

Independent Auditor's Reports as  
Required by Title 2 U.S. *Code of  
Federal Regulations* Part 200, *Uniform  
Administrative Requirements, Cost  
Principles, and Audit Requirements for  
Federal Awards and Government  
Auditing Standards* and Related  
Information

**Worcester Polytechnic Institute**

June 30, 2023 and 2022

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**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

To the Board of Trustees  
Worcester Polytechnic Institute

**Opinion**

We have audited the consolidated financial statements of Worcester Polytechnic Institute (the "University"), which comprise the consolidated statement of financial position as of June 30, 2023, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to 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, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Basis for opinion**

We conducted our audit of the consolidated financial statements in accordance with auditing standards generally accepted in the United States of America (US GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the University and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Other matter**

The consolidated financial statements of Worcester Polytechnic Institute as of and for the year ended June 30, 2022 were audited by other auditors who expressed an unmodified opinion on those consolidated financial statements in their report dated November 16, 2022, except with respect to Note 20 to the 2022 financial statements (not presented herein) and the opinion on the schedule of financial responsibility ratios (not presented herein), as to which the date is March 7, 2023, and with respect to the opinion on the 2022 supplemental schedule of expenditures of federal awards (as further explained in footnote 5 to the 2022 schedule of expenditures of federal awards (not presented herein), as to which the date is December 20, 2023.

**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 consolidated 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 available to be issued.

**Auditor's responsibilities for the audit of the consolidated financial statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 and *Government Auditing Standards* 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 and *Government Auditing Standards*, 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 consolidated 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.

**Supplementary information**

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as of and for the year ended June 30, 2023 taken as a whole. The financial responsibility supplemental schedule, as required by the U.S. Department of Education's (ED) Final Rule: *Student Assistance General Provisions, Federal Family Education Loan Program, and William D. Ford Federal Direct Loan Programs*, and the Schedule of Expenditures of Federal Awards for the year ended June 30, 2023, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the 2023 consolidated financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2023 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the 2023 consolidated financial statements and certain additional procedures. These additional procedures included comparing and reconciling the information directly to the underlying accounting and other records used to prepare the 2023 consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the 2023 consolidated financial statements as a whole.

**Other reporting required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report, dated January 11, 2024, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.



Boston, Massachusetts

January 11, 2024 (except as to Note 20 to the Financial Statements and Financial Responsibility Supplemental Schedule, which is as of February 16, 2024)

**Worcester Polytechnic Institute**

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

**June 30,**  
*(in thousands)*

	<b>2023</b>	<b>2022</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 10,891	\$ 9,012
Accounts receivable, net	13,715	17,232
Contributions receivable, net	28,804	26,433
Funds held under bond agreements	-	8,885
Prepaid expenses and other assets	10,005	9,637
Student loans receivable, net	16,581	16,072
Beneficial interest in trusts	16,474	16,846
Investments	704,487	640,714
Land, buildings and equipment, net	518,519	505,979
Total assets	\$ 1,319,476	\$ 1,250,810
<b>Liabilities</b>		
Accounts payable and accrued liabilities	\$ 28,027	\$ 30,728
Deposits and deferred revenue	11,901	11,491
Lease liabilities	67,748	27,873
Liabilities under split-interest agreements	5,482	6,003
Funds held for others	5,381	5,601
Asset retirement obligations	1,128	1,278
Refundable government loan funds	2,527	3,601
Bonds and notes payable	396,120	395,225
Interest rate agreements	1,875	3,391
Total liabilities	520,189	485,191
<b>Net assets</b>		
Without donor restrictions	350,722	348,630
With donor restrictions		
Time or purpose	194,772	172,324
Perpetual	253,793	244,665
Total net assets	799,287	765,619
Total liabilities and net assets	\$ 1,319,476	\$ 1,250,810

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

**Worcester Polytechnic Institute**  
**CONSOLIDATED STATEMENT OF ACTIVITIES**

Year ended June 30, 2023  
*(in thousands)*

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Operating revenues</b>			
Tuition and fees, net	\$ 201,932	\$ -	\$ 201,932
Other educational activities	2,970	-	2,970
Contributions	4,611	4,307	8,918
Contract and exchange transactions	47,047	-	47,047
Investment income on endowment and similar funds	9,654	87	9,741
Net realized gains on endowment used for operations	7,832	7,822	15,654
Other investment income	3,303	640	3,943
Sales and services of auxiliary enterprises	41,256	-	41,256
Other	8,067	-	8,067
	<hr/>	<hr/>	<hr/>
Total revenues	326,672	12,856	339,528
<b>Net assets released from restrictions</b>	<hr/>	<hr/>	<hr/>
	11,368	(11,368)	-
	<hr/>	<hr/>	<hr/>
Total revenues and other support	338,040	1,488	339,528
<b>Operating expenses</b>			
Instruction and department research	146,170	-	146,170
Sponsored research and other sponsored programs	53,323	-	53,323
External relations	13,555	-	13,555
Institution and academic support	68,114	-	68,114
Student services	30,563	-	30,563
Auxiliary enterprises	43,433	-	43,433
	<hr/>	<hr/>	<hr/>
Total operating expenses	355,158	-	355,158
	<hr/>	<hr/>	<hr/>
Change in net assets from operating activities	(17,118)	1,488	(15,630)
<b>Nonoperating activities</b>			
Net realized and unrealized gains on investments	23,718	29,915	53,633
Net realized losses on endowment used for operations	(7,832)	(7,822)	(15,654)
Net unrealized losses on beneficial interest in trusts	-	(275)	(275)
Change in value of split-interest agreements	(31)	(205)	(236)
Contributions restricted for long-term investment	-	10,807	10,807
Change in value of interest rate agreements	1,023	-	1,023
	<hr/>	<hr/>	<hr/>
Change in net assets from nonoperating activities	16,878	32,420	49,298
<b>Net assets released from restrictions</b>	<hr/>	<hr/>	<hr/>
	2,332	(2,332)	-
	<hr/>	<hr/>	<hr/>
Total change in net assets from nonoperating activities and releases from restrictions	19,210	30,088	49,298
	<hr/>	<hr/>	<hr/>
Total change in net assets	2,092	31,576	33,668
<b>Net assets</b>			
Beginning of year	<hr/>	<hr/>	<hr/>
	348,630	416,989	765,619
	<hr/>	<hr/>	<hr/>
End of year	\$ 350,722	\$ 448,565	\$ 799,287

The accompanying notes are an integral part of this consolidated financial statement.

**Worcester Polytechnic Institute**  
**CONSOLIDATED STATEMENT OF ACTIVITIES**

Year ended June 30, 2022  
*(in thousands)*

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Operating revenues</b>			
Tuition and fees, net	\$ 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
	<u>314,394</u>	<u>14,409</u>	<u>328,803</u>
Total revenues			
<b>Net assets released from restrictions</b>	12,593	(12,593)	-
Total revenues and other support	<u>326,987</u>	<u>1,816</u>	<u>328,803</u>
<b>Operating expenses</b>			
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
	<u>322,695</u>	<u>-</u>	<u>322,695</u>
Total operating expenses			
Change in net assets from operating activities	<u>4,292</u>	<u>1,816</u>	<u>6,108</u>
<b>Nonoperating activities</b>			
Net realized and unrealized losses on investments	(18,159)	(22,878)	(41,037)
Net realized losses on endowment used for operations	(10,404)	(10,065)	(20,469)
Net unrealized losses on beneficial interest in trusts	-	(2,391)	(2,391)
Change in value of split-interest agreements	204	398	602
Contributions restricted for long-term investment	-	15,394	15,394
Net gains on interest rate agreements	3,452	-	3,452
	<u>(24,907)</u>	<u>(19,542)</u>	<u>(44,449)</u>
Change in net assets from nonoperating activities			
<b>Net assets released from restriction</b>	<u>8,824</u>	<u>(8,824)</u>	<u>-</u>
Total change in net assets from nonoperating activities and releases from restrictions	<u>(16,083)</u>	<u>(28,366)</u>	<u>(44,449)</u>
Total change in net assets	(11,791)	(26,550)	(38,341)
<b>Net assets</b>			
Beginning of year	<u>360,421</u>	<u>443,539</u>	<u>803,960</u>
End of year	<u>\$ 348,630</u>	<u>\$ 416,989</u>	<u>\$ 765,619</u>

The accompanying notes are an integral part of this consolidated financial statement.



**Worcester Polytechnic Institute**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

Year ended June 30,  
*(in thousands)*

	2023	2022
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 33,668	\$ (38,341)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation, amortization, and accretion	20,897	30,060
Provision for uncollectible receivables	708	(394)
Loss on disposals of land, buildings, and equipment	117	168
Net realized and unrealized losses (gains) on investments	(59,750)	36,649
Change in value of interest rate agreements	(1,643)	(4,144)
Contributions other than cash	(19)	(4,790)
Contributions restricted for long-term investment	(10,807)	(15,395)
Proceeds from sale of donated securities	1,272	5,084
Changes in assets and liabilities:		
Accounts receivable	3,680	(3,032)
Contributions receivable	(2,818)	(1,769)
Prepaid expenses and other assets	(367)	(2,158)
Accounts payable and accrued liabilities	(5,381)	(22,229)
Deposits and deferred revenue	410	633
Operating Lease Liabilities	39,874	13,658
Split-interest agreements	(521)	(1,196)
Funds held for others	(221)	(21)
Asset retirement obligations	(150)	88
Refundable government loan funds	(1,075)	(1,479)
	(15,794)	29,733
Total adjustments		
Net cash provided by (used in) operating activities	17,874	(8,608)
<b>Cash flows from investing activities</b>		
Proceeds from sales and maturities of investments	41,766	76,748
Purchase of investments	(47,046)	(97,926)
Purchase of land, buildings, and equipment	(32,924)	(67,851)
Disbursement of loans to students	(3,309)	(3,516)
Repayment of loans from students	2,764	3,023
	(38,749)	(89,522)
Net cash used in investing activities		
<b>Cash flows from financing activities</b>		
Contributions restricted for long-term investment	10,807	15,395
Realized loss on interest rate agreements	126	5
Proceeds from long-term debt	-	848
Proceeds from short-term borrowing	19,999	-
Repayment of long-term debt	(17,063)	(8,959)
	13,869	7,289
Net cash provided by financing activities		
<b>NET DECREASE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH</b>	(7,006)	(90,841)
<b>Cash, cash equivalents, and funds available under bond agreements</b>		
Beginning of year	17,897	108,738
End of year	\$ 10,891	\$ 17,897
<b>Supplemental disclosures of cash flow information:</b>		
Interest paid	\$ 12,905	\$ 16,589
Contributed securities	1,272	4,325
Gift in kind	486	129
Purchases of buildings and equipment included in accounts payable	2,097	4,765
Leased equipment	4,957	5,747

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

## Worcester Polytechnic Institute

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2023 and 2022

#### NOTE 1 - ORGANIZATION

Worcester Polytechnic Institute (the "University"), founded in 1865, is the nation's third oldest private technological university. Over 7,900 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 90 foreign countries.

#### NOTE 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 operates a University owned parking garage located in the Gateway Park area of Worcester.

##### ***Gateway Park, LLC ("Gateway")***

Gateway holds a ground lease for University owned property 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.

**Worcester Polytechnic Institute**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2023 and 2022**

***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 change in value of 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

**Worcester Polytechnic Institute**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2023 and 2022**

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 3.7%. 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, 2023 and 2022, deferred financing costs, net totaled approximately \$2,624,000 and \$2,816,000, respectively. Amortization expense for the years ended June 30, 2023 and 2022 was approximately \$192,000 and \$205,000, respectively. The estimated amortization expense for deferred financing costs for the next five years is approximately \$101,000 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

**Worcester Polytechnic Institute**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2023 and 2022**

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 fair 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 statement 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.

**Worcester Polytechnic Institute**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2023 and 2022**

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 most cases are as related costs are incurred.

**Worcester Polytechnic Institute**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2023 and 2022**

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 2023 and 2022, sponsored programs revenue earned from governmental sources total \$37,830,000 and \$34,497,000, 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. Institutional aid provided to students was \$127,865,000 in 2023 and \$122,801,000 in 2022.

The University offers a summer term that spans two reporting periods. Payments of tuition and housing for the summer terms are recognized as performance obligations are met. Because the academic term spans two reporting periods, a portion of the payments are deferred at June 30, 2023 and 2022.

***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 provided.

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 rendered.

**Worcester Polytechnic Institute**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2023 and 2022**

**NOTE 3 - ACCOUNTS RECEIVABLE, NET**

Accounts receivable, net, consist of the following at June 30 (in thousands):

	2023	2022
Sponsored research	\$ 9,784	\$ 6,381
Student receivables	3,326	2,960
Other receivables	2,059	9,119
	15,169	18,460
Less:		
Allowance for doubtful accounts	(1,454)	(1,228)
	\$ 13,715	\$ 17,232

**NOTE 4 - CONTRIBUTIONS RECEIVABLE, NET**

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

	2023	2022
In one year or less	\$ 9,615	\$ 7,530
Between one and five years	23,348	22,616
	32,963	30,146
Less:		
Discount to present value	(1,723)	(1,374)
Allowance for doubtful contributions	(2,436)	(2,339)
	\$ 28,804	\$ 26,433

As of June 30, 2023 and 2022, the University has approximately \$115,412,000 and \$113,434,000, respectively, of conditional promises to give that are not recognized as assets in the accompanying consolidated statements of financial position.

**NOTE 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, 2023 and 2022, student loans represented 1.3% and 1.3% of total assets, respectively.



**Worcester Polytechnic Institute**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2023 and 2022**

Student loans receivable consist of the following at June 30 (in thousands):

	2023			2022		
	Federal	Institutional	Total	Federal	Institutional	Total
Student loans receivable	\$ 2,333	\$ 14,642	\$ 16,975	\$ 3,360	\$ 13,071	\$ 16,431
Less: allowance for doubtful accounts						
Beginning of year	-	(359)	(359)	(150)	(313)	(463)
Decrease (increases)	-	(35)	(35)	-	(46)	(46)
Write-offs	-	-	-	150	-	150
End of year	-	(394)	(394)	-	(359)	(359)
Student loans receivable, net	<u>\$ 2,333</u>	<u>\$ 14,248</u>	<u>\$ 16,581</u>	<u>\$ 3,360</u>	<u>\$ 12,712</u>	<u>\$ 16,072</u>

Historically the University participated in the Federal Perkins Loan Program 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 totals \$2,527,000 and \$3,601,000 at June 30, 2023 and 2022, respectively.

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

	1-60 Days	60-90 Days	90+ Days	Total Past Due
June 30, 2023	\$ 5	\$ 6	\$ 793	\$ 804
June 30, 2022	\$ 5	\$ 7	\$ 847	\$ 859

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.

**NOTE 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 (in thousands):

	2023	2022
Fair value, beginning of year	\$ 16,846	\$ 19,697
Net realized losses	(275)	(2,391)
Distributions, net	(97)	(460)
Fair value, end of year	<u>\$ 16,474</u>	<u>\$ 16,846</u>

**Worcester Polytechnic Institute**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2023 and 2022**

**NOTE 7 - INVESTMENTS**

Investments at June 30, 2023 are as follows (comparative totals are included for 2022) (in thousands):

	2023			2022
	Endowment and Similar Funds	Split-Interest Agreements	Total	Total
Cash and cash equivalents	\$ 2,823	\$ 424	\$ 3,247	\$ 9,709
Equity securities	60,380	10,118	70,498	39,549
Fixed income securities	88,402	2,403	90,805	60,550
Alternative investments				
Equity funds	327,953	-	327,953	301,709
Fixed income funds	66,538	-	66,538	71,136
Private equity funds	100,883	-	100,883	98,470
Real estate	44,563	-	44,563	59,591
Total investments	<u>\$ 691,542</u>	<u>\$ 12,945</u>	<u>\$ 704,487</u>	<u>\$ 640,714</u>

Investments at June 30, 2023 are as follows (in thousands):

	2023				Total
	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	NAV Practical Expedient	
Cash and cash equivalents	\$ 3,247	\$ -	\$ -	\$ -	\$ 3,247
Equity securities	70,498	-	-	-	70,498
Fixed income securities	90,805	-	-	-	90,805
Alternative investments					
Equity funds	-	-	-	327,953	327,953
Fixed income funds	-	-	-	66,538	66,538
Private equity funds	-	-	-	100,883	100,883
Real estate	-	-	-	44,563	44,563
Total investments	<u>\$ 164,550</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 539,937</u>	<u>\$ 704,487</u>

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2023 and 2022**

	2022				
	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservabl e 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

Fair values of equity, fixed income and commodity securities are generally based on published fair 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 fair 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 partnerships 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

**Worcester Polytechnic Institute**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2023 and 2022**

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, 2023.

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 not valued at NAV (in thousands):

Real Estate Investment	2023	2022	Valuation Technique	Unobservable Input	Range
Commercial real estate, Florida	\$ -	\$ -	Income capitalization	Capitalization Rate	8.0% - 14.0%
Leased land, Worcester, MA	-	5,250	Income capitalization	Capitalization Rate	3.96% - 6.1%
Parking garage, Worcester, MA	-	3,475	Income capitalization	Capitalization Rate	8.25%
Undeveloped land, Worcester, MA	-	1,740	Sales comparison	Price per acre Comparability adjustments	\$0.7M - \$1.4M -20% - 30%
Undeveloped land, Worcester, MA	-	1,600	Sales comparison	Price per acre Comparability adjustments	\$0.7M - \$1.4M -5% - + 45%
Residential real estate, US	-	382	Sales comparison	Price per square foot	\$365K - \$405K
	<u>\$ -</u>	<u>\$ 12,447</u>			

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2023 and 2022**

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 (in thousands):

2023						
Asset Class	Strategy	Fair Value	Remaining Life	Unfunded Commitment	Redemption Terms	Redemption Restrictions
Absolute Return - Market Neutral	Global equity and fixed income funds in market neutral categories	\$ 62,759	Up to 21 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	100,883	Up to 8 Years	47,070	Private equity structure with no ability to redeem.	Not redeemable
Directional Hedge	Global long/short equity funds	95,374	Up to 28 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	207,368	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	28,990	No limit	-	Daily redemption with a notice period ranging from 0 to 2 business days.	
Real Estate	US real estate		Up to 4 Years		Private equity structure with no ability to redeem.	Not redeemable
		<u>44,563</u>		<u>24,550</u>		
		<u>\$ 539,937</u>		<u>\$ 76,795</u>		

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2023 and 2022**

2022						
Asset Class	Strategy	Fair Value	Remaining Life	Unfunded Commitment	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		Up to 4 Years		Private equity structure with no ability to redeem.	Not redeemable
		<u>47,144</u>		<u>26,431</u>		
		<u>\$ 517,372</u>		<u>\$ 73,176</u>		

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2023 and 2022**

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

	Private Equity Funds	Real Estate	Total
Fair value, June 30, 2021	\$ 1,087	\$ 16,260	\$ 17,347
Transfers out	-	(2,150)	(2,150)
Net realized and unrealized losses	-	(1,663)	(1,663)
Fair value, June 30, 2022	1,087	12,447	13,534
Net realized and unrealized gains/(losses)	(1,087)	4,812	3,725
Sales and settlements	-	(17,259)	(17,259)
Fair value, June 30, 2023	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

In the consolidated statements of activities for the years ended June 30, 2023 and 2022, net realized and unrealized gains and losses on Level 3 investments are included in nonoperating net realized and unrealized losses on investments.

***Endowment Income and Spending***

In addition to current yield (interest, dividends, and net rental income), the University has interpreted Massachusetts 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:

<u>Asset Allocation Policy</u>	<u>Target %</u>
Global equity	50
Private equity / venture capital	20
Private credit	5
Flexible capital	10
Fixed income	2.5
Real assets	12.5

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2023 and 2022**

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 4.6% 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, 2023 and 2022, respectively.

The spending rule distributions for fiscal years 2023 and 2022, respectively, were \$0.295 and \$0.293 per time weighted unit, comprised of, respectively, \$0.112 and \$0.050 of income and \$0.183 and \$0.243 of distributions from current and accumulated net gains. At June 30, 2023, there were a total of 87,820,560 units in the pooled endowment and similar funds, each having a fair value of \$7.195 of the total units. Of those units, 52,202,082 were owned by endowment funds and 35,618,478 were owned by internally designated funds, respectively. 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. Of those units, 50,931,597 were owned by endowment funds and 35,570,108 were owned by internally designated funds, respectively.

A summary of the fair value per unit and the income per time-weighted unit for the pooled investments held as of June 30, 2023 and in each of the prior four years is as follows:

	Income Per Time-Weighted Unit	Fair Value Per Unit
2023	\$ 0.112	\$ 7.195
2022	0.500	6.813
2021	0.031	7.441
2020	0.039	6.003
2019	0.059	6.359
2018	0.061	6.338

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 \$7,882,000 is less than the historic dollar value of such funds of \$8,040,000 ("underwater funds") equaling approximately \$158,000 and \$900,000 at June 30, 2023 and 2022, respectively. The University is under no legal obligation to fund the deficiencies.



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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2023 and 2022**

***Endowment and Similar Funds***

The endowment and similar funds' net asset composition as of June 30, 2023 and 2022 and the changes for the years then ended are as follows (in thousands):

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor restricted	\$ -	\$ 382,920	\$ 382,920
Quasi-endowment	245,845	-	245,845
	245,845	382,920	628,765
Balance, June 30, 2022	232,329	354,778	587,107
Investment return	29,403	29,676	59,079
Contributions	1,683	6,288	7,971
Appropriated for expenditure	(17,570)	(7,822)	(25,392)
	245,845	382,920	628,765
Balance, June 30, 2023	\$ 245,845	\$ 382,920	\$ 628,765

	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)
	232,329	354,778	587,107
Balance, June 30, 2022	\$ 232,329	\$ 354,778	\$ 587,107

***Split-Interest Agreements***

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

	2023	2022
Charitable remainder trusts	\$ 6,418	\$ 7,211
Charitable gift annuities	5,705	6,170
Pooled income funds	822	978
	\$ 12,945	\$ 14,359

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2023 and 2022**

**NOTE 8 - LAND, BUILDINGS AND EQUIPMENT, NET**

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

	2023	2022
Land and land improvements	\$ 43,575	\$ 32,056
Buildings and improvements	683,292	651,358
Equipment	150,744	144,211
Long-term lease assets	34,769	35,130
	912,380	862,755
Less: accumulated depreciation	(401,422)	(369,682)
Construction-in-progress	7,561	12,906
	\$ 518,519	\$ 505,979

Depreciation expense charged to operations was approximately \$31,693,000 and \$31,514,000 for the years ended June 30, 2023 and 2022, respectively. Net interest cost capitalized was \$0 and \$3,070,000 for the years ended June 30, 2023 and 2022, respectively.

**NOTE 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.

During the year ended June 30, 2023, the University entered into a 40-year operating agreement with a third party to manage and upgrade the existing powerplant. This long-term utility agreement includes an upfront \$45 million payment and an exclusive right to sell to the University electricity, steam/hot water, and chilled water. Through this 40-year agreement the University agreed to sell certain utility assets to a newly formed entity, WPI Utility P3, LLC at a price of \$14,103,600 and to grant them the right to operate the utility systems for the duration of the agreement at a price of \$30,896,400.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2023 and 2022**

The University assessed the transaction as a sale leaseback transaction under Financial Accounting Standards Board Accounting Standards Codification 842 and concluded that ultimately the transaction did not meet the definition of a sale. Therefore, the University did not follow sale leaseback accounting. Instead, the University continued to recognize the fixed assets with their net book value of approximately \$2.6 million and continued depreciating them over their useful lives. Separately, the University recognized the cash received of \$45 million as an operating lease liability for the future payments to be made.

The table below presents certain information related to the lease costs for leases.

	2023	2022
Finance lease cost		
Amortization of leased assets	\$ 334	\$ 334
Interest on lease liabilities	548	95
Operating lease cost	4,503	3,098
Short-term and variable lease costs	4,828	3,044
Total lease cost	\$ 10,211	\$ 6,571

Supplemental financial position information related to operating and finance leases as of June 30, 2023 is as follows:

	Classification on the Statement of Financial Position	2023
<b>Assets</b>		
Operating lease assets	Land, buildings and equipment, net	\$ 20,004
Finance lease assets	Land, buildings and equipment, net	1,504
Total lease assets		21,508
<b>Liabilities</b>		
Lease liabilities	Operating lease liabilities	21,476
Finance leases	Operating lease liabilities	46,272
Total lease liabilities		\$ 67,748
<b>Weighted-average remaining lease term</b>		
Operating leases		5.1 years
Finance leases		85.6 years
<b>Weighted-average discount rate</b>		
Operating leases		3.13%
Finance leases		3.24%

**Worcester Polytechnic Institute**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2023 and 2022**

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

	2023
Cash paid for amounts included in the measurement of lease liabilities	
Operating cash flows for operating leases	\$ 4,503
Operating cash flows for finance leases	1,524
	\$ 4,957

Future minimum lease payments under operating leases at June 30, 2023 is as follows:

Year Ending June 30,	Amount Due
2024	\$ 7,158
2025	7,005
2026	6,684
2027	6,509
2028	5,569
Thereafter	57,345
	90,270
Less: imputed interest	(22,522)
Total lease liabilities	\$ 67,748

**Worcester Polytechnic Institute**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2023 and 2022**

**NOTE 10 - BONDS AND NOTES PAYABLE**

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

Purpose and Definition	Maturity Date	Interest Rate %	Original Issue	Amount Due Within One Year	Balance, June 30, 2023	Balance, June 30, 2022
<b>Bonds payable</b>						
MDFA 2008 Series A <sup>(1)</sup>	9/1/2035	Variable	\$ 54,815	\$ 2,440	\$ 31,345	\$ 33,730
MDFA 2014 Series <sup>(1)</sup>	9/1/2029	2.5-3.1	2,782	212	3,090	3,295
MDFA 2016 Series <sup>(2)</sup>	9/1/2052	3.0-5.0	49,030	-	43,149	48,042
Worcester Polytechnic Institute 2016 Series <sup>(1)</sup>	9/1/2056	4.338	56,905	-	56,905	56,905
MDFA 2017A Series <sup>(3)</sup>	9/1/2047	3.0-5.0	14,435	250	14,440	14,955
MDFA 2017B Series <sup>(4)</sup>	9/1/2045	5.0	52,990	-	54,736	60,436
MDFA 2019 Series <sup>(5)</sup>	9/1/2059	4.0-5.0	113,640	-	133,315	133,963
MDFA 2022 Series <sup>(1)</sup>	6/30/2042	2.2	42,540	1,050	41,557	42,540
Uncollateralized notes						
TD Bank	7/1/2023	Various	7,122	-	-	3,977
Capital lease obligations	Various	Various	-	92	205	195
Other short-term financing obligations	Various	Various	-	20,000	20,000	3
				24,044	398,743	398,041
Less: deferred financing costs, net of amortization				-	(2,623)	(2,816)
Total bonds and notes payable				<u>\$ 24,044</u>	<u>\$ 396,120</u>	<u>\$ 395,225</u>

- (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, 2023 includes a premium of approximately \$4,364,000.
- (3) The bonds represent a general obligation of the University. The balance at June 30, 2023 includes a premium of approximately \$2,005,000.
- (4) The bonds represent a general obligation of the University. The balance at June 30, 2023 includes a premium of approximately \$6,491,000.
- (5) The bonds represent a general obligation of the University. The balance at June 30, 2023 includes a premium of approximately \$19,770,000.

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

**Worcester Polytechnic Institute**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2023 and 2022**

<u>Year Ending June 30,</u>	<u>Amount Due</u>
2024	\$ 24,044
2025	3,808
2026	3,847
2027	4,007
2028	4,103
Thereafter	<u>326,304</u>
 Total cash payments	 366,113
 Premium	 <u>32,630</u>
	 <u>\$ 398,743</u>

In June 2022, the University refunded \$42,540,000 in the form of MDFA Revenue Bond Series 2022, formerly Series 2012 Bonds. 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.

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. The balance outstanding was \$20,000,000 and \$0 for the years ended June 30, 2023 and 2022, respectively. Related interest expense was \$49,000 and \$0 for the years ended June 30, 2023 and 2022, respectively.

**NOTE 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 obligations. The following summarizes the terms for each of these agreements as of June 30 (dollars in thousands):

	<u>Series 2008 A</u>		
	<u>Deutsche Bank AG</u>	<u>Barclays Bank PLC</u>	
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	SOFR + 11.448 bps	
 <u>Fair Value Liability</u>	 <u>Level 1</u>	 <u>Level 2</u>	 <u>Total</u>
June 30, 2023	\$ 831	\$ 1,044	\$ 1,875
June 30, 2022	\$ 1,346	\$ 2,045	\$ 3,391

**Worcester Polytechnic Institute**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2023 and 2022**

The net unrealized loss and gain that was recognized for the interest rate swap agreements for the years ended June 30, 2023 and 2022 was approximately a gain of \$1,023,000 and \$3,452,000, respectively, and has been recorded in as changes in value of interest rate agreements on the accompanying consolidated statements of activities. At June 30, 2023 and 2022, the fair value liability for interest rate swap agreements totaled \$1,875,000 and \$3,391,000, 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+. 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 fair value liability in excess of \$40 million will trigger a posting requirement for the Barclays Bank PLC agreements. The current combined debt and swap liability is \$33 million. The provisions with both counterparties provide that the liability threshold increases if the University's long-term credit ratings decline. At June 30, 2023, the University is not required to post collateral to its counterparties.

**NOTE 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 \$10,495,000 and \$9,895,000 for the years ended June 30, 2023 and 2022, respectively. Contributions are based upon a percentage of the employees' compensation.

**NOTE 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 (dollars in thousands):

	2023						Total
	Instruction and Research	Sponsored Research	Student Services	Auxiliary Enterprises	External Relations	Institution and Academic Support	
Wages and benefits	\$ 103,939	\$ 25,033	\$ 11,606	\$ 842	\$ 10,564	\$ 38,493	\$ 190,477
Operating expenses	28,294	22,651	11,142	31,347	2,856	24,169	120,459
Depreciation	9,112	4,598	5,182	7,499	117	4,997	31,505
Interest expense	4,825	1,041	2,633	3,745	18	455	12,717
	<u>\$ 146,170</u>	<u>\$ 53,323</u>	<u>\$ 30,563</u>	<u>\$ 43,433</u>	<u>\$ 13,555</u>	<u>\$ 68,114</u>	<u>\$ 355,158</u>

**Worcester Polytechnic Institute**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2023 and 2022**

	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
	<u>\$ 132,387</u>	<u>\$ 46,694</u>	<u>\$ 27,630</u>	<u>\$ 49,053</u>	<u>\$ 12,292</u>	<u>\$ 54,639</u>	<u>\$ 322,695</u>

External relations expenditures include approximately \$8,237,000 and \$7,651,000 of fundraising expenses for the years ended June 30, 2023 and 2022, respectively.

**NOTE 14 - LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES**

The following summarizes the financial assets available to meet the University's general expenditures, as of June 30, 2023:

	Resources Available at 6/30/23	Resources Appropriated by the Board and Available in FY 2024	Resources not Available Within 12 Months	Total
Financial assets available within 12 months				
Cash and cash equivalents	\$ 10,891	\$ -	\$ -	\$ 10,891
Accounts receivable, net	13,715	-	-	13,715
Forecasted payout on board designated endowments	-	16,878	-	16,878
Investments not subject to donor restrictions or board designations	-	10,621	-	10,621
Total financial assets available within 12 months	24,606	27,499	-	52,105
Financial assets not available for expenditures within 12 months				
Cash, cash equivalents and investments	-	-	704,487	704,487
Contributions not due within one year	28,804	-	-	28,804
Student loan receivables, net	-	-	16,581	16,581
Liquidity resources				
Bank line of credit (less balance outstanding as of June 30, 2023)	30,000	-	-	30,000
Total financial assets and other liquidity resources	<u>\$ 83,410</u>	<u>\$ 27,499</u>	<u>\$ 721,068</u>	<u>\$ 831,977</u>

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.



**Worcester Polytechnic Institute**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2023 and 2022**

Included in financial assets not available for expenditure at June 30, 2023, the University had \$244,135,000 of board-designated endowments that, with the board's approval, could be made available for expenditures.

Of the University's investments, 58% are redeemable within 30 days, 22% may be redeemed either at future specified redemption dates or currently by incurring a penalty, and 20% are in real estate, private equities, 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.

**NOTE 15 - NET ASSETS**

Net assets consist of the following at June 30 (in thousands):

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment funds			
Long-term investment (quasi - endowment)	\$ 245,845	\$ -	\$ 245,845
Original principal	-	249,221	249,221
Unspent income and appreciation			
Scholarship support	-	94,512	94,512
Faculty support	-	19,575	19,575
Program support	-	21,322	21,322
Total endowment funds	245,845	384,630	630,475
Split-interest agreements and perpetual trusts	1,414	22,224	23,638
Student loan funds	14,225	4,423	18,648
Gifts and other unexpended revenues			
Acquisition of building and equipment	-	1,100	1,100
Instruction, research and institutional support	-	36,188	36,188
Undesignated	89,238	-	89,238
	\$ 350,722	\$ 448,565	\$ 799,287
	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	18,233
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

**Worcester Polytechnic Institute**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2023 and 2022**

**NOTE 16 - 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, 2023 and 2022, funds held for others in the consolidated statements of financial position include Alumni Association assets of \$2,956,000 and \$2,986,000, respectively.

**NOTE 17 - COMMITMENTS AND CONTINGENCIES**

***Construction Contracts***

For the years ended June 30, 2023 and 2022, the University had contracted for various renovations and construction projects across campus totaling approximately \$14,927,000 and \$18,150,000, 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, 2023 and 2022, the University had unfunded commitments of approximately \$76,795,000 and \$73,176,000, 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 \$3,807,000 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 statement 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 statement 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, 2023 and 2022 but not yet reported or paid have been adequately reserved.

**Worcester Polytechnic Institute**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED**

**June 30, 2023 and 2022**

***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.

**NOTE 18 - SUBSEQUENT EVENTS**

Management has evaluated subsequent events for the period after June 30, 2023 through January 11, 2024, the date the consolidated financial statements were issued, and determined that there have been no subsequent events that would require recognition in the consolidated financial statements or disclosure in the notes of the consolidated financial statements.

**NOTE 19 – SCHEDULE OF FINANCIAL RESPONSIBILITY RATIOS**

As disclosed in the accompanying supplemental schedule, the U.S. Department of Education finalized borrower defense rules that require the inclusion of a supplemental schedule to the audited consolidated financial statements that contains all financial elements needed to calculate the composite score ratios with a cross reference to the financial statement line, or notes disclosure, that contains the element. The required financial elements as of June 30, 2023 not already included in a previous footnote are outlined below.

<u>Financial element (in thousands)</u>	<u>Amount</u>
Property, plant, and equipment, net (includes construction in progress and capital leases)	\$ 518,519
Property, plant, and equipment, net - pre-implementation (including capital leases)	228,859
Property, plant, and equipment, net - post-implementation without original debt (including capital leases)	282,099
Related-party receivables	13,843
Long-term debt for long-term purposes pre-implementation	221,248
Property, plant, and equipment- post-implementation without original debt (including capital leases)	158,447
Note payable and line of credit for construction in progress	16,425
Term endowments with donor restrictions	238,999
Life income funds with donor restrictions	14,794
Non-operating and net investment gain / (loss)	(24,741)
Investment return appropriated for spending	7,832
Non-operating revenue and other gains / (loss)	(19,210)

**Worcester Polytechnic Institute**  
**FINANCIAL RESPONSIBILITY SUPPLEMENTAL SCHEDULE**  
**For the year ended June 30, 2023**

Financial Statement Reference	Financial Element	Amount (in thousands)
<b>Primary Reserve Ratio</b>		
<u>Expendable Net Assets:</u>		
Consolidated Statement of Financial Position	Net assets without donor restrictions	\$ 350,722
Consolidated Statement of Financial Position	Net assets with donor restrictions	448,565
Note to the Consolidated Financial Statements- Note 19	Secured and unsecured related party receivable	13,843
Note to the Consolidated Financial Statements- Note 19	Unsecured related party receivables	13,843
Note to the Consolidated Financial Statements- Note 19	Property, plant, and equipment, net (includes construction in progress and capital leases)	518,519
Note to the Consolidated Financial Statements- Note 19	Property, plant, and equipment, pre-implementation (including capital leases)	228,859
Note to the Consolidated Financial Statements- Note 19	Property, plant, and equipment, post-implementation without original debt (including capital leases)	282,099
Note to the Consolidated Financial Statements- Note 8	Construction in Process	7,561
Note to the Consolidated Financial Statements- Note 9	Lease right-of-use asset, net	21,508
Note to the Consolidated Financial Statements- Note 9	Lease right-of-use asset, post-implementation	21,508
Consolidated Statement of Financial Position- Bonds and mortgages payable, net	Long-term debt- for long term purposes	396,120
Note to the Consolidated Financial Statements- Note 19	Long-term debt- for long term purposes, pre-implementation	221,248
Note to the Consolidated Financial Statements- Note 19	Long-term debt- for long term purposes, post-implementation	158,447
Note to the Consolidated Financial Statements- Note 19	Note payable and line of credit for construction in progress	16,425
Note to the Consolidated Financial Statements- Note 9	Lease liabilities	67,748
Note to the Consolidated Financial Statements- Note 9	Lease liabilities, post-implementation	67,748
Note to the Consolidated Financial Statements- Note 19	Term endowments with donor restrictions	238,999
Note to the Consolidated Financial Statements- Note 19	Life income funds with donor restrictions	14,794
Consolidated Statement of Financial Position	Net assets with donor restrictions: restricted in perpetuity	253,793
Consolidated Statement of Financial Position	Net assets with donor restrictions: Other than for purpose or time	194,772
	<b>Total Expendable Net Assets:</b>	<b>423,095</b>
<u>Total Expenses and Losses:</u>		
Consolidated Statement of Activities- Total Expenses	Total expenses without donor restrictions	355,157
Note to the Consolidated Financial Statements- Note 19	Non-operating and net investment loss	-
	<b>Total Expenses and Losses:</b>	<b>355,157</b>
<b>Equity Ratio</b>		
<u>Modified Net Assets:</u>		
Consolidated Statement of Financial Position	Net assets without donor restrictions	350,722
Consolidated Statement of Financial Position	Net assets with donor restrictions	448,565
Note to the Consolidated Financial Statements- Note 19	Unsecured related party receivables	13,843
	<b>Total Modified Net Assets:</b>	<b>813,130</b>
<u>Modified Assets:</u>		
Consolidated Statement of Financial Position	Total assets	1,319,476
Note to the Consolidated Financial Statements- Note 19	Secured and unsecured related party receivables	13,843
	<b>Total Modified Assets:</b>	<b>1,333,319</b>
<b>Net Income Ratio</b>		
<u>Change in Net Assets Without Donor Restrictions:</u>		
Consolidated Statement of Activities	Change in net assets without donor restrictions:	2,092
	<b>Total Change in Net Assets Without Donor Restrictions:</b>	<b>2,092</b>
<u>Total Revenues and Gains:</u>		
Consolidated Statement of Activities- Total Revenue and Other Support	Total operating revenue and other additions (gains)	326,672
Note to the Consolidated Financial Statements- Note 19	Non-operating revenue and other gains	24,741
	<b>Total Revenues and Gains:</b>	<b>351,413</b>

The accompanying notes to the financial responsibility supplemental schedule should be read in conjunction with this schedule.

**Worcester Polytechnic Institute**

**NOTES TO FINANCIAL RESPONSIBILITY SUPPLEMENTAL SCHEDULE**

**June 30, 2023**

**NOTE 1 - BASIS OF PRESENTATION**

The proceeding schedule of financial responsibility ratios (the "Schedule") of the University provides financial information required by the U.S. Department of Education to calculate the primary reserve ratio, equity ratio, net income ratio and the composite score as defined in Subpart L of 34 CFR 668 for the fiscal year-ended June 30, 2023. The financial information in the Schedule has been prepared in accordance with accounting principles generally accepted in the United States of America consistent with the consolidated financial statements. The Schedule is presented for purposes of additional analysis as required by the U.S. Department of Education and is not a required part of the basic consolidated financial statements.

**Worcester Polytechnic Institute**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the year ended June 30, 2023**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Total Expenditures	Amounts Passed Through to Subrecipients
<b>STUDENT FINANCIAL ASSISTANCE CLUSTER</b>				
<b>U.S. Department of Education</b>				
Federal Supplemental Educational Opportunity Grants	84.007		\$ 463,192	\$ -
William D. Ford Federal Direct Stafford Loan Program	84.268		28,012,537	-
Work Study Program	84.033		528,729	-
Pell Grant Program	84.063		2,638,875	-
Perkins Loan Program			-	-
Outstanding Loans as of July 1, 2022	84.038		3,359,890	-
Total Student Financial Assistance Cluster			<b>35,003,223</b>	<b>-</b>
<b>RESEARCH AND DEVELOPMENT CLUSTER</b>				
<b>Department of Agriculture</b>				
Agricultural Statistics Reports	10.950		31,226	-
Environmental Quality Incentives Program	10.912		282,529	93,070
Pass-Through Program			-	-
National Institute of Food and Agriculture (from North Carolina Agricultural and Technical State University)	10.310	241112A / 2020-67021-39133	10,361	-
Total Department of Agriculture			<b>324,116</b>	<b>93,070</b>
<b>Department of Commerce</b>				
<b>National Institute for Standards and Technology</b>				
Measurement and Engineering Research and Standards	11.609		39,277	4,292
Total National Institute for Standards and Technology			<b>39,277</b>	<b>4,292</b>
<b>National Oceanic and Atmospheric Administration</b>				
Pass-Through Program			-	-
Climate and Atmospheric Research from University of Puerto Rico)	11.431		6,121	-
Total National Oceanic and Atmospheric Administration			<b>6,121</b>	<b>-</b>
Total Department of Commerce			<b>45,398</b>	<b>4,292</b>
<b>Department of Defense</b>				
<b>Defense Advanced Research Projects Agency</b>				
Research and Technology Development	12.910		370,531	-
Pass-Through Program			-	-
Defense Research (from Intrinsic Corporation)	12.RD	W31P4Q-21-C-0004	5,651	-
Total Defense Advanced Research Projects Agency			<b>376,182</b>	<b>-</b>
<b>Department of the Air Force</b>				
Air Force Defense Research Sciences Program	12.800		466,766	146,312
Military Medical Research and Development	12.420		41,779	-
Pass-Through Programs			-	-
Research and Development (from ALAE Solutions, LLC)	12.RD	AFX234-DCSO2 / FA8649-23-P-0482	63,833	-
Air Force Defense Research Sciences Program (from BioMADE)	12.800	E-PC01-A-02-0092 / FA8650-21-2-5028	10,884	-
Research and Development (from MIT Lincoln Laboratory)	12.RD	7000555164 / FA8702-15-D-0001	18,268	-
Research and Development (from MIT Lincoln Laboratory)	12.RD	7000524600 / FA8702-15-D-0001	214,002	-
Air Force Defense Research Sciences Program (from National Center for Defense Manufacturing and Machining)	12.800	FA8650-20-2-5700	47,141	16,368
Research and Development (from Research Foundation of SUNY)	12.RD	FA8650-15-2-522	28,621	-
Air Force Defense Research Sciences Program (from University of Massachusetts Lowell)	12.800	S5133000037894 / FA9550-18-1-0491	67,743	-
Total Department of the Air Force			<b>959,037</b>	<b>162,680</b>
<b>Department of the Army</b>				
Basic Scientific Research	12.431		4,987,194	2,423,274
Direct Programs	12.RD		503,735	107,256
Pass-Through Programs			-	-
Basic, Applied, and Advanced Research in Science and Engineering from Advanced Regenerative Manufacturing Institute)	12.630	T0137 / W911NF-17-3-003	67,806	-
Army Research from Colorado State University)	12.RD	G-27001-03 / W912HQ19C0049	93,637	-
Basic Scientific Research (from Northeastern University)	12.431	555080-78054 / W911NF2220001	733,279	-
Basic Scientific Research (from Northeastern University)	12.431	555092-78058 / W911NF2220001	136,284	-
Basic Scientific Research (from Northeastern University)	12.431	555093-78055 / W911QX23D0002	48,494	-
Basic Scientific Research (from PPG Industries, Inc.)	12.431	EPO-00225544 / W911NF-17-2-0227	6,117	-
Basic Scientific Research (from SEMI)	12.431	FT19-21-215 / W911NF-19-2-0345	651,164	242,944
Research on Chemical and Biological Defense from University of Massachusetts Lowell)	12.360	S5131047977MN31 / W911QY2020005	68,362	-
Total Department of the Army			<b>7,296,072</b>	<b>2,773,474</b>
<b>Department of the Navy</b>				
Basic and Applied Scientific Research	12.300		101,764	-
Commercial Technologies for Maintenance Activities Program	12.225		86,087	-
Pass-Through Programs			-	-
Navy Research from Raytheon BBN Technologies)	12.RD	PO4201846507 / N66001-18-C-4507	(3,653)	-
Basic and Applied Scientific Research from University of Wisconsin-Madison)	12.300	0000001322 / N00014-21-1-2492	(2,812)	-
Total Department of the Navy			<b>181,386</b>	<b>-</b>
<b>Washington Headquarters Services</b>				
Pass-Through Program			-	-
Commercial Technologies for Maintenance Activities Program Passed from VRC Metal Systems, LLC	12.225	59.01 / HQ0034-15-2-0007	59,691	-
Total Washington Headquarters Services			<b>59,691</b>	<b>-</b>
Total Department of Defense			<b>8,872,368</b>	<b>2,936,154</b>

The accompanying notes to the schedule of expenditures of federal awards should be read in conjunction with this schedule.

**Worcester Polytechnic Institute**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the year ended June 30, 2023**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Total Expenditures	Amounts Passed Through to Subrecipients
<b>Department of Education</b>				
Graduate Assistance in Areas of National Need	84.200		74,492	-
Education Research, Development and Dissemination	84.305		1,545,583	866,925
Investing in Innovation (I3) Fund	84.411		1,620,523	1,087,068
<b>Pass-Through Programs</b>				
Education Research, Development and Dissemination (from American Institute for Research)	84.305	0440300001 / R305A170243	(38,646)	-
Education Research, Development and Dissemination (from Regents of University of Michigan)	84.305	SUBK00013829 / R305D210031	44,800	-
Education Research, Development and Dissemination (from Regents of University of Michigan)	84.305	SUBK00013834 / R305D210029	37,230	-
Education Research, Development and Dissemination (from University of Texas at Austin)	84.305	UTA21-000135 / R305D210036	84,972	-
Education Research, Development and Dissemination (from WestEd)	84.305	S-15883 / R305A170641	35,986	-
Education Research, Development and Dissemination (from WestEd)	84.305	S-00019408 / R305R220012	29,121	-
Education Innovation and Research (from The Assistments Foundation)	84.411	22-003 / S411B210024	45,137	-
Total Department of Education			<u>3,479,198</u>	<u>1,953,993</u>
<b>Department of Energy</b>				
Conservation Research and Development	81.086		1,186,804	352,877
Fossil Energy Research and Development	81.089		286,937	146,670
Renewable Energy Research and Development	81.087		525,737	330,628
<b>Pass-Through Programs</b>				
Research and Development (from Argonne National Laboratory)	81.RD	9F-60039 / DE-AC02-06CH11357	43,084	-
Research and Development (from Argonne National Laboratory)	81.RD	9F-60088 / DE-AC02-06CH11357	157,979	-
Nuclear Energy Research, Development and Demonstration (from Boston University)	81.121	4500003785 / DE-NE0008937	30,312	-
Research and Development (from BWXT Pantex, LLC.)	81.RD	PTX01-0000090910 / DE-NA0001942	39,908	-
Research and Development (from Leidos)	81.RD	P010255093 / 89243318CFE000003	69,489	-
Renewable Energy Research and Development (from Phinix LLC)	81.087	20-01-RR-4010-01 / DE-EE0007897	107,701	-
Fossil Energy Research and Development (from Saint-Gobain Ceramics and Plastics, Inc.)	81.089	DE-FE0031972-001 / DE-FE0031972	74,198	-
Research and Development (from Terves, LLC)	81.RD	WPI-2021-01 / DE-AC02-07CH11358	23,343	-
Conservation Research and Development (from The United States Advanced Battery Consortium LLC)	81.086	19-2240-ABC / DE-EE0006250	253,258	146,268
Conservation Research and Development (from The United States Advanced Battery Consortium LLC)	81.086	21-2266-ABC / DE-EE0006250	470,480	254,673
Total Department of Energy			<u>3,269,230</u>	<u>1,231,116</u>
<b>Department of Health and Human Services</b>				
<b>National Institutes of Health</b>				
Aging Research	93.866		46,597	-
Allergy and Infectious Diseases Research	93.855		842,555	163,649
Arthritis, Musculoskeletal and Skin Diseases Research	93.846		47,437	-
Biomedical Research and Research Training (B, M)	93.859		1,356,715	420,624
Cancer Biology Research	93.396		7,509	-
Cancer Detection and Diagnosis Research (B)	93.394		393,777	260,544
Cardiovascular Diseases Research	93.837		90,626	21,435
Child Health and Human Development Extramural Research	93.865		232,882	-
Discovery and Applied Research for Technological Innovations to Improve Human Health	93.286		372,601	54,627
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853		118,553	-
Medical Library Assistance	93.879		234,934	110,915
Mental Health Research Grants	93.242		12,440	-
Research and Training in Complementary and Integrative Health	93.213		4,065	-
Research Related to Deafness and Communication Disorders	93.173		323,120	7,350
Trans-NIH Research Support	93.310		275,253	45,879
<b>Pass-Through Programs</b>				
Allergy and Infectious Diseases Research (from Bowdoin College)	93.855	2018_005 / R15AI090633	2,224	-
Discovery and Applied Research for Technological Innovations to Improve Human Health (from Brigham and Women's Hospital, Inc.)	93.286	125787 / 1R01EB030539-01	297,114	-
Allergy and Infectious Diseases Research (from Joan & Sanford I. Weill Medical College of Cornell University)	93.855	200543-4 / P01AI143575	60,503	-
Cancer Detection and Diagnosis Research (from Johns Hopkins University)	93.394	2004982698 / 2R01CA134675-11	72,283	-
Child Health and Human Development Extramural Research (from Liberating Technologies, Inc.)	93.865	SUB-WPI-90BISA0046-01 / 90NISA0046-01-00	1,816	-
Research Related to Deafness and Communication Disorders (from Massachusetts Eye and Ear Infirmary)	93.173	531040 / R01DC016079	95,433	-
Research Related to Deafness and Communication Disorders (from Massachusetts General Hospital)	93.173	241254 / 1R01DC020891-01	49,844	-
Allergy and Infectious Diseases Research (from Pennsylvania State University)	93.855	S003042-DHHS / R21AI166006	34,722	-
Biomedical Research and Research Training (from Teachley, LLC)	93.859	R44GM146483	46,475	-
Cardiovascular Diseases Research (from UNandUP, LLC)	93.837	R43HL158306	3,137	-
Cardiovascular Diseases Research (from University of Connecticut)	93.837	414853 / R34HL145439	54,410	-
Diabetes, Digestive, and Kidney Diseases Extramural Research (from University of Massachusetts Amherst)	93.847	017272-9073 / R01DK133717	94,177	-
Mental Health Research Grants (from University of Massachusetts Medical School)	93.242	WA01018431 / 1-R34-MH123578-01	63,994	-
Mental Health Research Grants (from University of Massachusetts Medical School)	93.242	WA01055190 / R01MH118220	47,902	-
Mental Health Research Grants (from University of Massachusetts Medical School)	93.242	WA01327515 / R34MH130934	61,915	-
Nursing Research (from University of Massachusetts Medical School)	93.361	WA01260134 / R21NR020231	48,347	-

The accompanying notes to the schedule of expenditures of federal awards should be read in conjunction with this schedule.

**Worcester Polytechnic Institute**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the year ended June 30, 2023**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Total Expenditures	Amounts Passed Through to Subrecipients
Biomedical Research and Research Training (from University of Massachusetts Medical School)	93.859	WA01326637 / R01GM135919	55,342	-
Biomedical Research and Research Training (from University of Massachusetts Medical School)	93.859	SUB00000228 / R01GM101056	19,640	-
Biomedical Research and Research Training (from University of Vermont)	93.859	AWD00000494SUB00000237 / R35GM141743	37,913	-
Total National Institutes of Health			<u>5,506,255</u>	<u>1,085,023</u>
Total Department of Health and Human Services			<u>5,506,255</u>	<u>1,085,023</u>
<b><u>Department of Homeland Security</u></b>				
<b>Federal Emergency Management Agency</b>				
Pass-Through Program				
Assistance to Firefighters Grant				
(from University of California Los Angeles - UCLA)	97.044	0205 G LB628 / EMW-2021-FP-00199	11,687	-
Total Federal Emergency Management Agency			<u>11,687</u>	<u>-</u>
<b><u>Department of Justice</u></b>				
National Institute of Justice Research, Evaluation, and Development Project Grants				
Total Department of Justice	16.560		155,860	-
			<u>155,860</u>	<u>-</u>
<b><u>Environmental Protection Agency</u></b>				
Office of Research and Development Consolidated				
Research/Training/Fellowships	66.511		135,974	-
Science To Achieve Results (STAR) Research Program	66.509		123,442	-
Total Environmental Protection Agency			<u>259,416</u>	<u>-</u>
<b><u>National Aeronautics and Space Administration</u></b>				
Science	43.001		306,507	-
Space Technology	43.012		59,043	-
Pass-Through Programs				
Science (from California Institute of Technology)	43.001	1670489 / 80NM0018D0004	118,348	57,452
Research and Development (from Nanocomp Technologies, Inc.)	43.RD	PO57285 / 80LARC18C0007	15,663	-
Research and Development (from University of Wisconsin-Madison)	43.001	000000655 / 80NSSC20K0282	23,769	-
Total National Aeronautics and Space Administration			<u>523,330</u>	<u>57,452</u>
<b><u>National Security Agency</u></b>				
Information Security Grants				
Total National Security Agency	12.902		87,636	-
			<u>87,636</u>	<u>-</u>
<b><u>National Science Foundation</u></b>				
Biological Sciences	47.074		313,657	-
Computer and Information Science and Engineering	47.070		3,170,124	483,358
Education and Human Resources	47.076		3,810,002	129,991
Engineering Grants	47.041		3,243,162	72,419
Geosciences	47.050		24,309	-
Mathematical and Physical Sciences	47.049		1,061,733	-
Mathematical and Physical Sciences	47.049		33,088	-
NSF Technology, Innovation and Partnerships	47.084		27,913	-
Office of International Science and Engineering	47.079		119,950	-
Pass-Through Programs				
National Science Foundation Research				
Engineering Grants (from AM Batteries, Inc.)	47.041		12,234	-
Mathematical and Physical Sciences (from American Physical Society)	47.049	PT-003-2019 / PHY-1707990	116,707	-
Computer and Information Science and Engineering (from Carnegie Mellon University)	47.070	1123493-439572 / CNS-1952085	111,399	-
Education and Human Resources (from College of William and Mary)	47.076	715391-2 / 2102119	89,017	-
Social, Behavioral, and Economic Sciences (from HealthPartners Institute)	47.075	X2100900 / 2122232	71,363	-
Education and Human Resources (from Iowa State University of Science and Technology)	47.076	019533F / 1834521	61,939	8,213
Office of Integrative Activities (from Rutgers The State University)	47.083	SUB00002528 / 2140950	15,059	-
Social, Behavioral, and Economic Sciences (from Sante Fe Institute)	47.075	20210825 / 2117564	1,361	-
Engineering Grants (from The Rector and Visitors of the University of Virginia)	47.041	GA11544.PO#2296817 / 2029359	106,015	-
Mathematical and Physical Sciences (from University of Colorado Boulder)	47.049	1558248 / PO1001253491 / OMA 1936303	25,270	-
Education and Human Resources (from University of Colorado Boulder)	47.076	1559736 / 2019805	140,103	-
Education and Human Resources (from University of Connecticut)	47.076	147087447 / 2110083	55,438	-
Education and Human Resources (from University of Houston)	47.076	R-21-0062 / 2100034	34,429	-
Engineering Grants (from University of Illinois - Urbana-Champaign)	47.041	083140-16245 / 1624812	29,170	-
Computer and Information Science and Engineering (from University of Maryland)	47.070	97358-23676201 / 2039951	45,251	-
Computer and Information Science and Engineering (from University of Massachusetts Amherst)	47.070	21-015987-A / 2041785	48,074	-
Social, Behavioral, and Economic Sciences (from University of Massachusetts Lowell)	47.075	PO L001038177 / 2036917	25,447	-
NSF Technology, Innovation and Partnerships (from University of Massachusetts Lowell)	47.084	S5210000055432 / 2229577	13,372	-
Engineering Grants (from University of Minnesota)	47.041	A007047301 / 1831140	12,952	-
Computer and Information Science and Engineering (from Virginia Polytechnic Institute & State University)	47.070	480297-19C98 / 1931639	128,112	-
Total National Science Foundation			<u>12,946,649</u>	<u>693,981</u>

The accompanying notes to the schedule of expenditures of federal awards should be read in conjunction with this schedule.



**Worcester Polytechnic Institute**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the year ended June 30, 2023**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Total Expenditures	Amounts Passed Through to Subrecipients
<b>Department of Veterans Affairs</b>				
Research and Development	64.054		272,573	-
Total Department of Veterans Affairs			<u>272,573</u>	<u>-</u>
<b>Nuclear Regulatory Commission</b>				
U.S. Nuclear Regulatory Commission Scholarship and Fellowship Program	77.008		321,538	-
Total Nuclear Regulatory Commission			<u>321,538</u>	<u>-</u>
<b>Total Research and Development Cluster</b>			<u>36,075,254</u>	<u>8,055,081</u>
<b>OTHER PROGRAMS</b>				
<b>Department of Education</b>				
Business and International Education Program	84.153		74,677	-
Undergraduate International Studies and Foreign Language	84.016		57,245	-
Total Department of Education			<u>131,922</u>	<u>-</u>
<b>Department of Energy</b>				
RAPID (Rapid Advancement in Process Intensification Deployment Institute)	81.087		62,720	-
Total Department of Energy			<u>62,720</u>	<u>-</u>
<b>Department of Homeland Security</b>				
<b>Federal Emergency Management Agency</b>				
Pass-Through Program				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)				
Passed from Massachusetts Emergency Management Agency	97.036	FEMA-4496-DR-MA	Disaster Grants	
Total Department of Homeland Security			<u>2,072,984</u>	<u>-</u>
<b>Department of State</b>				
AEECA/ESF PD Programs	19.900		34,867	-
Total Department of State			<u>34,867</u>	<u>-</u>
<b>US Agency for International Development</b>				
Foreign Assistance to American Schools and Hospitals Abroad (ASHA)	98.006		122,344	122,344
Total US Agency for International Development			<u>122,344</u>	<u>122,344</u>
<b>Total Other Programs</b>			<u>2,424,837</u>	<u>122,344</u>
<b>Food for Peace Cluster</b>				
<b>US Agency for International Development</b>				
Food for Peace Development Assistance Program (DAP)	98.007		83,746	-
Total US Agency for International Development			<u>83,746</u>	<u>-</u>
<b>Total Food for Peace Cluster</b>			<u>83,746</u>	<u>-</u>
<b>Economic Development Cluster</b>				
<b>Department of Commerce</b>				
<b>National Institute for Standards and Technology</b>				
Pass-Through Program				
Economic Adjustment Assistance				
University of Massachusetts Lowell	11.307	S5170000049091 / 01-79-15096	177,995	-
Total National Institute for Standards and Technology			<u>177,995</u>	<u>-</u>
<b>Total Economic Development Cluster</b>			<u>177,995</u>	<u>-</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 73,765,055</u>	<u>\$ 8,177,425</u>

The accompanying notes to the schedule of expenditures of federal awards should be read in conjunction with this schedule.

**Worcester Polytechnic Institute**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**June 30, 2023**

**NOTE 1 - BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the "Schedule"), includes the federal grant activity of Worcester Polytechnic Institute (the "University") for the year ended June 30, 2023 and is presented on the accrual basis of accounting. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit requirements for Federal Awards* (Uniform Guidance). As the Schedule presents only a select portion of the expenditures of the University, it is not intended to, and does not present the financial position, changes in net assets, or cash flows of the University. Direct awards are listed in total and pass-through awards are listed individually (with pass-through numbers when available) on the Schedule. Negative amounts represent adjustments or credits to amounts reported as expenditures in prior years in the normal course of business. Federal Assistance Listing numbers ("ALN") are presented where available. Amounts passed through to each subrecipient by Federal Assistance Listing are included in the total expenditure column of the respective awards and then additional detail provided in the column presents amounts passed through to the subrecipient.

**NOTE 2 - INDIRECT COSTS**

The University applies its predetermined approved facilities and administrative rate when charging indirect costs to federal awards rather than the 10% de minimus cost rate as described in Section 200.414 of the Uniform Guidance.

**NOTE 3 - FEDERAL PERKINS LOAN PROGRAM**

The University did not process any new loans under the Federal Perkins Loan Program (ALN # 84.038) for the year ended June 30, 2023. The balance of Perkins Loans outstanding at June 30, 2023 was \$2,527,000.

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**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS  
ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT  
AUDITING STANDARDS**

To the Board of Trustees  
Worcester Polytechnic Institute

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the consolidated financial statements of Worcester Polytechnic Institute (the "University"), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated January 11, 2024.

**Report on internal control over financial reporting**

In planning and performing our audit of the consolidated financial statements, we considered the University's internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the University's consolidated financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in the University's internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questions costs as finding 2023-001 that we consider to be a significant deficiency in the University's internal control.

**Report on compliance and other matters**

As part of obtaining reasonable assurance about whether the University's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**University's response to finding**

*Government Auditing Standards* requires the auditor to perform limited procedures on the University's response to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs. The University's response was not subjected to the other auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on the University's response.

**Purpose of this report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

*Grant Thornton LLP*

Boston, Massachusetts  
January 11, 2024

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## **REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Trustees  
Worcester Polytechnic Institute

### **Report on compliance for each major federal program**

#### **Opinion on each major federal program**

We have audited the compliance of Worcester Polytechnic Institute (the “University”) with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget’s OMB Compliance Supplement that could have a direct and material effect on the University’s major federal program for the year ended June 30, 2023. The University’s major federal program is identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

In our opinion, the University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2023.

#### **Basis for opinion on each major federal program**

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (US GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance 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 opinion on compliance for the major federal program. Our audit does not provide a legal determination of the University’s compliance with the compliance requirements referred to above.

#### **Responsibilities of management for compliance**

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the University’s federal programs.

### **Auditor's responsibilities for the audit of compliance**

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the University's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the University's compliance with the requirements on its major federal program as a whole.

In performing an audit in accordance with US GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 University's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on internal control over compliance**

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a

type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in the University's internal control over compliance that we consider to be material weaknesses or significant deficiencies. However, material weaknesses or significant deficiencies in internal control over compliance may exist that have not been identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this Report on Internal Control Over Compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Grant Thornton LLP*

Boston, Massachusetts  
February 16, 2024

**Worcester Polytechnic Institute**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the year ended June 30, 2023**

**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

Type of auditor's report issued:		Unmodified	
Internal control over financial reporting:			
Material weakness(es) identified?	_____ yes	_____ <u>X</u> no	
Significant deficiency(ies) identified?	_____ <u>X</u> yes	_____ none reported	
Noncompliance material to consolidated financial statements noted?	_____ yes	_____ <u>X</u> no	

**Federal Awards**

Internal control over major program:			
Material weakness(es) identified?	_____ yes	_____ <u>X</u> no	
Significant deficiency(ies) identified?	_____ yes	_____ <u>X</u> none reported	
Type of auditor's report issued on compliance for major program:		Unmodified	
Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a) of the Uniform Guidance?	_____ yes	_____ <u>X</u> no	

**Identification of the major program:**

Federal Grantor/Program or Cluster Title	Federal Assistance Listing Number
U.S. Department of Education: Student Financial Assistance Cluster	84.007; 84.033; 84.038; 84.063; & 84.268
Dollar threshold used to distinguish between type A and type B programs:	\$2,212,952
Auditee qualified as low-risk auditee?	_____ yes _____ <u>X</u> no



**Worcester Polytechnic Institute**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**Year Ended June 30, 2023**

**SECTION II - FINANCIAL STATEMENT FINDINGS**

<b>Finding:</b>	<b>2023-001</b>
Type of Finding:	Significant Deficiency in internal control over financial reporting
Criteria:	2 CFR 200.510 of the Uniform Guidance requires auditees to prepare a schedule of expenditures of federal awards ("SEFA") that encompasses all expenditures of federal awards as defined in 2 CFR 200.502.
Condition:	The University prepared a SEFA as part of its financial close and reporting process; however, as part of our review of other revenue, it was determined that one federal award passed through a state agency was incorrectly excluded from the SEFA.
Cause:	Management did not perform a thorough review of other revenue to identify revenue related to federal contracts to ensure the SEFA was complete and accurate.
Effect or potential effect:	The potential effect of not reporting a complete and accurate SEFA is that awards may not be properly tested or not correctly identified as a major program or reported to the sponsoring federal agency.
Recommendations:	We recommend that management ensure a thorough review is performed of the SEFA and all revenue streams to ensure all federal direct and pass-through grant information is complete and accurate for the period.
Views of responsible officials:	WPI agrees with the finding. Refer to Corrective Action Plan for further description of the response to this finding.

**SECTION III - FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

No matters reported.

# WORCESTER POLYTECHNIC INSTITUTE

## FINANCIAL SERVICES

### MANAGEMENTS CORRECTIVE ACTION PLAN

We have prepared the accompanying corrective action plan as required by the standards applicable to financial audits contained in *Government Auditing Standards* and by the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Specifically, for each finding we are providing you with our responsible officials' views, the names of the contact people responsible for corrective action, the corrective action planned, and the anticipated completion date.

### FINANCIAL STATEMENT FINDINGS

Finding:	2023-001
Type of Finding:	Significant Deficiency
Summary response:	The University agrees with this finding. Management will implement a formal reconciliation process for all income recorded as "Other Income" and work directly with the University Office of Sponsored Programs to evaluate all uncommon income receipts.
Responsible official:	E. Jane Clapp, Controller jclapp@wpi.edu 508-831-5577
Anticipated completion:	Immediate

508-831-5577 (TEL) 508-831-5064 (FAX)

**Worcester Polytechnic Institute**  
**STATUS OF PRIOR YEAR FINDING**  
**For the year ended June 30, 2022**

**FINANCIAL STATEMENT FINDINGS**

<b>Finding:</b>	2022-001
<b>Type of Finding:</b>	Material Weakness Over Compliance
<b>Status:</b>	To mitigate future risk all FEMA funds received in FY24 or later will be recorded by our Sponsored Program Accounting team, consistent with all other federal awards. Additionally, beginning in FY24 management will implement a formal reconciliation process for all income recorded as "Other Income" and work directly with the University Office of Sponsored Programs to evaluate all uncommon income receipts.