

Simmons University
Financial Statements
June 30, 2020 and 2019

Simmons University
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June 30, 2020 and 2019

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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, 2020 and 2019, and the related statements of activities for the year ended June 30, 2020 and of cash flows for the years then ended June 30, 2020 and 2019.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on 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, 2020 and 2019, and the changes in its net assets for the year ended June 30, 2020 and its cash flows for the years then ended June 30, 2020 and 2019 in accordance with accounting principles generally accepted in the United States of America.



Other Matter

We previously audited the statement of financial position as of June 30, 2019, and the related statements of activities and of cash flows for the year then ended (the statement of activities is not presented herein), and in our report dated October 16, 2019, we expressed an unmodified opinion on those financial statements. In our opinion, the information set forth in the accompanying summarized financial information as of June 30, 2019 and for the year then ended is consistent, in all material respects, with the audited financial statements from which it has been derived.

PricewaterhouseCoopers LLP

Boston, Massachusetts
October 22, 2020

Simmons University
Statements of Financial Position
June 30, 2020 and 2019

(in thousands of dollars)

	2020	2019
Assets		
Cash and cash equivalents	\$ 24,870	\$ 20,583
Accounts receivable, net	10,610	13,162
Contributions receivable, net	1,303	1,934
Deposits with trustee	86,053	-
Investments	191,697	196,744
Beneficial interest in trusts	9,002	9,257
Loans to students, net	1,548	1,840
Other assets	8,979	11,006
Property, plant, and equipment, net	170,708	169,321
Total assets	<u>\$ 504,770</u>	<u>\$ 423,847</u>
Liabilities and Net Assets		
Accounts payable and accrued liabilities	\$ 12,454	\$ 11,904
Deposits payable and deferred revenues	22,535	20,413
Bonds payable	231,104	147,091
U.S. government loan advances	1,373	1,746
Other liabilities	4,084	3,111
Total liabilities	<u>271,550</u>	<u>184,265</u>
Net assets		
Without donor restrictions	<u>72,260</u>	<u>75,714</u>
With donor restrictions		
Time or purpose	9,360	7,909
Endowment returns subject to future appropriation	67,494	72,690
Perpetual	84,106	83,269
Total with donor restrictions	<u>160,960</u>	<u>163,868</u>
Total net assets	<u>233,220</u>	<u>239,582</u>
Total liabilities and net assets	<u>\$ 504,770</u>	<u>\$ 423,847</u>

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

Simmons University
Statement of Activities
Year Ended June 30, 2020
(with summarized financial information for the year ended June 30, 2019)

	2020			2019
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<i>(in thousands of dollars)</i>				
Total operating revenues and other support				
Student income				
Tuition and fees	\$ 141,217	\$ -	\$ 141,217	\$ 149,202
Residence and dining fees	11,776		11,776	15,436
Total student income	152,993	-	152,993	164,638
Investment return in support of operations	2,936	8,134	11,070	9,034
Gifts	2,285	3,926	6,211	3,993
Government and private grants	4,747	-	4,747	3,269
Auxiliary and other operating revenues	10,962	-	10,962	13,817
Net assets released from restriction	11,451	(11,451)	-	-
Total operating revenues and other support	185,374	609	185,983	194,751
Operating expenses				
Salaries and wages	70,671	-	70,671	72,703
Employee benefits	15,215	-	15,215	17,105
Materials, supplies, and other	36,004	-	36,004	36,725
Partner share of online programs	47,352	-	47,352	52,141
Interest expense	6,087	-	6,087	6,163
Total operating expenses	175,329	-	175,329	184,837
Results from operations before depreciation and accretion	10,045	609	10,654	9,914
Depreciation and accretion expense	11,531	-	11,531	12,232
Results from operations after depreciation and accretion	(1,486)	609	(877)	(2,318)
Nonoperating revenues, gains, and losses				
Gifts	-	1,919	1,919	2,266
Total investment return, net	980	2,941	3,921	7,010
Distribution of investment return in support of operations	(2,936)	(8,134)	(11,070)	(9,034)
Change in value of trusts	-	(255)	(255)	182
Loss on disposal of fixed assets	-	-	-	(147)
Loss on extinguishment of debt	-	-	-	(715)
Net assets released due to donor redesignation	(12)	12	-	-
Change from nonoperating activity	(1,968)	(3,517)	(5,485)	(438)
Change in net assets	(3,454)	(2,908)	(6,362)	(2,756)
Net assets, beginning of year	75,714	163,868	239,582	242,338
Net assets, end of year	\$ 72,260	\$ 160,960	\$ 233,220	\$ 239,582

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

Simmons University

Statements of Cash Flows

Years Ended June 30, 2020 and 2019

(in thousands of dollars)

	2020	2019
Cash flows from operating activities		
Change in net assets	\$ (6,362)	\$ (2,756)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and accretion expense	11,531	12,232
Amortization of bond premium/discount and bond issuance costs, net	(780)	(658)
Loss on extinguishment of long-term debt	-	715
Noncash contribution securities received	(607)	(209)
Proceeds from sale of contributed securities	629	123
Net realized and unrealized (gain) on investments	(1,595)	(5,565)
Change in beneficial interest in trusts	255	(182)
Net realized loss on disposals of property, plant and equipment, including insurance recoveries	-	147
Contributions to be used for long-term purposes	(2,540)	(2,317)
Change in reserve for bad debt	(169)	(226)
Changes in assets and liabilities		
Decrease (increase) in receivables and other assets	5,416	1,341
(Decrease) increase in accounts payable and accrued liabilities	(2,153)	1,641
Increase (decrease) in deferred revenues and deposits payable	2,122	(2,060)
Net cash provided by operating activities	<u>5,747</u>	<u>2,226</u>
Cash flows from investing activities		
Purchases of property, plant, and equipment	(10,497)	(11,677)
Proceeds from the sale and maturities of investments	32,272	31,167
Purchases of investments	(25,811)	(26,389)
Deposits with trustee	(91,000)	-
Use of amounts deposited with trustee	6,042	1
Student loans advanced	(57)	(73)
Student loans collected	313	550
Net cash used in investing activities	<u>(88,738)</u>	<u>(6,421)</u>
Cash flows from financing activities		
Repayments of long-term debt	(4,985)	(4,680)
Payment to bondholders for closing of bonds	-	(47,910)
Proceeds from bond issuance	77,255	42,385
Cash premium received upon issuance of bonds	13,748	5,750
Debt issuance costs	(1,224)	(729)
Payments to annuity beneficiaries	(213)	(259)
Contributions to be used for long-term purposes	2,540	2,317
Proceeds from sale of contributed securities for long-term purposes	29	71
Net cash provided by (used in) financing activities	<u>87,150</u>	<u>(3,055)</u>
Net increase (decrease) in cash and cash equivalents	4,159	(7,250)
Cash and cash equivalents (Note 2)		
Beginning of year	21,562	28,812
End of year	<u>\$ 25,721</u>	<u>\$ 21,562</u>
Supplemental data/noncash investing and financing activity		
Cash paid for interest	\$ 6,738	\$ 6,182
Purchases of property, plant, and equipment in accounts payable and accrued liabilities	2,437	800
Noncash contribution securities received	607	209
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, 2020 and 2019

1. Organization

Simmons University (the "University") is a private, nonsectarian institution located in Boston's Back Bay that currently serves approximately 1,700 undergraduate women and over 4,000 men and women in its graduate programs at the master and doctoral levels. In addition, the University 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 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.

(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 \$2,239,000 and \$2,837,000 in 2020 and 2019, respectively, and are included in institutional support and advancement expenditures disclosed in Note 15.

(e) Cash Equivalents

Cash and cash equivalents include highly liquid investments purchased with an initial maturity date 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 which fully insures the balances held.

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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>	2020	2019
Cash and cash equivalents	\$ 24,870	\$ 20,583
Cash included in investments	851	979
	<u>\$ 25,721</u>	<u>\$ 21,562</u>

(f) Investments and Life Income Funds

Investments and 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 U.S. government securities, corporate debt instruments, hedge funds, private equities, and corporate stocks. 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.

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.

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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, 2020 and June 30, 2019 was 6.0% and 5.0%, respectively. 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 renovations	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, 2020 and 2019 the University capitalized interest costs totaling \$711,000 and \$0, 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.

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(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 \$1,953,000 and \$1,919,000 as of June 30, 2020 and 2019 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) Tuition and Fees Revenue

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 \$18,512,000 and \$19,070,000 for the years ended June 30, 2020 and 2019, respectively.

Deposits paid by students for future terms are recognized in the term in which the student begins their enrollment. Tuition deposits were \$400,000 and \$427,000 at June 30, 2020 and 2019, respectively.

The timing(s) of billings, cash collections and revenue recognition results in accounts receivable and deferred revenue on the consolidated balance sheets. 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.

(l) Residence and Dining Revenue

Residence and dining 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.

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The University offers residence opportunities during the summer months that span two reporting periods. Deferred revenue related to summer residence is \$0 and \$49,000 at June 30, 2020 and 2019, respectively.

Deposits paid by students for housing are held until the conclusion of the student's residency in University-sponsored housing. Residence deposits were \$396,000 and \$387,000 at June 30, 2020 and 2019, respectively.

At June 30, 2020 the University had deferred revenue of \$1,814,000 which represented the portion of Fiscal 2020 housing refunds that students elected to defer and apply to Fiscal 2021 charges.

(m) Student Aid

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 \$52,207,000 and \$50,446,000 for the years ended June 30, 2020 and 2019, respectively.

Financial aid provided to students consisted of aid relative to:

<i>(in thousands of dollars)</i>	2020	2019
Undergraduate and graduate tuition and fees	\$ 51,045	\$ 48,774
Online program tuition and fees	108	299
Residence and dining fees	584	719

Scholarships and other awards paid directly to students totaled \$470,000 and \$654,000 in 2020 and 2019, respectively. These payments are reported within Materials, supplies and other in the Statements of Activities.

(n) 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 \$528,000 and \$370,000 at June 30, 2020 and 2019, 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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Future minimum lease payments due to the University on leases of parking garage and office space are as follows:

(in thousands of dollars)

Year ending June 30,	
2021	\$ 2,101
2022	2,154
2023	2,219
2024	1,112
	<hr/>
	\$ 7,586

(o) 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 \$3,400,000 and \$2,900,000 as of June 30, 2020 and 2019, respectively.

(p) 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. Actual results could differ from those estimates.

(q) Recent Accounting Pronouncements

In January 2016, the FASB issued ASU No. 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities*, which address certain aspects of recognition, measurement, presentation and disclosure of financial instruments. The University early adopted provisions to eliminate the requirement to disclose the fair value of debt during the fiscal year ended June 30, 2016. Adoption of this amendment requires a cumulative-effect adjustment to the statement of financial position as of the beginning of the fiscal year of adoption. The University evaluated the impact of the remaining provisions of the new guidance on the financial statements in fiscal year 2020 and found that there was no additional impact on existing presentation.

In August 2016, the FASB issued ASU No. 2016-15, *Statements of Cash Flows (Topic 230), Classification of Certain Cash Receipts and Cash Payments*. The amendments in this update decrease diversity in practice in how certain cash receipts and payments as presented and classified in the statements of cash flow. ASU 2016-15 is effective for the University's year ending June 30, 2020. This standard was adopted using the retrospective transition method and as a

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result cash premiums received upon issuance of bonds are now being presented as a financing activity in the statement of cash flows for the years ended June 30, 2020 and 2019.

In November 2016, the FASB issued ASU No. 2016-18 Statement of Cash Flows (Topic 230), Restricted Cash. The amendments in this update clarify the classification and presentation of changes of restricted cash in the statement of cash flows. ASU 2016-18 is effective for the University's year ending June 30, 2020. The University adopted this update on a retrospective transition method and there were no changes to net assets or changes in net assets as a result of this adoption.

(r) Summarized Information

The Statement of Activities includes certain prior year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the University's financial statements for the year ended June 30, 2019, from which the summarized information was derived.

3. Accounts Receivable

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

<i>(in thousands of dollars)</i>	2020	2019
Accounts receivable - student and other	\$ 12,447	\$ 15,070
Accounts receivable for sponsored programs	481	616
Less: Allowance for doubtful accounts	<u>(2,318)</u>	<u>(2,524)</u>
Accounts receivable, net	<u>\$ 10,610</u>	<u>\$ 13,162</u>

4. Contributions Receivable

Contributions receivable as of June 30 consist of the following:

<i>(in thousands of dollars)</i>	2020	2019
Due in one year or less	\$ 1,029	\$ 1,710
Due between one year and five years	<u>305</u>	<u>262</u>
	1,334	1,972
Less:		
Allowance for uncollectible contributions	(6)	(5)
Discount to present value (discount rates range from 0.72%–4.7%)	<u>(25)</u>	<u>(33)</u>
Contributions receivable, net	<u>\$ 1,303</u>	<u>\$ 1,934</u>

5. Loans to Students, net

Loans to students are \$1,548,000 and \$1,840,000 as of June 30, 2020 and 2019, respectively, net of an allowance for uncollectible loans of \$607,000 at June 30, 2020 and \$570,000 at June 30, 2019.

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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, 2020 and June 30, 2019 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 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>	2020	2019
Land	\$ 815	\$ 815
Buildings and improvements	263,582	262,954
Furniture, fixtures, and equipment	58,442	56,695
Library books	10,593	10,593
Construction in progress	16,110	5,640
Leasehold Improvements	14,246	14,246
	<u>363,788</u>	<u>350,943</u>
Less: Accumulated depreciation	<u>(193,080)</u>	<u>(181,622)</u>
Property, plant, and equipment, net	<u>\$ 170,708</u>	<u>\$ 169,321</u>

Depreciation expense was \$11,458,000 and \$12,162,000 for the years ended June 30, 2020 and 2019, respectively.

The University has contractual obligations outstanding, related to various renovations on campus, of \$31,908,000 and \$201,000 at June 30, 2020 and 2019, 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>	2020	2019
Cash and short-term investments	\$ 6,947	\$ 3,978
Receivable from investment managers	-	118
Fixed income	27,018	29,271
Equities	111,731	118,995
Private equities	14,209	15,719
Hedge funds	31,792	28,663
	<u>\$ 191,697</u>	<u>\$ 196,744</u>
Total investments	<u>\$ 191,697</u>	<u>\$ 196,744</u>

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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.

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 \$11,070,000 and \$9,034,000 for the years ended June 30, 2020 and 2019, 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 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

Generally Accepted Accounting Principles ("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.

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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, 2020 and 2019 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, 2020.

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

<i>(in thousands of dollars)</i>	Assets at Fair Value at June 30, 2020				
	Level 1	Level 2	Level 3	Measured at Net Asset Value	Total
Investments					
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>

<i>(in thousands of dollars)</i>	Assets at Fair Value at June 30, 2019				
	Level 1	Level 2	Level 3	Measured at Net Asset Value	Total
Investments					
Cash and short-term investments	\$ 3,344	\$ -	\$ -	\$ -	\$ 3,344
Receivable from investment managers	118	-	-	-	118
Fixed income securities	29,271	-	-	-	29,271
Equities	64,140	-	-	54,682	118,822
Alternative investments - private equity	-	-	-	15,719	15,719
Alternative investments - hedge funds	-	-	-	28,663	28,663
	<u>96,873</u>	<u>-</u>	<u>-</u>	<u>99,064</u>	<u>195,937</u>
Charitable annuities and pooled income funds					
Cash	634	-	-	-	634
Equities	-	-	-	173	173
	<u>634</u>	<u>-</u>	<u>-</u>	<u>173</u>	<u>807</u>
	<u>\$ 97,507</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 99,237</u>	<u>\$ 196,744</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.

<i>(in thousands of dollars)</i>	2020	2019
Balances at beginning of year	\$ 9,257	\$ 8,966
Named beneficiary of new trust	-	109
Change in value of trusts	(255)	182
Balances at end of year	<u>\$ 9,002</u>	<u>\$ 9,257</u>

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Included in Other liabilities is \$1,036,000 and \$1,192,000 as of June 30, 2020 and 2019, 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.

A summary of the changes in the fair value of the annuities payable for the years ended June 30, 2020 and 2019 is as follows:

<i>(in thousands of dollars)</i>	2020	2019
Balances at beginning of year	\$ 1,128	\$ 874
Payments to annuity beneficiaries	(213)	(258)
Liquidation of annuity accounts	-	(14)
Change in valuation of annuities payable	57	526
Balances at end of year	<u>\$ 972</u>	<u>\$ 1,128</u>

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

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The following table for June 30, 2019, 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, 2019		
	Fair Value	Unfunded Commitments	Redemption Frequency
Investment			
Equities ^(a)	\$ 54,855	\$ -	Varies from less than 30 days, to 30-60 days
Limited partnerships - NAV ^(b)			
Hedge funds	28,663	-	Varies from quarterly with 45 days notice, triennial with 60 days notice, to none.
Private equity	<u>15,719</u>	<u>13,151</u>	N/A
	<u>\$ 99,237</u>	<u>\$ 13,151</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 include funds that have remaining lock-up provisions up to 11 months.

10. Donor-Restricted and Board-Designated Endowment Funds

Donor-restricted and board-designated endowment net assets as of June 30, 2020 are as follows:

<i>(in thousands of dollars)</i>	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets			
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>

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Changes in donor-restricted and board-designated endowment net assets for the fiscal year ended June 30, 2020 are as follows:

<i>(in thousands of dollars)</i>	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets at June 30, 2019	\$ 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>
Endowment net assets at June 30, 2020	<u>\$ 48,227</u>	<u>\$ 142,198</u>	<u>\$ 190,425</u>

Donor-restricted and board-designated endowment net assets as of June 30, 2019 are as follows:

<i>(in thousands of dollars)</i>	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets			
Donor-restricted	\$ -	\$ 145,532	\$ 145,532
Board-designated	<u>50,142</u>	<u>-</u>	<u>50,142</u>
Total endowment net assets	<u>\$ 50,142</u>	<u>\$ 145,532</u>	<u>\$ 195,674</u>

Changes in donor-restricted and board-designated endowment net assets for the fiscal year ended June 30, 2019 are as follows:

<i>(in thousands of dollars)</i>	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets at June 30, 2018	\$ 50,652	\$ 144,209	\$ 194,861
Contributions	-	2,367	2,367
Investment income	504	1,455	1,959
Net appreciation	1,410	4,111	5,521
Amounts appropriated for expenditure	<u>(2,424)</u>	<u>(6,610)</u>	<u>(9,034)</u>
Endowment net assets at June 30, 2019	<u>\$ 50,142</u>	<u>\$ 145,532</u>	<u>\$ 195,674</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, 2020 and 2019, the aggregate amount by which the University's endowed funds were underwater was \$23,000 and \$15,000, respectively.

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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	
				2020	2019
Massachusetts Development Finance Agency (MDFA)					
Revenue Bonds					
Simmons College Series H	39,885	10/1/2033	5.25%	\$ 30,055	\$ 31,660
Simmons College Bonds Series 2008 Taxable	18,730	10/1/2022	Variable	5,845	7,500
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%	3,230	4,830
Simmons University Series L	42,385	10/1/2035	4%-5%	42,260	42,385
Simmons University Series M	77,255	10/1/2050	4%-5%	77,255	-
				212,210	139,940
Unamortized bond premium/discount, net				22,203	9,417
Unamortized bond issuance costs				(3,309)	(2,266)
Total MDFA Revenue Bonds				<u>\$ 231,104</u>	<u>\$ 147,091</u>

On April 2, 2020, the University issued \$77,255,000 aggregate principal amount of Series M (2020) Revenue Bonds through the Massachusetts Development Finance Agency. Proceeds from this issue totaled \$91,000,000 and are to be 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 2020, the University utilized \$5,174,000 of the proceeds from Series M for capital expenditures.

On August 27, 2018, the University issued \$42,385,000 aggregate principal amount of Series L (2018) Revenue Bonds through the Massachusetts Development Finance Agency. Proceeds were used to refund existing Series G Variable Mode Revenue Bonds of \$47,910,000 and to fund Series L issuance costs.

On June 1, 2017, the University amended the Simmons College Series 2008 (Taxable) Bonds with an outstanding principal of \$10,415,000. The amended Loan Agreement provided for the addition of a Direct Purchase Mode to the 2008 Loan Agreement to allow for the direct purchase of the Bonds by TD Bank, N.A. There were no changes to the principal repayment schedule as a result of this transaction. The direct purchase agreement between Simmons University and TD Bank, N.A. is effective from June 1, 2017 through October 1, 2022, when the outstanding bonds will be fully redeemed. The average interest rate in fiscal year 2020 on these bonds was 2.22%.

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

<i>(in thousands of dollars)</i>	
Year ending June 30,	
2021	\$ 5,200
2022	5,430
2023	5,680
2024	5,950
2025	6,260
Thereafter	183,690
	<u>\$ 212,210</u>

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Bank Line

The University maintains a committed one year line of credit with a bank in the amounts of \$10,000,000 and \$10,000,000 as of June 30, 2020 and 2019, respectively. There were no draws or amounts outstanding on the line as of and for the years ended June 30, 2020 and 2019.

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. The University borrowed \$1,095,000 from the line of credit to fund a debt service reserve account with the lender, and such amount remains outstanding at June 30, 2020. The outstanding balance on the University's line of credit is included in Other Liabilities on the accompanying Statement of Financial Position.

Deposits with Trustee

Deposits with Trustee at June 30, 2020 total \$86,053,000 which represents unspent proceeds from the Series M Issuance of \$84,958,000 and a debt service reserve fund of \$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:

(in thousands of dollars)

	2020	2019
Present value of charitable annuities payable	\$ 972	\$ 1,128
Present value of remainder interest payable	64	64
Asset retirement obligation liability	1,953	1,919
Outstanding obligation on line of credit facility	<u>1,095</u>	<u>-</u>
Total other liabilities	<u>\$ 4,084</u>	<u>\$ 3,111</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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As of June 30, 2020, the following summarizes financial assets and liquidity resources available over a 12-month period:

<i>(in thousands of dollars)</i>	2020	2019
Financial assets available		
Cash and cash equivalents	\$ 24,870	\$ 20,583
Accounts receivable, net	10,610	13,162
Contributions (without donor restrictions) due in one year or less available for expenditure	558	317
Investments appropriated for spending in following year	11,362	11,055
Investments not subject to donor or board restrictions	45	76
Total financial assets available within 12 months	47,445	45,193
Liquidity resources		
Bank line of credit (borrowings of \$1,095,000 and \$0 at 6/30/20 and 6/30/19)	28,905	10,000
Total financial assets and other liquidity resources	\$ 76,350	\$ 55,193

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 for endowment 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, 2020 and 2019, the board designated endowment was approximately \$48,227,000 and \$50,142,000, respectively.

The University's governing board has designated that \$30,000,000 of its available 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, 2020 and 2019, respectively, approximately 75.9% and 77.3% of the University's investment portfolio consists of highly liquid investments (redemption period within 30 days); 13.8% and 14.4% of the portfolio's investments may be redeemed either at future specified redemption dates or currently by incurring a penalty. Finally, certain investments (approximately 10.3% and 8.3%) 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, 2020 is as follows:

<i>(in thousands of dollars)</i>	Without Donor Restriction	With Donor Restriction	Total
Endowment funds			
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>
Other invested funds			
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>

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The composition of the University's net assets as of June 30, 2019 is as follows:

<i>(in thousands of dollars)</i>	Without Donor Restriction	With Donor Restriction	Total
Endowment funds			
Board designated endowment	\$ 50,142	\$ -	\$ 50,142
Original principal	-	72,919	72,919
Unspent income and appreciation			
Scholarship support	-	20,073	20,073
Program support	-	19,165	19,165
Unrestricted support	-	33,375	33,375
Total endowment funds	<u>50,142</u>	<u>145,532</u>	<u>195,674</u>
Other invested funds			
Annuity and life income agreements	-	(282)	(282)
Split interest agreements	-	1,241	1,241
Perpetual trusts	-	7,952	7,952
Student loan funds	1,396	1,909	3,305
Unexpended gifts			
For buildings and equipment	-	158	158
Instruction, research, and institutional support	-	3,603	3,603
Scholarship	-	1,839	1,839
Contributions receivable	-	1,916	1,916
Undesignated	24,176	-	24,176
Total other invested funds	<u>25,572</u>	<u>18,336</u>	<u>43,908</u>
Total net assets	<u>\$ 75,714</u>	<u>\$ 163,868</u>	<u>\$ 239,582</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.

The Statements of Activities present operating expenditures by natural classification. The operating 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	\$ 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>

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<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	\$ 49,608	\$ 5,478	\$ 15,264	\$ 1,429	\$ 924	\$ 72,703
Employee benefits	10,475	1,338	4,862	340	90	17,105
Materials, supplies, and other	9,974	3,619	11,426	11,270	436	36,725
Partner share of online programs	52,141	-	-	-	-	52,141
Interest expense	1,563	155	2,904	1,541	-	6,163
Depreciation and accretion expense	5,031	865	3,668	2,661	7	12,232
Total expenses - 2019	<u>\$ 128,792</u>	<u>\$ 11,455</u>	<u>\$ 38,124</u>	<u>\$ 17,241</u>	<u>\$ 1,457</u>	<u>\$ 197,069</u>

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 \$2,827,000 and \$4,178,000 for 2020 and 2019, 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, 2020, 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.

18. Subsequent Events

The University evaluated the period from June 30, 2020, the date of the financial statements, through October 22, 2020, the date of the issuance of the financial statements for subsequent events and noted no subsequent events have occurred after the balance sheet date that have a material impact on the University's financial statements other than the following items.

On July 1, 2020, the University borrowed \$48,905,000 under its available line of credits to finance working capital needs and capital projects, and such amount remains outstanding on the date of issuance.

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.