NORWICH UNIVERSITY

Consolidated Financial Statements

Year Ended May 31, 2021
(With Comparative Information as of May 31, 2020)

(With Independent Auditors' Report Thereon)

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NORWICH UNIVERSITY

Table of Contents

Year Ended May 31, 2021
(With Comparative Information as of May 31, 2020)

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Norwich University
Northfield, Vermont

We have audited the accompanying consolidated financial statements of Norwich University (a nonprofit organization) and its subsidiary, which comprise the consolidated statement of financial position as of May 31, 2021, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Board of Trustees
Norwich University

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Norwich University and its subsidiary as of May 31, 2021, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Norwich University's 2020 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated October 26, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended May 31, 2020 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Boston, Massachusetts
October 19, 2021

NORWICH UNIVERSITY

Consolidated Statement of Financial Position

May 31, 2021
(With Comparative Information as of May 31, 2020)

(In Thousands)

	2021	2020
ASSETS		
Cash and Cash Equivalents	$ 19,953	$ 7,725
Short-Term Investments (note 4)	-	4,999
Accounts and Notes Receivable (note 2)	9,808	6,191
Contributions Receivable (note 3)	9,323	10,367
Inventory, Prepaid Expenses, and Other Assets	12,748	11,539
Loans Receivable, Net (note 2)	5,414	6,914
Investments (note 4)	328,087	216,106
Beneficial Interest in Perpetual Trust	9,281	7,377
Land, Buildings, and Equipment, Net (note 7)	173,827	180,070
Total Assets	$ 568,441	$ 451,288
LIABILITIES		
Accounts Payable and Accrued Liabilities	$ 10,974	$ 8,096
Deferred Revenue, Advance Payments, and Annuity and Life Income Obligations	6,304	6,535
Interest Rate Swap Liability (note 6)	14,321	19,703
Bonds Payable (note 5)	74,559	77,546
Refundable U.S. Government Grants (note 2)	5,445	6,447
Total Liabilities	111,603	118,327
COMMITMENTS AND CONTINGENCIES (note 8)		
MUSEUM COLLECTIONS (note 1q)		
NET ASSETS		
Net Assets without Donor Restrictions (note 9)	198,483	158,673
Net Assets with Donor Restrictions (note 9)	258,355	174,288
Total Net Assets	456,838	332,961
Total Liabilities and Net Assets	$ 568,441	$ 451,288

See accompanying Notes to Consolidated Financial Statements.

NORWICH UNIVERSITY

Consolidated Statement of Activities

Year Ended May 31, 2021
(With Comparative Information for the Year Ended May 31, 2020)

(In Thousands)

	Without Donor Restrictions	With Donor Restrictions	Total May 31, 2021	Total May 31, 2020
OPERATING REVENUES AND OTHER SUPPORT				
Tuition and Fees	$ 119,623	$ -	$ 119,623	$ 121,912
Residence and Dining	20,716	-	20,716	28,644
Uniform Sales	1,548	-	1,548	1,747
Less: Scholarships, Grants, and Other Aid	(62,703)	-	(62,703)	(68,047)
Net Tuition and Fees	79,184	-	79,184	84,256
Federal Appropriations, Grants, and Contracts	13,935	6	13,941	3,270
Private Contributions	512	967	1,479	1,573
Investment Income Used in Operations (note 4)	9,137	1,666	10,803	10,442
Campaign Net Assets Appropriated to Operations	3,000	-	3,000	3,321
Other Auxiliary Services	644	-	644	1,012
Other Income	1,607	13	1,620	4,141
Total Revenues and Other Support	108,019	2,652	110,671	108,015
Net Assets Released from Restrictions (note 10)	1,648	(1,648)	-	-
Total Revenue and Other Support and Net Assets Released from Restrictions	109,667	1,004	110,671	108,015
OPERATING EXPENSES				
Instruction	30,464	-	30,464	30,206
Academic Support	9,304	-	9,304	10,296
Research	3,848	-	3,848	1,266
Student Services	25,203	-	25,203	23,506
Institutional Support	19,327	-	19,327	18,016
Auxiliary Enterprises	18,836	-	18,836	19,108
Total Expenditures	106,982	-	106,982	102,398
CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES	2,685	1,004	3,689	5,617
Nonoperating Activities:				
Investment Return in Excess of Spending Plan	34,036	76,474	110,510	3,922
Campaign Gifts and Pledges	537	9,290	9,827	8,971
Campaign Net Assets Appropriated to Operations	-	(3,000)	(3,000)	(3,321)
Change in Split Interest Agreements	2,243	224	2,467	453
Change in Perpetual Trust	-	-	-	310
Related Entity Revenue (note 11)	7,129	-	7,129	3,469
Related Entity Expense (note 11)	(6,034)	-	(6,034)	(2,929)
Fundraising Expenses	(2,995)	-	(2,995)	(4,581)
Change in Interest Rate Swap Liability	5,382	-	5,382	(5,763)
Strategic Initiative Expenses	(3,063)	-	(3,063)	(3,443)
Other Expenses and Reclassifications	(1,214)	1,179	(35)	(28)
Net Assets Released from Restrictions (note 10)	1,104	(1,104)	-	-
Change in Net Assets from Nonoperating Activities	37,125	83,063	120,188	(2,940)
CHANGE IN NET ASSETS	39,810	84,067	123,877	2,677
Net Assets - Beginning of Year	158,673	174,288	332,961	330,284
NET ASSETS - END OF YEAR	$ 198,483	$ 258,355	$ 456,838	$ 332,961

See accompanying Notes to Consolidated Financial Statements.

NORWICH UNIVERSITY

Consolidated Statement of Cash Flows

Year Ended May 31, 2021
(With Comparative Summarized Information for the Year Ended May 31, 2020)

(In Thousands)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ 123,877	$ 2,677
Adjustments to Reconcile Change in Net Assets to Net Cash Provided to (Used by) Operating Activities:		
Depreciation and Amortization	9,958	9,835
Change in Estimated Value of Interest Rate Swap Agreements	(5,382)	5,763
Net Realized and Unrealized Gains on Investments	(117,670)	(13,778)
Contributions Restricted for Plant	(971)	(6,320)
Contributions Restricted for Endowment	(4,582)	(2,155)
Change in Accounts Receivable	(3,617)	(2,623)
Change in Contributions Receivable	1,044	2,850
Change in Inventory, Prepaid Expenses, and Other Assets	(1,193)	(358)
Change in Beneficial Interest in Perpetual Trust	(1,904)	(310)
Change in Accounts Payable and Accrued Liabilities	2,535	450
Change in Deferred Revenue, Advanced Payments, and Annuity Life Income Obligations	(230)	352
Net Cash Provided to (Used by) Operating Activities	1,865	(3,617)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investments	(13,772)	(21,154)
Proceeds from Sale and Maturity of Investments	24,448	33,019
Change in Student Loans Receivable, Net	1,499	1,575
Acquisition of Land, Buildings and Equipment	(3,333)	(9,074)
Net Cash Provided by Investing Activities	8,842	4,366
CASH FLOWS FROM FINANCING ACTIVITIES		
Change in Refundable U.S. Government Advances	(1,002)	(1,135)
Contributions Restricted for Endowment	4,582	2,155
Contributions Restricted for Plant	971	6,320
Debt Repayment	(3,030)	(2,801)
Net Cash Provided by Financing Activities	1,521	4,539
NET INCREASE IN CASH AND CASH EQUIVALENTS	12,228	5,288
Cash and Cash Equivalents - Beginning of Year	7,725	2,437
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 19,953	$ 7,725
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid During the Year for Interest	$ 3,510	$ 3,357

See accompanying Notes to Consolidated Financial Statements.

(1) Nature of Operations and Significant Accounting Policies

(a) Nature of Operations

Norwich University (the University) is a private co-educational institute of post-secondary education. In addition to offering 40 undergraduate degree programs, the University offers 13 online masters degree programs, 7 online undergraduate degree completion programs, a residential masters in architecture program as well as several certificate and professional development programs.

(b) Basis of Presentation

External financial reporting for nonprofit organizations includes three basic financial statements and the classification of resources into net assets based on the existence or absence of donor-imposed restrictions. The University records unconditional promises to give (pledges) as receivables and revenue and distinguishes between contributions received for each net asset category in accordance with donor-imposed restrictions. In the accompanying consolidated financial statements, net asset categories are as follows:

Without Donor Restrictions – Net assets that are not subject to donor-imposed stipulations but may be designated for specific purposes by action of the board of trustees or management.

With Donor Restrictions – Net assets whose use by the University is limited by donor-imposed stipulations that either expire by passage of time or that can be fulfilled or removed by actions of the University pursuant to those stipulations. This category includes realized and unrealized gains (losses) on donor restricted endowment funds that have not been appropriated for expenditure by the board of trustees in accordance with the Uniform Prudent Management of Institutional Funds Act (UPMIFA). This category also includes net assets whose corpus is restricted by the donor to be invested in perpetuity whose income may be made available for stipulated purposes.

Expenses are reported as decreases in net assets without donor restrictions. Donor restricted gifts that are received and spent within the same operating cycle are reported as revenues without donor restrictions. When a donor restriction expires because the time or purpose stipulation has been met, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Gifts of long-lived assets are reported as revenue without donor restrictions, only if there is no purpose or use restriction. Gifts specified for the acquisition or construction of long-lived assets are reported as net assets without donor restrictions when the assets are placed in service.

The consolidated financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the University's consolidated financial statements for the year ended May 31, 2020, from which the summarized information was derived.

(1) Nature of Operations and Significant Accounting Policies (Continued)

(c) Principles of Consolidation

The consolidated financial statements of Norwich University include the net assets and operations of Norwich University Applied Research Institutes (NUARI), a nonprofit, tax-exempt corporation whose purpose is to provide research and development of technologies targeting national defense preparedness and response. Certain members of NUARI's board of directors are employed by or affiliated with the University, which provides NUARI with telecommunication services and equipment rentals. All transactions with the University are within the ordinary course of business and are considered by management to have been conducted on an arms-length basis. The net amount due from (to) NUARI as of May 31, 2021 and 2020 is ($42) and $24, respectively. All significant intercompany accounts and transactions have been eliminated in consolidation. For additional information about NUARI, refer to footnote 11.

(d) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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. The current economic environment increases the inherent uncertainty of those estimates. Estimates recorded at May 31, 2021 and 2020 include nonreadily marketable investments, asset retirement obligations, the collectability of accounts, loans, and contributions receivable, split interest agreements and the valuation of the interest rate swap liability.

(e) Nonoperating Activities

Nonoperating activities reflect transactions of a long-term investment or capital nature, including contributions to be invested by the University to generate a return that will support future operations, contributions to be received or appropriated in the future, contributions to be used for facilities and equipment and investment return net of the amount the University has appropriated for current operational support in accordance with the University's endowment spending guidelines. Nonoperating activities also include NUARI revenues and expenses, extraordinary events and changes in swap valuations.

(f) Cash and Cash Equivalents

Cash and cash equivalents are recorded at fair value. These funds are available for current operating needs and include interest-bearing cash accounts, money market accounts, mutual funds, and certificates of deposit with original maturities of three months or less.

(1) Nature of Operations and Significant Accounting Policies (Continued)

(g) Investments

Investments are reported at their respective fair values. The values of publicly traded fixed income and equity securities are based upon quoted market prices. Investments in units of nonpublicly traded pooled funds are valued at the unit value determined by the fund's administrator based on quoted market prices of the underlying investments. Private equities and certain nonmarketable securities are valued using current estimates of fair value by management based on information provided by the general partner or investment manager for the respective funds. If valuations are provided by the general partner or investment manager on a quarterly basis, then management estimates year-end values based upon valuations provided as of March 31.

University management is responsible for the fair value measurement of investments reported in the consolidated financial statements. The University has implemented policies and procedures to assess the reasonableness of the fair values provided. Because of the inherent uncertainty of valuation for these investments, the estimate of the investment manager or general partner may differ from the values that would have been used had a ready market existed, and the differences could be significant. The agreements underlying participation in nonmarketable investment funds may limit the University's ability to liquidate its interest in such investments for a period of time. The University believes that the reported values of its nonmarketable securities at the consolidated statement of financial position date are reasonable.

(h) Endowment

Endowment funds are subject to the restrictions of gift instruments requiring that the principal be invested in perpetuity and only the income be utilized. While board-designated funds have been established by the governing board for the same purposes as endowment funds, any portion of board-designated funds may be expended.

The board of trustees has adopted a spending policy whereby the University utilizes 5.0% for each of the years ended May 31, 2021 and 2020, of the product of the average pooled unit value for the 12 prior quarters ending December 31 and the number of pooled units on hand at December 31. During the years ended May 31, 2021 and 2020, $10,804 and $10,442, respectively, was distributed for use in operations. Additionally, the University withdrew $2,512 and $3,601 in addition to the spending plan from quasi-endowment funds to fund strategic initiatives and the bicentennial celebration during the years ended May 31, 2021 and 2020, respectively.

(1) Nature of Operations and Significant Accounting Policies (Continued)

(i) Split-Interest Agreements

The University's split-interest agreements with donors consist of irrevocable charitable gift annuities, pooled income funds, and charitable remainder trusts held and administered by others. For annuity contracts, the contributed assets are included as part of prepaid and other assets at fair value. Charitable gift annuity assets as of May 31, 2021 and 2020 were $6,952 and $7,544, respectively. Contribution revenues are recognized as of the date the donated assets are transferred to the University and liabilities are recorded for the present value of the estimated future payments to the donors and/or other beneficiaries. The liabilities are adjusted during the term of the annuities consistent with changes in assumptions and are included as part of deferred revenue, advance payments and annuity and life income obligations.

For charitable remainder trusts held and administered by others, the present values of the estimated future cash receipts from the trusts are recognized as contributions receivable and contribution revenues as of the dates the trusts are established. Distributions from these trusts are recorded as contributions and the carrying value of the assets is adjusted for changes in the estimates of future receipts. The University uses a discount rate of 5.0% as established upon receipt of the trust to determine the present value of the estimated future cash receipts. The trust was valued at $695 and $542 at May 31, 2021 and 2020, respectively.

(j) Beneficial Interest in Perpetual Trust

At May 31, 2021 and 2020, funds held in trust of $9,281 and $7,377, respectively, consist of resources neither in the possession nor under the control of the University and administered by outside trustees, with the University deriving income from the assets of such trust. This amount is recognized at the fair value of the University's portion of the underlying investments.

(k) Property and Equipment

Land, land improvements, buildings, computers, instructional equipment, and certain transportation vehicles are stated at cost at date of acquisition or fair value at date of donation in the case of gifts, less accumulated depreciation. Personal equipment, including instructional equipment, furniture, and transportation vehicles are being depreciated on the straight-line method over a five-year useful life. Buildings and improvements are being depreciated on the straight-line method over the remaining estimated useful lives of the buildings which range from twenty to fifty years. The cost and related accumulated depreciation of all plant and equipment retired or otherwise disposed of are removed from the accounts. Any gain or loss is included in income. Maintenance and repair costs are charged to expense as incurred, and significant leasehold improvements are capitalized. The University considers for capitalization all property with a cost in excess of five thousand dollars and a useful life greater than one year.

(1) Nature of Operations and Significant Accounting Policies (Continued)

(l) Inventory

Inventories are valued on the first-in, first-out (lower of cost or net realizable value) basis but not in excess of net realizable value.

(m) Bond Issuance Costs

Bonds payable balances include bonds payable net of debt issuance costs that are being amortized using the effective interest rate method over the life of the bonds, which is 30 years. Unamortized debt issuance costs were $546 and $589 at May 31, 2021 and 2020, respectively.

(n) Contributions

Contributions received, including unconditional promises, are recognized as revenues when the donor's commitment is received. Unconditional promises are recognized at the estimated present value of the future cash flows, net of allowances. The discount rate utilized is the U.S. Treasury note rate commensurate with the life and date of the pledge. Conditional promises are recorded when donor stipulations are met.

(o) Income Taxes

The University and NUARI are both nonprofit corporations as described in Section 501(c)(3) of the U.S. Internal Revenue Code (IRC) and is generally exempt from federal income tax under Section 501(a) of the IRC. The University, including NUARI, the consolidated exempt entity, believes it has taken no significant uncertain tax positions.

(p) Museum Collections

The University's collections are made up of artifacts of historical significance, scientific specimens and art objects that are held for educational, research, scientific, and curatorial purposes. Each of the items is cataloged, preserved, and cared for, and activities verifying their existence and assessing their condition are performed continuously.

The University's collections, which were acquired through purchases and contributions since the University's inception, are not recognized as assets on the consolidated statement of financial position. Purchases of collection items are recorded as decreases in net assets without donor restrictions in the year in which the items are acquired or as net assets with donor restrictions, if the assets used to purchase the items are restricted by donors. Contributed collection items are not reflected on the consolidated financial statements.

The University records items of collections, which are received for educational purposes and generally displayed throughout the University, as a gift at nominal value. These gifts are not disposed of for financial gain or otherwise encumbered in any manner.

(1) Nature of Operations and Significant Accounting Policies (Continued)

(q) Functional Expenses

Depreciation, operations and maintenance costs and interest are allocated to the functional expense categories reported with the operating section of the statement of activities. They are allocated based upon the use of facilities. The University has one major program – education. All functional expense categories, with the exception of institutional support, can be classified as expenses supporting the major program. Institutional support expenses are considered administrative expenses and capital campaign expenses, included in nonoperating activities are considered fundraising expenses.

(r) Self-Insurance

The University participates in a self-insured plan for employee health and dental benefits under a retrospective-rate policy where the ultimate premium is based on actual claims made. These costs are accounted for on an accrual basis. Due to the nature of the estimated health and dental expense, it is at least reasonably possible that a change in estimate will occur in the short term.

(s) Revenue Recognition and Release of Restrictions

Tuition and Fees

The University recognizes student tuition and fees revenue within the fiscal year in which educational services are provided. Scholarships and financial aid grants are reported as a reduction of tuition and fee revenues in the form of a scholarship allowance in the consolidated statements of activities. Scholarship allowances are provided from earnings on restricted funds, certain board-designated endowments, and through unfunded discounts. Tuition and fees are presented net of scholarship allowances on the consolidated statements of activities 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. The Scholarship allowance provided to students was 62,703 in 2021, and 68,047 in 2020. Cash payments to students in excess of published prices, excluding compensation, are reported as Scholarship Allowances in the consolidated statements of activities.

The University’s tuition and fee revenue is derived from the undergraduate programs and online masters programs. The undergraduate programs have Fall (August-December), Spring (January-May) and Summer (May-August) terms. The online masters programs have Fall (September-November), Winter (December-February), Spring (March-May), and Summer (June-August) terms. The undergraduate program summer term begins early May and ends mid-August. Revenue for the undergraduate Summer term is recognized ratably over the period for which educational services are provided. At May 31, 2021, the College had recognized approximately 20% of the revenue for Summer term in the current year’s consolidated financial statements with the remaining 80% being recorded as deferred revenue at May 31, 2021.

(1) Nature of Operations and Significant Accounting Policies (Continued)

(s) Revenue Recognition and Release of Restrictions (Continued)

Tuition and Fees (Continued)

Deferred revenue amounts for the Summer term tuition and fees and room and board are shown in the table below.

Contributions, Federal Appropriations, Grants, and Contracts

Contributions, which include unconditional promises to give, are reported as increases in net assets without donor restrictions unless use of the related assets is limited by explicit donor stipulation or by the passage of time. Contributions are recognized as revenues in the period an unconditional promise is made or a gift is received, net of a reserve for uncollectible amounts. Contributions to be received after one year are discounted using the appropriate risk-free rate and amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contribution.

Federal appropriations, grants and contracts are generally cost type agreements. The University recognizes revenues over time on such contracts as the performance obligations are satisfied. Performance obligations are generally based on the progress of completion on the services measured by cost to total cost or based on progress towards the contract goals. In addition, government contracts have to be utilized on costs that are considered allowable under such contracts. Agreements that are not considered exchange transactions are recognized based as if there were contributions.

The University is the irrevocable remainder beneficiary of several forms of split-interest agreements, including charitable remainder trusts and charitable gift annuities. Contributions to these trusts are reported as increases in donor restricted net assets. The amount of contribution revenue recognized is reduced by an actuarial estimate of the trust's liability for payments to an intermediate income beneficiary (or beneficiaries) over the term of the trust.

Investment Income or Loss

Investment income or loss includes (a) interest, dividends, and realized and unrealized gains and losses on investments controlled by the College, (b) income received from, and changes in the fair value of, investments held in trusts by others, and (c) changes in valuation of alternative investments based on net asset value. In the absence of explicit donor stipulations for its use, investment income is reported as an increase in net assets without donor restriction. Change in the fair value of investments held in trust by others is reported as donor-restricted investment income or loss, consistent with the classification of underlying assets.

(1) Nature of Operations and Significant Accounting Policies (Continued)

(s) Revenue Recognition and Release of Restrictions (Continued)

Auxiliary Enterprises

Auxiliary enterprises exist to furnish goods or services to students, faculty, staff, other institutional departments, or incidentally to the general public. A fee is charged for the goods or services, which may or may not equal the costs of the goods or services. Residence halls and food services make up the majority of auxiliary revenues. The distinguishing characteristic of auxiliary enterprises is that they are managed as an essentially self-supporting activity. Revenues and expenses from auxiliary enterprises are reported as changes in net assets without donor restrictions. Payments for housing and dining services are due approximately 30 days prior to the start of the academic term. Housing and dining plans were not offered during the 2021 undergraduate Summer term. Performance obligations for housing and dining services are delivered over the academic terms. Consequently, associated revenues are earned and recognized over the course of each term as the services are delivered.

Commercial Property

The University owns some residential properties or close by to the University's main campus. The properties are rented to individuals. These revenues are recorded as earned.

Release from Restrictions

Net assets are released from donor restrictions when the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed. Donor restrictions on contributions made for the acquisition of long-lived assets are released when the stipulated assets are placed in service. Donor restrictions also expire upon termination of a split-interest gift agreement, which does not contain restrictions on the use of the remainder assets. These events are reported as net assets released from restrictions on the consolidated statements of activities.

(In Thousands)

(1) Nature of Operations and Significant Accounting Policies (Continued)

(s) Revenue Recognition and Release of Restrictions (Continued)

Deferred Revenue

Deferred revenue represents payments received prior to the start of the academic term. The following table depicts activities for deferred revenue related to tuition, fees, and auxiliary services:

	Summer Tuition and Fees Net of Discounting	Summer Room and Board	Total
Balance at May 31, 2019	2,561	253	$ 2,814
Applied/Forfeited	(2,561)	(253)	(2,814)
Performance Obligations	2,090	-	2,090
Balance at May 31, 2020	2,090	-	2,090
Applied/Forfeited	(2,090)	-	(2,090)
Performance Obligations	2,220	-	2,220
Balance at May 31, 2021	$ 2,220	$ -	$ 2,220

The balance of deferred revenue at May 31, 2021 less any refunds will be recognized as revenue as services are rendered. The College applies the practical expedient in paragraph 606-10-50-14 and does not disclose information about remaining performance obligations that have original expected durations of one year or less. The College anticipates that students enrolled for the Fall semester will continue their studies in the Spring semester, and that students who receive their baccalaureate degree in December or May will be replaced by an equivalent number of new enrollees.

(t) Change in Accounting Principle

Financial Accounting Standard Board (FASB) issued Accounting Standards Update (ASU) 2018-13 Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement. The ASU removes and modifies disclosure requirements retrospectively for nonpublic entities. The ASU is effective for fiscal years beginning after December 15, 2019. The University's financial statements reflect the application of ASU 2018-13 using a retrospective approach to each period presented.

(In Thousands)

(2) Student Loans Receivable

The University issues uncollateralized loans to students based on financial need. Student loans are funded through federal government loan programs. Allowances for doubtful accounts are established based upon 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. At May 31, 2021 and 2020, student loans represented less than 2% of total assets.

Student loans receivable consist of the following:

	2021	2020
Federal Government Programs, Gross	$ 5,190	$ 6,717
Income Share Agreements, Gross	336	298
Less: Allowance for Doubtful Accounts:		
Beginning of Year	(101)	(43)
Increases	(11)	(58)
End of Year	(112)	(101)
Student Loans Receivable, Net	$ 5,414	$ 6,914

Student loans receivable are included in loans receivable, net on the consolidated statement of financial position. Accounts and notes receivable on the consolidated statement of financial position include receivables from students' accounts, ROTC receivables, federal student aid, and grants. These other receivables total $9,808 and $6,191 as of May 31, 2021 and 2020, respectively. Allowances for these receivables total $810 and $600 as of May 31, 2021 and 2020, respectively.

Government advances and related interest earned on Perkins Loans and Faculty Nurse Loans of $5,445 and $6,447 as of May 31, 2021 and 2020, respectively, are ultimately refundable to the United States Government and thus are reported as a liability.

At May 31, 2021 and 2020, the following amounts were past due under student loan programs:

	2021	2020
1 - 240 Days Past Due	$ 556	$ 759
240 Days - 2 Years Past Due	69	142
2 Years - 5 Years Past Due	94	120
Over 5 Years Past Due	10	-
Total Past Due	$ 729	$ 1,021

(In Thousands)

(3) Contributions Receivable

The following represents contributions receivable at May 31:

	2021	2020
In One Year or Less	$ 4,297	$ 4,502
Between One Year and Five Years	6,328	7,368
More than Five Years	1,346	1,242
Contributions Receivable, Gross	11,971	13,112
Less: Discount for Present Value	175	218
Less: Allowance for Uncollectible Contributions	2,473	2,527
Contributions Receivable, Net	$ 9,323	$ 10,367

The University uses discount rates ranging from 0.66% to 4.13% as established upon receipt of the contributions to determine the present value of contributions receivable.

The University has one charitable remainder trust agreement with donors (the University is not the trustee). The donors are beneficiaries of the trust and will receive annual payments until their deaths. At such time the University will receive the trust corpus. The donors have not placed any restrictions on the use of the corpus. The University has recorded these trusts, included in the table above, at the net present value of the estimated future payments due to the University, which is $695 and $542 at May 31, 2021 and 2020, respectively.

(4) Investments and Fair Value Measurements

(a) Overall Investment Objective

The overall investment objective of the University 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 University diversifies its investments among various asset classes incorporating multiple strategies and managers. Major investment decisions are authorized by the board's investment committee, which oversees the University's investment program in accordance with established guidelines.

(4) Investments and Fair Value Measurements (Continued)

(b) Allocation of Investment Strategies

In addition to traditional stocks and fixed-income securities, the University may also hold shares or units in institutional funds as well as in alternative investment funds involving hedged strategies, private equity and real asset strategies. Hedged strategies involve funds whose managers have the authority to invest in various asset classes at their discretion, including the ability to invest long and short. Funds with hedged strategies generally hold securities or other financial instruments for which a ready market exists and may include stocks, bonds, put or call options, swaps, currency hedges and other instruments, and are valued accordingly. Private equity funds employ buyout and venture capital strategies or focus on investments in turn-around situations. Real asset funds generally hold interests in real estate, energy, and/or agriculture (through publicly traded securities or private partnership), and/or commodities (through publicly traded future contracts). Private equity and real asset strategies therefore often require the estimation of fair values by the fund managers in the absence of readily determinable market values. Because of the inherent uncertainties of valuation, these estimated fair values may differ significantly from values that would have been used had a ready market existed, and the differences could be material. Such valuations are determined by fund managers and generally consider variables such as operating results, comparable earnings multiples, projected cash flows, recent sales prices, and other pertinent information, and may reflect discounts for the illiquid nature of certain investments held. Moreover, the fair values of the University's interests in shares or units of these funds, because of liquidity and capital commitment terms that vary depending on the specific fund or partnership agreement, may differ from the fair value of the funds' underlying net assets.

(c) Basis of Reporting

Investments are reported at estimated fair value. If an investment is held directly by the University and an active market with quoted prices exists, the market price of an identical security is used as reported fair value. Reported fair values for shares in mutual funds are based on share prices reported by the funds as of the last business day of the fiscal year.

(4) Investments and Fair Value Measurements (Continued)

(c) Basis of Reporting (Continued)

The University's interests in alternative investment funds are generally reported at the net asset value (NAV) reported by the fund managers, which is used as a practical expedient to estimate the fair value of the University's interest therein, unless it is probable that all or a portion of the investment will be sold for an amount different from NAV. As of May 31, 2021 and 2020, the University had no specific plans or intentions to sell investments at amounts different than NAV.

The three levels of the fair value hierarchy are:

- *Level 1* – quoted prices (unadjusted) in active markets that are accessible at the measurement date for assets or liabilities;
- *Level 2* – observable prices that are based on inputs not quoted in active markets, but corroborated by market data; and
- *Level 3* – inputs are derived from valuation methodologies, including pricing models, discounted cash flow models and similar techniques, and are not based on market, exchange, dealer, or broker-traded transactions. In addition, Level 3 valuations incorporate assumptions and projections that are not observable in the market, and significant professional judgment in determining the fair value assigned to such assets or liabilities. The University's ability to redeem its interest in the investment is also a factor in determining the classification of those investments.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. In determining fair value, the University utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible.

The following tables summarize the University's investments and other assets by major category in the fair value hierarchy as of May 31, 2021 and 2020, as well as related strategy, liquidity and funding commitments:

(In Thousands)

(4) Investments and Fair Value Measurements (Continued)

(c) Basis of Reporting (Continued)

May 31, 2021

Description	Level 1	Level 2	Level 3	Measured at NAV	Total	Redemption or Liquidation	Days' Notice
Investments by Strategy							
Short-Term Investments:							
Fixed Income	$ -	$ -	$ -	$ -	$ -	Daily	1
Total Short-Term Investments	-	-	-	-	-		
Long-Term Investments:							
U.S. Equities:							
Large Cap	31,536	-	-	29,370	60,906	Daily	1
Small Cap	7,746	-	-	-	7,746	Daily	1
Total	39,282	-	-	29,370	68,652		
Global Equities ex U.S.:							
Developed Markets	-	-	-	44,496	44,496	Daily/Monthly	1 - 15
Emerging Markets	8,002	-	-	16,956	24,958	Daily/Monthly	1 - 30
Total	8,002	-	-	61,452	69,454		
Fixed Income:							
U.S. Gov't Fixed Income	12,811	-	-	-	12,811	Daily	1
Multi-Sector Fixed Income	12,616	-	-	-	12,616	Daily	1
Total	25,427	-	-	-	25,427		
Hedge Funds:							
Long/Short	-	-	-	8,241	8,241	Quarterly/Annually	30 - 90
Absolute Return [1]	-	-	-	37,123	37,123	Quarterly/Illiquid	45 - 90
Total	-	-	-	45,364	45,364		
Private Equity Investments [2]	-	-	-	47	47	Illiquid	N/A
Venture Capital Investments	-	-	-	105,876	105,876	Illiquid	N/A
Real Assets:							
Real Estate	-	-	-	113	113	Illiquid	N/A
Oil and Gas	-	-	25	-	25	Illiquid	N/A
Total	-	-	25	113	138		
Other Equity	-	-	788	-	788	Illiquid	N/A
Cash and Equivalents	12,341	-	-	-	12,341	Daily	1
Total Long-Term Investments	85,052	-	813	242,222	328,087		
Funds Held in Trust by Others	-	-	9,281	-	9,281	Illiquid	N/A
Total Assets	$ 85,052	$ -	$ 10,094	$ 242,222	$ 337,368		
Liabilities:							
Interest Rate Swap Agreement	$ -	$ (14,321)	$ -	$ -	$ (14,321)	Illiquid	N/A
Total Liabilities	$ -	$ (14,321)	$ -	$ -	$ (14,321)		

[1] 4.9 million is subject to a 2 year rolling lockup
[2] Private equity and venture capital funds have an initial term of 11 years with extensions of 2 to 3 years, and have an average remaining life of 4 years

(In Thousands)

(4) Investments and Fair Value Measurements (Continued)

(c) Basis of Reporting (Continued)

May 31, 2020

Description	Level 1	Level 2	Level 3	Measured at NAV	Total	Redemption or Liquidation	Days' Notice
Investments by Strategy							
Short-Term Investments:							
Fixed Income	$ -	$ 4,999	$ -	$ -	$ 4,999	Daily	1
Total Short-Term Investments	-	4,999	-	-	4,999		
Long-Term Investments:							
U.S. Equities:							
Large Cap	17,061	-	-	19,516	36,577	Daily	1
Small Cap	4,938	-	-	-	4,938	Daily	1
Total	21,999	-	-	19,516	41,515		
Global Equities ex U.S.:							
Developed Markets	-	-	-	29,452	29,452	Daily/Monthly	1 - 15
Emerging Markets	5,787	-	-	11,453	17,240	Daily/Monthly	1 - 30
Total	5,787	-	-	40,905	46,692		
Fixed Income:							
U.S. Gov't Fixed Income	10,305	-	-	-	10,305	Daily	1
Int'l Gov't Fixed Income	-	-	-	-	-	Daily	1
Multi-Sector Fixed Income	8,655	-	-	-	8,655	Daily	1
Total	18,960	-	-	-	18,960		
Hedge Funds:							
Long/Short	-	-	-	8,388	8,388	Quarterly/Annually	30 - 90
Absolute Return [1]	-	-	-	32,843	32,843	Quarterly/Illiquid	45 - 90
Total	-	-	-	41,231	41,231		
Private Equity Investments [2]	-	-	-	59	59	Illiquid	N/A
Venture Capital Investments	-	-	-	45,508	45,508	Illiquid	N/A
Real Assets:							
Real Estate	-	-	-	3,556	3,556	Daily/Illiquid	1 - N/A
Oil and Gas	-	-	28	-	28	Daily/Illiquid	1 - N/A
Natural Resources	-	-	-	-	-	Annual	30
Commodities	-	-	-	-	-	Daily	1
Total	-	-	28	3,556	3,584		
Other Equity	-	-	717	-	717	Illiquid	N/A
Cash and Equivalents	17,840	-	-	-	17,840	Daily	1
Total Long-Term Investments	64,586	-	745	150,775	216,106		
Funds Held in Trust by Others	-	-	7,377	-	7,377	Illiquid	N/A
Total Assets	$ 64,586	$ 4,999	$ 8,122	$ 150,775	$ 228,482		
Liabilities:							
Interest Rate Swap Agreement	$ -	$ (19,703)	$ -	$ -	$ (19,703)	Illiquid	N/A
Total Liabilities	$ -	$ (19,703)	$ -	$ -	$ (19,703)		

[1] 7.0 million is subject to a 2 year rolling lockup

[2] Private equity and venture capital funds have an initial term of 11 years with extensions of 2 to 3 years, and have an average remaining life of 4 years

(In Thousands)

(4) Investments and Fair Value Measurements (Continued)

(c) Basis of Reporting (Continued)

U.S. Treasuries and registered mutual funds are classified in Level 1 of the fair value hierarchy as defined in note 1(h) because their fair values are based on quoted prices for identical securities. Most investments classified in Levels 2 and 3 consist of shares or units in nonregistered investment funds as opposed to direct interests in the funds' underlying securities, some of which are marketable or not difficult to value. Because each fund's reported NAV is used as a practical expedient to estimate the fair value of the University's interest therein, the level in which a fund's fair value measurement is classified is based on the University's ability to redeem its interest at or near the date of the consolidated statement of financial position. Accordingly, the inputs or methodology used for valuing or classifying investments for financial reporting purposes are not necessarily an indication of the risks associated with those investments or a reflection of the liquidity of or degree of difficulty in estimating the fair value of each fund's underlying assets and liabilities.

At May 31, 2021, the University's outstanding commitments to certain limited partnerships totaled $4,224. The capital is called on an as-needed basis by the limited partnerships. University management estimates that $3,000 will be called annually. The following is a summary of capital commitments by class:

	Outstanding Commitment
Class:	
Private Equity	$ 37
Venture Capital	4,187
Total	$ 4,224

The return on investments for the years ended May 31, 2021 and 2020 was as follows:

	2021	2020
Dividends and Interest	$ 3,639	$ 1,405
Net Realized and Unrealized Gains	119,576	13,779
Less: Management Investment Fees	(1,902)	(820)
Total Return on Endowment Investments	121,313	14,364
Less: Investment Return Designated for Current Operations	(10,803)	(10,442)
Excess of Investment Returns Less than Amounts Distributed to Current Operations	$ 110,510	$ 3,922

(In Thousands)

(4) Investments and Fair Value Measurements (Continued)

(c) Basis of Reporting (Continued)

Investment returns are included in the consolidated statements of activities as follows for the years ended May 31:

	2021	2020
Investment Return:		
Operating:		
Investment Income Used in Operations	$ 10,803	$ 10,442
Nonoperating Activities:		
Investment Return in Excess of Investment Income Used in Operations	34,036	1,194
Changes in Net Assets with Donor Restrictions:		
Investment Return in Excess of Investment Income Used in Operations	76,474	2,728
Investment Return	$ 121,313	$ 14,364

Private equity and venture capital investments are generally made through limited partnerships. Under the terms of such agreements, the University may be required to provide additional funding when capital or liquidity calls are made by fund managers. These partnerships have a limited existence, and they may provide for annual extensions for the purpose of disposing portfolio positions and returning capital to investors. However, depending on market conditions, the inability to execute the fund's strategy, or other factors, a manager may extend the terms of a fund beyond its originally anticipated existence or may wind the fund down prematurely. The University cannot anticipate such changes because they generally arise from unforeseeable events, but should they occur they could reduce liquidity or originally anticipated investment returns. Accordingly, the timing and amount of future capital or liquidity calls in any particular future year are uncertain.

Certain hedge funds of funds contain "rolling" lock-up provisions. Under such provisions, tranches of the investment are available for redemption at calendar year-end once every two or three years, if the University makes a redemption request prior to the next available withdrawal date in accordance with the notification terms of the agreement.

(In Thousands)

(4) Investments and Fair Value Measurements (Continued)

(c) Basis of Reporting (Continued)

Investment liquidity as of May 31, 2021 is aggregated below based on redemption or sale period:

		Investment Fair Values
Investment Redemption or Sale Period:		
Daily	$	90,560
Monthly		55,944
Quarterly		63,030
Annually		6,771
Subject to Rolling Lockups		4,933
Illiquid		116,130
Total as of May 31, 2021	$	337,368

The University uses the unit share method of accounting for income distribution for pooled investments. The individual pooled unit value as of May 31, 2021 and 2020 is $7,776 and $5,060, respectively. Gains or losses on investments are recognized as increases or decreases in net assets with donor restrictions.

(5) Bonds and Notes Payable

At May 31, 2021 and 2021, bonds and notes payable consisted of:

		2021		2020
Bonds payable to Vermont Educational and Health Building Financing agency 2008 – variable rate bonds 0.85% average rate 2021 (0.82% and 1.00% at May 31, 2021 and 2020, respectively), due in installments to 2037	$	54,100	$	56,500
Bonds payable to Vermont Educational and Health Building Financing Agency 2013 - fixed rate 3.00%, due in installments to 2043		21,005		21,635
Unamortized Bond Issuance Costs		(546)		(589)
Total Bonds and Notes Payable	$	74,559	$	77,546

(In Thousands)

(5) Bonds and Notes Payable (Continued)

Annual debt commitments (principal) are as follows:

Fiscal Year	Bonds and Notes Payable
2022	$ 3,045
2023	3,165
2024	3,385
2025	3,405
2026	3,530
Thereafter	58,575
Total	$ 75,105

The 2008 Bonds are collateralized by a security interest in all gross receipts of the University. The 2008 Bonds bear interest at the monthly interest rate, as determined under the index rate mode as 69.25% of LIBOR plus 0.748% on the first day of each monthly interest period. At the “Index Rate Mode Expiration Date,” December 27, 2027, the 2008 Bonds are subject to mandatory tender for purchase in connection with a conversion to a new interest rate mode.

Interest on the 2008 Bonds is payable monthly. Principal payments occur annually on September 1 of each year.

On December 27, 2017, the 2008 Bond Loan and Trust Agreements were amended and restated. Under the amended and restated terms, the Bonds include an interest rate mode conversion feature. While the bonds are in an index rate period, the University may satisfy its repayment obligations under the Loan Agreement by paying such amounts directly to TD Bank (the purchaser) instead of equal monthly payments to the Trustee, into the “Principal Account.”

On December 27, 2017, the Bonds were resold to TD Bank, N.A. who became the sole bondholder. The University’s irrevocable letter of credit was used to advance payment to the previous bondholders in the amount of $61,242. Repayment of the letter of credit advance was made with the proceeds from the bond funds of $60,490, and excess funds in the “Principal Account” of $710 and the “Interest Account” of $42.

The University has the following lines of credit that provide for unsecured short-term borrowing:

1. Peoples United Bank – up to $5,000 at the 30-day LIBOR rate plus 200bp and expires January 31, 2022. As of May 31, 2021 and 2020, the line of credit had no outstanding balance.

2. TD Bank – up to $2,000 at the One Month LIBOR plus 200bp. and expires February 28, 2022. As of May 31, 2021 and 2020, the line of credit had no outstanding balance.

(5) Bonds and Notes Payable (Continued)

On December 23, 2013, the University issued tax-exempt bonds (2013 Bonds) through the Vermont Educational Health Buildings Financing Agency (VEHBFA) in the amount of $24,515. The bonds amortize over thirty years and carry a 3.00% fixed interest rate. At the time of issuance, the bonds were placed entirely with a single investor. The bonds were issued to finance the construction of a new dorm.

Interest on the 2013 Bonds will be payable on March 1 and September 1 of each year commencing on March 1, 2014. Principal payments occur annually on September 1 of each year, beginning on September 1, 2015. Under the terms of the trust agreement, the annual amount of debt service will be deposited at once on September 1 of each year.

Under the 2013 Bonds loan agreement the University is required to maintain compliance with the same financial covenants abiding in the letter of credit agreement with TD Bank, N.A. Management believes they were in compliance with these covenants through May 31, 2021. The bondholder shares *pari passu* with the lien on gross receipts granted to TD Bank, N.A. and has been granted a negative pledge on the Core Campus generally defined as the principle academic and operating buildings of the University.

On October 29, 2018, the University entered into an agreement with TD Bank for a revolving credit loan in the maximum aggregate principal amount of $15,000,000. The entire unpaid principal sum outstanding, together with any accrued interest thereon remaining unpaid and any other sums due the Bank in connection with the Loan, shall be due and payable in full on October 29, 2021. As of May 31. 2021, the loan had no outstanding balance.

Interest incurred on debt and swap agreements for the years ended May 31, 2021 and 2020 was $3,315 and $3,486, respectively. The interest amount capitalized was $0 and $0 respectively.

(6) Interest Rate Swap Agreement

On June 4, 2012, the University entered into a swap agreement with TD Bank, N.A, with a notional value of $78,200. The rate paid by the University is 4.022%. The rate paid by the counterparty remains at 67% of the one-month United States Dollar–London Interbank Offered Rate (LIBOR) rate. The agreement will terminate on June 4, 2022 unless both parties agree to renew for another 10 years.

The purpose of the amended swap agreement is to manage the interest rate risk associated with the VEHBFA Series 2008 variable rate debt.

The fair value of the interest rate swap agreement at May 31, 2021 and 2020 was ($14,321) and ($19,703), respectively. The fair value of the swap, as determined by a third-party, is recorded as either an asset or liability at the end of each fiscal year. The change in value of the swap is reflected in other expenses on the consolidated statement of activities. In 2021 and 2020, the changes in value were gains (losses) of $5,382 and $(5,763), respectively. If held to maturity, the change in the value of the swap will net to zero.

(In Thousands)

(7) Land, Buildings, and Equipment

Land, buildings, and equipment balances of the University consisted of the following at May 31:

	2021	2020
Land and Land Improvements	$ 33,752	$ 33,699
Buildings	239,790	236,477
Personal Property	42,175	41,593
	315,717	311,769
Less: Accumulated Depreciation	142,304	132,401
	173,413	179,368
Construction in Progress	414	702
Total	$ 173,827	$ 180,070

Depreciation expense charged to operations was $9,902 and $9,791 in 2021 and 2020, respectively.

(8) Commitments and Contingencies

From time to time Norwich University is a defendant in various legal actions arising out of the normal course of its operations. Although the final outcome of such actions cannot presently be determined, the University's management is of the opinion that the eventual liability, if any, will not have a material effect on the University's financial position.

As of May 31, 2021, the University had $883 of open commitments to contractors for construction work being performed.

(9) Net Assets

Net assets with donor restrictions consisted of the following at May 31:

	2021		2020	
	Net Assets Not Invested in Perpetuity	Net Assets Invested in Perpetuity	Net Assets Not Invested in Perpetuity	Net Assets Invested in Perpetuity
Scholarship	$ 1,419	$ 37,737	$ 797	$ 32,614
Instruction, Academic and Institutional Support	7,757	17,532	4,872	16,803
Split-Interest Agreements and Perpetual Trusts	2,198	9,419	2,501	7,766
Unappropriated Endowment Gains	173,665	-	99,110	-
	185,039	64,688	107,280	57,183
Contributions Receivable, Net	8,628	-	9,825	-
Total	$ 193,667	$ 64,688	$ 117,105	$ 57,183

(In Thousands)

(9) Net Assets (Continued)

Net assets without donor restrictions consisted of the following at May 31:

	2021	2020
Board-Designated Endowment Funds	$ 99,889	$ 68,256
Board-Designated Reserves	5,000	5,000
Undesignated	93,594	85,417
Total	$ 198,483	$ 158,673

(10) Net Assets Released from Restrictions

Net assets released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of events specified by the donor were as follows at May 31:

	2021	2020
Purpose Restrictions:		
Scholarship	$ 348	$ 521
Instruction, Academic, and Institutional Support	3,731	3,800
Research	12	9
Buildings	1,661	6,410
Total	$ 5,752	$ 10,740

(11) Related Entity

The operating revenues and expenses of the related entity for the years ended May 31 were as follows:

	2021	2020
Revenues:		
Contract Revenue	$ 6,843	$ 1,098
Grant Revenue	284	2,367
Other Income	2	4
Total Revenues	$ 7,129	$ 3,469
Expenses:		
Program Services	$ 4,269	$ 1,860
Management and General	1,765	1,069
Total Expenses	$ 6,034	$ 2,929

(12) Retirement Plans

The University participates in contributory retirement plans administered by the Teachers Insurance Annuity Association of America (TIAA) for full-time employees. The University's policy is to accrue and pay the costs of these defined contribution plans currently. The total amount charged to operations was $2,957 and $2,623, in fiscal 2021 and 2020, respectively.

(13) Endowment

The University's endowment consists of approximately 412 individual funds established for a variety of purposes including both donor-restricted endowment funds and funds designated by the board of trustees to function as endowments. Net assets associated with endowment funds, including funds designated by the board of trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

(a) Relevant Law

The Uniform Prudent Management of Institutional Funds Act (UPMIFA) was signed into law in Vermont on May 5, 2009. This replaces a previous law, UMIFA, the Uniform Management of Institutional Funds Act. Under UMIFA, spending below the historic dollar value of an endowment was not permitted; the accounting definition of funds invested in perpetuity was the historic-dollar-value of a donor-restricted gift to endowment.

Under UPMIFA, the historic-dollar-value threshold is eliminated, and the governing board has discretion to determine appropriate expenditures of a donor-restricted endowment fund in accordance with a robust set of guidelines about what constitutes prudent spending. UPMIFA permits the University to appropriate for expenditure or accumulate so much of an endowment fund as the University determines to be prudent for the uses, benefits, purposes and duration for which the endowment fund is established. Seven criteria are to be used to guide the University in its yearly expenditure decisions: 1) duration and preservation of the endowment fund; 2) the purposes of the University and the endowment fund; 3) general economic conditions; 4) effect of inflation or deflation; 5) the expected total return from income and the appreciation of investments; 6) other resources of the University; and, 7) the investment policy of the University.

Although UPMIFA offers short-term spending flexibility, the explicit consideration of the preservation of funds among factors for prudent spending suggests that a donor-restricted endowment fund is still perpetual in nature. Under UPMIFA, the board is permitted to determine and continue a prudent payout amount, even if the market value of the fund is below historic dollar value. There is an expectation that, over time, the amount of the investment held in perpetuity will remain intact. This perspective is aligned with the accounting standards definition that these funds must be held in perpetuity even though the historic-dollar-value may be dipped into on a temporary basis.

(In Thousands)

(13) Endowment (Continued)

(a) Relevant Law (Continued)

In accordance with appropriate accounting standards, the University classifies as net assets with donor restrictions (a) the original value of gifts donated to the endowment to be invested in perpetuity, (b) the original value of subsequent gifts to the endowment to be invested in perpetuity, (c) accumulations to the endowment to be invested in perpetuity made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund, and (d) appreciation on these funds until appropriated for spending by the board of trustees.

Endowment net asset composition, not including pledges, by type of fund consists of the following at May 31, 2021:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-Restricted Endowment Funds	$ -	$ 238,352	$ 238,352
Board-Designated Endowment Funds	99,889	-	99,889
Total Endowed Net Assets	$ 99,889	$ 238,352	$ 338,241

Changes in endowment net assets for the year ended May 31, 2021 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets, June 1, 2020	$ 68,256	$ 156,294	$ 224,550
Investment Return:			
Investment Income	531	1,207	1,738
Net Appreciation (Realized and Unrealized)	35,950	83,626	119,576
Total Investment Return	36,481	84,833	121,314
Contributions	97	4,555	4,652
Endowment Assets for Expenditure	(2,445)	(8,359)	(10,804)
Other Transfers	(2,501)	1,029	(1,472)
Endowment Net Assets, May 31, 2021	$ 99,888	$ 238,352	$ 338,240

The endowment net assets for the year ended May 31, 2021 include $9,281 related to a perpetual trust that is not subject to UPMIFA.

(In Thousands)

(13) Endowment (Continued)

(a) Relevant Law (Continued)

Endowment net asset composition, not including pledges, by type of fund consists of the following at May 31, 2020:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-Restricted Endowment Funds	$ -	$ 156,294	$ 156,294
Board-Designated Endowment Funds	68,256	-	68,256
Total Endowed Net Assets	$ 68,256	$ 156,294	$ 224,550

Changes in endowment net assets for the year ended May 31, 2020 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets, June 1, 2019	$ 70,224	$ 151,323	$ 221,547
Investment Return:			
Investment Income	188	397	585
Net Appreciation (Realized and Unrealized)	4,430	9,659	14,089
Total Investment Return	4,618	10,056	14,674
Contributions	90	2,106	2,196
Endowment Assets for Expenditure	(3,424)	(7,018)	(10,442)
Other Transfers	(3,252)	(173)	(3,425)
Endowment Net Assets, May 31, 2020	$ 68,256	$ 156,294	$ 224,550

The endowment net assets for the year ended May 31, 2020 include $7,377 related to a perpetual trust that is not subject to UPMIFA.

(13) Endowment (Continued)

(b) Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the University to retain as a fund of perpetual duration. Deficiencies of this nature that are reported in net assets with donor restrictions were $-0- and $44 as of May 31, 2021 and 2020, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new contributions with donor restrictions to be invested in perpetuity and continued appropriation for certain programs that was deemed prudent by the board of trustees. Subsequent gains that restore the fair value of the assets of the endowment fund to the required level will be classified as an increase in net assets without donor restrictions.

(14) Available Resources and Liquidity

The University regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The University has various sources of liquidity at its disposal, including cash and cash equivalents, equities, fixed income, real assets, a bridge loan, and multiple lines of credit.

For purposes of analyzing resources available to meet general expenditures over a 12- month period, the University 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. Loans receivable are not included in the analysis as principal and interest on these loans are used solely to make new loans and are, therefore, not available to meet current operating needs.

In addition to financial assets available to meet general expenditures over the next 12 months, the University operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. Refer to the statement of cash flows which identifies the sources and uses of the University's cash and shows negative cash generated by operations for fiscal years 2021 and 2020.

(In Thousands)

(14) Available Resources and Liquidity (Continued)

As of May 31, 2021 and 2020, the following table shows the total financial assets held by the University and the amounts of those financial assets could readily be made available within one year of the balance sheet date to meet general expenditures:

	2021	2020
Financial Assets:		
Cash and Cash Equivalents	$ 19,953	$ 7,725
Short-Term Investments	-	4,999
Accounts and Notes Receivable	9,808	6,191
Contributions Receivable - Current	4,297	4,502
Investments Convertible to Cash in the Next 12 Months	216,305	162,690
Total	250,363	186,107
Less: Restrictions		
Less: Endowment Investments not Appropriated for Policy Draw	(205,095)	(151,886)
Add: Endowment Investments Appropriated for Strategic Initiatives	594	3,106
Less: Board-Designated Reserves	(5,000)	(5,000)
Total	(209,501)	(153,780)
Financial Assets Available to Meet General Expenditures	$ 40,862	$ 32,327

(In Thousands)

(15) Functional Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The University reports expenditures in categories reflecting core operational objectives for higher education as defined by Integrated Postsecondary Education Data System (IPEDS).

	2021					
	Salaries and Benefits	Professional Services	Supplies and Other	Depreciation and Interest	Operation and Maintenance	Total Expenses
Instruction	$ 22,022	$ 1,552	$ 1,848	$ 3,399	$ 1,643	$ 30,464
Academic Support	5,081	1,350	1,550	892	431	9,304
Research	1,252	2,129	369	66	32	3,848
Student Services	12,351	6,175	1,517	3,478	1,682	25,203
Institutional Support	10,091	4,838	3,401	672	325	19,327
Auxiliary Enterprises	1,742	5,864	1,286	4,757	5,187	18,836
Operation and Maintenance	3,950	1,839	3,511		(9,300)	-
Total Operating Expenditures	56,489	23,747	13,482	13,264	-	106,982
Related Entity (Research) Expenses	4,849	793	392	-	-	6,034
Fundraising Expenses	2,393	407	230	-	-	3,030
Strategic Initiative Expenses	1,165	1,785	113	-	-	3,063
Total Nonoperating Expenditures	8,407	2,985	735	-	-	12,127
Total Expenditures	$ 64,896	$ 26,732	$ 14,217	$ 13,264	$ -	$ 119,109

	2020					
	Salaries and Benefits	Professional Services	Supplies and Other	Depreciation and Interest	Operation and Maintenance	Total Expenses
Instruction	$ 21,550	$ 1,410	$ 2,185	$ 3,416	$ 1,645	$ 30,206
Academic Support	4,799	1,925	2,244	896	432	10,296
Research	692	240	235	67	32	1,266
Student Services	11,490	3,582	3,254	3,496	1,684	23,506
Institutional Support	9,438	3,334	4,244	675	325	18,016
Auxiliary Enterprises	1,779	5,859	1,597	4,781	5,092	19,108
Operation and Maintenance	4,146	1,117	3,947	-	(9,210)	-
Total Operating Expenditures	53,894	17,467	17,706	13,331	-	102,398
Related Entity (Research) Expenses	1,745	793	391	-	-	2,929
Fundraising Expenses	2,398	915	1,268	-	-	4,581
Strategic Initiative Expenses	1,590	1,694	159	-	-	3,443
Total Nonoperating Expenditures	5,733	3,402	1,818	-	-	10,953
Total Expenditures	$ 59,627	$ 20,869	$ 19,524	$ 13,331	$ -	$ 113,351

16. Subsequent Events

The University has evaluated subsequent events through October 19, 2021, which is the date that the consolidated financial statements were approved and issued.

In regard to the COVID-19 epidemic, management believes the University is taking appropriate actions to mitigate the negative impact the pandemic is causing. However, the full impact of COVID-19 continues to be unknown and cannot be fully estimated as the pandemic continues to be ongoing and will continue to impact the University subsequent to year end.

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