

Johnson & Wales University

Consolidated Financial Report
June 30, 2022



RSM

RSM US LLP

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THE POWER OF BEING UNDERSTOOD
AUDIT | TAX | CONSULTING

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 University's internal control = 3/4i

10/12/2021

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	8688	2021
Assets		
Cash and cash equivalents	? =>7589	\$ 19,555
Short-term investments	87@A	2,517
Student accounts receivable, net	967B6A	10,401
Inventories, deferred charges and prepaid expenses	>769@	8,498
Contributions receivable, net	8796C	2,597
Student loans, notes and other receivables, net	967955	8,255
Asset held for sale	5@75=5	1,513
Investments	5897CAC	329,170
Right of use asset	=76C@	5,155
Property and equipment, net	5B@768=	418,533
Assets of discontinued operations	D	45,336
	?	>9875BA \$ 851,530
Liabilities		
Accounts payable and accrued expenses	? 8>7>6C	\$ 29,447
Deferred revenue and student deposits	8=75BA	14,731
Retirement plan and annuity obligations	97C>C	2,249
Refundable U.S. Government grants	976@>	1,779
Right of use liability	=7B>5	5,844
Bonds and notes payable and line of credit	AA78>=	62,233
Liabilities of discontinued operations	D	652
	99B786>	116,935
Commitments and contingencies		
Net assets:		
Without donor restrictions:		
Available for operations and designated for long-term investment	8C>76@A	275,182
Net investment in property and equipment	5=>7=C@	402,285
Loan program	A78B>	8,623
	BA97>=6	686,090
With donor restrictions		
	==759@	48,505
	BCB79A@	734,595
	?	>9875BA \$ 851,530

See notes to consolidated financial statements.

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Operating revenue, gains and other support:						
Tuition and fees, net of financial aid and scholarships (\$109,785 and \$112,912 at June 30, 2022 and 2021, respectively)	? 98>7C6=	? 0	? 98>7C6=	\$ 137,234	\$ -	\$ 137,234
Residence and dining	==7AA>	0	==7AA>	32,794	-	32,794
Hotels	B76>5	0	B76>5	3,148	-	3,148
Contributions, grants and federal aid to students	=57@@B	0	=57@@B	30,046	-	30,046
Investment return appropriated for operations	98786@	0	98786@	12,590	-	12,590
Other student generated	97=8B	0	97=8B LL	!	!!!!	u % 5 u u

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Cash flows from operating activities:

Continuing operations:

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Cash flows from investing activities:

Purchase of property, plant and equipment

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(3,262)

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F # 9 F # 1 2 3 # / -) # 3 \$ - (# , # fl , , ' L ° 7 ° (4 # , t : ° ° 7 L / < + # 2 # #) # L) The University reports certain types of financial instruments at fair value depending on the underlying accounting policy for the particular instrument. Recurring fair value measurements include the University's investment accounts. Nonrecurring measurements include contributions receivable and annuity obligations. Fair value standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or valuation techniques) to determine fair value. In addition, the University reports certain investments using net asset value (NAV) per share as determined by investment managers under the so called, practical expedient. The practical expedient allows NAV per share to represent fair value for reporting purposes when the criteria for using this method are met. Fair value standards also require the University to classify recurring fair values of financial instruments into a three-level hierarchy based on the priority of inputs to the valuation technique or in accordance with NAV practical expedient rules.

Instruments measured and reported at fair value on a recurring basis are classified and disclosed in one of the following categories:

- E 2 & 9 Quoted prices are available in active markets for identical instruments as of the reporting date. Instruments which are generally included in this category include listed equity and debt securities publicly traded on a stock exchange.
- E 2 & 8 Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.
- E 2 & 5 Pricing inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument. The inputs into the determination of fair value require significant management

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Cash equivalents, except those that are managed by external investment managers as part of their long-term strategies, are carried at cost, which approximates fair value.

During the years ended June 30, 2022 and 2021, there were no changes to the University's valuation techniques that had, or are expected to have, a material impact on its consolidated financial position or consolidated statements of activities.

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The University maintains its cash balances at several financial institutions which, at times, may exceed federally insured limits. The University monitors its exposure associated with cash and cash equivalents and has not experienced any losses in such accounts.

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Gifts in kind are noncash, tangible donations received by the University. Gifts-in-kind donations are valued at fair market value as determined by a written appraisal from an independent qualified appraiser or other substantiating documentation. Gifts-in-kind contributions are reported as part of contributions, grants and federal aid to students in the consolidated statements of activities. Detail of gifts in kind as of June 30 is as follows:

	2022	2021
Horse and equipment for equine program	\$ 29	\$ 32
Classroom supplies, including food for culinary program	246	200
	\$ 275	\$ 232

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The composition of tuition and fees based on degree programs for the years ended June 30

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The University has identified its tax status as a tax

Financial Assets Available to Meet General Expenditure within One Year

As of June 30, financial assets and liquidity resources available within one year for general expenditure, such as operating expenses, scheduled principal payments on debt and capitalized construction costs not financed with debt, were as follows:

Financial Assets Available to Meet General Expenditure within One Year

As of June 30, financial assets and liquidity resources available within one year for general expenditure, such as operating expenses, scheduled principal payments on debt and capitalized construction costs not financed with debt, were as follows:

	2022	2021
Financial assets at year-end:		
Cash and cash equivalents	\$ 48,321	\$ 19,555
Short-term investments	2,757	2,517
Student accounts receivable	10,605	10,401
Contributions receivable, net	2,109	2,597
Student loans, notes and other receivables, net	10,133	8,255
Investments	321,959	329,170
	<u>395,884</u>	<u>372,495</u>
Less amounts not available to be used within one year:		
Net asset with donor restrictions	(44,215)	(48,132)
Net assets with time restrictions	(1,847)	(24)
Net assets with contractual restrictions	(15,751)	(8,137)
Board-designated for endowment	(275,321)	(276,506)
	<u>(337,134)</u>	<u>(332,799)</u>
Add amounts available to be used within one year:		
Net assets with donor restrictions to be met within one year	1,750	2,050
Investment return to be appropriated for operations	13,368	12,207
	<u>15,118</u>	<u>14,257</u>
Financial assets available to meet general expenditure within one year	<u>\$ 73,868</u>	<u>\$ 53,953</u>

As part of its liquidity management, the University evaluates, on an annual basis, the amount of financial assets available to meet general expenditure within one year.

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12/31/2013

Fair Value Measurements (Table 1)

Fair Value Measurements (Table 2)

The following table presents financial instruments at June 30, for which the University measures fair value on a recurring basis, by level, within the fair value hierarchy:

	Level 1	Level 2	Level 3	Investments Measured at NAV (a)	Total
Investments:					
U.S. equities	\$ 27,012	\$ -	\$ -	\$ -	\$ 27,012
Global equities	43,617	-	-	-	43,617
Fixed income	17,250	-	-	-	17,250
Marketable alternative assets	-	-	-	197,066	197,066
Nonmarketable alternative assets:					
Restructuring funds	-	-	-	16,913	16,913
Private equity funds	-	-	-	4r 4,268	4,268
Nonmarketable inflation hedging	-	-	-	2,660	2,660
Cash and cash equivalents	11,365	-	6	-	

University of North Carolina System

Financial Statements of the University of North Carolina System
 For the Year Ended June 30, 2022 and 2021

For all investments, the University reports the fair value of the investments as of June 30, 2022 and 2021.

During the years ended June 30, 2022 and 2021, there were no purchases, issuances or settlements of Level 3 investments. For the years ended June 30, 2022 and 2021, there were no transfers in or out of Level 3.

The University invests in certain investments that calculate NAV per share and these investments are reported at fair value based on the NAV per share as reported by the investment manager. A summary of the significant categories of such investments and their attributes is as follows:

	2022				
	Number of Funds	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Marketable alternative assets	4	\$ 197,066	\$ -	Semimonthly/Quarterly/Annually	5-90 days
Nonmarketable alternative assets	12	21,181	1,808	N/A	N/A
Nonmarketable inflation hedging	4	2,660	188	N/A	N/A
	20	\$ 220,907	\$ 1,996		

Number of Funds	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
			Semimonthly/	

12/31/2022

Agility Fund

Agility Fund

The University's investment in the Agility Fund totaled \$194,169 and \$210,869, and is broken into the following categories at June 30:

	2022	2021
Global equities	\$ 62,802	\$ 82,305
Global fixed income	548	11,715
Absolute return	69,712	61,691
Real assets	24,731	17,797
Private capital	36,278	37,289
Cash	98	72
	<u>\$ 194,169</u>	<u>\$ 210,869</u>

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J \$ / , % & ' ° ž () # 2 (~ # N The University has a qualified 401(k) retirement savings plan for its employees. The University contributes 6% of eligible compensation of each eligible employee, as well as matching 100% of employee contributions up to 4% of eligible compensation, subject to limits. The plan document was amended on June 18, 2020, effective August 1, 2020, to remove the 6% contribution through December 31, 2021, and allow the reduction or discontinuance of the matching contribution effective January 1, 2021 at the discretion of the Board

12/31/2022

Financial Statement (Table)

Table 1: Maturities of notes and bonds payable, net of discounts and premiums, for the fiscal years after June 30, 2022, are as follows:

Years ending June 30:

2023	\$	3,981
2024		5,949
2025		5,982
2026		6,061
2027		6,131
Thereafter		27,180
	\$	<u>55,284</u>

On July 18, 2013, the University issued \$40 million in North Carolina Capital Facilities Finance Agency (NCCFFA) Revenue Refunding bonds to refinance the NCCFFA series 2003A bonds of \$42.5 million. In May 2022, the University defeased the outstanding balance totaling \$26,065 of the 2013 NCCFFA revenue bonds through funding a defeasance escrow using the proceeds from the issuance of new taxable bonds and operating funds. The new taxable bonds are a private placement with Truist Bank using a Cinderella structure, which will convert the taxable debt to tax-exempt when the bonds are eligible to be called, at January 1, 2023. At that time, the interest rate will drop to 2.7%. At the closing date of May 12, 2022, the 2013 NCCFFA series was considered legally defeased

12/31/2021

RIHEBC Revenue Bonds are secured by tuition and other revenues.

The University has one line of credit totaling \$26 million. The line of credit is a demand note with an expiration date of December 31, 2022. The line of credit is uncollateralized. Management expects to renew the line in the ordinary course of business. At June 30, 2022 and 2021, there were no amounts outstanding on the line of credit. Interest rate on the line of credit was 2.66% and 1.59% at June 30, 2022 and 2021, respectively.

The bond agreements and line of credit agreements contain covenants regarding certain operating activities and financial statement amounts and bond agency ratings of the University, the most restrictive of which require that the University maintain a certain debt service coverage ratio, days cash on hand and certain long-term debt ratings by Standard & Poor's Ratings Service and Moody's Investors Service, Inc.

Interest costs for the years ended June 30, 2022 and 2021, were \$1,962 and \$5,160, respectively.

Net assets with donor restrictions consist of the following

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1. The University has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) signed into law in the state of Rhode Island, requiring the preservation of the original 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 University classifies as net assets with donor restrictions: (a) the original value of gifts donated to the donor-restricted endowment, (b) the original gift value of subsequent gifts to the donor-restricted endowment and (c) accumulations to the donor-restricted endowments made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund over the original gift value and accumulated unexpended gains is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Board in a manner consistent with the standard of prudence prescribed by

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Fiscal Year 2022 / 2023
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The University leases office, classroom, dormitory facilities and equipment under noncancelable leases expiring at various dates through 2026. During fiscal year 2021, the University entered into a finance lease obligation for computer equipment that expires in 2026. During fiscal year 2022, the University entered into an operating lease obligation for office space that expires in 2026. Amortization and interest for 2022 was \$

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Fiscal Year 2022-2023 ()
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The University has a conflict of interest policy which requires that each trustee, officer and senior executive shall disclose to the Board at least once each year all the material facts concerning his or her relationship with or interest in any person, firm, corporation or other entity with whom the University has, or proposes to enter into, any contract or other transaction which may, directly or indirectly, result in financial gain or other advantage to such trustee, officer or senior executive by reason of such relationship or interest.

In the ordinary course of business, the University purchased supplies and services, which included health insurance administration, internet and phone services and gas and electricity from entities whose officers, partners and/or stockholders are trustees, officers or senior executives of the University. Total amounts paid for these supplies and services during the years ending June 30, 2022 and 2021, were \$25,817 and \$17,218, respectively. When such a relationship exists, trustees, officers and senior executives are responsible to make decisions without favor or preference to third parties, but solely on the basis that the decision is in the best interest of the University.

One trustee is affiliated with a financial institution which holds outstanding bonds of the University of \$24,900 and which the University has a cash balance of \$10,006 at the institution on June 30, 2022.

As of June 30, 2022 and 2021, contributions receivable from trustees totaled \$93 and \$389, respectively.

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The following reflects the classification of the University's expenses, by both the underlying nature of the expense and function, for the years ended June 30, 2022 and 2021

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Continuing Operations	Instructional	Academic Support	Student Services	Auxiliary Enterprises	Institutional Support	Public Service	Total
Salaries and wages	\$ 49,636	\$ 8,712	\$ 24,372	\$ 6,126	\$ 14,271	\$ 4	\$ 103,121
Benefits other than retirement plan	9,827	1,097	6,836	1,664	2,944	1	22,369
Retirement plan	1,650	149	827	165	613	-	3,404
Food and beverage	1,293	-	-	1,473	-	-	2,766
Professional fees and contracted services	626	100	1,200	1,501	2,682	1	6,110
Occupancy	6,215	1,041					

Financial Statement / 0# 1 2 3

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Major classes of revenues and expenses of discontinued operations are listed below:

North Miami Campus	2021
Operating revenues:	
Tuition and fees, net of financial aid and scholarships (\$10,097)	\$ 9,624
Residence and dining	2,301
Other	790
Total operating revenues	12,715
Operating expenses:	
Instructional	8,333
Academic support	1,492
Student services	4,921
Auxiliary enterprises	3,509
Institutional support	4,471
Total operating expenses	22,726

Nonoperating activities:

10/12/2021

Fiscal Year 2021
Operating Revenues

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Denver Campus

2021

Operating revenues:

Tuition and fees, net of financial aid and scholarships (\$6,146)

10/31/2022

Financial Statement (10/31/2022) - (10/31/2022)

Financial Statement (10/31/2022)

The University evaluated all events and transactions through October 31, 2022, the date on which the consolidated financial statements were issued. There were no material subsequent events requiring accounting recognition or disclosure in the accompanying consolidated financial statements.

On July 28, 2022, one of the Providence properties classified as held for sale as of June 30, 2022, was sold for \$13,550.

On August 25, 2022, one of the Charlotte properties classified as held for sale as of June 30, 2022, was sold for \$13,550.