



MASSACHUSETTS COLLEGE *of* PHARMACY
and HEALTH SCIENCES

MCPHS UNIVERSITY

**CONTINUING DISCLOSURES AND
AUDITED FINANCIAL STATEMENTS**

JUNE 30, 2021

MCPHS UNIVERSITY

Financial Statements

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Independent Auditors' Report

The Board of Trustees
MCPHS University
Boston, Massachusetts

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

Management's Responsibility for the Financial Statements

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the 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 MCPHS University as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, the University adopted Accounting Standards Update (“ASU”) No. 2016-02, *Leases*. Our opinion is not modified with respect to this matter.

Mayer Hoffmann McCann P.C.

September 15, 2021
Boston, Massachusetts

MCPHS UNIVERSITY

Notes to Financial Statements

Note 12 - Commitments and Contingencies (Continued)

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.

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,	
2022	\$ 5,107,200
2023	6,962,800
2024	7,171,700
2025	7,386,900
2026	7,608,500
Thereafter	<u>1,916,000</u>
Total	\$ <u>36,153,100</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.

MCPHS UNIVERSITY

Notes to Financial Statements

Note 12 - Commitments and Contingencies (Continued)

Leases as Lessee

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

Lease expense for the year ended June 30, 2021 is as follows:

Lease Cost

Operating lease expense	\$ <u>8,145,588</u>
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Total lease cost	\$ <u>8,145,588</u>
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Other Information

Weighted average remaining lease term - operating leases	7.9
Weighted average discount rate - operating leases	3.50%

Minimum annual rental commitments under these agreements are as follows:

Years Ending June 30,

2022	\$ 7,380,600
2023	7,378,500
2024	7,588,300
2025	7,682,900
2026	7,905,600
Thereafter	<u>22,919,200</u>
	60,855,100
Less amounts representing interest	<u>814,500</u>
Total	\$ <u>60,040,600</u>

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Notes to Financial Statements

Note 13 - Supplemental Cash Flows Information

Non-cash Transactions

Commercial paper maturing and redeemed under the terms of the lease agreement described in Note 11 amounted to \$3,332,000 and \$3,052,000 for the years ended June 30, 2021 and 2020, respectively.

Lease liabilities arising from obtaining right-of-use assets amounted to \$65,583,511 on July 1, 2020 upon the adoption of ASC 842. The liabilities also include \$1,033,590 of net deferred rent arising from the measurement of lease liabilities.

Cash Paid for Interest and Leases

Cash paid for interest was \$2,323,495 and \$2,411,129 for the years ended June 30, 2021 and 2020, respectively.

Net amortized bond premium was \$266,657 and \$305,657 for the years ended June 30, 2021 and 2020, respectively.

Cash paid for amounts included in the measurement of lease liabilities for operating leases amounted to \$6,770,829 at June 30, 2021.

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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:

	2021				Total Operating Expenses
	Program Services	Institutional Support		Total	
		Management & General	Fundraising		
Salaries & wages	\$ 90,565,581	\$ 8,303,970	\$ 52,863	\$ 8,356,833	\$ 98,922,414
Employee benefits	17,723,210	1,970,531	11,378	1,981,909	19,705,119
Payroll taxes	6,201,268	1,465,619	3,986	1,469,605	7,670,873
Fees for services	1,534,119	658,404	61	658,465	2,192,584
Advertising and promotion	1,670,856	425	-	425	1,671,281
Information technology	3,561,776	78,127	-	78,127	3,639,903
Occupancy	17,170,380	1,302,985	2,479	1,305,464	18,475,844
Conferences and travel	510,672	136,246	2,560	138,806	649,478
Interest	1,915,493	344,994	2,182	347,176	2,262,669
Depreciation charged to operations	10,100,968	1,797,093	11,440	1,808,533	11,909,501
Insurance	203	973,552	-	973,552	973,755
Clinical stipends	5,015,408	-	-	-	5,015,408
Student meal plans	729,993	-	-	-	729,993
Bank and credit card fees	-	585,870	-	585,870	585,870
Classroom and office supplies	1,883,246	52,004	-	52,004	1,935,250
Other expenses	3,145,548	3,259,104	2,848	3,261,952	6,407,500
Total functional expenses	\$ 161,728,721	\$ 20,928,924	\$ 89,797	\$ 21,018,721	\$ 182,747,442

	2020				Total Operating Expenses
	Program Services	Institutional Support		Total	
		Management & General	Fundraising		
Salaries & wages	\$ 86,178,111	\$ 13,016,817	\$ 465,222	\$ 13,482,039	\$ 99,660,150
Employee benefits	16,723,638	1,861,490	96,452	1,957,942	18,681,580
Payroll taxes	5,873,277	873,000	36,839	909,839	6,783,116
Fees for services	1,334,200	1,125,458	67,670	1,193,128	2,527,328
Advertising and promotion	1,391,725	1,550	-	1,550	1,393,275
Information technology	3,081,467	103,421	600	104,021	3,185,488
Occupancy	17,278,777	1,288,774	21,112	1,309,886	18,588,663
Conferences and travel	2,896,574	412,162	31,453	443,615	3,340,189
Interest	1,990,666	340,681	18,361	359,042	2,349,708
Depreciation charged to operations	10,286,934	1,758,229	95,376	1,853,605	12,140,539
Insurance	429	898,531	-	898,531	898,960
Clinical stipends	4,602,102	-	-	-	4,602,102
Student meal plans	1,340,482	-	-	-	1,340,482
Bank and credit card fees	1,752	524,142	-	524,142	525,894
Classroom and office supplies	1,651,418	42,019	28,281	70,300	1,721,718
Other expenses	3,099,097	2,658,870	75,170	2,734,040	5,833,137
Total functional expenses	\$ 157,730,649	\$ 24,905,144	\$ 936,536	\$ 25,841,680	\$ 183,572,329

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 2021 and 2020. Some of this funding will be expended, and thus recognized as revenue, later. These programs provided substantial support as follows:

Higher Education Emergency Relief Funds

The University was granted three awards to assist students and the institution with the impacts of COVID-19, which totaled \$23,572,759. The University recorded non-operating federal support associated with COVID-19 of \$7,813,132 and \$3,774,640 for the years ended June 30, 2021 and 2020, respectively. Of this support, amounts provided directly to students were \$2,951,843 and \$3,774,640 for the years ended June 30, 2021 and 2020, respectively. In addition to the student portion of funds awarded, the University provided amounts from Institutional portion funds directly to students for both the years ended June 30, 2021 and 2020. Unexpended amounts pending at June 30, 2021 were \$11,984,987 which are expected to be reported as revenue for the year ending June 30, 2022 as costs are incurred. Amounts of the unexpended funds expected to be provided directly to students will be \$6,075,328.

Federal Emergency Management Agency Grant

The University is in the process of applying for a grant for various COVID-19 related costs incurred since the beginning of the pandemic, including testing and other allowable costs. If such award is approved, it is expected to be reported as revenue for the year ending June 30, 2022. Such amounts are not considered unexpended awards at year end given the grant has not yet been awarded.

Forward Impact

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