

SUFFOLK UNIVERSITY

Statement of Cash Flows

Year Ended June 30, 2021

(with comparative information for the year ended June 30, 2020)

	2021	2020
Cash flows (used in) provided by operating activities:		
Change in net assets	\$ 55,099,604	\$ (20,079,704)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	17,386,796	16,323,429
Amortization of premiums, discounts, and bond issue costs	(1,495,173)	(1,162,133)
Amortization of right of use asset	5,242,848	-
Postretirement benefit obligation changes other than delivery costs	(65,210)	404,868
Net realized and unrealized gains on investments	(69,866,596)	(1,203,699)
Loss on early extinguishment of debt	-	1,695,505
Loss on sale/write-down of property	-	114,337
Contributions restricted for long-term purposes	(6,024,146)	(1,338,665)
Changes in operating assets and liabilities:		
Student accounts and notes receivable	1,276,266	(2,197,858)
Other receivables	(106,898)	(2,024,436)
Prepaid charges and other assets	(70,178)	(1,207,123)
Pledges receivable	3,837,970	(276,460)
Accounts payable and accrued expenses	2,616,621	5,905,082
Student deposits and deferred revenue	1,495,048	(292,060)
Lease obligations	(4,184,085)	-
Accrued postretirement health obligations	(231,562)	(247,661)
Net cash (used in) provided by operating activities	4,911,305	(5,586,578)
Cash flows used in investing activities:		
Purchases of property, buildings and equipment	(17,266,637)	(77,254,676)
Proceeds from sale of property	-	210,663
Change in deferred implementation costs	(2,280,041)	(2,774,971)
Change in deposits with bond trustee	(1,616,343)	(2,406,969)
Purchase of investments	(106,158,339)	(61,777,038)
Proceeds from sales of investments	114,667,753	81,600,253
Net cash used in investing activities	(12,653,607)	(62,402,738)
Cash flows provided by financing activities:		
Payments on borrowings and extinguishment of debt	(8,750,000)	(5,200,000)
Proceeds from bond issuance	77,238,912	2,999,235
Proceeds from line of credit	-	71,000,000
Payments on line of credit	(71,000,000)	-
Contributions designated for long-term purposes	6,024,146	1,338,665
Change in refundable U.S. government grants	(719,039)	(1,074,425)
Net cash provided by financing activities	2,794,019	69,063,475
Net increase (decrease) in cash and cash equivalents	(4,948,283)	1,074,159
Cash and cash equivalents at beginning of year	30,646,786	29,572,627
Cash and cash equivalents at end of year	\$ 25,698,503	\$ 30,646,786
Supplemental disclosures:		
Interest paid	\$ 14,728,868	\$ 13,853,049
Noncash investing activity - change in accounts payable and accrued expense attributable to property, buildings and equipment	\$ 3,911,737	\$ 3,218,340

Noncash financing activity - New bonds were issued during fiscal years 2021 and 2020. Funds were primarily used simultaneously to pay off outstanding debt and new issuance costs.

See accompanying notes to financial statements.

SUFFOLK UNIVERSITY

Notes to Financial Statements

June 30, 2021

(with comparative information for June 30, 2020)

Note 1 - Description of the University

Suffolk University (the “University”) is a private not-for-profit comprehensive, urban university located in historic Boston with an international campus in Madrid, Spain. The University is driven by the power of education, inclusion, and engagement to change lives and positively impact communities. Committed to excellence, the University provides students with experiential and transformational learning opportunities that begin in the center of Boston, reach across the globe, and lead to extraordinary outcomes for graduates.

The University consists of the College of Arts and Sciences, Sawyer Business School, and Law School, which offer undergraduate, graduate, and law degrees. The University maintains numerous accreditations with its primary accreditations from the New England Commission of Higher Education, Association to Advance Collegiate Schools of Business, and the American Bar Association.

The University’s teaching, scholarship, and research are dedicated to educating students in the arts and sciences, business, and law so that they may become successful and conscientious citizens of the world. Across the undergraduate, graduate, and professional schools, the University integrates theoretical and practical knowledge, instilling in students a passion for critical analysis and a desire for continuous learning.

The University is a fifty percent owner of a joint venture called INTO Suffolk, LLC (“INTO Suffolk”). The joint venture was created to expand international recruitment and ensure academic success for international students. INTO Suffolk offers three academic curricula to its students that further deepen the global experience on campus for all students. The University accounts for their investment in INTO Suffolk as an equity method investment, which is valued at \$0 as of June 30, 2021.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“GAAP”). The financial statements include the University and Suffolk University Madrid Campus S.L. that is controlled by the University. All intercompany accounts have been eliminated for the consolidated amounts.

Certain reclassifications have been made to the 2020 financial statements in order to conform to the current presentation. Such reclassifications had no effect on changes in net assets.

Cash and Cash Equivalents

Cash and cash equivalents represent bank deposits and other liquid short-term instruments with original maturities of three months or less. The amounts are carried at cost. Cash and cash equivalents held by investment managers are included in long-term investments.

SUFFOLK UNIVERSITY

Notes to Financial Statements

June 30, 2021

(with comparative information for June 30, 2020)

Note 2 - Summary of Significant Accounting Policies (Continued)

Short-Term Investments

Short-term investments are carried at fair market value consistent with the fair value policies described elsewhere in this note. This category consists of instruments with relatively short maturities that at the time of purchase are 90 days or more.

Student Accounts and Notes Receivable

Students are billed based on specific dates outlined in the academic catalog as agreed in advance of the delivery of the related academic or auxiliary service. Payments for tuition, fees, and auxiliary enterprise charges are generally due by the start of the academic period. Payments made on behalf of students by the United States Department of Education ("DOE") or others are subject to specific requirements as to when those funds can be drawn. Certain DOE funding can be drawn prior to the commencement of the academic period, while other amounts are paid in specified intervals based on the rules as promulgated by the DOE. Thus, cash flows on accounts receivable balances do not directly depend on meeting specified performance obligations of the University. Student accounts receivable are unsecured obligations due to the University.

Student accounts and notes receivable are carried net of an allowance for doubtful accounts. The University regularly evaluates the allowance for doubtful accounts via ongoing evaluations of factors such as prior collection history, the economic environment, and the type of receivable.

Perkins notes receivable represent amounts due from students associated under a loan program operated by the University under the sponsorship of the DOE. A substantial portion of the funding for this program was made available by the DOE and must be returned upon program termination or should the University no longer participate in the program. Accordingly, the University carries a liability for funds advanced under the program subject to certain adjustments. Perkins notes in default that meet certain requirements can be assigned to the DOE, reducing the obligation for refundable U.S. government grants. Credit risk on the Perkins notes is mitigated given the ability to assign such loans to the DOE.

Pledges Receivable

Pledges receivable represent contributions committed by donors that are scheduled for payment in the future. They are recorded at the present value of the estimated future cash flows as described in the revenue recognition note. An allowance is included for uncollectable amounts based upon management's estimates.

Deferred Implementation Costs

Deferred implementation costs represent capitalized costs associated with licensed cloud computing arrangements. Deferred implementation costs are stated at cost less accumulated amortization. Deferred implementation costs are capitalized when the useful life is over one year and when they exceed a management established threshold. The useful life of licensed cloud computing arrangements included in deferred implementation costs is up to 15 years.

SUFFOLK UNIVERSITY

Notes to Financial Statements

June 30, 2021

(with comparative information for June 30, 2020)

Note 2 - Summary of Significant Accounting Policies (Continued)

Long-Term Investments

The investment objective of the University is to invest its assets in a prudent manner to achieve a long-term rate of return sufficient to fund its Board approved spending policy and maintain the purchasing power of investments after considering the effects of inflation. Investment decisions are authorized by the Investment Subcommittee of the Board of Trustees that oversees the University's investments in accordance with the Statement of Investment Objectives, Goals and Policy Guidelines as approved by the Board of Trustees.

Long-term investments are carried at fair market value consistent with the fair value policies described elsewhere in this note.

Long-term investment return (loss) is reported in the statement of activities and consists of interest and dividend income and realized and unrealized capital gains and losses, less external investment and management expenses and taxes.

Fair Value Measurements

The University reports financial instruments as required in accordance with the fair value standards of accounting. These standards require an entity to maximize the use of observable inputs such as quoted market prices in active markets and minimize the use of unobservable inputs such as appraisals or other valuation techniques to determine fair value. Fair value is defined as the amount that would be received to sell an asset or paid to transfer a liability as of the measurement date. Items reported at fair value include short-term investments, long-term investments, and deposits with bond trustee. The fair value standards also provide for a practical expedient for fair value using net asset value per share ("NAV") when certain requirements are met. The University's interests in alternative investment funds are generally reported at NAV as reported by the fund managers.

The fair value standards require that each item carried at fair value be disclosed in accordance with the valuation methods used as follows:

Level 1 – inputs are quoted prices in active markets for identical assets or liabilities that the University has the ability to access at measurement date.

Level 2 – inputs are other than quoted prices included in Level 1 that are either directly or indirectly observable.

Level 3 – inputs are derived from valuation methodologies, including pricing models, discounted cash flow models and similar techniques, and are not based on market, exchange, dealer, or broker-traded transactions. In addition, Level 3 valuations incorporate assumptions and projections that are not observable in the market and significant professional judgment is required in determining the fair value assigned to such assets or liabilities.

SUFFOLK UNIVERSITY

Notes to Financial Statements

June 30, 2021

(with comparative information for June 30, 2020)

Note 2 - Summary of Significant Accounting Policies (Continued)

Fair Value Measurements (Continued)

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level of input that is significant to the fair value measurement.

Market price is affected by a number of factors, including the type and characteristics specific to the instrument. Instruments with readily available, actively quoted prices or fair value will generally have greater market price observable inputs and require less judgment to measure fair value.

Property, Buildings and Equipment

Property, buildings and equipment are recorded at cost when useful lives are expected to be greater than one year and acquisition costs exceed a management-established threshold. Cost includes capitalized interest and certain other cost in the case of certain longer-term construction projects. Donated property is recorded at fair value at the date of the gift using a Level 3 fair value assessment per the fair value policies elsewhere in this note. Depreciation is recorded on the straight-line basis over the estimated useful lives of the assets once placed into service.

Student Deposits and Deferred Revenue

Student deposits represent advance payments by students. Deferred revenue represents the amount of unearned services related to tuition, fees and auxiliary enterprises that are in progress as of year-end. Deferred revenue is reported as revenue over time, generally within the subsequent 12 months given the nature and duration of the underlying services being provided.

Bonds Payable

Bonds payable are reported at the face value of the remaining obligation under the related debt issue, net of the premium, discount, and issuance costs. Premiums, discounts, and issuance costs are amortized over the term of the related indenture.

Income Tax Status

The University is a not-for-profit organization and is generally exempt from federal and state income taxes on related income as described in Section 501(c)(3) of the Internal Revenue Code.

Uncertain Tax Positions

The University is not currently under examination by any taxing jurisdictions and does not believe it has any uncertain tax positions. The University's federal and state tax returns are generally open for examination for three years following the date filed.

SUFFOLK UNIVERSITY

Notes to Financial Statements

June 30, 2021

(with comparative information for June 30, 2020)

Note 2 - Summary of Significant Accounting Policies (Continued)

Net Assets

The accompanying financial statements present information regarding the University's financial position and activities based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes in net assets are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for the University to use at its discretion. The Board of Trustees has designated funds to operate as endowment and for strategic initiatives from net assets without donor restrictions. Net assets without donor restrictions also include the investment in property, buildings and equipment, net of accumulated depreciation, and the related debt.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature and will be met either by the passage of time or by the conditions specified by the donor. Other donor-imposed restrictions are perpetual in nature, and the donors stipulate that the contribution be maintained in perpetuity. This category also includes accumulated unspent gains on endowment type funds that are subject to appropriation by the Board subject to standards of prudence as more fully described in Note 13.

Revenue Recognition

Earned Revenues - Earned revenues recognition follows a principle-based evaluation of customer contracts including the identification of performance obligations, assessment of the transaction price, and the allocation of price to performance obligations so that revenue is recorded when or as the performance obligations are satisfied over the contract term, generally over time or at a point in time.

The University derives revenues primarily through tuition, fees, and auxiliary services, such as room and board, all of which are under arrangements that are aligned to academic semesters, which are less than one year in length. Revenues are reported as increases in net assets without donor restrictions unless their use is limited by donor-imposed restrictions as follows:

Tuition, fees, and auxiliary services are recorded at established rates, net of institutional financial aid and scholarships provided directly to students. These amounts are considered to be fixed and determinable and are recorded as revenue when performance obligations are satisfied which is generally over time as the services are rendered. Management believes that recognizing revenue over time is the best measure of services rendered based on its academic calendar and has not made any changes in the timing of satisfying its performance obligations or amounts allocated to those obligations. Tuition remission for employees and their families is considered part of fringe benefits. Management does not consider there to be significant judgement involved in the timing of satisfaction of performance obligations as those are directly linked to the academic calendar of the related academic activity. Students may withdraw from programs of study within certain time limits as stated in the University's withdrawal policies. Given the timing of the University's programs, the exposure associated with withdrawal is limited at year-end. Payments made on behalf of students for loans and grants by third parties do not represent revenue of the University.

SUFFOLK UNIVERSITY

Notes to Financial Statements

June 30, 2021

(with comparative information for June 30, 2020)

Note 2 - Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

Building rental income and grant and contract income is recorded as revenue over time as earned.

Investment returns are reported as revenue based on the fair value of such investments at year-end. Such returns are allocated ratably based on the relative proportion of funds invested with donor restrictions and those without donor restrictions. Investment returns allocated to net assets with donor restrictions remain in this category until appropriated by the Board under the Board approved spending policy unless otherwise required by the terms of the gift.

Contributed Support - Contributed support follows different recognition rules than earned revenue as follows:

Unconditional contributions are recognized as revenue as either with or without donor restrictions in the period verifiably committed by the donor. Pledged contributions are recorded at the present value of the estimated future cash flows using a risk-adjusted discount rate depending on the time period involved. Amortization of the discount is included in contribution revenue in accordance with the donor-imposed restrictions, if any. Contributions of property, plant and equipment are recorded at their estimated fair value as per the fair value policies elsewhere in this note as without donor restrictions unless the donor explicitly states how such assets should be used. Contributions of cash or other assets that must be used to acquire long-lived assets are reported as net assets with donor restrictions with such restriction being released from restriction when the acquired long-lived asset is placed into service. Other contributions with donor-imposed restrictions are reclassified to net assets without donor restrictions when time or purposes restriction has been satisfied.

Conditional contributions are reported as revenue when the conditions have been met which generally relates to the meeting of a barrier to entitlement of the related funds. Conditional contributions most commonly occur when there is a matching provision or a requirement of incurring a cost as outlined by the donor.

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 the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

SUFFOLK UNIVERSITY

Notes to Financial Statements

June 30, 2021

(with comparative information for June 30, 2020)

Note 2 - Summary of Significant Accounting Policies (Continued)

Operating and Nonoperating Activity

The statement of activities reports the change in net assets from operating and nonoperating activities. Operating revenues consist of items attributable to the University's undergraduate and graduate education programs, auxiliary enterprise activities, certain contributions, grants for research conducted by academic departments, and other sources. Nonoperating activities include investment return on long-term investments, contributions received for endowment or capital gifts, losses on the early extinguishment of debt, postretirement health benefit obligation changes, and other items not related to the University's academic or research activities. For fiscal years 2021 and 2020, nonoperating activities also include costs associated with ensuring campus health and safety during the COVID-19 pandemic. To the extent investment income and gains are used for operations, they are reclassified as 'Investment return designated for operations' on the statement of activities.

Functional Allocation of Expenses

Expenses are reported as decreases in net assets without donor restrictions. The costs of providing the various programs and activities and supporting services have been presented by the natural classification on the statement of activities and summarized by function in Note 17. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Building operations and maintenance costs, including depreciation and police and security employee salaries, are allocated based on square footage of facilities. Interest expense and amortization of premiums and discounts are allocated to functional classifications that benefited from the use of the proceeds of the debt to which they are related. Certain information technology services that have programmatic usage are allocated based on the number of full-time equivalent employees that are charged to each function.

Adopted Accounting Pronouncements

Effective July 1, 2020, the University adopted Accounting Standards Update ("ASU") No. 2016-02, *Leases* which requires lessees to recognize a right-of-use asset and a lease liability for all leases, initially measured at the present value of the lease payments, in its statement of financial position. The standard also requires that lease costs be generally recorded on a straight-line basis over the lease term. The guidance also expanded the required quantitative and qualitative disclosures surrounding leases. The effect of this change was an increase in right-of-use assets and a corresponding liability of \$67,129,167 being recorded as of July 1, 2020.

SUFFOLK UNIVERSITY

Notes to Financial Statements

June 30, 2021

(with comparative information for June 30, 2020)

Note 3 - Liquidity and Availability

The University regularly monitors liquidity required to meet its operating and other contractual commitments while striving to maximize the investment of its available funds as required in its Investment Policy for Operating and Capital Funds. Various sources of liquidity are at its disposal, including cash and cash equivalents, short-term investments and marketable securities. The University's cash flows have seasonal variation during the year attributable to the billing cycle of student charges. Therefore, liquidity at fiscal year-end is typically the lowest point because it is between semesters. The University has determined it has sufficient liquidity and does not require external liquidity resources such as a line of credit for operations or commercial paper programs at this time.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the University considers all expenditures related to its ongoing activities of instruction, student services, research, and public service.

The following financial assets could be made available within one year of the balance sheet date to meet general expenditures at June 30:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 24,989,157	\$ 29,633,034
Short-term investments	35,721	26,234
Student accounts and loans receivable	5,045,699	4,680,133
Other receivables	3,545,518	3,525,586
Funds reserved for health claims	1,656,751	1,439,751
Pledged contributions for general expenditure due in one year or less	1,660,427	2,056,323
Subsequent year quasi-endowment payout	9,111,185	8,915,031
Subsequent year donor-restricted endowment payout	2,955,500	2,869,000
Subsequent year strategic initiatives payout	14,400,000	12,400,000
Funds functioning as endowment	219,392,510	179,524,886
	<u>\$ 282,792,468</u>	<u>\$ 245,069,978</u>

Management considers funds functioning as endowment to be readily available should the need arise, subject to Board authorization.

SUFFOLK UNIVERSITY

Notes to Financial Statements

June 30, 2021
(with comparative information for June 30, 2020)

Note 4 - Student Accounts and Notes Receivable, Net

Student accounts and notes receivable consisted of the following at June 30:

	<u>2021</u>	<u>2020</u>
Student accounts receivable	\$ 10,201,466	\$ 9,761,677
Perkins student loans	4,199,731	4,558,720
Student notes receivable	3,704,909	3,664,173
Subtotal	<u>18,106,106</u>	<u>17,984,570</u>
Less allowance for doubtful accounts:		
Student accounts receivable	(5,535,342)	(4,068,618)
Student notes receivable	(877,698)	(946,620)
Total student accounts and notes receivable, net	<u>\$ 11,693,066</u>	<u>\$ 12,969,332</u>

The University's allowance for doubtful accounts related to student accounts receivable experienced the following changes for fiscal years ended June 30:

	<u>2021</u>	<u>2020</u>
Beginning balance	\$ 4,068,618	\$ 2,405,888
Account write-offs and adjustments	(419,014)	(567,597)
Recoveries	85,738	80,327
Bad debt expense	1,800,000	2,150,000
Ending balance	<u>\$ 5,535,342</u>	<u>\$ 4,068,618</u>

Note 5 - Pledges Receivable, Net

Pledges receivable, discounted at rates between 0.33% and 2.33%, consisted of the following at June 30:

	<u>2021</u>	<u>2020</u>
Gross pledges receivable:		
Due within one year	\$ 3,036,467	\$ 4,325,152
Due within one to five years	2,910,683	5,475,146
Thereafter	368,537	558,537
	<u>6,315,687</u>	<u>10,358,835</u>
Less:		
Allowance for doubtful accounts	(55,000)	(180,958)
Discount to present value	(57,381)	(136,601)
Total pledges receivable, net	<u>\$ 6,203,306</u>	<u>\$ 10,041,276</u>

At June 30, 2021, the University had gift intentions pending for scholarships and other purposes of approximately \$4,339,000 that are not recognized as revenues in the statement of activities.

Conditional contributions, pending incursion of qualified expenditures, at June 30, 2021 were \$13,100,795 and were not material at June 30, 2020.

SUFFOLK UNIVERSITY

Notes to Financial Statements

June 30, 2021

(with comparative information for June 30, 2020)

Note 6 - Long-Term Investments and Deposits with Bond Trustee

The University's assets are summarized in the following tables by their fair value hierarchy classification as of June 30:

	2021			Total
	Level 1	Level 2	Level 3	
Long-term investments:				
Investments at fair value:				
U.S. equity	\$ 86,223,831	\$ -	\$ -	\$ 86,223,831
International equity	89,501,313	-	-	89,501,313
U.S. fixed income	28,934,135	-	-	28,934,135
International fixed income	-	10,170,670	-	10,170,670
Real assets	28,594,969	-	-	28,594,969
Cash and cash equivalents	2,193,715	-	-	2,193,715
Funds held or administered by others	-	-	847,752	847,752
	<u>235,447,963</u>	<u>10,170,670</u>	<u>847,752</u>	<u>246,466,385</u>
Investments at net asset value:				
Flexible capital	-	-	-	37,722,815
Private equity	-	-	-	5,095,886
Real assets	-	-	-	16,618,430
Investments, other:				
Real estate	-	-	-	1,105,000
Total long-term investments	<u>\$ 235,447,963</u>	<u>\$ 10,170,670</u>	<u>\$ 847,752</u>	<u>\$ 307,008,516</u>
Deposits with bond trustee:				
Cash and cash equivalents	\$ 1,664,162	\$ -	\$ -	\$ 1,664,162
Total funds held by bond trustee	<u>\$ 1,664,162</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,664,162</u>

SUFFOLK UNIVERSITY

Notes to Financial Statements

June 30, 2021

(with comparative information for June 30, 2020)

Note 6 - Long-Term Investments and Deposits with Bond Trustee (Continued)

	2020			Total
	Level 1	Level 2	Level 3	
Long-term investments:				
Investments at fair value:				
U.S. equity	\$ 68,014,349	\$ -	\$ -	\$ 68,014,349
International equity	70,838,186	-	-	70,838,186
U.S. fixed income	24,091,462	-	-	24,091,462
International fixed income	-	9,029,858	-	9,029,858
Cash and cash equivalents	2,692,933	-	-	2,692,933
Funds held or administered by others	-	-	684,517	684,517
	<u>165,636,930</u>	<u>9,029,858</u>	<u>684,517</u>	<u>175,351,305</u>
Investments at net asset value:				
Flexible capital	-	-	-	31,912,071
Private equity	-	-	-	1,878,371
Real assets	-	-	-	35,414,074
Investments, other:				
Real estate	-	-	-	1,105,000
Total long-term investments	<u>\$ 165,636,930</u>	<u>\$ 9,029,858</u>	<u>\$ 684,517</u>	<u>\$ 245,660,821</u>
Deposits with bond trustee:				
Cash and cash equivalents	\$ 47,819	\$ -	\$ -	\$ 47,819
Total funds held by bond trustee	<u>\$ 47,819</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 47,819</u>

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

	2021	2020
Investment redemption or sale period:		
Daily	\$ 226,488,094	\$ 195,678,526
Semi-monthly	19,130,539	14,402,336
Monthly	16,618,430	-
Quarterly	18,767,765	9,890,736
Semi-annual	12,360,161	-
Annual	6,594,889	18,211,799
Semi-Liquid	-	3,809,536
Illiquid	7,048,638	3,667,888
	<u>\$ 307,008,516</u>	<u>245,660,821</u>

Certain investment agreements have redemption provisions that may be adjusted. The University has unfunded capital commitments that amounted to \$8,220,936 at June 30, 2021.

SUFFOLK UNIVERSITY

Notes to Financial Statements

June 30, 2021

(with comparative information for June 30, 2020)

Note 7 - Property, Buildings and Equipment

The following is a summary of the University's property, buildings and equipment as of June 30:

	<u>Estimated lives</u>	<u>2021</u>	<u>2020</u>
Land	—	\$ 55,094,213	\$ 46,080,814
Buildings	50 years	453,985,737	385,923,126
Furniture and equipment	3–20 years	57,967,292	53,647,478
Leasehold improvements	(a)	45,871,018	44,413,558
Library books and periodicals	5 years	3,332,915	2,725,886
Construction in progress	—	354,482	70,459,895
		<u>616,605,657</u>	<u>603,250,757</u>
Less accumulated depreciation		171,130,162	153,743,366
Total property, buildings and equipment, net		<u>\$ 445,475,495</u>	<u>\$ 449,507,391</u>

(a) Leasehold improvements are depreciated based on the lesser of the life of the asset or the life of the lease.

The reduction in construction in progress, in 2021, relates to the completion of renovations to a building purchased in 2019 for residence hall use beginning in the fall of 2020.

Note 8 - Student Deposits and Deferred Revenue

Student deposits and deferred revenue consisted of the following at June 30:

	<u>2021</u>	<u>2020</u>
Student deposits	\$ 3,858,778	\$ 3,098,378
Deferred revenue	5,555,962	4,821,314
Total student deposits and deferred revenue	<u>\$ 9,414,740</u>	<u>\$ 7,919,692</u>

Management considers amounts not earned associated with student withdrawal as immaterial. There were no significant changes in deferred revenue amounts on a quantitative or qualitative basis.

Note 9 - Accrued Postretirement Health Obligations

The University provides certain healthcare benefits to retired employees who meet specific eligibility requirements who were hired prior to 1996.

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Notes to Financial Statements

June 30, 2021
(with comparative information for June 30, 2020)

Note 9 - Accrued Postretirement Health Obligations (Continued)

The following table presents the obligation under the plan at June 30:

	<u>2021</u>	<u>2020</u>
Changes in benefit obligation:		
Benefit obligation at beginning of year	\$ 5,169,544	\$ 5,012,337
Service cost	48,233	43,526
Interest cost	113,398	158,822
Impact of assumption changes	(226,841)	202,520
Benefits paid	<u>(231,562)</u>	<u>(247,661)</u>
Benefit obligation at end of year	<u>4,872,772</u>	<u>5,169,544</u>
Change in plan assets:		
Employer contribution	231,562	247,661
Benefits paid	<u>(231,562)</u>	<u>(247,661)</u>
Fair value of plan assets at end of year	<u>-</u>	<u>-</u>
Accrued postretirement benefit obligation	<u>\$ 4,872,772</u>	<u>\$ 5,169,544</u>

Components of net periodic benefit cost were as follows for the years ended June 30:

	<u>2021</u>	<u>2020</u>
Service cost	\$ 48,233	\$ 43,526
Interest cost	113,698	158,822
Amortization of actuarial (gain) loss	(178,908)	246,046
Net periodic benefit cost	<u>\$ (16,977)</u>	<u>\$ 448,394</u>

The discount rate used in determining the accumulated postretirement benefit obligation was 2.5% and 2.25% for June 30, 2021 and 2020, respectively. For measurement purposes, both medical and dental costs are capped at a 3.5% increase for June 30, 2021 and 2020, based on the plan. The University expects to contribute \$270,475 to its retiree medical plan in fiscal year 2022.

The following benefit payments are expected to be paid:

Fiscal year:	
2022	\$ 270,475
2023	277,451
2024	282,020
2025	285,456
2026	287,234
2027-2031	1,409,654

SUFFOLK UNIVERSITY

Notes to Financial Statements

June 30, 2021

(with comparative information for June 30, 2020)

Note 10 - Leases

The University is committed to minimum annual rent payments under several long-term non-cancellable operating leases for educational and office space through fiscal year 2034.

Lease expenses for the year ended June 30, 2021 were \$7,592,427 included in occupancy on the Statement of Activities. The University does not have any short-term leases.

The University does not have any financing leases and the University's operating leases have the following other information:

Weighted average remaining lease term	12.52 years
Weighted average discount rate	3.64%

Payments due include options to extend leases that are reasonably certain through fiscal year 2034 and are summarized below as of June 30, 2021:

Fiscal year:	
2022	\$ 6,561,891
2023	6,460,590
2024	6,585,328
2025	6,400,886
2026	6,123,069
Thereafter	46,636,711
Less amounts representing interest	<u>(15,821,905)</u>
Total	<u>\$ 62,946,570</u>

Note 11 - Line of Credit

The University had an unsecured line of credit with a major financial institution that was paid off during fiscal year 2021 from the proceeds of a bond issuance as outlined below. This line of credit had been used to purchase land and a building thereon for residence hall use. The interest rate on any amount outstanding on the line was a margin plus the adjusted daily one-month LIBOR.

SUFFOLK UNIVERSITY

Notes to Financial Statements

June 30, 2021
(with comparative information for June 30, 2020)

Note 12 - Bonds Payable

Bonds payable consisted of the following at June 30:

	<u>2021</u>	<u>2020</u>
Massachusetts Development Finance Agency (MDFA):		
4.00%, Series 2021, maturing serially through fiscal year 2051	\$ 67,635,000	\$ -
Massachusetts Development Finance Agency (MDFA):		
4.00%, Series 2020A, maturing serially through fiscal year 2045	54,510,000	54,510,000
Massachusetts Development Finance Agency (MDFA):		
4.00%–5.00%, Series 2019, maturing serially through fiscal year 2038	76,955,000	79,880,000
Massachusetts Development Finance Agency (MDFA):		
4.00%–5.00%, Series 2017, maturing serially through fiscal year 2039	160,030,000	165,855,000
	<u>359,130,000</u>	<u>300,245,000</u>
Plus unamortized bond premium	39,670,931	31,016,931
Less unamortized original issue discount and bond issue costs	<u>(3,293,160)</u>	<u>(2,747,899)</u>
Total bonds payable, net	<u>\$ 395,507,771</u>	<u>\$ 328,514,032</u>

On May 6, 2021, the University issued MDFA Series 2021 Revenue Bonds in the amount of \$67,635,000. The University received a premium of \$10,293,875 from this issuance that will be amortized over the life of the bond. Costs of \$689,962 were incurred with this issue, which have been capitalized and will be amortized over the life of the bonds. The proceeds were used to retire the line of credit and to finance certain qualified capital expenses of the University.

On April 3, 2020, the University issued MDFA Series 2020A Revenue Refunding Bonds in the amount of \$54,510,000. The University received a premium of \$7,524,899 from this issuance that will be amortized over the life of the bond. Costs of \$586,906 were incurred with this issue, which have been capitalized and will be amortized over the life of the bonds. As part of the Series 2020A refunding, the escrow account associated with the 2010 Bonds was liquidated. The proceeds were used to retire the MDFA Series 2010 Revenue Bonds, fund the Series 2009B defeasance escrow, fund the 2020A Series expense fund, and return funds to the University. This transaction resulted in a loss on early extinguishment of debt of \$1,695,505.

Future minimum principal payments under bonds payable are as follows at June 30, 2021:

Fiscal year:	
2022	\$ 9,195,000
2023	9,675,000
2024	10,170,000
2025	10,710,000
2026	11,270,000
Thereafter	308,110,000
	<u>\$ 359,130,000</u>

SUFFOLK UNIVERSITY

Notes to Financial Statements

June 30, 2021

(with comparative information for June 30, 2020)

Note 13 - Endowment Funds

The University's endowment consists of approximately 290 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 endowments. Net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Relevant Law

The Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as enacted in Massachusetts permits the University to appropriate for expenditure or accumulate so much of an endowment fund as the University determines is prudent for the uses, benefits, purposes, and duration for which the endowment is established subject to the intent of the donor as expressed in the gift instrument. Seven criteria are to be used to guide the University in its yearly expenditure decisions: 1) duration and preservation of the endowment fund; 2) the purposes of the University and the endowment fund; 3) general economic conditions; 4) effect of inflation or deflation; 5) the expected total return from income and the appreciation of investments; 6) resources of the University; and 7) the investment policy of the University.

Although UPMIFA offers short-term spending flexibility, the explicit consideration of the preservation of funds among factors for prudent spending suggests that a donor-restricted endowment fund is still perpetual in nature. Under UPMIFA, the Board is permitted to determine and continue a prudent payout amount, even if the market value of the fund is below historic dollar value. There is an expectation that, over time, the permanently restricted amount will remain intact. This perspective is aligned with the accounting standards definition that endowment type funds are those that must be held in perpetuity even though the historic-dollar-value may be dipped into on a temporary basis.

The University segregates the donor-restricted endowment into components: (a) the value of the gift when received is the corpus to be held in perpetuity or for a donor-specified period, (b) the accumulated net investment returns allocated to each fund, (c) accumulated net investment returns directed to be reinvested into principal and held in perpetuity, and (d) the accumulated spending dispersed in accordance with the applicable donor gift agreement.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below their original contributed value. There were no deficiencies of this nature as of June 30, 2021 and 2020.

SUFFOLK UNIVERSITY

Notes to Financial Statements

June 30, 2021

(with comparative information for June 30, 2020)

Note 13 - Endowment Funds (Continued)

Funds By Restriction

Endowment funds consisted of the following at June 30:

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds			
Functioning as endowment	\$ 234,239,206	\$ -	\$ 234,239,206
Designated for strategic initiatives	14,400,000	-	14,400,000
Donor-restricted endowment funds			
Original gift amount and amounts required to be maintained in perpetuity	-	41,575,932	41,575,932
Accumulated investment gains	-	15,480,251	15,480,251
	<u>\$ 248,639,206</u>	<u>\$ 57,056,183</u>	<u>\$ 305,695,389</u>
	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds			
Functioning as endowment	\$ 192,690,549	\$ -	\$ 192,690,549
Designated for strategic initiatives	12,400,000	-	12,400,000
Donor-restricted endowment funds			
Original gift amount and amounts required to be maintained in perpetuity	-	35,208,056	35,208,056
Accumulated investment gains	-	5,908,855	5,908,855
	<u>\$ 205,090,549</u>	<u>\$ 41,116,911</u>	<u>\$ 246,207,460</u>

The Board of Trustees approved the Suffolk 2025 Strategic Plan in fiscal year 2019. This plan included funding a portion of the startup costs of certain initiatives with Board-designated endowment funds.

SUFFOLK UNIVERSITY

Notes to Financial Statements

June 30, 2021

(with comparative information for June 30, 2020)

Note 13 - Endowment Funds (Continued)

Funds By Restriction (Continued)

Changes in endowment funds were as follows for the years ended June 30:

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment funds at June 30, 2020	\$ 205,090,549	\$ 41,116,911	\$ 246,207,460
Net investment return	56,791,376	12,322,497	69,113,873
Contributions	-	6,038,546	6,038,546
Additions (reductions)	(2,209,789)	329,330	(1,880,459)
Designated for operating expenditures	(11,032,930)	(2,751,101)	(13,784,031)
Endowment funds at June 30, 2021	\$ 248,639,206	\$ 57,056,183	\$ 305,695,389

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment funds at June 30, 2019	\$ 214,153,536	\$ 42,146,427	\$ 256,299,963
Net investment return	565,636	204,546	770,182
Contributions	-	1,353,065	1,353,065
Additions	10,584,973	151,887	10,736,860
Designated for operating expenditures	(18,625,996)	(2,739,014)	(21,365,010)
Designated for capital expenditure	(1,587,600)	-	(1,587,600)
Endowment funds at June 30, 2020	\$ 205,090,549	\$ 41,116,911	\$ 246,207,460

Return Objectives and Risk Parameters

To satisfy its long-term rate-of-return objectives, the University relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The University targets a diversified asset allocation in the investment strategy designed to achieve its long-term return objectives within prudent risk constraints.

Spending Policy

In conjunction with input from management, the Board of Trustees sets an annual target for spending from long-term investments in support of the operational budget. In accordance with the University's Statement of Investment Objectives, Goals and Policy Guidelines, the spending target is established either as a percentage of the total portfolio value or in absolute dollar terms. In determining the spending target for the upcoming fiscal year, the University uses a 12-quarter moving average method of calculating account value to smooth the effects of short-term volatility on the market value with the last quarter established as the fourth quarter of the prior calendar year.

SUFFOLK UNIVERSITY

Notes to Financial Statements

June 30, 2021

(with comparative information for June 30, 2020)

Note 13 - Endowment Funds (Continued)

Spending Policy (Continued)

Spending from donor-restricted endowments may be increased to limit excessive accumulations of unspent income. This draw is reviewed annually for each fund to identify accumulated earnings that exceed a prudent factor based on the spending target. The UPMIFA criteria are evaluated to determine whether to appropriate or continue to accumulate excess earnings.

The Board of Trustees approved appropriations from the endowment of \$13,784,031 and \$21,365,010 for the years ended June 30, 2021 and 2020, respectively, first to satisfy the spending policy with the balance earmarked for strategic initiatives. The budgeted appropriation for the year ended June 30, 2022 is detailed in Note 3 - Liquidity and Availability.

Note 14 - Net Assets

Net Assets

The net assets are summarized as follows as of June 30:

	<u>2021</u>	<u>2020</u>
Without donor restrictions		
Undesignated	\$ 5,875,330	\$ 9,297,709
Designated by the Board for strategic initiatives	14,400,000	12,400,000
Designated by the Board for endowment	234,239,206	192,690,549
Property, buildings and equipment, net of related debt and accumulated depreciation	51,631,886	50,041,178
	<u>\$ 306,146,422</u>	<u>\$ 264,429,436</u>
With donor restrictions		
Perpetual in nature	\$ 41,575,932	\$ 35,208,056
Purpose restrictions		
Scholarship	13,791,557	6,553,024
Other programs	6,498,737	2,884,558
Time-restricted for future periods	6,203,306	10,041,276
	<u>\$ 68,069,532</u>	<u>\$ 54,686,914</u>

Note 15 - Revenue Matters

The University's revenues from tuition, fees, and auxiliary enterprises are all recognized over time. Factors that can impact the amount and timing of cash flows include polices that allow for withdrawal by students after the start of the program subject to certain limits which differ by nature of program. Cash flows are also impacted by DOE rules that differ for newly enrolled versus continuing students with respect to financial aid. Generally, funds made available by the DOE for new students are available later than for continuing students. Management does not view there to be other qualitative factors that have a significant impact on the nature and amount of revenue and cash flow.

SUFFOLK UNIVERSITY

Notes to Financial Statements

June 30, 2021

(with comparative information for June 30, 2020)

Note 15 - Revenue Matters (Continued)

The University has a number of academic programs that include traditional undergraduate and graduate education, as well as a law school. The undergraduate programs are offered on-site, primarily on the Boston campus, while graduate programs are offered on-site as well as online.

The following table shows the approximate revenue allocations for each academic program and auxiliary enterprises:

	<u>2021</u>	<u>2020</u>
Undergraduate Programs	62%	64%
Law School Programs	20%	17%
Graduate Programs	13%	12%
Auxiliary Enterprises	5%	7%
	<u>100%</u>	<u>100%</u>

Note 16 - Retirement Plan

The University has a qualified defined contribution retirement plan. New hires as of January 1, 2019 and later are subject to a three-year vesting period for employer contributions while other employees are fully vested. Employer contributions to the plan were suspended during fiscal year 2021, effective with the first full payroll period after July 1, 2020. The University's contribution under the plan was \$295,792 and \$7,249,273 for the years ended June 30, 2021 and 2020, respectively. Subsequent to year-end on July 1, 2021, the University reinstated an employer contribution effective with the first full payroll period after July 1, 2021.

SUFFOLK UNIVERSITY

Notes to Financial Statements

June 30, 2021

(with comparative information for June 30, 2020)

Note 17 - Functional Expenses

As described in Note 2, natural expenses attributable to a category with more than one functional expense are allocated using a variety of cost allocation methodologies. The tables below show the University's operating expenses by function and natural classification, inclusive of the aforementioned allocations.

	Program Services					Supporting Services	2021
	Instruction	Academic Support	Student Services	Auxiliary Services	Public Service	Management & General	Total Expenses
Compensation	\$ 58,941,032	\$ 15,436,467	\$ 16,396,534	\$ 2,609,023	\$ 2,638,431	\$ 27,005,941	\$ 123,027,428
Occupancy	6,137,007	8,924,753	4,156,344	4,233,547	301,905	3,356,120	27,109,676
Interest	2,905,369	2,062,689	953,441	7,160,599	73,196	491,726	13,647,020
Depreciation	3,344,608	4,863,270	2,198,425	5,163,730	163,825	1,652,938	17,386,796
Other operating expenses	8,156,623	6,218,635	5,446,787	3,371,311	1,267,187	12,161,159	36,621,702
Total Operating Expenses	\$ 79,484,639	\$ 37,505,814	\$ 29,151,531	\$ 22,538,210	\$ 4,444,544	\$ 44,667,884	\$ 217,792,622

	Program Services					Supporting Services	2020
	Instruction	Academic Support	Student Services	Auxiliary Services	Public Service	Management & General	Total Expenses
Compensation	\$ 62,446,620	\$ 17,232,273	\$ 17,304,787	\$ 2,844,985	\$ 2,587,202	\$ 27,766,356	\$ 130,182,223
Occupancy	5,970,766	8,690,628	4,291,256	8,224,577	297,682	2,886,652	30,361,561
Interest	5,577,545	2,770,156	145,484	4,546,422	-	989,645	14,029,252
Depreciation	3,412,201	4,966,561	2,452,387	3,686,681	170,121	1,635,478	16,323,429
Other operating expenses	6,685,927	6,705,594	5,948,380	3,706,553	1,231,003	17,322,561	41,600,018
Total Operating Expenses	\$ 84,093,059	\$ 40,365,212	\$ 30,142,294	\$ 23,009,218	\$ 4,286,008	\$ 50,600,692	\$ 232,496,483

Fundraising expense was approximately 2% of total operating expenses for the years ended June 30, 2021 and 2020.

Note 18 - Commitments and Contingencies

The University has long-term agreements with several third-party vendors. Agreements for food services and integrated facility management services will expire in fiscal year 2026. The agreement for bookstore operations expires in fiscal year 2025.

The University uses various vehicles for insurance including the participation in a captive insurance company relative to healthcare costs. The University assumes certain obligations under these arrangements and monitors the financial health of the captive in connection with its ongoing oversight of the program.

The University has certain key employee agreements common in the education sector. The University also has a tenure program for certain faculty.

The University participates in student financial aid programs sponsored by the DOE and to a lesser extent states that facilitate payment of tuition and other expenses incurred by students when they are determined to be eligible as evaluated by the University's financial aid office. Such determinations are subject to after the fact revenue by funders.

SUFFOLK UNIVERSITY

Notes to Financial Statements

June 30, 2021

(with comparative information for June 30, 2020)

Note 18 - Commitments and Contingencies (Continued)

During 2020, two class action lawsuits were filed. Both suits assert that it was wrong for the University to retain all tuition and fees from the spring 2020 semester after the University switched from on-campus to online teaching due to COVID-19. Each suit seeks partial reimbursement of tuition and fees for all students enrolled during the spring 2020 semester as well as attorneys' fees and other costs. The University's joint motion to dismiss under Federal Rule of Civil Procedure 12(b)(6) was denied on June 23, 2021 and the parties are proceeding with discovery. The University intends to present a vigorous defense. The ultimate impact of these matters, if any, cannot presently be determined.

The University is involved in other legal actions arising in the normal course of activities and is subject to periodic audits and inquiries by regulatory agencies. Management believes that based on the nature of these items that the resolutions of these matters will not have a material adverse effect upon the University's financial statements.

Note 19 - Revenue and Expenses Associated with COVID-19

In fiscal years 2021 and 2020, the University incurred certain costs associated with preventing the spread of COVID-19 on campus and experienced a loss of revenue due to COVID-19 effects on enrollment and on-campus housing. The University was eligible to receive funding to help offset these financial impacts caused by the COVID-19 pandemic. Some of the funding received will be expended and thus recognized as revenue in future years. Further detail of significant impacts are as follows:

Operating Revenues

In 2020, as a result of the effects of the COVID-19 pandemic, the University migrated to a remote platform for student instruction and closed its residential housing. The University refunded a prorated share of room and board fees in the amount of \$4,698,910. While the University operated housing during the entirety of fiscal year 2021, due to COVID-19 each room only had one occupant and the University utilized space in local hotels to accommodate all student housing needs. The reduced density in the residence halls generated a loss of student housing revenue of approximately \$6,058,600.

Higher Education Emergency Relief Funds

The University was granted three awards to assist students and the institution with the impact of COVID-19 which totaled \$25,420,590. The University recorded grant revenue of \$8,503,712 and \$3,816,083 for the years ended June 30, 2021 and 2020, respectively. Of this grant revenue, amounts provided directly to students or used by students to pay their outstanding balances was \$3,589,221 and \$1,348,400 for the years ended June 30, 2021 and 2020, respectively.

SUFFOLK UNIVERSITY

Notes to Financial Statements

June 30, 2021

(with comparative information for June 30, 2020)

Note 19 - Revenue and Expenses Associated with COVID-19 (Continued)

Non-Operating Expenses

During fiscal year 2021, the University incurred non-routine expenses associated with COVID-19 including testing, additional housing and dining service costs, enhanced cleaning costs, personal protective equipment and safety upgrades, among others. These costs totaled approximately \$11,300,000 for the year ended June 30, 2021 and are included in other non-operating expenses in the Statement of Activities.

Forward Impact

The University expects continued impact from COVID-19 associated with revenues and costs, however the level of impact is uncertain and will be driven by the trends of the pandemic, consumer behavior, regulatory requirements along with other factors. The remaining funding as noted above will be available to mitigate such impact, however the impacts may be greater than the funding available.

Note 20 - 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 November 5, 2021, the date on which the financial statements were issued and determined that no such items merited disclosure or adjustment to the year-end reported values.