

Consolidated Financial Statements and Report of Independent Certified Public Accountants

Worcester Polytechnic Institute

June 30, 2025 and 2024

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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 (collectively the "University"), which comprise the consolidated statements of financial position as of June 30, 2025 and 2024, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the 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, 2025 and 2024, and the results of its operations 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 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 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 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.



Boston, Massachusetts
November 5, 2025

Worcester Polytechnic Institute

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

**June 30,
(in thousands)**

	2025	2024
Assets		
Cash and cash equivalents	\$ 4,758	\$ 2,351
Accounts receivable, net	16,008	14,175
Contributions receivable, net	18,989	28,483
Prepaid expenses and other assets	8,692	8,550
Student loans receivable, net	14,447	15,993
Beneficial interest in trusts	16,522	15,577
Investments - Endowment	726,314	670,651
Investments - Other	66,976	53,324
Land, buildings and equipment, net	<u>563,902</u>	<u>539,074</u>
 Total assets	 <u>\$ 1,436,608</u>	 <u>\$ 1,348,178</u>
Liabilities		
Accounts payable and accrued liabilities	\$ 28,302	\$ 28,671
Deposits and deferred revenue	19,135	17,728
Lease and contract liabilities	63,382	60,914
Obligations under split-interest agreements	5,678	5,413
Funds held for others	4,724	5,142
Asset retirement obligations	1,194	1,160
Refundable government loan funds	1,221	1,815
Bonds and notes payable, net	409,309	375,750
Interest rate agreements	<u>1,580</u>	<u>1,400</u>
 Total liabilities	 <u>534,525</u>	 <u>497,993</u>
Net assets		
Without donor restrictions	390,305	364,825
With donor restrictions		
Time or purpose	243,870	224,009
Perpetual	<u>267,908</u>	<u>261,351</u>
 Total net assets	 <u>902,083</u>	 <u>850,185</u>
 Total liabilities and net assets	 <u>\$ 1,436,608</u>	 <u>\$ 1,348,178</u>

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

Worcester Polytechnic Institute
CONSOLIDATED STATEMENT OF ACTIVITIES

Year ended June 30, 2025
(in thousands)

	Without Donor Restrictions	With Donor Restrictions	Total
Operating revenues			
Tuition and fees, net	\$ 214,386	\$ -	\$ 214,386
Other educational activities	3,194	-	3,194
Contributions	12,621	2,665	15,286
Contract and exchange transactions	63,771	-	63,771
Investment income on endowment and similar funds	9,507	62	9,569
Net realized and unrealized gains on endowment used for operations	9,351	9,777	19,128
Other investment income	2,721	566	3,287
Sales and services of auxiliary enterprises	55,335	-	55,335
Other	7,295	-	7,295
 Total revenues	 378,181	 13,070	 391,251
Net assets released from restriction			
 Total revenues and other support	 15,821	 (15,821)	 -
 Total operating expenses	 394,002	 (2,751)	 391,251
Operating expenses			
Salaries and wages	170,226	-	170,226
Employee benefits	53,635	-	53,635
Supplies and other expenses	71,459	-	71,459
Professional services	26,990	-	26,990
Utilities	9,725	-	9,725
Rent	535	-	535
Depreciation	38,275	-	38,275
Interest expense	18,228	-	18,228
 Total operating expenses	 389,073	 -	 389,073
 Change in net assets from operating activities	 4,929	 (2,751)	 2,178
Nonoperating activities			
Net realized and unrealized gains on investments	23,857	37,799	61,656
Net realized and unrealized losses on endowment used for operations	(9,351)	(9,777)	(19,128)
Net unrealized gains on beneficial interest in trusts	-	969	969
Change in value of split-interest agreements	-	(909)	(909)
Contributions restricted for long-term investment	-	7,501	7,501
Gain on disposal of assets	5	-	5
Net unrealized loss on interest rate agreements	(375)	-	(375)
 Change in net assets from nonoperating activities	 14,136	 35,583	 49,719
Net assets released from restriction			
 Total change in net assets from nonoperating activities	 6,414	 (6,414)	 -
 TOTAL CHANGE IN NET ASSETS	 20,550	 29,169	 49,719
 Net assets			
Beginning of year	364,825	485,360	850,185
End of year	<u>\$ 390,304</u>	<u>\$ 511,778</u>	<u>\$ 902,082</u>

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

Worcester Polytechnic Institute
CONSOLIDATED STATEMENT OF ACTIVITIES

Year ended June 30, 2024
(in thousands)

	Without Donor Restrictions	With Donor Restrictions	Total
Operating revenues			
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
 Total revenues	 343,384	 12,636	 356,020
Net assets released from restriction			
 Total revenues and other support	 14,326	 (14,326)	 -
 Total operating expenses	 357,710	 (1,690)	 356,020
Operating expenses			
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
 Total operating expenses	 361,142	 -	 361,142
 Change in net assets from operating activities	 (3,432)	 (1,690)	 (5,122)
Nonoperating activities			
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
 Change in net assets from nonoperating activities	 15,042	 40,978	 56,020
Net assets released from restriction			
 Total change in net assets from nonoperating activities	 2,493	 (2,493)	 -
 TOTAL CHANGE IN NET ASSETS	 17,535	 38,485	 56,020
 Net assets			
Beginning of year	350,722	448,565	799,287
End of year	<u>\$ 364,825</u>	<u>\$ 485,360</u>	<u>\$ 850,185</u>

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)**

	2025	2024
Cash flows from operating activities		
Change in net assets	\$ 51,897	\$ 50,898
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities		
Depreciation, amortization, and accretion	37,368	30,373
Provision for uncollectible receivables	283	496
Gain on disposal of property and equipment	(5)	480
Net realized and unrealized gains on investments	(76,758)	(56,834)
Net unrealized losses (gains) on interest rate agreements	40	42
Contributions other than cash	(7)	(287)
Contributions restricted for long-term investment	(7,501)	(10,635)
Proceeds from sale of donated securities	(7,570)	(642)
Changes in assets and liabilities		
Accounts receivable	(2,401)	(27)
Contributions receivable	9,390	(101)
Prepaid expenses and other assets	(141)	1,454
Accounts payable and accrued liabilities	(7,527)	8,656
Deposits and deferred revenue	1,155	577
Lease liabilities	(1,086)	(9,824)
Split-interest agreements	265	(69)
Funds held for others	(418)	(239)
Asset retirement obligations	34	32
Refundable government loan funds	(593)	(712)
Total adjustments	(55,472)	(37,260)
Net cash (used in) provided by operating activities	(3,575)	13,638
Cash flows from investing activities		
Proceeds from sales and maturities of investments	130,230	91,810
Purchase of investments	(115,806)	(52,853)
Purchase of land, buildings, and equipment	(60,661)	(54,732)
Disbursement of loans to students	(1,334)	(2,291)
Repayment of loans from students	2,919	2,898
Net cash used in investing activities	(44,652)	(15,168)
Cash flows from financing activities		
Contributions restricted for long-term investment	7,500	10,635
Proceeds from deferred financing arrangement	5,502	-
Realized losses (gains) on interest rate agreements	140	(517)
Payment on / proceeds from long-term debt	46,510	21,332
Payment on / proceeds from short-term borrowing	(10,000)	500
Repayment of long-term debt	982	(38,960)
Net cash (used in) provided by financing activities	50,634	(7,010)
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,407	(8,540)
Cash and cash equivalents		
Beginning of year	2,351	10,891
End of year	\$ 4,758	\$ 2,351
Supplemental disclosures of cash flow information		
Interest paid	\$ 16,310	\$ 17,269
Contributed securities	7,570	642
Gift in kind	204	143
Purchases of buildings and equipment included in accounts payable	1,257	45
Leased equipment	4,026	5,969

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

Worcester Polytechnic Institute
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2025 and 2024

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 8,400 undergraduate and graduate students. Located in Worcester, Massachusetts, the University serves a diverse student body representing nearly all U.S. states and over 95 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 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.

Certain prior year amounts have been reclassified to conform to the current year presentation. Such reclassifications had no material effect on the consolidated financial position, changes in net assets, or cash flows of the University.

Consolidation

On September 12, 2024, Worcester Polytechnic Institute completed the purchase the Hampton Inn and the Courtyard Marriott hotels in the Gateway Park area of Worcester, 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. Revenues associated with the hotel operations are reported as sales of auxiliary enterprises and the expenses are reported within the natural expense categories in the Statement of Activities.

Worcester Polytechnic Institute

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2025 and 2024

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.

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.

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.

Grove Street Lodging LLC ("Grove Street")

Grove Street holds and manages the Courtyard Marriott ("Courtyard") in the Gateway Park area of Worcester.

Prescott Street Lodging LLC ("Prescott Street")

Prescott Street holds and manages the Hampton Inn ("Hampton") in the Gateway Park area of Worcester.

During the fiscal year ending June 30, 2024, Washburn Park Inc. ("Washburn"), previously consolidated in the University's financial statements, was merged into the University. As a result, no separate consolidation of this entity is presented in the current year. The dissolution had no impact on the University's consolidated net assets, results of operations, or cash flows.

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 and the operations of the acquired hotels. 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.

Worcester Polytechnic Institute

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2025 and 2024

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 purposes of reporting cash flows, the University defines cash equivalents as short-term, highly liquid investments. These consist of time deposits and other short-term investments with original maturities of ninety days or less at the time of purchase. Cash equivalents are recorded at cost, which approximates their fair value at the reporting date. 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 primarily 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 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 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 discounted to present value. Management determines the allowance for uncollectible contributions receivable based on judgment, considering factors such as prior collection history, the type of contribution, and the 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.

Worcester Polytechnic Institute

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2025 and 2024

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, 2025 and 2024, net deferred financing costs were \$2,318,000 and \$2,248,000, respectively. Amortization expense for the years ended June 30, 2025 and 2024, was \$87,000 and \$376,000, respectively.

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.
- 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.

Worcester Polytechnic Institute

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2025 and 2024

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 the present value of lease payments at the lease inception date. Property and equipment acquired under leases are amortized on a straight-line basis over the shorter of the lease term or the asset's estimated useful life. Amortization expense related to leased assets is included in depreciation expense in 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

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.

Worcester Polytechnic Institute

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2025 and 2024

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 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 which the University provides an equivalent benefit in return, or a nonreciprocal transaction, in which the resources are provided 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.

In 2025 and 2024, sponsored programs revenue earned from governmental sources total \$47,282,000 and \$45,216,000, 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 \$155,105,000 in 2025 and \$143,697,000 in 2024.

Worcester Polytechnic Institute

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2025 and 2024

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, 2025 and 2024.

Auxiliary Services Revenue

Auxiliary services exist to furnish goods or services to students, faculty, staff, or incidentally to the general public, and charge a fee that is directly related to, although not necessarily equal to, the cost of the goods or services provided. Auxiliary revenues primarily consist of student housing and dining services and hotel operations.

Undergraduate students are generally required to remit payments for housing and dining one week prior to the start of the academic term, while graduate student housing payments are due monthly on the first of each month. Dining plans are not offered during summer terms. Performance obligations for housing and dining services are satisfied over the academic terms, and revenue is recognized ratably over the period in which the services are provided.

The University has oversight over the daily operations of the hotels. Hotel operations include revenues from room rentals, food and beverage sales, and event services. Payments are generally due at the time of service, and performance obligations are satisfied and revenue recognized as lodging nights are provided and services rendered. The hotels support the University indirectly by hosting visiting scholars, prospective students, conference and event attendees, visiting athletic teams, and other University visitors.

Recent Accounting Pronouncements

There were no new accounting pronouncements issued and adopted during the year that had a material effect on the University's financial statements.

NOTE 3 - ACCOUNTS RECEIVABLE, NET

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

	2025	2024
Sponsored research	\$ 10,869	\$ 9,172
Student receivables	3,307	3,585
Other receivables	<u>3,597</u>	<u>2,965</u>
	17,773	15,722
Less: allowance for doubtful accounts	<u>(1,765)</u>	<u>(1,547)</u>
	<u>\$ 16,008</u>	<u>\$ 14,175</u>

Worcester Polytechnic Institute

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2025 and 2024

NOTE 4 - CONTRIBUTIONS RECEIVABLE, NET

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

	2025	2024
In one year or less	\$ 7,123	\$ 9,830
Between one and five years	<u>16,551</u>	<u>23,234</u>
	23,674	33,064
Less:		
Discount to present value	(1,402)	(1,916)
Allowance for doubtful contributions	<u>(3,283)</u>	<u>(2,665)</u>
	\$ 18,989	\$ 28,483

As of June 30, 2025 and 2024, the University has \$126,339,000 and \$132,614,000, 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.

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

	2025			2024		
	Federal	Institutional	Total	Federal	Institutional	Total
Student loans receivable	\$ 1,044	\$ 13,739	\$ 14,783	\$ 1,562	\$ 14,806	\$ 16,368
Less: allowance for doubtful accounts						
Beginning of year	-	(375)	(375)	-	(394)	(394)
Decrease (increase)	-	(194)	(194)	-	19	19
Writeoffs	-	233	233	-	-	-
End of year	-	(336)	(336)	-	(375)	(375)
Student loans receivable, net	<u>\$ 1,044</u>	<u>\$ 13,403</u>	<u>\$ 14,447</u>	<u>\$ 1,562</u>	<u>\$ 14,431</u>	<u>\$ 15,993</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 \$1,221,000 and \$1,815,000 at June 30, 2025 and 2024, respectively.

Worcester Polytechnic Institute

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2025 and 2024

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

	<u>1-60 Days</u>	<u>60-90 Days</u>	<u>90+ Days</u>	<u>Total Past Due</u>
June 30, 2025	\$ 3	\$ 5	\$ 541	\$ 549
June 30, 2024	\$ 5	\$ 7	\$ 631	\$ 643

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 is 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):

	<u>2025</u>	<u>2024</u>
Fair value, beginning of year	\$ 15,577	\$ 16,474
Net realized (losses) and gains	945	941
Contributions	-	-
Distributions, net	-	(1,838)
 Fair value, end of year	 <u>\$ 16,522</u>	 <u>\$ 15,577</u>

NOTE 7 - INVESTMENTS

Investments at June 30, 2025 are as follows (comparative totals are included for 2024) (in thousands):

	<u>2025</u>			2024 Total
	Endowment and Similar Funds	Split-Interest Agreements	Total	
Cash and cash equivalents	\$ 8,386	\$ 156	\$ 8,542	\$ 1,614
Equity securities	82,042	12,002	94,044	77,087
Fixed income securities	89,536	2,921	92,457	54,444
Alternative investments				
Equity funds	403,081	-	403,081	383,941
Fixed income funds	72,407	-	72,407	63,453
Private equity funds	75,529	-	75,529	95,756
Total investments	8,994	-	8,994	-
Real assets	38,236	-	38,236	47,680
 Total investments	 <u>\$ 778,211</u>	 <u>\$ 15,079</u>	 <u>\$ 793,290</u>	 <u>\$ 723,975</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2025 and 2024

The following table presents the fair value of investments by major category and fair value hierarchy level as of June 30, 2025 (in thousands):

	2025					
	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	NAV Practical Expedient	Total	
Cash and cash equivalents	\$ 8,542	\$ -	\$ -	\$ -	\$ 8,542	
Equity securities	86,775	7,269	-	-	-	94,044
Fixed income securities	50,557	41,900	-	-	-	92,457
Alternative investments						
Equity funds	-	-	-	403,081	403,081	
Fixed income funds	-	-	-	72,407	72,407	
Private equity funds	-	-	-	75,529	75,529	
Private credit	-	-	-	8,994	8,994	
Real assets	-	-	-	38,236	38,236	
Total investments	<u>\$ 145,874</u>	<u>\$ 49,169</u>	<u>\$ -</u>	<u>\$ 598,247</u>	<u>\$ 793,290</u>	

The following table presents the fair value of investments by major category and fair value hierarchy as of June 30, 2024 (in thousands):

	2024					
	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	NAV Practical Expedient	Total	
Cash and cash equivalents	\$ 1,614	\$ -	\$ -	\$ -	\$ 1,614	
Equity securities	70,776	6,311	-	-	-	77,087
Fixed income securities	21,792	31,396	-	1,256	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 assets	-	-	-	47,680	47,680	
Total investments	<u>\$ 94,182</u>	<u>\$ 37,707</u>	<u>\$ -</u>	<u>\$ 592,086</u>	<u>\$ 723,975</u>	

For the year ended June 30, 2024, \$38 million of fixed income and equity securities were reclassified from Level 1 to Level 2.

As of June 30, 2025 and 2024, there were no investments to disclose as 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

Worcester Polytechnic Institute

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2025 and 2024

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.

The following table summarizes key provisions for the University's alternative investments valued at NAV (in thousands) as of June 30, 2025:

2025						
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	\$ 66,765	Up to 19 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	75,529	Up to 10 years	52,302	Private equity structure with no ability to redeem.	Not redeemable
Directional hedge	Global long/short equity funds	115,155	Up to 25 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	275,666	No limit	10,374	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	17,902	No limit	-	Daily redemption with a notice period ranging from 0 to 2 business days	Daily redemption
Private credit	Primarily in illiquid distressed and opportunistic credit and lending funds	8,994	No limit	14,383	Redemption terms vary from daily to illiquid	Not redeemable
Real assets	US real estate	38,236	Up to 10 years	23,403	Private equity structure with no ability to redeem.	Not redeemable
		<u>\$ 598,247</u>		<u>\$ 100,462</u>		

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2025 and 2024

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

2024						
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	\$ 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.	Daily redemption
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.	Not redeemable
Real assets	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>		

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 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.

Worcester Polytechnic Institute

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2025 and 2024

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, 2025 and 2024, respectively.

Endowment and Similar Funds

The endowment and similar funds' net asset composition as of June 30, 2025 and 2024 and the changes for the years then ended are as follows (in thousands):

	2025		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor restricted	\$ -	\$ 454,416	\$ 454,416
Quasi-endowment	<u>277,006</u>	<u>-</u>	<u>277,006</u>
	<u><u>277,006</u></u>	<u><u>454,416</u></u>	<u><u>731,422</u></u>
Balance, June 30, 2024	\$ 261,163	\$ 418,836	\$ 679,999
Investment return	32,737	37,018	69,755
Contributions	2,026	8,339	10,365
Appropriated for expenditure	<u>(18,920)</u>	<u>(9,777)</u>	<u>(28,697)</u>
Balance, June 30, 2025	<u><u>277,006</u></u>	<u><u>454,416</u></u>	<u><u>731,422</u></u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2025 and 2024

	2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor restricted endowment	\$ -	\$ 418,836	\$ 418,836
Quasi-endowment	<u>261,163</u>	<u>-</u>	<u>261,163</u>
	<u><u>261,163</u></u>	<u><u>418,836</u></u>	<u><u>679,999</u></u>
Balance, June 30, 2023	\$ 244,971	\$ 383,794	\$ 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><u>261,163</u></u>	<u><u>418,836</u></u>	<u><u>679,999</u></u>

Split-Interest Agreements

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

	2025	2024
Charitable remainder trusts	\$ 7,003	\$ 6,500
Charitable gift annuities	7,198	6,595
Pooled income funds	<u>879</u>	<u>865</u>
	<u><u>15,080</u></u>	<u><u>13,960</u></u>

NOTE 8 - LAND, BUILDINGS AND EQUIPMENT, NET

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

	2025	2024
Land and land improvements	\$ 45,899	\$ 43,618
Buildings and improvements	794,253	723,977
Equipment	166,313	155,426
Long-term lease assets	<u>26,263</u>	<u>26,166</u>
	<u>1,032,728</u>	<u>949,187</u>
Less: accumulated depreciation	<u>(472,379)</u>	<u>(434,257)</u>
	<u>560,349</u>	<u>514,930</u>
Construction-in-progress	<u>3,552</u>	<u>24,144</u>
	<u><u>\$ 563,902</u></u>	<u><u>\$ 539,074</u></u>

Worcester Polytechnic Institute

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2025 and 2024

Depreciation expense charged to operations was \$38,275,000 and \$32,835,000 for the years ended June 30, 2025 and 2024, respectively.

NOTE 9 - LEASES AND CONTRACT LIABILITIES

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 ("FASB") 842 and concluded that ultimately the transaction did not meet the definition of a sale. Therefore, the University did not follow sale leaseback accounting and accounted for the liability as a contract liability under FASB 842. The University continued to recognize the fixed assets at their net book value of \$2.6 million and will continue to depreciate them over their useful lives. Separately, the University recognized the cash received of \$45 million as a contract liability discounted to present value based on the future payments to be made.

The table below presents certain information related to the lease costs for leases (in thousands):

	2025	2024
Finance lease expense		
Amortization of leased assets	\$ 334	\$ 334
Interest on lease liabilities and contract liabilities	2,509	752
Operating lease expense	2,101	3,416
Short-term and variable lease costs	213	81
 Total lease cost	 \$ 5,157	 \$ 4,583

Worcester Polytechnic Institute

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2025 and 2024

Supplemental financial position information related to operating leases, finance leases, and contract liabilities as of June 30, 2025 is as follows (in thousands):

	Classification on the Statement of Financial Position	2025	2024
Assets			
Operating lease assets	Land, buildings and equipment, net	\$ 6,470	\$ 8,746
Finance lease assets	Land, buildings and equipment, net	<u>836</u>	<u>1,170</u>
Total lease assets		<u><u>7,576</u></u>	<u><u>9,916</u></u>
Liabilities			
Operating lease liabilities	Lease and contract liabilities	\$ 7,111	\$ 9,042
Finance lease liabilities	Lease and contract liabilities	1,080	1,484
Contract liabilities	Lease and contract liabilities	<u>55,191</u>	<u>50,388</u>
Total lease and contract liabilities		<u><u>63,382</u></u>	<u><u>60,914</u></u>
Weighted-average remaining lease term			
Operating leases		3.7 years	4.6 years
Finance leases and contract liabilities		36.8 years	37.4 years
Weighted-average discount rate			
Operating leases		2.91%	2.92%
Finance leases and contract liabilities		4.88%	4.87%

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

	2025	2024
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows for operating leases	\$ 2,263	\$ 4,390
Operating cash flows for finance leases and contract liabilities	<u>3,047</u>	<u>2,454</u>
	<u><u>5,310</u></u>	<u><u>6,844</u></u>

Future minimum lease payments under operating and finance leases (in thousands) at June 30, 2025 is as follows:

<u>Year Ending June 30,</u>	<u>Amount Due</u>
2026	\$ 5,370
2027	5,271
2028	4,981
2029	4,475
2030	3,083
Thereafter	<u>112,582</u>
	135,762
Less: imputed interest	<u>(72,380)</u>
Total lease and contract liabilities	<u><u>\$ 63,382</u></u>

Worcester Polytechnic Institute

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2025 and 2024

NOTE 10 - BONDS AND NOTES PAYABLE, NET

Bonds, notes payable, and financing liabilities 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, 2025	Balance, June 30, 2024
Bonds payable						
MDFA 2008 Series A ⁽¹⁾	9/1/2035	Variable	\$ 54,815	\$ 2,090	\$ 26,815	\$ 28,905
MDFA 2014 Series ⁽¹⁾	9/1/2029	2.5-3.1	2,782	225	2,659	2,877
MDFA 2016 Series ⁽²⁾	9/1/2052	3.0-5.0	49,030	-	36,892	37,189
Worcester Polytechnic Institute 2016 Series ⁽¹⁾	9/1/2056	4.338	56,905	-	56,905	56,905
MDFA 2017A Series ⁽³⁾	9/1/2047	3.0-5.0	14,435	395	13,834	13,297
MDFA 2017B Series ⁽⁴⁾	9/1/2045	5.0	52,990	-	45,136	45,728
MDFA 2019 Series ⁽⁵⁾	9/1/2059	4.0-5.0	113,640	-	106,682	107,689
MDFA 2022 Series ⁽¹⁾	6/30/2042	2.2	42,540	1,099	39,480	40,532
People's Bank Loan	6/30/2047	4.6	22,000	545	20,563	21,080
Term Loan - T.D. Bank ⁽⁶⁾	9/12/27	Variable	26,053	-	26,053	-
MDFA 2024 Series ⁽⁷⁾	9/12/54	Variable	20,400	-	20,400	-
Uncollateralized notes						
Capital lease obligations	Various	Various	N/A	89	206	258
Financing liability	9/30/2043			497	5,502	3,026
Other short term financing obligations	Various	Various	N/A	-	10,500	20,512
				4,940	411,627	377,998
Less: deferred financing costs, net of amortization				-	(2,318)	(2,248)
Total bonds and notes payable				\$ 4,940	\$ 409,309	\$ 375,750

- (1) The bonds, issued at par with no discount or premium, represent a general obligation of the University.
- (2) The bonds represent a general obligation of the University. The balances at June 30, 2025 and 2024 include a premium of \$3,432,000 and \$3,729,000, respectively.
- (3) The bonds represent a general obligation of the University. The balances at June 30, 2025 and 2024 include a premium of \$2,709,000 and \$1,812,000, respectively.
- (4) The bonds represent a general obligation of the University. The balances at June 30, 2025 and 2024 include a premium of \$4,711,000 and \$5,303,000, respectively.
- (5) The bonds represent a general obligation of the University. The balances at June 30, 2025 and 2024 include a premium of \$14,512,000 and \$15,519,000, respectively.
- (6) In fiscal year 2025, the University entered into a term loan agreement with T.D. Bank, N.A., with an original issue amount of \$26,100,000. Proceeds were used to finance the acquisition of the Courtyard Marriott hotel property. The loan matures in 2027, and requires interest-only payments through maturity, with the entire principal balance due at that date. The loan is variable-rate, with interest rates tied to the Secured Overnight Financing Rate.
- (7) In fiscal year 2025, the University issued \$20,400,000 of tax-exempt Massachusetts Development Finance Agency Revenue Bonds (Series 2024). Proceeds from the issuance were used to finance the acquisition of the Hampton Inn hotel property. The bonds mature in September 2054 and are subject to a mandatory purchase date in September 2027. The University expects to remarket the bonds at the mandatory purchase date. The bonds are variable rate, with interest rates tied to the Secured Overnight Financing Rate.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2025 and 2024

There were no funds held under bond agreements at June 30, 2025 for construction and debt service reserves regarding the University's various bond indentures.

Scheduled aggregate principal repayments on bonds, notes payable, and financing liabilities 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>
2026	\$ 15,415
2027	31,723
2028	6,761
2029	6,949
2030	7,731
Thereafter	<u>317,684</u>
 Total cash payments	 386,262
 Premium	 <u>25,364</u>
	 <u>\$ 411,627</u>

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 \$10,500,000 and \$20,500,000 at June 30, 2025 and 2024, respectively. Related interest expense was \$492,000 and \$378,000 for the years ended June 30, 2025 and 2024, 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):

	Series 2008 A		
	Deutsche Bank AG	Barclays Bank PLC	
Trade/effective date	Nov. 3, 2008	Nov. 3, 2008	
Initial notional amount	\$ 14,100	\$ 34,200	
Termination date	Oct. 1, 2033	Sept. 1, 2035	
Rate paid by University	4.65%	3.71%	
Rate paid by Counterparty	71% of one-month LIBOR	SOFR + 11.448 bps	
Series 2008 A			
<u>Fair Value Liability</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
June 30, 2025	\$ 714	\$ 866	\$ 1,580
June 30, 2024	\$ 655	\$ 745	\$ 1,400

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. For the

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2025 and 2024

agreement with Deutsche Bank AG, the collateral posting provision is triggered should the fair value liability exceed \$40 million while the University's long-term credit rating remains at A1/A+. For the Barclays Bank PLC agreement, collateral would be required if the combined fair value liability exceeds \$40M and the University's long-term credit rating declines to A2/A. At the University's current rating of A2/A, a combined fair value liability in excess of \$40 million would trigger a posting requirement for the Barclays Bank PLC agreement. The combined debt and swap liability is \$28 million at June 30, 2025. The provisions with both counterparties provide that the liability threshold increases if the University's long-term credit ratings decline. At June 30, 2025, 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. Through March 31, 2025, employees could elect to invest in various accounts with the Teachers' Insurance and Annuity Association of America ("TIAA"), Fidelity Investments, or a combination of both. Effective April 2025, the University transitioned to a single record keeper arrangement with TIAA. All new enrollments and contributions were directed solely to TIAA as of April 1, 2025 and April 22, 2025, respectively. Participants with Fidelity held their account balances in Fidelity through June 30, 2025, with the transfer of previously accumulated account balances scheduled for July 2025. Contributions were \$11,423,000 and \$11,224,000 for the years ended June 30, 2025 and 2024, 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):

	2025							Total
	Instruction and Research	Sponsored Research	Student Services	Auxiliary Enterprises	External Relations	Institution and Academic Support		
Wages and benefits	\$ 113,575	\$ 36,998	\$ 14,933	\$ 7,111	\$ 11,155	\$ 40,088	\$ 223,860	
Operating expenses	21,206	26,159	7,529	29,246	2,065	22,504	108,709	
Depreciation	11,939	5,610	5,180	8,611	230	6,705	38,275	
Interest expense	5,500	1,194	2,877	6,395	39	2,222	18,227	
 Total operating expenses	 \$ 152,220	 \$ 69,961	 \$ 30,519	 \$ 51,363	 \$ 13,489	 \$ 71,519	 \$ 389,071	

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2025 and 2024

	2024						Institution and Academic Support		Total
	Instruction and Research	Sponsored Research	Student Services	Auxiliary Enterprises	External Relations				
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	\$ 146,750	\$ 64,345	\$ 29,064	\$ 40,349	\$ 13,623	\$ 67,011	\$ 361,142		

External relations expenditures include \$8,595,000 and \$9,137,000 of fundraising expenses for the years ended June 30, 2025 and 2024, 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, 2025:

	Resources Available at June 30, 2025	Resources Appropriated by the Board and Available in FY 2026	Resources not Available Within 12 Months	Total	
				Financial assets available within 12 months	Financial assets not available for expenditures within 12 months
Cash and cash equivalents	\$ 4,758	\$ -	\$ -	\$ 4,758	
Accounts receivable, net	16,008	-	-	16,008	
Forecasted payout on board designated endowments	-	18,775	-	18,775	
Investments not subject to donor restrictions or board designations	-	11,175	-	11,175	
Total financial assets available within 12 months	20,766	29,950	-	50,716	
Financial assets not available for expenditures within 12 months					
Cash, cash equivalents and investments	-	-	793,290	793,290	
Contributions not due within one year	18,989	-	18,989	18,989	
Student loan receivables, net	-	-	14,447	14,447	
Liquidity resources					
Bank line of credit (less balance outstanding as of June 30, 2025)	19,500	-	-	19,500	
Total financial assets and other liquidity resources	\$ 59,255	\$ 29,950	\$ 807,736	\$ 896,942	

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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2025 and 2024

Included in financial assets not available for expenditure at June 30, 2025, the University had \$277,006,000 of board-designated endowments that, with the Board's approval, could be made available for expenditures.

Of the University's investments, 59% are redeemable within 30 days, 22% may be redeemed either at future specified redemption dates or currently by incurring a penalty, and 19% are in real estate, private equites, and other private investments. Constraints that limit the University's ability to withdraw capital after such investments are made may limit the amount available for withdrawal at a given redemption date which could limit the University's ability to respond quickly to changes in market conditions.

NOTE 15 - NET ASSETS

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

	2025		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment funds			
Long-term investment (quasi-endowment)	\$ 277,006	\$ -	\$ 277,006
Original principal	-	268,007	268,007
Unspent income and appreciation			
Scholarship support	-	130,473	130,473
Faculty support	-	28,076	28,076
Program support	-	27,860	27,860
Total endowment funds	277,006	454,416	731,422
Split-interest agreements and perpetual trusts	3,650	21,958	25,608
Student loan funds	14,832	4,546	19,378
Gifts and other unexpended revenues			
Acquisition of building and equipment	-	690	690
Instruction, research and institutional support	-	30,168	30,168
Undesignated	94,816	-	94,816
	<u>\$ 390,304</u>	<u>\$ 511,778</u>	<u>\$ 902,082</u>

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June 30, 2025 and 2024

	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	<u>261,163</u>	<u>418,836</u>	<u>679,999</u>
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	<u>86,931</u>	<u>-</u>	<u>86,931</u>
	<u><u>\$ 364,825</u></u>	<u><u>\$ 485,360</u></u>	<u><u>\$ 850,185</u></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, 2025 and 2024, funds held for others in the consolidated statements of financial position include Alumni Association assets of \$3,943,000 and \$3,701,000, respectively. There are no other material related party transactions as of and for the years ended June 30, 2025 and 2024.

NOTE 17 - COMMITMENTS AND CONTINGENCIES

Construction Contracts

For years ended June 30, 2025 and 2024, the University had contracted for various renovations and construction projects across campus totaling \$475,000 and \$2,185,000, 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, 2025 and 2024, the University had unfunded commitments of \$100,462,000 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 \$2,914,000 to six fraternities. These loans are collateralized by real property owned by the fraternities.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2025 and 2024

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, 2025 and 2024 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 \$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, 2025 to November 5, 2025, 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 August 1, 2025, the University issued \$20,000,000 of tax-exempt revenue bonds (Series 2025) through the Massachusetts Development Finance Agency. Proceeds from the issuance are being held in a trustee-controlled project account, with draws permitted as eligible project costs are incurred. The proceeds will be used to finance capital improvements. The bonds are variable-rate, with interest rates indexed to the Secured Overnight Financing Rate, and mature in 2050.

On August 15, 2025, the University repaid in full its outstanding \$20,400,000 Massachusetts Development Finance Agency Revenue Bond (Series 2024), originally issued to finance acquisition of the Hampton Inn hotel in Worcester, MA. Following this repayment, the bond is no longer outstanding.