



UNIVERSITY OF NEW HAVEN

Consolidated Financial Statements

June 30, 2021

(With summarized comparative information as of and for the year ended
June 30, 2020)

(With Independent Auditors' Report Thereon)

UNIVERSITY OF NEW HAVEN

Consolidated Financial Statements

June 30, 2021

(with summarized comparative information as of and for the year ended June 30, 2020)

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KPMG LLP
One Financial Plaza
755 Main Street
Hartford, CT 06103

Independent Auditors' Report

The Board of Governors
University of New Haven:

We have audited the accompanying consolidated financial statements of the University of New Haven and its subsidiaries (the University), which comprise the consolidated statement of financial position as of June 30, 2021, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of the University as of June 30, 2021, and the changes in its net assets and its cash flows for the year then ended, in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

As discussed in note 2 to the consolidated financial statements, in 2021, the University adopted ASU No. 2016-02, *Leases (Topic 842)*, as amended. Our opinion is not modified with respect to this matter.



Report on Summarized Comparative Information

We have previously audited the University's 2020 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated October 28, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

KPMG LLP

October 28, 2021

UNIVERSITY OF NEW HAVEN

Consolidated Statement of Financial Position

June 30, 2021

(with comparative information as of June 30, 2020)

Assets	2021	2020
Cash and cash equivalents	\$ 28,555,630	18,854,507
Accounts, notes and loans receivable, net (note 5)	3,676,209	7,682,898
Pledges receivable, net (note 6)	1,425,647	1,659,415
Other assets	1,480,857	1,507,784
Investments (note 7)	97,907,597	87,424,236
Investments held in trust by others (notes 7 and 11)	5,734,107	3,742,060
Deposits with bond trustee (note 7)	6,415,375	6,323,059
Right-of-use assets, net (note 10)	20,320,358	—
Investment in plant, net (note 9)	277,534,975	276,353,169
Total assets	\$ 443,050,755	403,547,128
Liabilities		
Accounts payable and accrued expenses	\$ 32,307,883	30,095,178
Deposits and other liabilities	12,669,249	25,116,771
Bonds payable, net (note 12)	120,590,723	124,863,890
Postretirement healthcare obligation (note 17)	3,237,591	3,938,183
Operating lease liabilities (note 10)	20,591,180	—
Government grants refundable	1,384,965	1,599,885
Total liabilities	190,781,591	185,613,907
Net Assets		
Without donor restrictions	181,351,332	151,153,276
With donor restrictions (notes 11 and 15)	70,917,832	66,779,945
Total net assets	252,269,164	217,933,221
Commitments and contingencies (notes 9 and 18)		
Total liabilities and net assets	\$ 443,050,755	403,547,128

See accompanying notes to consolidated financial statements.

UNIVERSITY OF NEW HAVEN

Consolidated Statement of Activities

Year ended June 30, 2021

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

	2021		Total	2020 Total
	Without donor restrictions	With donor restrictions		
Operating activities:				
Revenue, gains, and other support:				
Tuition and fees, net	\$ 129,204,104	—	129,204,104	130,954,851
Residence and dining, net	38,524,463	—	38,524,463	31,719,711
Net student fees (note 4)	167,728,567	—	167,728,567	162,674,562
Federal, state, and private grants and gifts	16,105,643	9,009,292	25,114,935	12,808,900
Endowment spending used in operations (note 8)	2,321,717	—	2,321,717	2,056,421
Interest income and other sources	7,925,152	—	7,925,152	9,655,851
Other auxiliary services	2,872,516	24,463	2,896,979	2,486,547
Net assets released from restrictions (note 16)	2,970,264	(2,970,264)	—	—
Total revenue from operations	199,923,859	6,063,491	205,987,350	189,682,281
Expenses (note 13):				
Salary and wages	77,345,987	—	77,345,987	82,852,228
Employee benefits (notes 14 and 17)	23,393,476	—	23,393,476	23,499,398
Supplies, services, other	73,980,491	—	73,980,491	67,030,312
Depreciation and amortization	11,015,425	—	11,015,425	8,472,897
Interest	5,521,456	—	5,521,456	4,460,966
Total expenses	191,256,835	—	191,256,835	186,315,801
Change in net assets from operations	8,667,024	6,063,491	14,730,515	3,366,480
Nonoperating activities:				
Net return on long-term investments, net of amounts used in operations	5,865,291	10,509,638	16,374,929	(313,343)
Capital contributions	—	1,025,452	1,025,452	1,905,134
Net assets released from restrictions (note 16)	15,665,741	(15,665,741)	—	—
Unrealized gains on investments held in trust by others	—	2,205,047	2,205,047	1,115,659
Change in net assets from nonoperating	21,531,032	(1,925,604)	19,605,428	2,707,450
Change in net assets	30,198,056	4,137,887	34,335,943	6,073,930
Net assets, beginning of year	151,153,276	66,779,945	217,933,221	211,859,291
Net assets, end of year	\$ 181,351,332	70,917,832	252,269,164	217,933,221

See accompanying notes to consolidated financial statements.

UNIVERSITY OF NEW HAVEN

Consolidated Statement of Cash Flows

June 30, 2021

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

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Change in net assets	\$ 34,335,943	6,073,930
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	11,015,425	8,472,897
Amortization of right-of-use assets	6,184,899	—
Net unrealized and realized gains on investments	(18,758,029)	(1,940,676)
Gains on investments held in trust by others	(1,992,047)	(965,909)
Contributions restricted for long-term investment	(7,201,548)	(1,078,762)
Change in accounts and pledges receivable	4,359,605	1,171,840
Change in other assets	26,927	(258,289)
Change in accounts payable and accrued expenses	1,043,977	(3,871,875)
Change in deposits and other liabilities	(12,447,522)	662,202
Change in postretirement healthcare obligation	(700,592)	(351,534)
Change in operating lease liabilities	(5,914,077)	—
Change in government grants refundable	(214,920)	(1,066,249)
Net cash provided by operating activities	<u>9,738,041</u>	<u>6,847,575</u>
Cash flows from investing activities:		
Purchases of plant and equipment	(11,816,670)	(38,382,536)
Proceeds from maturity and sale of investments	17,098,990	13,743,941
Purchases of investments	(8,824,322)	(6,070,381)
Change in deposits with bond trustee	(92,316)	7,129,701
Net cash used in investing activities	<u>(3,634,318)</u>	<u>(23,579,275)</u>
Cash flows from financing activities:		
Principal payments on bonds and notes payable	(3,485,000)	(3,380,000)
Proceeds from contributions restricted for long-term investment	7,201,548	1,078,762
Loans receivable collected	(119,148)	910,357
Net cash provided by (used in) financing activities	<u>3,597,400</u>	<u>(1,390,881)</u>
Net change in cash and cash equivalents	9,701,123	(18,122,581)
Cash and cash equivalents at beginning of year	<u>18,854,507</u>	<u>36,977,088</u>
Cash and cash equivalents at end of year	\$ <u>28,555,630</u>	<u>18,854,507</u>
Supplemental data:		
Interest paid	\$ 5,580,250	4,460,966
Noncash investing activity – change in accounts payable attributable to fixed assets	1,283,414	4,346,768

See accompanying notes to consolidated financial statements.

UNIVERSITY OF NEW HAVEN

Notes to Consolidated Financial Statements

June 30, 2021

(with comparative information for June 30, 2020)

(1) Organization

The University of New Haven (University) is a private, tax-exempt, nonprofit educational institution. The University was founded in 1920 and is located in suburban West Haven, Connecticut with branch locations in Orange, Connecticut; and Prato, Italy. The University includes the accounts of the Henry C. Lee Institute.

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

The accompanying consolidated financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). All intercompany transactions and balances are eliminated in consolidation.

The accompanying consolidated financial statements present balances and transactions according to the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Without donor restrictions – Net assets that are not subject to donor-imposed restrictions. Items that affect this net asset category principally consist of fees for service and related expenses associated with the core activities of the University, instruction and conduct of sponsored research. In addition to these exchange transactions, changes in this category of net assets include investment returns on “funds functioning as endowment” funds, actuarial adjustments to self-insurance liabilities, changes in postretirement benefit obligations, and certain types of philanthropic support. Such philanthropic support includes gifts without restrictions, including those designated by the Board of Governors to function as endowment and restricted gifts whose donor-imposed restrictions were met during the fiscal year, as well as previously restricted gifts and grants for buildings and equipment that have been placed in service.

Net assets with donor restrictions – Net assets subject to donor-imposed restrictions that will be met either by actions of the University or the passage of time. Items that affect this net asset category are gifts for which donor-imposed restrictions have not been met in the year of receipt, including gifts and grants for buildings and equipment not yet placed in service; endowment, annuity, and life income gifts; pledges; and investment returns on “true” endowment funds, and endowments where the principal may be expended upon the passage of a stated period of time (term endowments). Expirations of restrictions on net assets with donor restrictions, including reclassification of restricted gifts and grants for buildings and equipment when the associated long-lived asset is placed in service, are reported as net assets released from restrictions. Also included in this category are net assets subject to donor-imposed restrictions to be maintained permanently by the University, including gifts and pledges wherein donors stipulate that the corpus of the gift be held in perpetuity (primarily gifts for endowment and providing loans to students) and that only the income be made available for program operations. Other permanently restricted items in this net asset category include annuity and life income gifts for which the ultimate purpose of the proceeds is permanently restricted.

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Notes to Consolidated Financial Statements

June 30, 2021

(with comparative information for June 30, 2020)

The consolidated financial statements include certain prior year summarized comparative information in total but not by asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, summarized 2020 information should be read in conjunction with the University's financial statements for the year ended June 30, 2020, from which the summarized information was derived.

(b) Liquidity Information

In order to provide information about liquidity, assets have been sequenced in the consolidated statement of financial position according to their nearness to conversion to cash, and liabilities have been sequenced according to the nearness of their maturity and resulting use of cash.

(c) Contribution Revenue

The University reports contributions (including unconditional promises to give) as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restriction are reclassified to net assets without donor restriction and reported in the consolidated statement of activities as net assets released from restrictions. Conditional promises to give are not recognized until they become unconditional; that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions expected to be received after one year are discounted at an appropriate discount rate. The discount rate represents the risk-free rate in existence at the date of the gift. An allowance for uncollectible contributions is estimated based upon such factors as prior collection history, type of contribution, nature of fund-raising activity, and future collection expectations.

(d) Tuition and Related Revenues

Under Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers* revenue is recognized when control of the promised goods or services is transferred in an amount that reflects the consideration to which the University expects to be entitled in exchange for those goods or services (i.e., the transaction price).

Revenue from student tuition, fees, room and board is recognized over the academic year, which generally aligns with the University's fiscal year, as services are provided. Revenues associated with academic programs that cross fiscal years are recognized based on the period the services are provided in each fiscal year. Revenues are presented at stated transaction prices, which are determined based on standard published rates for the services less institutional aid awarded to qualifying students.

The amount of revenue per student varies based on the specific program or class in which the student enrolls as well as whether the student resides in University housing. In addition, students who adjust their course load, residence assignment, board assignment, or withdraw completely within the specified period published in the University's academic calendar may receive a full or partial refund in accordance with the University's refund policy. Refunds issued reduce the amount of revenue recognized. Payments are generally due prior to the start of the academic term.

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Deposits received from students in advance of services being provided are included in deposits and other liabilities in the consolidated statements of financial position and totaled \$5,161,906 and \$13,628,577 as of June 30, 2021 and 2020, respectively. Deposits received in advance of services provided related to non-degree service contracts and a facilities management contract are included in deposits and other liabilities in the consolidated statements of financial position and totaled \$7,507,343 and \$11,488,194 as of June 30, 2021 and 2020, respectively. Revenues are recognized when services are provided by the University.

In March 2020, the University closed the campus to most students and transitioned to remote learning due to the COVID-19 global pandemic. Due to this closure, the University credited the accounts of students who left campus for room and board charges based on a prorated amount. These credits amounted to \$9,823,682 and are included as a reduction in the residence and dining revenues for the year ended June 30, 2020.

In fiscal year 2021, the operations of the University were not as severely impacted as compared to fiscal year 2020. The University resumed residential operations for the entire fiscal year and educational programming was provided both in-person and through remote learning.

(e) Cash Equivalents

For the purpose of the statements of cash flows, the University considers all highly liquid debt instruments purchased with an original maturity date of three months or less to be cash equivalents, except for cash equivalents held with investment managers for long-term investment.

(f) Investment in Plant

All plant assets are stated at cost except gifts in kind, which are recorded at their estimated fair value on the date of the gift. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets. Construction in progress is not depreciated until placed in service. When plant assets are retired or disposed of, the cost and related accumulated depreciation are removed and any resulting gain or loss is reflected in the consolidated statement of activities.

(g) Income Taxes

The University was granted an exempt status under the Internal Revenue Code (IRC) Section 501(a), as an organization described in Section 501(c)(3). Under IRC Section 501(a) the University is generally exempt from income taxes. The University believes it has no significant uncertain tax positions.

(h) Use of Estimates

The preparation of the consolidated financial statements in conformity with U.S. 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 consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

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(with comparative information for June 30, 2020)

(i) Fair Value

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. Financial instruments that are measured and reported at fair value are classified and disclosed in one of the following categories:

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

Level 2 inputs are inputs other than quoted prices included in Level 1 that are either directly or indirectly observable for the assets or liabilities.

Level 3 inputs are unobservable inputs for the assets or liabilities. The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

Investments are reported at fair value. Equity securities are measured using quoted market prices at the reporting date multiplied by the quantity held. Fixed income securities are measured using quoted market prices multiplied by the quantity held when quoted market prices are available. If an investment is held directly by the University and an active market with quoted prices exists, the market price of an identical security is used as reported fair value.

(j) New Accounting Pronouncements

Effective July 1, 2020, the University adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*, as amended. This guidance is intended to improve financial reporting of leasing transactions by requiring organizations that lease assets to recognize assets and liabilities for rights and obligations created by leases that extend more than twelve months. Key provisions in this guidance include additional disclosures surrounding the amount, timing and uncertainty of cash flows arising from leases. The University elected the effective date transition method and package of practical expedients that permits no reassessment of whether any expired or existing contracts are or contain a lease, the lease classification for any expired or existing leases, and any initial direct costs for any existing leases as of the effective date.

As of July 1, 2020, The University recognized (a) an operating lease liability of \$15,471,780 which represents the present value of the remaining lease payments of approximately \$15,486,081 discounted using the University's weighted average risk free rate of 0.33%, and (b) an operating right-of-use asset of \$15,471,780.

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Notes to Consolidated Financial Statements
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(with comparative information for June 30, 2020)

(3) Liquidity and Availability of Financial Assets

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

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 15,626,600	18,532,990
Pledges, notes and accounts receivable, net	7,215,138	9,929,315
Budgeted endowment appropriation	3,222,643	2,296,682
Funds held in trust by bond trustee	6,425,125	5,704,209
Investments	<u>15,394,093</u>	<u>13,867,653</u>
Total financial assets available within one year	<u>\$ 47,883,599</u>	<u>50,330,849</u>

The University's cash flows have seasonal variations attributable to the timing of tuition billing and contributions received. To manage liquidity, the University regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The University has various sources of liquidity at its disposal, including cash and cash equivalents, marketable debt and equity securities. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the University considers all expenditures related to its ongoing mission related activities as well as the conduct of services undertaken to support those activities to be general expenditures. In addition, the University has board-designated quasi endowment funds of \$47,883,600, which, if necessary, can be utilized for operations subject to investment liquidity restrictions.

(4) Net Student Fees

Net student fees consist of the following as of June 30:

	<u>2021</u>	<u>2020</u>
Tuition and fees, net of aid of \$108,952,304 and \$96,860,144 for June 30, 2021 and June 30, 2020, respectively.	\$ 129,204,104	130,954,851
Residence and dining, net of aid of \$1,276,719 and \$1,310,407 for June 30, 2021 and June 30, 2020, respectively.	<u>38,524,463</u>	<u>31,719,711</u>
Net student fees	<u>\$ 167,728,567</u>	<u>162,674,562</u>

UNIVERSITY OF NEW HAVEN
Notes to Consolidated Financial Statements
June 30, 2021
(with comparative information for June 30, 2020)

(5) Accounts, Notes and Loans Receivable, net

Accounts, notes and loans receivable, net consist of the following as of June 30:

	<u>2021</u>	<u>2020</u>
Students	\$ 7,668,420	9,039,935
Perkins loans	1,063,980	1,278,525
Note receivable	1,817,215	1,817,215
Grants	941,673	2,840,149
Other	484,646	635,926
Allowance for doubtful accounts	<u>(8,299,725)</u>	<u>(7,928,852)</u>
Total accounts, notes and loans receivable, net	<u>\$ 3,676,209</u>	<u>7,682,898</u>

(6) Pledges Receivable, net

Pledges receivable, net consist of the following unconditional promises to give as of June 30:

	<u>2021</u>	<u>2020</u>
Amounts due in:		
Less than one year	\$ 1,420,811	1,645,716
One to five years	1,040,600	947,215
Greater than five years	—	1,000
Charitable remainder trust (note 11)	<u>89,417</u>	<u>89,417</u>
Gross pledges receivable	2,550,828	2,683,348
Less:		
Allowance for uncollectible pledges	(1,070,673)	(1,000,469)
Discount to present value	<u>(54,508)</u>	<u>(23,464)</u>
Net pledges receivable	<u>\$ 1,425,647</u>	<u>1,659,415</u>

Pledges recorded as of June 30, 2021 and 2020 are discounted at rates ranging from 0.28% to 3.06%.

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Notes to Consolidated Financial Statements
June 30, 2021
(with comparative information for June 30, 2020)

(7) Fair Value 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 a portion of its spending and to increase investment value after inflation. The University's investment strategy incorporates a diversified asset allocation approach that maintains, within defined limits, exposure to global equity and fixed income. The University's assets and liabilities as of June 30, 2021 and 2020 that are reported at fair value are summarized in the following tables by their fair value hierarchy:

<u>2021</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>2021 Total</u>	<u>Redemption or liquidation</u>	<u>Days' notice</u>
Assets:						
Investments:						
Cash and cash equivalents	\$ 138,417	—	—	138,417	Daily	1-2
Fixed income – U.S.	—	22,821,625	—	22,821,625	Daily	1-2
Alternative Assets	—	13,191,406	—	13,191,406	Daily	1-2
Equities – U.S.	43,088,710	—	—	43,088,710	Daily	1-2
Equities – Foreign	18,667,439	—	—	18,667,439	Daily	1-2
Total investments	<u>\$ 61,894,566</u>	<u>36,013,031</u>	<u>—</u>	<u>97,907,597</u>		
Other assets:						
Funds held by bond trustee – U.S. agency/treasury debt	\$ 2,523,167	—	—	2,523,167	Daily	1
Funds held by bond trustee – U.S. government repurchase agreements	3,892,208	—	—	3,892,208	Daily	1
Investments held in trust by others	—	—	5,734,107	5,734,107	Not applicable	Not applicable
<u>2020</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>2020 Total</u>	<u>Redemption or liquidation</u>	<u>Days' notice</u>
Assets:						
Investments:						
Cash and cash equivalents	\$ 16,790,752	—	—	16,790,752	Daily	1
Fixed income – U.S.	—	21,682,718	—	21,682,718	Daily	1
Fixed income – Foreign	—	3,527,890	—	3,527,890	Daily	1
Equities – U.S.	41,020,352	—	—	41,020,352	Daily	1
Equities – Foreign	4,402,524	—	—	4,402,524	Daily	1
Total investments	<u>\$ 62,213,628</u>	<u>25,210,608</u>	<u>—</u>	<u>87,424,236</u>		
Other assets:						
Funds held by bond trustee – U.S. agency/treasury debt	\$ 5,121,678	—	—	5,121,678	Daily	1
Funds held by bond trustee – U.S. government repurchase agreements	1,201,381	—	—	1,201,381	Daily	1
Investments held in trust by others	—	—	3,742,060	3,742,060	Not applicable	Not applicable

UNIVERSITY OF NEW HAVEN

Notes to Consolidated Financial Statements

June 30, 2021

(with comparative information for June 30, 2020)

The University has investments measured at fair value on a recurring basis using significant unobservable inputs (Level 3) as defined in the fair value hierarchy. The fair value of these investments are \$5,734,107 and \$3,742,060 as of June 30, 2021 and 2020, respectively. Unrealized gains for these investments are \$2,205,047 and \$1,115,659 as of June 30, 2021 and 2020, respectively. Distributions from the investments are \$213,000 and \$149,750 as of June 30, 2021 and 2020, respectively.

There were no transfers between levels of the fair value hierarchy during the years ended June 30, 2021 and 2020.

(8) Endowment Funds

The University's endowment consists of approximately 250 individual funds established for a variety of purposes, including both donor-restricted endowment funds and funds designated by the University to function as endowments (quasi-endowment). From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level classified as with donor restriction consistent with donor restrictions and University policies under State of Connecticut Uniform Prudent Management of Institutional Funds Act (UPMIFA). These deficiencies could result from unfavorable market fluctuations that occurred after the investment of donor restricted contributions and/or appropriation for certain programs that were deemed prudent by the University. There were no such deficiencies as of June 30, 2021 and 2020.

The University manages its long-term investments to ensure that the future growth of the endowments are sufficient to offset normal inflation plus reasonable spending, thereby preserving the constant dollar value and purchasing power of the endowment for future generations. The University pursues 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 endowment funds in perpetuity. Endowment assets include those assets of donor-restricted funds that the University must hold in perpetuity or for a donor-specified period as well as board-designated funds. Under the University's investment policy, the endowment assets are currently invested in a manner that is intended to produce results consistent with the return and risk results of a combination of various indexes representative of portfolio target allocations. The University expects its endowment funds, over the long term, to provide an average annual rate of return in excess of spending plus inflation while carrying a moderate level of risk. Actual returns in any given year may vary from such amount.

To satisfy its long-term rate-of-return objectives, the University relies on a total return strategy in which investment returns are achieved through capital appreciation (realized and unrealized) and current yield (interest and dividends). The University targets a diversified asset allocation of domestic and international equities, fixed income, marketable and nonmarketable alternative investments (hedge funds and private investments), and real assets to achieve its long-term return objectives within prudent risk constraints.

The University's annual spending distribution is determined by applying a spending formula outlined in the Long-Term Investment Policy. The actual endowment fund distribution shall be at an annual rate that is four percent (4.0%) based upon the 12-quarter moving average market value of the fund's value at the beginning of each quarter with a one-quarter lag.

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The University's endowment includes both donor-restricted endowment funds and funds designated by the Board of Governors to function as endowment. The University classifies as donor restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulations are added to the fund.

The remaining portion of the donor-restricted endowment funds, are classified as donor restricted net assets until those amounts are appropriated for expenditure by the University in a manner consistent with the standard prudence prescribed by the UPMIFA. In accordance with UPMIFA, the University considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the University and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the University
7. The investment policies of the University

Endowment net assets consisted of the following as of June 30, 2021 and 2020:

	2021				
	Without donor restrictions	With donor restrictions			Total
	Original gift	Accumulated gains/(losses)	Total	Total	
Quasi	\$ 42,171,082	—	—	—	42,171,082
Donor restricted	—	31,470,151	20,976,305	52,446,456	52,446,456
Total	<u>\$ 42,171,082</u>	<u>31,470,151</u>	<u>20,976,305</u>	<u>52,446,456</u>	<u>94,617,538</u>

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	2020			
	Without donor restrictions	With donor restrictions		Total
	Original gift	Accumulated gains/(losses)	Total	
Quasi Donor restricted	\$ 34,356,683	—	—	34,356,683
	—	24,309,007	11,624,035	35,933,042
Total	\$ 34,356,683	24,309,007	11,624,035	70,289,725

Changes in endowment funds for the fiscal years ended June 30, 2021 and 2020 were as follows:

	2021		
	Without donor restriction	With donor restriction	Total
Balance, June 30, 2020	\$ 34,356,683	35,933,042	70,289,725
Investment return	758,925	917,098	1,676,023
Unrealized/realized gains	8,219,823	9,592,540	17,812,363
Appropriated to earnings	(1,164,349)	(1,157,368)	(2,321,717)
Contributions	—	7,161,144	7,161,144
Balance, June 30, 2021	\$ 42,171,082	52,446,456	94,617,538

	2020		
	Without donor restriction	With donor restriction	Total
Balance, June 30, 2019	\$ 34,639,769	35,177,445	69,817,214
Investment return	644,769	669,796	1,314,565
Unrealized/realized gains	107,369	98,329	205,698
Appropriated to earnings	(1,035,224)	(1,021,197)	(2,056,421)
Contributions	—	1,008,669	1,008,669
Balance, June 30, 2020	\$ 34,356,683	35,933,042	70,289,725

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(9) Investment in Plant, net

Plant assets consist of the following as of June 30:

	2021	2020	Estimated useful lives
Land	\$ 13,477,655	13,264,215	—
Land improvements	27,046,561	26,348,527	15 years
Buildings and building improvements	341,231,368	277,762,640	30-50 years
Furniture and equipment	75,114,766	70,865,486	3–10 years
Collections	188,743	188,743	—
Construction in progress	6,219,520	61,748,918	—
	463,278,613	450,178,529	
Less accumulated depreciation	(185,743,638)	(173,825,360)	
	\$ 277,534,975	276,353,169	

Depreciation expense for the years ended June 30, 2021 and 2020 amounted to \$11,918,278 and \$9,335,139, respectively.

Construction in progress consists of approximately \$4,500,000 related to remodeling of existing academic buildings, and \$1,700,000 related to general campus capital projects. Total commitments as of June 30, 2021 for all projects are approximately \$1,300,000.

(10) Leases

Lessee

The University has entered into numerous lease arrangements with lessors for equipment, vehicles, and facilities, including space for administrative, academic and athletic use, to meet its operating needs. Contracts are reviewed at inception to determine the existence of a lease. The University's lease portfolio contains operating and is primarily comprised of real estate leases. The University recognizes lease liabilities and their corresponding right-of-use (ROU) assets at the lease commencement date, and initially measures the lease liabilities and ROU assets using the present value of lease payments over the defined lease term discounted using the risk free rate.

Certain leases contain renewal and/or early termination options. The University applies a reasonable certainty test to determine whether options are included in calculating lease liabilities and ROU assets. Certain leases also include payment escalators based on indices or stated rates. Future payment amounts used in calculations of lease liabilities and ROU assets use indices or rates with the highest degree of certainty at the lease commencement date.

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The University has no lease agreements containing residual value guarantees, restrictions, or covenants related to additional financial obligations. The University currently has no sublease agreements.

The components of lease expense are as follows:

	2021
Lease costs:	
Operating lease expense	\$ 6,284,681
Short-term lease expense	60,038
Total lease expense	\$ 6,344,719
Other information:	
Right-of-use assets obtained in exchange for new operating lease liabilities	\$ 26,505,259
Weighted-average remaining lease term-operating leases	6.61 years
Weighted-average discount rate-operating leases	0.49 %

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	Operating
2022	\$ 6,469,816
2023	3,177,471
2024	2,198,662
2025	2,110,238
2026	1,157,323
2027 and thereafter	5,867,174
	20,980,684
Less: amounts representing interest	(433,327)
Plus: amounts representing deferred rent	43,823
Total lease obligations	\$ 20,591,180

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As reflected in the fiscal year 2020 consolidated financial statements, minimum future lease commitments under ASC Topic 840 for non-cancellable lease commitments for the next five years and thereafter are as follows:

	Amount
Fiscal year:	
2021	\$ 4,649,000
2022	3,218,000
2023	2,677,000
2024	2,231,000
2025 and thereafter	15,686,000

Rental expense for the year ended June 30, 2020 amounted to \$3,564,359 and was recorded in supplies, services and other expenses in the consolidated statement of activities.

Lessor

The University is the lessor in several long-term non-cancellable leases for commercial space through fiscal year 2034. Future minimum rental revenue due is summarized below as of June 30, 2021:

Fiscal Year	Operating
2022	\$ 252,798
2023	109,473
2024	73,935
2025	31,871
2026 and thereafter	304,896
Total	\$ 772,973

(11) Investments Held in Trust by Others

The University is the sole beneficiary of a charitable trust with a fair value of \$5,734,107 and \$3,742,060 as of June 30, 2021 and 2020, respectively, of which the University is not the trustee. The trust is time restricted. The University's beneficial interest in the trust is recognized as net asset with donor restrictions. Distributions are reflected as reductions in the beneficial interest of the trust and as reclassifications from net assets with donor restrictions to net assets without donor restrictions.

The University is the sole beneficiary of a charitable remainder trust payable to the University upon death of the donor. The assets of the trust are recorded as a donor restricted pledge receivable, at the present value of estimated future payment, as disclosed in note 6.

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The University is named as a beneficiary of a charitable remainder trust. Under the trust agreement, distributions for the benefit of the primary beneficiaries may include the expenditure of principal causing the remainder amount the University expects to receive to be undeterminable. As a result, the trust has not been recorded in the University's consolidated financial statements.

(12) Bonds Payable, net

The following is a summary of bonds and notes payable as of June 30:

	2021	2020
Series K-1 bond, issued in May 2018 with fixed interest rate of 5.00% on \$86,455,000. Interest expense was \$4,322,750 for the fiscal year. Principal payments are made semi-annually ranging from \$3,215,000 to \$6,075,000, through 2040.	\$ 86,455,000	86,455,000
Series K-2 bond, issued in May 2018 with fixed interest rate of 3.32% on \$3,485,000. Interest expense was \$0 for the fiscal year. Principle payments are made semi-annually ranging from \$3,385,000 to \$3,485,000, through 2020.	—	3,485,000
Series K-3 bond, issued in November 2018 with fixed interest rate of 5.00% on \$25,100,000. Interest expense was \$1,152,708 and capitalized interest was \$104,792 during the fiscal year. Principal payments are made semi-annually ranging from \$420,000 to \$1,630,000, through 2049.	<u>25,150,000</u>	<u>25,150,000</u>
Bonds payable	111,605,000	115,090,000
Series K bond premium and unamortized bond discount	9,858,116	10,736,217
Bond issuance costs	<u>(872,393)</u>	<u>(962,327)</u>
Bonds payable, net	<u>\$ 120,590,723</u>	<u>124,863,890</u>

In May 2018, the University issued \$86,455,000 of CHEFA Series K-1 tax exempt and \$10,250,000 of CHEFA Series K-2 taxable bonds. The Series K-1 bonds were issued at a premium of \$11,156,168. The proceeds were used to retire the University's previous bond debt (Series E, G, H, I, and J) and associated interest rate swap liabilities. The University incurred issuance costs of \$729,470 with respect to the bonds. The bonds are secured by a pledge of gross receipts of the University.

In November 2018, the University issued \$25,100,000 of CHEFA Series K-3 tax-exempt bonds. The Series K-3 bonds were issued at a premium of \$1,754,071. The proceeds were used to fund the design, construction and equipping of an academic facility. The University incurred issuance costs of \$388,406 with respect to the bonds. The bonds are secured by a pledge of gross receipts of the University.

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Under the bond agreements with CHEFA, the University has certain financial covenants.

The following is a schedule of debt maturities payable over the next five years and thereafter by the University:

Year ending June 30:	
2022	\$ 3,635,000
2023	3,825,000
2024	4,020,000
2025	4,230,000
2026	4,460,000
Thereafter	<u>91,435,000</u>
Total	<u>\$ 111,605,000</u>

In July of 2020, the University entered into an agreement for a working line of credit with maximum borrowings of \$10,000,000. The line of credit was renegotiated and extended in December of 2020 and now bears interest at a rate per annum equal to LIBOR plus 90 bps and an unused fee of 15 bps. The line expires on June 30, 2022 and there were no borrowings against the line during fiscal year 2021.

(13) Functional Expenses

The statement of activities presents expenses in their natural classification. The University also summarizes its expense by functional classification. The University's primary program service is academic instruction and research. Expenses reported as student services, institutional support and auxiliary enterprises are incurred in support of this primary program activity.

Functional expenses for the year ended June 30, 2021 are as follows:

	<u>Instruction & research</u>	<u>Academic support</u>	<u>Student services</u>	<u>Institutional support</u>	<u>Auxiliary enterprises</u>	<u>Grand total</u>
Salary and wages	\$ 37,616,601	11,298,939	12,199,772	15,060,881	1,169,794	77,345,987
Employee benefits	9,843,463	2,642,016	3,814,203	6,632,350	461,444	23,393,476
Supplies, services, other	14,567,804	4,428,817	12,061,260	17,988,705	24,933,905	73,980,491
Depreciation and amortization	5,309,435	484,679	1,233,727	848,188	3,139,396	11,015,425
Interest	<u>2,661,342</u>	<u>242,944</u>	<u>618,403</u>	<u>425,152</u>	<u>1,573,615</u>	<u>5,521,456</u>
Total	<u>\$ 69,998,645</u>	<u>19,097,395</u>	<u>29,927,365</u>	<u>40,955,276</u>	<u>31,278,154</u>	<u>191,256,835</u>

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Functional expenses for the year ended June 30, 2020 are as follows:

	<u>Instruction & research</u>	<u>Academic support</u>	<u>Student services</u>	<u>Institutional support</u>	<u>Auxiliary enterprises</u>	<u>Grand total</u>
Salary and wages	\$ 41,258,833	11,565,063	11,434,508	17,205,036	1,388,788	82,852,228
Employee benefits	10,006,200	2,589,546	3,282,099	7,105,967	515,586	23,499,398
Supplies, services, other	10,317,917	4,743,420	13,266,135	16,779,990	21,922,850	67,030,312
Depreciation and amortization	3,143,445	499,901	1,135,369	754,087	2,940,095	8,472,897
Interest	1,655,018	263,197	597,770	397,026	1,547,955	4,460,966
Total	<u>\$ 66,381,413</u>	<u>19,661,127</u>	<u>29,715,881</u>	<u>42,242,106</u>	<u>28,315,274</u>	<u>186,315,801</u>

The costs of providing the various programs and other activities have been summarized on a functional basis in the tables above. These costs include direct and indirect costs that have been allocated on the following basis: Depreciation, maintenance and utilities are allocated based on square footage used by each function. Interest is allocated to programs and support based on the related debt. Fundraising expenses for the years ended June 30, 2021 and 2020 totaling \$2,958,664 and \$1,762,522, respectively, have been classified as institutional support expenses in the tables above.

(14) Net Assets

Net assets with donor restrictions as of June 30, 2021 and June 30, 2020, are as follows:

	<u>2021</u>	<u>2020</u>
Investments held in trust by others	\$ 5,734,107	3,742,060
Pledges	1,425,647	1,659,415
Use restricted:		
Capital projects	1,562,408	15,541,562
Scholarships	1,797,764	2,205,350
Other	7,963,175	7,698,516
Endowment:		
Scholarships	38,499,042	27,228,119
Chair, fellowships, other	13,935,689	8,704,923
	<u>\$ 70,917,832</u>	<u>66,779,945</u>

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(15) Net Assets Released from Restrictions

Donor restricted assets were released from restriction by incurring expenses satisfying the restricted purpose specified by the donor. For the years ended June 30, 2021 and 2020, donor restricted net assets were released as follows:

	<u>2021</u>	<u>2020</u>
Capital projects	\$ 15,665,741	—
Academic support	222,031	334,880
Student services/athletics	775,564	459,811
Institutional support	374,552	737,997
Instruction	195,132	267,829
Student aid	<u>1,402,985</u>	<u>841,357</u>
Total	<u>\$ 18,636,005</u>	<u>2,641,874</u>

(16) Pension Plan

The University maintains a defined contribution retirement program with Fidelity Brokerage Services LLC. The University generally contributes 9% of base salaries, as defined, for both exempt and nonexempt participating employees. Eligible employees may contribute a percentage of their annual compensation, pretax, subject to various restrictions within the Internal Revenue Code. Pension expense for the years ended June 30, 2021 and 2020 was \$6,488,513 and \$4,327,577, respectively.

(17) Postretirement Medical Benefits Plan

The University provides certain healthcare benefits, including medical care and prescription drug components, of its retired employees but does not prefund these benefits. Information with respect to the plan is as follows:

	<u>June 30</u>	
	<u>2021</u>	<u>2020</u>
Change in benefit obligation:		
Benefit obligation at beginning of year	\$ 3,938,183	4,289,717
Interest cost	79,841	128,112
Assumption change	(30,678)	106,182
Experience losses	(393,833)	(191,050)
Benefits paid	<u>(355,922)</u>	<u>(394,778)</u>
Benefit obligation at end of year	<u>3,237,591</u>	<u>3,938,183</u>

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	June 30	
	2021	2020
Change in plan assets:		
Fair value of plan assets at beginning of year	\$ —	—
Employer contribution	355,922	394,778
Benefits paid	(355,922)	(394,778)
Fair value of plan assets at end of year	—	—
Funded status	\$ (3,237,591)	(3,938,183)

	June 30	
	2021	2020
Components of net periodic postretirement benefit cost:		
Interest cost	\$ 79,841	128,112
Net periodic postretirement benefit cost	\$ 79,841	128,112

	June 30	
	2021	2020
Discount rate used to value obligations	2.17 %	2.13 %
Discount rate used to value expenses	2.13	3.13
Weighted average healthcare cost trend:		
Initial trend rate	5.70	5.70
Ultimate trend rate	4.70	4.70

Estimated future benefit payments, net of employee contributions, are as follows:

	Estimated benefit payment
Fiscal year:	
2022	\$ 360,119
2023	364,550
2024	355,392
2025	356,667
2026	356,262
2027–2031	877,112

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The expected employer contribution for fiscal year 2022 is \$360,119.

(18) Commitments and Contingencies

The University participates in a number of federal programs that are subject to financial and compliance audits. The amount of expenditures that may be disallowed by the granting agencies cannot be determined at this time, although the University does not expect these amounts, if any, to be material to the consolidated financial statements.

The University is subject to certain legal proceedings and claims that arose in the ordinary course of its business. In the opinion of management, the amount of the ultimate liability with respect to those actions will not materially affect the University's consolidated financial position.

(19) Related Parties

Members of the University's Board of Governors and senior management may, from time to time, be associated, either directly or indirectly, with companies doing business with the University. The Board's conflict of interest policy requires, among other things, that no member of the Board of Governors or its committees can participate in any decision by the University in which he or she (or immediate family member) has a material financial interest. For members of the Board of Governors and senior management, the University requires an annual disclosure of significant financial interest in, employment or consulting relationships with, entities doing business with the University. When such relationships exist, measures are taken to address the actual or perceived conflict to protect the best interest of the University and ensure compliance with relevant conflict of interest laws or policy. During fiscal year 2021 there were no related party relationships disclosed, which required a member of the University's Board of Governors nor senior management from being excluded from participating in any decisions by the University.

(20) Subsequent Events

The University evaluated subsequent events for potential recognition or disclosure through October 28, 2021, the date on which the consolidated financial statements were available to be issued.

These consolidated financial statements were issued on October 28, 2021 and subsequent events have been evaluated through that date.