



New England
College of Optometry

FINANCIAL STATEMENT YEAR END REVIEW JUNE 30, 2021

Overview

NECO's fiscal year 2021 financial statements illustrate substantial growth in net assets, cash, and balance sheet strength, despite the challenges faced by the global pandemic. NECO did not face the financial burden of lost revenue associated with housing and meal plans, and the increase in expenses associated with testing and contact tracing were largely offset by HEERF stimulus funding. Prudent stewardship of college and clinic resources, along with superb leadership in managing the impact of COVID in our clinical network, allowed us to continue to see patients and train students throughout the pandemic and to elevate our telehealth capacity. The financial statements reflect exceptional returns on investments (\$8.5M compared to \$1M the previous year), record operating performance (16%), continued low debt, and stable enrollment and retention for a tuition-dependent single-professional institution of higher education.

The June 30, 2021, audited financial statements were reviewed and accepted by the Board of Trustees in October 2021, and NECO received an unmodified ("clean") audit opinion with no material weaknesses in controls from Mayer Hoffman McCann P.C.

Statement of Financial Position

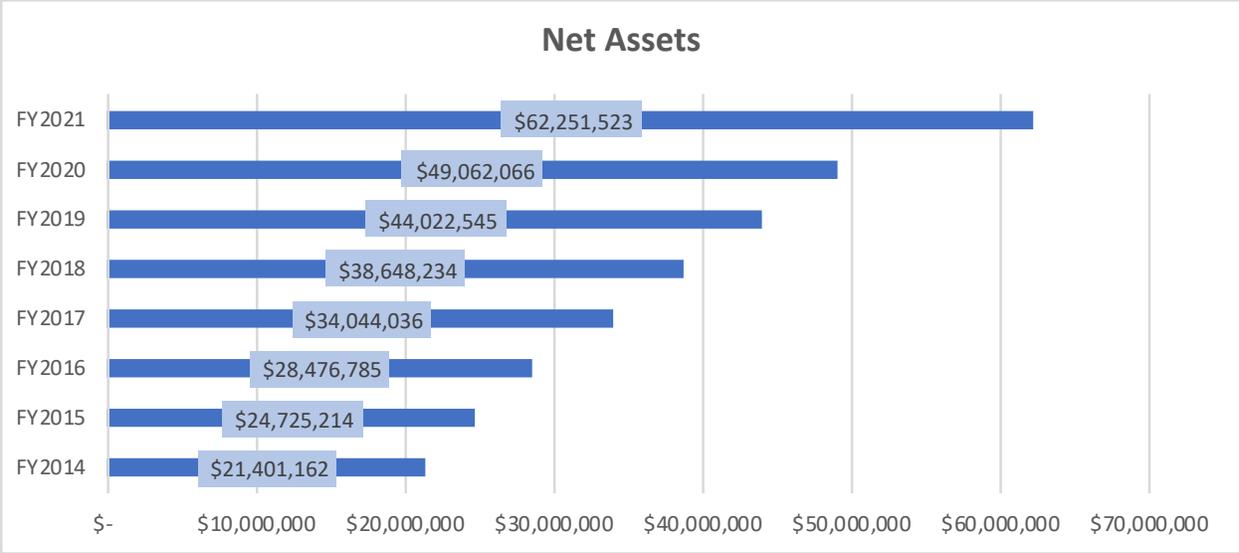
NECO's total assets on June 30, 2021 were \$77.5M, which was a \$12.3M increase over the previous year (\$65.2M). The increase reflects substantial growth in investments, a reduction in net student loans, and an increase in contributions from donors supporting student scholarship. The decrease in property, plant and equipment is attributed to depreciation expenses exceeding current year additions. Liabilities decreased during the fiscal year, from \$16.1M in 2020 to \$15.3M in 2021. This decrease reflects reductions in bonds payable and refundable U.S. government grants.

Statement of Activities

Operating revenues increased 7.2% between FY2020 and FY2021, largely due to a significant increase in contributions, patient care revenue (which began to return to more normal levels during 2021) and grants and contracts. Operating expenses increased at a similar rate during this same time period, driven by costs associated with COVID-19 including personal protective equipment, testing, contact tracing, and additional instructional and academic support associated with remote learning.

NECO's increase in net assets from operating activities is consistent with the previous two years (when adjusted for stimulus funding), and shows resiliency in our key revenue streams and decisive cost management.

	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021
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	\$ 4,904,240
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	\$ 30,452,390
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	\$ 25,548,150
Net Operating Income as a % of Revenue	3.9%	11.9%	14.5%	14.2%	11.6%	14.3%	16.4%	16.1%
							Includes Stimulus funding	Includes Stimulus funding



NECO increased employee headcount during FY2021, with key investments in Diversity & Inclusion, Online Learning, and Clinical Education. We expect these investments will continue as we prepare to introduce optometry’s first hybrid OD program in the country (a combination of online learning and in-person clinical training).

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 \$5.5M to the investment fund during FY2021.

Projections

NECO is in a position of outstanding financial strength. Moving forward we will continue to ensure our resource allocation reflects strategic priorities, including a major investment in the development of a hybrid OD degree, and providing exceptional education to our students and care to our patients. We are mindful of the lasting impacts of the pandemic on our faculty, staff and students, including mental health; the increase in costs in a tight labor market; and shifting expectations of remote learning and work and how this affects collaboration and employee engagement.

Traci Logan
Executive Vice President, COO, CFO