

# **Simmons University**

**Financial Statements**  
**June 30, 2021 and 2020**

**Simmons University**  
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**June 30, 2021 and 2020**

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## Report of Independent Auditors

To the Board of Trustees of  
Simmons University

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

### ***Management's Responsibility 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; 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 the 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 our 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, we consider internal control relevant to the University'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 University'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 Simmons 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.

*PricewaterhouseCoopers LLP*

Boston, Massachusetts  
October 22, 2021

**Simmons University**  
**Statements of Financial Position**  
**June 30, 2021 and 2020**

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*(in thousands of dollars)*

	<b>2021</b>	<b>2020</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 41,589	\$ 24,870
Accounts receivable, net	11,723	10,610
Contributions receivable, net	1,409	1,303
Deposits with trustee	46,766	86,053
Funds internally designated for construction purposes	30,000	-
Investments	245,717	191,697
Beneficial interest in trusts	10,857	9,002
Loans to students, net	1,418	1,548
Other assets	7,531	8,979
Right-of-use assets	606	-
Property, plant, and equipment, net	<u>203,224</u>	<u>170,708</u>
Total assets	<u>\$ 600,840</u>	<u>\$ 504,770</u>
<b>Liabilities and Net Assets</b>		
Accounts payable and accrued liabilities	\$ 24,445	\$ 12,454
Deposits payable and deferred revenues	19,307	22,535
Operating lease payable	606	-
Bonds payable	223,841	231,104
Line of credit	50,000	1,095
U.S. government loan advances	1,228	1,373
Other liabilities	<u>2,872</u>	<u>2,989</u>
Total liabilities	<u>322,299</u>	<u>271,550</u>
<b>Net assets</b>		
Without donor restrictions	<u>72,784</u>	<u>72,260</u>
With donor restrictions		
Time or purpose	11,674	9,360
Endowment returns subject to future appropriation	106,850	67,494
Perpetual	<u>87,233</u>	<u>84,106</u>
Total with donor restrictions	<u>205,757</u>	<u>160,960</u>
Total net assets	<u>278,541</u>	<u>233,220</u>
Total liabilities and net assets	<u>\$ 600,840</u>	<u>\$ 504,770</u>

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

**Simmons University**  
**Statement of Activities**  
**Year Ended June 30, 2021**

(in thousands of dollars)

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
<b>Operating revenues and other support</b>			
Student income			
Tuition and fees	\$ 134,390	\$ -	\$ 134,390
Residence and dining fees	1,841		1,841
Total student income	136,231	-	136,231
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	169,816	1,522	171,338
<b>Operating expenses</b>			
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	159,376	-	159,376
Results from operations before depreciation, accretion and write-off charges	10,440	1,522	11,962
Depreciation and accretion expense	11,128	-	11,128
Results from operations before accelerated depreciation and write-off charges	(688)	1,522	834
Accelerated depreciation and write-off charges	11,786	-	11,786
Results from operations after depreciation, accretion and write-off charges	(12,474)	1,522	(10,952)
<b>Nonoperating revenues, gains, and losses</b>			
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	12,998	43,275	56,273
Change in net assets	524	44,797	45,321
Net assets, beginning of year	72,260	160,960	233,220
Net assets, end of year	\$ 72,784	\$ 205,757	\$ 278,541

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

**Simmons University**  
**Statement of Activities**  
**Year Ended June 30, 2020**

(in thousands of dollars)

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
<b>Operating revenues and other support</b>			
Student income			
Tuition and fees	\$ 139,995	\$ -	\$ 139,995
Residence and dining fees	11,776		11,776
Total student income	151,771	-	151,771
Investment return in support of operations	2,936	8,134	11,070
Contributions	2,285	3,926	6,211
Government and private grants	4,747	-	4,747
Auxiliary and other operating revenues	12,184	-	12,184
Net assets released from restriction	11,451	(11,451)	-
Total operating revenues and other support	185,374	609	185,983
<b>Operating expenses</b>			
Salaries and wages	70,671	-	70,671
Employee benefits	15,215	-	15,215
Materials, supplies, and other	36,004	-	36,004
Partner share of online programs	47,352	-	47,352
Interest	6,087	-	6,087
Total operating expenses	175,329	-	175,329
Results from operations before depreciation and accretion	10,045	609	10,654
Depreciation and accretion expense	11,531	-	11,531
Results from operations after depreciation and accretion	(1,486)	609	(877)
<b>Nonoperating revenues, gains, and losses</b>			
Contributions	-	1,919	1,919
Investment return, net	980	2,941	3,921
Distribution of investment return in support of operations	(2,936)	(8,134)	(11,070)
Change in value of trusts	-	(255)	(255)
Net assets released due to donor redesignation	(12)	12	-
Change from nonoperating activity	(1,968)	(3,517)	(5,485)
Change in net assets	(3,454)	(2,908)	(6,362)
Net assets, beginning of year	75,714	163,868	239,582
Net assets, end of year	\$ 72,260	\$ 160,960	\$ 233,220

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

**Simmons University**  
**Statements of Cash Flows**  
**Years Ended June 30, 2021 and 2020**

<i>(in thousands of dollars)</i>	<b>2021</b>	<b>2020</b>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 45,321	\$ (6,362)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and accretion expense	11,702	11,531
Amortization of bond premium/discount and bond issuance costs, net	(1,270)	(780)
Loss on extinguishment of long-term debt	124	-
Noncash contribution securities received	(397)	(607)
Proceeds from sale of contributed securities	344	629
Net realized and unrealized (gain) on investments	(61,559)	(1,595)
Change in beneficial interest in trusts	(1,855)	255
Net realized loss on disposals of property, plant, and equipment,	11,212	-
Contributions to be used for long-term purposes	(1,913)	(2,540)
Change in reserve for bad debt	64	(169)
Changes in assets and liabilities:		
Receivables and other assets	73	5,416
Accounts payable and accrued liabilities	6,724	(2,153)
Deferred revenues and deposits payable	(3,229)	2,122
Net cash provided by operating activities	<u>5,341</u>	<u>5,747</u>
<b>Cash flows from investing activities</b>		
Purchases of property, plant, and equipment	(50,250)	(10,497)
Proceeds from the sale and maturities of investments	63,444	32,272
Purchases of investments	(55,875)	(25,811)
Deposits with trustee	-	(91,000)
Use of amounts deposited with trustee	39,287	6,042
Student loans advanced	(130)	(57)
Student loans collected	351	313
Net cash used in investing activities	<u>(3,173)</u>	<u>(88,738)</u>
<b>Cash flows from financing activities</b>		
Repayments of long-term debt	(5,200)	(4,985)
Advance refunding of long-term debt	(900)	-
Proceeds from bond issuance	-	77,255
Proceeds from line of credit	48,905	-
Cash premium received upon issuance of bonds	-	13,748
Debt issuance costs	(17)	(1,224)
Payments to annuity beneficiaries	(174)	(213)
Contributions to be used for long-term purposes	1,913	2,540
Proceeds from sale of contributed securities for long-term purposes	-	29
Net cash provided by financing activities	<u>44,527</u>	<u>87,150</u>
Net increase in cash and cash equivalents	46,695	4,159
<b>Cash and cash equivalents (Note 2)</b>		
Beginning of year	<u>25,721</u>	<u>21,562</u>
End of year	<u>\$ 72,416</u>	<u>\$ 25,721</u>
<b>Supplemental data/noncash investing and financing activity</b>		
Cash paid for interest	\$ 10,616	\$ 6,738
Purchases of property, plant, and equipment in accounts payable and accrued liabilities	8,253	2,437
Non-cash contribution securities received	397	607
Non-cash proceeds from borrowing under line of credit		1,095
Use of non-cash proceeds to establish a debt service reserve with trustee		(1,095)

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

# Simmons University

## Notes to Financial Statements

### June 30, 2021 and 2020

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#### 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 4,700 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.

##### (d) Fundraising Expenses

Expenses associated with fundraising were \$2,243,000 and \$2,239,000 in 2021 and 2020, respectively, and are included in institutional support and advancement expenditures disclosed in Note 15. These expenses are captured on the statement of activities in Salaries and wages, Employee benefits, and Materials, supplies, and other.



**Simmons University**  
**Notes to Financial Statements**  
**June 30, 2021 and 2020**

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**(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>	<b>2021</b>	<b>2020</b>
Cash and cash equivalents	\$ 41,589	\$ 24,870
Cash internally designated for construction purposes	30,000	-
Cash included in investments	<u>827</u>	<u>851</u>
	<u>\$ 72,416</u>	<u>\$ 25,721</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.

**(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.

# Simmons University

## Notes to Financial Statements

### June 30, 2021 and 2020

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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, 2021 and June 30, 2020 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.

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, 2021 and 2020 the University capitalized interest costs totaling \$3,273,000 and \$711,000, respectively.

**Simmons University**  
**Notes to Financial Statements**  
**June 30, 2021 and 2020**

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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 \$2,028,000 and \$1,953,000 as of June 30, 2021 and 2020, 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 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 \$16,940,000 and \$18,512,000 for the years ended June 30, 2021 and 2020, respectively.

Deposits paid by students for future terms are recognized in the term in which the student begins their enrollment. Tuition deposits were \$399,000 and \$400,000 at June 30, 2021 and 2020, 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.

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**Notes to Financial Statements**  
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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 \$235,000 and \$396,000 at June 30, 2021 and 2020, 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 \$49,156,000 and \$52,207,000 for the years ended June 30, 2021 and 2020, respectively.

Financial aid provided to students consisted of aid relative to:

<i>(in thousands of dollars)</i>	<b>2021</b>	<b>2020</b>
Undergraduate and graduate tuition and fees	\$ 48,342	\$ 51,045
Online program tuition and fees	425	108
Residence and dining fees	170	584

Scholarships and other awards paid directly to students totaled \$219,000 and \$470,000 in 2021 and 2020, respectively. These payments are reported within Materials, supplies and other in the Statements of Activities.

**(I) 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 \$1,101,000 and \$528,000 at June 30, 2021 and 2020, 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.

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**Notes to Financial Statements**  
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Future minimum lease payments due to the University on leases of parking garage and office space are as follows:

*(in thousands of dollars)*

<b>Year ending June 30,</b>	
2022	\$ 1,655
2023	69
2024	42
2025	44
2026	45
Thereafter	1,179
	<hr/>
	\$ 3,034

**(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 \$5,714,000 and \$3,400,000 as of June 30, 2021 and 2020, 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 areas which are affected by the use of estimates are the allowances for doubtful accounts which impacts the 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) Recent Accounting Pronouncements**

On July 1, 2020 the University adopted ASU 2016-02, Leases. ASU 2016-02 requires recognition of rights and obligations arising from lease contracts, including existing and new arrangements, as assets and liabilities on the statement of financial position. The University adopted the new standard using the current-period adjustment method. All leases were recorded as of July 1, 2020 and no amounts were recorded in the comparative periods. The University also elected all available practical expedients. The University recognized lease assets and operating lease liabilities of \$820,077 as of the adoption date. The University reviewed its contracts in which it is the lessor and did not find the guidance to have a material impact on the existing accounting.

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In August 2018, the FASB issued ASU 2018-13 – Fair Value Measurement (Topic 820) – Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement. The standard modified the disclosure requirements for fair value measurements, including the consideration of costs and benefits. The following disclosures were removed by this guidance (1) amount and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy; (2) the policy of timing between levels; and (3) the valuation process for Level 2 fair value measurements. In addition, the following disclosures are required (1) changes in unrealized gains and losses for the period included in investment return, net in nonoperating activities for recurring Level 3 fair value measurements held at the end of the reporting period and (2) the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements. The adoption of ASU 2018-13 did not have a material impact on the University’s financial statements for the fiscal years ended June 30, 2021 and 2020.

In August 2018, the FASB issued ASC 2018-15 “Intangibles – Goodwill and Other – Internal-Use Software (Subtopic 350-40) Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract”. The new guidance amends the definition of a hosting arrangement and requires a customer in a hosting arrangement that is a service contract to capitalize certain costs as if the arrangement were an internal-use software project. This guidance was adopted on July 1, 2020 on a prospective basis. There was no impact to the financial statements at the date of adoption.

**(p) Reclassifications**

The Statement of Activities for the year ended June 30, 2020 was updated to conform with current year presentation of revenues associated with corporate education programs. As a result, \$1,222,000 of revenues were reclassified from Tuition and fees to Auxiliary and other operating revenues.

**3. Accounts Receivable**

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

<i>(in thousands of dollars)</i>	<b>2021</b>	<b>2020</b>
Accounts receivable - student and other	\$ 13,351	\$ 12,447
Accounts receivable for sponsored programs	850	481
Less: Allowance for doubtful accounts	<u>(2,478)</u>	<u>(2,318)</u>
Accounts receivable, net	<u>\$ 11,723</u>	<u>\$ 10,610</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>	<b>2021</b>	<b>2020</b>
Due in one year or less	\$ 1,336	\$ 1,029
Due between one year and five years	80	305
	<u>1,416</u>	<u>1,334</u>
Less:		
Allowance for uncollectible contributions	(1)	(6)
Discount to present value (discount rates range from 0.72%–4.7%)	(6)	(25)
Contributions receivable, net	<u>\$ 1,409</u>	<u>\$ 1,303</u>

Included in Contributions Receivable are unsecured receivables from related parties in the amount of \$119,000 and \$349,000 as of June 30, 2021 and 2020, respectively.

**5. Loans to Students, Net**

Loans to students are \$1,418,000 and \$1,548,000 as of June 30, 2021 and 2020, respectively, net of an allowance for uncollectible loans of \$516,000 at June 30, 2021 and \$607,000 at June 30, 2020, 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, 2021 and June 30, 2020 to be reasonable and adequate to absorb the potential credit losses inherent in the student loan portfolio.

**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>	<b>2021</b>	<b>2020</b>
Land	\$ 815	\$ 815
Buildings and improvements	247,569	263,582
Furniture, fixtures, and equipment	65,359	58,442
Library books	10,593	10,593
Construction in progress	60,340	16,110
Leasehold Improvements	14,246	14,246
	<u>398,922</u>	<u>363,788</u>
Less: Accumulated depreciation	<u>(195,698)</u>	<u>(193,080)</u>
Property, plant, and equipment, net	<u>\$ 203,224</u>	<u>\$ 170,708</u>

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Included in Furniture, fixtures, and equipment above is approximately \$6,100,000 in assets associated with cloud computing arrangements that were placed into service during the fiscal year ended June 30, 2021.

Depreciation expense, before consideration of accelerated depreciation, was \$11,053,000 and \$11,458,000 for the years ended June 30, 2021 and 2020, respectively.

Included in the Statement of Activities is an expense of \$11,786,000 for the year ended June 30, 2021 which represents accelerated depreciation and write-off charges associated with various renovations on campus.

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.

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 \$574,000 for the year ended June 30, 2021.

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

*(in thousands of dollars)*

<b>Year ending June 30,</b>	
2022	\$ 2,297
2023	1,594
2024	1,453
2025	1,453
	<hr/>
	\$ 6,797

The University has contractual obligations outstanding, related to various renovations on campus, of \$57,804,000 and \$31,908,000 at June 30, 2021 and 2020, respectively.



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**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>	<b>2021</b>	<b>2020</b>
Cash and short-term investments	\$ 8,505	\$ 6,947
Receivable from investment managers	29	-
Fixed income	23,017	27,018
Equities	146,250	111,731
Private equities	27,822	14,209
Hedge funds	40,094	31,792
	<u>\$ 245,717</u>	<u>\$ 191,697</u>
Total investments		

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 \$11,375,000 and \$11,070,000 for the years ended June 30, 2021 and 2020, respectively.

**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

# Simmons University

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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.

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, 2021 and 2020 but are subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for the

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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, 2021 and 2020.

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

<i>(in thousands of dollars)</i>	<b>Assets at Fair Value at June 30, 2021</b>				
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Measured at Net Asset Value</b>	<b>Total</b>
<b>Investments</b>					
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>
<b>Assets at Fair Value at June 30, 2020</b>					
<i>(in thousands of dollars)</i>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Measured at Net Asset Value</b>	<b>Total</b>
<b>Investments</b>					
Cash and short-term investments	\$ 6,525	\$ -	\$ -	\$ -	\$ 6,525
Fixed income securities	27,018	-	-	-	27,018
Equities	59,347	-	-	52,239	111,586
Alternative investments - private equity	-	-	-	14,209	14,209
Alternative investments - hedge funds	-	-	-	31,792	31,792
	<u>92,890</u>	<u>-</u>	<u>-</u>	<u>98,240</u>	<u>191,130</u>
Charitable annuities and pooled income funds					
Cash	422	-	-	-	422
Equities	-	-	-	145	145
	<u>422</u>	<u>-</u>	<u>-</u>	<u>145</u>	<u>567</u>
	<u>\$ 93,312</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 98,385</u>	<u>\$ 191,697</u>

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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>	<b>2021</b>	<b>2020</b>
<b>Balances at beginning of year</b>	\$ 9,002	\$ 9,257
Change in value of trusts	<u>1,855</u>	<u>(255)</u>
<b>Balances at end of year</b>	<u>\$ 10,857</u>	<u>\$ 9,002</u>

Included in Other liabilities is \$845,000 and \$1,036,000 as of June 30, 2021 and 2020, 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, 2021 and 2020 is as follows:

<i>(in thousands of dollars)</i>	<b>2021</b>	<b>2020</b>
<b>Balances at beginning of year</b>	\$ 972	\$ 1,128
Payments to annuity beneficiaries	(174)	(213)
Change in valuation of annuities payable	<u>(18)</u>	<u>57</u>
<b>Balances at end of year</b>	<u>\$ 780</u>	<u>\$ 972</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>	<b>Fair Value Estimated Using Net Asset Value</b>		
	<b>June 30, 2021</b>		
	<b>Fair Value</b>	<b>Unfunded Commitments</b>	<b>Redemption Frequency</b>
<b>Investment</b>			
Equities <sup>(a)</sup>	\$ 79,062	\$ -	Varies from less than 30 days, to quarterly with 60 days notice
Limited partnerships - NAV <sup>(b)</sup>			- Varies from quarterly with up to 65 days notice, triennial with 60 days notice, to none.
Hedge funds <sup>(c)</sup>	40,094		
Private equity	<u>27,822</u>	<u>23,205</u>	N/A
	<u>\$ 146,978</u>	<u>\$ 23,205</u>	

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The following table for June 30, 2020, sets forth a summary of the University's investments with a reported NAV:

*(in thousands of dollars)*

	Fair Value Estimated Using Net Asset Value June 30, 2020		
	Fair Value	Unfunded Commitments	Redemption Frequency
<b>Investment</b>			
Equities <sup>(a)</sup>	\$ 52,384	\$ -	Varies from less than 30 days, to 30-60 days
Limited partnerships - NAV <sup>(b)</sup>			Varies from quarterly with 45 days notice, triennial with 60 days notice, to none.
Hedge Funds <sup>(d)</sup>	31,792	1,500	
Private equity	14,209	17,494	N/A
	<u>\$ 98,385</u>	<u>\$ 18,994</u>	

- 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.
- 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.
- Hedge funds includes one fund subject to lock-up provisions extending until May 2023.
- Hedge funds include funds that have remaining lock-up provisions up to 11 months.

**10. Endowment Funds**

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

*(in thousands of dollars)*

	Without Donor Restriction	With Donor Restriction	Total
<b>Endowment net assets</b>			
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>	<b>Without Donor Restriction</b>	<b>With Donor Restriction</b>	<b>Total</b>
<b>Endowment net assets at June 30, 2020</b>	\$ 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>
<b>Endowment net assets at June 30, 2021</b>	<u>\$ 61,324</u>	<u>\$ 182,944</u>	<u>\$ 244,268</u>

Endowment net assets as of June 30, 2020 are as follows:

<i>(in thousands of dollars)</i>	<b>Without Donor Restriction</b>	<b>With Donor Restriction</b>	<b>Total</b>
<b>Endowment net assets</b>			
Donor-restricted	\$ -	\$ 142,198	\$ 142,198
Board-designated	<u>48,227</u>	<u>-</u>	<u>48,227</u>
Total endowment net assets	<u>\$ 48,227</u>	<u>\$ 142,198</u>	<u>\$ 190,425</u>

Changes in endowment net assets for the fiscal year ended June 30, 2020 are as follows:

<i>(in thousands of dollars)</i>	<b>Without Donor Restriction</b>	<b>With Donor Restriction</b>	<b>Total</b>
<b>Endowment net assets at June 30, 2019</b>	\$ 50,142	\$ 145,532	\$ 195,674
Contributions	-	1,797	1,797
Investment income	622	1,825	2,447
Net appreciation	399	1,178	1,577
Amounts appropriated for expenditure	<u>(2,936)</u>	<u>(8,134)</u>	<u>(11,070)</u>
<b>Endowment net assets at June 30, 2020</b>	<u>\$ 48,227</u>	<u>\$ 142,198</u>	<u>\$ 190,425</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, 2021 and 2020, the aggregate amount by which the University's endowed funds were underwater was \$14,000 and \$23,000, respectively.

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**11. Bonds Payable**

Bonds payable as of June 30 consisted of the following:

*(in thousands of dollars)*

	Par Amount	Final Bond Maturity	Interest Rate	Outstanding Principal	
				2021	2020
<b>Massachusetts Development Finance Agency (MDFA)</b>					
<b>Revenue Bonds</b>					
Simmons College Series H	\$ 39,885	10/1/2033	5.25	\$ 27,465	\$ 30,055
Simmons College Bonds Series 2008 Taxable	18,730	10/1/2022	Variable	4,050	5,845
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%	1,650	3,230
Simmons University Series L	42,385	10/1/2035	4% - 5%	42,125	42,260
Simmons University Series M	77,255	10/1/2050	4% - 5%	77,255	77,255
				206,110	212,210
Unamortized bond premium/discount, net				20,846	22,203
Unamortized bond issuance costs				(3,115)	(3,309)
Total MDFA Revenue Bonds				\$ 223,841	\$ 231,104

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. During Fiscal 2021, the University utilized \$39,316,000 of the proceeds from Series M for capital expenditures.

The average interest rate in fiscal year 2021 on the Simmons College Bonds Series 2008 Taxable bonds was 0.60%.

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,	
2022	\$ 5,430
2023	5,680
2024	5,950
2025	6,260
2026	6,605
Thereafter	176,185
	<u>\$ 206,110</u>

**Bank Line**

The University maintains a committed one-year line of credit with a bank in the amounts of \$10,000,000 as of June 30, 2021 and 2020. The line of credit currently expires on February 25, 2022. There were no draws or amounts outstanding on the line as of and for the years ended June 30, 2021 and 2020.

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On April 24, 2020 the University entered into an additional line of credit. This three-year line of credit provides for \$50,000,000 to support operating and capital needs. During fiscal 2020 the University borrowed \$1,095,000 from the line of credit to fund a debt service reserve account with the lender. On July 1, 2020, the University borrowed \$48,905,000 under its available line of credit to finance working capital needs and capital projects. As of June 30, 2021, \$50,000,000 remains outstanding under this line of credit.

**Deposits with Trustee**

Deposits with Trustee 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. Deposits with trustee include amounts held in short-term investments which are considered Level 1 securities.

**Loan Covenants**

Certain bond and bank obligations are collateralized by 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, including a minimum level of debt service coverage and minimum liquidity.

**12. Other Liabilities**

Other liabilities as of June 30 consist of the following:

<i>(in thousands of dollars)</i>	<b>2021</b>	<b>2020</b>
Present value of charitable annuities payable	\$ 780	\$ 972
Present value of remainder interest payable	64	64
Asset retirement obligation liability	<u>2,028</u>	<u>1,953</u>
Total other liabilities	<u>\$ 2,872</u>	<u>\$ 2,989</u>

**13. 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.



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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>	<b>2021</b>	<b>2020</b>
<b>Financial assets available</b>		
Cash and cash equivalents	\$ 41,589	\$ 24,870
Accounts receivable, net	11,723	10,610
Contributions (without donor restrictions) due in one year or less available for expenditure	70	558
Investments appropriated for spending in following year	11,437	11,362
Investments not subject to donor or board restrictions	132	45
Total financial assets available within 12 months	64,951	47,445
<b>Liquidity resources</b>		
Bank line of credit	10,000	28,905
Total financial assets and other liquidity resources	\$ 74,951	\$ 76,350

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, 2021 and 2020, the board designated endowment was approximately \$61,324,000 and \$48,227,000, respectively.

The University’s governing board has 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 represents only the portion of the University’s lines of credit that are expected to be available for working capital support.

As of June 30, 2021 and 2020, respectively, approximately 71% and 75.9% of the University’s investment portfolio consists of highly liquid investments (redemption period within 30 days); 11.7% and 13.8% of the portfolio’s investments may be redeemed either at future specified redemption dates or currently by incurring a penalty. Finally, certain investments (approximately 17.3% and 10.3%) 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.

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**14. Composition of Net Assets**

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

*(in thousands of dollars)*

	<b>Without Donor Restriction</b>	<b>With Donor Restriction</b>	<b>Total</b>
<b>Endowment funds</b>			
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>
<b>Other invested funds</b>			
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>

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The composition of the University's net assets as of June 30, 2020 is as follows:

*(in thousands of dollars)*

	<b>Without Donor Restriction</b>	<b>With Donor Restriction</b>	<b>Total</b>
<b>Endowment funds</b>			
Board designated endowment	\$ 48,227	\$ -	\$ 48,227
Original principal	-	74,704	74,704
Unspent income and appreciation			
Scholarship support	-	17,863	17,863
Program support	-	17,948	17,948
Unrestricted support	-	31,683	31,683
Total endowment funds	<u>48,227</u>	<u>142,198</u>	<u>190,425</u>
<b>Other invested funds</b>			
Annuity and life income agreements	-	(359)	(359)
Split interest agreements	-	1,222	1,222
Perpetual trusts	-	7,714	7,714
Student loan funds	1,396	1,909	3,305
Unexpended gifts			
Buildings and equipment	-	1,443	1,443
Instruction, research, and institutional support	-	3,633	3,633
Scholarship	-	1,897	1,897
Contributions receivable	-	1,303	1,303
Undesignated	22,637	-	22,637
Total other invested funds	<u>24,033</u>	<u>18,762</u>	<u>42,795</u>
Total net assets	<u>\$ 72,260</u>	<u>\$ 160,960</u>	<u>\$ 233,220</u>

**15. 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	\$ 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>

<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	\$ 45,446	\$ 5,906	\$ 17,203	\$ 1,195	\$ 921	\$ 70,671
Employee benefits	9,385	1,401	4,044	270	115	15,215
Materials, supplies, and other	9,412	4,643	11,065	9,871	1,013	36,004
Partner share of online programs	47,352	-	-	-	-	47,352
Interest expense	1,640	160	2,909	1,378	-	6,087
Depreciation and accretion expense	4,688	847	3,921	2,068	7	11,531
Total expenses 2020	<u>\$ 117,923</u>	<u>\$ 12,957</u>	<u>\$ 39,142</u>	<u>\$ 14,782</u>	<u>\$ 2,056</u>	<u>\$ 186,860</u>

Not included in the table above are accelerated depreciation of \$574,000 and 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 includes \$363,000 related to residence campus assets used for auxiliary operations and \$211,000 for the science facility used for instruction. The assets disposed of in fiscal 2021 were previously used for academic support.

**16. 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 \$89,000 and \$2,827,000 for 2021 and 2020, respectively.

**17. 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, 2021, 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.

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 2021 due to reduced

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auxiliary enterprise revenue as the University operated in a remote environment. The University incurred incremental expenses 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 received and recognized CARES Act Higher Emergency Education Relief Funding (HEERF) of \$4,336,000 and \$994,000 in fiscal year 2021 and 2020, respectively, as Government and private grants revenue within the statement of activities. The University is required to report the usage and methodology used to allocate 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, 2021 and 2020. The amounts received under HEERF are subject to audit under Uniform Guidance and are required to be disclosed on the University's Schedule of Expenditures of Federal Awards.

**18. Subsequent Events**

The University evaluated the period from June 30, 2021, the date of the financial statements, through October 22, 2021, 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.