



Emmanuel College's financial statements, independent auditor's unqualified opinion, and footnotes for the years ended June 30, 2021 (FY21) and June 30, 2020 (FY20) are presented in the following pages. In order to present some highlights and an outlook related to the College's financial operations, management prepared this discussion and analysis.

During the year ended FY21, the College, our students, faculty, and staff continued to face the many challenges posed by the COVID-19 pandemic. The College's overall financial result on the Statement of Activities was positive, mainly as a result of the strong performance of the College's investment portfolio.

The following financial summary explains recent challenges encountered, accomplishments achieved, and trends experienced by the College:

- In FY21, operating activities were negatively impacted by the COVID-19 pandemic. Revenue from auxiliary operations declined by \$10.8 million YoY. The YoY decline was driven by no on-campus housing during the fall semester and limited on-campus housing during the spring semester. The College de-densified the campus in order to protect the health and the safety of its students, faculty, and staff.
- In FY21, the College received \$4.1 million in institutional aid from the government via Higher Education Emergency Relief Fund (HEERF) and Coronavirus Aid, Relief, and Economic Security Act (CARES) grants. While these funds helped reduce the negative impact from the decline in auxiliary revenue, operating activities still ended FY21 in negative territory.
- Contributions from non-operating activities increased from \$9.5 million in FY20 to \$33.5 million in FY21.
- Outstanding principal on the College's 2016 Massachusetts Development Finance Agency (MDFA) bonds was \$181 million as of June 30, 2021. During FY21, the debt service on the bond was \$12.0 million.
  - The College finances the debt incurred to construct the New Residence Hall with the residential and dining revenue generated by our 18 story New Residence Hall.
  - The College has a lease agreement with Massachusetts College of Pharmacy and Health Sciences (MCPHS) for rooms in the New Residence Hall. The lease payments from MCPHS totaled \$3.8 million during FY21.

- During FY21, the College's undergraduate nursing program experienced its second successful year and the nursing program's first cohort began clinical work in January of 2021. The College's new nursing lab was completed and the College's vision to provide on-campus, experiential learning opportunities for nursing students is now a reality.
- The College's facilities have been well-maintained, regularly renovated, and tremendously enhanced over the past 25 years. As a result, there is very little deferred maintenance on the College's campus buildings.
- The College has a \$188 million endowment as of June 30, 2021, which is a \$28.7 million increase YoY. Although the College does not intend to spend from its board-designated endowment funds, other than the amounts appropriated by the Board of Trustees approval for operations, additional resources are available to the College if necessary. The College's donor restricted endowment funds are used primarily to fund scholarships and financial aid.

The College is located next to the Longwood Medical Area and is a central part of the City of Boston's Fenway neighborhood. The College's location provides it with access to resources that are unavailable to suburban and rural institutions. The College's campus is a major draw for students desiring a small campus experience in the heart of Boston.

Emmanuel College will continue its mission to provide a Catholic education reflecting the charism of the Sisters of Notre Dame de Namur to students in the heart of Boston for many years to come.

Cordially,

A handwritten signature in blue ink that reads "Sr. Anne M. Donovan, SNDdeN". The signature is fluid and cursive, with the initials "SNDdeN" written in a slightly different style than the rest of the name.

Sr. Anne M. Donovan, SNDdeN

Vice President of Finance/Treasurer



**EMMANUEL COLLEGE**

Financial Statements

June 30, 2021 and 2020

(With Independent Auditors' Report Thereon)



KPMG LLP  
Two Financial Center  
60 South Street  
Boston, MA 02111

## Independent Auditors' Report

The Board of Trustees  
Emmanuel College:

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

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

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

### *Auditors' Responsibility*

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

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

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

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Emmanuel College 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 U.S. generally accepted accounting principles.

**KPMG LLP**

September 29, 2021



**EMMANUEL COLLEGE**

## Statements of Financial Position

June 30, 2021 and 2020

<b>Assets</b>	<b>2021</b>	<b>2020</b>
Cash and cash equivalents	\$ 5,757,247	8,135,760
Student accounts receivable, net (note 4)	210,471	430,345
Contributions receivable, net (note 4)	1,084,762	691,008
Other assets	881,629	560,234
Student loans receivable, net (notes 4 and 13)	1,449,752	1,763,671
Long-term investments (notes 5 and 6)	187,652,794	159,077,403
Land, buildings and equipment, net (note 7)	278,061,507	281,303,155
Total assets	<u>\$ 475,098,162</u>	<u>451,961,576</u>
<b>Liabilities and Net Assets</b>		
Accounts payable and accrued expenses	\$ 5,695,676	6,877,105
Student deposits and deferred revenue	3,467,374	3,973,983
Long-term debt, net (note 8)	193,420,498	197,803,617
Refundable U.S. government grants (note 13)	1,855,903	2,030,182
Total liabilities, excluding deferred lease revenue	204,439,451	210,684,887
Deferred lease revenue (note 9)	91,190,052	92,551,478
Total liabilities, including deferred lease revenue	<u>295,629,503</u>	<u>303,236,365</u>
Commitments (notes 8 and 14)		
Net assets:		
Without donor restrictions	129,855,707	103,672,270
With donor restrictions (note 11)	49,612,952	45,052,941
Total net assets	<u>179,468,659</u>	<u>148,725,211</u>
Total liabilities and net assets	<u>\$ 475,098,162</u>	<u>451,961,576</u>

See accompanying notes to financial statements.

# EMMANUEL COLLEGE

## Statement of Activities

Year ended June 30, 2021

	2021		
	Without donor restrictions	With donor restrictions	Total
Revenues:			
Tuition and fees, net (includes scholarships, grants, and other aid of \$39,521,660)	\$ 33,882,001	—	33,882,001
Auxiliary operations	5,749,640	—	5,749,640
Student service revenue, net	39,631,641	—	39,631,641
Contributions	1,419,369	—	1,419,369
Government and other private grants	5,100,768	—	5,100,768
Investment earnings authorized for operations (notes 5 and 6)	6,206,474	1,262,059	7,468,533
Leases and contracts (notes 8 and 9)	5,197,008	—	5,197,008
Other income, net	794,623	—	794,623
Net assets released from restrictions (note 12)	1,262,059	(1,262,059)	—
Total revenues	59,611,942	—	59,611,942
Expenses:			
Instruction	17,445,484	—	17,445,484
Academic support	5,117,634	—	5,117,634
Student services	10,730,092	—	10,730,092
Institutional support	13,628,414	—	13,628,414
Fundraising	1,681,465	—	1,681,465
Auxiliary operations	13,738,586	—	13,738,586
Total expenses	62,341,675	—	62,341,675
Change in net assets from operating activities	(2,729,733)	—	(2,729,733)
Nonoperating:			
Contributions	—	2,568,215	2,568,215
Net assets released from restrictions for capital (note 12)	6,117,653	(6,117,653)	—
Investment earnings, net, reinvested/designated for current operations (notes 5 and 6)	22,795,517	8,109,449	30,904,966
Total nonoperating activities	28,913,170	4,560,011	33,473,181
Change in net assets	26,183,437	4,560,011	30,743,448
Net assets as of beginning of year	103,672,270	45,052,941	148,725,211
Net assets as of end of year	\$ 129,855,707	49,612,952	179,468,659

See accompanying notes to financial statements.

# EMMANUEL COLLEGE

## Statement of Activities

Year ended June 30, 2020

	2020		
	Without donor restrictions	With donor restrictions	Total
Revenues:			
Tuition and fees, net (includes scholarships, grants, and other aid of \$42,330,303)	\$ 37,201,518	—	37,201,518
Auxiliary operations	16,570,059	—	16,570,059
Student service revenue, net	53,771,577	—	53,771,577
Contributions	1,233,831	—	1,233,831
Government and other private grants	2,757,050	—	2,757,050
Investment earnings authorized for operations (notes 5 and 6)	5,710,481	1,382,810	7,093,291
Leases and contracts (notes 8 and 9)	5,187,700	—	5,187,700
Other income, net	2,200,780	—	2,200,780
Net assets released from restrictions (note 12)	1,382,810	(1,382,810)	—
Total revenues	72,244,229	—	72,244,229
Expenses:			
Instruction	20,033,598	—	20,033,598
Academic support	5,984,598	—	5,984,598
Student services	13,204,949	—	13,204,949
Institutional support	15,122,148	—	15,122,148
Fundraising	2,401,939	—	2,401,939
Auxiliary operations	17,268,441	—	17,268,441
Total expenses	74,015,673	—	74,015,673
Change in net assets from operating activities	(1,771,444)	—	(1,771,444)
Nonoperating:			
Contributions	—	7,472,175	7,472,175
Net assets released from restrictions for capital (note 12)	1,683,566	(1,683,566)	—
Investment earnings, net, reinvested/designated for current operations (notes 5 and 6)	1,411,534	633,406	2,044,940
Total nonoperating activities	3,095,100	6,422,015	9,517,115
Change in net assets	1,323,656	6,422,015	7,745,671
Net assets as of beginning of year	102,348,614	38,630,926	140,979,540
Net assets as of end of year	\$ 103,672,270	45,052,941	148,725,211

See accompanying notes to financial statements.

# EMMANUEL COLLEGE

## Statements of Cash Flows

Years ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Change in net assets	\$ 30,743,448	7,745,671
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	10,210,415	10,375,039
Amortization of bond premium	(787,056)	(787,056)
Amortization of deferred lease revenue	(1,361,426)	(1,361,426)
Net realized and unrealized gains on investments	(36,270,305)	(6,656,619)
Contributions restricted for long-term investment	(1,190,278)	(2,970,193)
Change in student accounts receivable, net	219,874	(97,288)
Change in contributions receivable, net	(393,754)	867,517
Noncash contributions	(680,076)	(550,828)
Change in other assets	(321,395)	257,616
Change in accounts payable and accrued expenses	(487,792)	(471,343)
Change in student deposits and deferred revenue	(506,609)	1,209,007
Change in refundable U.S. government grants	(174,279)	(239,289)
Net cash (used in) provided by operating activities	<u>(999,233)</u>	<u>7,320,808</u>
Cash flows from investing activities:		
Sales of investments	248,320,176	97,144,105
Purchases of investments	(239,945,186)	(97,289,411)
Change in student loans receivable, net	313,919	324,361
Additions to land, buildings, and equipment	<u>(7,598,467)</u>	<u>(3,180,401)</u>
Net cash provided by (used in) investing activities	<u>1,090,442</u>	<u>(3,001,346)</u>
Cash flows from financing activities:		
Contributions restricted for long-term investment	1,190,278	2,970,193
Principal payment on long term debt	<u>(3,660,000)</u>	<u>(3,545,000)</u>
Net cash used in financing activities	<u>(2,469,722)</u>	<u>(574,807)</u>
Net change in cash and cash equivalents	(2,378,513)	3,744,655
Cash and cash equivalents as of beginning of year	<u>8,135,760</u>	<u>4,391,105</u>
Cash and cash equivalents as of end of year	<u>\$ 5,757,247</u>	<u>8,135,760</u>
Supplemental disclosure:		
Cash paid for interest	\$ 8,319,128	8,431,596
Change in accounts payable for land, buildings and equipment	(693,637)	705,007

See accompanying notes to financial statements.



## EMMANUEL COLLEGE

### Notes to Financial Statements

June 30, 2021 and 2020

#### (1) Organization

Emmanuel College (the College), located in Boston, Massachusetts, educates students in a dynamic co-educational learning environment shaped by a liberal arts and sciences curriculum that emphasizes career development. As a Catholic college, the College prepares students with the skills to succeed in tomorrow's world and the social conscience to make a difference in that world. The College's education is rooted in strong human values and continues to reflect the founding educational mission of the Sisters of Notre Dame de Namur (the Sisters) who opened the College in 1919.

#### (2) Summary of Significant Accounting Policies

##### (a) *Basis of Financial Statement Presentation*

The accompanying financial statements are presented on the accrual basis of accounting and have been prepared to focus on the College as a whole and to present balances and transactions 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 College or may be limited by contractual agreements with outside parties.

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.

Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows, discounted at the appropriate rate commensurate with the risks involved. Amortization of the discount is included in contribution revenue. Conditional promises to give are not included as revenue until such time as the conditions are substantially met. All contributions are considered to be available for current use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as with donor restrictions. When a qualifying expenditure occurs or a time restriction expires, net assets with donor restrictions are recognized as "net assets released from restrictions" in the statement of activities. However, if a restriction is fulfilled in the same time period in which the contribution is received, the contribution is reported as without donor restrictions.

Furthermore, dividends, interest, and realized and unrealized gains on long-term investments are reported as follows:

- Increases in net assets with donor restrictions if the terms of the contribution require these to be added to the principal;
- Increases in net assets with donor restrictions if the terms of the contribution, or the College's interpretation of relevant state law, imposes restrictions on the use of the income and gains; or
- Increases in net assets without donor restrictions in all other cases.

**EMMANUEL COLLEGE**  
Notes to Financial Statements  
June 30, 2021 and 2020

**(b) Operations**

The statements of activities report the change in net assets from operating and nonoperating activities. Operating revenues consist of those items attributable to the College's academic programs and auxiliary enterprises. Total student service revenue consists of charges for tuition and fees, housing and dining. Such revenue is presented at transaction prices, which are determined based on standard published rates for the services provided, less any scholarships and aid awarded by the College to qualifying students. Scholarships, grants and other aid awarded for tuition and fees amounted to \$39,521,660 and \$42,330,303 at June 30, 2021 and 2020, respectively.

Appropriated endowment income, including gains, of the College's with donor restriction endowment used in support of current year operations are reported as operating revenue. All other investment income is reported as nonoperating revenue. Contributions for capital assets, and contributions that are not expended for operations in the year received are reported as nonoperating revenue; all other contributions without donor restrictions are reported as operating revenue. Leases and contract revenue are reported as operating revenue.

**(c) Cash and Cash Equivalents**

The College considers highly liquid investments with maturities of three months or less at the date of purchase to be cash equivalents, except any such investments that are part of the College's endowment, which are reported as long-term investments.

**(d) Investments**

All long-term investments have been reported in the financial statements at their current fair value. The fair value of publicly traded securities is based upon quotes from the principal exchanges on which the security is traded. The net increase in realized and unrealized appreciation in the fair value of such investments has been included in the statement of activities in the appropriate net asset classification.

**(e) Student Deposits and Deferred Revenue**

Student deposits, along with advance payments for tuition, room, and board related to the next semester, have been deferred and will be reported as revenue without donor restrictions when realized.

**(f) Income Taxes**

The College generally is not subject to income taxes since it is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code.

ASC 740, *Income Taxes*, permits an entity to recognize the benefit and requires accrual of an uncertain tax position only when the position is "more-likely than-not" to be sustained in the event of examination by tax authorities. In evaluating whether a tax position has met the recognition threshold, the College must presume that the position will be examined by the appropriate taxing authority that has full knowledge of all relevant information. ASC 740 also provides guidance on the recognition, measurement and classification of income tax uncertainties, along with any related interest or penalties. Tax positions deemed to meet the "more-likely than-not" threshold are recorded as a tax expense in the current year.



## EMMANUEL COLLEGE

### Notes to Financial Statements

June 30, 2021 and 2020

The College has analyzed all open tax years, defined by the statutes of limitations, for all major jurisdictions. Open tax years are those that are open for exam by taxing authorities. Major jurisdictions for the College include Federal and the Commonwealth of Massachusetts. As of June 30, 2021, open Federal and Massachusetts tax years for the College include the tax years ended June 30, 2017, through June 30, 2019. The College has no examinations in progress. The College believes it has no significant uncertain tax positions.

#### **(g) Use of Estimates**

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

#### **(h) Land, Buildings, and Equipment**

Land, buildings, major plant renovations and major repairs, and equipment are stated at cost at the date of acquisition or renovation, or at fair value as of the date of donation in the case of a contribution. Minor renovations and repairs are charged to operations and maintenance as incurred. Depreciation of plant and equipment is computed on a straight-line basis over the expected lives of the respective assets.

Interest expense on debt used to finance construction has been added to the cost of the asset, net of any income earned on temporarily invested debt proceeds during construction.

#### **(i) Bond Discount, Premiums, and Issuance Costs**

Unamortized bond discounts, premiums, and issuance costs are being amortized through the final maturity date of the respective bond issue.

#### **(j) Fair Value of Financial Instruments**

The College discloses fair value information about all financial instruments, whether or not recognized in the balance sheet, for which it is practicable to estimate fair value. Cash and cash equivalents, accounts and contributions receivable, and accounts payable are carried at net realizable value, which approximates fair value. The fair values of all other financial assets and liabilities are disclosed in the accompanying notes.

Fair value represents the price that would be received upon the sale of an asset or paid upon the transfer of a liability in an orderly transaction between market participants as of the measurement date. GAAP establishes a fair value hierarchy that prioritizes inputs used to measure fair value into three levels:

- Level 1 – quoted prices (unadjusted) in active markets that are accessible at the measurement date for assets or liabilities;
- Level 2 – observable prices that are based on inputs not quoted in active markets, but corroborated by market data; and
- Level 3 – unobservable inputs are used when little or no market data is available.

## EMMANUEL COLLEGE

### Notes to Financial Statements

June 30, 2021 and 2020

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. In determining fair value, the College utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. Levels are determined based on the aforementioned hierarchy. The College has no investments that are valued using Level 3 inputs.

#### **(k) Leases**

The College has leases under which it is obligated as a lessee and leases for which it is a lessor.

The College determines if an arrangement is, or contains, a lease at inception of the contract and classifies leases as either operating or finance depending upon the terms and conditions set forth in the contract. Operating lease right-of-use assets and related obligations are recognized at commencement date based on the present value of lease payments over the lease term discounted using an appropriate incremental borrowing rate. Lease right-of-use assets represent the College's right to use an underlying asset for the lease term. Lease obligations, included in accounts payable and accrued expenses, represent the College's liability to make lease payments arising from the lease. At the time of recognition of a lease liability and corresponding right-of-use asset, the incremental borrowing rate is determined using interest rates applicable to the College. Right-of-use assets related to operating leases are included in other assets and the related lease obligation is in the statement of financial position. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

The following table summarizes cash paid for amounts included in the measurement of these liabilities, under ASC 842, for operating leases as a lessee for the year ended June 30, 2021:

	<u>2021</u>
Operating cash flows used in operating leases \$	(65,658)

Rental income arising from operating leases as a lessor is included in operating revenue in leases and contracts in the statement of activities.

#### **(l) Recent Accounting Pronouncements**

In February 2016, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*, and has subsequently issued supplemental and/or clarifying ASU's (collectively, ASC 842). The standards were issued to increase transparency and comparability among organizations by requiring the recognition of lease assets and lease liabilities on the statements of financial position and disclosing key information about leasing arrangements. The College adopted these standards during the year ended June 30, 2021, using a modified retrospective transition approach and recorded lease right-of-use assets – operating leases as of July 1, 2020, which are included in other assets and related obligations in accounts payable and accrued expenses. For periods prior to July 1, 2020, the College accounted for leasing transactions under ASC 840. The College elected the practical expedient package to not reassess at adoption (i) expired or existing contracts for whether they are or contain a lease, (ii) the lease classification of any existing leases or (iii) initial indirect costs for existing leases. The College also elected the policy exemption that allows



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lessees to not separate lease and non-lease components by class of underlying asset and are applying this expedient to all relevant asset classes. Refer to Note 8 for further information.

**(m) Reclassifications**

Certain reclassifications have been made to 2020 information to conform to the 2021 presentation.

**(3) Liquidity and Availability of Resources**

As of June 30, 2021 and 2020, financial assets and liquidity resources available within one year for general expenditure, such as operating expenses, scheduled principal payments on debt, and capitalized construction costs not financed with debt, were as follows:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 5,757,247	8,135,760
Student accounts and contributions receivable, net	509,326	589,345
Board approved endowment appropriation for following year	<u>8,188,041</u>	<u>7,468,533</u>
Total financial assets and liquidity resources available within one year	\$ <u>\$14,454,614</u>	<u>\$16,193,638</u>

The College's Board of Trustees determines and implements the spending policy for the College's endowment. The College's current long-term investment spending policy is a maximum of 5% of the average fair value of the endowment over the prior three years. Under the provision of the spending rule, for fiscal year 2021 and 2020 the endowment appropriation was \$7,468,533 and \$7,093,291, respectively. Additionally, the College has board-designated endowment funds of \$142,579,479 as of June 30, 2021. Although the College does not intend to spend from its board-designated endowment funds other than amounts appropriated for operations, additional amounts could be available, if necessary.

The College's cash flows have seasonal variations attributable to the timing of tuition billing and contributions received. The College projects future liquidity requirements and corresponds the amounts and duration of investments with the projected liquidity need.

**(4) Receivables**

**(a) Student Accounts and Student Loans**

Student accounts receivable are net of an allowance for uncollectible accounts of \$446,885 and \$443,201 as of June 30, 2021 and 2020, respectively.

Student loans receivables are net of an allowance for uncollectible loans of \$181,000 as of June 30, 2021 and 2020.

**EMMANUEL COLLEGE**  
Notes to Financial Statements  
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**(b) Contributions**

Contributions receivable as of June 30 are composed of the following:

	<u>2021</u>	<u>2020</u>
Amounts due in:		
Less than one year	\$ 398,479	252,810
One to five years	<u>1,034,534</u>	<u>668,534</u>
	1,433,013	921,344
Less present value discount and allowance for uncollectible pledges	<u>(348,251)</u>	<u>(230,336)</u>
Contributions receivable, net	<u>\$ 1,084,762</u>	<u>691,008</u>

Contributions receivable have been discounted at rates of approximately 5%.

**(5) Long-Term Investments**

*Basis of Reporting*

Investments are reported at estimated fair value. If an investment is held directly by the College and an active market with quoted prices exists, the market price of an identical security is used as reported fair value. Reported fair values for shares in mutual funds registered with the U.S. Securities and Exchange Commission are based on share prices reported by the funds as of the last business day of the College's fiscal year. Investments are redeemable daily on one to seven days' notice.

The following tables summarize the College's investments by major category in the fair value hierarchy as of June 30, 2021 and 2020, as well as related strategy:

	<u>June 30, 2021</u>		
	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Fixed income	\$ 43,930,167	1,172,623	45,102,790
Global (ex-U.S.) fixed income	14,982,923	—	14,982,923
Domestic equities	100,286,664	920,206	101,206,870
Global (ex-U.S.) equities	10,250,315	—	10,250,315
Cash equivalents	<u>16,109,896</u>	<u>—</u>	<u>16,109,896</u>
Total investments	<u>\$ 185,559,965</u>	<u>2,092,829</u>	<u>187,652,794</u>

**EMMANUEL COLLEGE**  
Notes to Financial Statements  
June 30, 2021 and 2020

	<b>June 30, 2020</b>		
	<b>Level 1</b>	<b>Level 2</b>	<b>Total</b>
Fixed income	\$ 45,426,663	1,562,561	46,989,224
Global (ex-U.S.) fixed income	1,466,787	—	1,466,787
Domestic equities	78,870,678	585,001	79,455,679
Global (ex-U.S.) equities	14,261,328	—	14,261,328
Cash equivalents	16,904,385	—	16,904,385
Total investments	\$ <u>156,929,841</u>	<u>2,147,562</u>	<u>159,077,403</u>

The following summarizes the investment return for the years ended June 30:

	<b>2021</b>	<b>2020</b>
Realized net gains	\$ 21,561,205	655,490
Unrealized net gains	14,709,100	6,001,129
Interest and dividends	2,781,543	3,083,312
Total gross return	\$ <u>39,051,848</u>	<u>9,739,931</u>

Following is a reconciliation of total investment return to amounts reported in the statements of activities for the years ended June 30:

	<b>2021</b>	<b>2020</b>
Long-term investment return utilized – operating activities	\$ 7,468,533	7,093,291
Long-term investment return in excess of amounts utilized – nonoperating activities	31,583,315	2,646,640
Total gross return	\$ <u>39,051,848</u>	<u>9,739,931</u>

Total investment advisory and custodial fees were \$678,349 and \$601,700 for the years ended June 30, 2021 and 2020, respectively.

## EMMANUEL COLLEGE

### Notes to Financial Statements

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#### **(6) Endowment**

The College's endowment consists of 120 individual funds established for a variety of purposes including both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowment. Net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowment, are classified and reported based on the existence or absence of donor-imposed restrictions.

##### **(a) *Relevant Law***

The College follows the principles of the Uniform Prudent Management of Institutional Funds Act (UPMIFA).

Under UPMIFA, the governing board has discretion to determine appropriate expenditures of a donor-restricted endowment fund in accordance with a robust set of guidelines about what constitutes prudent spending. UPMIFA permits the College to appropriate for expenditure or accumulate so much of an endowment fund as the College determines to be prudent for the uses, benefits, purposes and duration for which the endowment fund is established. Seven criteria are to be used to guide the College in its yearly expenditure decisions: 1) duration and preservation of the endowment fund; 2) the purposes of the College and the endowment fund; 3) general economic conditions; 4) effect of inflation or deflation; 5) the expected total return from income and the appreciation of investments; 6) other resources of the College; and, 7) the investment policy of the College.

Although UPMIFA offers short-term spending flexibility, the explicit consideration of the preservation of funds among factors for prudent spending suggests that a donor-restricted endowment fund is still perpetual in nature. Under UPMIFA, the Board is permitted to determine and continue a prudent payout amount, even if the market value of the fund is below historic-dollar-value. There is an expectation that, over time, the historic-dollar-value amount will remain intact.

In accordance with appropriate accounting standards, the College classifies net assets with donor restrictions (a) the original value of gifts donated to the endowment with donor restrictions, (b) the original value of subsequent gifts to the endowment with donor restrictions and (c) accumulated appreciation on donor restricted endowment funds, which are available for expenditure by the Board of Trustees.



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Endowment net asset composition by type of fund consists of the following at June 30, 2021:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Donor-restricted endowment funds:			
Instruction	\$ —	6,992,986	6,992,986
Student aid	—	37,959,702	37,959,702
Other	—	120,627	120,627
	—	45,073,315	45,073,315
Board-designated endowment funds	<u>142,579,479</u>	<u>—</u>	<u>142,579,479</u>
Total endowed net assets	\$ <u>142,579,479</u>	<u>45,073,315</u>	<u>187,652,794</u>

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

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Endowment net assets, July 1, 2020	\$ 123,402,273	35,675,130	159,077,403
Investment return:			
Investment income	2,120,318	661,225	2,781,543
Net gain	<u>27,403,036</u>	<u>8,867,269</u>	<u>36,270,305</u>
Total investment return	29,523,354	9,528,494	39,051,848
Contributions	150,215	1,190,278	1,340,493
Fees	(521,363)	(156,986)	(678,349)
Appropriation of endowment assets for capital	(3,670,068)	—	(3,670,068)
Appropriation of endowment assets for expenditure	<u>(6,304,932)</u>	<u>(1,163,601)</u>	<u>(7,468,533)</u>
Endowment net assets, June 30, 2021	\$ <u>142,579,479</u>	<u>45,073,315</u>	<u>187,652,794</u>

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Endowment net asset composition by type of fund consists of the following at June 30, 2020:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Donor-restricted endowment funds:			
Instruction	\$ —	5,640,000	5,640,000
Student aid	—	29,939,951	29,939,951
Other	—	95,179	95,179
	—	35,675,130	35,675,130
Board-designated endowment funds	123,402,273	—	123,402,273
Total endowed net assets	\$ <u>123,402,273</u>	<u>35,675,130</u>	<u>159,077,403</u>

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

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Endowment net assets, July 1, 2019	\$ 117,537,499	34,187,151	151,724,650
Investment return:			
Investment income	2,412,669	670,643	3,083,312
Net gain	5,178,981	1,477,638	6,656,619
Total investment return	7,591,650	2,148,281	9,739,931
Contributions	4,540,304	767,509	5,307,813
Fees	(469,636)	(132,064)	(601,700)
Appropriation of endowment assets for expenditure	(5,797,544)	(1,295,747)	(7,093,291)
Endowment net assets, June 30, 2020	\$ <u>123,402,273</u>	<u>35,675,130</u>	<u>159,077,403</u>

**(b) Funds with Deficiencies**

From time to time, the fair value of certain donor-restricted endowment funds may fall below their original contributed value. As of June 30, 2021 and 2020, there were no material underwater endowment funds.

**(c) Return Objectives and Risk Parameters**

The College has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the College must hold in perpetuity or for a donor-specified period as well as board-designated funds. The primary investment objectives of the management of the endowment fund

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is to grow the fund's real value by generating average annual real returns that meet or exceed the spending rate, after inflation, management fees and administrative costs. Consistent with this goal, the Board of Trustees and the Finance Committee intend that the endowment fund be managed with an intention to maximize total returns consistent with prudent levels of risk and reduce portfolio risk through asset allocation and diversification.

Under this policy, as approved by the Finance Committee, the endowment assets are invested in a manner that is intended to produce results that meet or exceed the price and yield results of benchmarks composed of the Standard and Poor's 500 index for equities and Barclays Capital Intermediate Government/Credit Bond Index for fixed income securities while assuming a prudent level of investment risk.

#### ***(d) Strategies Employed for Achieving Objectives***

To satisfy its long-term rate-of-return objectives, the College relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Finance Committee is responsible for establishing an asset allocation policy. The asset allocation policy is designed to attempt to achieve diversity among capital markets and within capital markets, by investment discipline and management style. The Committee designs a policy portfolio in light of the endowment's needs for liquidity, preservation of purchasing power and risk tolerances.

The College targets a diversified asset allocation that places emphasis on investments in equities and fixed income securities that conform to the College's Ethical and Social Justice Policy for Investments. The asset allocation on a fully invested target is 60% equities and 40% fixed income excluding any cash and cash equivalents. The Finance Committee periodically reviews the policy portfolio's asset allocation for possible rebalancing.

#### ***(e) Spending Policy and How the Investment Objectives Relate to Spending Policy***

Under the College's current long-term investment spending policy, 5% of the average fair value of the prior three years of its endowment funds with donor restrictions and up to 5% of the average fair value of the prior three years of its endowment funds without donor restrictions can be appropriated for spending. The College may also withdraw funds for purposes as authorized by the Trustees. During the year ended June 30, 2021, the College released \$3,670,068 from board designated funds to fund capital expenditures.

In establishing these policies, the College considered the intent of the donor-restricted endowment, the expected return on its endowment and its programming needs. Accordingly, the College expects the current spending policy to allow its endowment to maintain its purchasing power by growing at a rate greater than planned payouts. Additional real growth will be provided through new gifts and any excess investment return or additions authorized by the Board of Trustees.

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**(7) Land, Buildings, and Equipment**

Land, buildings, and equipment as of June 30 are as follows:

	<b>Estimated useful lives</b>	<b>2021</b>	<b>2020</b>
Land and improvements	0–20 years	\$ 21,103,059	20,889,760
Buildings and improvements	35–50 years	336,900,109	330,767,335
Furniture and equipment	5 years	14,062,659	13,458,960
Collection of art	—	122,592	122,592
Construction in progress	—	1,286,368	2,252,036
		<u>373,474,787</u>	<u>367,490,683</u>
Less accumulated depreciation		<u>(95,413,280)</u>	<u>(86,187,528)</u>
Land, buildings, and equipment, net		<u>\$ 278,061,507</u>	<u>281,303,155</u>

Depreciation expense charged to operations was \$10,146,478 and \$10,311,104 for the years ended June 30, 2021 and 2020, respectively. Capitalized interest included in buildings and improvements was \$10,617,457 at June 30, 2021 and June 30, 2020.

**(8) Leases**

**(a) New Residence Hall Lease**

In connection with the issuance of the 2016 Bonds, the College entered into a lease with MCPHS University (MCPHS) that commenced upon substantial completion of the new residence hall. Pursuant to the lease agreement, MCPHS leases approximately 260 beds and the use of certain common areas of the building. Under the lease, MCPHS, has the option to extend the lease for three extension terms of five (5) years each. Over the initial 12-year term of the lease, MCPHS will make semi-annual rent payments to the College ranging from \$1.8 million to \$2.5 million. For the fiscal years ended June 30, 2021 and 2020, MCPHS paid the College \$3,817,118 and \$3,749,115, respectively, which are included in leases and contracts revenue in the statement of activities. The lease payments are pledged as security for the 2016 Bonds (Note 9).

**(b) Ground Leases**

The College is the lessor in two long-term ground leases for space. Annual rental income recognized for the years ended June 30, 2021 and 2020 was \$1,361,426.

**(c) Lease Obligations**

The College is committed to annual payments under long-term non-cancellable operating equipment leases through the year ending June 30, 2024.



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Payments due include options to extend leases that are reasonably certain through the year ending June 30, 2024 and are summarized below as of June 30, 2021:

<u>Fiscal year</u>	<u>Operating</u>
2022	\$ 99,996
2023	99,996
2024	63,331
Less amounts representing interest	<u>(13,821)</u>
Total obligation	\$ <u><u>249,502</u></u>

2021

Weighted average remaining lease term – operating leases	3 years
Weighted average discount rate – operating leases	4%

The components of lease expense are as follows:

	<u>2021</u>	<u>2020</u>
Lease cost:		
Operating lease expense	<u>65,658</u>	<u>65,859</u>
Short-term lease expense	<u>65,658</u>	<u>65,859</u>
Total lease cost	\$ <u><u>65,658</u></u>	<u><u>65,859</u></u>

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**(9) Long-Term Debt**

Long-term debt as of June 30 is as follows:

	<u>2021</u>	<u>2020</u>
Massachusetts Development Finance Agency Series A Tax Exempt Term Bonds of 2016, due through 2046, starting October 2037	\$ 96,630,000	96,630,000
Massachusetts Development Finance Agency Series A Tax Exempt Serial Bonds of 2016, due through 2036, starting October 2030	41,340,000	41,340,000
Massachusetts Development Finance Agency Series B Taxable Serial Bonds of 2016, due through 2021, starting October 2019	3,550,000	3,550,000
Massachusetts Development Finance Agency Series B Taxable Term Bonds of 2016, due through 2030, starting October 2020	<u>39,510,000</u>	<u>43,170,000</u>
Total long-term debt	181,030,000	184,690,000
Less underwriter's discount	(722,449)	(751,550)
Less bond issuance costs	(863,154)	(897,990)
Plus unamortized premium	<u>13,976,101</u>	<u>14,763,157</u>
Long-term debt, net	<u>\$ 193,420,498</u>	<u>197,803,617</u>

On June 16, 2016, the College entered into a Loan and Trust Agreement with Massachusetts Development Finance Agency (the Agency) in order to finance a new residence hall construction project and to repay other indebtedness. In connection with the Agreement, the Agency issued Series 2016B taxable bonds with a par amount of \$50,265,000 and Series 2016A tax-exempt bonds with a par amount of \$137,970,000 (collectively the 2016 Bonds). An original issue premium of \$17,944,175 was received upon issuance of these bonds. The premium will be amortized over the remaining life of the bonds.

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The bonds carry an effective fixed interest rate of 3.94% and are repayable over a 30-year period. Total interest incurred for the years ended June 30, 2021 and 2020 amounted to \$8,319,128 and \$8,431,596. Capitalized interest for the year ended June 30, 2019 amounted to \$816,602. The principal payments for these bonds are as follows:

Year ending June 30:	
2022	\$ 3,795,000
2023	3,940,000
2024	4,100,000
2025	4,265,000
2026	4,440,000
Thereafter	<u>160,490,000</u>
	<u>\$ 181,030,000</u>

The Series 2016 Bonds do not have debt covenants.

**(10) Deferred Lease Revenue**

The College has two land leases with two separate third party lessees.

The first lease began in May 2001. The lessee prepaid the College upon inception of the lease and the prepayment was recognized as deferred lease revenue and is being amortized to revenue without donor restrictions on a straight-line basis over the 75 year term of the lease. The College recognized \$341,884 in annual lease revenue during the years ended June 30, 2021 and 2020. The remaining unamortized deferred revenue on the first lease was \$18,632,687 and \$18,974,571 at June 30, 2021 and 2020, respectively.

The second lease began in August 2012. The lessee prepaid \$40 million to the College upon inception of the lease and \$42 million in November 2015. The prepayment was recognized as deferred lease revenue and is being amortized to revenue without donor restrictions on a straight-line basis over the 80 year term of the lease. The College recognized \$1,019,542 in annual lease revenue during the years ended June 30, 2021 and 2020. The remaining unamortized deferred revenue on the second lease was \$72,557,365 and \$73,576,907 at June 30, 2021 and 2020, respectively.

**(11) Retirement Plan**

Through its membership in the Teachers Insurance and Annuity Association, the College has a discretionary contribution retirement plan for all qualified (as defined) full-time employees. The College's contribution in 2021 and 2020 was equal to 9% of each eligible employee's basic annual salary. The College temporarily eliminated employer contributions during the year ended June 30, 2021. The expense of this plan was \$1,851,849 for the year ended June 30, 2020.

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**(12) Net Assets**

Net assets with donor restrictions consisted of the following:

	<u>2021</u>	<u>2020</u>
	<u>With donor restrictions</u>	<u>With donor restrictions</u>
Purpose restrictions:		
Academic support	\$ 97,963	35,054
Student aid	38,110,196	30,085,250
Capital projects	399,386	6,052,146
Instruction	7,386,379	5,919,850
Other	2,574,271	2,269,633
Contributions receivable, net	<u>1,044,757</u>	<u>691,008</u>
	<u>\$ 49,612,952</u>	<u>45,052,941</u>

Unspent long-term investment gains on net assets with donor restrictions were \$17,479,224 and \$9,271,317 as of June 30, 2021 and 2020, respectively. These unspent gains are classified as net assets with donor restrictions until the College appropriates and spends such sums in accordance with the terms of the underlying contributions, at which time they will be released to revenues without donor restrictions.

**(13) Net Assets Released from Donor Restrictions**

Net assets released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of events specified by the donors are as follows:

	<u>2021</u>	<u>2020</u>
Purpose restrictions:		
Scholarship	\$ 988,053	1,056,187
Capital expenditure	6,117,653	1,683,566
Instructional	274,006	250,486
Academic support	<u>—</u>	<u>76,137</u>
Total net assets released from donor restrictions	<u>\$ 7,379,712</u>	<u>3,066,376</u>

**(14) Student Loans**

Student loans include funds advanced to the College by the U.S. government under the Federal Perkins Loan Program (the Program). Under federal law, the authority for schools to make new loans under the Program ended on September 30, 2017, and final disbursements were permitted through June 30, 2018. The College returned \$177,864 and \$277,649 of advanced Program funds to the U.S. government during the years ended June 30, 2021 and 2020, respectively.



# EMMANUEL COLLEGE

## Notes to Financial Statements

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### (15) Commitments and Contingencies

Since the inception of the College, the Sisters have provided services for which they have not been fully compensated. Prior to 1982, the amount of the aggregate uncompensated services was reflected in the College's financial statements as noninterest bearing indebtedness payable to the Sisters. A change in accounting for the indebtedness payable to the Sisters was effected as of July 1, 1982, reclassifying the indebtedness because of the contingent nature of the College's liability to the Sisters. Beginning on July 1, 1982, the calculation of aggregate contingent liability was increased by the annual amount of the uncompensated services of the Sisters. As of August 31, 2002, the total contingent liability of the College under the terms of its liability to the Sisters was \$9,174,000 (the liability). Beginning September 1, 2002, the College began fully compensating the Sisters for their services. The liability may become payable on demand in certain circumstances, including among other things termination of operations, merger with another institution, dissolution of the Board of Trustees, and bankruptcy. The liability is represented by a note, which is secured by a mortgage on certain property, a portion of which is subordinated to the Massachusetts Development Finance Agency Series 2016 Bonds.

### (16) Functional Expenses

The statements of activities present expenses by functional classification. Costs related to the operation and maintenance of the plant, depreciation expense and interest expense are allocated based on square footage utilization of the function. Institutional overhead costs are allocated based on a weighted average salary allocation.

Natural expenses as of June 30, 2021, are as follows:

	Program activities				Support activities		Total
	Instruction	Academic support	Student services	Institutional support	Fundraising	Auxiliary operations	
Salaries and wages	\$ 9,828,592	2,523,916	5,316,717	4,179,831	868,249	676,394	23,393,699
Employee benefits	2,338,716	563,240	1,234,176	841,210	233,738	294,988	5,506,068
Supplies, services, other	2,761,052	1,196,941	2,348,625	2,542,914	361,741	4,320,791	13,532,064
Depreciation	1,260,091	417,325	916,430	3,215,216	108,973	4,228,443	10,146,478
Interest	973,817	322,437	708,182	2,207,293	84,259	3,267,638	7,563,626
Utilities	283,216	93,775	205,962	641,950	24,505	950,332	2,199,740
	<u>\$ 17,445,484</u>	<u>5,117,634</u>	<u>10,730,092</u>	<u>13,628,414</u>	<u>1,681,465</u>	<u>13,738,586</u>	<u>62,341,675</u>

Natural expenses as of June 30, 2020, are as follows:

	Program activities				Support activities		Total
	Instruction	Academic support	Student services	Institutional support	Fundraising	Auxiliary operations	
Salaries and wages	\$ 11,724,006	3,059,628	6,605,340	5,035,539	1,241,288	987,069	28,652,870
Employee benefits	2,987,979	785,749	1,789,863	1,176,804	383,536	593,471	7,717,402
Supplies, services, other	2,727,516	1,280,196	2,920,172	2,665,051	552,719	6,983,205	17,128,859
Depreciation	1,280,536	424,096	931,299	3,267,383	110,741	4,297,049	10,311,104
Interest	989,380	327,590	719,500	2,242,569	85,605	3,319,859	7,684,503
Utilities	324,181	107,339	238,775	734,802	28,050	1,087,788	2,520,935
	<u>\$ 20,033,598</u>	<u>5,984,598</u>	<u>13,204,949</u>	<u>15,122,148</u>	<u>2,401,939</u>	<u>17,268,441</u>	<u>74,015,673</u>

## EMMANUEL COLLEGE

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#### (17) Impact of Pandemic

In March 2020, the World Health Organization declared the novel coronavirus (COVID-19) a pandemic. Although it is not possible to determine the pandemic's ultimate length, severity, or impacts on the economy or the College's finances, the College could experience material adverse effects posed by the risks, or our stakeholders' perceptions of the risks, related to COVID-19.

As a result of the pandemic, beginning in March 2020, the College suspended in-person education and other campus-based activities, resulting in foregone revenues and COVID-19 related costs. Approximately \$4.3 million of amounts billed for residential and dining services was refunded to students on a pro-rated, net basis during the year ended June 30, 2020.

During the fall semester of the year ended June 30, 2021, the College continued the suspension of in-person education and closed the residence halls. During the spring semester, the College's residence halls reopened with a significantly reduced occupancy. Room and board revenue was \$5,749,640 and \$16,570,059 during the years ended June 30, 2021 and 2020, respectively.

The College incurred other incremental costs due to the pandemic, including COVID testing, transitioning to online education and work environments. The College also experienced reductions in certain other recurring costs, such as travel, dining and utilities.

As a result of the COVID-19 pandemic, the College received institutional aid totaling \$4,037,195 and \$825,988 from the U.S. government, during the years ended June 30, 2021 and 2020, respectively. The federal grants were provided through the Higher Education Emergency Relief Fund (HEERF). Funds provided by HEERF were used to fund the College's COVID 19 related costs. The HEERF grant proceeds were recognized on the statement of activities as government and other private grants revenue.

HEERF grants also provided emergency financial aid grants to students. Student aid provided by HEERF totaled \$3,109,852 and \$825,988 during the years ended June 30, 2021 and 2020, respectively. The College deferred \$2,972,802 for use during fiscal year 2022.

#### (18) Subsequent Events

For purposes of determining the effects of subsequent events on these financial statements, management has evaluated events subsequent to June 30, 2021 and through September 29, 2021, the date on which the financial statements were available to be issued.