u>33,152</u>	<u>73,306</u>
<b>Interest expense</b>	<b>\$ <u><u>2,629,499</u></u></b>	<b>\$ <u><u>2,784,300</u></u></b>

Bond issuance costs are capitalized and amortized on the straight-line basis over the life of the bonds. Unamortized bond issuance costs were \$1,271,811 and \$489,294 at June 30, 2021 and 2020, respectively. Amortization expense related to the bond issuance costs amounted to \$30,994 and \$41,326 for the years ended June 30, 2021 and 2020, respectively.

# LASELL UNIVERSITY

## Notes to Financial Statements

### Note 11 - Interest Rate Swap Agreements

In 2020, the University used interest rate swaps to manage interest rate risk exposure on certain bond agreements. As discussed in Note 10, the interest rate swap agreements were terminated during fiscal 2021.

The University had the following interest rate swap liabilities outstanding at June 30, 2020:

<i>Remaining Notional Amount</i>	<i>Termination Date</i>	<i>Interest Rate Received</i>	<i>Interest Rate Paid</i>	<i>Fair Value</i>
\$ 9,374,361	7/01/2038	68% of one month LIBOR	3.435%	\$ 2,390,381
11,080,000	7/01/2036	67% of one month LIBOR	3.745%	3,618,077
<u>4,370,000</u>	7/01/2031	67% of one month LIBOR	3.795%	<u>793,840</u>
<b><u>\$ 24,824,361</u></b>				<b><u>\$ 6,802,298</u></b>

# LASELL UNIVERSITY

## *Notes to Financial Statements*

### **Note 12 - 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:

	<b>2021</b>	<b>2020</b>
Unrealized and realized cumulative net gains on investments with permanent donor restrictions:		
General support	\$ 2,031,931	\$ 887,727
Restricted	<u>1,125,879</u>	<u>514,525</u>
	3,157,810	1,402,252
Endowment principal:		
General support	6,075,983	5,675,864
Restricted	<u>3,228,114</u>	<u>3,102,614</u>
	9,304,097	8,778,478
Endowment - other:		
Contributions receivable	683,882	-
Split-interest agreements and trusts	3,679,640	2,578,522
Investments with restricted liquidity	-	2,759,168
Donor restricted	<u>1,000,000</u>	<u>1,000,000</u>
	5,363,522	6,337,690
Total endowment net assets	17,825,429	16,518,420
Fully expendable purpose restricted	1,120,171	1,059,321
Time restricted with unrestricted purpose:		
Contributions receivable	727,470	840,930
Loan funds	<u>9,000</u>	<u>9,000</u>
	<b><u>\$ 19,682,070</u></b>	<b><u>\$ 18,427,671</u></b>

# LASELL UNIVERSITY

## *Notes to Financial Statements*

### **Note 12 - Net Assets and Endowment Matters (Continued)**

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

	<b>2021</b>	<b>2020</b>
Operating:		
Program services	\$ 416,904	\$ 530,887
Collection of contributions receivable without donor purpose restrictions	40,000	62,598
Distribution from split-interest agreements	<u>-</u>	<u>5,003</u>
Total operating	<u>456,904</u>	<u>598,488</u>
Non-operating:		
Capital improvements	49,212	-
Collection of capital campaign contributions receivable without donor purpose restrictions	516,600	1,040,359
Sale of private stock without donor purpose restrictions	<u>6,600,000</u>	<u>-</u>
Total non-operating	<u>7,165,812</u>	<u>1,040,359</u>
<b>Total</b>	<b><u>\$ 7,622,716</u></b>	<b><u>\$ 1,638,847</u></b>

Private company stock of \$2,759,168 was included in net assets with donor restrictions at June 30, 2020. During Fiscal 2021, the University sold the stock for \$6,600,000. The University recorded the realized gain of \$3,840,832 in net assets with donor restrictions and then released \$6,600,000 to net assets without donor restrictions.



# LASELL UNIVERSITY

## Notes to Financial Statements

### Note 12 - 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>
<b>Total funds</b>	<b><u>\$ 31,125,960</u></b>	<b><u>\$ 17,825,429</u></b>	<b><u>\$ 48,951,389</u></b>
	<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
Release of time restricted private stock	<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 gains	<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>
<b>Endowment assets and those functioning as endowment assets at end of year</b>	<b><u>\$ 31,125,960</u></b>	<b><u>\$ 17,825,429</u></b>	<b><u>\$ 48,951,389</u></b>

# LASELL UNIVERSITY

## Notes to Financial Statements

### Note 12 - 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, 2020:

	<i>Without Donor Restrictions</i>	<i>With Donor Restrictions</i>	<i>Total</i>
Donor-restricted endowment funds	\$ -	\$ 16,518,420	\$ 16,518,420
Board-designated funds	<u>25,807,603</u>	<u>-</u>	<u>25,807,603</u>
<b>Total funds</b>	<b><u>\$ 25,807,603</u></b>	<b><u>\$ 16,518,420</u></b>	<b><u>\$ 42,326,023</u></b>
	<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>\$ 22,141,688</u>	<u>\$ 16,979,383</u>	<u>\$ 39,121,071</u>
Gifts and additions	1,858,430	222,993	2,081,423
Transfer from operating	<u>5,300,000</u>	<u>-</u>	<u>5,300,000</u>
Split-interest agreements and trusts activity	<u>(42,066)</u>	<u>(14,827)</u>	<u>(56,893)</u>
Endowment returns:			
Interest and dividends, net of investment expenses	750,244	168,310	918,554
Net realized and unrealized losses	<u>(913,173)</u>	<u>(347,260)</u>	<u>(1,260,433)</u>
Total endowment returns	<u>(162,929)</u>	<u>(178,950)</u>	<u>(341,879)</u>
Appropriations:			
Special endowment appropriation	(2,000,000)	-	(2,000,000)
Amounts appropriated for operations and other purposes	<u>(1,287,520)</u>	<u>(490,179)</u>	<u>(1,777,699)</u>
	<u>(3,287,520)</u>	<u>(490,179)</u>	<u>(3,777,699)</u>
Change in endowment assets and those functioning as endowment assets	<u>3,665,915</u>	<u>(460,963)</u>	<u>3,204,952</u>
<b>Endowment assets and those functioning as endowment assets at end of year</b>	<b><u>\$ 25,807,603</u></b>	<b><u>\$ 16,518,420</u></b>	<b><u>\$ 42,326,023</u></b>

# LASELL UNIVERSITY

## *Notes to Financial Statements*

### **Note 12 - 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, 2021 and 2020. The Board of Trustees has approved a 5.0% spending rate for the year ending June 30, 2022, which is approximately \$2,100,000.

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.

# LASELL UNIVERSITY

## *Notes to Financial Statements*

### **Note 12 - 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, 2021 and 2020, 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 13 - 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 \$0 and \$1,316,049 for the years ended June 30, 2021 and 2020, respectively.

# LASELL UNIVERSITY

## *Notes to Financial Statements*

### **Note 13 - Employee Benefit Plans (Continued)**

During the years ended June 30, 2021 and 2020, 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 and \$19,000 to the 457(b) plan for the years ended June 30, 2021 and 2020, respectively. The assets related to the 457(f) plan totaled \$216,080 and \$94,922 at June 30, 2021 and 2020, respectively, and the liabilities totaled \$266,080 and \$150,000 at June 30, 2021 and 2020, respectively.

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 \$188,978 and \$152,615 at June 30, 2021 and 2020, respectively. The University has deposits on account with EdHealth in the amount of \$355,888 as of June 30, 2021.

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 14 - 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. The remaining lease payments include annual payments of \$207,509 through 2021.

In addition, under the terms of the ground lease agreement, the Village is responsible for payment of additional ground rent to the University to include all taxes, assessments, betterments, excises, user fees and any other municipal government fees or charges that might be levied.

Land lease income is recorded on the straight-line basis over the lease term. Lease income recognized for the years ended June 30, 2021 and 2020 is \$205,840. Deferred lease income has been recorded for the amount of lease income received in excess of the straight-line lease income, the cumulative amount of which was approximately \$1,492,000 and \$1,491,000 at June 30, 2021 and 2020, respectively.

# LASELL UNIVERSITY

## Notes to Financial Statements

### Note 14 - Related-Party Transactions (Continued)

#### 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. Under the management portion of the Agreement, the Village is required to make monthly payments to the University totaling 3.7% of the monthly operating revenues of the Village. At the end of the fiscal year, the University shall receive from the Village 10% of any surplus up to \$200,000 and 5% of any operating surplus in excess of \$200,000. The educational services portion of the Agreement is calculated on a cost plus 20% basis, the information technology services agreement is calculated on a cost plus 15% basis, the maintenance agreement is calculated on a cost plus 10% basis and the security services agreement is calculated on a cost plus 15% basis. The Village reimburses the University for executive fees related to the Village President's compensation plus a 22% fringe benefit rate, this rate was reduced to 16% for fiscal year 2021 due to the suspension of the University's 403(b) employer match. Other reimbursements include direct costs associated with health insurance and corporate purchasing cards managed by the University.

A summary of payments from the Village to the University under the above agreements is as follows for the years ended June 30:

	<b>2021</b>	<b>2020</b>
Land lease	\$ 207,509	\$ 207,509
Management fees	663,066	653,135
Executive fees	327,472	334,458
Educational services fees	240,149	261,306
Information technology services fees	196,376	213,692
Maintenance and security fees	<u>863,585</u>	<u>795,433</u>
<b>Total payments</b>	<b><u>\$ 2,498,157</u></b>	<b><u>\$ 2,465,533</u></b>

The University recognized \$2,290,648 and \$2,258,025 in revenue related to the agreement with the Village for the years ended June 30, 2021 and 2020, respectively, which is included in auxiliary enterprises revenue in the Statements of Activities. Land lease income recognized, \$205,840 for each of the years ended June 30, 2021 and 2020, is included in non-operating activities on the Statements of Activities.

At June 30, 2021, \$41,726 was due to the Village from the University and at June 30, 2020, \$168,633 was due to the University from the Village. The payable is included in other liabilities as of June 30, 2021 and the receivable is included in accounts receivable at June 30, 2020 on the Statements of Financial Position.

# LASELL UNIVERSITY

## Notes to Financial Statements

### Note 15 - Functional Expenses

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

		2021					
		Instruction	Academic Support	Student Services	Auxiliary Enterprises	Institutional Support	Total
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
		<b>\$ 14,446,754</b>	<b>\$ 2,715,327</b>	<b>\$ 10,950,959</b>	<b>\$ 15,700,796</b>	<b>\$ 10,162,380</b>	<b>\$ 53,976,216</b>

		2020					
		Instruction	Academic Support	Student Services	Auxiliary Enterprises	Institutional Support	Total
Expenses:							
Salaries and benefits	\$	12,335,666	\$ 2,399,733	\$ 6,664,135	\$ 5,283,941	\$ 5,570,781	\$ 32,254,256
Supplies and services		454,451	338,314	2,833,283	3,398,984	1,935,288	8,960,320
Occupancy, utilities and repairs		995,159	190,075	593,756	2,944,942	158,918	4,882,850
Depreciation		1,597,922	42,894	668,776	3,194,492	464,393	5,968,477
Interest		360,588	468	78,293	2,282,992	61,959	2,784,300
Other		934,972	188,963	1,013,211	742,475	727,296	3,606,917
		<b>\$ 16,678,758</b>	<b>\$ 3,160,447</b>	<b>\$ 11,851,454</b>	<b>\$ 17,847,826</b>	<b>\$ 8,918,635</b>	<b>\$ 58,457,120</b>

### Note 16 - 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. In both the years ended June 30, 2021 and 2020, \$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 16 - 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 wife 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 wife's departure or death.

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 17 - 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 \$3,108,729 and \$988,529 for the years ended June 30, 2021 and 2020, respectively. Unexpended amounts pending at June 30, 2021 were \$4,380,400, which are expected to be reported as revenue in fiscal 2022 as costs are incurred.

#### ***Employee Retention Credits***

The University has not yet determined if it was eligible during the quarters ended March 31, 2021 or June 30, 2021 for an employee retention credit, a program under the CARES Act. The program runs through December 31, 2021 and eligibility is determined on a quarter by quarter basis. The University has not recorded any grant revenue associated with this program for the year ended June 30, 2021, and thus no accrual for these quarters was recorded as of June 30, 2021.

#### ***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 2022 and expects revenue to be reported in fiscal 2022.

#### ***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.