

MCPHS UNIVERSITY

**CONTINUING DISCLOSURES AND
AUDITED FINANCIAL STATEMENTS**

JUNE 30, 2023

MCPHS UNIVERSITY

CONTINUING DISCLOSURES

Financial Matters

The University operates on a fiscal year ending June 30 and accounts for and reports its financial condition in accordance with Financial Accounting Standards Board (FASB) Accounting Standards through the use of donor-restricted and unrestricted net asset classifications. The financial statements of the University have been prepared on an accrual basis in accordance with accounting principles generally accepted in the United States of America for educational institutions.

Management's Discussion of Recent Financial Performance

Operating Results

The University has experienced strong demand for the University's academic programs, enhanced by continued successful introduction of new degree offerings, particularly in the health science disciplines. Over the last five years, total University enrollment has averaged 7,083 students. Operating revenues were \$231 million in fiscal 2023, a decrease of \$4 million from fiscal 2022 resulting from some program-specific enrollment declines. The continued expansion of new health science programs has led to increased program revenue diversification. The University continues to experience growth in non-pharmacy enrollments and revenues. Non-pharmacy enrollment as a percentage of total enrollment was 68% in fiscal 2023 versus 65% in fiscal 2022. The University's tuition discount rate has averaged 21% for the last five years and was 26% for fiscal 2023.

Management has maintained high operating margins through close monitoring of programs and strong budgetary controls. Academic programs are carefully evaluated with respect to student demand and financial viability. Over the last five years, the University's operating margin has averaged 22% of total revenues and was 10% for the year ended June 30, 2023.

Liquidity

Management's focus on budgeting and operating performance has substantially improved the University's liquidity. Improvements in business operations pertaining to revenue collection and expenditure controls have enabled the University to maintain strong debt service coverage and liquidity ratios. Over the last five years, net revenues available for debt service has averaged \$68 million and was \$36 million in fiscal 2023. Unrestricted cash and investments have increased 52% from \$1.13 billion at June 30, 2019 to \$1.71 billion at June 30, 2023. Total cash and investments have increased 51% from \$1.16 billion at June 30, 2019 to \$1.76 billion at June 30, 2023.

MCPHS UNIVERSITY

CONTINUING DISCLOSURES

Total Fall Enrollments

Academic Year	2019-20	2020-21	2021-22	2022-23	2023-24
Students	7,387	7,508	7,334	6,840	6,347
FTE	6,826	6,840	6,537	6,105	5,795

Pharmacy Programs

Academic Year	2019-20	2020-21	2021-22	2022-23	2023-24
Students	2,988	2,758	2,549	2,218	1,913
FTE	2,822	2,623	2,356	2,030	1,773

Other Programs

Academic Year	2019-20	2020-21	2021-22	2022-23	2023-24
Students	4,399	4,750	4,785	4,622	4,434
FTE	4,004	4,217	4,181	4,075	4,022

Total Fall Enrollments by Campus

Academic Year	2019-20	2020-21	2021-22	2022-23	2023-24
Boston					
Students	4,353	4,279	4,029	3,944	3,838
FTE	4,281	4,216	3,957	3,833	3,752
Worcester					
Students	1,527	1,460	1,421	1,280	1,257
FTE	1,516	1,499	1,410	1,265	1,237
Manchester					
Students	488	433	363	295	279
FTE	483	437	361	293	276
Online					
Students	1,019	1,336	1,521	1,321	973
FTE	546	688	809	714	530



Financial Statements

MCPHS University

June 30, 2023 and 2022



MCPHS UNIVERSITY

Financial Statements

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Independent Auditors' Report

The Board of Trustees
MCPHS University
Boston, Massachusetts

Opinion

We have audited the financial statements of MCPHS University (the "University"), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the University as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the University and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.



Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Maya Heyman McCann P.C.

Boston, Massachusetts
September 26, 2023

MCPHS UNIVERSITY

Statements of Financial Position

	June 30,	
	2023	2022
Assets		
Cash and cash equivalents	\$ 76,478,298	\$ 45,251,174
Contributions receivable	4,512	17,594
Student and other receivables	11,909,150	10,663,243
Prepaid expenses and other assets	6,846,458	7,406,082
Student loans receivable	9,311,357	9,486,326
Deposits with bond trustees	5,574,040	5,422,249
Funds held in trust	1,654,730	1,578,995
Investments	1,676,213,708	1,512,276,636
Right-of-use assets - operating leases	43,247,635	50,797,309
Property and equipment, net	179,133,890	185,802,639
	\$ 2,010,373,778	\$ 1,828,702,247
Liabilities and Net Assets		
Accounts payable and accrued liabilities	\$ 15,927,620	\$ 16,955,550
Deferred revenues	17,859,386	17,997,993
Operating lease obligations	46,297,510	53,281,190
Bonds and other obligations payable	53,681,835	58,011,492
Advances from federal government for student loans	8,827,953	9,478,604
	142,594,304	155,724,829
Net assets:		
Unrestricted:		
Funds held for long-term investment	1,634,938,959	1,475,440,695
Net investment in plant	130,156,429	126,443,086
Other funds	57,828,025	29,910,454
Total unrestricted	1,822,923,413	1,631,794,235
Donor-restricted:		
Endowment funds	42,766,783	39,030,413
Other funds	2,089,278	2,152,770
Total donor-restricted	44,856,061	41,183,183
Total net assets	1,867,779,474	1,672,977,418
Total liabilities and net assets	\$ 2,010,373,778	\$ 1,828,702,247

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

MCPHS UNIVERSITY
Statements of Activities

	Years Ended June 30,	
	2023	2022
Changes in unrestricted net assets:		
Operating:		
Revenues and other support:		
Tuition and fees (net of scholarship aid to students of \$69,673,730 and \$67,002,589, respectively)	\$ 195,978,627	\$ 207,767,872
Auxiliary enterprises	17,975,670	16,167,423
Contributions	920,033	198,069
Contracts and other exchange transactions	11,118,621	8,380,249
Other income	4,463,353	2,235,246
Net assets released from restrictions	<u>759,063</u>	<u>685,272</u>
Total revenues and other support	<u>231,215,367</u>	<u>235,434,131</u>
Expenses:		
Instruction	119,325,968	112,445,821
Academic support	21,327,083	20,185,146
Student services	29,169,192	25,151,213
Auxiliary enterprises	<u>15,398,667</u>	<u>14,670,844</u>
Total program services	185,220,910	172,453,024
Institutional support	<u>23,750,723</u>	<u>21,837,001</u>
Total operating expenses	<u>208,971,633</u>	<u>194,290,025</u>
Increase in unrestricted net assets from operating activities	<u>22,243,734</u>	<u>41,144,106</u>
Non-operating:		
Investment return (loss)	159,810,876	(197,381,236)
Rental income	6,804,841	6,795,953
Rental expenses	(2,106,047)	(2,126,026)
Federal support associated with COVID-19	7,438,448	12,470,409
Expenses associated with COVID-19	(1,596,142)	(12,047,105)
Other	<u>(1,466,532)</u>	<u>(747,682)</u>
Increase (decrease) in unrestricted net assets from non-operating activities	<u>168,885,444</u>	<u>(193,035,687)</u>
Increase (decrease) in unrestricted net assets	<u>191,129,178</u>	<u>(151,891,581)</u>
Changes in donor-restricted net assets:		
Contributions	374,217	525,498
Investment return (loss)	3,965,687	(5,527,338)
Change in value of funds held in trust	92,037	(398,343)
Net assets released from restrictions	<u>(759,063)</u>	<u>(685,272)</u>
Increase (decrease) in donor-restricted net assets	<u>3,672,878</u>	<u>(6,085,455)</u>
Increase (decrease) in net assets	194,802,056	(157,977,036)
Net assets at beginning of year	<u>1,672,977,418</u>	<u>1,830,954,454</u>
Net assets at end of year	<u>\$ 1,867,779,474</u>	<u>\$ 1,672,977,418</u>

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

MCPHS UNIVERSITY
Statements of Cash Flows

	Years Ended June 30,	
	2023	2022
Cash flows from operating activities:		
Change in net assets	\$ 194,802,056	\$ (157,977,036)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	13,723,691	13,435,493
Amortization of right-of-use assets - operating leases	7,549,674	7,529,256
Contributions restricted for capital investment	(255,976)	(491,647)
Net realized and unrealized (gain) loss on investments	(129,540,101)	230,924,399
(Increase) decrease in assets:		
Funds held in trust	(75,735)	463,852
Contributions receivable	13,082	52,695
Student and other receivables	(1,245,907)	(1,708,856)
Prepaid expenses and other assets	559,624	(171,559)
Increase (decrease) in liabilities:		
Accounts payable and accrued liabilities	(970,815)	564,373
Deferred revenues	(138,607)	(1,421,685)
Operating lease obligations	(6,983,680)	(6,759,382)
	<u>77,437,306</u>	<u>84,439,903</u>
Net cash provided by operating activities		
Cash flows from investing activities:		
Proceeds from sales of investments	300,195,604	261,383,387
Purchases of investments	(334,592,575)	(344,454,630)
Purchases of property and equipment	(7,291,714)	(4,254,025)
Contributions restricted for capital investment	5,000	65,000
Disbursements of loans to students	(1,151,527)	(1,059,500)
Repayment of student loans	1,326,496	1,048,536
	<u>(41,508,716)</u>	<u>(87,271,232)</u>
Net cash used for investing activities		
Cash flows from financing activities:		
Increase in deposits with bond trustees	(151,791)	(62,672)
Repayment of principal on indebtedness	(4,150,000)	(4,010,000)
Cash collected on endowment gifts	250,976	426,647
Decrease in government advances for student loans	(650,651)	(244,334)
	<u>(4,701,466)</u>	<u>(3,890,359)</u>
Net cash used for financing activities		
Net increase (decrease) in cash and cash equivalents	31,227,124	(6,721,688)
Cash and cash equivalents at beginning of year	45,251,174	51,972,862
Cash and cash equivalents at end of year	<u>\$ 76,478,298</u>	<u>\$ 45,251,174</u>

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

MCPHS UNIVERSITY

Notes to Financial Statements

Note 1 - Organization

MCPHS University (the “University”) is a private, tax-exempt co-educational institution of higher education enrolling students in professional, undergraduate and graduate degree programs in pharmacy and health sciences. The University is accredited by the New England Commission of Higher Education among other accreditation bodies. The University has three campuses: Boston, Massachusetts; Worcester, Massachusetts and Manchester, New Hampshire. The University has over one hundred programs of study and draws its student population from throughout the United States and over seventy foreign countries.

The University participates in student financial aid programs sponsored by the United States Department of Education (“Department of Education”) and to a lesser extent state programs. These programs facilitate the payment of tuition and other expenses for eligible students, and are subject to review or audit by funding agencies.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The financial statements of the University have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America which requires that information regarding its financial position and activities are reported based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes herein are classified and reported as follows:

Unrestricted: net assets available for general use and not subject to donor restrictions. Included in this category are funds designated by the Board of Trustees for long-term investment effectively functioning as endowment. Unrestricted net assets also include property and equipment, net of related accumulated depreciation and bond obligations.

Donor-restricted: include net assets with restrictions that are temporary in nature and may or will be met by events specified by the donor, or the passage of time. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates resources be maintained in perpetuity.

Cash and Cash Equivalents

Cash and cash equivalents are reported at cost plus accrued interest. Cash equivalents consist of short-term, highly liquid investments with original maturities of ninety days or less when purchased, along with routine bank deposits. Cash restricted for grants and loans is included in cash and cash equivalents in the statements of financial position and amounted to \$2,331,042 and \$3,123,214 for the years ended June 30, 2023 and 2022, respectively. Cash and cash equivalents held by investment managers are classified as investments given the potential for near term reinvestment.

The University maintains cash accounts with various investment and banking institutions, which periodically may exceed federally insured limits. The University has not experienced losses associated with these accounts.

MCPHS UNIVERSITY

Notes to Financial Statements

Note 2 - Summary of Significant Accounting Policies (Continued)

Student and Other Receivables

Student receivables are stated net of an allowance for doubtful accounts, which is estimated by management based on prior experience. Other receivables include amounts due under a long-term lease agreement where the University is the lessor and rental income is being recognized on a straight-line basis over the lease term with amounts being accrued to reflect rents earned to date. Other receivables also include amounts due under various grant and contract agreements.

Student Loans Receivable

The University participates in Department of Education loan programs including the Health Professions Student Loan ("HPSL"), the Nursing Student Loan ("NSL") and the Perkins Loan programs. These programs are operated by the University allowing for loans to students subject to eligibility requirements. The programs have been funded over multiple years with federal funds along with a modest match from the University. As loans are repaid, funds collected are re-loaned to other students, except for the Perkins program which no longer grants new loans. Undisbursed program funds are held in a restricted cash account which is included in cash and cash equivalents. Advances of federal funds are required to be returned should the program cease or the University elect to no longer participate in the program. Accordingly, such advances are classified as liabilities in the statements of financial position. The University utilizes the services of a third party for billing, collection, and other requirements associated with these programs. The University also has a minor amount of institutionally provided loans.

Non-performing (delinquent) loans under the Perkins, HPSL and NSL programs may be returned to the Department of Education, thus reducing the University's cumulative federal advance which migrates credit risk. Accordingly, no reserves have been provided for in connection with these loans. Reserves are provided on institutional loans based on management's historical experience.

Deposits with Bond Trustees

Deposits with bond trustees are invested in cash and fixed income and are carried at fair market value in accordance with fair value policies described in these footnotes. Such amounts are held by bond trustees pursuant to sinking fund requirements associated with debt agreements.

Funds Held in Trust

Funds held in trust are beneficial interests in the form of income or residual amounts and are carried at fair market value in accordance with fair value policies described in these footnotes. Assets are recognized as donor-restricted gifts when the University is notified of such an instrument and are subject to periodic adjustment.

MCPHS UNIVERSITY

Notes to Financial Statements

Note 2 - Summary of Significant Accounting Policies (Continued)

Investments

Investments are carried at fair market value in accordance with standards discussed in these footnotes. The net investment return (loss) consists of interest, dividends, capital gains and losses, net of all investment expenses including management fees.

The investment pool is unitized for purposes of accounting and allocation of investment returns such that donor-restricted endowment funds and other funds are allocated a ratable share of investment returns.

Fair Values

The University reports financial instruments in accordance with fair value standards on a recurring or non-recurring basis depending on the underlying accounting policy associated with the instrument. Recurring fair value items are summarized in Note 7. Fair value is defined as 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. These standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or valuation techniques) to determine fair value. In addition, the University reports certain investments using the net asset value ("NAV") per share as determined by investment managers under the so-called "practical expedient" for such investments when permitted. The practical expedient allows NAV per share to represent fair value for reporting purposes.

Instruments measured and reported at fair value are classified and disclosed in one of the following categories along with a category for items at NAV as follows:

Level 1 – quoted prices are available in active markets for identical instruments as of the reporting date. Instruments which are generally included in this category include listed equity and debt securities publicly traded on an exchange.

Level 2 – pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.

Level 3 – pricing inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument. The inputs into the determination of fair value require significant management judgment or estimation.

The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such instances, an instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. It is possible that redemption rights may be restricted or eliminated by investment managers in the future in accordance with the underlying fund agreements. Market price is affected by a number of factors, including the type of instrument and the characteristics specific to the instrument. Instruments with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observable inputs and a lesser degree of judgment used in measuring fair value. It is reasonably possible that changes in values of these instruments will occur in the near term and that such changes could materially affect amounts reported in these financial statements.

MCPHS UNIVERSITY

Notes to Financial Statements

Note 2 - Summary of Significant Accounting Policies (Continued)

Property and Equipment

Property and equipment assets are recorded at acquisition cost when asset useful lives are estimated to exceed one year and when amounts exceed a management established capitalization threshold. Property and equipment is reported net of accumulated depreciation. Maintenance and repairs are expensed as incurred, and improvements are capitalized. For assets placed in service, depreciation is computed using the straight-line method over the estimated useful lives of the assets, which are as follows:

Buildings	30 years
Furniture, equipment and vehicles	7 years
Software and computer equipment	3 years

Leases

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

Operating leases as a lessee are included in right-of-use assets - operating leases and operating lease obligations in the statements of financial position. Right-of-use assets represent the University's right to use an underlying asset for the lease term. Lease obligations represent the University's liability to make lease payments over the lease term. Operating lease right-of-use assets and related obligations are recognized at commencement date based on the present value of lease payments over the lease term discounted using an appropriate incremental borrowing rate. The incremental borrowing rate is based on the information available at commencement date in determining the present value of lease payments. The value of an option to extend or terminate a lease is reflected to the extent it is reasonably certain management will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

Operating leases as lessor record rental income over the lease term on the straight-line basis.

Deferred Revenue

Deferred revenue represents the amount of net tuition, fees, and dormitory revenue not yet earned. Deferred revenue is recognized ratably over time as services are provided during the academic period. Deferred revenue is short-term in nature with amounts being recognized as revenue in the subsequent fiscal year. Student deposits and advance payments are considered part of deferred revenue.

MCPHS UNIVERSITY

Notes to Financial Statements

Note 2 - Summary of Significant Accounting Policies (Continued)

Bonds and Other Obligations Payable

Bonds and other obligations payable are reported net of unamortized premiums, discounts and issuance costs, all of which are amortized over the term of the underlying debt agreement.

Revenue Recognition

Earned Revenue

Revenue is either earned or contributed to the University. Earned revenues are recognized using a principles-based set of standards which applies when there is a contract with a customer. Performance obligations are required to be identified and the transaction price needs to be determined and then allocated to performance obligations with revenue being recorded at a point in time or over time depending on the nature of each performance obligation.

The University derives revenues primarily from tuition, fees and auxiliary services (room and board) all of which are under arrangements aligned with academic periods less than one year in length. Tuition, fees and auxiliary service revenues are recorded at established rates, net of institutional scholarships provided directly to students. Revenue amounts are fixed and determinable, and are recorded as revenue over time when educational services are rendered and performance obligations are satisfied. Management believes that recognizing revenue over time is the best measure of services rendered, and has not made any changes in the timing of satisfying performance obligations or amounts allocated to those obligations. Management does not consider there to be significant judgment or qualitative factors involved in the measurement of earned revenue, as the satisfaction of performance obligations is directly linked to the calendar of academic and supporting activities.

Revenue and cash flows are also impacted by tuition and fee refunds resulting from student withdrawals. University withdrawal policy allows for up to a 100% refund of tuition and fees following the start of classes, subject to time limits. Given the University's schedule of academic terms, exposure to refunds is limited at year-end, and no related liability has been estimated or recorded at June 30, 2023 and 2022.

Given that many students fund the payment of tuition through financial aid programs sponsored by the Department of Education, cash flows are impacted by those regulations which regulate the timing of such funds being made available. Financial aid payments made by third parties are a mechanism to facilitate payment on behalf of students, and accordingly, such funding does not represent revenue of the University.

Contracts and other exchange transactions consist primarily of revenues derived from the University's pharmacy fellowship and residency programs. Grants and contracts that are conditioned upon the performance of certain requirements or the incurrence of allowable qualifying expenses are recognized as revenues in the period in which the conditions are met. Amounts received are recognized as revenue when the University has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as deferred revenues in the statements of financial position.

MCPHS UNIVERSITY

Notes to Financial Statements

Note 2 - Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

Earned Revenue (Continued)

Also included in revenue is net investment return which consists of interest, dividends, capital gains and losses, net of all investment expenses including management fees. Revenues are reported as increases in unrestricted net assets unless use of the related asset is limited by donor-imposed restrictions. Realized and unrealized gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of donor-imposed restrictions on net assets, such as the donor stipulated purpose has been fulfilled or the stipulated time period has elapsed, are reported as “net assets released from restrictions” between the classes of net assets.

Contributed Support

Unconditional contributions are recorded as revenue based on the amount received or at fair value when verifiably committed in the case of promises. Fair value of promises is determined at the original date of record as described in this section using Level 2 fair value inputs. Conditional contributions are recorded as revenue only when conditions have been met.

Functional Allocation of Expenses

The costs of providing programs, activities and supporting services have been summarized on a functional basis which requires that certain costs be allocated among programs and supporting services benefited. Depreciation of fixed assets and the expenses of operating and maintaining facilities have been allocated to functional classifications based on square footage of facilities. Interest expense has been allocated to each debt-financed facility, and by functional classification based on facility use.

Operating and Non-Operating Activity

The statements of activities report changes in unrestricted net assets from operating and non-operating activities. Unrestricted operating revenues consist of those items attributable to the University’s primary mission of providing education. Investment returns, certain contributions, COVID-19 related support and expenses and other amounts such as rental income not directly related to educational activities are classified as non-operating. COVID-19 expenses include testing supplies and administration and acquisition of personal protective equipment, among others.

MCPHS UNIVERSITY

Notes to Financial Statements

Note 2 - Summary of Significant Accounting Policies (Continued)

Income Tax Status

The University is recognized as an organization exempt from federal income tax on its related activities under Section 501(c)(3) of the Internal Revenue Code. The University is also generally exempt from state income taxes on such related activities. Certain activities of exempt organizations unrelated to their mission may generate income that is subject to federal and state taxation as unrelated business income. As the University's unrelated business income is de minimis, management has concluded that disclosures related to tax provisions are not necessary.

The University accounts for uncertain tax positions based on the likelihood of positions being sustained on their technical merits while under scrutiny by the applicable taxing authority. If tax positions are deemed to carry significant uncertainty, unrecognized tax liabilities are estimated for disclosure based on a cumulative probability assessment that aggregates the estimated liability for all uncertain tax positions. The University has identified its tax status as an exempt organization and the determination of business income as being related or unrelated to its exempt purposes as its only significant tax positions. The University has determined that such positions do not constitute an uncertainty requiring recognition. The University is not currently under examination by any taxing jurisdiction. The University's federal and state informational filings are generally open to examination for three years following the date filed.

Use of Estimates

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

New Accounting Pronouncements

A number of accounting standards are pending that management does not believe will have a material impact on these financial statements, however such standards are still being evaluated.

Subsequent Events

For purposes of determining the effects of subsequent events on these financial statements, management has evaluated events through September 26, 2023, the date these financial statements were issued.

MCPHS UNIVERSITY

Notes to Financial Statements

Note 3 - Liquidity

The University regularly monitors liquidity to meet its operating needs and other contractual commitments, while also striving to maximize investment of available funds. The University has various sources of liquidity at its disposal, including cash and cash equivalents, short-term investments and marketable securities. For evaluating resources available to meet general expenditures over future 12-month periods, the University considers all expenditures related to its ongoing academic, administrative and supporting activities. Student loans receivable are not included in the analysis as principal and interest collected on these loans are not available to meet current operating cash flow requirements.

The University anticipates collecting sufficient revenue over the next twelve months to cover general expenditures not covered by donor-restricted resources. Refer to the statements of cash flows which identifies the sources and uses of the University's cash and shows positive cash generated by operations for the years ended June 30, 2023 and 2022. The following table shows financial assets held by the University available within one year of the balance sheet date to meet general expenditure obligations as of June 30:

	2023	2022
Cash and cash equivalents	\$ 74,147,256	\$ 42,127,959
Student and other receivables due in one year or less	8,106,583	5,948,093
Unrestricted investments	<u>1,481,373,336</u>	<u>1,340,795,186</u>
Total liquidity	<u>\$ 1,563,627,175</u>	<u>\$ 1,388,871,238</u>

Note 4 - Student and Other Receivables

Student and other receivables consisted of the following at June 30:

	2023	2022
Student accounts receivable	\$ 6,595,288	\$ 4,838,223
Allowance for doubtful student accounts	<u>(2,631,264)</u>	<u>(1,674,693)</u>
Net student accounts receivable	3,964,024	3,163,530
Long-term lease receivable	3,802,567	4,715,150
Other receivables	<u>4,142,559</u>	<u>2,784,563</u>
	<u>\$ 11,909,150</u>	<u>\$ 10,663,243</u>

MCPHS UNIVERSITY

Notes to Financial Statements

Note 5 - Prepaid Expenses and Other Assets

Prepaid expenses and other assets consisted of the following at June 30:

	2023	2022
Prepaid expenses	\$ 4,748,848	\$ 4,606,734
Security deposit - lease	607,077	604,876
Life insurance cash surrender value	<u>1,490,533</u>	<u>2,194,472</u>
	<u>\$ 6,846,458</u>	<u>\$ 7,406,082</u>

Life insurance is maintained on certain key employees for the benefit of the University.

Note 6 - Student Loans Receivable

Student loans receivable consisted of the following at June 30:

	2023	2022
Health Professions Student Loans	\$ 7,023,966	\$ 6,646,226
Perkins Loans	891,288	1,575,667
Nursing Student Loans	1,278,284	1,152,480
Institutional Loans	<u>173,969</u>	<u>151,643</u>
	9,367,507	9,526,016
Less: allowance for doubtful accounts	<u>(56,150)</u>	<u>(39,690)</u>
	<u>\$ 9,311,357</u>	<u>\$ 9,486,326</u>

Detailed disclosures regarding the aging of accounts are not presented given the limited credit risk from the federal sponsorship of the majority of its loan programs.

MCPHS UNIVERSITY

Notes to Financial Statements

Note 7 - Investments and Financial Instruments (Continued)

There were no transfers between levels during the years ended June 30, 2023 and 2022. In addition, management has no plans to redeem investments at other than the NAV per share.

Of the NAV investments, a summary of the time associated with redemption provisions are as follows at June 30:

	2023		2022
Daily redemption	\$ 106,567,932	\$	19,136,157
Monthly redemption	355,363,415		308,966,661
Quarterly redemption	174,012,092		107,307,641
Semi-annual redemption	42,798,041		40,931,327
Longer notice or illiquid	<u>152,073,589</u>		<u>189,241,848</u>
Total NAV investments	\$ <u>830,815,069</u>	\$	<u>665,583,634</u>

Total unfunded commitments under investment agreements amounted to \$141.4 million and \$108.2 million at June 30, 2023 and 2022, respectively.

Investments by net asset class consisted of the following at June 30:

	2023		2022
Unrestricted net assets	\$ 1,633,446,925	\$	1,473,246,223
Donor-restricted net assets	<u>42,766,783</u>		<u>39,030,413</u>
Total investments	\$ <u>1,676,213,708</u>	\$	<u>1,512,276,636</u>

Total investment return was as follows for the years ended June 30:

	2023		2022
Interest, dividends and other income	\$ 34,236,461	\$	28,015,825
Net realized and unrealized gains (losses) on pooled investments	<u>129,540,102</u>		<u>(230,924,399)</u>
Total investment return (loss)	\$ <u>163,776,563</u>	\$	<u>(202,908,574)</u>

MCPHS UNIVERSITY

Notes to Financial Statements

Note 8 - Endowment and Other Restricted Funds

The University's endowment consists of approximately 200 individually named funds which are invested and administered in accordance with donor stipulation. The University interprets the Massachusetts Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the tracking of original gifts as of the gift date of donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this, 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 accumulation is added to the fund. Unrestricted endowments consist of board-designated funds.

In accordance with UPMIFA, the University considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds and unspent gains, as applicable:

- The duration and preservation of the fund
- The purposes of the University and the donor-restricted endowment fund
- General economic conditions
- The possible effects of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the University
- The investment policies of the University

Amounts released to operations annually consist of interest and dividend earnings designated by donors for scholarship expenditure or the general purposes of the University. No other amounts have been drawn from the University's endowment funds in 2023 or 2022.

The University's investments are managed in accordance with sound practices emphasizing long-term fundamentals to achieve long-term rates of return exceeding any spending policy plus the effects of inflation. Investments are diversified to reduce volatility and risk associated with concentrated positions, and returns sought are those comparing favorably to other endowments, foundations and appropriate benchmarks. Portfolio volatility is intended to approximate the weighted composite of market indices correlating with the policy target portfolio, periodically adjusted for market conditions.

To satisfy investing objectives, the University relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). A diversified target asset allocation places emphasis on equities, fixed income, real estate and managers employing multi-asset and absolute return strategies.

Board-designated funds are managed in a fashion that is consistent with the endowment, however those funds are not subject to the same considerations of prudence under state law.

MCPHS UNIVERSITY

Notes to Financial Statements

Note 8 - Endowment and Other Restricted Funds (Continued)

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

	<i>Unrestricted</i>	<i>Donor- Restricted</i>	<i>Total</i>
Net assets at June 30, 2021	\$ 14,685,342	\$ 44,626,612	\$ 59,311,954
Investment income	246,302	746,458	992,760
Investment loss	<u>(2,019,422)</u>	<u>(6,120,186)</u>	<u>(8,139,608)</u>
Total investment return	(1,773,120)	(5,373,728)	(7,146,848)
Contributions	-	426,647	426,647
Transferred to operations	<u>(371,464)</u>	<u>(649,118)</u>	<u>(1,020,582)</u>
Net assets at June 30, 2022	12,540,758	39,030,413	51,571,171
Investment income	284,594	883,453	1,168,047
Investment gain	<u>1,076,287</u>	<u>3,341,074</u>	<u>4,417,361</u>
Total investment return	1,360,881	4,224,527	5,585,408
Contributions	-	250,976	250,976
Transferred to operations	<u>(365,692)</u>	<u>(739,133)</u>	<u>(1,104,825)</u>
Net assets at June 30, 2023	<u><u>\$ 13,535,947</u></u>	<u><u>\$ 42,766,783</u></u>	<u><u>\$ 56,302,730</u></u>

MCPHS UNIVERSITY

Notes to Financial Statements

Note 8 - Endowment and Other Restricted Funds (Continued)

Total funds with donor restrictions were as follows at June 30:

	2023	2022
Accumulated unspent gains:		
For scholarships	\$ 8,058,096	\$ 6,704,939
For general purposes	<u>13,375,913</u>	<u>11,415,973</u>
Total accumulated unspent gains	<u>21,434,009</u>	<u>18,120,912</u>
Endowment corpus:		
For scholarships	9,692,451	9,488,506
For general purposes	<u>11,640,323</u>	<u>11,420,995</u>
Total endowment corpus	<u>21,332,774</u>	<u>20,909,501</u>
Total endowment funds	<u>42,766,783</u>	<u>39,030,413</u>
Other funds	<u>2,089,278</u>	<u>2,152,770</u>
Total donor-restricted net assets	<u>\$ 44,856,061</u>	<u>\$ 41,183,183</u>

Net assets released from restrictions by incurring expenses that satisfy restricted purposes or by occurrence of events specified by donors were as follows for the years ended June 30:

	2023	2022
For scholarships	\$ 621,177	\$ 639,772
For program service costs	<u>137,886</u>	<u>45,500</u>
Total net assets released	<u>\$ 759,063</u>	<u>\$ 685,272</u>

MCPHS UNIVERSITY

Notes to Financial Statements

Note 9 - Property and Equipment

Property and equipment consisted of the following at June 30:

	2023	2022
Used in University operations:		
Land and buildings	\$ 304,503,962	\$ 302,927,538
Furniture and equipment	16,065,266	14,368,834
Construction in progress	4,729,556	2,909,564
	325,298,784	320,205,936
Less: Accumulated depreciation	(157,613,126)	(147,662,292)
Net used in operations	167,685,658	172,543,644
Rental property:		
Research space (see Note 11)	38,558,663	38,558,663
Other rental property	11,936,587	11,893,355
	50,495,250	50,452,018
Less: Accumulated depreciation	(39,047,018)	(37,193,023)
Net rental property	11,448,232	13,258,995
Property and equipment, net	\$ 179,133,890	\$ 185,802,639

Depreciation expense for the years ended June 30 was as follows:

	2023	2022
Used in University operations	\$ 12,049,352	\$ 11,794,930
Rental properties	1,853,996	1,852,220
	13,903,348	13,647,150
Total depreciation	\$ 13,903,348	\$ 13,647,150

MCPHS UNIVERSITY

Notes to Financial Statements

Note 10 - Bonds and Other Obligations Payable

Revenue bonds issued through Massachusetts Development Finance Agency consisted of the following at June 30:

	2023	2022
Bonds Payable:		
Revenue Bonds, 2013 Series F: \$7.495 million are due under annual serial maturities from 2023 to 2028. \$5.895 million term bonds are due July 1, 2032 and July 1, 2035. Serial bonds bear fixed interest from 3% to 5% and term bonds bear fixed interest at 4%.	\$ 13,390,000	\$ 14,740,000
Revenue Bonds, 2013 Series G: \$1.8 million are due under annual serial maturities from 2023 to 2024. \$6.315 million term bonds are due July 1, 2027 and July 1, 2030. Serial bonds bear fixed interest from 3.54% to 3.74% and term bonds bear fixed interest at 4% and 4.524%.	8,115,000	8,970,000
Revenue Bonds, 2015 Series H: \$9.315 million are due under annual serial maturities from 2023 to 2032. \$6.235 million term bonds are due July 1, 2035 and July 1, 2037. Serial bonds bear fixed interest from 3.125% to 5% and term bonds bear fixed interest at 3.5% and 5%.	15,550,000	16,280,000
Revenue Bonds, 2015 Series I: \$3.855 million are due under annual serial maturities from 2023 to 2025. \$12.650 million term bonds are due July 1, 2029 and July 1, 2033. Serial bonds bear fixed interest from 3.057% to 3.357% and term bonds bear fixed interest at 3.907% and 4.305%.	<u>16,505,000</u>	<u>17,720,000</u>
Total outstanding debt	53,560,000	57,710,000
Net unamortized premiums, discounts and issue costs	<u>121,835</u>	<u>301,492</u>
Total bonds and other obligations payable	\$ <u>53,681,835</u>	\$ <u>58,011,492</u>

Bond obligations include a pledge of gross receipts, and financing agreements contain debt service coverage and liquidity covenants.

MCPHS UNIVERSITY

Notes to Financial Statements

Note 10 - Bonds and Other Obligations Payable (Continued)

The aggregate amount of principal maturities for all bonds, and the aggregate amount of sinking fund requirements for servicing interest and principal on the University's bonds, are as follows:

Years Ending June 30,	Bond Maturities	Interest	Sinking Fund Requirements
2024	\$ 4,300,000	\$ 2,141,000	\$ 6,441,000
2025	4,470,000	1,961,000	6,431,000
2026	4,665,000	1,766,000	6,431,000
2027	4,870,000	1,555,000	6,425,000
2028	4,580,000	869,000	5,449,000
Thereafter	<u>30,675,000</u>	<u>5,734,000</u>	<u>36,409,000</u>
Total	<u>\$ 53,560,000</u>	<u>\$ 14,026,000</u>	<u>\$ 67,586,000</u>

Note 11 - Commitments and Contingencies

Self-Insured Medical Plan

The University operates a self-insured medical care plan. The plan provides eligible enrolled employees, COBRA participants, and dependents with coverage for certain medical care costs and procedures as defined in the plan. The University contracts with a major health care insurance company to provide administrative services, access to hospital and physician networks and stop loss insurance. Administrative fees are fixed and paid monthly. Estimated claim reserves are funded monthly by the University, and actual claims are paid by the contractor managing the program. On a quarterly basis, funding and claim activity is reconciled with any difference either being funded or rolled forward as being available to the University. The University accounts for medical claims and administrative costs on the accrual basis. Claims outstanding but not yet paid amounted to \$959,994 and \$732,016 at June 30, 2023 and 2022, respectively.

Litigation

From time to time, the University is subject to various claims in the ordinary course of business. Management believes that none of the current claims of which it has knowledge will result in a material adverse impact on the University.

MCPHS UNIVERSITY

Notes to Financial Statements

Note 11 - Commitments and Contingencies (Continued)

Lease as Lessor

The University rents certain research facilities under a long-term operating lease running through September 30, 2026. The lease includes options to extend for two additional five year periods at fair market value.

Future rental payments under the lease are as follows:

Years Ending June 30,	
2024	\$ 7,171,700
2025	7,386,900
2026	7,608,500
2027	<u>1,916,000</u>
Total	\$ <u>24,083,100</u>

The tenant is obligated for its allocable share of repair, maintenance and operating costs of the facility. The tenant has provided a security deposit which is included in prepaid expenses and other assets in the statements of financial position.

Leases as Lessee

The University has non-cancelable operating leases for dining, residence hall, and equipment, which expire at various dates through June 30, 2030. Lease expense is recognized on the straight-line basis over the respective lease terms.

Lease expense for the years ended June 30 is as follows:

	2023	2022
Lease Cost		
Operating lease expense	\$ <u>7,703,774</u>	\$ <u>7,703,774</u>
Total lease cost	\$ <u>7,703,774</u>	\$ <u>7,703,774</u>
Other Information		
Weighted average remaining lease term - operating leases	6.01 years	6.95 years
Weighted average discount rate - operating leases	3.50%	3.50%

MCPHS UNIVERSITY

Notes to Financial Statements

Note 11 - Commitments and Contingencies (Continued)

Leases as Lessee (Continued)

Approximate minimum annual rental commitments under these agreements are as follows:

Years Ending June 30,	
2024	\$ 8,275,300
2025	7,682,900
2026	7,905,600
2027	8,135,200
2028	4,935,100
Thereafter	<u>9,848,900</u>
	46,783,000
Less amounts representing interest	<u>485,500</u>
Total	<u><u>\$ 46,297,500</u></u>

Note 12 - Employee Benefit Plans

Eligible University employees are participants in a qualified defined contribution retirement plan offering investment choices through certain third parties. The University contributes 10% of eligible compensation to this plan for the benefit of participants each plan year. Total contributions amounted to \$7,438,859 and \$7,154,321 for the years ended June 30, 2023 and 2022, respectively.

The University also sponsors qualified and non-qualified tax-deferred retirement plans as permitted by Internal Revenue Code Sections 403(b) and 457(b) which allow eligible employees to make elective deferrals to contribute compensation on a pre-tax basis to these plans, subject to annual statutory limitations. The University also allows post-tax contributions to the 403(b) plan by way of Roth contributions.

Note 13 - Supplemental Cash Flows Information

Cash Paid for Interest and Leases

Cash paid for interest was \$2,118,723 and \$2,237,503 for the years ended June 30, 2023 and 2022, respectively.

Net amortized bond premium was \$179,657 and \$211,658 for the years ended June 30, 2023 and 2022, respectively.

Cash paid for amounts included in the measurement of lease liabilities for operating leases amounted to \$7,137,781 and \$6,933,900 at June 30, 2023 and 2022, respectively.

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Notes to Financial Statements

Note 14 - Functional Expenses

Operating expenses by function were as follows for the years ended June 30:

	2023				Total Operating Expenses
	Program Services	Institutional Support			
		Management & General	Fundraising	Total	
Salaries & wages	\$ 99,798,356	\$ 8,666,910	\$ 709,857	\$ 9,376,767	\$ 109,175,123
Employee benefits	22,792,722	2,209,237	165,045	2,374,282	25,167,004
Payroll taxes	6,695,956	686,277	51,730	738,007	7,433,963
Fees for services	2,473,425	803,057	54,403	857,460	3,330,885
Advertising and promotion	1,592,962	-	-	-	1,592,962
Information technology	5,746,647	470,859	74,765	545,624	6,292,271
Occupancy	18,090,642	1,986,373	33,039	2,019,412	20,110,054
Conferences and travel	3,245,703	614,037	36,583	650,620	3,896,323
Interest	1,730,080	295,162	23,018	318,180	2,048,260
Depreciation charged to operations	10,287,359	1,634,523	127,470	1,761,993	12,049,352
Insurance	-	1,122,144	-	1,122,144	1,122,144
Clinical stipends	4,978,363	-	-	-	4,978,363
Student meal plans	2,141,043	-	-	-	2,141,043
Bank and credit card fees	-	770,202	-	770,202	770,202
Classroom and office supplies	1,876,379	48,887	38,494	87,381	1,963,760
Other expenses	3,771,273	3,048,684	79,967	3,128,651	6,899,924
Total functional expenses	\$ 185,220,910	\$ 22,356,352	\$ 1,394,371	\$ 23,750,723	\$ 208,971,633

	2022				Total Operating Expenses
	Program Services	Institutional Support			
		Management & General	Fundraising	Total	
Salaries & wages	\$ 95,055,888	\$ 8,720,392	\$ 312,283	\$ 9,032,675	\$ 104,088,563
Employee benefits	20,124,496	2,132,472	72,932	2,205,404	22,329,900
Payroll taxes	6,446,404	698,840	24,051	722,891	7,169,295
Fees for services	2,675,684	872,451	36,389	908,840	3,584,524
Advertising and promotion	1,624,913	-	-	-	1,624,913
Information technology	5,284,666	384,254	-	384,254	5,668,920
Occupancy	16,848,680	1,476,957	14,627	1,491,584	18,340,264
Conferences and travel	1,254,805	380,933	45,404	426,337	1,681,142
Interest	1,828,198	322,215	11,510	333,725	2,161,923
Depreciation charged to operations	10,066,510	1,668,809	59,611	1,728,420	11,794,930
Insurance	307	1,020,319	-	1,020,319	1,020,626
Clinical stipends	4,925,496	-	-	-	4,925,496
Student meal plans	1,573,090	-	-	-	1,573,090
Bank and credit card fees	-	717,655	-	717,655	717,655
Classroom and office supplies	1,512,628	54,283	-	54,283	1,566,911
Other expenses	3,231,259	2,807,701	2,913	2,810,614	6,041,873
Total functional expenses	\$ 172,453,024	\$ 21,257,281	\$ 579,720	\$ 21,837,001	\$ 194,290,025

MCPHS UNIVERSITY

Notes to Financial Statements

Note 15 - Federal Support Associated with COVID-19

Given the effects of COVID-19, the University was eligible for certain funding in 2023 and 2022. These programs provided substantial support as follows:

Higher Education Emergency Relief Funds (HEERF)

The University recorded non-operating federal HEERF support associated with COVID-19 of \$11,984,986 for the year ended June 30, 2022. Of this support, the amount provided directly to students was \$6,075,328 for the year ended June 30, 2022. There were no HEERF funds available in 2023. Institutional support received in the year ended June 30, 2022 represents reimbursement for losses and expenditures for the year ended June 30, 2022 and prior years.

Federal Emergency Management Agency Grant

The University recorded revenue of \$7,438,448 and \$485,423 associated with this funding during the years ended June 30, 2023 and 2022, respectively. These grants reimbursed the University for certain costs that have been incurred over the course of the COVID-19 pandemic.