



**Consolidated Financial Statements
and Supplemental Information**

**The New England College of Optometry
and Affiliate**

June 30, 2021 and 2020



THE NEW ENGLAND COLLEGE OF OPTOMETRY AND AFFILIATE

Consolidated Financial Statements and Supplemental Information

Table of Contents

Consolidated Financial Statements:

Independent Auditors' Report	1-2
Consolidated Statements of Financial Position	3
Consolidated Statements of Activities	4-5
Consolidated Statements of Functional Expenses	6-7
Consolidated Statements of Cash Flows	8
Notes to Consolidated Financial Statements	9-29

Supplemental Information:

Schedule 1 - Consolidating Schedule of Financial Position	30
Schedule 2 - Consolidating Schedule of Activities	31



Mayer Hoffman McCann P.C.
500 Boylston Street ■ Boston, MA 02116
Main: 617.761.0600 ■ Fax: 617.761.0601
www.cbiz.com/newengland

Independent Auditors' Report

The Board of Trustees
The New England College of Optometry and Affiliate
Boston, Massachusetts

We have audited the accompanying consolidated financial statements of The New England College of Optometry and Affiliate (the "College"), which comprise the consolidated statements of financial position as of June 30, 2021 and 2020, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated 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 consolidated 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 audits. We conducted our audits 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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



Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The New England College of Optometry and Affiliate as of June 30, 2021 and 2020, 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.

Other Matters

Supplemental Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information in Schedules 1 and 2 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and statement of activities of the individual entities and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Mayer Hoffmann McCann P.C.

November 9, 2021
Boston, Massachusetts

THE NEW ENGLAND COLLEGE OF OPTOMETRY AND AFFILIATE

Consolidated Statements of Financial Position

June 30,

Assets	2021	2020
Cash and cash equivalents	\$ 6,914,187	\$ 7,545,676
Accounts receivable, net	908,529	735,190
Prepayments and other assets	849,441	603,470
Restricted cash	1,206,243	1,323,057
Contributions receivable, net	498,653	125,791
Student loans, net	6,871,064	7,622,426
Investments	50,794,202	36,737,316
Property, plant and equipment, net	9,485,130	10,534,188
Total assets	\$ 77,527,449	\$ 65,227,114
<i>Liabilities and Net Assets</i>		
Liabilities:		
Accounts payable and accrued expenses	\$ 1,257,054	\$ 1,208,503
Deferred revenue	2,895,998	2,618,924
Bonds payable	4,435,000	4,940,000
Refundable U.S. government grants	6,687,874	7,397,621
Total liabilities	15,275,926	16,165,048
Net assets:		
Without donor restrictions	47,579,986	37,088,774
With donor restrictions	14,671,537	11,973,292
Total net assets	62,251,523	49,062,066
Total liabilities and net assets	\$ 77,527,449	\$ 65,227,114

THE NEW ENGLAND COLLEGE OF OPTOMETRY AND AFFILIATE

Consolidated Statement of Activities

Year Ended June 30, 2021
(with comparative totals for 2020)

	2021			2020	
	Without Donor Restrictions	With Donor Restrictions	Total	Total	
Operating revenues:					
Student tuition and fees, net of student aid of \$1,124,059 in 2021 and \$981,462 in 2020	\$ 21,606,006	\$ -	\$ 21,606,006	\$	22,058,131
Contributions and bequests	180,178	780,089	960,267		280,990
Patient care	2,844,745	-	2,844,745		2,463,384
Professional service agreements	1,970,266	-	1,970,266		1,734,216
Grants and contracts	2,618,251	-	2,618,251		1,368,674
Interest income on other than investments	44,504	-	44,504		133,733
Other sources	34,033	-	34,033		24,178
Auxiliary enterprises	112,587	-	112,587		99,582
	<hr/>	<hr/>	<hr/>		<hr/>
Total operating revenues	29,410,570	780,089	30,190,659		28,162,888
Net assets released from restrictions	440,688	(178,957)	261,731		363,540
	<hr/>	<hr/>	<hr/>		<hr/>
Total operating revenues and net assets released from restrictions	29,851,258	601,132	30,452,390		28,526,428
Operating expenses:					
Clinical instruction and patient care	7,413,961	-	7,413,961		7,210,309
Instruction	6,082,761	-	6,082,761		5,800,707
Research	1,842,358	-	1,842,358		1,210,172
Academic support	1,752,196	-	1,752,196		2,211,303
Student and auxiliary services	2,068,657	-	2,068,657		1,821,056
Institutional support and fundraising	6,388,217	-	6,388,217		5,594,358
	<hr/>	<hr/>	<hr/>		<hr/>
Total operating expenses	25,548,150	-	25,548,150		23,847,905
Change in net assets from operating activities	4,303,108	601,132	4,904,240		4,678,523
Nonoperating activities:					
Net assets released from restrictions	-	(261,731)	(261,731)		(363,540)
Investment return	6,198,045	2,358,844	8,556,889		1,033,904
Change in value of annuity obligations	(4,047)	-	(4,047)		(7,252)
Loss on sale/disposal of assets	(5,894)	-	(5,894)		(302,114)
	<hr/>	<hr/>	<hr/>		<hr/>
Change in net assets	10,491,212	2,698,245	13,189,457		5,039,521
Net assets as of beginning of year	37,088,774	11,973,292	49,062,066		44,022,545
	<hr/>	<hr/>	<hr/>		<hr/>
Net assets as of end of year	\$ 47,579,986	\$ 14,671,537	\$ 62,251,523	\$	49,062,066

See accompanying notes to consolidated financial statements.

THE NEW ENGLAND COLLEGE OF OPTOMETRY AND AFFILIATE

Consolidated Statement of Activities

Year Ended June 30, 2020

	<u><i>Without Donor Restrictions</i></u>	<u><i>With Donor Restrictions</i></u>	<u><i>Total</i></u>
Operating revenues:			
Student tuition and fees, net of student aid of \$981,462 in 2020	\$ 22,058,131	\$ -	\$ 22,058,131
Contributions and bequests	127,815	153,175	280,990
Patient care	2,463,384	-	2,463,384
Professional service agreements	1,734,216	-	1,734,216
Grants and contracts	1,368,674	-	1,368,674
Interest income on other than investments	133,733	-	133,733
Other sources	24,178	-	24,178
Auxiliary enterprises	99,582	-	99,582
Total operating revenues	<u>28,009,713</u>	<u>153,175</u>	<u>28,162,888</u>
Net assets released from restrictions	<u>420,665</u>	<u>(57,125)</u>	<u>363,540</u>
Total operating revenues and net assets released from restrictions	<u>28,430,378</u>	<u>96,050</u>	<u>28,526,428</u>
Operating expenses:			
Clinical instruction and patient care	7,210,309	-	7,210,309
Instruction	5,800,707	-	5,800,707
Research	1,210,172	-	1,210,172
Academic support	2,211,303	-	2,211,303
Student and auxiliary services	1,821,056	-	1,821,056
Institutional support and fundraising	5,594,358	-	5,594,358
Total operating expenses	<u>23,847,905</u>	<u>-</u>	<u>23,847,905</u>
Change in net assets from operating activities	4,582,473	96,050	4,678,523
Nonoperating activities:			
Net assets released from restrictions	-	(363,540)	(363,540)
Investment return	727,038	306,866	1,033,904
Change in value of annuity obligations	(7,252)	-	(7,252)
Loss on sale/disposal of assets	(302,114)	-	(302,114)
Change in net assets	5,000,145	39,376	5,039,521
Net assets as of beginning of year	<u>32,088,629</u>	<u>11,933,916</u>	<u>44,022,545</u>
Net assets as of end of year	<u>\$ 37,088,774</u>	<u>\$ 11,973,292</u>	<u>\$ 49,062,066</u>

THE NEW ENGLAND COLLEGE OF OPTOMETRY AND AFFILIATE

Consolidated Statement of Functional Expenses

Year Ended June 30, 2021
(with comparative totals for 2020)

	2021						2020					
	Program Services					Supporting Services						
	Clinical Instruction and Patient Care	Instruction	Research	Academic Support	Student and Auxiliary Services	Total Program Services	Institutional Support	Facilities Operation	Total General and Administrative	Fundraising	Total	Total
Salaries	\$ 4,288,426	\$ 3,587,699	\$ 695,534	\$ 754,219	\$ 1,033,340	\$ 10,359,218	\$ 2,594,037	\$ 712,761	\$ 3,306,798	\$ 368,637	\$ 14,034,653	\$ 13,525,303
Employee benefits	1,014,631	807,079	166,261	181,317	235,139	2,404,427	613,304	162,176	775,480	90,713	3,270,620	3,113,380
Depreciation and amortization	178,287	647,644	193,806	188,032	190,738	1,398,507	365,416	-	365,416	40,602	1,804,525	1,801,356
Professional services	81,309	63,567	390,128	24,068	77,051	636,123	509,563	209,525	719,088	1,198	1,356,409	913,935
Occupancy and utilities	463,178	242,649	-	-	-	705,827	18,718	211,449	230,167	-	935,994	975,423
Other expenses	111,198	6,715	5,440	292,944	134,231	550,528	129,360	64,605	193,965	7,633	752,126	775,123
Cost of goods (optical and campus store)	664,885	-	-	-	102,844	767,729	-	-	-	-	767,729	634,333
Equipment and building maintenance	127,350	12,681	139,032	20,199	-	299,262	100,143	232,959	333,102	-	632,364	641,097
Information technology	161,155	8,888	9,657	70,031	46,861	296,592	233,834	625	234,459	5,219	536,270	413,432
Conferences and meetings	1,734	5,984	414	3,909	40,586	52,627	2,628	1,298	3,926	4,342	60,895	157,662
Insurance	75,361	-	7,279	-	-	82,640	198,010	-	198,010	-	280,650	278,557
Travel	2,749	2,532	(459)	4,251	100	9,173	4,763	26	4,789	71	14,033	155,924
Supplies	64,415	48,001	40,754	1,120	1,119	155,409	416,937	69,413	486,350	852	642,611	160,197
Interest	13,830	50,239	15,034	14,586	14,796	108,485	28,346	-	28,346	3,150	139,981	156,001
Advertising and promotion	500	-	674	-	13,145	14,319	252,052	-	252,052	-	266,371	101,166
Employee development and training	467	1,573	-	24,044	2,734	28,818	23,961	-	23,961	140	52,919	45,016
Allocation of facility operations	164,486	597,510	178,804	173,476	175,973	1,290,249	337,129	(1,664,837)	(1,327,708)	37,459	-	-
Total functional expenses	\$ 7,413,961	\$ 6,082,761	\$ 1,842,358	\$ 1,752,196	\$ 2,068,657	\$ 19,159,933	\$ 5,828,201	\$ -	\$ 5,828,201	\$ 560,016	\$ 25,548,150	\$ 23,847,905

THE NEW ENGLAND COLLEGE OF OPTOMETRY AND AFFILIATE

Consolidated Statement of Functional Expenses

Year Ended June 30, 2020

	Program Services					Supporting Services					Total
	Clinical Instruction and Patient Care	Instruction	Research	Academic Support	Student and Auxiliary Services	Total Program Services	Institutional Support	Facilities Operation	Total General and Administrative	Fundraising	
Salaries	\$ 4,253,426	\$ 3,386,992	\$ 460,304	\$ 1,045,408	\$ 883,345	\$ 10,029,475	\$ 2,416,377	\$ 651,012	\$ 3,067,389	\$ 428,439	\$ 13,525,303
Employee benefits	1,022,232	692,526	109,254	253,158	187,995	2,265,165	588,837	152,209	741,046	107,169	3,113,380
Depreciation and amortization	177,974	646,507	193,466	187,701	190,403	1,396,051	364,775	-	364,775	40,530	1,801,356
Professional services	93,695	64,098	75,987	70,784	77,824	382,388	325,722	191,332	517,054	14,493	913,935
Occupancy and utilities	467,913	242,246	-	-	-	710,159	17,714	247,550	265,264	-	975,423
Other expenses	134,286	26,334	1,924	313,877	68,170	544,591	158,716	67,674	226,390	4,142	775,123
Cost of goods (optical and campus store)	524,321	-	-	-	110,012	634,333	-	-	-	-	634,333
Equipment and building maintenance	110,779	48,180	149,881	2,282	-	311,122	107,225	222,750	329,975	-	641,097
Information technology	111,960	10,838	2,335	60,967	40,705	226,805	183,879	-	183,879	2,748	413,432
Conferences and meetings	7,185	10,184	4,086	8,372	47,407	77,234	46,487	903	47,390	33,038	157,662
Insurance	82,611	-	-	-	-	82,611	195,946	-	195,946	-	278,557
Travel	11,285	19,534	5,341	70,408	8,078	114,646	33,324	36	33,360	7,918	155,924
Supplies	40,029	29,476	20,960	4,092	4,787	99,344	16,338	42,709	59,047	1,806	160,197
Interest	15,413	55,989	16,755	16,255	16,489	120,901	31,590	-	31,590	3,510	156,001
Advertising and promotion	1,000	-	598	-	14,738	16,336	83,759	-	83,759	1,071	101,166
Employee development and training	474	2,114	-	13,762	4,501	20,851	23,198	-	23,198	967	45,016
Allocation of facility operations	155,726	565,689	169,281	164,237	166,602	1,221,535	319,175	(1,576,175)	(1,257,000)	35,465	-
Total functional expenses	\$ 7,210,309	\$ 5,800,707	\$ 1,210,172	\$ 2,211,303	\$ 1,821,056	\$ 18,253,547	\$ 4,913,062	\$ -	\$ 4,913,062	\$ 681,296	\$ 23,847,905

THE NEW ENGLAND COLLEGE OF OPTOMETRY AND AFFILIATE

Consolidated Statements of Cash Flows

Years Ended June 30,

	2021	2020
Cash flows from operating activities:		
Change in net assets	\$ 13,189,457	\$ 5,039,521
Adjustments to reconcile change in net assets to net cash, cash equivalents, and restricted cash provided by operating activities:		
Depreciation and amortization	1,804,525	1,801,356
Net unrealized and realized gain on investments	(7,615,594)	(127,597)
Loss on sale/disposal of assets	5,894	302,114
Change in:		
Endowment restricted contributions received	(9,075)	(14,050)
Accounts receivable, net	(173,339)	269,380
Prepayments and other assets	(245,971)	55,819
Contributions receivable, net	(372,862)	55,853
Accounts payable and accrued expenses	43,589	150,289
Deferred revenue	277,074	(88,148)
Net cash, cash equivalents, and restricted cash provided by operating activities	6,903,698	7,444,537
Cash flows from investing activities:		
Purchases of investments	(17,496,025)	(28,558,280)
Sales of investments	11,054,733	18,645,181
Proceeds from sale of property, plant and equipment	-	25,300
Additions to property, plant and equipment	(756,399)	(1,472,892)
Change in student loans, net	751,362	1,015,165
Net cash, cash equivalents, and restricted cash used in investing activities	(6,446,329)	(10,345,526)
Cash flows from financing activities:		
Endowment restricted contributions received	9,075	14,050
Repayments of bonds payable	(505,000)	(485,000)
Decrease in refundable U.S. government grants and institutional loans	(709,747)	(1,167,502)
Net cash, cash equivalents, and restricted cash used in financing activities	(1,205,672)	(1,638,452)
Change in cash, cash equivalents, and restricted cash	(748,303)	(4,539,441)
Cash, cash equivalents, and restricted cash as of beginning of year	8,868,733	13,408,174
Cash, cash equivalents, and restricted cash as of end of year	\$ 8,120,430	\$ 8,868,733
Supplemental data:		
Interest paid	\$ 141,312	\$ 157,193
Fixed asset additions included in accounts payable and accrued expenses	164,461	159,499

THE NEW ENGLAND COLLEGE OF OPTOMETRY AND AFFILIATE

Notes to Consolidated Financial Statements

Note 1 - Background

The New England College of Optometry (NECO) is a private independent professional graduate school of optometry located in Boston, Massachusetts. The student population originates predominantly from the United States and Canada. Founded in 1894, the College is chartered by the Commonwealth of Massachusetts to grant the Doctor of Optometry degree. The College is accredited by both the Accreditation Council on Optometric Education of the American Optometric Association and by the New England Commission of Higher Education, Inc. The College owns its clinical affiliate, legally known as the New England Eye Institute, Inc. (NEEI), a nonprofit corporation of which the College is the sole member. NEEI operates under the name NECO Center for Eye Care. Any references to NEEI or the NECO Center for Eye Care refer to the same legal entity. The consolidated financial statements include the accounts of NECO and NEEI (collectively referred to as the College).

The College participates in student financial aid programs sponsored by the United States Department of Education (DOE), which facilitates the payment of tuition and other expenses for a significant portion of its students.

Note 2 - Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements have been prepared on the accrual basis in accordance with the provisions of accounting principles generally accepted in the United States of America (GAAP). All significant intercompany balances and transactions have been eliminated in consolidation.

Basis of Financial Statement Presentation

The accompanying consolidated financial statements have been prepared to focus on the College as a whole. Net assets, revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Net assets without donor restrictions are net assets available for general use and not subject to donor-imposed restrictions. Net assets without donor restrictions also include the investment in property, plant and equipment, net of accumulated depreciation and amortization and related debt obligations, and undesignated funds.

Net assets with donor restrictions are 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 by events specified by the donor. Other donor restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Generally, donors of net assets with perpetual restrictions permit the College to use all or part of the income earned, as well as realized and unrealized gains, if any, on the related investments for general or specific purposes. Also included in net assets with donor restrictions are accumulated unspent gains that are subject to appropriation under the College's spending policies.

THE NEW ENGLAND COLLEGE OF OPTOMETRY AND AFFILIATE

Notes to Consolidated 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 orderly transaction between market participants at the measurement date. These standards require an entity to maximize the use of observable inputs (such as quoted market prices in active markets) and minimize the use of unobservable inputs (such as appraisals or other valuation techniques) to determine fair value. The fair value standards also provide for a practical expedient of fair value allowing for the use of net asset value per share ("NAV") when certain requirements are met. Items reported at fair value on a recurring basis include investments. Non-recurring fair values include items such as the initial recording of pledges.

The fair value standards require that for each item carried at fair value that such be disclosed in accordance with the valuation methods used which fall into three categories (except those items valued at NAV) as follows:

- Level 1 – inputs are quoted prices in active markets for identical assets or liabilities that the College has the ability to access at measurement date.
- Level 2 – inputs are other than quoted prices included in Level 1 that are either directly or indirectly observable.
- 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 is required in determining the fair value assigned to such assets or liabilities.

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level of input that is significant to the fair value measurement in its entirety.

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 change in values of these instruments will occur in the near term and that such changes could materially affect amounts reported in these financial statements.

THE NEW ENGLAND COLLEGE OF OPTOMETRY AND AFFILIATE

Notes to Consolidated Financial Statements

Note 2 - Summary of Significant Accounting Policies (Continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, as of 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.

Cash and Cash Equivalents and Restricted Cash

Cash and cash equivalents represent highly liquid debt instruments, bank deposits and other such accounts with original maturities of three months or less. Cash and cash equivalents are carried at cost plus earned interest. Cash is deposited in several institutions; however, at times cash held in a single institution may exceed federally insured limits. The College has not experienced any losses in such accounts. Cash and cash equivalents held by investment managers are considered part of investments.

Restricted cash represents \$1,206,243 and \$1,323,057 of cash and escrow accounts held for the Federal Perkins Loan Program, Health Professionals Student Loans, and Loans for Disadvantaged Students at June 30, 2021 and 2020, respectively.

Accounts Receivable

Accounts receivable are reported at the amount management expects to collect on balances outstanding at year end. Management estimates the allowance for doubtful accounts based on history of collections and knowledge acquired about specific items. Adjustments to the allowance are charged to bad debt expense. Uncollectible accounts are written off against the allowance when deemed uncollectible; recoveries are recorded as revenue when received. An account is considered uncollectible when all efforts to collect the account have been exhausted. Interest is not charged on receivables.

Prepayments and Other Assets

Other assets include inventories that are stated at the lower of cost or fair value, with cost being determined on the first-in, first-out (FIFO) basis.

Contributions Receivable

Contributions receivable represent contributions verifiably committed by donors that are scheduled for payment in the future. They are initially recorded at fair value using Level 2 inputs as described in revenue recognition policies later in this Note. An allowance is provided for uncollectable amounts based upon management's estimates including factors such as historical experience, specific review of circumstances relative to major pledges and other factors.

THE NEW ENGLAND COLLEGE OF OPTOMETRY AND AFFILIATE

Notes to Consolidated Financial Statements

Note 2 - Summary of Significant Accounting Policies (Continued)

Student Loans and Refundable U.S. Government Grants

Student loans include loans to students under the Federal Perkins Loan Program, Loans for Disadvantaged Students Program (LDS) and Health Professionals Student Loan Program (HPSL) (collectively “the Programs”). The College relends such funds after collection, but in the event the College no longer participates in the Programs, the amounts are generally refundable to the U.S. government agency who had funded much of the resources within these Programs over the years. The Perkins Loan program is winding down and as the funds are collected they are returned to the Department of Education and the College, as applicable. Loans receivable are considered past due if any portion of the receivable balance is outstanding for more than 180 days.

Interest income is recorded when received. Interest and late fees on past due accounts are recorded when received. Loans that are in default and meet certain requirements may be assigned to the Department of Education, which reduces the Perkins Loans refundable advances.

For all loans, management estimates the allowance for credit losses based on historical losses, current economic conditions and the credit quality of the loans. A reserve is made for all institutional loans with an overdue balance of one year or more.

Investments

Investments are carried at fair value consistent with the fair value policies described elsewhere in these policies.

Investment return (loss) is reported in the Consolidated Statements of Activities and consists of interest and dividend income, net realized and unrealized capital gains and losses, less external and direct internal investment management expenses.

Property, Plant and Equipment

Property, plant and equipment are recorded when the useful life is over one year at cost when such amounts are above management’s threshold for capitalization. In the case of donated property, such amounts are recorded at fair value at the date of gift, which would normally entail a Level 3 fair value assessment as per the fair value standards elsewhere in this Note. Expenditures for major renewals and improvements are capitalized, while expenditures for maintenance and repairs are expensed as incurred.

THE NEW ENGLAND COLLEGE OF OPTOMETRY AND AFFILIATE

Notes to Consolidated Financial Statements

Note 2 - Summary of Significant Accounting Policies (Continued)

Property, Plant and Equipment (Continued)

Provisions for depreciation are based on the following expected useful lives using the straight-line method with a half-year convention:

Buildings	50 years
Building improvements	10-20 years
Furniture, fixtures and equipment	5-10 years
Library collections and learning aids	10 years
Automobiles	3 years
Data processing equipment	3 years
Software	3 years
Leasehold improvements	Lesser of the life of the lease plus granted extensions or the useful life of the asset

Deferred Revenue

Deferred revenue principally represents amounts received from students through June 30 relating to unearned tuition from ongoing programs and advance payments and deposits for future programs of study. 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. In addition, deferred revenue includes unexpended funds from grants.

Bonds Payable

Bonds payable are reported at the face value of the remaining obligation under the related debt issue, net of issuance costs. Issuance costs are amortized over the term of the related indenture.

Revenue Recognition and Operations

Revenues are reported as increases in net assets without donor restrictions unless their use is limited by donor-imposed restrictions. The College has both earned revenues and contributed support.

Earned Revenues

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.

The College derives revenues primarily through student tuition and other student programs, all of which are under arrangements that are aligned to an academic semester which is less than one year in length.

THE NEW ENGLAND COLLEGE OF OPTOMETRY AND AFFILIATE

Notes to Consolidated Financial Statements

Note 2 - Summary of Significant Accounting Policies (Continued)

Revenue Recognition and Operations (Continued)

Earned Revenues (Continued)

Tuition, fees and auxiliary enterprises revenue are recorded at established rates, net of institutional financial aid provided directly to students. 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 other student programs. 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 the satisfaction of its performance obligations or amounts allocated to those obligations. 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.

Payments made by third parties such as DOE relative to loans and grants to students are a mechanism to facilitate payments on behalf of students, and accordingly, such funding does not represent revenue of the College.

Students may withdraw from programs of study within certain time limits under the College's withdrawal policies by semester. Given the normal timing of the College's programs, the exposure to withdrawal rights is limited at year end.

Patient care revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others when services are rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors.

Professional service agreements revenue is generally recorded as revenue on a monthly basis based on the clinician's time equivalents allocated to the site.

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 these policies. 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 contributions 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.

THE NEW ENGLAND COLLEGE OF OPTOMETRY AND AFFILIATE

Notes to Consolidated Financial Statements

Note 2 - Summary of Significant Accounting Policies (Continued)

Revenue Recognition and Operations (Continued)

Contributed Support (Continued)

Revenue from grants and contracts are recorded as revenue when such amounts become unconditional, which generally involves the meeting of a barrier to entitlement. This generally relates to incurring specified allowable expenses in accordance with a framework of allowable costs or other barriers.

During the year ended June 30, 2020, as a result of the effects of the COVID-19 pandemic, the College migrated to a remote platform for student instruction. During the years ended June 30, 2021 and 2020, the College was awarded certain Federal grant funds to assist students and the College with COVID-19 related effects.

Investment returns are reported as revenue based on the fair value of such investments at year end. 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.

Expenses are reported as decreases in net assets without donor restrictions. The Consolidated Statements of Activities present expenses by functional classification.

Operating and Nonoperating Activities

Operating revenues consist of those items attributable to the College's academic program, research conducted by the academic departments, patient care activities, income from net assets released from restriction, contributions and bequests, interest income (other than on investments), and other income. Nonoperating activities include investment returns, the change in value of annuity obligations, net assets released from restrictions and gain (loss) on sale/disposal of fixed assets.

Functional Allocation of Expenses

The costs of providing the various programs and activities and supporting services have been summarized on a functional basis in the Consolidated Statements of Activities. The Consolidated Statements of Functional Expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Interest expense, facilities, and depreciation and amortization of property, plant, and equipment have been allocated to functional classifications based on square footage of facilities.

Income Tax Status

NECO and NEEI are not-for-profit organizations and are generally exempt from federal and state income taxes on related income as described in Section 501(c)(3) of the Internal Revenue Code. Given the limited taxable activities of the College, management has concluded that disclosures related to tax provisions are not necessary.

THE NEW ENGLAND COLLEGE OF OPTOMETRY AND AFFILIATE

Notes to Consolidated Financial Statements

Note 2 - Summary of Significant Accounting Policies (Continued)

Uncertain Tax Positions

The College accounts for the effect of any uncertain tax positions based on a “more likely than not” threshold to the recognition of the tax positions being sustained based on the technical merits of the position under scrutiny by the applicable taxing authority. If a tax position or positions are deemed to result in uncertainties of those positions, the unrecognized tax benefit is estimated based on a “cumulative probability assessment” that aggregates the estimated tax liability for all uncertain tax positions. The College has identified its tax status as a tax exempt entity as its only significant tax position; however, the College has determined that such tax position does not result in an uncertainty requiring recognition. The College is not currently under examination by any taxing jurisdictions. The College’s Federal and state tax returns are generally open for examination for three years following the date filed.

Accounting Pronouncements Effective in Future Years

In February 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2016-02, *Leases*, which requires a lessee to recognize a right-of-use asset and a lease liability for all leases, initially measured at the present value of the lease payments, in its statement of financial position. The standard also requires a lessee to recognize a single lease cost, calculated so that the cost of the lease is allocated over the lease term, on a generally straight-line basis. The guidance also expands the required quantitative and qualitative disclosures surrounding leases. The ASU is effective for fiscal year 2023 for the College. The College is evaluating the impact of the new and clarified guidance on the consolidated financial statements.

Other pending accounting standards are not expected to have a significant impact.

Reclassification

Certain amounts reported in the prior year’s financial statements have been reclassified to conform to the current year’s presentation.

Subsequent Events

The College has evaluated subsequent events through November 9, 2021, the date that the financial statements were authorized to be issued.

On October 29, 2021, the College entered into an agreement for the development of an “Agile OD Degree” Program. This program will include a fully online didactic component, and a set of immersive, place-based clinical training experiences. The contract term shall continue until four years after the first cohort of students begins the Agile OD Program, which is expected in Fall of 2023 or Fall of 2024. Under certain conditions, the College can terminate this agreement. Development of the Agile OD Program requires an aggregate investment of approximately \$5.4 million over the first four years, net of projected tuition revenue.

THE NEW ENGLAND COLLEGE OF OPTOMETRY AND AFFILIATE

Notes to Consolidated Financial Statements

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 and marketable debt and equity securities.

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 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 used solely to make new loans and are, 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 generally operates with a balanced budget, and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

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.

The following table shows the total financial assets available within one year of the balance sheet date to meet general expenditures:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 6,914,187	\$ 7,545,676
Accounts receivable, net	908,529	735,190
Contributions receivable, net	216,127	68,861
Endowment spending rate distributions and appropriations	394,813	391,338
Investments not encumbered by donor or board restrictions	38,327,311	26,303,047
	<u>\$ 46,760,967</u>	<u>\$ 35,044,112</u>

THE NEW ENGLAND COLLEGE OF OPTOMETRY AND AFFILIATE

Notes to Consolidated Financial Statements

Note 4 - Accounts Receivable

Accounts receivable consisted of the following as of June 30:

	2021	2020
Patient care	\$ 248,195	\$ 211,208
Grants	210,202	136,095
Professional service agreements	181,401	219,805
Students	230,999	263,064
Other	144,949	14,999
	1,015,746	845,171
Less allowances for:		
Uncollectible student accounts	(2,716)	(48,376)
Uncollectible patient accounts and other adjustments	(104,501)	(61,605)
Accounts receivable, net	\$ 908,529	\$ 735,190

Note 5 - Contributions Receivable

Contributions receivable were comprised of the following as of June 30:

	2021	2020
Amounts due in:		
Less than one year	\$ 243,000	\$ 77,500
Two to five years	329,000	65,000
	572,000	142,500
Less discount and allowance for uncollectible contributions	(73,347)	(16,709)
Contributions receivable, net	\$ 498,653	\$ 125,791

Contributions and bequests revenue for the year ended June 30, 2021 includes approximately \$523,000 of restricted gifts and pledges for scholarships and other support to increase underrepresented populations among the College's student and employee populations.

THE NEW ENGLAND COLLEGE OF OPTOMETRY AND AFFILIATE

Notes to Consolidated Financial Statements

Note 6 - Financing Receivables

Financing loan receivables consist of the following at June 30:

	<i>Past Due</i>	<i>Current</i>	<i>Total Financing Receivable</i>
June 30, 2021			
Perkins Loans	\$ 72,791	\$ 1,576,623	\$ 1,649,414
HPSL Loans	85,803	3,278,638	3,364,441
LDS Loans	22,489	895,737	918,226
College Loans	27,192	1,066,906	1,094,098
Credit Reserve	(155,115)	-	(155,115)
Student loans receivable, net	\$ 53,160	\$ 6,817,904	\$ 6,871,064
June 30, 2020			
Perkins Loans	\$ 143,221	\$ 2,323,708	\$ 2,466,929
HPSL Loans	99,683	3,222,172	3,321,855
LDS Loans	22,489	887,327	909,816
College Loans	25,441	1,071,375	1,096,816
Credit Reserve	(172,990)	-	(172,990)
Student loans receivable, net	\$ 117,844	\$ 7,504,582	\$ 7,622,426

Changes in the allowances for credit losses are as follows:

	<i>Total</i>
Balance as of July 1, 2019	\$ 163,941
Net change in provision	9,049
Balance as of June 30, 2020	172,990
Net change in provision	(17,875)
Balance as of June 30, 2021	\$ 155,115

The College uses a third-party servicer to avail itself of expertise to manage, administer and collect student loans.

THE NEW ENGLAND COLLEGE OF OPTOMETRY AND AFFILIATE

Notes to Consolidated Financial Statements

Note 7 - Investments and Fair Value Measurements

Investments are as follows at June 30:

	2021	2020
Investments:		
Cash equivalents	\$ 2,388,256	\$ 2,381,693
Exchange traded funds		
U.S. equities	13,302,304	6,474,402
Non-U.S. equities	503,850	225,363
Fixed income funds	679,444	1,006,242
Alternative funds	367,954	1,171,152
Mutual funds		
U.S. equity funds	7,357,616	7,358,913
Non-U.S. equity funds	7,995,214	4,728,832
Fixed income funds	10,212,254	7,806,825
Alternative funds	6,610,217	4,377,980
Real estate	1,377,093	1,205,914
Total assets at fair value	\$ 50,794,202	\$ 36,737,316

All investments are considered Level 1 at June 30, 2021. At June 30, 2020, all investments with the exception of the investment in real estate were considered Level 1 investments. The 2020 real estate was in the form of a Real Estate Investment Trust "REIT" and was considered Non-NAV Level 3. The REIT was converted into a publicly traded security during the year ended June 30, 2021.

The following table presents the changes in the Real Estate Investment Trust for the year ended June 30, 2021 for investments measured at fair value on a recurring basis using unobservable inputs (Level 3):

	Real Estate Investment Trust
Balance as of July 1, 2020	\$ 1,205,914
Unrealized loss	(118,238)
Conversion of REIT to publicly traded security	(1,087,676)
Balance as of June 30, 2021	\$ -

THE NEW ENGLAND COLLEGE OF OPTOMETRY AND AFFILIATE

Notes to Consolidated Financial Statements

Note 7 - Investments and Fair Value Measurements (Continued)

The following summarizes the investment return for the years ended June 30:

	2021	2020
Interest and dividends, net	\$ 941,295	\$ 906,307
Net realized gain	2,396,073	153,716
Net unrealized gain (loss)	5,219,521	(26,119)
Total investment return	\$ 8,556,889	\$ 1,033,904

Direct investment management and advisory fees paid were \$31,914 and \$31,178 for the years ended June 30, 2021 and 2020, respectively, and are netted against interest and dividends.

Note 8 - Property, Plant and Equipment

Property, plant and equipment is as follows as of June 30:

	2021	2020
Buildings	\$ 1,899,640	\$ 1,899,640
Land and building improvements	22,440,254	22,309,322
Furniture, fixtures and equipment	10,142,272	9,519,254
Library collections and learning aids	1,958,386	1,958,386
Automobiles	81,097	81,097
Leasehold improvements	3,444,000	3,444,000
Construction in progress	46,987	57,258
	40,012,636	39,268,957
Less accumulated depreciation and amortization	(30,527,506)	(28,734,769)
Property, plant and equipment, net	\$ 9,485,130	\$ 10,534,188

Note 9 - Leases

NECO Center for Eye Care leases its clinical campus and administrative office space under two operating leases that expire through December 2026. The first lease period is 59 months and has a five-year extension. The second lease period is three years with a two-year extension.

Landlord allowances are amortized over the life of the lease. The lease requires the payment of operating costs and taxes underlying the property.

Rent expense, including common area maintenance expenses, was \$610,908 and \$607,777 for the years ended June 30, 2021 and 2020, respectively.

THE NEW ENGLAND COLLEGE OF OPTOMETRY AND AFFILIATE

Notes to Consolidated Financial Statements

Note 9 - Leases (Continued)

Anticipated lease commitments are as follows:

2022	\$	583,438
2023		469,733
2024		478,124
2025		486,514
2026		494,904
Thereafter		<u>247,452</u>
	\$	<u><u>2,760,165</u></u>

The anticipated lease commitments above include parking lot fees of \$48,840 per year.

The College and NECO Center for Eye Care have contracted to lease equipment for printing, copying and scanning solutions and for patient eye exams. The lease for printing, copying and scanning equipment expired during the year ended June 30, 2021, and has been operating since then on a month-to-month basis. During the years ended June 30, 2021 and 2020, a total of \$118,796 and \$107,497, respectively, was paid for these contracts. Anticipated future payments are as follows:

2022	\$	9,534
2023		<u>1,191</u>
	\$	<u><u>10,725</u></u>

Note 10 - Bonds Payable

The College has bonds outstanding that require semi-annual payments to be made on April 1st and October 1st every year through October 1, 2028. The interest rate on the bonds is fixed at 2.92%.

Principal payments on the Series 2013 Bonds are as follows:

2022	\$	530,000
2023		550,000
2024		570,000
2025		590,000
2026		610,000
Thereafter		<u>1,620,000</u>
Bonds payable sub-total		4,470,000
Less bond issuance costs, net of amortization		<u>(35,000)</u>
Total bonds payable, net	\$	<u><u>4,435,000</u></u>

THE NEW ENGLAND COLLEGE OF OPTOMETRY AND AFFILIATE

Notes to Consolidated Financial Statements

Note 10 - Bonds Payable (Continued)

The bonds include a pledge of all College and NECO Center for Eye Care assets, excluding land, buildings, investments, and certain loans under federal financial aid programs. As a condition of the bond agreement, the College and NECO Center for Eye Care are required to maintain certain financial and nonfinancial covenants.

Note 11 - Retirement Plan

Faculty and staff employed on a half-time or greater basis participate in the College's Section 403(b) retirement plan. Contributions are based on a percentage of each participant's salary and totaled \$1,027,983 and \$948,635 for the years ended June 30, 2021 and 2020, respectively.

The College sponsors a deferred compensation plan under IRC Section 457(b), which allows select employees to make elective deferrals of compensation up to specified limits. The College does not contribute to this plan.

Note 12 - Net Assets Released from Restrictions

Net assets released from temporary donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of events specified by the donors or by the passage of time were as follows for the years ended June 30:

	2021	2020
Purpose restrictions:		
Scholarships	\$ 19,522	\$ 1,000
Instruction and academic support	127,450	12,875
Other purpose restrictions	31,985	43,250
Operating net assets released from restrictions	178,957	57,125
Purpose restrictions:		
Scholarships	171,481	274,467
Instruction and academic support	90,250	86,762
Other purpose restrictions	-	2,311
Nonoperating net assets released from restrictions	261,731	363,540
Total net assets released from restriction	\$ 440,688	\$ 420,665

THE NEW ENGLAND COLLEGE OF OPTOMETRY AND AFFILIATE

Notes to Consolidated Financial Statements

Note 13 - Endowments

Endowment

The College's endowment consists of individual funds established for a variety of purposes. Its endowment includes donor-restricted endowment funds. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law and Spending Policy

The Board has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the tracking 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, the College tracks: (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) any accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift and instrument at the time the accumulation is added to the fund, as applicable. Donor-restricted amounts not retained in perpetuity are subject to appropriation 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 donor-restricted 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; and
- 7) The investment policies of the College.

Endowment 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 College to retain as a fund of perpetual duration. In accordance with GAAP, there were no funds with deficiencies as of June 30, 2021 or 2020.

Return Objectives and Risk Parameters

The prudent management of endowment funds should provide a net return (dividends and interest plus capital appreciation less investment fees) that is necessary to preserve and enhance (in real dollar terms) the principal of the endowment funds, and at the same time to provide a consistent source of income for the College's current and future operations and needs in accordance with donor intent. The College expects that its endowment funds will be managed for long-term results. It neither expects nor encourages high turnover nor emphasis on the short-term.

THE NEW ENGLAND COLLEGE OF OPTOMETRY AND AFFILIATE

Notes to Consolidated Financial Statements

Note 13 - Endowments (Continued)

Strategies Employed for Achieving Objectives

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 an asset allocation strategy wherein assets are diversified among several asset classes. The pursuit of maximizing total return is tempered by the need to minimize the volatility of returns and preserve capital. As such, the College seeks broad diversification among assets having different characteristics with the intent to endure lower relative performance in strong markets in exchange for greater downside protection in weak markets.

Endowment Spending Allocation and Relationship of Spending Policy to Investment Objectives

The Board of the College determines the method to be used to distribute endowment funds for expenditure. The College's endowment spending policy is computed based on 3% to 4% of the three-year rolling average market value.

Endowment net assets are comprised only of net assets with donor restrictions at June 30, 2021 and 2020.

Endowment net asset composition by type of fund is as follows as of June 30:

	<u>2021</u>	<u>2020</u>
Unexpended gains on donor-restricted endowment	\$ 3,728,597	\$ 2,362,175
Donor-restricted endowment funds	<u>8,738,294</u>	<u>8,072,094</u>
Total endowment funds	<u>\$ 12,466,891</u>	<u>\$ 10,434,269</u>

THE NEW ENGLAND COLLEGE OF OPTOMETRY AND AFFILIATE

Notes to Consolidated Financial Statements

Note 13 - Endowments (Continued)

Endowment Spending Allocation and Relationship of Spending Policy to Investment Objectives (Continued)

Changes in endowment net assets are as follows for the years ended June 30:

	<u>2021</u>	<u>2020</u>
Endowment assets, beginning of year	\$ 10,434,269	\$ 10,687,888
Gifts and additions	45,509	23,055
Investment returns	2,358,844	306,866
Withdrawals	(110,000)	(220,000)
Expenditures:		
Amounts appropriated for operations		
Expenditures for:		
Scholarships	(171,481)	(274,467)
Academic support	(90,250)	(86,762)
Other	-	(2,311)
Total expenditures	<u>(261,731)</u>	<u>(363,540)</u>
Change in endowment assets	<u>2,032,622</u>	<u>(253,619)</u>
Endowment assets, end of year	<u><u>\$ 12,466,891</u></u>	<u><u>\$ 10,434,269</u></u>

THE NEW ENGLAND COLLEGE OF OPTOMETRY AND AFFILIATE

Notes to Consolidated Financial Statements

Note 14 - Net Assets

The net assets are summarized as follows as of June 30:

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Detail of Net Assets			
Operating funds:			
Net investment in plant	\$ 5,050,130	\$ -	\$ 5,050,130
Net assets related to operations	<u>42,529,856</u>	<u>-</u>	<u>42,529,856</u>
Total operating funds	<u>47,579,986</u>	<u>-</u>	<u>47,579,986</u>
Endowment corpus:			
Academic support	-	1,178,319	1,178,319
Scholarships	-	3,127,699	3,127,699
Research	-	144,371	144,371
Clinical	-	1,000	1,000
Other	-	97,022	97,022
Total endowment corpus	<u>-</u>	<u>4,548,411</u>	<u>4,548,411</u>
Unexpended gain on donor-restricted endowment	<u>-</u>	<u>3,728,597</u>	<u>3,728,597</u>
Purpose restricted funds:			
Academic support	-	47,886	47,886
Scholarships	-	2,611,814	2,611,814
International education	-	1,065,615	1,065,615
Clinical	-	19,808	19,808
Institutional loans	-	438,037	438,037
Other	-	6,723	6,723
Total purpose restricted funds	<u>-</u>	<u>4,189,883</u>	<u>4,189,883</u>
Total endowment funds	<u>-</u>	<u>12,466,891</u>	<u>12,466,891</u>
Other purpose restricted funds:			
Institutional loans	-	1,284,837	1,284,837
Other purposes	-	421,156	421,156
Contributions receivable	-	498,653	498,653
Total other purpose restricted funds	<u>-</u>	<u>2,204,646</u>	<u>2,204,646</u>
Total net assets	\$ <u>47,579,986</u>	\$ <u>14,671,537</u>	\$ <u>62,251,523</u>

THE NEW ENGLAND COLLEGE OF OPTOMETRY AND AFFILIATE

Notes to Consolidated Financial Statements

Note 14 - Net Assets (Continued)

	2020		Total
	<i>Without Donor Restrictions</i>	<i>With Donor Restrictions</i>	
Detail of Net Assets			
Operating funds:			
Net investment in plant	\$ 5,594,188	\$ -	\$ 5,594,188
Net assets related to operations	31,494,586	-	31,494,586
Total operating funds	<u>37,088,774</u>	<u>-</u>	<u>37,088,774</u>
Endowment corpus:			
Academic support	-	1,175,500	1,175,500
Scholarships	-	3,123,249	3,123,249
Research	-	140,271	140,271
Clinical	-	1,000	1,000
Other	-	99,316	99,316
Total endowment corpus	<u>-</u>	<u>4,539,336</u>	<u>4,539,336</u>
Unexpended gain on donor-restricted endowment	<u>-</u>	<u>2,362,175</u>	<u>2,362,175</u>
Purpose restricted funds:			
Academic support	-	38,966	38,966
Scholarships	-	2,154,566	2,154,566
International education	-	867,112	867,112
Clinical	-	16,118	16,118
Institutional loans	-	450,526	450,526
Other	-	5,470	5,470
Total purpose restricted funds	<u>-</u>	<u>3,532,758</u>	<u>3,532,758</u>
Total endowment funds	<u>-</u>	<u>10,434,269</u>	<u>10,434,269</u>
Other purpose restricted funds:			
Institutional loans	-	1,192,611	1,192,611
Other purposes	-	220,621	220,621
Contributions receivable	-	125,791	125,791
Total other purpose restricted funds	<u>-</u>	<u>1,539,023</u>	<u>1,539,023</u>
Total net assets	\$ <u>37,088,774</u>	\$ <u>11,973,292</u>	\$ <u>49,062,066</u>

THE NEW ENGLAND COLLEGE OF OPTOMETRY AND AFFILIATE

Notes to Consolidated Financial Statements

Note 15 - Commitments and Contingencies

Legal

Various legal cases arise in the normal course of the College's operations. The College believes that there are currently no outstanding cases, which would have a material adverse effect on the financial position of the College.

Employment Agreement

The College has a number of long-term employment agreements with key employees that stipulate a variety of business terms typical in the education sector.

Other

All funds expended by the College in connection with government grants are subject to review or audit by governmental agencies. There were no reviews or audits in process by governmental agencies as of June 30, 2021.

Note 16 - Federal Support Associated with COVID-19

Higher Education Emergency Relief Funds

Given the effects of COVID-19, the College was eligible for additional funding in 2021 and 2020. The College was granted three awards to assist students and the institution with the impact of COVID-19, which totaled \$1,298,817. The College recorded grant revenue of \$625,307 and \$127,167 for the years ended June 30, 2021 and 2020, respectively. Unexpended amounts pending at June 30, 2021 were \$546,343, which are expected to be reported as revenue in fiscal 2022 as costs are incurred.

Forward Impact

The College expects continued impact from COVID-19 associated with revenues and costs, however, the level of impact is uncertain and will be driven by the trends of the pandemic, consumer behavior, regulatory requirements, along with other factors. The remaining funding as noted above will be available to mitigate such impact, however, the impacts may be greater than the funding available.

Note 17 - Related Party Transactions

During the years ended June 30, 2021 and 2020, the law firm of a member of the Board of Directors provided legal services to the College and received \$400 and \$656, respectively, for services rendered. No amounts were outstanding as of June 30, 2021 and 2020.

During the years ended June 30, 2021 and 2020, a member of the Board of Directors provided consulting services to the College and received \$20,833 and \$11,667, respectively, for services rendered. No amounts were outstanding as of June 30, 2021 and 2020.

Supplemental Information

THE NEW ENGLAND COLLEGE OF OPTOMETRY AND AFFILIATE

Schedule 1 - Consolidating Schedule of Financial Position

June 30, 2021

Assets	NECO	NECO Center for Eye Care	Eliminating Entries	Consolidated
Cash and cash equivalents	\$ 6,761,490	\$ 152,697	\$ -	\$ 6,914,187
Accounts receivable, net	455,873	452,656	-	908,529
Loans receivable from NECO Center for Eye Care	820,056	-	(820,056)	-
Operating receivables from NECO Center for Eye Care	384,123	-	(384,123)	-
Prepayments and other assets	647,385	202,056	-	849,441
Restricted cash	1,206,243	-	-	1,206,243
Contributions receivable, net	489,829	8,824	-	498,653
Student loans, net	6,871,064	-	-	6,871,064
Investments	50,678,132	116,070	-	50,794,202
Property, plant and equipment, net	7,987,297	1,497,833	-	9,485,130
Total assets	<u>\$ 76,301,492</u>	<u>\$ 2,430,136</u>	<u>\$ (1,204,179)</u>	<u>\$ 77,527,449</u>
Liabilities and Net Assets				
Liabilities:				
Accounts payable and accrued expenses	\$ 1,078,402	\$ 178,652	\$ -	\$ 1,257,054
Deferred revenue	2,701,799	194,199	-	2,895,998
Loans payable to NECO	-	820,056	(820,056)	-
Operating payables due to NECO	-	384,123	(384,123)	-
Bonds payable	4,435,000	-	-	4,435,000
Refundable U.S. government grants	6,687,874	-	-	6,687,874
Total liabilities	<u>14,903,075</u>	<u>1,577,030</u>	<u>(1,204,179)</u>	<u>15,275,926</u>
Net assets:				
Without donor restrictions	46,793,337	786,649	-	47,579,986
With donor restrictions	14,605,080	66,457	-	14,671,537
Total net assets	<u>61,398,417</u>	<u>853,106</u>	<u>-</u>	<u>62,251,523</u>
Total liabilities and net assets	<u>\$ 76,301,492</u>	<u>\$ 2,430,136</u>	<u>\$ (1,204,179)</u>	<u>\$ 77,527,449</u>

THE NEW ENGLAND COLLEGE OF OPTOMETRY AND AFFILIATE

Schedule 2 - Consolidating Schedule of Activities

Year Ended June 30, 2021

	<u>NECO</u>	<u>NECO Center for Eye Care</u>	<u>Eliminating Entries</u>	<u>Consolidated</u>
Operating revenues:				
Student tuition and fees, net of student aid of \$1,124,059 in 2021	\$ 21,606,006	\$ -	\$ -	\$ 21,606,006
Education service/administrative	871,250	3,238,228	(4,109,478)	-
Contributions and bequests	942,998	17,269	-	960,267
Patient care	-	2,844,745	-	2,844,745
Professional service agreements	-	1,970,266	-	1,970,266
Grants and contracts	2,386,361	231,890	-	2,618,251
Interest income on other than investments	44,205	299	-	44,504
Other sources	20,539	13,494	-	34,033
Auxiliary enterprises	112,587	-	-	112,587
Total operating revenues	<u>25,983,946</u>	<u>8,316,191</u>	<u>(4,109,478)</u>	<u>30,190,659</u>
Net assets released from restrictions	<u>261,231</u>	<u>500</u>	<u>-</u>	<u>261,731</u>
Total operating revenues and net assets released from restrictions	<u>26,245,177</u>	<u>8,316,691</u>	<u>(4,109,478)</u>	<u>30,452,390</u>
Operating expenses:				
Clinical instruction and patient care	-	8,285,211	(871,250)	7,413,961
Instruction	6,082,761	-	-	6,082,761
Research	1,789,256	53,102	-	1,842,358
Academic support	4,990,424	-	(3,238,228)	1,752,196
Student and auxiliary services	2,068,657	-	-	2,068,657
Institutional support and fundraising	6,388,217	-	-	6,388,217
Total operating expenses	<u>21,319,315</u>	<u>8,338,313</u>	<u>(4,109,478)</u>	<u>25,548,150</u>
Change in net assets from operating activities	4,925,862	(21,622)	-	4,904,240
Nonoperating activities:				
Net assets released from restrictions	(261,731)	-	-	(261,731)
Investment return	8,535,267	21,622	-	8,556,889
Change in value of annuity obligations	(4,047)	-	-	(4,047)
Loss on sale/disposal of assets	(5,894)	-	-	(5,894)
Change in net assets	13,189,457	-	-	13,189,457
Net assets as of beginning of year	<u>48,208,960</u>	<u>853,106</u>	<u>-</u>	<u>49,062,066</u>
Net assets as of end of year	\$ <u>61,398,417</u>	\$ <u>853,106</u>	\$ <u>-</u>	\$ <u>62,251,523</u>