Worcester Polytechnic Institute

Consolidated Financial Statements
June 30, 2022 and 2021

Worcester Polytechnic Institute
Index
June 30, 2022 and 2021

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Report of Independent Auditors

To the Board of Trustees of
Worcester Polytechnic Institute

Opinion

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, 2022 and 2021, and the related consolidated statements of activities and of cash flows for the years then ended, including the related notes (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the University as of June 30, 2022 and 2021, and 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 audit in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated 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 audit. 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 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, and for 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.

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 the consolidated financial statements are issued.

Auditors' Responsibilities for the Audit of the Consolidated 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 US 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 consolidated financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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.

PricewaterhouseCoopers LLP

Boston, Massachusetts
November 16, 2022

Worcester Polytechnic Institute
Consolidated Statements of Financial Position
June 30, 2022 and 2021

(in thousands)		**2022**		**2021**
Assets				
Cash and cash equivalents	$	9,012	$	58,127
Accounts receivable, net		17,232		15,692
Contributions receivable, net		26,433		24,390
Funds held under bond agreements		8,885		50,611
Prepaid expenses and other assets		9,637		7,480
Student loans receivable, net		16,072		15,475
Beneficial interest in trusts		16,846		19,697
Investments		640,714		652,082
Land, buildings and equipment, net		505,979		465,551
Total assets	$	1,250,810	$	1,309,105
Liabilities				
Accounts payable and accrued liabilities	$	30,728	$	48,569
Deposits and deferred revenue		11,491		10,858
Lease liabilities		27,873		14,215
Liabilities under split-interest agreements		6,003		7,199
Funds held for others		5,601		5,622
Asset retirement obligations		1,278		1,189
Refundable government loan funds		3,601		5,080
Bonds and notes payable		395,225		404,883
Interest rate agreements		3,391		7,530
Total liabilities		485,191		505,145
Net assets				
Without donor restrictions		348,630		360,421
With donor restrictions				
Time or purpose		172,324		206,385
Perpetual		244,665		237,154
Total net assets		765,619		803,960
Total liabilities and net assets	$	1,250,810	$	1,309,105

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

Worcester Polytechnic Institute
Consolidated Statement of Activities
Year Ended June 30, 2022

(in thousands)	Without Donor Restrictions	With Donor Restrictions	Total
Operating revenues			
Tuition and fees	$ 197,960	$ -	$ 197,960
Other educational activities	2,317		2,317
Contributions	5,071	3,550	8,621
Contract and exchange transactions	41,950		41,950
Investment income on endowment and similar funds	4,174	89	4,263
Net realized gains on endowment used for operations	10,404	10,065	20,469
Other investment income	1,150	705	1,855
Sales and services of auxiliary enterprises	38,749		38,749
Other	12,619		12,619
Total revenues	314,394	14,409	328,803
Net assets released from restriction	12,593	(12,593)	-
Total revenues and other support	326,987	1,816	328,803
Operating expenses			
Instruction and department research	132,387		132,387
Sponsored research and other sponsored programs	46,694		46,694
External relations	12,292		12,292
Institution and academic support	54,639		54,639
Student services	27,630		27,630
Auxiliary enterprises	49,053		49,053
Total operating expenses	322,695	-	322,695
Change in net assets from operating activities	4,292	1,816	6,108
Nonoperating			
Net realized and unrealized gains (losses) on investments	(18,159)	(22,878)	(41,037)
Net realized gains (losses) on endowment used for operations	(10,404)	(10,065)	(20,469)
Net unrealized gains (losses) on beneficial interest in trusts	-	(2,391)	(2,391)
Change in value of split-interest agreements	204	398	602
Contributions	-	15,394	15,394
Net realized and unrealized gains (losses) on interest rate agreemer	3,452		3,452
Change in net assets from nonoperating activities	(24,907)	(19,542)	(44,449)
Net assets released from restriction	8,824	(8,824)	-
Total change in assets from nonoperating activities	(16,083)	(28,366)	(44,449)
Total change in net assets	(11,791)	(26,550)	(38,341)
Net assets			
Beginning of year	360,421	443,539	803,960
End of year	$ 348,630	$ 416,989	$ 765,619

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 (losses) on investments	59,626	87,857	147,483
Net realized gains (losses) on endowment used for operations	(11,043)	(10,545)	(21,588)
Net unrealized gains (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 (losses) on interest rate agreemer	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 Statements of Cash Flows
Years Ended June 30, 2022 and 2021

(in thousands)	2022	2021
Cash flows from operating activities		
Change in net assets	$ (38,341)	$ 152,139
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation, amortization, and accretion	30,060	27,686
Provision for uncollectible receivables	(394)	(69)
Loss on disposals of land, buildings, and equipment	168	228
Net realized and unrealized losses (gains) on investments	36,649	(148,894)
Net unrealized gains on interest rate agreements	(4,144)	(2,428)
Contributions other than cash	(4,790)	(4,810)
Contributions restricted for long-term investment	(15,395)	(11,965)
Proceeds from sale of donated securities	5,084	4,705
Changes in assets and liabilities		
Accounts receivable	(3,032)	(2,964)
Contributions receivable	(1,769)	(735)
Prepaid expenses and other assets	(2,158)	234
Accounts payable and accrued liabilities	(22,229)	12,637
Deposits and deferred revenue	633	(3,885)
Operating Lease Liabilities	13,658	(2,730)
Split-interest agreements	(1,196)	59
Funds held for others	(21)	835
Asset retirement obligations	88	(146)
Refundable government loan funds	(1,479)	(4,544)
Total adjustments	29,733	(136,786)
Net cash (used in)/provided by operating activities	(8,608)	15,353
Cash flows from investing activities		
Proceeds from sales and maturities of investments	76,748	51,228
Purchase of investments	(97,926)	(40,816)
Purchase of land, buildings, and equipment	(67,851)	(64,242)
Disbursement of loans to students	(3,516)	(3,553)
Repayment of loans from students	3,023	3,738
Net cash used in investing activities	(89,522)	(53,645)
Cash flows from financing activities		
Contributions restricted for long-term investment	15,395	11,965
Realized loss on interest rate agreements	5	5
Proceeds from long-term debt	848	2,272
Repayment of long-term debt	(8,959)	(5,245)
Net cash provided by financing activities	7,289	8,997
Net increase (decrease) in cash, cash equivalents and restricted cash	(90,841)	(29,295)
Cash, cash equivalents, and restricted cash		
Beginning of year	108,738	138,033
End of year	$ 17,897	$ 108,738
Supplemental disclosures of cash flow information		
Interest paid	$ 16,589	$ 10,242
Contributed securities	4,325	4,695
Gift in kind	129	541
Purchases of buildings and equipment included in accounts payable	4,765	9,117
Leased equipment	5,747	2,091

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. Over 7,000 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 85 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 0.4% 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, 2022 and 2021, deferred financing costs, net totaled approximately $2,816,000 and $3,020,000 respectively. Amortization expense for the years ended June 30, 2022 and 2021 was approximately $205,000 and $107,000, respectively. The estimated amortization expense for deferred financing costs for the next five years is approximately $108,000 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 2022 and 2021, sponsored programs revenue earned from governmental sources total $34,497,000and $32,584,000, 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 $122,801,000 in 2022 and $102,774,000 in 2021.

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, 2022 and 2021.

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.

3. Accounts Receivable

Accounts receivable consist of the following at June 30, 2022 and 2021 (in thousands):

	2022	2021
Sponsored research	$ 6,381	$ 8,789
Student receivables	2,960	2,402
Other receivables	9,119	5,745
	18,460	16,936
Less: Allowance for doubtful accounts	(1,228)	(1,244)
	$ 17,232	$ 15,692

4. Contributions Receivable

Unconditional promises are expected to be received in the following periods at June 30, 2022 and 2021 (in thousands):

	2022	2021
In one year or less	$ 7,530	$ 6,770
Between one and five years	22,616	19,926
	30,146	26,696
Less:		
Discount to present value	(1,374)	(1,150)
Allowance for doubtful contributions	(2,339)	(1,156)
	$ 26,433	$ 24,390

As of June 30, 2022 and 2021, the University has approximately $113,434,000 and $107,300,000, 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, 2022 and 2021, student loans represented 1.3% and 1.2% of total assets, respectively.

Student loans receivable consist of the following at June 30, 2022 and 2021 (in thousands):

	2022			2021		
	Federal	Institutional	Total	Federal	Institutional	Total
Student loans receivable	$ 3,360	$ 13,071	$ 16,431	$ 4,712	$ 11,226	$ 15,938
Less: Allowance for doubtful accounts						
Beginning of year	(150)	(313)	(463)	(150)	(277)	(427)
Decrease(increases)		(46)	(46)	-	(36)	(36)
Write-offs	150	-	150	-	-	-
End of year	-	(359)	(359)	(150)	(313)	(463)
Student loans receivable, net	$ 3,360	$ 12,712	$ 16,072	$ 4,562	$ 10,913	$ 15,475

Historically the University participated in the Federal Perkins Loan Program federal revolving loan program. Congress did not renew the program after September 30, 2017 and no disbursements were permitted after June 30, 2018. The University has elected to continue to collect on the loans and return the federal portion collected on an annual basis. Funds advanced by the Federal government and their share of student loan activity of $3,601,000 and $5,080,000 at June 30, 2022 and 2021 and are classified as liabilities in the consolidated statements of financial position.

The following amounts were past due under student loan programs at June 30, 2022 and 2021 (in thousands):

	1-60 days	60-90 days	90+ days	Total Past Due
June 30 2022	$ 5	$ 7	$ 847	$ 859
June 30 2021	9	5	850	864

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, 2022 and 2021 (in thousands):

	2022	2021
Fair value, beginning of year	$ 19,697	$ 14,869
Net realized (losses) and gains	(2,391)	4,828
Contributions	-	-
Distributions, net	(460)	-
Fair value, end of year	$ 16,846	$ 19,697

7. Investments

Investments at June 30, 2022 are as follows (comparative totals are included for 2021) (in thousands):

	2022			
	Endowment and Similar Funds	Split-Interest Agreements	Total	2021 Total
Cash and cash equivalents	$ 9,181	$ 528	$ 9,709	$ 21,311
Equity securities	32,443	7,106	39,549	53,014
Fixed income securities	53,825	6,725	60,550	4,314
Alternative investments				
Equity funds	301,709		301,709	320,257
Fixed income funds	71,136		71,136	111,181
Private equity funds	98,470		98,470	74,620
Real estate	59,591		59,591	67,383
Total investments	$ 626,355	$ 14,359	$ 640,714	$ 652,080

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, 2022 and 2021 (in thousands):

	2022				
	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	$ 9,709				$ 9,709
Equity securities	39,549				39,549
Fixed income securities	60,550				60,550
Alternative investments					
Equity funds				301,709	301,709
Fixed income funds				71,136	71,136
Private equity funds			1,087	97,383	98,470
Real estate			12,447	47,144	59,591
Total investments	$ 109,808	$ -	$ 13,534	$ 517,372	$ 640,714

	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

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, 2022 and 2021.

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, 2022 and 2021 not valued at NAV (in thousands):

Real Estate Investment	2022	2021	Valuation Technique	Unobservable Input	Range
Commercial real estate, Florida	$ -	$ 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
	$ 12,447	$ 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, 2022 and 2021 (in thousands):

2022

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	$ 65,640	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 annually.
Private Equity	Venture capital and buyout in the US and global markets	97,383	Up to 9 Years	46,745	Private equity structure with no ability to redeem.	Not redeemable
Directional Hedge	Global long/short equity funds	101,637	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	175,943	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	29,625	No limit		Daily redemption with a notice period ranging from 0 to 2 business days	
Real Estate	US real estate	47,144	Up to 6 Years	26,431	Private equity structure with no ability to redeem.	Not redeemable
		$ 517,372		$ 73,176		

		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 annually.
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	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		

The following table summarizes the changes in the Level 3 investments carried at fair value during the years ended June 30, 2022 and 2021 (in thousands):

	Private Equity Funds	**Real Estate**	**Total**
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
Transfers out	-	(2,150)	(2,150)
Net realized and unrealized gains	-	(1,663)	(1,663)
Purchases	-	-	-
Sales and settlements	-	-	-
Fair value, June 30, 2022	$ 1,087	$ 12,447	$ 13,534

In the consolidated statements of activities for the years ended June 30, 2022 and 2021, 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 donor 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 donor restricted endowment funds. For financial reporting purposes, current yield and capital appreciation attributed to donor restricted endowment funds are considered restricted until appropriated for use, and the historic dollar value of such funds is considered restricted in perpetuity.

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/Venture capital	20
Private credit	5
Flexible capital	10
Fixed income	2.5
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, 2022 and 2021, respectively.

The spending rule distributions for fiscal years 2022 and 2021, respectively, were $0.293 and $0.292 per time weighted unit, comprised of, respectively, $0.050 and $0.031 of income and $0.243 and $0.261 of distributions from current and accumulated net gains. At June 30, 2022 there were a total of 86,501,700 units in the pooled endowment and similar funds, each having a fair value of $6.813 of the total units, were owned by endowment funds 50,931,597 and 35,570,108 were owned by internally designated funds. 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.

A summary of the fair value per unit and the income per time-weighted unit for the pooled investments held as of June 30, 2022 and in each of the prior four years is as follows:

	Income Per Time-Weighted Unit	Fair Value Per Unit
2022	$ 0.050	$ 6.813
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

To the extent that accumulated realized and unrealized losses are in excess of accumulated gains for donor restricted endowment funds, they are reported as decreases in net assets with donor restrictions. As a result of market declines, the fair value of certain donor restricted endowment funds of $16,563,000 is less than the historic dollar value of such funds of $17,463,000 (“underwater funds”) equaling approximately $900,000 and $0 at June 30, 2022. The University is under no legal obligation to fund the deficiency.

Endowment and Similar Funds

The endowment and similar funds’ net asset composition as of June 30, 2022 and 2021 and the changes for the years then ended are as follows (in thousands):

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor restricted	$ -	$ 354,778	$ 354,778
Quasi-endowment	232,329		232,329
	$ 232,329	$ 354,778	$ 587,107
Balance, June 30, 2021	$ 252,373	$ 378,543	$ 630,916
Investment return	(9,323)	(22,628)	(31,951)
Contributions	3,942	8,928	12,870
Appropriated for expenditure	(14,663)	(10,065)	(24,728)
Balance, June 30, 2022	$ 232,329	$ 354,778	$ 587,107

	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

Split-Interest Agreements

Investments include the following split-interest agreements at June 30, 2022 and 2021 (in thousands):

	2022	**2021**
Charitable remainder trusts	$ 7,211	$ 8,110
Charitable gift annuities	6,170	8,215
Pooled income funds	978	1,260
	$ 14,359	$ 17,585

8. Land, Buildings and Equipment

Land, buildings and equipment, net, consist of the following at June 30, 2022 and 2021 (in thousands):

	2022	**2021**
Land and land improvements	$ 32,056	$ 30,813
Buildings and improvements	651,358	535,991
Equipment	144,211	121,328
Long term lease assets	35,130	18,404
	862,755	706,536
Less: Accumulated depreciation	(369,682)	(338,073)
	493,073	368,463
Construction-in-progress	12,906	97,088
	$ 505,979	$ 465,551

Depreciation expense charged to operations was approximately $31,514,000 and $28,714,00 for the years ended June 30, 2022 and 2021, respectively. Net interest cost capitalized was approximately $3,070,000 and $6,122,000 for the years ended June 30, 2022 and 2021, respectively.

9. Leases

The University is a lessee or lessor of real estate and office space, as well as equipment. The University determines whether a contract 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.

	2022	2021
Finance lease cost		
Amortization of leased assets	$ 334	$ 334
Interest on lease liabilities	95	106
Operating lease cost	3,098	3,098
Short-term and variable lease costs	3,044	3,183
Total lease cost	$ 6,571	$ 6,721

Supplemental financial position information related to operating and finance leases as of June 30, 2022 is as follows:

	Classification on the Statement of Financial Position		2022
Assets			
Operating lease assets	Land, buildings and equipment, net	$	24,477
Finance lease assets	Land, buildings and equipment, net		1,839
Total lease assets		$	26,316
Liabilities			
Lease liabilities	Operating Lease Liabilities	$	25,627
Finance leases	Operating Lease Liabilities		2,246
Total lease liabilities		$	27,873
Weighted-average remaining lease term			
Operating leases			4.5 years
Finance leases			5.5 years
Weighted-average discount rate			
Operating leases			3.15%
Finance leases			3.87%

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

		2022
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		454
	$	3,552

Future minimum lease payments under operating leases at June 30, 2022 is as follows:

2023	$	5,008
2024		5,136
2025		5,287
2026		4,687
2027		4,513
Thereafter		6,093
		30,724
Less: Imputed interest		(2,851)
Total lease liabilities	$	27,873

10. Bonds and Notes Payable

Bonds and notes payable consist of the following (in thousands) at June 30, 2022 and 2021:

Purpose and Definition	Maturity Date	Interest Rate %	Original Issue	Amount Due Within One Year	Balance, June 30, 2022	Balance, June 30, 2021
Bonds payable						
MDFA 2008 Series A (2)	9/1/2035	Variable	54,815	$ 2,385	$ 33,730	$ 36,040
MDFA 2012 Series (3)	9/1/2050	4.0-5.0	42,540	-	-	43,176
MDFA 2014 Series (2)	9/1/2029	2.5-3.1	2,782	206	3,295	3,495
MDFA 2016 Series (4)	9/1/2052	3.0-5.0	49,030	-	48,042	48,209
Worcester Polytechnic Institute 2016 Series (2)	9/1/2056	4.338	56,905	-	56,905	56,905
MDFA 2017A Series (5)	9/1/2047	3.0-5.0	14,435	435	14,955	15,453
MDFA 2017B Series (6)	9/1/2045	5.0	52,990	-	60,436	60,758
MDFA 2019 Series (6)	9/1/2059	4.0-5.0	113,640	-	133,963	134,508
MDFA 2022 Series	6/30/2042	2.22	42,540	983	42,540	-
Uncollateralized notes						
TD Bank	7/1/2023	Various		356	3,977	4,332
Capital lease obligations	Various	Various		101	195	5,027
Other short term financing obligations	Various	Various		3	3	-
				4,469	398,041	407,903
Less: Deferred financing costs, net of amortization					(2,816)	(3,020)
Total bonds and notes payable				$ 4,469	$ 395,225	$ 404,883

(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 balance at June 30, 2021 includes a premium of approximately $636,000.

(3) The bonds represent a general obligation of the University. The balances at June 30, 2022 and 2021 include a premium of approximately $5,007,000 and $5,173,000, respectively.

(4) The bonds represent a general obligation of the University. The balances at June 30, 2022 and 2021 include a premium of approximately $2,085,000 and $2,168,000, respectively.

(5) The bonds represent a general obligation of the University. The balances at June 30, 2022 and 2021 include a premium of approximately $7,446,000 and $7,768,000, respectively.

(6) The bonds represent a general obligation of the University. The balances at June 30, 2022 and 2021 include a premium of approximately $20,323,000 and $20,868,000, respectively.

(7) The bonds, issued at par with no discount or premium, represent a general obligation of the University.

In compliance with the University's various bond indentures, funds held under bond agreements at June 30, 2022 and 2021 include investments of approximately $8,885,000 and $50,611,000, 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):

2023	$	4,466
2024		7,605
2025		3,747
2026		3,794
2027		3,973
Thereafter		339,591
Total cash payments		363,176
Premium		34,861
	$	398,037

In June 2022, the University refunded $42,540,000 in the form of MDFA Revenue Bond Series 2022, formerly Series 2012 Bond. The original 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 2022 bonds are fixed rate bonds payable in annual installments with principal payments ranging from $983,000 to $19,012,000 beginning June 30, 2023, and a fixed interest rate of 2.22%. The final maturity is June 30, 2042.

In September 2019, the University borrowed $113,640,000 in the form Massachusetts Development Finance Agency ("MDFA") Revenue Bonds Series 2019 (tax-exempt). The proceeds from these bonds were used to finance a portion of the 5-Year Institutional Plan, including development and construction of a new 91,000 square foot academic building located on the University's main campus as well as renovations, upgrades, repairs and improvements to various University facilities. 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 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 Massachusetts Development Finance Agency ("MDFA") Revenue Bonds Series 2016 (tax-exempt) and $56,905,000 in University taxable bonds ("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 Innovation Studio and an approximate 140-bed student residence as well as 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 Massachusetts Development Finance Agency ("MDFA") Revenue Bonds 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 2.56% and 1.59% at June 30, 2022 and 2021, respectively.

In October 2012, the University borrowed $42,540,000 in the form of Massachusetts Development Finance Agency ("MDFA") Revenue Bonds 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 Massachusetts Development Finance Agency ("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, 2022 and 2021 for the 2008A Bonds were .94% and 0.02%, respectively. The University subsequently entered into an interest rate swap agreement as part of the 2008A Bonds that remains in effect to economically hedge the interest rate risks associated with the 2008 Bonds (refer to Note 11).

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 SOFR rate plus 1.25% per month on outstanding amounts. There were no amounts outstanding at June 30, 2022 and 2021.

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, 2022 and 2021 (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, 2022	$ 1,346	$ 2,045	$ 3,391
June 30, 2021	2,445	5,085	7,530

The net unrealized loss and gain that was recognized for the interest rate swap agreements for the years ended June 30, 2022 and 2021 was approximately a gain of $3,452,000and $1,024,000, 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, 2022 and 2021, the fair value liability for interest rate swap agreements totaled $3,391,000 and $7,530,000, 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 A2/A, a combined of fair value liability in excess of $40 million will trigger a posting requirement for the Barclays Bank PLC agreements. The current combined liability is $37 million. The provisions with both counterparties provide that the liability threshold decreases if the University's long term credit ratings decline. At June 30, 2022, 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 $9,895,000and $8,120,000 for the years ended June 30, 2022 and 2021, 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, 2022 and 2021 (dollars in thousands):

	2022						
	Instruction and Research	Sponsored Research	Student Services	Auxiliary Enterprises	External Relations	Institution and Academic Support	Total
Wages and benefits	$ 103,155	$ 22,306	$ 12,252	$ 6,220	$ 9,873	$ 37,351	$ 191,157
Operating expenses	20,232	20,728	8,014	26,150	2,301	14,335	91,760
Depreciation	7,507	3,596	4,637	7,835	114	4,440	28,129
Interest expense	1,494	61	2,727	8,848	4	(1,485)	11,649
Total operating expenses	$ 132,388	$ 46,691	$ 27,630	$ 49,053	$ 12,292	$ 54,641	$ 322,695

	2021						
	Instruction and Research	Sponsored Research	Student Services	Auxiliary Enterprises	External Relations	Institution and Academic 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

External relations expenditures include approximately $7,651,000 and $6,749,000 of fundraising expenses for the years ended June 30, 2022 and 2021, respectively.

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, 2022 and 2021.

The following summarizes the financial assets available to meet its expenditures, as of June 30, 2022:

	Resources Available at 6/30/22	Resources Appropriated by the Board and Available in FY 2023	Resources not Available Within 12 Months	Total
Financial assets available within 12 months				
Cash and cash equivalents	$ 55,426	$ -	$ -	$ 55,426
Accounts receivable, net	17,138		-	17,138
Contributions (unrestricted) due in 1 year or less available for expenditures	49		-	49
Forecasted payout of donor-restricted endowments		15,585	-	15,585
Forecasted payout on board designated endowments		10,076	-	10,076
Investments not subject to donor restrictions or board designations	593		-	593
Total financial assets available within 12 months	73,206	25,661	-	98,867
Financial assets not available for expenditures within 12 months				
Cash, cash equivalents and investments			603,185	603,185
Contributions not due within one year			26,384	26,384
Student loan receivables, net			16,072	16,072
Liquidity resources				
Bank line of credit (no balance outstanding as of June 30, 2022)	50,000			50,000
Total financial assets and other liquidity resources	$ 123,206	$ 25,661	$ 645,641	$ 794,508

Included in financial assets not available for expenditure at June 30, 2022, the University had $232,329,000 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, 2022 and 2021 (in thousands):

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment funds			
Long-term investment (quasi - endowment)	$ 232,329	$ -	$ 232,329
Original principal		240,136	240,136
Unspent income and appreciation			
Scholarship support		80,253	80,253
Faculty support		16,166	16,166
Program support		18,223	18,223
Total endowment funds	232,329	354,778	587,107
Split-interest agreements and perpetual trusts	1,240	23,647	24,887
Student loan funds	13,862	4,341	18,203
Gifts and other unexpended revenues			
Acquisition of building and equipment		3,134	3,134
Instruction, research and institutional support		31,089	31,089
Undesignated	101,199		101,199
	$ 348,630	$ 416,989	$ 765,619

	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

17. Related Parties

The Alumni Association of Worcester Polytechnic Institute ("Alumni Association"), a separate 501(c)(3) organization, invests the majority of its funds in the University's endowment. At June 30, 2022 and 2021, funds held for others in the consolidated statements of financial position include Alumni Association assets of $2,986,000 and $3,001,000, respectively.

18. Commitments and Contingencies

Construction Contracts

For the years ended June 30, 2022 and 2021, the University had contracted for various renovations and construction projects across campus totaling approximately $18,150,000 and $25,909,000 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, 2022 and 2021, the University had unfunded commitments of approximately $73,176,000 and $61,588,000, 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 $1,524,000 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, 2022 and 2021 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, 2022 through November 16, 2022, 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.