Worcester Polytechnic Institute

Consolidated Financial Statements
June 30, 2021 and 2020

pwc

Report of Independent Auditors

To the Board of Trustees of
Worcester Polytechnic Institute

Report on the Consolidated Financial Statements

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

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the consolidated 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 consolidated financial statements are free from material misstatement.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Worcester Polytechnic Institute and its subsidiaries as of June 30, 2021 and 2020, and their changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

PricewaterhouseCoopers LLP

November 15, 2021

Worcester Polytechnic Institute
Consolidated Statements of Financial Position
June 30, 2021 and 2020

(in thousands)	**2021**	**2020**
Assets		
Cash and cash equivalents	$ 58,127	$ 45,848
Accounts receivable, net	15,692	12,515
Contributions receivable, net	24,390	23,741
Funds held under bond agreements	50,611	92,185
Prepaid expenses and other assets	7,480	7,713
Student loans receivable, net	15,475	15,717
Beneficial interest in trusts	19,697	14,869
Investments	652,082	518,260
Land, buildings and equipment, net	465,551	433,529
Total assets	$ 1,309,105	$ 1,164,377
Liabilities		
Accounts payable and accrued liabilities	$ 48,569	$ 39,140
Deposits and deferred revenue	10,858	14,743
Lease liabilities	14,215	16,945
Liabilities under split-interest agreements	7,199	7,141
Funds held for others	5,622	4,787
Asset retirement obligations	1,189	1,336
Refundable government loan funds	5,080	9,624
Bonds and notes payable	404,883	408,886
Interest rate agreements	7,530	9,954
Total liabilities	505,145	512,556
Net assets		
Without donor restrictions	360,421	299,833
With donor restrictions		
Time or purpose	206,385	126,924
Perpetual	237,154	225,064
Total net assets	803,960	651,821
Total liabilities and net assets	$ 1,309,105	$ 1,164,377

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

Worcester Polytechnic Institute
Consolidated Statement of Activities
Year Ended June 30, 2021

(in thousands)	Without Donor Restrictions	With Donor Restrictions	Total
Operating revenues			
Tuition and fees	$ 189,271	$ -	$ 189,271
Other educational activities	998	-	998
Contributions	17,440	1,012	18,452
Contract and exchange transactions	38,566	-	38,566
Investment income on endowment and similar funds	2,498	94	2,592
Net realized gains on endowment used for operations	11,043	10,545	21,588
Other investment income	409	613	1,022
Sales and services of auxiliary enterprises	27,875	-	27,875
Other	4,633	-	4,633
Total revenues	292,733	12,264	304,997
Net assets released from restriction	13,351	(13,351)	-
Total revenues and other support	306,084	(1,087)	304,997
Operating expenses			
Instruction and department research	118,962	-	118,962
Sponsored research and other sponsored programs	38,992	-	38,992
External relations	11,320	-	11,320
Institution and academic support	55,621	-	55,621
Student services	36,080	-	36,080
Auxiliary enterprises	34,766	-	34,766
Total operating expenses	295,741	-	295,741
Change in net assets from operating activities	10,343	(1,087)	9,256
Nonoperating			
Net realized and unrealized gains on investments	59,626	87,857	147,483
Net realized gains on endowment used for operations	(11,043)	(10,545)	(21,588)
Net unrealized losses on beneficial interest in trusts	-	4,828	4,828
Change in value of split-interest agreements	-	(829)	(829)
Contributions	-	11,965	11,965
Net realized and unrealized gains on interest rate agreements	1,024	-	1,024
Change in net assets from nonoperating activities	49,607	93,276	142,883
Net assets released from restriction	638	(638)	-
Total change in assets from nonoperating activities	50,245	92,638	142,883
Total change in net assets	60,588	91,551	152,139
Net assets			
Beginning of year	299,833	351,988	651,821
End of year	$ 360,421	$ 443,539	$ 803,960

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

Worcester Polytechnic Institute
Consolidated Statement of Activities
Year Ended June 30, 2020

(in thousands)	Without Donor Restrictions	With Donor Restrictions	Total
Operating revenues			
Tuition and fees	$ 184,606	$ -	$ 184,606
Other educational activities	2,825	-	2,825
Contributions	4,617	15,458	20,075
Contract and exchange transactions	37,663	-	37,663
Investment income on endowment and similar funds	4,149	96	4,245
Net realized gains on endowment used for operations	9,836	9,270	19,106
Other investment income	859	917	1,776
Sales and services of auxiliary enterprises	25,213	-	25,213
Other	6,481	-	6,481
Total revenues	276,249	25,741	301,990
Net assets released from restriction	14,107	(14,107)	-
Total revenues and other support	290,356	11,634	301,990
Operating expenses			
Instruction and department research	130,486	-	130,486
Sponsored research and other sponsored programs	32,802	-	32,802
External relations	13,066	-	13,066
Institution and academic support	57,378	-	57,378
Student services	26,283	-	26,283
Auxiliary enterprises	29,185	-	29,185
Total operating expenses before early retirement incentives	289,200	-	289,200
Early retirement incentives	5,130	-	5,130
Total operating expenses	294,330	-	294,330
Change in net assets from operating activities	(3,974)	11,634	7,660
Nonoperating			
Net realized and unrealized losses on investments	(1,964)	(7,736)	(9,700)
Net realized gains on endowment used for operations	(9,836)	(9,270)	(19,106)
Net unrealized losses on beneficial interest in trusts	-	(1,853)	(1,853)
Change in value of split-interest agreements	-	142	142
Contributions		9,560	9,560
Net realized and unrealized losses on interest rate agreements	(3,193)	-	(3,193)
Loss on disposal of land, buildings and equipment	(4,409)	-	(4,409)
Change in net assets from nonoperating activities	(19,402)	(9,157)	(28,559)
Net assets released from restriction	333	(333)	-
Total change in assets from nonoperating activities	(19,069)	(9,490)	(28,559)
Total change in net assets	(23,043)	2,144	(20,899)
Net assets			
Beginning of year	322,876	349,844	672,720
End of year	$ 299,833	$ 351,988	$ 651,821

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

Worcester Polytechnic Institute
Consolidated Statements of Cash Flows
Years Ended June 30, 2021 and 2020

(in thousands)	2021	2020
Cash flows from operating activities		
Change in net assets	$ 152,139	$ (20,899)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation, amortization, and accretion	27,686	26,245
Provision for uncollectible receivables	(69)	1,219
Loss on disposals of land, buildings, and equipment	228	4,409
Net realized and unrealized (gains) losses on investments	(148,894)	10,084
Net unrealized losses (gains) on interest rate agreements	(2,428)	2,296
Contributions other than cash	(4,810)	(502)
Contributions restricted for long-term investment	(11,965)	(9,560)
Proceeds from sale of donated securities	4,705	1,487
Changes in assets and liabilities		
Accounts receivable	(2,964)	(675)
Contributions receivable	(735)	(15,391)
Prepaid expenses and other assets	234	(220)
Accounts payable and accrued liabilities	12,637	7,001
Deposits and deferred revenue	(3,885)	4,626
Operating Lease Liabilities	(2,730)	(1,460)
Split-interest agreements	59	(720)
Funds held for others	835	497
Asset retirement obligations	(146)	(496)
Refundable government loan funds	(4,544)	132
Total adjustments	(136,786)	28,972
Net cash provided by operating activities	15,353	8,073
Cash flows from investing activities		
Proceeds from sales and maturities of investments	51,228	68,619
Purchase of investments	(40,816)	(52,560)
Purchase of land, buildings, and equipment	(64,242)	(68,171)
Disbursement of loans to students	(3,553)	(2,428)
Repayment of loans from students	3,738	3,798
Net cash used in investing activities	(53,645)	(50,742)
Cash flows from financing activities		
Contributions restricted for long-term investment	11,965	9,560
Deferred financing costs	-	(921)
Realized loss (gain) on interest rate agreements	5	(141)
Proceeds from long-term debt	2,272	137,360
Repayment of long-term debt	(5,245)	(4,802)
Net cash provided by financing activities	8,997	141,056
Net increase (decrease) in cash, cash equivalents and restricted cash	(29,295)	98,387
Cash, cash equivalents, and restricted cash		
Beginning of year	138,033	39,646
End of year	$ 108,738	$ 138,033
Supplemental disclosures of cash flow information		
Interest paid	$ 10,242	$ 10,772
Contributed securities	4,695	1,489
Gift in kind	541	214
Purchases of buildings and equipment included in accounts payable	9,117	5,842
Leased equipment	2,091	1,671
Noncash capital leases	-	2,675

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

1. Organization

Worcester Polytechnic Institute (the “University”), founded in 1865, is the nation’s third oldest private technological university. Approximately 6,400 undergraduate and graduate students attend the University annually. The University is located in Worcester, Massachusetts and serves a diverse student body from almost every state and over 80 foreign countries.

2. Summary of Significant Accounting Policies

Basis of Financial Statement Presentation
The accompanying consolidated financial statements are prepared on the accrual basis of accounting with net assets and revenues, expenses, gains and losses classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the University and changes therein are classified and reported as follows:

Net Assets With Donor Restrictions
Net assets subject to donor-imposed stipulations include assets to be maintained permanently by the University. Generally, the donors of these assets permit the University to use all or part of the income earned on related investments for general or specific purposes. Also included are net assets whose use is restricted by state law or subject to donor-imposed stipulations that can be fulfilled by actions of the University pursuant to these stipulations or that expire by the passage of time.

Net Assets Without Donor Restrictions
Net assets not subject to explicit donor-imposed stipulations. Net assets without donor restrictions may be designated for specific purposes by action of the Board of Trustees or may otherwise be limited by contractual agreements with outside parties.

Consolidation
The accompanying consolidated financial statements include the accounts of the University and its wholly owned or controlled subsidiaries described below. Intercompany accounts and transactions have been eliminated.

Washburn Park, Inc. (“Washburn”)
Washburn is a not-for-profit corporation that owns and operates a parking garage and a life sciences and bioengineering facility located in the Gateway Park area of Worcester. Washburn also owns land used for the construction of Faraday Hall, a residence hall completed in August 2014.

Gateway Park, LLC (“Gateway”)
Gateway owns land located in the Gateway Park area of Worcester.

Lancaster Island, LLC (“Lancaster”)
Lancaster owns land located in the Gateway Park area of Worcester and is the lessee of a parcel of land being used for student parking.

ASSISTments Foundation, Inc. (“TAF”)
TAF is a not-for-profit corporation that is a Type 1 Supporting Organization to the University that supports the ASSISTments program at the University.

Classifications
Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions or by law. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (that is, the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions between the applicable classes of net assets.

Operating and Nonoperating Activities
In the consolidated statements of activities, the University has defined its primary activities between operating and nonoperating. Operating activities consist primarily of activities supporting the educational mission and purpose of the University. Nonoperating activities consist primarily of unspent appreciation on endowment, gains or losses on beneficial interest in trusts, change in value of split-interest agreements, net contributions for endowment and capital use, and gains or losses on interest rate agreements.

Use of Estimates in the Preparation of Financial Statements
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. The University's significant estimates include the valuation of its investments, the estimated net realizable value of receivables for contributions, gifts, pledges, student loans, student accounts and other receivables, the estimated useful lives of buildings and equipment, and its liabilities for its asset retirement obligations, self-insured medical claims, and split-interest agreements. Actual results could differ from those estimates.

Cash and Cash Equivalents
For the purposes of reporting cash flows, the University considers all short-term highly liquid investments to be cash equivalents. Cash equivalents consist of time deposits and short-term investments with maturities at the date of purchase of ninety days or less, stated at cost, which approximates fair value. Certain balances meeting the definition of cash and cash equivalents are classified as designated cash and investments as a result of the University's intent to segregate funds from cash available for current operations.

The University's banking activity, including cash and cash equivalents not classified as investments, is maintained with one regional bank and exceeds federal insurance limits. It is the University's policy to monitor the bank's financial strength on an ongoing basis.

Contributions

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Contributions subject to donor-imposed stipulations that are met in the same reporting period are reported as unrestricted support. Promises to give that are scheduled to be received after the fiscal year-end are shown as increases in net assets with donor restrictions and are reclassified to net assets without donor restrictions when the purpose or time restrictions are met. Promises to give subject to donor-imposed stipulations that the corpus be maintained permanently are recognized as increases in net assets with donor restrictions. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at the date of the gift. Contributions that are expected to be collected after one year are recorded at the present value of estimated future cash flows. The discount rates used range from approximately 0.5% to 2.6%. Amortization of the discount is recorded as additional contribution revenue in the applicable net asset class.

The carrying amount of contributions receivable approximates fair value as such amounts are recorded net of an allowance for uncollectible accounts and a discount to their present value. The allowance for uncollectible contributions receivable is based upon management's judgment including such factors as prior collection history, type of contribution, and nature of fundraising activity.

The University reports contributions of land, buildings, or equipment as without donor restrictions support unless the donor places restrictions on their use. Contributions of cash or other assets that must be used to acquire long-lived assets are reported as without donor restrictions support provided the long-lived assets are placed in service in the same reporting period, otherwise, the contributions are reported as net assets with donor restrictions support until the assets are acquired and placed in service and then, such amounts are reclassified to net assets without donor restrictions.

Deferred Financing Costs

Included in bonds and notes payables are deferred financing costs that are being amortized over the life of the related bonds.

For the years ended June 30, 2021 and 2020, deferred financing costs, net totaled approximately \$3,020,000 and \$3,127,000 respectively. Amortization expense for the years ended June 30, 2021 and 2020 was approximately \$107,000 and \$101,000, respectively. The estimated amortization expense for deferred financing costs for the next five years is approximately \$107,000 annually.

Beneficial Interest in Trusts

The University is the beneficiary of certain perpetual trusts and charitable remainder trusts held and administered by third-party trustees. Under the terms of these agreements, the University has the irrevocable right to its share of the income earned on the trust assets. The use of the income may be restricted by the donor. The estimated fair value of trust assets are recognized as assets and contribution revenue when reported to the University.

Investments

Investments are reported at fair value. Fair value is a market-based measurement based on assumptions used to determine 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. As a basis for considering assumptions, the University prioritizes inputs using three levels, based on the markets in which the investments trade and the reliability of the assumptions used to determine fair value.

Level 1 Valuation is based on quoted prices for identical investments in active markets. Market price data is generally obtained from relevant exchange or dealer markets.

Level 2 Valuation is based on observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially similar assets or liabilities.

Level 3 Valuation is based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include investments 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.

Fair values for certain investments held are based on net asset value (NAV) of such investments as determined by the respective external investment managers, including general partners, if market values are not readily ascertainable. These valuations are based on estimates involving assumptions and valuation techniques used by the respective investment managers.

Fair value is best determined based on quoted market prices. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the investment.

Investments are comprised of the assets of the University's endowment and similar funds, and split-interest agreements. Endowment funds are subject to the restrictions of gift instruments requiring that the principal be invested in perpetuity and that only income be utilized. Funds functioning as endowment, also known as quasi-endowment funds, have been established by the Board of Trustees for the same purposes as endowment funds. However, any portion of the funds functioning as endowment may be expended with the approval of the Board of Trustees.

Assets of the endowment and similar funds are pooled on a fair value basis with each individual fund subscribing to or disposing of units on the basis of the fair value per unit at the beginning of the quarterly period within which the transactions take place. Endowment income is distributed based on the number of units subscribed to at the end of each month. In addition, the University maintains separately invested funds as stipulated by donors.

Gains or losses on investments are reported in the consolidated statements of activities as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or by law. Investment income is recorded in net assets without donor restrictions unless its use is restricted by explicit donor stipulations.

Land, Buildings and Equipment
Land, buildings and equipment are recorded at cost at the date of acquisition or, if received as a gift, at the estimated fair value at the date of the gift. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recorded. Expenditures for repairs and maintenance are charged to expense as incurred.

Finance leases are recorded at their present value at the inception of the lease. Leases for property and equipment are amortized on the straight-line basis over the shorter period of the lease term or the estimated useful life of the equipment. Amortization expense related to leases is included in depreciation in the consolidated statement of activities.

Depreciation expense is computed on a straight-line basis over the estimated useful lives. Estimated useful lives are periodically reviewed and, when appropriate, changes are made prospectively. When certain events or changes in operating conditions occur, asset lives may be adjusted and an impairment assessment may be performed on the recoverability of the carrying amounts.

Useful lives are as follows:

Land improvements	10 to 20 Years
Buildings and improvements	10 to 40 Years
Equipment	3 to 10 Years

Deposits and Deferred Revenue
Deposits and deferred revenue represent revenues received in advance of services to be rendered and are primarily composed of revenue for student tuition and educational fees received in advance and advance payments on sponsored research programs.

Split-Interest Agreements
The University's split-interest agreements with donors are included in investments and consist of charitable gift annuities, charitable lead trusts, charitable remainder trusts, and pooled income arrangements. Assets are invested by the University or third-party trustees and payments are made to beneficiaries in accordance with the respective agreements. At the end of each agreement's term, amounts are distributed to the University or other beneficiaries. Annual distributions to beneficiaries may be for a specified dollar amount or a percentage of the trust's fair value. Upon receipt, gifts requiring the University or trustee to pay donors a specified periodic amount are recorded at fair value with corresponding estimated liabilities for future amounts payable to other beneficiaries, where applicable. The liabilities associated with these gifts are adjusted during the term of these gift instruments. The University is aware of certain split-interest arrangements in which it has been named as beneficiary and has adopted a policy that until such amounts are estimable and probable, such amounts are not recognized in the financial statements. The present value of payments to beneficiaries under split-interest arrangements is calculated using discount rates in effect at the date of the gift; these rates range from approximately 0.4% to 11.2%.

Asset Retirement Obligations
An asset retirement obligation ("ARO") is a legal obligation associated with the retirement of long-lived assets. These liabilities are initially recorded at fair value 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 or revisions to either the timing or the amount of the original estimate of undiscounted cash flows. The University derecognizes ARO liabilities when the related obligations are settled.

Tax-Exempt Status
The University is a tax-exempt organization as described in Section 501 (c)(3) of the Internal Revenue Code (the "Code") and is generally exempt from income taxes pursuant to Section 501 (a) of the Code.

Sponsored Research
The University receives sponsored program funding from various governmental and corporate sources. The funding may represent a reciprocal transaction in exchange for an equivalent benefit in return, or it may be a nonreciprocal transaction in which the resources provided are for the benefit of the University, the funding organization's mission, or the public at large.

Revenues from exchange transactions are recognized as performance obligations are satisfied, which in in most cases are as related costs are incurred.

Revenues from nonexchange transactions (contributions) may be subject to conditions, in the form of both a barrier to entitlement and a refund of amounts paid. Revenues from conditional nonexchange transactions are recognized when the barrier is satisfied.

In 2021 and 2020, sponsored programs revenue earned from governmental sources total $32,584,000 and $28,245,000, respectively. Indirect costs recovered on federally sponsored programs are based on predetermined reimbursement rates, which are stated as a percentage and distributed based on the modified total direct costs incurred. The University negotiates its federal indirect rate with its cognizant federal agency. Indirect costs recovered on all other grants and contracts are based on rates negotiated with the respective sponsors. Funds received for sponsored research activity are subject to audit. Based upon information currently available, management believes that any liability resulting from such audits will not materially affect the financial position or operations of the University.

Tuition and Fee Revenue
The University recognizes revenue from student tuition and fees within the fiscal year in which educational services are provided. Institutional aid, in the form of scholarships and grants-in-aid, includes amounts funded by the endowment, research funds, and gifts, and reduces the published price of tuition for students receiving such aid. As such, institutional aid is referred to as a tuition discount and represents the difference between the stated charge for tuition and fees and the amount that is billed to the student and/or third parties making payments on behalf of the student. Financial aid provided to students was $102,774,000 in 2021 and $96,602,000 in 2020.

The University offers a summer term that spans two reporting periods. Payments of tuition and housing for summer term are recognized as performance obligations are met. Because the academic term spans two reporting periods, a portion of the payments are included in deferred revenue at June 30, 2021 and 2020.

Auxiliary Services Revenue
Auxiliary services exist to furnish goods or services to students, faculty, staff, or incidentally to the general public, and charges a fee directly related to, although not necessarily equal to, the cost of the goods or services.

Auxiliary services revenue includes revenues from contracts with customers to provide student housing and dining facilities.

Payments for these services are due approximately one week prior to the start of the academic term for undergraduate students and on the first of each month for graduate students. Dining plans are not offered during the summer terms. Performance obligations for housing and dining services are delivered over the academic terms. Consequently, revenue from housing and dining services is recognized ratably as services are tendered.

Implementation of Accounting Standards
In August 2018, the FASB issued ASU 2018-15, *Intangibles – Goodwill and Other – Internal-Use Software*. ASU 2018-15 aligns the requirements for capitalization implementation costs incurred in a hosting arrangement with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software or software licenses. ASU 2018-15 is effective for annual reporting periods beginning after December 15, 2020. The University is currently evaluating the effect of adoption to the financial statements.

3. Accounts Receivable

Accounts receivable consist of the following at June 30, 2021 and 2020 (in thousands):

	2021	2020
Sponsored research	$ 8,789	$ 8,455
Student receivables	2,402	3,295
Other receivables	5,745	2,221
	16,936	13,971
Less: Allowance for doubtful accounts	(1,244)	(1,456)
	$ 15,692	$ 12,515

4. Contributions Receivable

Unconditional promises are expected to be received in the following periods at June 30, 2021 and 2020 (in thousands):

	2021	2020
In one year or less	$ 6,770	$ 5,811
Between one and five years	19,926	20,363
	26,696	26,174
Less:		
Discount to present value	(1,150)	(1,226)
Allowance for doubtful contributions	(1,156)	(1,203)
	$ 24,390	$ 23,745

As of June 30, 2021 and 2020, the University has approximately $107,300,000 and $100,200,000, respectively, of conditional promises to give that are not recognized as assets in the accompanying consolidated statements of financial position.

5. Student Loans Receivable

The University makes uncollateralized loans to students based on financial need. Student loans are funded through Federal government loan programs or institutional resources. At June 30, 2021 and 2020, student loans represented 1.2% and 1.4% of total assets, respectively.

Student loans receivable consist of the following at June 30, 2021 and 2020 (in thousands):

	2021			2020		
	Federal	Institutional	Total	Federal	Institutional	Total
Student loans receivable	$ 4,712	$ 11,226	$ 15,938	$ 6,615	$ 9,528	$ 16,143
Less: Allowance for doubtful accounts						
Beginning of year	(150)	(277)	(427)	(150)	(253)	(403)
Decrease(increases)	-	(36)	(36)	-	(24)	(24)
Write-offs	-	-	-	-	-	-
End of year	(150)	(313)	(463)	(150)	(277)	(427)
Student loans receivable, net	$ 4,562	$ 10,913	$ 15,475	$ 6,465	$ 9,251	$ 15,716

The University participates in the Perkins federal revolving loan program. The availability of funds for loans under the program is dependent on reimbursements to the pool from repayments on outstanding loans. Funds advanced by the Federal government and their share of student loan activity of $5,080,000 and $9,624,000 at June 30, 2021 and 2020 are ultimately refundable to the government and are classified as liabilities in the consolidated statements of financial position. Outstanding loans cancelled under the program result in a reduction of the funds available for loan.

The following amounts were past due under student loan programs at June 30, 2021 and 2020 (in thousands):

	1-60 days	60-90 days	90+ days	Total Past Due
June 30 2021	$ 9	$ 5	$ 850	$ 864
June 30 2020	$ 6	$ 1	$ 923	$ 930

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. Institutional loan balances are written off only when they are deemed to be permanently uncollectible.

6. Beneficial Interest in Trusts

Beneficial interest in trusts are carried at fair value using discounted present value and other similar methodologies. The following table summarizes the changes in these trusts during the years ended June 30, 2021 and 2020 (in thousands):

	2021	2020
Fair value, beginning of year	$ 14,869	$ 17,061
Net unrealized gains and (losses)	4,828	(1,853)
Contributions	-	-
Distributions, net	-	(339)
Fair value, end of year	$ 19,697	$ 14,869

7. Investments

Investments at June 30, 2021 are as follows (comparative totals are included for 2020) (in thousands):

	2021			
	Endowment and Similar Funds	Split-Interest Agreements	Total	2020 Total
Cash and cash equivalents	$ 21,075	$ 236	$ 21,311	$ 2,965
Equity securities	39,830	13,184	53,014	36,799
Fixed income securities	149	4,165	4,314	19,160
Alternative investments				
Equity funds	320,257	-	320,257	231,712
Fixed income funds	111,181	-	111,181	121,169
Private equity funds	74,620	-	74,620	47,260
Real estate	67,383	-	67,383	59,193
Total investments	$ 634,495	$ 17,585	$ 652,080	$ 518,258

As describe in Note 2, investments are recorded at fair value. The following tables summarize the fair values of the University's investments at June 30, 2021 and 2020 (in thousands):

	2021				
	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	NAV Practical Expedient	Total
Cash and cash equivalents	$ 21,311	$ -	$ -	$ -	$ 21,311
Equity securities	53,014	-	-	-	53,014
Fixed income securities	4,314	-	-	-	4,314
Alternative investments					
Equity funds	-	-	-	320,257	320,257
Fixed income funds	-	-	-	111,181	111,181
Private equity funds	-	-	1,087	73,533	74,620
Real estate	-	-	16,260	51,123	67,383
Total investments	$ 78,639	$ -	$ 17,347	$ 556,094	$ 652,080

	2020				
	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	NAV Practical Expedient	Total
Cash and cash equivalents	$ 2,965	$ -	$ -	$ -	$ 2,965
Equity securities	36,799	-	-	-	36,799
Fixed income securities	19,160	-	-	-	19,160
Alternative investments					
Equity funds	-	-	-	231,712	231,712
Fixed income funds	-	-	-	121,169	121,169
Private equity funds	-	-	1,087	46,173	47,260
Real estate	-	-	16,260	42,933	59,193
Total investments	$ 58,924	$ -	$ 17,347	$ 441,987	$ 518,258

Fair values of equity, fixed income and commodity securities are generally based on published market values. The University invests in hedge funds, private equity, and real estate investments through various limited partnerships and similar vehicles. Hedge funds utilize a variety of investment strategies incorporating marketable securities and, in some cases, derivative instruments, all of which are reported at estimated fair value by the fund managers. Private equity funds consist of long-term private investments and have been valued based on estimates provided by the general partners of the investment vehicles. Investments in limited partnerships and limited liability companies (generally referred to as "limited partnerships") for which readily ascertainable market values are not available are reported at estimated fair value as determined by Management or at the investment net asset value ("NAV") as a practical expedient. Investments in limited partnerships are generally valued based upon the most recent NAV or capital account information available from the general partner of the investment limited partnership, taking into consideration, where applicable, other information determined to be a reliable indicator of fair value. These factors include rights and obligations, restrictions or illiquidity on such interest, potential claw backs, and the fair value of the limited partnership's investment portfolio or other assets and liabilities. The values assigned to investments in limited partnership are based upon available information and do not necessarily represent amounts which might ultimately be realized. Because of the inherent uncertainty of valuation, those estimated fair values may differ significantly from the values that would have been realized had a ready market for the investments existed and those differences could be material.

Real estate consists mainly of direct real estate holdings and investments in privately held entities. The fair values of the real estate investments in privately held entities have been valued based on the NAV provided by the fund managers of these investment vehicles. The fair values of direct real estate holdings have been prepared giving consideration to periodic independent external appraisals, as well as the income, cost and sales comparison approaches of estimating property value. The income approach estimates an income stream for a property (typically 10 years) and discounts this income plus a reversion (presumed sale) into a present value at a risk adjusted rate. A second technique is the direct capitalization analysis. Direct capitalization involves capitalizing a property's first year, or stabilized net operating income into a value estimate. Yield rates and growth assumptions utilized in both approaches are derived from market transactions as well as other financial and industry data. The cost approach estimates the replacement cost of the building less physical depreciation plus the land value. Generally, this approach provides a check on the value derived using the income approach. The sales comparison approach compares recent transactions to the appraised property. Adjustments are made for dissimilarities which typically provide a range of value. The income capitalization and sales comparison approach were used to value the direct real estate investments. The capitalization rates, sales price per acre of comparable properties, and the comparability adjustments are considered to be significant unobservable inputs to these valuations. These rates and adjustments vary and are based on the location, type and nature of each property, and current and anticipated market conditions. Appraisals for any direct real estate holding were prepared by independent external appraisers. Management believes the appraisals approximate fair value for real estate holdings at June 30, 2021 and 2020.

The following table summarizes the valuation methods and quantitative information about the significant unobservable inputs used in the fair value measurement of Level 3 direct real estate holdings at June 30, 2021 and 2020 not valued at NAV (in thousands):

Real Estate Investment	2021	2020	Valuation Technique	Unobservable Input	Range
Commercial real estate, Florida	$ 3,813	$ 3,813	Income capitalization	Capitalization Rate	8.0% - 14.0%
Leased land, Worcester, MA	5,250	5,250	Income capitalization	Capitalization Rate	3.96% - 6.1%
Parking garage, Worcester, MA	3,475	3,475	Income capitalization	Capitalization Rate	8.25%
Undeveloped land, Worcester, MA	1,740	1,740	Sales comparison	Price per acre	$0.7M - $1.4M
				Comparability adjustments	-20% - 30%
Undeveloped land, Worcester, MA	1,600	1,600	Sales comparison	Price per acre	$0.7M - $1.4M
				Comparability adjustments	-5% - + 45%
Residential real estate, US	382	382	Sales comparison	Price per square foot	$365K - $405K
	$ 16,260	$ 16,260			

Alternative investments consist of noncontrolling, limited marketability stock holdings and investments in limited partnerships. The fair values of investments in limited partnerships have been valued based on the NAV provided by the fund managers of these investment vehicles and reviewed by management. The following tables summarize key provisions for the University's alternative investments valued at NAV as of June 30, 2021 and 2020 (in thousands):

2021

Asset Class	Strategy	Fair Value	Remaining Life	Unfunded Commitments	Redemption Terms	Redemption Restrictions
Absolute Return - Market Neutral	Global equity and fixed income funds in market neutral categories	$ 78,682	Up to 23 Years	$ -	Redemption terms range from quarterly with 60 to 90 days notice to annually with 45 to 90 days notice.	Lock -up provisions range from none to redemptions limited to 1/3 of the value anually.
Private Equity	Venture capital and buyout in the US and global markets	73,533	Up to 9 Years	42,659	Private equity structure with no ability to redeem.	Not redeemable
Directional Hedge	Global long/short equity funds	122,112	Up to 29 Years	-	Redemption terms range from quarterly with 60 days notice to every five years with 90 days notice.	No lock-up provisions
Public Equity	Primarily in long only equity, tracks performance or relevant index	173,145	No limit	-	Redemption terms range from 10 business days in advance of valuation date to monthly redemptions with 7 days notice.	Ranges from no additional restrictions to partial redemptions allowed but may require full redemption if capital is below $1M.
Fixed Income	Primarily in domestic bonds, tracks performance of relevant index	57,501	No limit	-	Daily redemption with a notice period ranging from 0 to 2 business days	
Real Estate	US real estate	51,121	Up to 6 Years	18,929	Private equity structure with no ability to redeem.	Not redeemable
		$ 556,094		$ 61,588		

2020						
Asset Class	**Strategy**	**Fair Value**	**Remaining Life**	**Unfunded Commitments**	**Redemption Terms**	**Redemption Restrictions**
Absolute Return - Market Neutral	Global equity and fixed income funds in market neutral categories	$ 72,069	No limit	$ -	Redemption terms range from quarterly with 60 to 90 days notice to annually with 45 to 90 days notice.	Lock -up provisions range from none to redemptions limited to 1/3 of the value anually.
Private Equity	Venture capital and buyout in the US and global markets	46,173	up to 10 years	40,678	Private equity structure with no ability to redeem.	Not redeemable
Directional Hedge	Global long/short equity funds	100,323	No limit	-	Redemption terms range from quarterly with 60 days notice to every five years with 90 days notice.	No lock-up provisions
Public Equity	Primarily in long only equity, tracks performance or relevant index	110,364	No limit	-	Redemption terms range from 10 business days in advance of valuation date to monthly redemptions with 7 days notice.	Ranges from no additional restrictions to partial redemptions allowed but may require full redemption if capital is below $1M.
Fixed Income	Primarily in domestic bonds, tracks performance of relevant index	70,126	No limit		Daily redemption with a notice period ranging from 0 to 2 business days	
Real Estate	US real estate	42,932	up to 6 years	22,827	Private equity structure with no ability to redeem.	Not redeemable
		$ 441,987		$ 63,505		

The following table summarizes the changes in the Level 3 investments carried at fair value during the years ended June 30, 2021 and 2020 (in thousands):

	Private Equity Funds	Real Estate	Total
Fair value, June 30, 2019	$ 580	$ 24,397	$ 24,977
Transfers out	-	(8,405)	(8,405)
Net realized and unrealized gains	-	268	268
Purchases	507	-	507
Sales and settlements	-	-	-
Fair value, June 30, 2020	1,087	16,260	17,347
Transfers out	-	-	-
Net realized and unrealized gains	-	-	-
Purchases	-	-	-
Sales and settlements	-	-	-
Fair value, June 30, 2021	$ 1,087	$ 16,260	$ 17,347

In the consolidated statements of activities for the years ended June 30, 2021 and 2020, net realized and unrealized gains and losses on Level 3 investments are included in nonoperating net realized and unrealized gains and losses on investments.

Endowment Income and Spending
In addition to current yield (interest, dividends, and net rental income), the University has interpreted state law to allow for the utilization of capital appreciation on permanently restricted

endowment funds unless explicit donor stipulations specify how net appreciation must be used. Accordingly, the University segregates capital appreciation between that which can be used for current operations and that which is attributable to permanently restricted endowment funds. For financial reporting purposes, current yield and capital appreciation attributed to permanently restricted endowment funds are considered restricted until appropriated for use, and the historic dollar value of such funds is considered permanently restricted.

The University has adopted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") statute. UPMIFA provides guidance for investment management; enumerates guidelines in prudent investing; and, eliminates the concept of "historic dollar value" for donor-restricted endowments. Accordingly, the University has not limited appropriation of underwater funds to current yield.

The University has adopted investment and spending policies for its endowment and similar funds that attempt to provide a predictable stream of funding for its programs. To satisfy its long-term rate-of-return objectives, the University relies on a total return approach in which investment returns are achieved through both capital appreciation (realized and unrealized gains) and current yield. To achieve its long-term objectives within prudent risk parameters, the University targets a diversified asset allocation as follows:

Asset Allocation Policy	**Target %**
Global equity	50
Private equity	15
Flexible capital	15
Fixed income	7.5
Real assets	12.5

The University observes a spending rule with respect to total return (interest, dividends, and appreciation) on investments of the endowment and similar funds. Under the spending rule, the University appropriated 4.7% of its endowment and similar funds' average unit fair value for the previous twelve quarters, from the beginning of the fiscal year, for the years ended June 30, 2021 and 2020, respectively.

The spending rule distributions for fiscal years 2021 and 2020, respectively, were $0.292 and $0.286 per time weighted unit, comprised of, respectively, $0.031 and $0.039 of income and $0.261 and $0.244 of distributions from current and accumulated net gains. At June 30, 2021 there were a total of 84,778,846, units in the pooled endowment and similar funds, each having a fair value of $7.441 of the total units, were owned by endowment funds 49,563,439 and 35,215,407 were owned by internally designated funds. At June 30, 2020 there were a total of 83,256,493, units in the pooled endowment and similar funds, each having a fair value of $6.003 of the total units, were owned by endowment funds 48,353,457 and 34,903,036 were owned by internally designated funds.

A summary of the fair value per unit and the income per time-weighted unit for the pooled investments held as of June 30, 2021 and in each of the prior four years is as follows:

	Income Per Time-Weighted Unit	Fair Value Per Unit
2021	$ 0.031	$ 7.441
2020	0.039	6.003
2019	0.059	6.359
2018	0.061	6.338
2017	0.056	6.202
2016	0.058	5.868

To the extent that accumulated realized and unrealized losses are in excess of accumulated gains for permanently restricted endowment funds, they are reported as decreases in net assets with donor restrictions. The University had underwater funds of approximately $0 and $2,703,000 at June 30, 2021 and 2020 respectively.

Endowment and Similar Funds
The endowment and similar funds' net asset composition as of June 30, 2021 and 2020 and the changes for the years then ended are as follows (in thousands):

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor restricted	$ -	$ 378,543	$ 378,543
Quasi-endowment	252,373	-	252,373
	$ 252,373	$ 378,543	$ 630,916
Balance, June 30, 2020	$ 188,715	$ 295,652	$ 484,367
Investment return	74,808	85,808	160,616
Contributions	2,478	7,628	10,106
Appropriated for expenditure	(13,628)	(10,545)	(24,173)
Balance, June 30, 2021	$ 252,373	$ 378,543	$ 630,916

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor restricted	$ -	$ 295,652	$ 295,652
Quasi-endowment	188,715	-	188,715
	$ 188,715	$ 295,652	$ 484,367
Balance, June 30, 2019	$ 199,666	$ 308,854	$ 508,520
Investment return	(1,730)	(7,620)	(9,350)
Contributions	615	3,687	4,302
Appropriated for expenditure	(9,836)	(9,269)	(19,105)
Balance, June 30, 2020	$ 188,715	$ 295,652	$ 484,367

Split-Interest Agreements

Investments include the following split-interest agreements at June 30, 2021 and 2020 (in thousands):

	2021	2020
Charitable remainder trusts	$ 8,110	$ 7,716
Charitable gift annuities	8,215	6,997
Pooled income funds	1,260	1,130
	$ 17,585	$ 15,843

8. Land, Buildings and Equipment

Land, buildings and equipment, net, consist of the following at June 30, 2021 and 2020 (in thousands):

	2021	2020
Land and land improvements	$ 30,813	$ 28,739
Buildings and improvements	535,991	504,264
Equipment	121,328	112,360
Long term Lease Assets	18,404	18,404
	706,536	663,767
Less: Accumulated depreciation	(338,073)	(309,736)
	368,463	354,031
Construction-in-progress	97,088	79,498
	$ 465,551	$ 433,529

Depreciation expense charged to operations was approximately $28,714,000 and $27,580,000 for the years ended June 30, 2021 and 2020, respectively. Net interest cost capitalized was approximately $6,122,000 and $4,766,000 for the years ended June 30, 2021 and 2020, respectively.

9. Leases

As discussed in Note 1, on July 1, 2019, the University adopted new guidance for the accounting and reporting of leases. The University has leases primarily for real estate and office space, as well as equipment. The University determines if an arrangement is a lease at inception of the contract. When evaluating contracts for embedded leases, the University exercises judgement to determine if there is an explicit or implicit identified asset in the contract and if the University controls the use of that asset. Embedded leases are immaterial to the consolidated financial statements.

Certain real estate leases have renewal options and the lease term includes options to extend or terminate the lease when it is reasonably certain that the University will exercise that option.

Lease expense for lease payments is recognized on a straight-line basis over the term of the lease. Lease assets and liabilities are recognized based on the present value of lease payments over the lease term. The majority of the University's leases do not have a readily determinable implicit discount rate and in those cases the University uses its incremental borrowing rate to calculate the present value of lease payments. As a practical expedient, the University has made an accounting policy election for all asset classes not to separate lease components from nonlease components in the event that the agreement contains both. The University includes both lease and nonlease components for purposes of calculating the right-of-use asset and related lease liability. For finance leases, interest expense on the lease liability is recognized using the effective interest method and amortization of the right-to-use asset is recognized on a straight-line basis over the shorter of the estimated useful life of the asset or the lease term. The table below presents certain information related to the lease costs for leases.

	2021	2020
Finance lease cost		
Amortization of leased assets	$ 334	$ 167
Interest on lease liabilities	106	52
Operating lease cost	3,098	3,218
Short-term and variable lease costs	3,183	836
Total lease cost	$ 6,721	$ 4,273

Supplemental financial position information related to operating and finance leases as of June 30, 2021 is as follows:

	Classification on the Statement of Net Position	2021
Assets		
Operating lease assets	Land, buildings and equipment, net	$ 10,406
Finance lease assets	Land, buildings and equipment, net	2,173
Total lease assets		$ 12,579
Liabilities		
Operating leases	Operating Lease Liabilities	$ 11,609
Finance leases	Operating Lease Liabilities	2,606
Total lease liabilities		$ 14,215
Weighted-average remaining lease term		
Operating leases		5.5 years
Finance leases		6.5 years
Weighted-average discount rate		
Operating leases		3.76%
Finance leases		3.87%

The table below presents supplemental cash flow information related to leases:

	2021
Cash paid for amounts included in the measurement of lease liabilities	
Operating cash flows for operating leases	$ 3,098
Operating cash flows for finance leases	227
	$ 3,325

Future minimum lease payments under operating leases at June 30, 2021 is as follows:

2022	$	3,552
2023		2,982
2024		2,268
2025		2,295
2026		1,868
Thereafter		2,852
		15,817
Less: Imputed interest		(1,602)
Total lease liabilties	$	14,215

10. Bonds and Notes Payable

Bonds and notes payable consist of the following (in thousands) at June 30, 2021 and 2020:

Purpose and Definition	Maturity Date	Interest Rate %	Original Issue	Amount Due Within One Year	Balance, June 30, 2021	Balance, June 30, 2020
Bonds payable						
MDFA						
2008 Series A (2)	9/1/2035	Variable	54,815	$ 2,310	$ 36,040	$ 38,275
MDFA						
2012 Series (3)	9/1/2050	4.0-5.0	42,540	-	43,176	43,198
MDFA						
2014 Series (2)	9/1/2029	3.10	2,782	200	3,495	3,690
MDFA						
2016 Series (4)	9/1/2052	3.0-5.0	49,030	-	48,208	48,374
Worcester Polytechnic						
Institute	9/1/2056	4.338	56,905			
2016 Series (2)				-	56,905	56,905
MDFA	9/1/2047	3.0-5.0	14,435			
2017A Series (5)				415	15,453	15,936
MDFA	9/1/2045	5.0	52,990			
2017B Series (6)				-	60,758	61,079
MDFA	9/1/2059	4.0-5.0	113,640			
2019 Series (6)				-	134,508	135,053
Uncollateralized notes						
TD Bank	7/1/2023	Various	7,122	356	4,332	4,689
Capital lease obligations	Various	Various		1,697	5,027	4,814
				4,978	407,902	412,013
Less: Deferred financing costs, net of amortization					(3,020)	(3,127)
Total bonds and notes payable				$ 4,978	$ 404,882	$ 408,886

(1) The bonds, issued at par with no discount or premium, represent a general obligation of the University.
(2) The bonds represent a general obligation of the University. The balances at June 30, 2020 and 2021 include a premium of approximately $658,000 and $636,000, respectively.
(3) The bonds represent a general obligation of the University. The balance at June 30, 2020 and 2021 includes a premium of approximately $5,339,000 and $5,173,000, respectively.
(4) The bonds represent a general obligation of the University. The balance at June 30, 2020 and 2021 includes a premium of approximately $2,251,000 and $2,168,000, respectively.
(5) The bonds represent a general obligation of the University. The balance at June 30, 2020 and 2021 includes a premium of approximately $8,089,000 and $7,768,000, respectively.
(6) The bonds represent a general obligation of the University. The balance at June 30, 2020 and 2021 includes a premium of approximately $21,414,000 and $20,868,000, respectively.

In compliance with the University's various bond indentures, funds held under bond agreements at June 30, 2021 and 2020 include investments of approximately $50,611,000 and $92,185,000, respectively, held for construction and debt service reserves.

Scheduled aggregate principal repayments on bonds and notes payable for each of the next five fiscal years and thereafter are as follows (in thousands):

2022	$ 4,978
2023	4,844
2024	7,689
2025	3,342
2026	2,710
Thereafter	347,725
Total cash payments	371,287
Premium	36,615
	$ 407,902

In September 2019, the University borrowed $113,640,000 in the form of MDFA Revenue Bonds Series 2019 (tax-exempt). The proceeds from these bonds will be used to finance a portion of the 5-Year Institutional Plan, including development and construction of a new approximate 100,000 square foot academic building to be located on the University's main campus; renovations, upgrades, repairs and improvements to various University facilities; and construction of a new approximate 385-bed student residence hall and renovation of approximately 54 student apartments, located at a site near the main campus and currently owned by the University.

The MDFA 2019 Bonds are fixed rate bonds payable in annual installments with principal payments ranging from $1,015,000 to $20,090,000 beginning September 1, 2030, and interest ranging from 4.0% to 5.0%. The final maturity is September 1, 2059.

In October 2017, the University borrowed $14,435,000 in the form of Massachusetts Development Finance Agency ("MDFA") Revenue Bonds Series 2017 (tax-exempt). The proceeds from these bonds were used to current refund the University's outstanding MDFA Series 2007 bonds and to pay certain costs of issuance. The MDFA 2017 Bonds are fixed rate bonds payable in annual installments with principal payments ranging from $325,000 to $695,000 beginning September 1, 2018, and interest ranging from 3.0% to 5.0%. The final maturity is September 1, 2047.

In December 2017, the University borrowed $52,990,000 in the form of Massachusetts Development Finance Agency ("MDFA") Revenue Bonds Series 2017B (tax-exempt) used to advance refund a prior issuance. The MDFA 2017B Bonds are fixed rate bonds payable in annual installments with principal payments ranging from $710,000 to $6,665,000 beginning September 1, 2034, and interest of 5.0%. The final maturity is September 1, 2045.

In June 2016, the University borrowed $49,030,000 in the form of MDFA Revenue Bonds Series 2016 (tax-exempt) (the "MDFA 2016 Bonds") and $56,905,000 in University taxable bonds (the "WPI 2016 Bonds.") The proceeds from these bonds were used to advance refund a portion of the MDFA Series 2007 bonds and to pay certain costs of issuance. The remaining proceeds were used to finance the development, design, and construction and equipping of the Foisie Innovation Studio and an approximate 140-bed student residence, and various other capital renovations, deferred maintenance, and facilities improvements.

The MDFA 2016 Bonds are fixed rate bonds payable in annual installments with principal payments ranging from $790,000 to $11,180,000 beginning September 1, 2027, and interest ranging from 3.0% to 5.0%. The final maturity is September 1, 2052. The WPI 2016 Bonds are fixed rate bonds payable in annual installments with principal payments ranging from $4,370,000 to $14,000,000 beginning September 1, 2052, with interest at 4.34%. The final maturity is September 1, 2056.

In August 2014, the University borrowed $4,622,000 in the form of MDFA Revenue Bond Series 2014 private placement “draw-down bonds” (the “2014 Bonds”) to finance renovations, repairs and improvements to existing facilities. The “draw-down bonds” comprise three term bonds in the initial par amounts of $2,782,000 (Term Bond A), $1,440,000 (Term Bond B), and $400,000 (Term Bond C) to be drawn on or before September 1, 2014, 2015, and 2016, respectively. The 2014 Bonds are payable in monthly installments of principal plus interest and mature September 1, 2029. Interest is set at the time of draw-down at either a variable rate (0.6975 of the sum of 125 basis points and LIBOR) or a fixed rate (0.6975 of the sum of 125 basis points plus the Federal Home Loan Bank Rate). As of June 30, 2017, the University borrowed $2,782,000 (Term Bond A) with interest payable at a fixed rate of 3.10%, $1,440,000 (Term Bond B) with interest payable at a fixed rate of 3.01%, and $400,000 (Term Bond C) with interest payable at a fixed rate of 2.50%. Principal payments for Term Bond A range from $8,084 to $12,228 per month beginning October 1, 2014 through August 1, 2029 with a final installment of $989,887 due September 1, 2029. Principal payments for Term Bond B range from $4,466 to $6,558 per month beginning October 1, 2015 through August 1, 2029 with a final installment of $530,892 due September 1, 2029. Principal payments for Term Bond C range from $1,327 to $1,892 per month beginning October 1, 2016 through August 1, 2029 with a final installment of $153,170 due September 1, 2029.

In August 2013, the University refinanced borrowings of $7,122,000 in the form of two uncollateralized notes payable to TD Bank. The proceeds from the original borrowings in 2010 were used to refinance the debt assumed for the acquisition of the remaining interest in Gateway and Washburn. The borrowings consist of two notes payable with balloon payments due in 2023. Monthly installments of principal totaling $29,675 are paid based on a 20 year amortization with interest at 1.5% plus LIBOR, approximately 1.59% and 1.67% at June 30, 2021 and 2020, respectively.

In October 2012, the University borrowed $42,540,000 in the form of MDFA Revenue Bond Series 2012 (the “2012 Bonds”). The proceeds from the issue were used to finance the development, construction, furnishing, and equipping of an approximately 250-bed-apartment-style residence hall and other renovations, repairs, and improvements to campus facilities. The 2012 Bonds are fixed rate bonds payable in annual installments with principal payments ranging from $5,975,000 to $10,515,000 beginning September 1, 2046, and interest ranging from 4.0% to 5.0%. The final maturity is September 1, 2050.

In April 2008, the University borrowed $54,815,000 in the form of MDFA Variable Rate Demand Revenue Bonds Series 2008A (tax-exempt) and 2008B (federally taxable), (the “2008 Bonds”). The proceeds from the issues were used to refund previous bond issuances and to pay the costs of issuance. The 2008 Bonds are payable in semiannual installments with principal payments ranging from $360,000 to $2,915,000, with a final maturity of September 1, 2035. As of June 30,2017 the 2008B Bonds had been retired. Interest on the 2008A Bonds is at a variable rate which is reset on a weekly basis. The interest rates at June 30, 2021 and 2020 for the 2008A Bonds were 0.02% and 0.14%, respectively. The interest rate swap agreements entered into as an integral part of the 2008A Bonds remain in effect to economically hedge the interest rate risks associated with the 2008 Bonds (refer to Note 10).

Payment of the principal of, the purchase price of, and interest on each series of the 2008 Bonds, when due, is collateralized by irrevocable direct pay letters of credit by TD Bank that expires in April 2023. The letters of credit include certain financial and nonfinancial covenants.

The 2008 Bonds can bear interest at a daily, weekly, or monthly variable rate mode or at a fixed rate mode. Bonds in the variable rate mode are subject to tender at the election of the bondholders. In the event that the University receives notice of any optional tender of its bonds, or if these bonds become subject to mandatory tender, the purchase price of the bonds will be paid from the remarketing of such bonds. However, if the remarketing proceeds are insufficient, the University will be obligated to purchase the bonds tendered by drawing on the letters of credit. Such funds drawn on the letters of credit must be repaid in full within 180 days or converted to a 5 year term loan with quarterly payments commencing in the 15th month following the conversion. If this were to occur, principal amounts on the 2008 Bonds due over the next five years and thereafter would be $0, $4,451,000, $8,901,000 and $13,352,000.

The University also has a $50,000,000 bank revolving line of credit. The line of credit bears interest at an adjusted LIBOR rate plus 1.5% per annum on outstanding amounts and .18% of the available line of credit. There were no amounts outstanding at June 30, 2021 and 2020.

11. Interest Rate Agreements

The University has entered into several interest rate swap agreements used to economically hedge the interest rate risk associated with certain of its variable rate debt. The following summarizes the terms for each of these agreements as of June 30, 2021 and 2020 (dollars in thousands):

	Series 2008 A	
	Deutsche Bank AG	**Barclays Bank PLC**
Trade/effective date	Nov. 3, 2008	Nov. 3, 2008
Initial notional amount	$ 14,100	$ 34,200
Termination date	Oct. 1, 2033	Sept. 1, 2035
Rate paid by University	4.650 %	3.71%
Rate paid by Counterparty	71% of one-month LIBOR	67% of one-month LIBOR when LIBOR is > 4.00% SIFMA Municipal Swap Index when LIBOR is < 4.00%

	Series 2008 A		
Fair Value liability	**Deutsche Bank AG**	**Barclays Bank PLC**	**Total, Net**
June 30, 2021	$ 2,445	$ 5,085	$ 7,530
June 30, 2020	$ 3,196	$ 6,758	$ 9,954

The net unrealized loss and gain that was recognized for the interest rate swap agreements for the years ended June 30, 2021 and 2020 was approximately a gain of $2,424,000 and a loss of $2,155,000, respectively, and has been recorded in net realized and unrealized gains and losses on interest rate agreements on the accompanying consolidated statements of activities. At June 30, 2021 and 2020, the fair value liability for interest rate swap agreements totaled $7,530,000 and $9,954,000, respectively.

The interest rate swap agreements contain provisions requiring collateral postings should the fair value liability of the University exceed certain amounts based on the University's long term credit ratings. The collateral posting provision for the agreement with Deutsche Bank AG is triggered should the fair value liability exceed $40 million and the University's long term credit rating remains at A1/A+. The collateral posting provision for the two agreements with Barclays Bank PLC is triggered should the combined fair value liability exceed $40 million and the University's long term credit rating declines to A2/A. At its current ratings level of A1/A, no amount of fair value liability will trigger a posting requirement for the Barclays Bank PLC agreements. The provisions with both counterparties provide that the liability threshold decreases if the University's long term credit ratings decline. At June 30, 2021, the University is not required to post collateral to its counterparties.

12. Retirement Plan

The University participates in a defined contribution retirement plan for substantially all of its employees. Employees may elect to invest in various accounts with the Teachers' Insurance and Annuity Association of America ("TIAA"), Fidelity Investments, or a combination of both. Contributions were approximately $8,120,000 and $11,077,000 for the years ended June 30, 2021 and 2020, respectively. Contributions are based upon a percentage of the employees' compensation.

13. Functional Expenses

Expenses are presented by functional classification. Each functional classification includes all expenses related to the underlying operations by natural classification. The costs of operation and maintenance of plant, depreciation, and interest expense have been allocated across all functional expense categories to reflect the full cost of those activities.

Costs are allocated using the following methods: Expense for the depreciation, administration, supervision, operation, maintenance, preservation, and protection of the institution's physical plant are allocated based on square footage. Interest expense is allocated based on usage of debt-financed space.

The following summarizes the allocation of functional expenses as of June 30, 2021 and 2020 (dollars in thousands):

	2021						
	Instruction and Research	Sponsored Research	Student Services	Auxiliary Enterprises	External Relations	Institution and Acedemic Support	Total
Wages and benefits	$ 94,808	$ 21,168	$ 11,328	$ 4,712	$ 9,357	$ 34,402	$ 175,775
Operating expenses	14,839	14,807	17,283	17,092	1,793	19,061	84,875
Depreciation	6,986	2,800	4,564	8,201	135	1,978	24,664
Interest expense	2,329	217	2,905	4,761	35	180	10,427
Total Operating Expenses	$ 118,962	$ 38,992	$ 36,080	$ 34,766	$ 11,320	$ 55,621	$ 295,741

	2020						
	Instruction and Research	Sponsored Research	Student Services	Auxiliary Enterprises	External Relations	Institution and Acedemic Support	Total
Wages and benefits	$ 102,796	$ 19,614	$ 11,703	$ 4,954	$ 10,248	$ 36,684	$ 185,999
Operating expenses	17,824	11,370	6,706	11,307	2,639	18,658	68,504
Depreciation	7,237	1,562	4,970	8,154	138	1,809	23,870
Interest expense	2,629	256	2,904	4,770	41	227	10,827
Total Operating Expenses before early retirement incentives	$ 130,486	$ 32,802	$ 26,283	$ 29,185	$ 13,066	$ 57,378	289,200
Early retirement incentives							5,130
Total operating expenses after early retirement incentives							$ 294,330

External relations expenditures include approximately $6,749,000 and $8,061,000 of fundraising expenses for the years ended June 30, 2021 and 2020, respectively.

In response to the economic uncertainty of COVID-19, for the fiscal year ended June 30, 2020, the University instituted a voluntary early retirement incentive plan for employees meeting certain age and service requirements. Fifty-eight employees accepted the program, which included termination effective June 30, 2020. $5,130,000 related to the voluntary early retirement incentive plan is included in the Statement of Activities and in Accounts Payables and Accrued Liabilities in the Statement of Financial Position. There are no plans to offer further early retirement incentive plans at this time.

14. Availability of Resources

The University regularly monitors liquidity required to meet its operating needs and other contractual commitments. When reviewing available resources required to meet its expenditures over a 12-month period, the University considers all expenditures related to its ongoing activities.

In addition to the financial assets available to meet expenditures over the next 12 months, the University operates with a balanced budget and anticipates collecting sufficient revenue to cover expenditures not covered by donor-restricted resources. The University has generated operating cash flows for the fiscal years ended June 30, 2021 and 2020.

The following summarizes the financial assets available to meet its expenditures, as of June 30, 2021:

	Resources Available at 6/30/21	Resources Appropriated by the Board and Available in FY 2022	Resources not Available Within 12 Mmonths	Total
Financial assets available within 12 months				
Cash and cash equivalents	$ 58,127	$ -	$ -	$ 58,127
Accounts receivable, net	15,692	-	-	15,692
Contributions (unrestricted) due in 1 year or less available for expenditures	29	-	-	29
Forecasted payout of donor-restricted endowments	-	15,075	-	15,075
Forecasted payout on board designated endowments	-	9,994	-	9,994
Investments not subject to donor restrictions or board designations	593	-	-	593
Total financial assets available within 12 months	74,441	25,069	-	99,510
Financial assets not available for expenditures within 12 months				
Cash, cash equivalents and investments	-	-	696,728	696,728
Contributions not due within one year	-	-	24,361	24,361
Student loan receivables, net	-	-	15,475	15,475
Liquidity resources				
Bank line of credit (no balance outstanding as of June 30, 2020)	50,000	-	-	50,000
Total financial assets and other liquidity resources	$ 124,441	$ 25,069	$ 736,564	$ 886,074

Included in financial assets not available for expenditure at June 30, 2021, the University had $252,373,000 of board-designated endowments that, with the board's approval, could be made available for expenditures.

15. Liquidity

Of the University's Investments, 48% are redeemable within 30 days, 28% may be redeemed either at future specified redemption dates or currently by incurring a penalty, and 24% are in real estate, private equites, and other private investments. Constraints that limit the University's ability to withdraw capital after such investments are made may limit the amount available for withdrawal at a given redemption date which could limit the University's ability to respond quickly to changes in market conditions.

16. Net Assets

Net assets consist of the following at June 30, 2021 and 2020 (in thousands):

	2021		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**
Endowment funds			
Long-term investment (quasi - endowment)	$ 252,373	$ -	$ 252,373
Original principal	-	228,328	228,328
Unspent income and appreciation			
Scholarship support	-	106,096	106,096
Faculty support	-	20,504	20,504
Program support	-	23,615	23,615
Total endowment funds	252,373	378,543	630,916
Split-interest agreements and perpetual trusts	2,703	27,076	29,779
Student loan funds	13,554	4,247	17,801
Gifts and other unexpended revenues			
Acquisition of building and equipment	-	6,420	6,420
Instruction, research and institutional support	-	27,253	27,253
Undesignated	91,791	-	91,791
	$ 360,421	$ 443,539	$ 803,960

	2020		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**
Endowment funds			
Long-term investment (quasi - endowment)	$ 188,715	$ -	$ 188,715
Original principal	-	211,694	211,694
Unspent income and appreciation			
Scholarship support	-	42,534	42,534
Faculty support	-	11,307	11,307
Program support	-	30,117	30,117
Total endowment funds	188,715	295,652	484,367
Split-interest agreements and perpetual trusts	1,766	21,450	23,216
Student loan funds	13,215	4,162	17,377
Gifts and other unexpended revenues			
Acquisition of building and equipment	-	7,667	7,667
Instruction, research and institutional support	-	23,057	23,057
Undesignated	96,137	-	96,137
	$ 299,833	$ 351,988	$ 651,821

17. Related Parties

Alumni Association of Worcester Polytechnic Institute ("Alumni Association")

The Alumni Association, a separate 501(c)(3) organization, invests the majority of its funds in the University's endowment. At June 30, 2021 and 2020, funds held for others in the consolidated statements of financial position include Alumni Association assets of $3,001,000 and $2,981,000, respectively.

18. Commitments and Contingencies

Construction Contracts
For the years ended June 30, 2021 and 2020, the University had contracted for various renovations and construction projects across campus totaling approximately $25,909,000 and $67,209,000 respectively.

Investments
The University is obligated under certain limited partnership agreements and other alternative investment arrangements to advance additional funding periodically up to specified levels. At June 30, 2021 and 2020, the University had unfunded commitments of approximately $61,588,000 and $63,505,000, respectively, that can be called through fiscal year 2030. These commitments will be funded from the University's existing cash and investments.

Guarantees
The University has guaranteed commercial loans with an outstanding amount of approximately $1,633,000 to six fraternities. These loans are collateralized by real property owned by the fraternities.

Uncertain Tax Positions
The University is generally exempt from federal and state income taxes. Management annually reviews for uncertain tax positions along with any related interest and penalties and believes that the University has no uncertain tax positions that would have a material adverse effect, individually or in the aggregate, upon the University's consolidated statements of financial position, or the related consolidated statements of activities, or cash flows.

Sponsored Research
The University's sponsored research program and indirect cost recovery are subject to audit by the respective sponsoring federal agency as provided for in federally sponsored research regulations. Management believes that any such audit will not have a material adverse effect, individually or in the aggregate, upon the University's consolidated statements of financial position, or the related consolidated statements of activities, or cash flows.

Self-insured Medical Claims
The University is self-insured for medical claims and is a member of a captive insurer providing stop-loss insurance to cover plan expenses in excess of certain limits. Management believes insurance claims that have occurred as of June 30, 2021 and 2020 but not yet reported or paid have been adequately reserved.

Other Commitments and Contingencies
In May 2009, the University entered into a payment in lieu of taxes ("PILOT") agreement with the City of Worcester. The 25 year agreement provides for the University to pay approximately

$450,000 annually in voluntary payments, increasing 2.5% annually. The agreement calls for the City of Worcester to use these amounts to support the operations of the Worcester Public Library and for the implementation of the master plan to renovate Institute Park. In April 2015, the PILOT agreement was amended to increase the voluntary payment by an additional $130,000 annually, also increasing 2.5% annually.

The University is also involved in various legal actions arising in the normal course of its activities. Although the ultimate outcome is not determinable at this time, management, after taking into consideration advice of legal counsel believes that the resolution of these pending matters will not have a material adverse effect, individually or in the aggregate, upon the University's consolidated statements of financial position, or the related consolidated statements of activities, or cash flows.

19. Subsequent Events

Management has evaluated subsequent events for the period after June 30, 2021 through November 15, 2021, the date the financial statements were issued, and determined that there have been no subsequent events that would require recognition in the financial statements or disclosure in the notes of the financial statements.