

# Consolidated Financial Statements and Report of Independent Certified Public

**Worcester Polytechnic Institute**

June 30, 2024 and 2023

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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 statements of financial position as of June 30, 2024 and 2023, and the related consolidated statements of activities and cash flows for the years 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, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Basis for opinion**

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

**Responsibilities of management for the 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 will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the 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.

*Grant Thornton LLP*

Boston, Massachusetts  
November 5, 2024

**Worcester Polytechnic Institute**

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

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

	<b>2024</b>	<b>2023</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 2,351	\$ 10,891
Accounts receivable, net	14,175	13,715
Contributions receivable, net	28,483	28,804
Prepaid expenses and other assets	8,550	10,005
Student loans receivable, net	15,993	16,581
Beneficial interest in trusts	15,577	16,474
Investments	723,975	704,487
Land, buildings and equipment, net	539,074	518,519
	<hr/>	<hr/>
Total assets	\$ 1,348,178	\$ 1,319,476
	<hr/>	<hr/>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	\$ 36,947	\$ 28,027
Deposits and deferred revenue	12,478	11,901
Lease liabilities	60,914	67,748
Obligations under split-interest agreements	5,413	5,482
Funds held for others	5,142	5,381
Asset retirement obligations	1,160	1,128
Refundable government loan funds	1,815	2,527
Bonds and notes payable, net	372,724	396,120
Interest rate agreements	1,400	1,875
	<hr/>	<hr/>
Total liabilities	497,993	520,189
	<hr/>	<hr/>
<b>Net assets</b>		
Without donor restrictions	364,825	350,722
With donor restrictions		
Time or purpose	224,009	194,772
Perpetual	261,351	253,793
	<hr/>	<hr/>
Total net assets	850,185	799,287
	<hr/>	<hr/>
Total liabilities and net assets	\$ 1,348,178	\$ 1,319,476
	<hr/>	<hr/>

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

**Worcester Polytechnic Institute**

**CONSOLIDATED STATEMENT OF ACTIVITIES**

**Year ended June 30, 2024**  
*(in thousands)*

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Operating revenues</b>			
Tuition and fees, net	\$ 207,858	\$ -	\$ 207,858
Other educational activities	3,035	-	3,035
Contributions	5,741	2,304	8,045
Contract and exchange transactions	56,850	-	56,850
Investment income on endowment and similar funds	8,135	61	8,196
Net realized and unrealized gains on endowment used for operations	9,419	9,647	19,066
Other investment income	2,465	624	3,089
Sales and services of auxiliary enterprises	44,098	-	44,098
Other	5,783	-	5,783
	<hr/>	<hr/>	<hr/>
Total revenues	343,384	12,636	356,020
<b>Net assets released from restriction</b>	<hr/>	<hr/>	<hr/>
	14,326	(14,326)	-
	<hr/>	<hr/>	<hr/>
Total revenues and other support	357,710	(1,690)	356,020
	<hr/>	<hr/>	<hr/>
<b>Operating expenses</b>			
Salaries and wages	162,344	-	162,344
Employee benefits	54,926	-	54,926
Supplies and other expenses	65,672	-	65,672
Professional services	20,756	-	20,756
Utilities	8,200	-	8,200
Rent	2,040	-	2,040
Depreciation	36,640	-	36,640
Interest expense	10,564	-	10,564
	<hr/>	<hr/>	<hr/>
Total operating expenses	361,142	-	361,142
	<hr/>	<hr/>	<hr/>
Change in net assets from operating activities	(3,432)	(1,690)	(5,122)
	<hr/>	<hr/>	<hr/>
<b>Nonoperating activities</b>			
Net realized and unrealized gains on investments	24,504	39,376	63,880
Net realized gains on endowment used for operations	(9,419)	(9,647)	(19,066)
Net unrealized gains on beneficial interest in trusts	-	959	959
Change in value of split-interest agreements	30	(345)	(315)
Contributions restricted for long-term investment	-	10,635	10,635
Loss on disposal of assets	(480)	-	(480)
Net unrealized gains on interest rate agreements	407	-	407
	<hr/>	<hr/>	<hr/>
Change in net assets from nonoperating activities	15,042	40,978	56,020
	<hr/>	<hr/>	<hr/>
<b>Net assets released from restriction</b>	<hr/>	<hr/>	<hr/>
	2,493	(2,493)	-
	<hr/>	<hr/>	<hr/>
Total change in net assets from nonoperating activities	17,535	38,485	56,020
	<hr/>	<hr/>	<hr/>
<b>TOTAL CHANGE IN NET ASSETS</b>	14,103	36,795	50,898
	<hr/>	<hr/>	<hr/>
<b>Net assets</b>			
Beginning of year	350,722	448,565	799,287
	<hr/>	<hr/>	<hr/>
End of year	\$ 364,825	\$ 485,360	\$ 850,185
	<hr/>	<hr/>	<hr/>

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

**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 and unrealized 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 restriction</b>	<hr/>	<hr/>	<hr/>
	11,368	(11,368)	-
	<hr/>	<hr/>	<hr/>
Total revenues and other support	338,040	1,488	339,528
	<hr/>	<hr/>	<hr/>
<b>Operating expenses</b>			
Salaries and wages	154,937	-	154,937
Employee benefits	50,213	-	50,213
Supplies and other expenses	67,848	-	67,848
Professional services	20,461	-	20,461
Utilities	7,871	-	7,871
Rent	2,455	-	2,455
Depreciation	36,635	-	36,635
Interest expense	14,943	-	14,943
	<hr/>	<hr/>	<hr/>
Total operating expenses	355,363	-	355,363
	<hr/>	<hr/>	<hr/>
Change in net assets from operating activities	(17,323)	1,488	(15,835)
	<hr/>	<hr/>	<hr/>
<b>Nonoperating activities</b>			
Net realized and unrealized gains on investments	23,718	29,915	53,633
Net realized gains 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
Gain on disposal of assets	205	-	205
Net unrealized gains on interest rate agreements	1,023	-	1,023
	<hr/>	<hr/>	<hr/>
Change in net assets from nonoperating activities	17,083	32,420	49,503
	<hr/>	<hr/>	<hr/>
<b>Net assets released from restriction</b>	<hr/>	<hr/>	<hr/>
	2,332	(2,332)	-
	<hr/>	<hr/>	<hr/>
Total change in net assets from nonoperating activities	19,415	30,088	49,503
	<hr/>	<hr/>	<hr/>
<b>TOTAL CHANGE IN NET ASSETS</b>	2,092	31,576	33,668
	<hr/>	<hr/>	<hr/>
<b>Net assets</b>			
Beginning of year	348,630	416,989	765,619
	<hr/>	<hr/>	<hr/>
End of year	\$ 350,722	\$ 448,565	\$ 799,287
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The accompanying notes are an integral part of this consolidated financial statement.

Worcester Polytechnic Institute

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended June 30,  
(in thousands)

	2024	2023
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 50,898	\$ 33,668
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation, amortization, and accretion	30,373	20,897
Provision for uncollectible receivables	496	708
Loss on disposal of property and equipment	480	117
Net realized and unrealized gains on investments	(56,834)	(59,750)
Net unrealized losses (gains) on interest rate agreements	42	(1,643)
Contributions other than cash	(287)	(19)
Contributions restricted for long-term investment	(10,635)	(10,807)
Proceeds from sale of donated securities	(642)	1,272
Changes in assets and liabilities		
Accounts receivable	(27)	3,680
Contributions receivable	(101)	(2,818)
Prepaid expenses and other assets	1,454	(367)
Accounts payable and accrued liabilities	8,656	(5,381)
Deposits and deferred revenue	577	410
Operating lease liabilities	(9,824)	39,874
Split-interest agreements	(69)	(521)
Funds held for others	(239)	(221)
Asset retirement obligations	32	(150)
Refundable government loan funds	(712)	(1,075)
Total adjustments	(37,260)	(15,794)
Net cash provided by operating activities	13,638	17,874
<b>Cash flows from investing activities</b>		
Proceeds from sales and maturities of investments	91,810	41,766
Purchase of investments	(52,853)	(47,046)
Purchase of land, buildings, and equipment	(54,732)	(32,924)
Disbursement of loans to students	(2,291)	(3,309)
Repayment of loans from students	2,898	2,764
Net cash used in investing activities	(15,168)	(38,749)
<b>Cash flows from financing activities</b>		
Contributions restricted for long-term investment	10,635	10,807
Realized losses (gains) on interest rate agreements	(517)	126
Proceeds from long-term debt	21,332	-
Proceeds from short-term borrowing	500	19,999
Repayment of long-term debt	(38,960)	(17,063)
Net cash (used in) provided by financing activities	(7,010)	13,869
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(8,540)	(7,006)
<b>Cash and cash equivalents</b>		
Beginning of year	10,891	17,897
End of year	\$ 2,351	\$ 10,891
<b>Supplemental disclosures of cash flow information</b>		
Interest paid	\$ 17,269	\$ 12,905
Contributed securities	642	1,272
Gift in kind	143	486
Purchases of buildings and equipment included in accounts payable	45	2,097
Leased equipment	5,969	4,957

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



**Worcester Polytechnic Institute**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**June 30, 2024 and 2023**

**NOTE 1 - ORGANIZATION**

Worcester Polytechnic Institute (the "University"), founded in 1865, is the third-oldest private technological university in the United States. The University has an annual enrollment of over 8,000 undergraduate and graduate students. Located in Worcester, Massachusetts, the University serves a diverse student body representing nearly all U.S. states and over 90 foreign countries.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Basis of Financial Statement Presentation***

The accompanying consolidated financial statements are prepared using the accrual basis of accounting. Net assets, revenues, expenses, gains, and losses are classified based on whether or not donor-imposed restrictions exist. Accordingly, the University's net assets and any changes in them are categorized and reported as follows:

Net Assets With Donor Restrictions

These include net assets subject to donor-imposed stipulations, which may require the University to maintain the principal permanently. In most cases, donors allow the University to use all or part of the income generated by these investments for general or specific purposes. Also included are net assets restricted by state law or donor-imposed restrictions that can be fulfilled by University actions or the passage of time.

Net Assets Without Donor Restrictions

These are net assets that are not subject to any donor-imposed restrictions. However, net assets without restrictions can be designated for specific purposes by the Board of Trustees or restricted through contractual agreements with external parties.

Effective for the fiscal year ending June 30, 2024, the University changed the presentation of its Statement of Activities from a functional expense category format to a natural expense category format. To facilitate comparability, the prior year's financial information for the fiscal year ended June 30, 2023, has been reclassified to conform to the current year's presentation.

***Consolidation***

The accompanying consolidated financial statements include the accounts of the University and its wholly-owned or controlled subsidiaries, as 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 in the Gateway Park area of Worcester and is the lessee of a parcel of land currently used for student parking.

**Worcester Polytechnic Institute**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2024 and 2023**

ASSISTments Foundation Inc. ("TAF")

TAF is a not-for-profit corporation and a Type 1 Supporting Organization of the University. It supports the University's ASSISTments program.

***Classifications***

Revenues are reported as increases in net assets without donor restrictions unless the use of related inflows is limited by donor-imposed restrictions or legal requirements. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are also reported as increases or decreases in net assets without donor restrictions, unless restricted by explicit donor stipulation or legal requirements. When temporary restrictions on net assets expire (i.e., the donor's stipulation is fulfilled or the specified time period elapses), the amounts are reclassified as net assets released from restrictions.

***Operating and Nonoperating Activities***

In the consolidated statements of activities, the University distinguishes between operating and nonoperating activities. Operating activities are primarily those that support the University's educational mission and purpose. Nonoperating activities generally include unspent appreciation on endowment funds, gains or losses on beneficial interests in trusts, changes in the value of split-interest agreements, net contributions designated for endowment and capital use, and related releases, and changes in the value of interest rate agreements.

***Use of Estimates in the Preparation of Financial Statements***

The preparation of financial statements in accordance with generally accepted accounting principles ("GAAP") in the United States requires management to make estimates and assumptions that impact the reported amounts of assets, liabilities, and disclosures of contingent assets and liabilities at the financial statement date, as well as the reported revenues and expenses during the reporting period. Significant estimates made by the University include the valuation of investments, the estimated net realizable value of receivables (including contributions, gifts, pledges, student loans, student accounts, and other receivables), the estimated useful lives of buildings and equipment, and liabilities related to asset retirement obligations, self-insured medical claims, and split-interest agreements. Actual results may differ from these estimates.

***Cash and Cash Equivalents***

For the purposes of reporting cash flows, the University defines cash equivalents as short-term, highly liquid investments. These consist of time deposits and short-term investments with maturities of ninety days or less at the time of purchase, recorded at cost, which approximates fair value. Certain cash and cash equivalent balances are designated as separate from cash available for current operations, based on the University's intent to segregate these funds.

The University's banking activities, including cash and cash equivalents not classified as investments, are held with one regional bank, and the balances exceed federal insurance limits. The University monitors the financial strength of the bank on an ongoing basis.

***Contributions***

Contributions, including unconditional promises to give, are recognized as revenue in the period received. Contributions subject to donor-imposed stipulations that are satisfied within 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

**Worcester Polytechnic Institute**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2024 and 2023**

donor restrictions when the purpose or time restrictions are met. Promises to give that require the corpus to be maintained permanently are recognized as increases in net assets with donor restrictions. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions of non-cash assets are recorded at their estimated fair value at the time of the gift. Contributions expected to be collected after more than one year are recorded at the present value of estimated future cash flows, with discount rates ranging from approximately 0.5% to 4.3%. The amortization of the discount is recorded as additional contribution revenue in the relevant net asset class.

The carrying amount of contributions receivable approximates fair value, as these 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 on management's judgment, taking into account factors such as prior collection history, type of contribution, and nature of the fundraising activity.

The University reports contributions of land, buildings, or equipment as support without donor restrictions unless the donor imposes specific restrictions on their use. Contributions of cash or other assets that must be used to acquire long-lived assets are reported as support without donor restrictions if the assets are placed in service within the same reporting period. Otherwise, these contributions are reported as support with donor restrictions until the assets are acquired and placed in service, at which point they are reclassified as net assets without donor restrictions.

***Deferred Financing Costs***

Deferred financing costs related to bonds and notes payable are amortized over the life of the associated bonds.

As of June 30, 2024 and 2023, net deferred financing costs were approximately \$2,248,000 and \$2,624,000, respectively. Amortization expense for the years ended June 30, 2024 and 2023, was approximately \$376,000 and \$192,000, respectively. The estimated annual amortization expense for the next five years is approximately \$87,000.

***Beneficial Interest in Trusts***

The University is the beneficiary of certain perpetual and charitable remainder trusts, which are held and administered by third-party trustees. Under these agreements, the University has an irrevocable right to its share of the income generated by the trust assets. Donors may impose restrictions on the use of the income. The estimated fair value of the trust assets is recognized as an asset and as contribution revenue when the information is reported to the University.

***Investments***

Investments are reported at fair value, which is a market-based measurement determined by 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. To determine fair value, the University prioritizes inputs based on the market in which the investments trade and the reliability of the data, using a three-level hierarchy:

Level 1 - Valuation is based on quoted prices for identical assets in active markets. Market price data is typically obtained from relevant exchanges or dealer markets.

Level 2 - Valuation is based on observable inputs other than Level 1 prices. This includes quoted prices for similar assets in active or inactive markets, or other observable data that can be corroborated by market data for substantially similar assets or liabilities.

**Worcester Polytechnic Institute**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2024 and 2023**

Level 3 - Valuation is based on unobservable inputs that are significant to the asset's fair value. This category includes investments where valuation is determined using pricing models, discounted cash flow methodologies, or other techniques that require significant judgment or estimation.

For certain investments, fair values are based on the net asset value ("NAV") provided by external investment managers, including general partners, when fair values are not readily available. These valuations rely on estimates, assumptions, and methodologies used by the investment managers.

In the absence of quoted market prices, fair values are determined using present value calculations or other valuation techniques. These techniques are significantly affected by assumptions, such as discount rates and estimates of future cash flows. As a result, the estimated fair values may differ from actual realized values in transactions.

Investments consist of assets held in the University's endowment and similar funds, as well as split-interest agreements. Endowment funds are subject to donor restrictions requiring the principal to be invested in perpetuity, with only the income available for use. Funds functioning as endowments, or quasi-endowments, have been established by the Board of Trustees to serve the same purposes. However, any portion of these quasi-endowments may be expended with Board approval.

Endowment and similar fund assets are pooled on a fair value basis, with each individual fund subscribing to or disposing of units based on the fair value per unit at the start of each quarter. Endowment income is distributed based on the number of units held at the end of each month. The University also maintains separately invested funds, as stipulated by specific 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 restricted by explicit donor stipulations or legal requirements. Investment income is recorded in net assets without donor restrictions, unless donor stipulations require otherwise.

***Land, Buildings and Equipment***

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

Finance leases are recorded at present value at the lease inception date. Property and equipment leases are amortized on a straight-line basis over the shorter of the lease term or the equipment's estimated useful life. Amortization expense related to leases is included in depreciation within the consolidated statement of activities.

Depreciation expense is calculated on a straight-line basis over the estimated useful lives of the assets. The University periodically reviews these useful life estimates and, when necessary, makes prospective adjustments. If significant events or changes in operating conditions occur, asset lives may be reassessed, and impairment evaluations may be performed to determine if the carrying amounts are recoverable.

Useful lives are as follows:

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

**Worcester Polytechnic Institute**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2024 and 2023**

***Deposits and Deferred Revenue***

Deposits and deferred revenue represent payments received in advance for services that have not yet been provided. These amounts primarily consist of revenue from student tuition, educational fees, and advance payments for 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. These assets are either managed by the University or by third-party trustees, with payments made to beneficiaries according to the terms of the agreements. At the end of the agreement's term, remaining amounts are distributed to the University or other beneficiaries.

Annual distributions to beneficiaries may be a fixed dollar amount or a percentage of the trust's fair value. Upon receiving a gift that requires the University or trustee to make periodic payments to donors, the University records the gift at fair value and establishes a corresponding liability for the future payments owed to beneficiaries. This liability is adjusted throughout the term of the gift.

The University recognizes its beneficial interest in split-interest agreements when the amounts become estimable and probable. The present value of payments to beneficiaries is calculated using discount rates effective on the date of the gift, ranging 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.

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.

## Worcester Polytechnic Institute

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2024 and 2023

In 2024 and 2023, sponsored programs revenue earned from governmental sources total \$45,216,000 and \$37,830,000, 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 \$143,697,000 in 2024 and \$127,865,000 in 2023.

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 revenues are deferred at June 30, 2024 and 2023.

#### ***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.

#### ***Recent Accounting Pronouncements***

On July 1, 2023, the University adopted Accounting Standards Update ("ASU") No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* ("CECL"), or ASU No. 2016-13, using the modified retrospective approach. The measurement of expected credit losses under the CECL methodology is applicable to financial assets measured at amortized cost, including customer accounts receivable. Following the adoption of the new standard, the University's process of estimating expected credit losses remains materially consistent with its historical practice. Therefore, the adoption did not have a material effect on reported assets, liabilities, or net assets.

**Worcester Polytechnic Institute**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2024 and 2023**

**NOTE 3 - ACCOUNTS RECEIVABLE, NET**

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

	2024	2023
Sponsored research	\$ 9,172	\$ 9,784
Student receivables	3,585	3,326
Other receivables	2,965	2,059
	15,722	15,169
Less: allowance for credit losses	(1,547)	(1,454)
	<u>\$ 14,175</u>	<u>\$ 13,715</u>

**NOTE 4 - CONTRIBUTIONS RECEIVABLE, NET**

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

	2024	2023
In one year or less	\$ 9,830	\$ 9,615
Between one and five years	23,234	23,348
	33,064	32,963
Less:		
Discount to present value	(1,916)	(1,723)
Allowance for credit losses	(2,665)	(2,436)
	<u>\$ 28,483</u>	<u>\$ 28,804</u>

As of June 30, 2024 and 2023, the University has approximately \$132,614,000 and \$115,412,000, 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, NET**

The University makes uncollateralized loans to students based on financial need. Student loans are funded through Federal government loan programs or institutional resources.

**Worcester Polytechnic Institute**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2024 and 2023**

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

	2024			2023		
	Federal	Institutional	Total	Federal	Institutional	Total
Student loans receivable	\$ 1,562	\$ 14,806	\$ 16,368	\$ 2,333	\$ 14,642	\$ 16,975
Less: allowance for credit losses						
Beginning of year	-	(394)	(394)	-	(359)	(359)
Decrease (increases)	-	19	19	-	(35)	(35)
End of year	-	(375)	(375)	-	(394)	(394)
Student loans receivable, net	\$ 1,562	\$ 14,431	\$ 15,993	\$ 2,333	\$ 14,248	\$ 16,581

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 \$1,815,000 and \$2,527,000 at June 30, 2024 and 2023, 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, 2024	\$ 5	\$ 7	\$ 631	\$ 643
June 30, 2023	\$ 5	\$ 6	\$ 793	\$ 804

Allowances for credit losses 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):

	2024	2023
Fair value, beginning of year	\$ 16,474	\$ 16,846
Net realized (losses) and gains	941	(275)
Distributions, net	(1,838)	(97)
Fair value, end of year	\$ 15,577	\$ 16,474



**Worcester Polytechnic Institute**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2024 and 2023**

**NOTE 7 - INVESTMENTS**

Investments at June 30, 2024 are as follows (comparative totals are included for 2023) (in thousands):

	2024			2023
	Endowment and Similar Funds	Split-Interest Agreements	Total	Total
Cash and cash equivalents	\$ 1,456	\$ 158	\$ 1,614	\$ 3,247
Equity securities	66,005	11,082	77,087	70,498
Fixed income securities	51,724	2,720	54,444	90,805
Alternative investments				
Equity funds	383,941	-	383,941	327,953
Fixed income funds	63,453	-	63,453	66,538
Private equity funds	95,756	-	95,756	100,883
Real estate	47,680	-	47,680	44,563
Total investments	<u>\$ 710,015</u>	<u>\$ 13,960</u>	<u>\$ 723,975</u>	<u>\$ 704,487</u>

Investments at June 30, 2024 are as follows (in thousands):

	Quoted Prices in Active Markets (Level 1)	NAV Practical Expedient	Total
Cash and cash equivalents	\$ 1,614	\$ -	\$ 1,614
Equity securities	77,087	-	77,087
Fixed income securities	54,444	-	54,444
Alternative investments			
Equity funds	-	383,941	383,941
Fixed income funds	-	63,453	63,453
Private equity funds	-	95,756	95,756
Real estate	-	47,680	47,680
Total investments	<u>\$ 133,145</u>	<u>\$ 590,830</u>	<u>\$ 723,975</u>

**Worcester Polytechnic Institute**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2024 and 2023**

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

	Quoted Prices in Active Markets (Level 1)	NAV Practical Expedient	Total
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>\$ 539,937</u>	<u>\$ 704,487</u>

As of June 30, 2024 and 2023, there were no investments to disclose as Level 2 or Level 3 in the fair value hierarchy.

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 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.

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.

**Worcester Polytechnic Institute**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2024 and 2023**

The following tables summarize key provisions for the University's alternative investments valued at NAV (in thousands) as of June 30, 2024:

<u>Asset Class</u>	<u>Strategy</u>	<u>Fair Value</u>	<u>Remaining Life</u>	<u>Unfunded Commitment</u>	<u>Redemption Terms</u>	<u>Redemption Restrictions</u>
Absolute Return - Market Neutral	Global equity and fixed income funds in market neutral categories	\$ 68,614	Up to 20 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	87,684	Up to 7 Years	41,300	Private equity structure with no ability to redeem.	Not redeemable
Directional Hedge	Global long/short equity funds	114,625	Up to 7 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	241,898	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	22,257	No limit	-	Daily redemption with a notice period ranging from 0 to 2 business days.	
Private Credit	Primarily in illiquid distressed and opportunistic credit and lending funds	8,072	No limit	8,037	Redemption terms vary from daily to illiquid.	
Real Estate	US real estate	47,680	Up to 4 Years	26,695	Private equity structure with no ability to redeem.	Not redeemable
		<u>\$ 590,830</u>		<u>\$ 76,032</u>		

**Worcester Polytechnic Institute**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2024 and 2023**

The following tables summarize key provisions for the University's alternative investments valued at NAV (in thousands) as of June 30, 2023:

<u>Asset Class</u>	<u>Strategy</u>	<u>Fair Value</u>	<u>Remaining Life</u>	<u>Unfunded Commitment</u>	<u>Redemption Terms</u>	<u>Redemption Restrictions</u>
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	98,877	Up to 8 Years	47,070	Private equity structure with no ability to redeem. Redemption terms range from quarterly with 60 days' notice to every five years with 90 days' notice.	Not redeemable
Directional Hedge	Global long/short equity funds	95,374	Up to 28 Years	-	Redemption terms range from 10 business days in advance of valuation date to monthly redemptions with 7 days' notice. Daily redemption with a notice period ranging from 0 to 2 business days.	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. Daily redemption with a notice period ranging from 0 to 2 business days.	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	-	Redemption terms vary from daily to illiquid.	
Private Credit	Primarily in illiquid distressed and opportunistic credit and lending funds	2,006	No limit	5,175	Private equity structure with no ability to redeem	Not redeemable
US real estate		44,563	Up to 4 Years	24,550		
		<u>\$ 539,937</u>		<u>\$ 76,795</u>		

***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.

**Worcester Polytechnic Institute**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2024 and 2023**

The University has adopted the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”) statute. UPMIFA provides guidance for investment management; enumerates guidelines for 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

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, 2024 and 2023, respectively.

***Endowment and Similar Funds***

The endowment and similar funds’ net asset composition as of June 30, 2024 and 2023 and the changes for the years then ended are as follows (in thousands):

	<u>2024</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor restricted endowment	\$ -	\$ 418,836	\$ 418,836
Quasi-endowment	261,163	-	261,163
	<u>\$ 261,163</u>	<u>\$ 418,836</u>	<u>\$ 679,999</u>
Balance, June 30, 2023	\$ 245,845	\$ 382,920	\$ 628,765
Investment return	32,975	38,667	71,642
Contributions	832	6,022	6,854
Appropriated for expenditure	<u>(17,615)</u>	<u>(9,647)</u>	<u>(27,262)</u>
Balance, June 30, 2024	<u>\$ 261,163</u>	<u>\$ 418,836</u>	<u>\$ 679,999</u>

**Worcester Polytechnic Institute**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2024 and 2023**

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor restricted endowment	\$ -	\$ 382,920	\$ 382,920
Quasi-endowment	245,845	-	245,845
	<u>\$ 245,845</u>	<u>\$ 382,920</u>	<u>\$ 628,765</u>
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	<u>(17,570)</u>	<u>(7,822)</u>	<u>(25,392)</u>
Balance, June 30, 2023	<u>\$ 245,845</u>	<u>\$ 382,920</u>	<u>\$ 628,765</u>

***Split-Interest Agreements***

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

	2024	2023
Charitable remainder trusts	\$ 6,500	\$ 6,418
Charitable gift annuities	6,595	5,705
Pooled income funds	<u>865</u>	<u>822</u>
	<u>\$ 13,960</u>	<u>\$ 12,945</u>

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

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

	2024	2023
Land and land improvements	\$ 43,618	\$ 43,580
Buildings and improvements	723,977	683,292
Equipment	155,426	150,739
Long-term lease assets	<u>26,166</u>	<u>34,769</u>
	949,187	912,380
Less: accumulated depreciation	<u>(434,257)</u>	<u>(401,422)</u>
	514,930	510,958
Construction-in-progress	<u>24,144</u>	<u>7,561</u>
	<u>\$ 539,074</u>	<u>\$ 518,519</u>

**Worcester Polytechnic Institute**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2024 and 2023**

Depreciation expense charged to operations was approximately \$32,835,000 and \$31,693,000 for the years ended June 30, 2024 and 2023, 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.

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 (in thousands):

	2024	2023
Finance lease cost		
Amortization of leased assets	\$ 334	\$ 334
Interest on lease liabilities	66	548
Operating lease cost	4,390	4,503
Short-term and variable lease costs	3,974	4,828
	<hr/>	<hr/>
Total lease cost	\$ 8,764	\$ 10,211

**Worcester Polytechnic Institute**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2024 and 2023**

Supplemental financial position information related to operating and finance leases (in thousands) as of June 30, 2024 is as follows:

	Classification on the Statement of Financial Position	2024
<b>Assets</b>		
Operating lease assets	Land, buildings and equipment, net	\$ 8,746
Finance lease assets	Land, buildings and equipment, net	1,170
<b>Total lease assets</b>		<b>\$ 9,916</b>
<b>Liabilities</b>		
Lease liabilities	Operating lease liabilities	\$ 9,042
Finance leases	Operating lease liabilities	51,872
<b>Total lease liabilities</b>		<b>\$ 60,914</b>
<b>Weighted-average remaining lease term</b>		
Operating leases		4.6 years
Finance leases		87.2 years
<b>Weighted-average discount rate</b>		
Operating leases		2.92%
Finance leases		3.23%

The table below presents supplemental cash flow information related to leases (in thousands):

	2024
Cash paid for amounts included in the measurement of lease liabilities	
Operating cash flows for operating leases	\$ 4,390
Operating cash flows for finance leases	1,579
	<b>\$ 5,969</b>

Future minimum lease payments under operating leases (in thousands) at June 30, 2024 is as follows:

Year Ending June 30,	Amount Due
2025	\$ 5,313
2026	5,034
2027	4,960
2028	4,669
2029	4,139
Thereafter	86,992
	111,107
Less: imputed interest	(50,193)
<b>Total lease liabilities</b>	<b>\$ 60,914</b>



**Worcester Polytechnic Institute**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2024 and 2023**

**NOTE 10 - BONDS AND NOTES PAYABLE, NET**

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, 2024	Balance, June 30, 2023
<b>Bonds payable</b>						
MDFA 2008 Series A <sup>(1)</sup>	9/1/2035	Variable	\$ 54,815	\$ 2,090	\$ 28,905	\$ 31,346
MDFA 2014 Series <sup>(1)</sup>	9/1/2029	2.5-3.1	2,782	219	2,877	3,090
MDFA 2016 Series <sup>(2)</sup>	9/1/2052	3.0-5.0	49,030	-	37,189	43,149
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	360	13,297	14,440
MDFA 2017B Series <sup>(4)</sup>	9/1/2045	5.0	52,990	-	45,728	54,736
MDFA 2019 Series <sup>(5)</sup>	9/1/2059	4.0-5.0	113,640	-	107,689	133,315
MDFA 2022 Series <sup>(1)</sup>	6/30/2042	2.2	42,540	1,076	40,532	41,557
People's Bank Loan	6/30/2047	4.6	22,000	517	21,080	-
<b>Uncollateralized notes</b>						
Capital lease obligations	Various	Various	-	99	258	205
Other short-term financing obligations	Various	Various	-	-	20,512	20,000
				4,361	374,972	398,743
Less: deferred financing costs, net of amortization				-	(2,248)	(2,623)
Total bonds and notes payable				\$ 4,361	\$ 372,724	\$ 396,120

<sup>(1)</sup> The bonds, issued at par with no discount or premium, represent a general obligation of the University.

<sup>(2)</sup> The bonds represent a general obligation of the University. The balance at June 30, 2024 includes a premium of approximately \$3,729,000.

<sup>(3)</sup> The bonds represent a general obligation of the University. The balance at June 30, 2024 includes a premium of approximately \$1,812,000.

<sup>(4)</sup> The bonds represent a general obligation of the University. The balance at June 30, 2024 includes a premium of approximately \$5,303,000.

<sup>(5)</sup> The bonds represent a general obligation of the University. The balance at June 30, 2024 includes a premium of approximately \$15,519,000.

There were no funds held under bond agreements at June 30, 2024 for construction and debt service reserves regarding the University's various bond indentures.

**Worcester Polytechnic Institute**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2024 and 2023**

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

<u>Year Ending June 30,</u>	<u>Amount Due</u>
2025	\$ 4,361
2026	4,429
2027	4,614
2028	5,513
2029	5,709
Thereafter	<u>323,983</u>
Total cash payments	348,609
Premium	<u>26,363</u>
	<u>\$ 374,972</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 approximately \$20,500,000 and \$20,000,000 at June 30, 2024 and 2023, respectively. Related interest expense was \$378,000 and \$49,000 for the years ended June 30, 2024 and 2023, 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>Barclays</u>	
	<u>Deutsche</u>		<u>Bank PLC</u>	
	<u>Bank AG</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, 2024	\$	655	\$	745
June 30, 2023	\$	831	\$	1,044
			\$	1,875

**Worcester Polytechnic Institute**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2024 and 2023**

The net unrealized loss and gain that was recognized for the interest rate swap agreements for the years ended June 30, 2024 and 2023 was approximately a gain of \$407,000 and \$1,023,000, respectively, and has been recorded as changes in value of interest rate agreements on the accompanying consolidated statements of activities.

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 at June 30, 2024. The provisions with both counterparties provide that the liability threshold increases if the University's long-term credit ratings decline. At June 30, 2024, 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 \$11,224,000 and \$10,495,000 for the years ended June 30, 2024 and 2023, respectively. Contributions are based upon a percentage of the employees' compensation.

**NOTE 13 - FUNCTIONAL EXPENSES**

Expenses are presented by functional classification in the following tables. 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: Expenses pertaining to 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):

	2024						
	Instruction and Research	Sponsored Research	Student Services	Auxiliary Enterprises	External Relations	Institution and Academic Support	Total
Wages and benefits	\$ 112,584	\$ 34,212	\$ 14,401	\$ 6,248	\$ 11,301	\$ 38,524	\$ 217,270
Operating expenses	19,707	24,145	7,503	21,855	2,118	21,340	96,668
Depreciation	10,789	5,341	5,387	8,392	174	6,557	36,640
Interest expense	3,670	647	1,773	3,854	30	590	10,564
Total operating expenses	<u>\$ 146,750</u>	<u>\$ 64,345</u>	<u>\$ 29,064</u>	<u>\$ 40,349</u>	<u>\$ 13,623</u>	<u>\$ 67,011</u>	<u>\$ 361,142</u>

**Worcester Polytechnic Institute**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2024 and 2023**

	2023						
	Instruction and Research	Sponsored Research	Student Services	Auxiliary Enterprises	External Relations	Institution and Academic Support	Total
Wages and benefits	\$ 103,940	\$ 25,033	\$ 11,606	\$ 842	\$ 10,564	\$ 38,493	\$ 190,478
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	4,824	1,041	2,633	3,745	18	455	12,716
Total operating expenses	<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>

External relations expenditures include approximately \$9,137,000 and \$8,237,000 of fundraising expenses for the years ended June 30, 2024 and 2023, respectively.

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

The following summarizes the financial assets available to meet the University's general expenditures (dollars in thousands), as of June 30, 2024:

	Resources Available at 6/30/24	Resources Appropriated by the Board and Available in FY 2025	Resources not Available Within 12 Months	Total
Financial assets available within 12 months				
Cash and cash equivalents	\$ 2,351	\$ -	\$ -	\$ 2,351
Accounts receivable, net	14,175	-	-	14,175
Forecasted payout on board designated endowments	-	17,937	-	17,937
Investments not subject to donor restrictions or board designations	-	10,937	-	10,937
Total financial assets available within 12 months	16,526	28,874	-	45,400
Financial assets not available for expenditures within 12 months				
Cash, cash equivalents and investments	-	-	723,975	723,975
Contributions not due within one year	23,483	-	-	23,483
Student loan receivables, net	-	-	15,993	15,993
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>\$ 70,009</u>	<u>\$ 28,874</u>	<u>\$ 739,968</u>	<u>\$ 838,851</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.

**Worcester Polytechnic Institute**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2024 and 2023**

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.

Included in financial assets not available for expenditure at June 30, 2024, the University had \$261,163,000 of board-designated endowments that, with the Board's approval, could be made available for expenditures.

Of the University's investments, 56% are redeemable within 30 days, 25% may be redeemed either at future specified redemption dates or currently by incurring a penalty, and 19% 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):

	2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment funds			
Long-term investment (quasi-endowment)	\$ 261,163	\$ -	\$ 261,163
Original principal	-	257,101	257,101
Unspent income and appreciation			
Scholarship support	-	112,650	112,650
Faculty support	-	24,127	24,127
Program support	-	24,958	24,958
Total endowment funds	261,163	418,836	679,999
Split-interest agreements and perpetual trusts	2,218	21,602	23,820
Student loan funds	14,513	4,483	18,996
Gifts and other unexpended revenues			
Acquisition of building and equipment	-	3,411	3,411
Instruction, research and institutional support	-	37,028	37,028
Undesignated	86,931	-	86,931
	<u>\$ 364,825</u>	<u>\$ 485,360</u>	<u>\$ 850,185</u>

**Worcester Polytechnic Institute**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2024 and 2023**

	2023		
	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
	<u>\$ 350,722</u>	<u>\$ 448,565</u>	<u>\$ 799,287</u>

**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, 2024 and 2023, funds held for others in the consolidated statements of financial position include Alumni Association assets of \$2,951,000 and \$2,956,000, respectively. There are no other material related party transactions as of and for the years ended June 30, 2024 and 2023.

**NOTE 17 - COMMITMENTS AND CONTINGENCIES**

***Construction Contracts***

For the years ended June 30, 2024 and 2023, the University had contracted for various renovations and construction projects across campus totaling approximately \$2,185,000 and \$14,927,000, 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, 2024 and 2023, the University had unfunded commitments of approximately \$76,032,000 and \$76,032,000, 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 \$3,201,000 to six fraternities. These loans are collateralized by real property owned by the fraternities.

**Worcester Polytechnic Institute**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2024 and 2023**

***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, 2024 and 2023 but not yet reported or paid have been adequately reserved.

***Other Commitments and Contingencies***

In May 2009, the University entered into a payment in lieu of taxes ("PILOT") agreement with the City of Worcester. The 25 year agreement provides for the University to pay approximately \$800,000 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 statement of financial position or the related consolidated statements of activities or cash flows.

**NOTE 18 - SUBSEQUENT EVENTS**

Management has assessed subsequent events for the period from June 30, 2024 to November 5, 2024, the date the financial statements were issued, and has determined that no subsequent events necessitate recognition in the consolidated financial statements or disclosure in the notes of the consolidated financial statements, except as outlined below.

On September 12, 2024, Worcester Polytechnic Institute completed the purchase of two hotel properties for a total purchase price of \$46 million. The acquisition was financed through a combination of taxable and tax-exempt variable-rate debt, with interest rates tied to the Secured Overnight Financing Rate. The University plans to operate the hotels as commercial properties for a minimum of 18 months, after which the properties may be converted into student housing as deemed necessary by the University.