



New England
College of Optometry

FINANCIAL STATEMENT YEAR END REVIEW JUNE 30, 2020

Overview

Despite the onset of the COVID-19 pandemic, NECO's fiscal year 2020 financial statements illustrate substantial growth in net assets and continued balance sheet strength. Due to a rapid pivot to online learning NECO has avoided a decline in enrollment. The financial statements reflect positive returns on investments (\$1.0M compared to \$1.6M the previous year) despite the initial impact of COVID-19 on investments, record operating performance (16.4%), and continued low debt.

The June 30, 2020, audited financial statements were reviewed and accepted by the Board of Trustees in October 2020, and NECO received an unmodified ("clean") audit opinion with no material weaknesses in controls from Mayer Hoffman McCann P.C.

Statement of Financial Position

NECO's total assets on June 30, 2020 were \$65.2M, which was a \$3.2M increase over the previous year (\$62.0M). The increase reflects substantial growth in investments due to transfers of excess cash during the year and positive investment returns, partially offset by reductions in other asset classes. The decrease in property, plant and equipment is attributed to depreciation expenses exceeding current year additions. Liabilities decreased during the fiscal year, from \$18.0M in 2019 to \$16.2M in 2020. This decrease reflects reductions in all classes of liabilities, particularly bonds payable and refundable U.S. government grants.

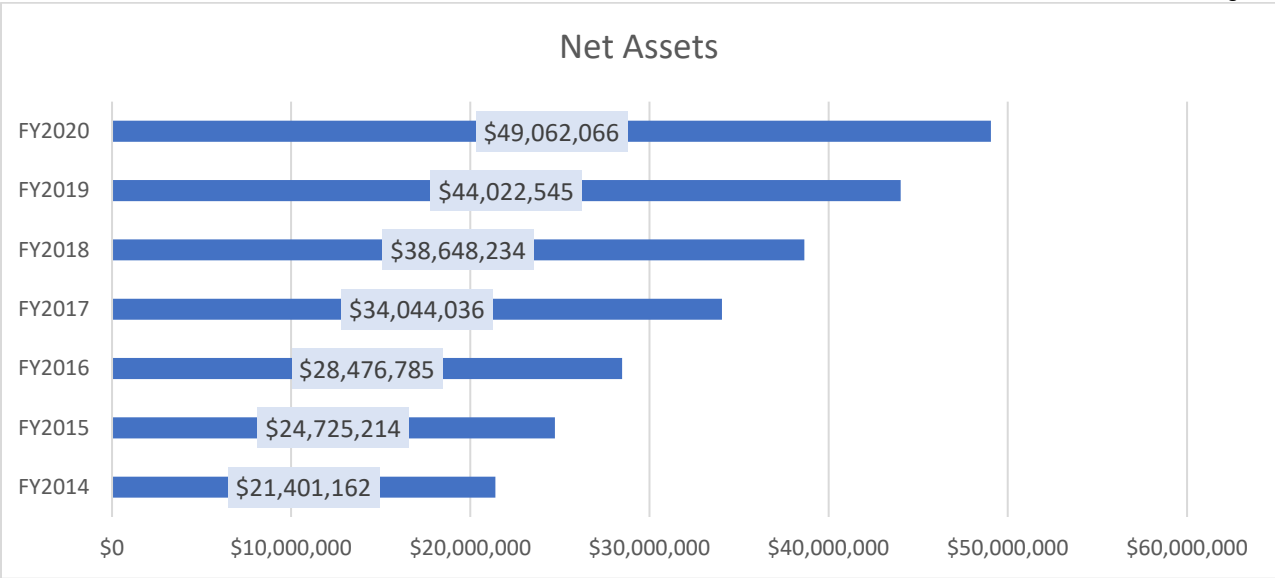
Statement of Activities

Operating revenues overall were almost unchanged from FY2019 to FY2020, as decreases in revenues from patient care and professional service agreements (due to the effects of COVID-19) were offset by increases in net tuition revenue. Operating expenses overall decreased by 2.8% from FY2019 to FY2020, particularly among expenses for clinical and patient care and student services, as our ability to provide patient care and continue student event programming were constrained in the initial stages of the pandemic.

NECO's increase in net assets from operating activities is consistent with the previous two years, and shows resiliency in our major revenue streams and decisive cost management.

	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020
Change in net assets from operating activities	\$982,261	\$3,184,188	\$4,129,937	\$4,204,940	\$3,216,980	\$4,083,264	\$4,678,523
Operating Revenue (includes net assets released from restrictions)	\$24,994,725	\$26,656,068	\$28,461,480	\$29,609,597	\$27,735,433	\$28,610,853	\$28,526,428
Operating Expenses (includes depreciation and interest expense)	\$24,012,464	\$23,471,880	\$24,331,543	\$25,404,657	\$24,518,453	\$24,527,589	\$23,847,905
Net Operating Income as a % of Revenue	3.9%	11.9%	14.5%	14.2%	11.6%	14.3%	16.4%

Includes stimulus funding



Cash Flows

NECO generates sufficient cash flows from operations and uses excess funds to support capital expenditures and to build the pooled investment fund. We transferred \$7.0M to the investment fund during FY2020.

Projections

NECO is in a position of outstanding financial strength. Moving forward we will continue to ensure our resource allocation reflects strategic priorities. We have postponed indefinitely our plan to renovate our library area as we consider the long-term impacts of the pandemic on needs for space. NECO plans to begin implementation of an integrated Student Information System to better serve and communicate with our students.

Traci Logan
Executive Vice President, COO, CFO