



# **Financial Statements**

## **Merrimack College**

**June 30, 2023 and 2022**



# MERRIMACK COLLEGE

## *Financial Statements*

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## *Independent Auditors' Report*

The Board of Trustees  
Merrimack College  
North Andover, Massachusetts

### ***Opinion***

We have audited the financial statements of Merrimack College (the "College"), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the College as of June 30, 2023 and 2022, 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 in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the College 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 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.



### ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the College'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.

*Maya Heyman McCann P.C.*

Boston, Massachusetts  
September 27, 2023

# MERRIMACK COLLEGE

## Statements of Financial Position

June 30,

	2023	2022
<b>Assets</b>		
Cash and cash equivalents	\$ 55,340,238	\$ 50,447,825
Contributions receivable, net	2,582,471	2,383,106
Accounts and loans receivable, net	8,077,008	6,940,063
Other assets	2,391,844	2,209,197
Investments	78,930,552	68,178,044
Deposits with bond trustees	32,616,229	22,560,210
Land, buildings, and equipment, net	200,116,904	183,358,578
	<hr/>	<hr/>
<b>Total assets</b>	<b>\$ 380,055,246</b>	<b>\$ 336,077,023</b>
	<hr/> <hr/>	<hr/> <hr/>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 18,355,325	\$ 18,466,647
Student deposits and deferred revenue	16,365,645	10,673,429
Note payable - revolving line of credit	-	10,000,000
Bonds payable	156,592,340	126,447,447
Refundable U.S. government grants for student loans	681,291	696,283
	<hr/>	<hr/>
<b>Total liabilities</b>	<b>191,994,601</b>	<b>166,283,806</b>
	<hr/>	<hr/>
Net assets:		
Without donor restrictions	115,084,596	106,916,490
With donor restrictions	72,976,049	62,876,727
	<hr/>	<hr/>
<b>Total net assets</b>	<b>188,060,645</b>	<b>169,793,217</b>
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<b>Total liabilities and net assets</b>	<b>\$ 380,055,246</b>	<b>\$ 336,077,023</b>
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MERRIMACK COLLEGE

Statement of Activities

Year Ended June 30, 2023  
(with comparative totals for 2022)

	2023			2022
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Operating revenue:				
Tuition and fees, net (less scholarship aid to students of \$111,425,791 and \$102,183,190, respectively)	\$ 107,329,702	\$ -	\$ 107,329,702	\$ 102,981,318
Grant revenues	3,877,302	-	3,877,302	14,325,393
Contributions	674,719	1,743,799	2,418,518	2,180,244
Investment return utilized for operations	835,659	2,439,678	3,275,337	3,020,733
Auxiliary enterprises	52,983,261	-	52,983,261	45,479,209
Other revenue	4,829,070	-	4,829,070	2,673,352
<b>Total revenues</b>	<b>170,529,713</b>	<b>4,183,477</b>	<b>174,713,190</b>	<b>170,660,249</b>
Net assets released from restrictions	4,019,835	(4,019,835)	-	-
<b>Total revenues and net assets released from restrictions</b>	<b>174,549,548</b>	<b>163,642</b>	<b>174,713,190</b>	<b>170,660,249</b>
Expenses:				
Instruction	53,219,583	-	53,219,583	47,865,147
Student services	37,955,157	-	37,955,157	38,443,576
Academic support	18,429,485	-	18,429,485	16,156,805
Institutional support	25,143,322	-	25,143,322	24,469,435
Auxiliary enterprises	32,246,212	-	32,246,212	33,210,461
<b>Total expenses</b>	<b>166,993,759</b>	<b>-</b>	<b>166,993,759</b>	<b>160,145,424</b>
<b>Change in net assets from operations</b>	<b>7,555,789</b>	<b>163,642</b>	<b>7,719,431</b>	<b>10,514,825</b>
Nonoperating activities:				
Investment return, net of amounts utilized for operations	888,980	3,158,495	4,047,475	(11,487,868)
Contributions	-	6,791,605	6,791,605	2,946,444
Change in value of split interest obligations	26,016	(2,099)	23,917	8,223
Other changes	12,321	(12,321)	-	-
Nonoperating expense	(315,000)	-	(315,000)	-
<b>Change in net assets from nonoperating activities</b>	<b>612,317</b>	<b>9,935,680</b>	<b>10,547,997</b>	<b>(8,533,201)</b>
<b>Change in net assets</b>	<b>8,168,106</b>	<b>10,099,322</b>	<b>18,267,428</b>	<b>1,981,624</b>
Net assets, beginning of year	106,916,490	62,876,727	169,793,217	167,811,593
<b>Net assets, end of year</b>	<b>\$ 115,084,596</b>	<b>\$ 72,976,049</b>	<b>\$ 188,060,645</b>	<b>\$ 169,793,217</b>

**MERRIMACK COLLEGE**

**Statement of Activities**

**Year Ended June 30, 2022**

	<b>2022</b>		<b>Total</b>
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	
Operating revenue:			
Tuition and fees, net (less scholarship aid to students of \$102,183,190)	\$ 102,981,318	\$ -	\$ 102,981,318
Grant revenues	14,325,393	-	14,325,393
Contributions	637,349	1,542,895	2,180,244
Investment return utilized for operations	820,860	2,199,873	3,020,733
Auxiliary enterprises	45,479,209	-	45,479,209
Other revenue	2,673,352	-	2,673,352
<b>Total revenues</b>	<b>166,917,481</b>	<b>3,742,768</b>	<b>170,660,249</b>
Net assets released from restrictions	3,280,797	(3,280,797)	-
<b>Total revenues and net assets released from restrictions</b>	<b>170,198,278</b>	<b>461,971</b>	<b>170,660,249</b>
Expenses:			
Instruction	47,865,147	-	47,865,147
Student services	38,443,576	-	38,443,576
Academic support	16,156,805	-	16,156,805
Institutional support	24,469,435	-	24,469,435
Auxiliary enterprises	33,210,461	-	33,210,461
<b>Total expenses</b>	<b>160,145,424</b>	<b>-</b>	<b>160,145,424</b>
<b>Change in net assets from operations</b>	<b>10,052,854</b>	<b>461,971</b>	<b>10,514,825</b>
Nonoperating activities:			
Investment return, net of amounts utilized for operations	(2,514,843)	(8,973,025)	(11,487,868)
Contributions	-	2,946,444	2,946,444
Change in value of split interest obligations	(11,096)	19,319	8,223
Other changes	64,887	(64,887)	-
<b>Change in net assets from nonoperating activities</b>	<b>(2,461,052)</b>	<b>(6,072,149)</b>	<b>(8,533,201)</b>
<b>Change in net assets</b>	<b>7,591,802</b>	<b>(5,610,178)</b>	<b>1,981,624</b>
Net assets, beginning of year	99,324,688	68,486,905	167,811,593
<b>Net assets, end of year</b>	<b>\$ 106,916,490</b>	<b>\$ 62,876,727</b>	<b>\$ 169,793,217</b>

**MERRIMACK COLLEGE**  
**Statements of Cash Flows**

*Years Ended June 30,*

	<b>2023</b>	<b>2022</b>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 18,267,428	\$ 1,981,624
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	8,162,000	8,283,584
Provision for doubtful accounts	(1,015,484)	(953,496)
Realized and unrealized losses (gains) on investments	(5,565,429)	10,047,477
Contributions received for long-term investment	(6,791,605)	(2,946,444)
Changes in operating assets and liabilities excluding cash:		
Accounts and loans receivable	(121,461)	626,326
Contributions receivable	(199,365)	963,420
Other assets	(182,647)	(369,778)
Accounts payable and accrued expenses	(1,106,515)	(940,457)
Student deposits and deferred revenue	5,692,216	(609,078)
	<b>17,139,138</b>	<b>16,083,178</b>
<b>Cash flows from investing activities:</b>		
Change in deposits with bond trustees	(10,038,101)	5,092,533
Cash paid for purchase of land, buildings, and equipment	(24,714,352)	(25,220,234)
Purchase of investments	(31,052,295)	(38,665,544)
Proceeds from sale of investments	25,865,217	36,684,650
	<b>(39,939,531)</b>	<b>(22,108,595)</b>
<b>Cash flows from financing activities:</b>		
Proceeds from the issuance of new debt	33,220,000	10,000,000
Repayments of line of credit	(10,000,000)	-
Repayments of bonds payable	(2,303,807)	(1,802,546)
Contributions received for long-term investment	6,791,605	2,946,444
Net change in refundable U.S. government grants	(14,992)	(175,179)
	<b>27,692,806</b>	<b>10,968,719</b>
<b>Net change in cash and cash equivalents</b>	<b>4,892,413</b>	<b>4,943,302</b>
Cash and cash equivalents and restricted cash, beginning of year	50,447,825	45,504,523
<b>Cash and cash equivalents and restricted cash, end of year</b>	<b>\$ 55,340,238</b>	<b>\$ 50,447,825</b>
<b>Supplemental data:</b>		
Cash paid during the year for interest	\$ 6,315,558	\$ 5,193,019
Change in construction costs accrued and unpaid	\$ 210,370	\$ 2,851,806

See accompanying notes to the financial statements.



# MERRIMACK COLLEGE

## *Notes to Financial Statements*

### **Note 1 - Organization**

Merrimack College (the “College” or “Merrimack”) is a private, coeducational institution with a Catholic tradition that currently offers undergraduate and graduate programs for a variety of degrees. The College provides academic, residential and other services to a diverse student population. The College was founded by the members of the Order of Saint Augustine, Province of Saint Thomas of Villanova (the “Order”), and that Province of the Order has had, and always shall have, a special relationship to the College. No action in any way altering such relationship or the mission of the College shall be valid unless approved by the unanimous vote or consent of those Trustees in office who are members of the Order. The Order also maintains certain special powers such as approving a list of candidates to be president of the College. In addition, the Order also shall maintain board seats which constitute 20% or more of the College’s Trustees at any time. These elements are to ensure that the College will continue to focus its mission on enlightening minds, engaging hearts, and empowering lives.

The College has enrollment of over 5,000 students predominantly from the Northeast region of the United States along with enrollment of students from most states in the country. The College also enrolls students from over thirty countries. Merrimack is accredited by the New England Commission of Higher Education, Inc., as its primary accreditor, but the College also has other accreditations when it deems it useful or required in terms of providing evidence of further rigor and discipline in certain programs of study. The College participates in student financial aid programs sponsored by the United States Department of Education (“DOE”), and to a much lesser extent individual states, which provides financial support for students. These programs generally facilitate the payment of a significant portion of tuition and other expenses incurred by students when they meet certain eligibility requirements as determined by the College’s financial aid office and are subject to after the fact review by the funders.

### **Note 2 - Summary of Significant Accounting Policies**

#### ***Basis of Presentation***

The accompanying financial statements are presented on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America which requires that information regarding its financial position and activities are reported based on the existence of or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net Assets Without Donor Restrictions* - Net assets available for general use and not subject to donor restrictions. The Board of Trustees has designated from net assets without donor restrictions funds to function as endowment. Net assets without donor restrictions also include investment in plant, net of accumulated depreciation and related bond obligations.

*Net Assets With Donor Restrictions* - Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature that may or will be met, either by the passage of time or the events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

# MERRIMACK COLLEGE

## *Notes to Financial Statements*

### ***Note 2 - Summary of Significant Accounting Policies (Continued)***

#### ***Cash and Cash Equivalents***

Cash and cash equivalents include short-term securities with maturities at date of purchase of three months or less and are reported at cost plus earned interest. Certain accounts exceed insured limits while others do not include deposit insurance. The College has not experienced any losses in such accounts. Cash and cash equivalents held by investment managers are considered part of investments. Cash includes amounts restricted for a student loan program in the amount of \$707,589 and \$502,752 for the years ended June 30, 2023 and 2022, respectively.

#### ***Contributions Receivable***

Contributions receivable represent contributions verifiably committed by donors that are scheduled for payment in the future. Such amounts are initially recorded at fair market value using Level 2 inputs as described in the fair value policies later in this section. An allowance is provided for uncollectable amounts based on management's estimates including historical experience, specific review of circumstances and other factors.

#### ***Accounts and Loans Receivable and Refundable U.S. Government Grants for Student Loans***

Accounts and loans receivable are stated net of allowance for doubtful accounts of \$4,700,479 and \$3,794,309 for the years ended June 30, 2023 and 2022, respectively. Loans receivable represent amounts due from students under the Federal Perkins Loan Program ("Perkins Loans").

The College regularly assesses the adequacy of the allowance for doubtful accounts related to accounts and loans receivable by performing ongoing evaluations of the student account and loan portfolio, including such factors as prior collection history, the economic environment and the type of receivable or loan. The level of the allowance is adjusted based on the results of this analysis.

\$1,024,695 and \$1,089,769 of loans were considered past due as of June 30, 2023 and 2022, respectively, however credit risk with these loans is somewhat limited given the rules associated with Perkins Loans that allow properly administered loans to be conveyed back to the DOE in exchange for a reduction in refundable U.S. government grants for student loans and, accordingly, reserves required for these loans are modest. The College has omitted detailed disclosures given the amounts involved.

#### ***Investments***

Investments are carried at fair value. Fair value is determined based on the fair value policies described in this section.

Net investment return (loss) is reported in the statements of activities and consists of interest, dividends, realized and unrealized gains and losses net of external direct investment expenses. Returns are allocated to the underlying source of the funds when such funds are received with donor restrictions with other returns being considered without donor restrictions.

# MERRIMACK COLLEGE

## *Notes to Financial Statements*

### *Note 2 - Summary of Significant Accounting Policies (Continued)*

#### *Fair Value Measurements*

The College reports required types of financial instruments in accordance with the fair value standards. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants at the measurement date. These standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and to minimize the use of unobservable inputs (such as appraisals or valuation techniques) to determine recurring reported fair values of certain instruments by classifying such into three categories based on the nature of the inputs used. The fair value standards also require certain items be recorded at fair value when received on a non-recurring basis, such as long-term contributions receivable. In addition, the College reports certain investments using the net asset value ("NAV") per share as determined by investment managers under the so called "practical expedient" of fair value. The practical expedient allows NAV per share to represent fair value for reporting purposes when the criteria for using this method are met with such category being separate and apart from the three basic categories of fair value items. The categories other than the NAV method are as follows:

- Level 1* – Quoted prices in active markets for identical instruments as of the reporting date. Instruments within this category generally include listed equity securities, publically traded mutual funds and certain funds that are much the same as public funds traded on stock or other exchanges.
- Level 2* – Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly as of the reporting date. Instruments in this category most often require the use of a model commonly used in valuation, such an interest rate of like duration and risk that would assist in determining pricing of the instrument.
- Level 3* – Pricing inputs are unobservable given little, if any, market activity for the instrument. The inputs for such require significant judgment such as an appraisal or other method. Instruments in this category include certain types of private equity that are not eligible for NAV valuation and beneficial interests in perpetual trusts.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

It is possible that redemption rights may be restricted or eliminated by investment managers in the future in accordance with the underlying fund agreements. Market price is affected by a number of factors, including the type of instrument and the characteristics specific to the instrument. Instruments with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observable inputs and a lesser degree of judgment used in measuring fair value. It is reasonably possible that changes in values of these instruments will occur in the near term and that such changes could materially affect amounts reported in these financial statements. For more information on the fair value of the College's financial instruments, see Note 5 - Investments and Fair Value Measurements.

# MERRIMACK COLLEGE

## *Notes to Financial Statements*

### **Note 2 - Summary of Significant Accounting Policies (Continued)**

#### ***Deposits with Bond Trustees***

Deposits with bond trustees are reported at fair value as per the fair value policies described elsewhere in this section. These amounts relate to funds held under bond indentures for debt service and project funds. Project funds are made available from the trustees as qualifying project costs are incurred while debt service funds must be maintained per the indentures at specified levels over the term of the agreement.

#### ***Land, Buildings, and Equipment***

Land, buildings, and equipment are carried at cost when the useful life is over one year and when such amounts exceed a management established threshold, less accumulated depreciation. Depreciation is provided for on the straight-line basis over the estimated useful lives of the respective assets. If an asset is donated to the College, such amounts are recorded at fair value using Level 3 fair value methods as described elsewhere in this section at the date of the gift. Major betterments are capitalized while maintenance and repairs are expensed when incurred.

#### ***Student Deposits and Deferred Revenue***

Student deposits represent reservation deposits and other advance payments by students on account. Deferred revenue represents the amount of unearned related services that are in progress as of year-end related to net tuition, fees and auxiliary enterprises such as room and board. Such amounts are reflected as revenue ratably over time with such amounts generally being recognized on a current basis given the nature and duration of the underlying services being provided.

Substantially all amounts included in deferred revenue at the opening of each period were recognized as revenues during the following fiscal period with very limited amounts not being earned associated with student withdrawal rights that management did not consider material. The remaining performance obligation is time driven given the academic calendar that underlies the earnings process for tuition, fees and auxiliary revenue. There were no significant changes to deferred revenue amounts on a quantitative or qualitative basis.

#### ***Bonds Payable, Bond Issuance Costs and Bond Premiums and Discounts***

Bonds payable are reported at the face value of the remaining obligation under the related debt, net of issuance costs. Costs incurred and underwriting discounts or premiums of bonds are capitalized and are included as part of bonds payable. Such amounts are amortized over the lives of the respective debt issues.

#### ***Income Taxes***

The College is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code, as amended (the "Code"), and is generally exempt from federal income taxes pursuant to Section 501(a) of the Code. The College is also generally exempt from state income taxes. Given the limited taxable activities of the College, management concluded that such disclosures related to tax provisions are not necessary.

# MERRIMACK COLLEGE

## *Notes to Financial Statements*

### *Note 2 - Summary of Significant Accounting Policies (Continued)*

#### ***Uncertain Tax Positions***

The College is required to assess uncertain tax positions. The College has determined that its tax status and decisions over which activities are related and unrelated are its only tax positions and that such positions do not result in an uncertainty requiring recognition. The College's Federal and state tax returns are generally open for examination for three years following the date filed. No examinations are currently in process.

#### ***Revenue Recognition***

Revenues are reported as increases in net assets without donor restrictions unless their use is limited by donor-imposed restrictions.

#### ***Earned Revenue***

Earned revenues are recorded using a principles based process that requires the College 1) Identify the contract with the customer; 2) Identify the performance obligations in the contract; 3) Determine the transaction price; 4) Allocate the transaction price to the performance obligations; and 5) Recognize revenue when (or as) performance obligations are satisfied. Earned revenues include tuition and fees as well as sales and services of auxiliary enterprises, all of which are under arrangements that are aligned to an academic semester and which is less than one year in length.

The College derives revenues primarily through tuition, fees and auxiliary services. Tuition, fees and auxiliary enterprises revenue are recorded at established rates, net of institutional financial aid and scholarships provided directly to students and therefore amounts are deemed to be fixed and determinable. Such net amounts are recorded as revenue when performance obligations are satisfied which is generally over time as services are rendered whether relating to educational services or auxiliary services such as room and board. Management believes that recognizing revenue over time is the best measure of services rendered based on its academic calendar and has not made any changes in the timing of satisfaction of its performance obligations or amounts allocated to those obligations. Discounts provided to employees are considered part of fringe benefits within operating expenses and likewise are recorded over time. Management does not consider there to be significant judgment involved in the timing of satisfaction of performance obligations as those are directly linked to the academic calendar of the related academic activity.

Students may withdraw from programs of study within certain time limits as under the College's withdrawal policies by semester. These policies vary by program but most allow for up to a 100% refund within 15 days of the start of classes. In most cases, after 15 days, no refund is available. Given the normal timing of the College's programs, the exposure to such is limited at year end.

Payments made by third parties such as DOE relative to loans and grants to students are a mechanism to facilitate payment on behalf of students, and accordingly, such funding does not represent revenue of the College. Cash flows are also impacted by DOE rules which differ for newly enrolled versus continuing students with respect to financial aid. Generally, funds made available by the DOE for new students are available later than for continuing students.

# MERRIMACK COLLEGE

## Notes to Financial Statements

### Note 2 - Summary of Significant Accounting Policies (Continued)

#### Revenue Recognition (Continued)

##### Earned Revenue (Continued)

Management does not view there to be other qualitative factors that have a significant impact on the nature and amount of revenue and cash flow.

The College's principle line of business is traditional undergraduate education and graduate programs. The following table summarizes the percentages of revenue from each of these programs with auxiliary enterprises being ascribed to the program from which such revenues are derived.

	2023	2022
<b>Revenue</b>		
Undergraduate	90%	89%
Graduate	10%	11%

##### Contributed Support

Contributions, including unconditional promises to give, are recognized as revenues as either without or with donor restrictions in the period verifiably committed by the donor. Contributions of assets other than cash are recorded at their estimated fair value and per the fair value policies described elsewhere in this section. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of the estimated future cash flows using a risk adjusted discount rate depending on the time period involved. Amortization of the discount is included in contribution revenue in accordance with the donor-imposed restrictions, if any, on the contributions. Contributions with donor-imposed restrictions that can be met through the passage of time or upon the incurring of expenses consistent with the purposes are recorded as net assets with donor restrictions and reclassified to net assets without donor restrictions when such time or purposes restriction has been satisfied.

Gifts of land, buildings, and equipment are recorded as without donor restrictions unless the donor explicitly states how such assets should be used. Gifts of cash or other assets that must be used to acquire long-lived assets are reported as net assets with donor restrictions. The College reports expirations of donor restrictions when the donated or acquired long-lived asset is placed into service.

Conditional contributions, including grants, are recorded as revenue when such amounts become unconditional which generally involves the meeting of a barrier to entitlement. This can include items such as meeting a matching provision, incurring specified allowable expenses in accordance with a framework of allowable costs or other barriers. Contributions received pending designation by the donor are considered with donor restrictions until known at which time such are reclassified if required.

# MERRIMACK COLLEGE

## *Notes to Financial Statements*

### *Note 2 - Summary of Significant Accounting Policies (Continued)*

#### *Revenue Recognition (Continued)*

##### **Net Investment Return**

Net investment return consists of interest and dividend income and realized and unrealized gains and losses, less any external investment expenses. Such returns are allocated ratably based on the relative proportion of funds invested with donor restrictions and those without donor restrictions. Investment returns allocated to net assets with donor restrictions remain in such category until appropriated by the board under the board approved spending policy unless otherwise required by the terms of the gift that they be added to the principal of the endowment.

#### *Operating and Nonoperating Activity*

The accompanying statements of activities present the change in net assets distinguishing between operating and nonoperating activities. Operating activities principally include all revenues and expenses that relate to the College's educational programs, research, training and supporting activities. Operating revenues also include investment return pursuant to the College's spending rate policy earned on investments held for endowment and similar purposes. Investment returns in excess of or less than the spending rate are considered nonoperating. In addition, contributions raised for capital expenditures and endowment are also considered nonoperating along with other nonrecurring items.

#### *Functional Allocation of Expenses*

Expenses are reported as decreases in net assets without donor restrictions. The statements of activities present expenses by functional classification. Building operations and maintenance costs, including depreciation, are allocated based on square footage. Interest expense is allocated based on square footage applied to the functional purpose for which debt proceeds were used.

The costs of providing the various programs and activities and supporting services have been summarized on a functional basis in the statements of activities. Expenses are also presented later within these footnotes by natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Depreciation of plant assets and operation and maintenance of plant expenses have been allocated to functional classifications based on square footage of facilities. Interest expense is allocated to functional classifications that benefited from the use of the proceeds of the debt.

#### *Estimates*

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

# MERRIMACK COLLEGE

## *Notes to Financial Statements*

### ***Note 2 - Summary of Significant Accounting Policies (Continued)***

#### ***Subsequent Events***

The College has evaluated all events or transactions that occurred after June 30, 2023 up through September 27, 2023, the date these financial statements were issued. No such items were noted that merited recognition through this date.

### ***Note 3 - Liquidity and Availability***

The College regularly monitors liquidity to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The College has various sources of liquidity at its disposal, including cash and cash equivalents, marketable debt and equity securities and its line of credit. The College has a liquidity and operating reserve policy which is written and monitored by its Investment, Finance, Audit & Risk Management Committee of the Board of Trustees. The liquidity and operating reserve policy establishes certain minimum thresholds for cash balances and provides guidance to remedy any situation should cash balances be less than the established threshold.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the College considers all expenditures related to its ongoing activities of teaching, research and public service as well as the conduct of services undertaken to support those activities to be general expenditures. Student loans receivable are not included in the analysis as principal and interest on these loans are ultimately refundable to the government, therefore, not available to meet current operating needs.

In addition to the financial assets available to meet general expenditures over the next 12 months, the College operates with a budget surplus and anticipates collecting revenue in excess of its general expenditures. Refer to the statement of cash flows which identifies the sources and uses of the College's cash and shows positive cash generated by operations for the years ended June 30, 2023 and 2022.

Although not expected to be needed, the spendable yet restricted portion of the College's net assets could be used to meet cash needs if necessary. Prudent investment management, however, must be considered to ensure the preservation of the funds for future use. In addition, the College has approximately \$15.4 million and \$14.6 million of Board-designated endowment funds available without donor restrictions as of June 30, 2023 and 2022, respectively. The College has no intentions of utilizing these funds above the budgeted spending per the endowment spending policy, however, since these funds are without donor restrictions they could be used to meet cash needs if necessary.



# MERRIMACK COLLEGE

## Notes to Financial Statements

### Note 3 - Liquidity and Availability (Continued)

As of June 30, 2023 and 2022, the following tables show the total financial assets held by the College and the amounts of those financial assets available within one year of the balance sheet date to meet general expenditures:

	<b>2023</b>	<b>2022</b>
Financial assets at year end:		
Cash and cash equivalents	\$ 55,340,238	\$ 50,447,825
Contributions receivable, net	2,582,471	2,383,106
Accounts and loans receivable, net	8,077,008	6,940,063
Investments convertible to cash in the next 12 months	69,881,957	61,091,562
<b>Total financial assets at year end</b>	<b>\$ 135,881,674</b>	<b>\$ 120,862,556</b>
Financial assets available to meet general expenditures over the next 12 months:		
Cash and cash equivalents	\$ 54,632,649	\$ 49,945,073
Contributions for general expenditures due in one year or less	715,722	282,405
Accounts and loans receivable due in one year or less	7,015,138	5,986,914
Investment return and appropriation	3,512,953	3,275,347
Investments not encumbered by donor or board restrictions	2,679,423	2,468,599
<b>Total financial assets available to meet general expenditures over the next 12 months</b>	<b>\$ 68,555,885</b>	<b>\$ 61,958,338</b>

### Note 4 - Contributions Receivable, Net

Contributions receivable are expected to be realized as follows at June 30:

	<b>2023</b>	<b>2022</b>
Unconditional promises expected to be collected in:		
Less than one year	\$ 883,740	\$ 779,911
One year to five years	1,703,898	1,977,000
Five years and thereafter	415,000	-
	3,002,638	2,756,911
Allowance for discount and doubtful pledges	(420,167)	(373,805)
<b>Contributions receivable, net</b>	<b>\$ 2,582,471</b>	<b>\$ 2,383,106</b>

Conditional contributions pending incursion of qualified expenditures were approximately \$4,300,000 at June 30, 2023.

# MERRIMACK COLLEGE

## Notes to Financial Statements

### Note 5 - Investments and Fair Value Measurements

The valuation of the College's financial instruments by the fair value hierarchy consisted of the following at June 30:

	2023			
	Level 1	Level 3	NAV	Total
<b>Assets</b>				
Deposits with bond trustees:				
Debt service reserve with trustee:				
Cash and cash equivalents	\$ 5,054,009	\$ -	\$ -	\$ 5,054,009
Total debt service reserve with trustee	5,054,009	-	-	5,054,009
Unexpended bond proceeds:				
Cash and cash equivalents	27,562,220	-	-	27,562,220
Total unexpended bond proceeds	27,562,220	-	-	27,562,220
<b>Total deposits with bond trustees</b>	<b>32,616,229</b>	<b>-</b>	<b>-</b>	<b>32,616,229</b>
<b>Investments</b>				
Working capital investments:				
Cash and cash equivalents	1,912,738	-	-	1,912,738
U.S. and international bond funds	181,184	-	-	181,184
U.S. and international equity funds	585,501	-	-	585,501
Total working capital investments	2,679,423	-	-	2,679,423
Long-term investments (endowment):				
Cash and cash equivalents	832,406	-	-	832,406
U.S. and international bond funds	13,223,053	-	-	13,223,053
U.S. and international equity funds	43,783,954	-	-	43,783,954
Private equity and venture capital funds	9,363,121	5,332,691	3,715,904	18,411,716
Total long-term investments (endowment)	67,202,534	5,332,691	3,715,904	76,251,129
<b>Total investments</b>	<b>69,881,957</b>	<b>5,332,691</b>	<b>3,715,904</b>	<b>78,930,552</b>
<b>Total assets at fair value</b>	<b>\$ 102,498,186</b>	<b>\$ 5,332,691</b>	<b>\$ 3,715,904</b>	<b>\$ 111,546,781</b>

# MERRIMACK COLLEGE

## Notes to Financial Statements

### Note 5 - Investments and Fair Value Measurements (Continued)

The valuation of the College's financial instruments by the fair value hierarchy consisted of the following at June 30:

	2022			Total
	Level 1	Level 3	NAV	
<b>Assets</b>				
Deposits with bond trustees:				
Debt service reserve with trustee:				
U.S. and international bond funds	\$ 2,150,992	\$ -	\$ -	\$ 2,150,992
Total debt service reserve with trustee	2,150,992	-	-	2,150,992
Unexpended bond proceeds:				
Cash and cash equivalents	20,409,218	-	-	20,409,218
Total unexpended bond proceeds	20,409,218	-	-	20,409,218
<b>Total deposits with bond trustees</b>	<b>22,560,210</b>	<b>-</b>	<b>-</b>	<b>22,560,210</b>
<b>Investments</b>				
Working capital investments:				
Cash and cash equivalents	1,775,202	-	-	1,775,202
U.S. and international bond funds	176,251	-	-	176,251
U.S. and international equity funds	517,146	-	-	517,146
Total working capital investments	2,468,599	-	-	2,468,599
Long-term investments (endowment):				
Cash and cash equivalents	1,431,824	-	-	1,431,824
U.S. and international bond funds	10,503,445	-	-	10,503,445
U.S. and international equity funds	38,558,337	-	-	38,558,337
Private equity and venture capital funds	8,129,357	3,205,217	3,881,265	15,215,839
Total long-term investments (endowment)	58,622,963	3,205,217	3,881,265	65,709,445
<b>Total investments</b>	<b>61,091,562</b>	<b>3,205,217</b>	<b>3,881,265</b>	<b>68,178,044</b>
<b>Total assets at fair value</b>	<b>\$ 83,651,772</b>	<b>\$ 3,205,217</b>	<b>\$ 3,881,265</b>	<b>\$ 90,738,254</b>

Unfunded capital commitments amounted to \$810,675 and \$1,327,963 at June 30, 2023 and 2022, respectively. The College has no plans or intentions to liquidate any of its investments using NAV methods at other than the ordinary course as allowed under such instruments.

# MERRIMACK COLLEGE

## Notes to Financial Statements

### Note 5 - Investments and Fair Value Measurements (Continued)

Redemption/liquidity of investments were as follows at June 30, 2023:

<u>Permissible Investment Redemption Frequency</u>	<u>Fair Value Redeemable</u>
Daily	\$ 69,881,957
Illiquid (>365 Days)	<u>9,048,595</u>
<b>Total</b>	<b><u>\$ 78,930,552</u></b>

Following is a reconciliation of total investment return to amounts reported in the statements of activities for the years ended June 30:

	<b>2023</b>	<b>2022</b>
Long-term investment return utilized - operating activities	\$ 3,275,337	\$ 3,020,733
Long-term investment return - nonoperating activities	<u>4,047,475</u>	<u>(11,487,868)</u>
<b>Total return</b>	<b><u>\$ 7,322,812</u></b>	<b><u>\$ (8,467,135)</u></b>

### Note 6 - Land, Buildings, and Equipment, Net

The College's investment in land, buildings, and equipment is as follows at June 30:

	<i>Estimated Lives</i>	<b>2023</b>	<b>2022</b>
Land		\$ 9,790,240	\$ 9,790,240
Land improvements	10 - 30 years	25,390,131	24,719,811
Buildings and components	50 years	244,197,895	215,089,527
Furniture and equipment	5 years	59,820,269	52,789,389
Automobiles and trucks	5 - 7 years	1,567,788	1,382,988
Finance leases	3 - 4 years	1,620,732	1,457,193
Construction in progress		<u>1,556,452</u>	<u>13,022,732</u>
		343,943,507	318,251,880
Accumulated depreciation and amortization		<u>(143,826,603)</u>	<u>(134,893,302)</u>
		<b><u>\$ 200,116,904</u></b>	<b><u>\$ 183,358,578</u></b>

# MERRIMACK COLLEGE

## Notes to Financial Statements

### Note 6 - Land, Buildings, and Equipment, Net (Continued)

Depreciation and amortization expense was \$8,933,300 and \$8,337,952 for the years ended June 30, 2023 and 2022, respectively

### Note 7 - Leases

The College is committed to minimum annual rent payments under several long-term non-cancellable financing and operating leases for equipment, and educational and office space through fiscal year 2026. Right-of-use assets totaling \$310,099 are included in other assets and operating lease liabilities totaling \$326,355 are included in accounts payable and accrued expenses at June 30, 2023.

The components of lease expense are as follows for the years ended June 30:

	<b>2023</b>	<b>2022</b>
Lease cost		
Finance lease expense		
Amortization of right-of-use asset	\$ 160,020	\$ 184,751
Interest on lease liabilities	10,608	19,173
Operating lease expense	281,924	270,153
Short-term lease expense	<u>5,998,711</u>	<u>1,955,693</u>
 <b>Total lease cost</b>	 <b><u>\$ 6,451,263</u></b>	 <b><u>\$ 2,429,770</u></b>

	<b>2023</b>	<b>2022</b>
Other information		
Weighted average remaining lease term - finance leases	2.79 Years	3.16 Years
Weighted average remaining lease term - operating leases	1.93 Years	2.57 Years
Weighted average discount rate - finance leases	1.99 %	2.54 %
Weighted average discount rate - operating leases	3.05 %	3.00 %

Payments due include options to extend leases that are reasonably certain through fiscal year 2027 and are summarized below as of June 30, 2023:

	<b>Operating</b>	<b>Finance</b>	<b>Total</b>
2024	\$ 193,017	\$ 212,207	\$ 405,224
2025	167,967	73,284	241,251
2026	99,175	50,544	149,719
2027	31,465	-	31,465
Less amounts representing interest	<u>(13,724)</u>	<u>(10,741)</u>	<u>(24,465)</u>
 <b>Total</b>	 <b><u>\$ 477,900</u></b>	 <b><u>\$ 325,294</u></b>	 <b><u>\$ 803,194</u></b>

**MERRIMACK COLLEGE**

***Notes to Financial Statements***

***Note 8 - Bonds Payable and Line of Credit***

***Bonds Payable***

Bonds payable are as follows at June 30:

	<b><i>Payments Through</i></b>	<b><i>2023</i></b>	<b><i>2022</i></b>
Bonds payable:			
Massachusetts Development Finance Agency Bonds - Series 2014	2044	\$ 19,930,000	\$ 20,215,000
Massachusetts Development Finance Agency Bonds - Series 2017	2047	28,435,000	28,630,000
Massachusetts Development Finance Agency Bonds - Series 2021A-1	2042	50,104,968	51,928,775
Massachusetts Development Finance Agency Bonds - Series 2021B	2050	22,760,000	22,760,000
Massachusetts Development Finance Agency Bonds - Series 2022	2052	<u>33,220,000</u>	<u>-</u>
Total bonds payable		154,449,968	123,533,775
Plus unamortized bond premium		4,668,413	4,915,725
Less deferred bond issuance costs		(1,551,994)	(1,327,129)
Less unamortized bond discount		<u>(974,047)</u>	<u>(674,924)</u>
<b>Total bonds payable</b>		<b><u>\$ 156,592,340</u></b>	<b><u>\$ 126,447,447</u></b>

Bonds mature serially and have fixed interest rates ranging from 2.5% to 5.25%. The bonds each include a pledge of gross receipts of the College.

The College is required to maintain escrow accounts sufficient to pay one year's principal and interest on the Series 2014, Series 2017, Series 2021B and Series 2022 Bonds. Such amount is included in Deposits with bond trustees on the statement of financial position.

# MERRIMACK COLLEGE

## Notes to Financial Statements

### Note 8 - Bonds Payable and Line of Credit (Continued)

#### Bonds Payable (Continued)

Bonds payable are due as follows at June 30, 2023:

2024	\$ 2,698,141
2025	2,846,980
2026	2,952,936
2027	3,066,084
2028	3,181,490
Thereafter	<u>139,704,337</u>
	<u><b>\$ 154,449,968</b></u>

Interest expense net of amounts capitalized was \$5.3 million and \$4.6 million for the years ended June 30, 2023 and 2022, respectively.

#### Line of Credit

The College has an unsecured line of credit agreement with a bank. The line extends through March 16, 2025 in the amount of \$10,000,000. The note was amended in 2023, and bears interest at a per annum rate equal to the SOFR Interest Rate. The note previously bore interest at 30-day LIBOR plus 1.25%, with a 0.10% unused fee. The actual rate was 6.05% and 2.76% at June 30, 2023 and 2022, respectively. The line of credit includes a consecutive 15-day non-use provision, which must be met annually. There was no amount outstanding on the line of credit as of June 30, 2023, and \$10,000,000 was outstanding on the line of credit as of June 30, 2022.

### Note 9 - Endowment

The College's endowment consists of approximately 350 individual funds established for a variety of purposes including both donor-restricted endowment funds and funds designated by the Board to function as endowments.

#### Interpretation of Relevant Law

The Board of the College has interpreted the Massachusetts Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the College tracks the corpus of endowment type gifts.

# MERRIMACK COLLEGE

## *Notes to Financial Statements*

### **Note 9 - Endowment (Continued)**

#### ***Interpretation of Relevant Law (Continued)***

The remaining portion of the donor-restricted endowment fund that is not corpus is classified as unappropriated gains until those amounts are appropriated for expenditure by the College in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the College considers the following factors in making a determination to appropriate or accumulate from endowment funds:

1. The duration and preservation of the fund
2. The purposes of the College and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the College
7. The investment policies of the College

#### ***Return Objectives and Risk Parameters***

The overall investment objective of the College is to invest its assets in a prudent manner that will achieve a long-term rate of return sufficient to fund a portion of its annual operating activities and increase investment value after inflation. The College diversifies its investments among various asset classes incorporating multiple strategies and managers. Major investment decisions are authorized by the Board's Investment, Finance, Audit & Risk Management Committee, which oversees the College's investment program in accordance with established guidelines in consultation and collaboration with the College's investment advisors. Endowment assets include those assets of donor-restricted funds that the College must hold in perpetuity or for a donor-specified period as well as board-designated funds.

To satisfy its long-term rate-of-return objectives, the College relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The College targets a diversified asset allocation that places emphasis on investments in equities, fixed income, and alternative investments to achieve its long-term return objectives within prudent risk constraints.

#### ***Strategies Employed for Achieving Investment Objectives***

The funds have a long-term investment horizon with relatively low liquidity needs. For this reason, the funds can tolerate short- and intermediate-term volatility provided that long-term returns meet or exceed its investment objective. Consequently, the funds can take advantage of less liquid investments, such as private equity, hedge funds, and other partnership vehicles, which typically offer higher risk-adjusted return potential as compensation for forfeiture of liquidity. Nonetheless, to ensure liquidity for distributions and to facilitate rebalancing, the maximum allocation to illiquid assets, defined as funds locked-up for greater than one year, shall be limited to 30% of the funds' market value.



# MERRIMACK COLLEGE

## Notes to Financial Statements

### Note 9 - Endowment (Continued)

#### **Spending Policy and How the Investment Objectives Relate to Spending Policy**

The College's current endowment spending policy allows for spending of 0% to 5% of the average of the fair value of qualifying endowment investments over the previous 12 quarters. The actual appropriation was \$3,275,337 and \$3,020,733 for an effective rate of 5% for both the years ended June 30, 2023 and 2022, respectively. The appropriation for the year ending June 30, 2024 is budgeted for \$3,512,953. Accordingly, over the long term, the College expects the current spending policy will allow its endowment to maintain its purchasing power. Additional real growth will be provided through new gifts and any excess investment return.

#### **Funds with Deficiencies**

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below their original contributed value. Deficiencies of this nature are reported as reductions in unrestricted net assets. The amount of underwater funds at June 30, 2023 and 2022 were de minimis.

Endowment net assets consist of the following at June 30:

	<b>2023</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Donor-restricted endowment funds	\$ -	\$ 60,857,037	\$ 60,857,037
Board-designated endowment funds	15,394,092	-	15,394,092
<b>Total endowed net assets</b>	<b>\$ 15,394,092</b>	<b>\$ 60,857,037</b>	<b>\$ 76,251,129</b>
	<b>2022</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Donor-restricted endowment funds	\$ -	\$ 51,139,660	\$ 51,139,660
Board-designated endowment funds	14,569,785	-	14,569,785
<b>Total endowed net assets</b>	<b>\$ 14,569,785</b>	<b>\$ 51,139,660</b>	<b>\$ 65,709,445</b>

**MERRIMACK COLLEGE**

**Notes to Financial Statements**

**Note 9 - Endowment (Continued)**

Changes in endowment net assets for the years ended June 30, 2023 and 2022 are as follows:

	<b><i>Without Donor Restrictions</i></b>	<b><i>With Donor Restrictions</i></b>	<b><i>Total</i></b>
Endowment net assets, June 30, 2021	<u>\$ 16,899,097</u>	<u>\$ 57,220,138</u>	<u>\$ 74,119,235</u>
Total investment return	(1,747,846)	(6,667,395)	(8,415,241)
Contributions/additions	-	2,980,228	2,980,228
Appropriation of endowment assets for expenditure	(627,422)	(2,393,311)	(3,020,733)
Timing of prior year appropriations	<u>45,956</u>	<u>-</u>	<u>45,956</u>
Endowment net assets, June 30, 2022	<u>14,569,785</u>	<u>51,139,660</u>	<u>65,709,445</u>
Total investment return	1,416,963	5,855,040	7,272,003
Contributions/additions	-	6,499,476	6,499,476
Appropriation of endowment assets for expenditure	(638,198)	(2,637,139)	(3,275,337)
Timing of prior year appropriations	<u>45,542</u>	<u>-</u>	<u>45,542</u>
<b>Endowment net assets, June 30, 2023</b>	<b><u>\$ 15,394,092</u></b>	<b><u>\$ 60,857,037</u></b>	<b><u>\$ 76,251,129</u></b>

# MERRIMACK COLLEGE

## *Notes to Financial Statements*

### **Note 10 - Net Assets**

Net assets without donor restrictions consist of the following at June 30:

	<b>2023</b>	<b>2022</b>
Net investment in land, buildings, and equipment	\$ 71,078,152	\$ 77,312,061
Board-designated endowment funds	15,394,092	14,569,785
Other funds	<u>28,612,352</u>	<u>15,034,644</u>
	<b><u>\$115,084,596</u></b>	<b><u>\$106,916,490</u></b>

Net assets with donor restrictions consist of the following at June 30:

	<b>2023</b>	<b>2022</b>
Accumulated unspent gains on endowment funds	<u>\$ 20,774,911</u>	<u>\$ 17,557,010</u>
Endowment corpus:		
Instruction	18,648,273	13,467,689
General endowment	1,656,954	1,631,954
Student aid	18,322,349	17,760,127
Other	<u>1,454,550</u>	<u>722,880</u>
	<u>40,082,126</u>	<u>33,582,650</u>
Total invested endowment	<u>60,857,037</u>	<u>51,139,660</u>
Pledges receivable for endowment	<u>666,948</u>	<u>868,644</u>
Total endowment	<u>61,523,985</u>	<u>52,008,304</u>
Unspent purpose restricted gifts:		
Instruction	1,388,637	1,565,082
Student services	897,327	828,399
Academic support	1,305,483	1,490,152
Student aid	1,005,703	1,069,282
Building projects	4,852,546	4,408,677
Other	<u>2,002,368</u>	<u>1,506,831</u>
	<u>11,452,064</u>	<u>10,868,423</u>
	<b><u>\$ 72,976,049</u></b>	<b><u>\$ 62,876,727</u></b>

# MERRIMACK COLLEGE

## Notes to Financial Statements

### Note 10 - Net Assets (Continued)

Net assets released from donor restrictions due to the passage of time and/or satisfying the restricted purposes specified by the donors were as follows for the years ended June 30:

	<b>2023</b>	<b>2022</b>
Operating purpose and/or time restriction:		
Instruction	\$ 350,823	\$ 170,368
Student services	161,323	2,345
Academic support	1,054,293	545,883
Student aid	2,258,810	2,529,232
Other	194,586	32,969
	<b>\$ 4,019,835</b>	<b>\$ 3,280,797</b>

### Note 11 - Natural Classification of Expenses

The College's primary program service is academic instruction. Expenses reported as student services, academic support, institutional support and auxiliaries are incurred in support of this primary program activity. Expenses presented by natural classification and function are as follows for the fiscal years ended June 30:

	2023					Total
	Salaries and Benefits	Supplies and Services	Occupancy and Related Expenses	Depreciation, Amortization and Interest	Other Operating Expenses	
Instruction	\$ 44,217,916	\$ 1,820,326	\$ 2,085,855	\$ 3,496,088	\$ 1,599,398	\$ 53,219,583
Student services	17,375,337	7,108,635	2,791,349	3,272,398	7,407,438	37,955,157
Academic support	6,442,647	9,570,261	752,891	891,808	771,878	18,429,485
Institutional support	13,083,034	4,738,057	1,100,627	769,806	5,451,798	25,143,322
Auxiliaries	1,820,887	14,361,085	10,023,541	5,888,755	151,944	32,246,212
<b>Total expenses</b>	<b>\$ 82,939,821</b>	<b>\$ 37,598,364</b>	<b>\$ 16,754,263</b>	<b>\$ 14,318,855</b>	<b>\$ 15,382,456</b>	<b>\$ 166,993,759</b>

  

	2022					Total
	Salaries and Benefits	Supplies and Services	Occupancy and Related Expenses	Depreciation, Amortization and Interest	Other Operating Expenses	
Instruction	\$ 40,767,582	\$ 1,812,309	\$ 1,885,685	\$ 2,917,939	\$ 481,632	\$ 47,865,147
Student services	16,042,129	7,694,158	2,760,180	2,509,275	9,437,834	38,443,576
Academic support	6,173,357	7,315,843	943,119	947,358	777,128	16,156,805
Institutional support	11,896,382	7,279,376	891,334	657,906	3,744,437	24,469,435
Auxiliaries	1,928,292	14,947,228	10,419,921	5,912,735	2,285	33,210,461
<b>Total expenses</b>	<b>\$ 76,807,742</b>	<b>\$ 39,048,914</b>	<b>\$ 16,900,239</b>	<b>\$ 12,945,213</b>	<b>\$ 14,443,316</b>	<b>\$ 160,145,424</b>

# MERRIMACK COLLEGE

## *Notes to Financial Statements*

### ***Note 11 - Natural Classification of Expenses (Continued)***

Expenses associated with fundraising activities of the College were approximately \$4.1 million and \$3.4 million in 2023 and 2022, respectively, and are included in institutional support in the statements of activities.

### ***Note 12 - Benefit Plan***

The College provides a qualified defined contribution retirement annuity plan under Internal Revenue Service Code Section 403(b) for all eligible employees. Under this plan, the College and plan participants make contributions. The College's share of these contributions amounted to \$3,331,683 and \$3,244,298 for the years ended June 30, 2023 and 2022, respectively.

### ***Note 13 - Commitments and Contingencies***

#### ***Employment Agreements***

The College has employment contracts with certain employees which extend over multiple fiscal years through 2026, and contain a variety of business terms typical in the education sector.

The College has in place a collective bargaining agreement with facilities employees. The agreement runs through June 30, 2025.

#### ***Commitments***

The College has multiple agreements with a company to provide student housing for students based on demand and the agreements expire at various times through August 31, 2023. In August 2023, the College renewed these leases through August 31, 2024.

The College has an agreement with a company to operate the College's food services on campus, including the dining hall, providing the exclusive right to provide meals related to the meal plan, flex dollars, and the operation of all retail operations. The contract expires in 2032.

#### ***Contingencies***

From time to time, the College is subject to claims and litigation arising in the ordinary course of business. Although the outcome of these matters is currently not determinable, management does not expect that the ultimate costs to resolve these matters, if any, will have a material adverse effect on its financial position, results of operations, or cash flows.

# MERRIMACK COLLEGE

## *Notes to Financial Statements*

### ***Note 14 - Federal Support Associated with COVID-19***

#### ***Higher Education Emergency Relief Funds***

The College was granted three awards to assist students and the institution with the impact of COVID-19 which totaled \$13,961,009. The College recorded grant revenue of \$7,228,654 for the year ended June 30, 2022. All Higher Education Emergency Relief Funds available to Merrimack College were spent as of June 30, 2022.

#### ***Federal Emergency Management Agency Disaster Assistance***

The College was granted an award through Federal Emergency Management Agency (“FEMA”) to reimburse costs associated with controlling the spread of COVID-19. The College recorded grant revenue of \$3,771,720 for the year ended June 30, 2022. As of June 30, 2023, the College has applied for an additional \$5,644,083 of FEMA funding which is not recorded during 2023 given that it is conditional in nature.

### ***Note 15 - Related-Party Transactions***

The College remits to the Order lay equivalent salaries for those services provided by Order members. Remittances amounted to \$546,884 and \$496,697 for the years ended June 30, 2023 and 2022, respectively.

The College has a process in place to identify related-party transactions and has noted no further such transactions for the year ended June 30, 2023.