

Simmons University
Financial Statements
June 30, 2022 and 2021

Simmons University
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June 30, 2022 and 2021

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Report of Independent Auditors

To the Board of Trustees of Simmons University

Opinion

We have audited the accompanying financial statements of Simmons University (the "University"), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities and of cash flows for the years then ended, including the related notes (collectively referred to as 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 audit in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the University and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with 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 the financial statements are issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US 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 US 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.

PricewaterhouseCoopers LLP

Boston, Massachusetts
November 1, 2022

Simmons University
Statements of Financial Position
June 30, 2022 and 2021

<i>(in thousands of dollars)</i>	2022	2021
Assets		
Cash and cash equivalents	\$ 9,052	\$ 41,589
Accounts receivable, net	12,818	11,723
Contributions receivable, net	4,225	1,409
Bond proceeds restricted for construction purposes	47,240	46,766
Funds internally designated for construction purposes	-	30,000
Investments	214,079	245,717
Beneficial interest in trusts	9,504	10,857
Loans to students, net	933	1,418
Other assets	11,750	7,531
Right-of-use assets	460	606
Property, plant, and equipment, net	<u>259,672</u>	<u>203,224</u>
Total assets	<u>\$569,733</u>	<u>\$600,840</u>
Liabilities and Net Assets		
Accounts payable and accrued liabilities	\$ 18,489	\$ 24,445
Deposits payable and deferred revenues	21,940	19,307
Operating lease payable	470	606
Bonds payable	280,735	223,841
Line of credit	-	50,000
U.S. government loan advances	987	1,228
Other liabilities	<u>10,862</u>	<u>2,872</u>
Total liabilities	<u>333,483</u>	<u>322,299</u>
Net assets		
Without donor restrictions	<u>49,066</u>	<u>72,784</u>
With donor restrictions		
Time or purpose	15,388	11,674
Endowment returns subject to future appropriation	78,480	106,850
Perpetual	<u>93,316</u>	<u>87,233</u>
Total with donor restrictions	<u>187,184</u>	<u>205,757</u>
Total net assets	<u>236,250</u>	<u>278,541</u>
Total liabilities and net assets	<u>\$569,733</u>	<u>\$600,840</u>

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

Simmons University
Statement of Activities
Year Ended June 30, 2022

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
<i>(in thousands of dollars)</i>			
Operating revenues and other support			
Student income			
Tuition and fees	\$ 119,320	\$ -	\$ 119,320
Residence and dining fees	14,280	-	14,280
Total student income	133,600	-	133,600
Investment return in support of operations	2,960	8,477	11,437
Contributions	1,508	7,870	9,378
Government and private grants	11,203	-	11,203
Auxiliary and other operating revenues	13,742	-	13,742
Net assets released from restriction	13,487	(13,487)	-
Total operating revenues and other support	176,500	2,860	179,360
Operating expenses			
Salaries and wages	64,427	-	64,427
Employee benefits	13,276	-	13,276
Materials, supplies, and other	48,772	-	48,772
Partner share of online programs	42,336	-	42,336
Interest	7,433	-	7,433
Total operating expenses	176,244	-	176,244
Results from operations before depreciation and accretion	256	2,860	3,116
Depreciation and accretion expense	13,005	-	13,005
Results from operations before accelerated depreciation	(12,749)	2,860	(9,889)
Accelerated depreciation	1,704	-	1,704
Results from operations after depreciation and accretion	(14,453)	2,860	(11,593)
Nonoperating revenues, gains, and losses			
Contributions	-	8,599	8,599
Investment return, net	(6,446)	(20,061)	(26,507)
Distribution of investment return in support of operations	(2,960)	(8,477)	(11,437)
Change in value of trusts	-	(1,353)	(1,353)
Net assets released due to donor redesignation	141	(141)	-
Change from nonoperating activity	(9,265)	(21,433)	(30,698)
Change in net assets	(23,718)	(18,573)	(42,291)
Net assets, beginning of year	72,784	205,757	278,541
Net assets, end of year	\$ 49,066	\$ 187,184	\$ 236,250

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

Simmons University
Statement of Activities
Year Ended June 30, 2021

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
<i>(in thousands of dollars)</i>			
Operating revenues and other support			
Student income			
Tuition and fees	\$ 134,390	\$ -	\$ 134,390
Residence and dining fees	1,841	-	1,841
Total student income	<u>136,231</u>	<u>-</u>	<u>136,231</u>
Investment return in support of operations	2,980	8,395	11,375
Contributions	1,862	3,128	4,990
Government and private grants	8,350	-	8,350
Auxiliary and other operating revenues	10,392	-	10,392
Net assets released from restriction	10,001	(10,001)	-
Total operating revenues and other support	<u>169,816</u>	<u>1,522</u>	<u>171,338</u>
Operating expenses			
Salaries and wages	61,735	-	61,735
Employee benefits	11,249	-	11,249
Materials, supplies, and other	30,610	-	30,610
Partner share of online programs	49,409	-	49,409
Interest	6,373	-	6,373
Total operating expenses	<u>159,376</u>	<u>-</u>	<u>159,376</u>
Results from operations before depreciation, accretion and write-off charges	<u>10,440</u>	<u>1,522</u>	<u>11,962</u>
Depreciation and accretion expense	<u>11,128</u>	<u>-</u>	<u>11,128</u>
Results from operations before accelerated depreciation and write-off charges	(688)	1,522	834
Accelerated depreciation and write-off charges	<u>11,786</u>	<u>-</u>	<u>11,786</u>
Results from operations after depreciation, accretion and write-off charges	<u>(12,474)</u>	<u>1,522</u>	<u>(10,952)</u>
Nonoperating revenues, gains, and losses			
Contributions	-	1,795	1,795
Investment return, net	16,077	48,045	64,122
Distribution of investment return in support of operations	(2,980)	(8,395)	(11,375)
Change in value of trusts	-	1,855	1,855
Loss on extinguishment of debt	(124)	-	(124)
Net assets released due to donor redesignation	25	(25)	-
Change from nonoperating activity	<u>12,998</u>	<u>43,275</u>	<u>56,273</u>
Change in net assets	524	44,797	45,321
Net assets, beginning of year	<u>72,260</u>	<u>160,960</u>	<u>233,220</u>
Net assets, end of year	<u>\$ 72,784</u>	<u>\$ 205,757</u>	<u>\$ 278,541</u>

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

Simmons University
Statements of Cash Flows
Years Ended June 30, 2022 and 2021

<i>(in thousands of dollars)</i>	2022	2021
Cash flows from operating activities		
Change in net assets	\$ (42,291)	\$ 45,321
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities		
Depreciation and accretion expense	14,709	11,702
Amortization of bond premium/discount and bond issuance costs, net	(934)	(1,270)
Loss on extinguishment of long-term debt	-	124
Noncash contribution securities received	(1,512)	(397)
Proceeds from sale of contributed securities	240	344
Net realized and unrealized loss(gain) on investments	29,609	(61,559)
Change in beneficial interest in trusts	1,353	(1,855)
Net realized loss on disposals of property, plant, and equipment,	278	11,212
Contributions to be used for long-term purposes	(7,195)	(1,913)
Change in reserve for bad debt	201	64
Changes in assets and liabilities:		
Receivables and other assets	(7,962)	73
Increase in payables and other liabilities	2,398	6,724
Deferred revenues and deposits payable	<u>2,633</u>	<u>(3,229)</u>
Net cash (used in) provided by operating activities	<u>(8,473)</u>	<u>5,341</u>
Cash flows from investing activities		
Purchases of property, plant, and equipment	(72,045)	(50,250)
Proceeds from the sale and maturities of investments	41,907	63,444
Purchases of investments	(40,245)	(55,875)
Use of bond proceeds restricted for construction purposes	46,577	39,287
Student loans advanced	(53)	(130)
Student loans collected	<u>313</u>	<u>351</u>
Net cash used in investing activities	<u>(23,546)</u>	<u>(3,173)</u>
Cash flows from financing activities		
Repayments of long-term debt	(5,430)	(5,200)
Advance refunding of long-term debt	(2,105)	(900)
Proceeds from bond issuance	69,525	-
(Repayment of) proceeds from line of credit	(50,000)	48,905
Debt issuance costs	(4,161)	(17)
Payments to annuity beneficiaries	(129)	(174)
Contributions to be used for long-term purposes	7,195	1,913
Proceeds from sale of contributed securities for long-term purposes	<u>1,250</u>	<u>-</u>
Net cash provided by financing activities	<u>16,145</u>	<u>44,527</u>
Net change in cash and cash equivalents	(15,874)	46,695
Cash and cash equivalents (Note 2)		
Beginning of year	<u>72,416</u>	<u>25,721</u>
End of year	<u>\$ 56,542</u>	<u>\$ 72,416</u>
Supplemental data/noncash investing and financing activity		
Cash paid for interest	\$ 11,143	\$ 10,616
Purchases of property, plant, and equipment in accounts payable and accrued liabilities	7,566	8,253
Noncash contribution securities received	1,512	397

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

Simmons University

Notes to Financial Statements

June 30, 2022 and 2021

1. Organization

Simmons University (the “University”) is a respected private, nonsectarian institution located in Boston’s Back Bay that currently serves approximately 2,300 undergraduate women with more than 50 majors and programs, and over 3,700 men and women in its graduate programs at the master and doctoral levels. Simmons also offers Online Graduate Programs in Nursing, Social Work, Business Administration, Healthcare Business Administration, Public Health, Behavioral Analysis, Nutrition and Library and Information Sciences. The University, a longtime leader in online higher education, recently launched CompleteDegree@Simmons – a new fully online undergraduate program for adult learners. Founded in 1899, Simmons’ unique model of higher education combines leadership in high-demand professional fields along with the intellectual foundation of the liberal arts so that students graduate with the ability to lead in their professional, personal, and civic lives.

The University is a qualified tax-exempt organization under the provisions of Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3).

2. Accounting Policies

(a) Basis of Presentation

The financial statements of the University have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles (“GAAP”) in the United States of America and with the provisions of the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 958, Not-for-profit Entities.

(b) Net Asset Classes

The accompanying financial statements present information regarding the University’s financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions.

Without donor restrictions: net assets are not subject to donor stipulations restricting their use but may be designated for specific purposes by the University or may be limited by contractual agreements with outside parties. The University reports all expenditures in this class of net assets, since the use of restricted contributions in accordance with donors’ stipulations results in the release of the restriction.

With donor restrictions: net assets are subject to donor stipulations that expire with the passage of time, can be fulfilled by actions pursuant to the stipulations, or which may be perpetual.

(c) Nonoperating Revenues, Gains and Losses

The nonoperating revenues, gains and losses include investment income, realized and unrealized investment gains and losses net of amounts distributed in support of operations, the change in value of trusts, contributions to net assets with donor intentions that are not available for current operational use, loss on extinguishment of debt, and nonoperating net assets released due to donor redesignation.

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(d) Fundraising Expenses

Expenses associated with fundraising were \$1,910,000 and \$2,243,000 in 2022 and 2021, respectively, and are included in institutional support and advancement expenditures disclosed in Note 14. These expenses are captured on the statement of activities in Salaries and wages, Employee benefits, and Materials, supplies, and other.

(e) Cash Equivalents

Cash and cash equivalents consist primarily of cash management accounts, money market funds and short-term bond funds with maturities when purchased of three months or less. The University has elected to treat all short-term highly liquid investments, (i.e., cash equivalents), embedded in pooled investments and charitable annuities and pooled income funds as investments.

The University invests its cash and cash equivalents in money market funds at financial institutions.

The following table provides a reconciliation of cash and cash equivalents and restricted cash reported within the statements of financial position that sum to the total of the amounts presented in the statements of cash flows.

<i>(in thousands of dollars)</i>	2022	2021
Cash and cash equivalents	\$ 9,052	\$ 41,589
Cash internally designated for construction purposes	-	30,000
Bond proceeds restricted for construction purposes	47,051	-
Cash included in investments	439	827
	<u>\$ 56,542</u>	<u>\$ 72,416</u>

(f) Investments

Investments, including life income funds, are reported at fair value. Fair value is 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. Gains or losses on investments are recognized as increases or decreases in net assets without donor restrictions, unless their use is restricted by explicit donor stipulations or by law.

Certain investments are not publicly traded and are referred to as alternative investments. The alternative investments are carried at estimated fair values as provided by the investment managers (Notes 7 and 9).

The University invests in various securities, including short-term investments such as mutual funds, fixed income instruments, hedge funds, private equities, and equities. Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes could occur and materially affect the amounts reported in the financial statements.

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Notes to Financial Statements
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(g) Endowment Investment and Spending Policies

The Uniform Prudent Management of Institutional Funds Act (UPMIFA) was signed into law in Massachusetts in 2009. The Trustees of the University interpreted the Massachusetts enacted version of UPMIFA as allowing 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. Unless stated otherwise in the gift instrument, the assets in an endowment fund shall be net assets with donor restrictions until appropriated for expenditure.

The University has adopted investment and spending policies for endowment assets to provide long term capital appreciation to supply funds for the specified purposes for which the original endowed gifts were given (e.g., scholarships, endowed chairs and operations). The time horizon for the endowment is perpetuity. The assets of the University are managed accordingly by external professional investment managers or invested in professionally managed funds, including fund of funds. The appointment of such managers or funds is the responsibility of the Investment Committee, a standing committee of the Board of Trustees. Investment managers have discretion over their investment programs, subject to appropriate constraints reflected in the University's Investment Policy Statements or in the applicable investment management contracts.

The long-term objective of the University is to achieve a total return equivalent to or greater than the expected return. The expected return is the sum of the annual spending rate, the long-term inflation rate and any growth factor which the Investment Committee may deem appropriate. The spending rate for the years ended June 30, 2022 and June 30, 2021 was 6.0%. The annual spending rate calculation is based on the average of the prior twelve quarter end market values as of December 31. To the extent that current yield is inadequate to meet the spending rate, a portion of cumulative realized and unrealized net gains is also available for current use.

(h) Property, Plant, and Equipment

Property, plant, and equipment are recorded at cost or, if acquired by gift, at fair market value on the date of receipt. Depreciation is computed by the straight-line method based on the estimated useful lives of the assets. The University reports gifts of property and equipment as net assets without donor restrictions, unless explicit donor stipulations specify how the donated assets must be used.

Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as net assets with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the University reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

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The estimated useful lives used in computing depreciation are as follows:

Furniture, fixtures and equipment	3–15 years
Land improvements	10 years
Library books	10 years
Building improvements	20 years
Buildings	40–50 years

Leasehold improvements are depreciated over the shorter of the useful life of the improvement or the remaining lease term. The range of depreciable lives currently included in leasehold improvements is between 5 and 20 years.

Interest costs incurred as a result of borrowing to fund a specific capital project are capitalized as part of the cost of the asset and depreciated over the useful life of the asset. Interest is capitalized only during the period through which construction is substantially complete. During the years ended June 30, 2022 and 2021 the University capitalized interest costs totaling \$2,736,000 and \$3,273,000, respectively.

The University's policy is not to capitalize collections, primarily art objects, as they are held for educational, research, and curatorial purposes. Each of the items is catalogued, preserved and cared for, and activities verifying their existence and assessing their condition are performed continuously. Any proceeds from the sale of collection items are used to acquire other items for the collection.

(i) Asset Retirement Obligations

The University has recognized an asset retirement obligation for the future remediation of asbestos in campus facilities. The University recognizes the fair value of a liability for legal obligations associated with asset retirements in the period in which the obligation is incurred. When the liability is initially recorded, the cost of the asset retirement obligation is capitalized by increasing the carrying amount of the related long-lived asset. The liability is accreted to its present value each period, and the capitalized cost associated with the retirement obligation is depreciated over the useful life of the related asset. Upon settlement of the obligation, any difference between the cost to settle the asset retirement obligation and the liability recorded is recognized as a gain or loss in the Statements of Activities. The accrual balance for this obligation of \$2,105,000 and \$2,028,000 as of June 30, 2022 and 2021, respectively, is included in Other liabilities in the Statements of Financial Position.

(j) Fair Value of Financial Instruments Other Than Investments

The carrying amounts of cash equivalents, accounts receivable, accrued interest receivable, accounts payable, and student deposits approximate fair value because of the short maturities of these financial instruments.

Reasonable estimates of the fair values of the notes receivable from students under government loan programs and advances from the federal government for student loans could not be made because the notes receivable are not saleable and can only be assigned to the U.S. government or its designees.

(k) Student Income

The University recognizes tuition and fees revenue in the period in which the educational instruction is performed. Revenue is recognized ratably over the period in which the courses take place. Accordingly, tuition and fees received in advance are deferred until the

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educational instruction is provided and related expenses incurred. Students receive financial aid to help defray the cost of tuition and fees and reduce the amount of revenue recognized by the University.

The University offers courses during the summer months that span two reporting periods. Deferred revenues related to these summer terms are \$15,975,000 and \$16,940,000 for the years ended June 30, 2022 and 2021, respectively.

Deposits paid by students for future terms are recognized in the term in which the student begins their enrollment. Tuition deposits were \$498,000 and \$399,000 at June 30, 2022 and 2021, respectively.

The timing(s) of billings, cash collections and revenue recognition results in accounts receivable and deferred revenue on the statement of financial position. Receivables are recognized only to the extent that it is probable that the University will collect substantially all of the consideration to which it is entitled in exchange for goods and services transferred to the student. Receipts received in advance of goods and services performed are recorded as deferred revenue.

Residence and dining fees revenue includes revenue generated as a result of students utilizing University-sponsored housing and meal plans. Certain students receive financial aid that helps defray the costs of these services and reduces the amount of revenue recognized. Performance obligations for housing and dining services are delivered over the academic terms and consequently revenue is recognized ratably as services are rendered.

Deposits paid by students for housing are held until the conclusion of the student's residency in University-sponsored housing. Residence deposits were \$245,000 and \$235,000, at June 30, 2022 and 2021, respectively.

Student aid reduces the published price of student Tuition and fees for students receiving such aid. Student aid is applied by the University first to Tuition and fees charges and any remainder defrays the cost of their Residence and dining fees, if applicable. As such, student aid is referred to as a discount and is the difference between the published charges and the amount that is billed to the student.

Total student aid awarded was \$58,708,000 and \$49,156,000 for the years ended June 30, 2022 and 2021, respectively.

Financial aid provided to students consisted of aid relative to:

<i>(in thousands of dollars)</i>	2022	2021
Undergraduate and graduate tuition and fees	\$ 56,613	\$ 48,342
Online program tuition and fees	707	425
Residence and dining fees	822	170

Scholarships and other awards paid directly to students totaled \$566,000 and \$219,000 in 2022 and 2021, respectively. These payments are reported within Materials, supplies and other in the Statements of Activities.

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(l) Auxiliary and Other Operating Revenues

Auxiliary and Other operating revenues include revenues from contracts with customers to provide space leases, parking services, ticket sales for conferences and athletic events, hosting of conferences and events for third parties, and other miscellaneous activities. Parking service revenue is recorded ratably over the period for which the parking permits have been sold. For ticket sales, revenue is recognized after the event occurs. Revenues are recorded for the hosting of conferences and events ratably over the duration of the conference or event. Deferred revenue related to these activities was \$1,020,000 and \$1,101,000 at June 30, 2022 and 2021, respectively.

The University leases parking garage and office space to third parties. The leases have scheduled annual increases which the University recognizes on a straight-line basis over the lease term beginning with the start of the lease.

Future minimum lease payments due to the University on leases of parking garage and office space as follows:

(in thousands of dollars)

Year ending June 30,	
2023	\$ 2,260
2024	1,154
2025	44
2026	45
2027	46
Thereafter	1,133
	<u>\$ 4,682</u>

(m) Contributions

Contributions received, including unconditional promises, are recognized as revenues when the donors' commitments are received. Unconditional promises are recognized at the estimated present value of the future cash flows, net of allowances. Conditional promises are recorded at their fair values when donor stipulations are substantially met.

Contributed securities are recorded at their fair value at the date of contribution and are immediately liquidated upon receipt. Contributed securities that are immediately sold are presented within cash flows from operations if there are no donor imposed restrictions and within cash flows from financing if there are donor imposed restrictions for a long-term purpose.

Grant-sponsored activities which are authorized by the sponsor, but for which costs have not yet been incurred, totaled \$5,338,000 and \$5,714,000 as of June 30, 2022 and 2021, respectively.

(n) Use of Estimates

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

Simmons University

Notes to Financial Statements

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areas which are affected by the use of estimates are the allowances for doubtful accounts which impacts Accounts receivable, net and certain accruals included in Accounts payable and accrued liabilities on the Statement of Financial Position. Actual results could differ from those estimates.

(o) Related Party Transactions

The University's Board of Trustees includes representatives of both private and public sector industries. During fiscal years ended June 30, 2022 and 2021, the University conducted business with some of these entities under terms that were consistent with those offered to unrelated customers. The University also received gifts from members of the Board of Trustees during 2022 and 2021.

(p) Recent Accounting Pronouncements

In September 2020, the FASB issued ASU 2020-07: "Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets." The standard provides increased transparency of contributed nonfinancial assets through enhancements to presentation and disclosure. The standard is effective for fiscal years beginning after June 15, 2021, and has been adopted by the University in the current fiscal year. The adoption did not have a material effect on the financial statements.

3. Accounts Receivable

At June 30 accounts receivable, net consisted of the following:

(in thousands of dollars)

	2022	2021
Accounts receivable - student and other	\$ 14,860	\$ 13,351
Accounts receivable for sponsored programs	582	850
Less: Allowance for doubtful accounts	<u>(2,624)</u>	<u>(2,478)</u>
Accounts receivable, net	<u>\$ 12,818</u>	<u>\$ 11,723</u>

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4. Contributions Receivable

Contributions receivable, net as of June 30 consist of the following:

<i>(in thousands of dollars)</i>	2022	2021
Due in one year or less	\$ 814	\$ 1,336
Due between one year and five years	<u>4,110</u>	<u>80</u>
	4,924	1,416
Less:		
Allowance for uncollectible contributions	(109)	(1)
Discount to present value (discount rates range from 1.41%–4.7%)	<u>(590)</u>	<u>(6)</u>
Contributions receivable, net	<u>\$ 4,225</u>	<u>\$ 1,409</u>

Included in Contributions receivable are unsecured receivables from related parties in the amount of \$3,820,000 and \$119,000 as of June 30, 2022 and 2021, respectively.

5. Loans to Students, Net

Loans to students are \$933,000 and \$1,418,000 as of June 30, 2022 and 2021, respectively, net of an allowance for uncollectible loans of \$464,000 and \$516,000 at June 30, 2022 and 2021, respectively.

The University regularly assesses the adequacy of the allowance for doubtful accounts related to loans to students by performing ongoing evaluations of the student loan portfolio, including such factors as the economic environment in which the borrowers operate and the level of delinquent loans. The University also performs a detailed review of the aging of the student loan receivable balances in comparison to prior years. The level of the allowance is adjusted based on the results of this analysis. The University considers the allowance recorded at June 30, 2022 and June 30, 2021 to be reasonable and adequate to absorb the potential credit losses inherent in the student loan portfolio.

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6. Property, Plant, and Equipment

Property, plant, and equipment, net are stated at cost or fair value at date of gift, less accumulated depreciation, and as of June 30 are summarized as follows:

<i>(in thousands of dollars)</i>	2022	2021
Land	\$ 815	\$ 815
Buildings and improvements	284,268	247,569
Furniture, fixtures, and equipment	71,203	65,359
Library books	10,593	10,593
Construction in progress	88,755	60,340
Leasehold improvements	14,246	14,246
	<u>469,880</u>	<u>398,922</u>
Less: Accumulated depreciation	<u>(210,208)</u>	<u>(195,698)</u>
Property, plant, and equipment, net	<u>\$ 259,672</u>	<u>\$ 203,224</u>

Depreciation expense, before consideration of accelerated depreciation, was \$13,005,000 and \$11,053,000 for the years ended June 30, 2022 and 2021, respectively.

The University updated its estimate of the remaining useful life of certain assets related to various renovations on campus, resulting in incremental depreciation expense of \$1,704,000 and \$574,000 for the years ended June 30, 2022 and June 30, 2021, respectively.

The University recorded a loss on disposal of property, plant, and equipment of \$11,212,000 during the year ended June 30, 2021. The University disposed of property, plant, and equipment with a cost or fair value at date of acquisition of \$20,221,000 and accumulated depreciation at the time of disposal of \$9,009,000. This disposal was due to demolition related to various renovations on campus.

Future incremental depreciation expense related to this change in estimate is as follows:

<i>(in thousands of dollars)</i>		
Year ending June 30,		
2023	\$	1,091
2024		950
2025		950
2026		950
		<u>3,941</u>
	<u>\$</u>	<u>3,941</u>

The University signed an exchange agreement in March 2021 with a developer that provides for a 99-year ground lease on the University's residential campus in exchange for funding a substantial portion of the cost to construct a living and learning center on the University's academic campus that is expected to be completed in fiscal year 2027.

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The University has contractual obligations outstanding, related to various renovations on campus, of \$30,193,000 and \$57,804,000 at June 30, 2022 and 2021, respectively.

7. Investments

The fair value of investments by type, including investments under split interest agreements and charitable remainder trusts, as of June 30 were as follows:

<i>(in thousands of dollars)</i>	2022	2021
Cash and short-term investments	\$ 8,184	\$ 8,505
Receivable from investment managers	-	29
Fixed income	20,550	23,017
Equities	116,221	146,250
Private equities	34,552	27,822
Hedge funds	<u>34,572</u>	<u>40,094</u>
Total investments	<u>\$ 214,079</u>	<u>\$ 245,717</u>

The fair value of certain private equity, real estate, natural resource and other equity investments represents the University's ownership interest in the capital account of limited partnerships. The value of these investments is determined by the general partner and is based on appraisals or other estimates that require varying degrees of judgment. If no public market exists for the underlying investment, the fair value is determined by the general partner taking into consideration among other things, multiples of comparable companies in the public markets and/or discounted cash flow analyses. The University performs additional procedures with respect to valuation including due diligence reviews on its investments in limited partnerships and including, but not limited to, general partners' compliance with the Fair Value Measurements standard price transparency and valuation procedures in place. The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the University believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a materially different estimate of fair value at the reporting date.

Purchases and sales of securities are recorded on the trade date and realized gains and losses are determined on the basis of the average cost of securities sold. Advance contributions to commingled fund investments and redemptions receivable from commingled fund are included within Investments presented on the Statement of Financial Position.

The University is obligated under certain alternative investment agreements to periodically advance additional funding up to their contractual levels.

Investment return transferred from nonoperating to operating was \$11,437,000 and \$11,375,000 for the years ended June 30, 2022 and 2021, respectively.

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8. Beneficial Interest in Trusts

The University is party to various split interest agreements and these agreements include perpetual trusts, charitable remainder trusts, charitable gift annuities, and pooled life income funds. The University's gift annuities and pooled life income funds are included in Investments on the Statement of Financial Position. The University's interest in perpetual trusts and charitable remainder trusts are included in Beneficial interest in trusts. These assets represent the University's share of the fair market value of the trust assets as of the dates of the statements of financial position. Distributions of income from the trusts to the University are recorded as revenue and the carrying value of the assets is adjusted for changes in value over time.

9. Fair Value Measurements

GAAP permits, as a practical expedient, an entity holding investments in certain entities that calculate net asset value per share or its equivalent for which the fair value is not readily determinable, to measure the fair value of such investments on the basis of that net asset value ("NAV") per share or its equivalent without adjustment. GAAP requires enhanced disclosures about the nature and risks of investments within its scope. Such disclosures include the nature of any restrictions on an investor's ability to redeem its investments at the measurement date, any unfunded commitments, and the investment strategies of the investee.

The University establishes the fair value as an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that is determined based on assumptions that market participants would use in pricing an asset or liability, including assumptions about risk and the risks inherent in valuation techniques.

As a basis for considering assumptions, the University uses a three-tier fair value hierarchy based upon whether the value of the asset or liability can be readily determined from publicly available data or not. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. Observable inputs mean that the market data is readily available from independent sources to help quantify the valuations, while unobservable inputs mean that the market data is not readily available, and therefore, the value of the asset or liability in the portfolio must be based on other information including the reporting entity's own assumptions about how market participants would value the asset or liability.

The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used by the University for financial instruments measured at fair value on a recurring basis.

- Level 1 Quoted prices in active markets for identical assets and liabilities.
- Level 2 Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the same term of the assets or liabilities.
- Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

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A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The University's interests in alternative investments are reported at the net asset value (NAV) reported by the investment managers. The University reviews and evaluates the NAVs provided by the investment managers including, but not limited to, managers' compliance with Fair Value Measurement standards, price transparency and valuation procedures in place, and the ability to redeem NAV at the measurement date. The University believes that these valuations are a reasonable estimate of fair value as of June 30, 2022 and 2021 but are subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for the investments existed; such differences could be material. The NAV is used as a practical expedient to estimate the fair value of these investments unless it is probable that all or a portion of the investment will be sold for an amount different from NAV.

Due to the level of risk associated with certain investment securities and level of uncertainty related to the changes in value of these investments, it is at least reasonably possible that changes in value in the near term could materially impact the amounts reported as the fair market value of these investments at June 30, 2022 and 2021.

The University's assets measured at fair value are as follows:

<i>(in thousands of dollars)</i>	Assets at Fair Value at June 30, 2022				Total
	Level 1	Level 2	Level 3	Measured at Net Asset Value	
Investments					
Cash and short-term investments	\$ 8,079	\$ -	\$ -	\$ -	\$ 8,079
Fixed income securities	20,550	-	-	-	20,550
Equities	62,181	-	-	53,969	116,150
Alternative investments - private equity	-	-	-	34,552	34,552
Alternative investments - hedge funds	-	-	-	34,572	34,572
	<u>90,810</u>	<u>-</u>	<u>-</u>	<u>123,093</u>	<u>213,903</u>
Charitable annuities and pooled income funds					
Cash	105	-	-	-	105
Equities	-	-	-	71	71
	<u>105</u>	<u>-</u>	<u>-</u>	<u>71</u>	<u>176</u>
	<u>\$ 90,915</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 123,164</u>	<u>\$ 214,079</u>

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<i>(in thousands of dollars)</i>	Assets at Fair Value at June 30, 2021				Total
	Level 1	Level 2	Level 3	Measured at Net Asset Value	
Investments					
Cash and short-term investments	\$ 8,267	\$ -	\$ -	\$ -	\$ 8,267
Receivable from investment managers	29	-	-	-	29
Fixed income securities	23,017	-	-	-	23,017
Equities	67,188	-	-	78,923	146,111
Alternative investments - private equity	-	-	-	27,822	27,822
Alternative investments - hedge funds	-	-	-	40,094	40,094
	<u>98,501</u>	<u>-</u>	<u>-</u>	<u>146,839</u>	<u>245,340</u>
Charitable annuities and pooled income funds					
Cash	238	-	-	-	238
Equities	-	-	-	139	139
	<u>238</u>	<u>-</u>	<u>-</u>	<u>139</u>	<u>377</u>
	<u>\$ 98,739</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 146,978</u>	<u>\$ 245,717</u>

The University is party to various split interest agreements, including perpetual trusts and charitable remainder trusts. Beneficial interests in trusts are recorded at fair value and these assets are considered Level 3 by the University due to the lack of observable inputs into the valuation process of these instruments.

<i>(in thousands of dollars)</i>	2022	2021
Balances at beginning of year	\$ 10,857	\$ 9,002
Change in value of trusts	<u>(1,353)</u>	<u>1,855</u>
Balances at end of year	<u>\$ 9,504</u>	<u>\$ 10,857</u>

Included in Other liabilities is \$758,000 and \$845,000 as of June 30, 2022 and 2021, respectively, which represents the present value of future payments to beneficiaries of charitable, gift annuities and remainder interest trusts. This liability is recorded at fair value and is considered Level 3 by the University due to the lack of observable market activity for these arrangements.

A summary of the changes in the fair value of the annuities payable for the years ended June 30, 2022 and 2021 is as follows:

<i>(in thousands of dollars)</i>	2022	2021
Balances at beginning of year	\$ 780	\$ 972
Payments to annuity beneficiaries	(129)	(174)
Change in valuation of annuities payable	<u>42</u>	<u>(18)</u>
Balances at end of year	<u>\$ 693</u>	<u>\$ 780</u>

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The following table for June 30, 2022, sets forth a summary of the University's investments with a reported NAV:

<i>(in thousands of dollars)</i>	Fair Value Estimated Using Net Asset Value		
	June 30, 2022		
	Fair Value	Unfunded Commitments	Redemption Frequency
Investment			
Equities ^(a)	\$ 54,040	\$ -	Varies from less than 30 days, to quarterly with 60 days notice
Limited partnerships - NAV ^(b)			Varies from quarterly with up to 65 days notice, triennial with 60 days notice, to none.
Hedge funds ^(d)	34,572	-	
Private equity	<u>34,552</u>	<u>26,842</u>	N/A
	<u>\$ 123,164</u>	<u>\$ 26,842</u>	

The following table for June 30, 2021, sets forth a summary of the University's investments with a reported NAV:

<i>(in thousands of dollars)</i>	Fair Value Estimated Using Net Asset Value		
	June 30, 2021		
	Fair Value	Unfunded Commitments	Redemption Frequency
Investment			
Equities ^(a)	\$ 79,062	\$ -	Varies from less than 30 days, to quarterly with 60 days notice
Limited partnerships - NAV ^(b)			Varies from quarterly with up to 65 days notice, triennial with 60 days notice, to none.
Hedge funds ^(c)	40,094	-	
Private equity	<u>27,822</u>	<u>23,205</u>	N/A
	<u>\$ 146,978</u>	<u>\$ 23,205</u>	

- a. This category includes investments with the objective to achieve long-term growth from a diversified portfolio of equities. To achieve this objective the University has selected investment managers that focus on both U.S. and international markets in various business sectors including commodities, industrial material, healthcare, information technology, utilities and others.
- b. This category includes investments with the objective to achieve long-term growth from a diversified portfolio of limited partnerships. The objective is to generate long term returns significantly higher than public equity markets.
- c. Hedge funds includes one fund subject to lock-up provisions extending until May 2023.
- d. Hedge funds includes two funds with soft lock-up periods. One fund extends until May 2023 and another extends through December 2023.

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10. Endowment Funds

Endowment net assets as of June 30, 2022 are as follows:

<i>(in thousands of dollars)</i>	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets			
Donor-restricted	\$ -	\$ 160,365	\$ 160,365
Board-designated	51,917		51,917
Total endowment net assets	<u>\$ 51,917</u>	<u>\$ 160,365</u>	<u>\$ 212,282</u>

Changes in endowment net assets for the fiscal year ended June 30, 2022 are as follows:

<i>(in thousands of dollars)</i>	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets at June 30, 2021	\$ 61,324	\$ 182,944	\$ 244,268
Contributions		5,784	5,784
Investment income	780	2,371	3,151
Net appreciation	(7,227)	(22,257)	(29,484)
Amounts appropriated for expenditure	(2,960)	(8,477)	(11,437)
Endowment net assets at June 30, 2022	<u>\$ 51,917</u>	<u>\$ 160,365</u>	<u>\$ 212,282</u>

Endowment net assets as of June 30, 2021 are as follows:

<i>(in thousands of dollars)</i>	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets			
Donor-restricted	\$ -	\$ 182,944	\$ 182,944
Board-designated	61,324	-	61,324
Total endowment net assets	<u>\$ 61,324</u>	<u>\$ 182,944</u>	<u>\$ 244,268</u>

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Changes in endowment net assets for the fiscal year ended June 30, 2021 are as follows:

<i>(in thousands of dollars)</i>	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets at June 30, 2020	\$ 48,227	\$ 142,198	\$ 190,425
Contributions	-	1,396	1,396
Investment income	658	1,955	2,613
Net appreciation	15,419	45,790	61,209
Amounts appropriated for expenditure	<u>(2,980)</u>	<u>(8,395)</u>	<u>(11,375)</u>
Endowment net assets at June 30, 2021	<u>\$ 61,324</u>	<u>\$ 182,944</u>	<u>\$ 244,268</u>

A donor-restricted endowment fund is considered to be underwater if the fair value of the fund is less than either the original gift amount or the amount required to be maintained by the donor or by law. At times, the University may have individual donor-restricted endowment funds that are underwater. The University has a policy that permits spending from underwater funds, unless specifically prohibited by the donor or relevant laws and regulations. At June 30, 2022 and 2021, the aggregate amount by which the University's endowed funds were underwater was \$527,000 and \$14,000, respectively.

11. Bonds Payable

Bonds payable as of June 30 consisted of the following:

<i>(in thousands of dollars)</i>	Par Amount	Final Bond Maturity	Interest Rate	Outstanding Principal	
				2022	2021
Massachusetts Development Finance Agency (MDFA)					
Revenue Bonds					
Simmons College Series H	\$ 39,885	10/1/2033	5.25%	\$ 25,680	\$ 27,465
Simmons College Bonds Series 2008 Taxable	18,730	10/1/2022	Variable	-	4,050
Simmons College Series J	18,970	10/1/2039	5.125 %–5.5 %	18,970	18,970
Simmons College Series K-1	34,595	10/1/2036	4 %–5 %	34,595	34,595
Simmons College Series K-2	9,850	10/1/2022	3.45 %–4.1 %	100	1,650
Simmons University Series L	42,385	10/1/2035	4 %–5 %	41,975	42,125
Simmons University Series M	77,255	10/1/2050	4 %–5 %	<u>77,255</u>	<u>77,255</u>
Total MDFA Revenue Bonds				198,575	206,110
Simmons University Series 2022 Taxable	71,675	10/1/2052	5%	<u>71,675</u>	-
				270,250	206,110
Unamortized bond premium/discount, net				17,515	20,846
Unamortized bond issuance costs				<u>(7,030)</u>	<u>(3,115)</u>
Total bonds payable				<u>\$ 280,735</u>	<u>\$ 223,841</u>

On April 13, 2022, the University issued \$71,675,000 of taxable bonds. These bonds were issued at a discount and the total proceeds before issuance costs and bond insurance was \$69,524,750. Net proceeds, after issuance costs and bond insurance, of \$65,250,000 will be utilized by the University for costs associated with the One Simmons Campus Initiative and other capital needs. As of June 30, 2022, the University has utilized approximately \$18,239,000 for capital expenditures.

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On April 11, 2022 the University prepaid the remaining outstanding principal on the Simmons College 2008 Taxable Bonds in the amount of \$2,105,000.

On April 2, 2020, the University issued \$77,255,000 aggregate principal amount of Series M (2021) Revenue Bonds through the Massachusetts Development Finance Agency. Proceeds from this issue totaled \$91,000,000 and are being used to finance construction of a new science facility, including construction costs and enabling moves related to the renovation and refurbishing of space in other buildings to facilitate the closure of its existing science building. As of June 30, 2022 the proceeds from the Series M issuance have been fully expended to pay for capital expenditures.

On July 8, 2020, the University redeemed a portion of the outstanding MDFA Series H Revenue Bonds with a par amount of \$900,000 and an original maturity date of October 1, 2033. The University recognized a loss of approximately \$124,000 on this redemption.

Aggregate principal payments related to bonds payable and the loan payable are as follows:

(in thousands of dollars)

Year ending June 30,	
2023	\$ 3,575
2024	5,950
2025	6,260
2026	6,605
2027	6,960
Thereafter	<u>240,900</u>
	<u>\$ 270,250</u>

Bank Line

The University maintains a committed one-year line of credit with a bank in the amounts of \$20,000,000 as of June 30, 2022 and \$10,000,000 as of June 30, 2021. The line of credit currently expires on February 24, 2023. There were no draws or amounts outstanding on the line as of and for the years ended June 30, 2022 and 2021.

On April 24, 2020 the University entered into an additional line of credit. This three-year line of credit provided for \$50,000,000 to support operating and capital needs. The amount outstanding on this line of credit as of June 30, 2021 was \$50,000,000 as the University had borrowed \$1,095,000 to fund a debt service reserve account and the remaining \$48,905,000 to finance working capital needs and capital projects. On April 11, 2022 the University repaid \$50,000,000 outstanding and closed the line of credit in anticipation of the issuance of the Series 2022 bonds.

Bond Proceeds Restricted for Construction Purposes

Bond proceeds restricted for construction purposes at June 30, 2022 total \$47,240,000 which represent unspent proceeds from the Series 2022 issuance. Bond proceeds restricted for construction purposes at June 30, 2021 total \$46,766,000 which represents unspent proceeds from the Series M Issuance of approximately \$45,671,000 and a debt service reserve fund of approximately \$1,095,000 that is associated with the University's line of credit. Bond proceeds restricted for construction purposes include amounts held in cash equivalents and short-term investments which are considered Level 1 securities.

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Loan Covenants

Certain bond and bank obligations are collateralized by a mortgage on a portion of the University's campus, a pledge on the University's tuition receipts and contain limits on the issuance of additional debt. In addition, the University's bank agreements require annual compliance with financial covenants requiring minimum liquidity.

12. Availability of Resources and Liquidity

The University regularly monitors liquidity required to meet its operating needs and other contractual commitments, while maximizing the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the University considers all expenditures related to its ongoing mission-related activities.

The following summarizes financial assets and liquidity resources available over a 12-month period at each fiscal year end:

<i>(in thousands of dollars)</i>	2022	2021
Financial assets available		
Cash and cash equivalents	\$ 9,052	\$ 41,589
Accounts receivable, net	12,818	11,723
Contributions (without donor restrictions) due in one year or less available for expenditure	35	70
Investments appropriated for spending in following year	12,513	11,437
Investments not subject to donor or board restrictions	115	132
Total financial assets available within 12 months	34,533	64,951
Liquidity resources		
Bank line of credit	20,000	10,000
Total financial assets and other liquidity resources	\$ 54,533	\$ 74,951

Amounts included for "Investments appropriated for spending in following year" within the table above are based on a spending rate of 6%.

The University's governing board has designated a portion of its resources without donor restrictions as endowment funds for general purposes. These funds are invested for long-term appreciation and current income but remain available and may be spent at the discretion of the board. At June 30, 2022 and 2021, the board designated endowment was approximately \$51,917,000 and \$61,324,000, respectively.

As of June 30, 2021 the University's governing board designated that \$30,000,000 drawn from the lines of credit be designated for capital purposes. As a result, the amount included in the table above for fiscal 2021 represented only the portion of the University's lines of credit that are expected to be available for working capital support.

As of June 30, 2022 and 2021, respectively, approximately 66.4% and 71% of the University's investment portfolio consists of highly liquid investments (redemption period within 30 days); 17.3% and 11.7% of the portfolio's investments may be redeemed either at future specified redemption dates or currently by incurring a penalty. Finally, certain investments (approximately 16.3% and

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17.3%) in real estate, private equities, and private investments are subject to constraints that limit the University's ability to withdraw capital after such investments are made or may limit the amount available for withdrawal at a given redemption date. These constraints may limit the University's ability to respond quickly to changes in market conditions.

13. Composition of Net Assets

The composition of the University's net assets as of June 30, 2022 is as follows:

<i>(in thousands of dollars)</i>	Without Donor Restriction	With Donor Restriction	Total
Endowment funds			
Board designated endowment	\$ 51,917		\$ 51,917
Original principal	-	81,885	81,885
Unspent income and appreciation			
Scholarship support	-	22,215	22,215
Program support	-	21,321	21,321
Unrestricted support	-	34,944	34,944
Total endowment funds	<u>51,917</u>	<u>160,365</u>	<u>212,282</u>
Other invested funds			
Annuity and life income agreements		(470)	(470)
Split interest agreements		1,183	1,183
Perpetual trusts		8,254	8,254
Student loan funds	1,438	1,909	3,347
Unexpended gifts			
Buildings and equipment		3,424	3,424
Instruction, research, and institutional support		6,121	6,121
Scholarship		2,173	2,173
Contributions receivable		4,225	4,225
Undesignated	(4,289)		(4,289)
Total other invested funds	<u>(2,851)</u>	<u>26,819</u>	<u>23,968</u>
Total net assets	<u>\$ 49,066</u>	<u>\$ 187,184</u>	<u>\$ 236,250</u>

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The composition of the University's net assets as of June 30, 2021 is as follows:

<i>(in thousands of dollars)</i>	Without Donor Restriction	With Donor Restriction	Total
Endowment funds			
Board designated endowment	\$ 61,324	\$ -	\$ 61,324
Original principal	-	76,094	76,094
Unspent income and appreciation			
Scholarship support	-	35,023	35,023
Program support	-	28,584	28,584
Unrestricted support	-	43,243	43,243
Total endowment funds	<u>61,324</u>	<u>182,944</u>	<u>244,268</u>
Other invested funds			
Annuity and life income agreements	-	(355)	(355)
Split interest agreements	-	1,379	1,379
Perpetual trusts	-	9,411	9,411
Student loan funds	1,548	1,909	3,457
Unexpended gifts			
Buildings and equipment	-	2,128	2,128
Instruction, research, and institutional support	-	4,541	4,541
Scholarship	-	2,391	2,391
Contributions receivable	-	1,409	1,409
Undesignated	9,912	-	9,912
Total other invested funds	<u>11,460</u>	<u>22,813</u>	<u>34,273</u>
Total net assets	<u>\$ 72,784</u>	<u>\$ 205,757</u>	<u>\$ 278,541</u>

14. Functional Classifications of Expenditures

Expenses are presented by functional classification within this footnote. Each functional classification includes all expenses related to the underlying operations by natural classification. The costs of operations and maintenance of plant, depreciation and interest have been allocated across all functional expense categories to reflect the full cost of those activities.

Costs are allocated using the following methods: Depreciation expense is allocated based on the functional use of the University's fixed assets. Operations and maintenance expense are allocated based on the functional split of all other operating costs. Interest expense is allocated based on the functional use of the assets that were constructed using the proceeds from the respective debt series.

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The Statements of Activities present expenditures by natural classification. The expenditures on a functional basis as of June 30 are as follows:

<i>(in thousands of dollars)</i>	Instruction and Academic Support	Student Services	Institutional Support and Advancement	Auxiliary Operations and Other	Sponsored Activities	Total
Salaries and wages	\$ 41,596	\$ 5,625	\$ 15,065	\$ 1,032	\$ 1,109	\$ 64,427
Employee benefits	8,875	1,260	2,714	226	201	13,276
Materials, supplies, and other	15,847	3,947	17,965	10,294	719	48,772
Partner share of online programs	42,336	-	-	-	-	42,336
Interest	3,416	1,868	724	1,425	-	7,433
Depreciation and accretion expense	4,352	1,920	3,843	2,890	-	13,005
Total expenses 2022	<u>\$ 116,422</u>	<u>\$ 14,620</u>	<u>\$ 40,311</u>	<u>\$ 15,867</u>	<u>\$ 2,029</u>	<u>\$ 189,249</u>

<i>(in thousands of dollars)</i>	Instruction and Academic Support	Student Services	Institutional Support and Advancement	Auxiliary Operations and Other	Sponsored Activities	Total
Salaries and wages	\$ 40,403	\$ 5,085	\$ 14,351	\$ 813	\$ 1,083	\$ 61,735
Employee benefits	8,293	1,120	1,619	190	27	11,249
Materials, supplies, and other	7,556	3,207	13,625	5,136	1,086	30,610
Partner share of online programs	49,409	-	-	-	-	49,409
Interest	2,027	170	2,899	1,277	-	6,373
Depreciation and accretion expense	4,292	816	4,022	1,991	7	11,128
Total expenses 2021	<u>\$ 111,980</u>	<u>\$ 10,398</u>	<u>\$ 36,516</u>	<u>\$ 9,407</u>	<u>\$ 2,203</u>	<u>\$ 170,504</u>

Not included in the table above are accelerated depreciation of \$1,704,000 and \$574,000 for the years ended June 30, 2022 and 2021, respectively. Also not included is a loss on disposal of property, plant, and equipment of \$11,212,000 included in operating results for the year ended June 30, 2021. Accelerated depreciation related to residence campus assets used for auxiliary operations and the science facility used for instruction. The assets disposed of in fiscal 2021 were previously used for academic support.

15. Retirement Plans

The University has a defined contribution retirement plan for substantially all of its employees who are eligible to participate after meeting certain eligibility requirements. The University's contributions to the Plan are based upon a percentage of salaries. The majority of employees of the University have retirement savings accounts with the Teachers Insurance and Annuity Association and the University Retirement Equities Fund. Total retirement expense charged to operations was \$1,656,000 and \$89,000 for 2022 and 2021, respectively.

16. Commitments and Contingencies

In conducting its activities, the University, from time to time, is the subject of various claims and also has claims against others. In management's opinion, the ultimate resolution of such claims at June 30, 2022, would not have a material effect on the financial position of the University.

The University receives funds from the federal government. Entitlements to the resources are generally conditional upon compliance with terms and conditions of the grant agreements and applicable federal regulations, including the expenditure of the resources for eligible purposes. Substantially, all federal financial assistance is subject to financial and compliance audits. Any disallowances become liabilities of the University.

Simmons University

Notes to Financial Statements

June 30, 2022 and 2021

In March 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a pandemic, and the United States federal government declared COVID-19 a national emergency. The University's operations were adversely impacted by the pandemic in 2022 and 2021 as the University experienced reduced auxiliary enterprise revenues and incremental expenses that were incurred to prevent, prepare for, and respond to the COVID-19 pandemic. In response to the disruptions that the COVID-19 pandemic has caused in operations for institutions of higher education, on March 27, 2020, the Federal Government passed the Coronavirus Aid, Relief, and Economic Stimulus Act (CARES Act) which made funds available to the University through various provisions of the legislation. The University is required to report the usage and methodology used to allocate CARES Act Higher Emergency Education Relief Funding (HEERF) funding. In addition, the University must report, document and use funding for eligible expenses and lost revenues prior to the receipt of payments, as long as the expenses incurred are to prevent, prepare for, and respond to coronavirus. For HEERF, the University would need to prioritize grants to students with exceptional need. If the funding for HEERF is not used timely and/or not appropriated properly, the University must remit funding back to the federal agency that provided the funds. The University recognized revenue related to the CARES Act HEERF funding based on regulatory information, as well as interpretations issued by the Department of Education as of June 30, 2022 and 2021. The amounts received under HEERF are subject to audit under Uniform Guidance and are required to be reported on the University's Schedule of Expenditures of Federal Awards.

The University received and recognized HEERF revenues of \$5,399,000 and \$4,336,000 in fiscal year 2022 and 2021, respectively. During fiscal 2022 the University recorded revenues associated with the Employee Retention Tax Credit program in the amount of \$2,745,000. These revenues are reported as Government and private grants revenue within the statement of activities.

17. Subsequent Events

The University evaluated the period from June 30, 2022, the date of the financial statements, through November 1, 2022, the date of the issuance of the financial statements for subsequent events and noted no subsequent events have occurred after the statement of financial position date that have a material impact on the University's financial statements.