University of Saint Joseph

Financial Report
June 30, 2021

Contents

RSM US LLP

Independent Auditor's Report

Board of Trustees
University of Saint Joseph

We have audited the accompanying financial statements of University of Saint Joseph, which comprise the statement of financial position as of June 30, 2021, the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

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

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

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

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

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of University of Saint Joseph as of June 30, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matter
The financial statements of University of Saint Joseph, as of and for the year ended June 30, 2020, were audited by other auditors, whose report, dated October 27, 2020, expressed an unmodified opinion on those statements.

RSM US LLP

Boston, Massachusetts
October 28, 2021

University of Saint Joseph

Statements of Financial Position
June 30, 2021 and 2020
(Dollars in Thousands)

	2021	2020
Assets		
Cash and cash equivalents	$ 17,470	$ 4,554
Accounts and loans receivable, net	3,867	3,466
Contributions receivable, net	1,635	1,759
Other assets	472	391
Investments	45,611	35,410
Deposits held by bond trustee	1,193	-
Cash restricted for investment in property, plant and equipment	707	717
Land, buildings and equipment, net	66,346	58,683
Total assets	$ 137,301	$ 104,980
Liabilities and Net Assets		
Accounts payable and accrued expenses	$ 4,162	$ 5,122
Deposits and deferred revenue	4,238	4,987
Capital lease obligation	16	111
Other liabilities	4,965	5,509
Bonds and loans payable	46,129	28,558
Interest rate swap	4,489	7,342
Government grants refundable	350	350
Total liabilities	64,349	51,979
Commitments and contingencies		
Net assets:		
Without donor restrictions	38,952	25,852
With donor restrictions	34,000	27,149
Total net assets	72,952	53,001
Total liabilities and net assets	$ 137,301	$ 104,980

See notes to financial statements.

University of Saint Joseph

Statement of Activities
Year Ended June 30, 2021
(Dollars in Thousands)

	Without Donor Restrictions	With Donor Restrictions	2021 Total
Operating revenues:			
Tuition and fees, net	$ 47,072	$ -	$ 47,072
Laboratory schools tuition and fees	15,447	-	15,447
Grant and contract income	3,705	-	3,705
Contributions	665	1,074	1,739
Endowment spending used in operations	580	774	1,354
Residence and dining	2,888	-	2,888
Auxiliary services and other revenue	788	-	788
Net assets released from restrictions	1,764	(1,764)	-
Total operating revenues	72,909	84	72,993
Operating expenses:			
Salaries and wages	32,212	-	32,212
Benefits	8,237	-	8,237
Capital related costs	13,654	-	13,654
Other expenses	10,607	-	10,607
Total operating expenses	64,710	-	64,710
Operating subtotal	8,199	84	8,283
Nonoperating:			
Contributions restricted for long-term investment	-	1,391	1,391
Net return on long-term investment, net of amounts used in operations	2,775	5,376	8,151
Loss on disposal of property, plant and equipment	(354)	-	(354)
Change in fair value of interest rate swaps	2,480	-	2,480
Nonoperating subtotal	4,901	6,767	11,668
Change in net assets	13,100	6,851	19,951
Net assets at beginning of year	25,852	27,149	53,001
Net assets at end of year	$ 38,952	$ 34,000	$ 72,952

See notes to financial statements.

University of Saint Joseph

Statement of Activities
Year Ended June 30, 2020
(Dollars in Thousands)

	Without Donor Restrictions	With Donor Restrictions	2020 Total
Operating revenues:			
Tuition and fees, net	$ 45,677	$ -	$ 45,677
Laboratory schools tuition and fees	13,522	-	13,522
Grant and contract income	3,025	-	3,025
Contributions	832	2,098	2,930
Endowment spending used in operations	412	575	987
Residence and dining	3,284	-	3,284
Auxiliary services and other revenue	948	-	948
Net assets released from restrictions	1,200	(1,200)	-
Total operating revenues	68,900	1,473	70,373
Operating expenses:			
Salaries and wages	33,306	-	33,306
Benefits	10,033	-	10,033
Capital related costs	12,498	-	12,498
Other expenses	10,618	-	10,618
Total operating expenses	66,455	-	66,455
Operating subtotal	2,445	1,473	3,918
Nonoperating:			
Contributions restricted for long-term investment	-	789	789
Net loss on long-term investment, net of amounts used in operations	(763)	(916)	(1,679)
Loss on disposal of property, plant and equipment	(77)	-	(77)
Change in fair value of interest rate swaps	(4,065)	-	(4,065)
Nonoperating subtotal	(4,905)	(127)	(5,032)
Change in net assets	(2,460)	1,346	(1,114)
Net assets at beginning of year	28,315	25,800	54,115
Net assets at end of year	$ 25,852	$ 27,149	$ 53,001

See notes to financial statements.

University of Saint Joseph

Statements of Cash Flows
Years Ended June 30, 2021 and 2020
(Dollars in Thousands)

	2021	2020
Cash flows from operating activities:		
Change in net assets	**$ 19,951**	$ (1,114)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	**4,595**	4,381
Bond cost and loan origination amortization	**312**	15
Change in fair value of interest rate swaps	**(2,853)**	4,065
Net realized and unrealized losses (gains) on investments	**(8,369)**	1,391
Provision for bad debt	**437**	164
Loss on disposal of property, plant and equipment	**354**	77
Forgiveness of vendor advances included in other liabilities	**(632)**	(632)
Asset retirement obligation accretion	**88**	122
Contributions restricted for long-term investment	**(1,391)**	(789)
Change in operating assets and liabilities:		
Accounts and loans receivable	**(838)**	(224)
Contributions receivable	**124**	(706)
Other assets	**(81)**	262
Accounts payable and accrued expenses	**(760)**	516
Deposits and deferred revenue	**(749)**	875
Net cash provided by operating activities	**10,188**	8,403
Cash flows from investing activities:		
Proceeds from contributions restricted for long-term investment	**1,391**	789
Purchases of plant and equipment	**(12,812)**	(15,235)
Proceeds from maturities and sale of investments	**9,045**	4,733
Purchases of investments	**(10,877)**	(6,923)
Net cash used in investing activities	**(13,253)**	(16,636)
Cash flows from financing activities:		
Proceeds from borrowing	**35,659**	6,072
Principal payments on bonds and loans payable	**(18,160)**	(636)
Payments on capital lease obligations	**(95)**	(91)
Issuance of bond cost and loan origination	**(240)**	(10)
Vendor advances	**-**	2,491
Net cash provided by financing activities	**17,164**	7,826
Change in cash, cash equivalents and restricted cash	**14,099**	(407)
Cash, cash equivalents and restricted cash at beginning of year	**5,271**	5,678
Cash, cash equivalents and restricted cash at end of year	**$ 19,370**	$ 5,271
Supplemental disclosures of cash flow information:		
Interest paid	**$ 1,347**	$ 855
Plant and equipment paid through accounts payable and accrued expenses	**$ 1,098**	$ 1,297

See notes to financial statements.

Notes to Financial Statements (Dollars in Thousands)

Note 1. Organization

University of Saint Joseph (the University) is a private, tax-exempt, nonprofit educational institution founded in 1932, located on approximately 91 acres in West Hartford, Connecticut, with additional leased facilities in West Hartford and Hartford, Connecticut.

Note 2. Summary of Significant Accounting Policies

Basis of presentation: The University's financial statements have been prepared on the accrual basis of accounting following accounting principles generally accepted in the United States of America (U.S. GAAP) which require that the University report information regarding its financial position and activities based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restriction: Net assets available for general use and not subject to donor restrictions but may be designated for specific purposes by the University or may be limited by contractual agreements with outside parties. Such net assets may be designated by the Board of Trustees (the Board) for specific purposes, including to function as endowment.

Net assets with donor restrictions: Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature that may or will be met, either by the passage of time or the events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. As further described in Note 7, the University is subject to the Connecticut Uniform Prudent Management Institutional Funds Act (UPMIFA), under which donor-restricted endowment funds may be appropriated for expenditure by the Board of the University in accordance with the standard of prudence prescribed by UPMIFA. Net assets of such funds in excess of their historic dollar value are classified as donor restricted until appropriated by the Board and spent on their intended purpose. In addition, net assets with donor restrictions includes donor-restricted endowment funds with underwater valuation. Contributions receivable which the ultimate use is restricted by the donor, or subject to inherent time restrictions are also reported as net assets with donor restrictions.

Operating activities: The statements of activities include all of the University's revenues and expenses as part of operating activities, including endowment spending used in operations appropriated under the endowment spending policy. Items not included represent contributions restricted for long term investment, net return (loss) on long-term investments - net of amount used in operations, losses on disposal of property, plant, and equipment, and change in the fair value of interest rate swaps.

Cash, cash equivalents and restricted cash: Cash and cash equivalents consist principally of accounts with maturities of three months or less when purchased. Cash equivalents held by investment managers are considered part of investments given the expectation of near-term reinvestment.

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the statements of financial position that sum to the total of the same such amounts shown in the statements of cash flows.

	2021	2020
Cash and cash equivalents	$ 17,470	$ 4,554
Deposits held by bond trustees	1,193	-
Restricted cash	707	717
	$ 19,370	$ 5,271

Note 2. Summary of Significant Accounting Policies (Continued)

Included in cash and cash equivalents is $190 and $183 of funds held for the Federal Perkins Loan Program (Perkins Loans) at June 30, 2021 and 2020, respectively, which is described more fully later in these notes.

Deposits held by bond trustees are reported at fair value and consist of unexpended debt proceeds for construction purposes. Fair value is determined as per the fair value measurements policy discussed later in this section utilizing Level 1 inputs.

The University maintains its cash in bank deposit accounts which, at times, may exceed the federally insured limit. The University has not experienced any losses in such accounts. The University believes it is not exposed to any significant credit risk on cash and cash equivalents. The University considers securities with an original maturity of three months or less to be cash equivalents.

Accounts and loans receivable: Accounts and loans receivable are stated at the amount outstanding, less an allowance for doubtful accounts. The allowance for doubtful accounts is established through a charge to bad debt expense for balances that have been deemed uncollectible.

Allowances for doubtful accounts are established based on prior collection experience and current economic factors which, in management's judgment, could influence the ability of loan recipients to repay the amounts per the loan terms. These allowances are based on historical loan defaults and write-offs. Loan balances are written off only when they are deemed to be permanently uncollectible. Federal Perkins loans that are deemed to be permanently uncollectible are generally assigned to the Federal government.

Investments: Investments are reported in the financial statements at fair value.

Net gain (loss) on long term investments, net of amounts used in operations, is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external investment expenses and endowment spending used for operations. Net gain (loss) on long term investments is reported as increases (decreases) in net assets with donor restriction if the terms of the original gift require it, or if required by Connecticut law. Otherwise, net gain (loss) on long term investments is reported as increases (decreases) in net assets without donor restrictions.

Bond discount and origination costs: Bond discount and origination costs, net of accumulated amortization, are netted against the principal of bonds payable included in bonds and loans payable in the statements of financial position. Amortization is reported as a component of interest expense over the term of the related bonds.

Derivative financial instruments: The University uses an interest rate swap agreement to hedge its exposure to changes in the interest rate related to its outstanding bonds (see Note 9). The Swap Agreement is recorded at fair value as estimated by the counterparty financial institution. Changes in the fair values are recognized in the statements of activities. Based on the credit worthiness of the counterparty, and provisions for the posting of collateral in the event of a credit downgrading by either counterparty, the risk of nonperformance is believed to be minimal.

Notes to Financial Statements (Dollars in Thousands)

Note 2. Summary of Significant Accounting Policies (Continued)

Land, buildings and equipment: Land, buildings and equipment are recorded at cost as of the date of acquisition, except donated property, plant and equipment which are recorded at the estimated fair value at the date of the gift. Expenditures for maintenance and repairs are charged to expense as incurred; betterments are capitalized. When assets are sold or retired, the related cost and accumulated depreciation are removed from the respective accounts and any resulting gain or loss is credited or charged to non-operating activities. Costs associated with ongoing projects are accumulated as construction in progress until completed. The completed asset is then reclassified to property and equipment depreciated over its useful life. Depreciation expense is recognized on a straight-line basis over the estimated useful lives as follows:

	Estimated Useful Lives
Land	-
Land improvements	10-39 years
Leasehold improvements	10-30 years
Building and building improvements	10-45 years
Furniture and equipment	3-10 yeas

The University recognizes the fair value of a liability for legal obligations associated with asset retirement obligations (ARO) in the period in which the obligation is incurred, if a reasonable estimate of fair value of the obligation can be made. These liabilities are initially recorded at fair value utilizing Level 2 inputs and the related asset retirement costs are capitalized by increasing the carrying amount of the related assets by the same amount as the liability. Asset retirement costs are subsequently depreciated over the useful lives of the related assets. Subsequent to initial recognition, the University records period-to-period changes in the ARO liability resulting from the passage of time, new laws and regulations and revisions to either the timing or amounts of the original estimate of undiscounted cash flows. Upon settlement of the obligation, any difference between the cost to settle the ARO and the liability recorded will be recognized as a gain or loss in the Statements of Activities.

Long-lived asset impairment: The University evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. No asset impairment was recognized during the years ended June 30, 2021 or 2020.

Collections: Collections consist of items that include works of art that were donated or purchased by the University. These items are capitalized at cost, if the items were purchased, or at the fair value on their accession date, if the items were contributed. Gains and losses from deaccessions of collection items are reported as nonoperating revenue and expenses in the University's financial statements in the period in which the items are sold. The proceeds from the deaccessioning of collection items, if any, are only used for the acquisition of new artwork.

Student deposits and deferred revenues: Student deposits represent reservation deposits and other advance payments by students for tuition, room and board related to the next academic term that will be recognized when the related performance obligations are satisfied.

Note 2. Summary of Significant Accounting Policies (Continued)

Revenue recognition: In May 2014, Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606), which requires the entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The five-step model defined by Topic 606 requires the University to: (1) identify the contract with the customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract and (5) recognize revenue when each performance obligation is satisfied. Revenue is recognized when promised goods or services are transferred to the customer in an amount that reflects the consideration expected in exchange for those goods or services. ASC Topic 606 may be applied retrospectively to each prior period (full retrospective) or retrospectively with the cumulative effect recognized at the date of initial application (modified retrospective). On July 1, 2020, the University adopted ASC Topic 606, under the modified retrospective approach. The University has determined that the adoption of ASC Topic 606 did not result in an adjustment to net assets and did not have a significant effect on the amount and timing of revenue recognition for the year ended June 30, 2021.

Revenues are reported as increases in net assets without donor restrictions unless their use is limited by donor-imposed restrictions as follows:

The University derives revenues primarily through tuition and fees, net, residence and dining, sales and services of education departments and other auxiliary services all of which are under arrangements that are aligned to an academic semester which is less than one year in length.

Tuition and fees, resident and dining, laboratory schools and other auxiliary services: Tuition and fees, residence and dining, laboratory schools and other auxiliary services revenue are recorded at established rates. Tuition and fees as well as residence and dining are presented., net of institutional financial aid and USJ awarded externally funded scholarships provided directly to students that totaled $17,921 and $16,656 in 2021 and 2020 respectively. Therefore, these revenue amounts are deemed to be fixed and determinable. Such net amounts are recorded as revenue when performance obligations are satisfied, which is generally over the course of the relevant academic term as services are rendered whether relating to educational services or auxiliary services such as room and board. The University is recognizing revenue over time as it is the best measure of services rendered based on its academic calendar and the timing of the satisfaction of its performance obligations or amounts allocated to those obligations. Discounts provided to employees are considered part of fringe benefits within operating expenses and likewise are recorded over time. The University does not consider there to be significant judgment 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 under the University's withdrawal policies by semester. These policies vary by program but in the majority of cases allow for up to a 100% refund prior to the add drop date 14 days after the start of classes. Given the normal timing of the University's programs the exposure to such is limited at year-end.

Payments made by third parties, such as the Department of Education (DOE) relative to loans and grants to students, are a mechanism to facilitate payment on behalf of students and, accordingly, such funding does not represent revenue of the University.

Note 2. Summary of Significant Accounting Policies (Continued)

Contribution revenue: The University reports contributions (including unconditional promises to give) at fair value and as revenue with donor restrictions if they are received with donor stipulations that limit the use of the contribution. When a donor restriction expires; that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Contributions restricted for property, plant and equipment are recognized as released from restrictions when the asset is placed into service. Conditional contributions, that is, those that contain both a right of return and a performance barrier or other barrier, are recognized when the conditions are substantially met. Contributions other than cash are recorded at their estimated fair value. Contributions expected to be received after one year are discounted at a risk adjusted rate commensurate with the risk involved. An allowance for uncollectible contributions is estimated based on many factors including collection history, type of contribution and nature of fundraising activity.

Grants and contract income: Government grants and contracts normally provide for the recovery of direct and indirect costs, subject to an audit. The University recognizes revenue associated with direct and indirect costs as costs are incurred. USJ agreements that do contain a recovery for indirect costs are based on a de minimis rate

Individual grant arrangements have been evaluated and have been determined to be nonreciprocal, meaning the granting entity has not received a direct benefit in exchange for the resources provided. Instead, revenue is recognized like a conditional contribution (i.e., when the barrier to entitlement is overcome). The barrier to entitlement is considered overcome when expenditures associated with each grant are determined to be allowable and all other significant conditions of the grant are met.

Income taxes: The University is recognized by the Internal Revenue Service as an organization under Internal Revenue Code (IRC) Section 501(a) described in Section 501(c)(3) of the IRC. Under IRC 501(a), the University is generally exempt from Federal and state income taxes on related income.

The University believes it has taken no uncertain tax positions. Tax positions for the open tax years as of June 30, 2021, were reviewed, and it was determined that no provision for uncertain tax positions was required as of June 30, 2021 or 2020. The University's Federal and State returns are generally open for examination for three years following the date filed.

Use of estimates: The preparation of 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 financial statements, and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates. Significant management estimates included in the financial statements relate to the allowance for doubtful loans for student accounts receivable, contributions receivable and other accounts receivable, capitalization and useful lives of depreciable assets, asset retirement obligations and allocation of expenses across functional categories.

Advertising: The University expenses advertising costs as incurred.

Notes to Financial Statements (Dollars in Thousands)

Note 2. Summary of Significant Accounting Policies (Continued)

Liquidity: In order to provide information about liquidity, assets are presented according to their ease of conversion to cash and liabilities are presented in order of their estimated maturity. Investments are classified based upon the long-term intent of the endowment, however, there is significant liquidity within these investments (see Note 6).

Reclassifications: Certain 2020 information has been reclassified to conform to the 2021 presentation.

Recently adopted accounting pronouncements: Effective July 1, 2020, the University adopted ASU 2018-13, *Fair Value Measurement (Topics 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement.* The amendment removes, modifies and adds additions to the disclosure requirements on fair value measurements in Topic 820. The adoption of the new standard did not have a significant impact on the financial statements.

Effective July 1, 2020, the University adopted ASU 2019-03, *Not-for-Profit Entities (Topic 958): Updating the Definition of Collections.* This ASU modifies the definition of the term *collections* and requires that a collection-holding entity disclose its policy for the use of proceeds from when collection items are deaccessioned (i.e., removed from a collection). If a collection-holding entity has a policy that allows proceeds from deaccessioned collection items to be used for direct care, it should disclose its definition of *direct care.* The adoption of the new standard did not have a significant impact on the financial statements.

Subsequent events: The University has evaluated subsequent events through October 28, 2021, the date the financial statements were available to be issued.

Note 3. Liquidity and Availability

The following financial assets could be made readily available within one year of the statements of financial position date to meet general expenditures, scheduled debt service payments and capital expenditures not financed through debt as of June 30:

	2021	2020
Cash and cash equivalents	$ 17,280	$ 4,371
Accounts receivable, net	3,497	3,049
Deposits held by bond trustee	1,193	-
Subsequent year's endowment appropriation	1,563	1,610
Pledge receivables	251	273
	$ 23,784	$ 9,303

The University regularly monitors liquidity to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the University considers all expenditures related to its mission and related activities, as well as the services to support those activities to be general expenditures. Student loans receivable are not included in the analysis as a portion of the payments of principal must be returned to the federal government under the Perkins Loan Program requirements.

Notes to Financial Statements (Dollars in Thousands)

Note 3. Liquidity and Availability (Continued)

In addition to the financial assets available to meet general expenditures over the next 12 months, the University operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. The University's revenues are well diversified and consist of the following at June 30, 2021 and 2020: 31% from undergraduate revenues, 21% and 22% from graduate revenues, 22% and 20% from sales and services of education departments, 15% and 16% from pharmacy revenues, 7% from physician's assistant revenues and 4% from other.

The University has various sources of liquidity at its disposal including a line of credit (see Note 9) for information about the University's line of credit.

The University's Board of Trustees has designated a portion of its resources without donor restrictions for the endowment and other purposes. These funds remain available and may be spent at the discretion of the board. As of June 30, 2021 and 2020, $15,614 and $12,724 were designated for endowment (see Note 8).

The University's Board of Trustees approves an annual distribution from the endowment to fund operations (see Note 8). The Board has the authority to approve additional distributions if deemed prudent. The excess of historical investment returns over the distribution amount is classified as net assets with donor restrictions.

Note 4. Accounts and Loans Receivables

Accounts and loans receivable consist of the following at June 30:

	2021	2020
Student accounts receivable	$ 2,232	$ 2,070
Perkins loans	370	417
Laboratory schools receivables	1,095	929
Grants and other receivables	1,285	728
	4,982	4,144
Less allowance for doubtful accounts	(1,115)	(678)
Accounts and loans receivable, net	$ 3,867	$ 3,466

Notes to Financial Statements (Dollars in Thousands)

Note 5. Contributions Receivable

Unconditional promises to give are expected to be realized as follows at June 30:

	2021	2020
Unconditional promises to give:		
One year or less	$ 628	$ 530
Two to five years	1,055	500
More than five years	275	2,172
	1,958	3,202
Less:		
Allowance for uncollectible pledges	(41)	(245)
Discount to present value	(282)	(1,198)
Total pledges receivable	$ 1,635	$ 1,759

Conditional promises to give were approximately $3,700 and $1,546 at June 30, 2021 and 2020, respectively. These promises to give are not recognized as assets until such time as the conditions have been met. As of June 30, 2021 and 2020, 60% and 74%, respectively, of net contributions receivable were due from two donors.

Contributions receivable at June 30, 2021 and 2020, are discounted at rates ranging from 1.9% to 4.15%.

As of June 30, 2021 and 2020, $190 and $34 of outstanding contributions receivable, respectively, were from members of the Board of Trustees.

Note 6. Fair Value Measurements and Investments

Under the FASB's authoritative guidance on fair value measurements, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the University uses various methods including market, income and cost approaches. Based on these approaches, the University often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. The University utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques the University is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1: Quoted prices for identical assets and liabilities traded in active exchange markets, such as the New York Stock Exchange.

Level 2: Observable inputs other than Level 1 including quoted prices for similar assets or liabilities, quoted prices in less active markets, or other observable inputs that can be corroborated by observable market data. Level 2 also includes derivative contracts whose value is determined using a pricing model with observable market inputs or can be derived principally from or corroborated by observable market data.

Notes to Financial Statements (Dollars in Thousands)

Note 6. Fair Value Measurements and Investments (Continued)

Level 3: Unobservable inputs supported by little or no market activity for financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation; also includes observable inputs for nonbinding single dealer quotes not corroborated by observable market data. The University has no Level 3 assets or liabilities.

During the years ended June 30, 2021 and 2020, there were no changes to the University's valuation techniques that had, or are expected to have, a material impact on its financial position or changes in net assets.

The following is a description of the valuation methodologies used for instruments measured at fair value:

Cash and cash equivalents, domestic securities, international equities, equity funds, fixed income funds and real return funds: The fair value of cash and cash equivalents, domestic securities, international equities, equity funds, fixed income funds and real return funds is the market value based on quoted market prices, when available, or market prices provided by recognized broker dealers. If listed prices or quotes are not available, fair value is based upon externally developed models that use unobservable inputs due to the limited market activity of the instrument.

Derivative Instruments: Derivatives consist of an interest rate swap and is fair valued according to their classification as over the counter (OTC). This derivative is fair valued under Level 2 using third-party services. Observable market inputs include yield curves (the LIBOR swap curve and applicable basis swap curves).

Assets and liabilities measured at fair value on a recurring basis are summarized as follows at June 30:

	2021					
	Total	Level 1	Level 2	Level 3	Redemption Frequency	Days Notice
Assets:						
Investment:						
Cash and cash equivalents	$ 2,151	$ 2,151	$ -	$ -	Daily	1
Equity funds:					Daily	1
Large cap	15,302	15,302	-	-	Daily	1
International	10,905	10,905	-	-	Daily	1
Fixed income funds	10,335	10,335	-	-	Daily	1
Real return funds	6,918	6,918	-	-	Daily	1
Total investments	$ 45,611	$ 45,611	$ -	$ -		
Liabilities:						
Interest rate swap agreements	$ 4,489	$ -	$ 4,489	$ -		

Notes to Financial Statements (Dollars in Thousands)

Note 6. Fair Value Measurements and Investments (Continued)

	2020					
	Total	Level 1	Level 2	Level 3	Redemption Frequency	Days Notice
Assets:						
Investment:						
Cash and cash equivalents	$ 2,049	$ 2,049	$ -	$ -	Daily	1
Domestic equities	2,909	2,909	-	-	Daily	1
International equities	1,119	1,119	-	-	Daily	1
Equity funds:					Daily	1
Large cap	6,818	6,818	-	-	Daily	1
International	8,316	8,316	-	-	Daily	1
Fixed income funds	8,957	8,957	-	-	Daily	1
Real return funds	5,242	5,242	-	-	Daily	1
Total investments	$ 35,410	$ 35,410	$ -	$ -		
Liabilities:						
Interest rate swap agreements	$ 7,342	$ -	$ 7,342	$ -		

The calculation of fair value may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the University believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

Note 7. Land, Buildings and Equipment

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

	2021	2020
Land	$ 2,523	$ 2,523
Land improvements	10,803	9,814
Leasehold improvements	1,634	2,479
Buildings and building improvements	90,264	74,440
Furniture and equipment	24,796	26,722
Construction in progress	466	5,521
	130,486	121,499
Less accumulated depreciation	(64,140)	(62,816)
	$ 66,346	$ 58,683

The University recognized depreciation expense of $4,595 and $4,381 during the years ended June 30, 2021 and 2020, respectively.

As of June 30, 2021, and 2020, the University had assets under a capital lease of $360 with accumulated depreciation of $315 and $225, respectively. These assets are included in furniture and equipment above.

As of June 30, 2021, the construction in progress balance of $466 relates to the Nursing Learning Center and Simulation Lab. This project was completed in August 2021 with a total cost of approximately $1,450.

As of June 30, 2020, the construction in progress balance was $5,521. These improvement projects were placed into service during the year ended June 30, 2021.

Notes to Financial Statements (Dollars in Thousands)

Note 8. Endowment Investments

The University's endowment consists of 218 individual funds established for a variety of purposes, including both donor-restricted endowment funds and fund designated by the Board to function as endowment (quasi endowment).

The University manages its long-term investments in accordance with the total return concept and the goal of maximizing long-term return within acceptable levels of risk. The University's spending policy is designed to provide a stable level of financial support and to preserve the real value of its endowment. The University compares the performance of its investments against several benchmarks.

The University's annual spending distribution rate is determined by applying a spending formula outlined in the Endowment Spending Policy. The spending formula is the lesser of 5% or the actual total return generated by the portfolio over the prior three years, net of inflation for the same period. The spending rate is then applied to the average of the quarterly portfolio market values for the previous three fiscal years to determine the total spending amount. The spending total is allocated to the individual funds on a unit basis. The spending policy does not prohibit the spending from underwater funds if it is necessary. In fiscal years 2021 and 2020, the spending rate was 4.5% and 4%, respectively.

The University's endowment includes both donor-restricted endowment funds and funds designated by the Board to function as endowment. The University classifies as permanent endowment (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.

The remaining portion of the donor-restricted endowment fund that is not classified as permanent endowment is classified as temporary endowment until those amounts are appropriated for expenditure by the University in a manner consistent with the standard prudence prescribed by 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) possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the University and (7) the investment policies of the University.

Endowment net assets consist of the following at June 30, 2021:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor restricted endowment funds	$ -	$ 29,471	$ 29,471
Quasi (board designated)	15,614	-	15,614
Total endowed net assets	$ 15,614	$ 29,471	$ 45,085

Notes to Financial Statements (Dollars in Thousands)

Note 8. Endowment Investments (Continued)

Endowment net assets consist of the following at June 30, 2020:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor restricted endowment funds	$ -	$ 22,718	$ 22,718
Quasi (board designated)	12,724	-	12,724
Total endowed net assets	$ 12,724	$ 22,718	$ 35,442

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

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, July 1, 2020	$ 12,724	$ 22,718	$ 35,442
Investment return, net	3,355	6,136	9,491
Contributions/designations	115	1,391	1,506
Distributions	(580)	(774)	(1,354)
Endowment net assets, June 30, 2021	$ 15,614	$ 29,471	$ 45,085

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

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, July 1, 2019	$ 12,032	$ 22,749	$ 34,781
Investment loss, net	(351)	(340)	(691)
Contributions/designations	309	854	1,163
Transfers	1,146	30	1,176
Distributions	(412)	(575)	(987)
Endowment net assets, June 30, 2020	$ 12,724	$ 22,718	$ 35,442

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below their original contributed value. Deficiencies of this nature are reported in net assets with donor restrictions and aggregated $0 and $39 as of June 30, 2021 and 2020, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred after the investment of new contributions, restricted in perpetuity.

Notes to Financial Statements (Dollars in Thousands)

Note 9. Bonds, Loans and Leases Payable

Bonds payable: The following is a summary of bonds payable at June 30:

	Maturity	Interest Rate	2021	2020
Connecticut Health and Educational Facilities Authority (CHEFA):				
(a) Series C bonds	2038	Variable	$ -	$ 8,712
(b) Series D bonds	2043	Fixed – 3.5%	-	9,137
(c) Series E bonds	2048	Variable	29,690	11,531
(d) Series F bonds	2040	Fixed – 2.5%	17,190	
			46,880	29,380
Unamortized debt issuance costs			(751)	(822)
Total			$ 46,129	$ 28,558

In November 2013, the University issued CHEFA Series C bonds in the amount of $10,800. The proceeds were used to: (a) refund a portion of the CHEFA Series B bonds, (b) purchase a vacant lot adjacent to the University campus, (c) fund the interest rate swap termination fee associated with the CHEFA Series B bonds and (d) pay cost of issuance fees with respect to the bonds. The bonds are secured by a pledge of gross receipts of the University. In June 2021 these bonds were refinanced with Series F bonds.

In November 2013, the University issued CHEFA Series D bonds in the amount of $10,800. The proceeds were used to: (a) refund a portion of the outstanding principal of the CHEFA Series B bonds, (b) purchase a vacant lot adjacent to the University campus, (c) partially fund the construction of the Center for Applied Research and Education (CARE) facility and (d) pay cost of issuance fees with respect to the bonds. In June 2021 these bonds were refinanced with Series F bonds.

In December 2018, the University issued CHEFA Series E bonds in the amount of $30,000. The proceeds were used to: (a) fund the construction and renovation of the student center, (b) fund the construction of an addition and expansion of the athletic center, (c) fund the construction and renovation of a turf athletic field, (d) refinance $3,912 of the amount outstanding on the $5,000 bridge loan which provided funds for the renovation of certain residence halls and costs of improvements of the electrical infrastructure and (e) pay cost of issuance fees of $512 with respect to the bonds. The bonds are secured by a pledge of all gross receipts of the University. The University has chosen to draw down the debt as needed to fund the appropriate capital expenditures. Monthly interest only payments beginning January 1, 2019, at a floating rate of 78.7% of 30-day LIBOR plus 1.65% through December 1, 2020 (1.37% at June 30, 2021 and 2020). Monthly principal and interest payments beginning December 1, 2020, through December 1, 2033, at a floating rate of 78.7% of 30-day LIBOR plus 1.65%. Final maturity of Series E is on December 1, 2048.

In June 2021, the University issued CHEFA Series F bonds in the amount of $17,900. The proceeds were used to: (a) refund the remaining balance of the CHEFA Series C and D bonds. The Series C and D bonds were used to (a) refund a portion of CHEFA Series B bonds, (b) purchase a vacant lot adjacent to the University campus, (c) fund the interest rate swap termination fee associated with the CHEFA Series B bonds (d) partially fund the construction of the Center for Applied Research and Education (CARE) facility and (e) pay cost of issuance fees with respect to the bonds. The bonds are secured by a pledge of gross receipts of the University.

Notes to Financial Statements (Dollars in Thousands)

Note 9. Bonds, Loans and Leases Payable (Continued)

The University does not have any outstanding publicly held debt.

In connection with the Series C and Series E CHEFA bonds the University entered into two interest rate swap agreements.

On October 11, 2013, the University entered into an interest rate swap in the amount of $10,800 with an effective date of November 1, 2013, to November 1, 2023, for the CHEFA Series C bonds. The interest rate swap agreement was not entered into for trading or speculative purposes. The purpose of the swap was to effectively fix the variable rate, 68% of 30-day LIBOR plus 1.75%, to an interest rate of 3.25%. The fair value of the interest rate swap was a liability of $552 for the year ended June 30, 2020. The notional amount at June 30, 2020 was $ 8,712. In June 2021 the swap was terminated as part of the refinancing of the Series F bonds.

On December 6, 2018, the University entered into an interest rate swap in with an original notional amount of $30,000 at June 30, 2021 and 2020 and an effective date of December 1, 2020 to December 1, 2033, for the CHEFA Series E bonds. The interest rate swap agreement was not entered into for trading or speculative purposes. The purpose of the swap was to effectively fix the variable rate, 78.7% of 30-day LIBOR plus 1.30%, to an interest rate of 3.81%. If held to maturity, the value of the swap on December 1, 2033. will be zero. The notional amount at June 30, 2021 and 2020 is $29,690 and $30,000 respectively.

Fair values of derivative instruments consist of the following at June 30:

Derivative	Statement of Financial Position Location	2021	2020
Interest rate contract (Series C)	Interest rate swap	$ -	$ 552
Interest rate contract (Series E)	Interest rate swap	4,489	6,790
		$ 4,489	$ 7,342

The Effect of Derivative Instruments on the Statements of Activities for the Years Ended June 30:

Derivative	Location of Gain (Loss) Recognized in Without Donor Restriction Non-Operating Activity	Amount of Gain (Loss) Recognized in Without Donor Restriction Non-Operating Activity 2021	2020
Interest rate contracts	Change in value of interest rate swaps	$ 2,853	$ (4,065)

The University paid $373 to terminate the swap instrument during the year ended June 30, 2021, which is reflected in the change in fair value of interest rate swaps.

Under the bond agreement with CHEFA and a line of credit agreement with a bank, the University has agreed to certain financial covenants.

Notes to Financial Statements (Dollars in Thousands)

Note 9. Bonds, Loans and Leases Payable (Continued)

Bond cost amortization expenses charged to operations in fiscal 2021 and 2020 were $14 and $15, respectively. In addition, the University amortized $298 in bond issuance costs related to the extinguishment of the Series C and D bonds during the year ended June 30, 2021.

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

Years ending June 30:		
2022	$	1,275
2023		1,297
2024		1,334
2025		1,381
2026		1,426
Thereafter		40,167
	$	46,880

Short-term line of credit: In November 2013, the University secured a revolving line of credit with Berkshire Bank for $3,500. The line of credit was most recently amended as of June 30, 2021, with a maturity date of December 31, 2023. Borrowings under the line bear interest at Prime or LIBOR plus 1.75% (1.85% and 1.86% at June 30, 2021 and 2020, respectively). There were no outstanding borrowings against the line at June 30, 2021 and 2020. The line of credit is secured by a pledge of gross receipts of the University

The University has entered into a capital lease agreement to lease academic and administrative computing equipment. The agreement ends in August of 2021. The remaining lease payments as of June 30, 2021 and 2020, are $16 and $111, respectively.

Note 10. Net Assets With Donor Restrictions

Net assets with donor restrictions as of June 30 consisted of:

		2021		2020
With donor restrictions, net assets:				
Time restricted promises to give	$	1,635	$	1,759
Use of restricted endowment earnings and one time gifts:				
Library and lectures		1,794		1,197
Scholarships		6,342		2,522
Capital		703		717
Other		4,751		3,570
Endowment restricted in perpetuity (original corpus):				
Scholarships		14,997		13,756
General university support and other purposes		3,778		3,628
Total	$	34,000	$	27,149

Notes to Financial Statements (Dollars in Thousands)

Note 11. Net Assets Released From Restrictions

Temporarily restricted endowment distributions and one-time restricted contributions were released from net assets with donor restrictions by incurring expenses satisfying the restricted purpose specified by the donor. Net assets released from restriction were as follows for the year ended June 30:

	2021	2020
Student aid, support and services	$ 1,084	$ 875
Capital	680	325
Total	$ 1,764	$ 1,200

Note 12. Functional Expenses

The following tables summarize the University's expenses allocated by function as of June 30:

2021	Instruction	Public Service	Academic Support	Student Services	Institutional Support	Auxiliary Services	Total
Salaries and wages	$ 16,336	$ 7,057	$ 1,453	$ 3,452	$ 3,691	$ 223	$ 32,212
Employee benefits	3,974	1,911	528	856	886	82	8,237
Capital	3,334	1,477	567	2,024	2,886	3,366	13,654
Other	3,324	1,594	838	223	2,286	2,342	10,607
Total Expenses	$ 26,968	$ 12,039	$ 3,386	$ 6,555	$ 9,749	$ 6,013	$ 64,710

2020	Instruction	Public Service	Academic Support	Student Services	Institutional Support	Auxiliary Services	Total
Salaries and wages	$ 17,027	$ 6,561	$ 1,727	$ 3,708	$ 3,945	$ 338	$ 33,306
Employee benefits	4,686	2,253	622	1,010	1,364	98	10,033
Capital	3,308	1,492	550	1,246	2,563	3,339	12,498
Other	3,454	1,397	920	297	1,301	3,249	10,618
Total Expenses	$ 28,475	$ 11,703	$ 3,819	$ 6,261	$ 9,173	$ 7,024	$ 66,455

Fundraising expenses for the years ended June 30, 2021 and 2020, totaling $720 and $996, respectively, have been included in institutional support expenses above.

Certain expenses are attributable to more than one program or supporting function. These expenses are allocated consistently on the following bases: Depreciation and utilities are allocated based on square-footage used by each function; Interest is allocated to programs and support based on the related debt; Benefits are allocated based on headcount. Capital costs include depreciation, interest, utilities and rents.

Notes to Financial Statements (Dollars in Thousands)

Note 13. Retirement Plans

The University maintains a defined contribution retirement program with the Teachers Insurance and Annuity Association – College Retirement Equities Fund (TIAA/CREF). For the years ended June 30, 2021 and 2020, the University contributed 5% and 11 %, respectively, of salaries, as defined, for both nonexempt participating employees and for exempt participating employees, as defined. 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 $1,325 and $2,730, respectively.

Note 14. Operating Leases

The University has an operating lease arrangement for office space used by the School of Pharmacy in Hartford, CT which expires in August 2022. Rent expense under this lease was $1,340 in both fiscal 2021 and 2020. In addition, the University leases various office equipment, vehicles and other equipment under operating leases, expiring through December 2025. Total rent expense under operating leases was $1,440 and $1,774 in fiscal 2021 and 2020, respectively.

The approximate future minimum rental commitments under operating lease agreements are as follows:

Years ending December, 30:		
2022	$	1,398
2023		267
2024		40
2025		40
2026		20
	$	1,765

The University has an agreement with the Town of West Hartford to lease a building and certain town property for the operation of the School for Young Children. The lease expires on July 31, 2047, and may be terminated by the University at any time before the end of the lease. Rent is payable in amounts of one dollar per year. The lease is contingent upon the University continuing to operate a comprehensive integrated child development and family support services program within the facility.

Note 15. Vendor Advances

The University has included in Other Liabilities vendor advances of $2,811 and $3,443 as of June 30, 2021 and 2020 respectively. These advances are subject to annual forgiveness during the contract period and immediately due and payable if the contracts are terminated. Forgiveness of $632 in 2021 and in 2020 related to vendor advances is reported as other income.

Note 16. Commitments, Contingencies and Uncertainties

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 financial statements.

In the ordinary course of business, the University is involved in various claims and litigation. Adequate provision has been made in the financial statements for these matters. The ultimate outcome is not expected to have a material effect on the University’s financial position. Legal counsel currently expresses no opinion on the outcome of these matters.

Note 16. Commitments, Contingencies and Uncertainties (Continued)

On January 30, 2020, the World Health Organization declared the coronavirus (COVID-19) a “Public Health Emergency of International Concern” and, on March 11, 2020, declared COVID-19 a pandemic. The spread of COVID-19, a novel strain of coronavirus, appears to be altering the behavior of businesses and people in a manner that is having negative effects on local, regional and global economies. The extent to which COVID-19 will impact operations of the University in the future will depend on subsequent developments, which are highly uncertain and cannot be predicted with confidence, including the duration of the outbreak, new information that may emerge concerning the severity of COVID-19, the actions taken to contain COVID-19 or treat its impact, and the impact of each of these items on the economies and financial markets. In particular, the continued spread of COVID-19 could adversely impact the University’s operations, including among others, contributions, grants, and daily operations, and could have a material adverse effect on the financial condition of the University.