



**Consolidated Financial Statements
and Supplemental Information**

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

June 30, 2022 and 2021



THE NEW ENGLAND COLLEGE OF OPTOMETRY AND AFFILIATE

Consolidated Financial Statements and Supplemental Information

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Independent Auditors' Report

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

Opinion

We have audited the 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, 2022 and 2021, 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.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the College as of June 30, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the College and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern for one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.



In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

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.

Maye Hoffman McCann P.C.

Boston, Massachusetts
November 16, 2022

THE NEW ENGLAND COLLEGE OF OPTOMETRY AND AFFILIATE

Consolidated Statements of Financial Position

June 30,

Assets	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 8,157,419	\$ 6,914,187
Accounts receivable, net	944,762	908,529
Prepayments and other assets	1,336,383	849,441
Restricted cash	1,100,719	1,206,243
Contributions receivable, net	704,942	498,653
Student loans, net	7,137,583	6,871,064
Investments	46,709,022	50,794,202
Property, plant and equipment, net	<u>9,397,602</u>	<u>9,485,130</u>
Total assets	<u>\$ 75,488,432</u>	<u>\$ 77,527,449</u>
<i>Liabilities and Net Assets</i>		
Liabilities:		
Accounts payable and accrued expenses	\$ 2,455,530	\$ 1,257,054
Deferred revenue	2,851,616	2,895,998
Bonds payable	3,910,000	4,435,000
Refundable U.S. government grants	<u>6,837,737</u>	<u>6,687,874</u>
Total liabilities	<u>16,054,883</u>	<u>15,275,926</u>
Net assets:		
Without donor restrictions	46,382,223	47,579,986
With donor restrictions	<u>13,051,326</u>	<u>14,671,537</u>
Total net assets	<u>59,433,549</u>	<u>62,251,523</u>
Total liabilities and net assets	<u>\$ 75,488,432</u>	<u>\$ 77,527,449</u>

THE NEW ENGLAND COLLEGE OF OPTOMETRY AND AFFILIATE

Consolidated Statement of Activities

Year Ended June 30, 2022
(with comparative totals for 2021)

	2022			2021
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Operating revenues:				
Student tuition and fees, net of student aid of \$1,361,725 in 2022 and \$1,124,059 in 2021	\$ 21,975,924	\$ -	\$ 21,975,924	\$ 21,687,624
Contributions and bequests	143,910	578,461	722,371	960,267
Patient care	3,057,992	-	3,057,992	2,844,745
Professional service agreements	2,125,079	-	2,125,079	1,970,266
Grants and contracts	2,866,481	-	2,866,481	2,618,251
Interest income on other than investments	34,889	-	34,889	44,504
Other sources	123,510	-	123,510	34,033
Auxiliary enterprises	110,125	-	110,125	112,587
	<hr/>	<hr/>	<hr/>	<hr/>
Total operating revenues	30,437,910	578,461	31,016,371	30,272,277
Net assets released from restrictions	749,890	(374,306)	375,584	261,731
	<hr/>	<hr/>	<hr/>	<hr/>
Total operating revenues and net assets released from restrictions	31,187,800	204,155	31,391,955	30,534,008
Operating expenses:				
Clinical instruction and patient care	7,663,793	-	7,663,793	7,413,961
Instruction	6,439,388	-	6,439,388	6,082,761
Research	1,859,856	-	1,859,856	1,842,358
Academic support	2,429,623	-	2,429,623	1,752,196
Student and auxiliary services	2,833,151	-	2,833,151	2,150,275
Institutional support and fundraising	6,510,727	-	6,510,727	6,388,217
	<hr/>	<hr/>	<hr/>	<hr/>
Total operating expenses	27,736,538	-	27,736,538	25,629,768
Change in net assets from operating activities	3,451,262	204,155	3,655,417	4,904,240
Nonoperating activities:				
Net assets released from restrictions	-	(375,584)	(375,584)	(261,731)
Investment return (loss)	(4,646,452)	(1,448,782)	(6,095,234)	8,556,889
Change in value of annuity obligations	(2,573)	-	(2,573)	(4,047)
Loss on sale/disposal of assets	-	-	-	(5,894)
	<hr/>	<hr/>	<hr/>	<hr/>
Change in net assets	(1,197,763)	(1,620,211)	(2,817,974)	13,189,457
Net assets as of beginning of year	47,579,986	14,671,537	62,251,523	49,062,066
Net assets as of end of year	\$ 46,382,223	\$ 13,051,326	\$ 59,433,549	\$ 62,251,523

THE NEW ENGLAND COLLEGE OF OPTOMETRY AND AFFILIATE

Consolidated Statement of Activities

Year Ended June 30, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Operating revenues:			
Student tuition and fees, net of student aid of \$1,124,059 in 2021	\$ 21,687,624	\$ -	\$ 21,687,624
Contributions and bequests	180,178	780,089	960,267
Patient care	2,844,745	-	2,844,745
Professional service agreements	1,970,266	-	1,970,266
Grants and contracts	2,618,251	-	2,618,251
Interest income on other than investments	44,504	-	44,504
Other sources	34,033	-	34,033
Auxiliary enterprises	112,587	-	112,587
Total operating revenues	<u>29,492,188</u>	<u>780,089</u>	<u>30,272,277</u>
Net assets released from restrictions	<u>440,688</u>	<u>(178,957)</u>	<u>261,731</u>
Total operating revenues and net assets released from restrictions	<u>29,932,876</u>	<u>601,132</u>	<u>30,534,008</u>
Operating expenses:			
Clinical instruction and patient care	7,413,961	-	7,413,961
Instruction	6,082,761	-	6,082,761
Research	1,842,358	-	1,842,358
Academic support	1,752,196	-	1,752,196
Student and auxiliary services	2,150,275	-	2,150,275
Institutional support and fundraising	6,388,217	-	6,388,217
Total operating expenses	<u>25,629,768</u>	<u>-</u>	<u>25,629,768</u>
Change in net assets from operating activities	4,303,108	601,132	4,904,240
Nonoperating activities:			
Net assets released from restrictions	-	(261,731)	(261,731)
Investment return	6,198,045	2,358,844	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	<u>10,491,212</u>	<u>2,698,245</u>	<u>13,189,457</u>
Net assets as of beginning of year	<u>37,088,774</u>	<u>11,973,292</u>	<u>49,062,066</u>
Net assets as of end of year	<u>\$ 47,579,986</u>	<u>\$ 14,671,537</u>	<u>\$ 62,251,523</u>

See accompanying notes to consolidated financial statements.

THE NEW ENGLAND COLLEGE OF OPTOMETRY AND AFFILIATE

Consolidated Statement of Functional Expenses

Year Ended June 30, 2022
(with comparative totals for 2021)

	2022										2021	
	Program Services					Supporting Services					Total	Total
	Clinical Instruction and Patient Care	Instruction	Research	Academic Support	Student and Auxiliary Services	Total Program Services	Institutional Support	Facilities Operations	Total General and Administrative	Fundraising		
Salaries	\$ 4,503,299	\$ 3,794,824	\$ 584,474	\$ 1,003,843	\$ 1,099,942	\$ 10,986,382	\$ 2,886,700	\$ 810,897	\$ 3,697,597	\$ 341,006	\$ 15,024,985	\$ 14,034,653
Employee benefits	1,137,499	938,098	139,860	250,974	271,361	2,737,792	722,495	193,760	916,255	90,101	3,744,148	3,270,620
Advertising and promotion	500	-	-	-	24,444	24,944	146,382	-	146,382	-	171,326	266,371
Conferences and meetings	3,626	11,005	432	21,876	122,309	159,248	10,581	117	10,698	8,883	178,829	60,895
Cost of goods (optical and campus store)	635,163	-	1,874	-	100,465	737,502	-	-	-	-	737,502	767,729
Depreciation and amortization	169,282	614,932	184,017	178,534	181,104	1,327,869	346,960	-	346,960	38,551	1,713,380	1,804,525
Employee development and training	2,112	-	-	34,086	3,751	39,949	68,096	-	68,096	-	108,045	52,919
Equipment and building maintenance	38,053	6,357	42,884	3,050	471	90,815	97,208	245,560	342,768	-	433,583	632,364
Information technology	153,507	1,854	41,270	84,059	61,275	341,965	326,907	125	327,032	934	669,931	536,270
Insurance	75,475	-	-	-	-	75,475	249,469	-	249,469	-	324,944	280,650
Interest	12,309	44,714	13,381	12,982	13,169	96,555	25,229	-	25,229	2,803	124,587	139,981
Occupancy and utilities	469,004	247,034	-	-	-	716,038	13,807	241,834	255,641	-	971,679	935,994
Other expenses	102,858	39,791	8,439	330,522	630,913	1,112,523	137,236	69,668	206,904	5,645	1,325,072	833,744
Professional services	108,526	35,465	578,631	272,607	117,172	1,112,401	361,149	230,597	591,746	7,738	1,711,885	1,356,409
Supplies	62,899	47,649	48,726	11,050	9,159	179,483	173,242	3,096	176,338	1,305	357,126	642,611
Travel	12,174	12,857	22,911	38,832	7,713	94,487	40,518	969	41,487	3,542	139,516	14,033
Allocation of facility operations	177,507	644,808	192,957	187,208	189,903	1,392,383	363,816	(1,796,623)	(1,432,807)	40,424	-	-
Total functional expenses	\$ 7,663,793	\$ 6,439,388	\$ 1,859,856	\$ 2,429,623	\$ 2,833,151	\$ 21,225,811	\$ 5,969,795	\$ -	\$ 5,969,795	\$ 540,932	\$ 27,736,538	\$ 25,629,768

THE NEW ENGLAND COLLEGE OF OPTOMETRY AND AFFILIATE

Consolidated Statement of Functional Expenses

Year Ended June 30, 2021

	Program Services					Supporting Services					Total
	Clinical Instruction and Patient Care	Instruction	Research	Academic Support	Student and Auxiliary Services	Total Program Services	Institutional Support	Facilities Operations	Total General and Administrative	Fundraising	
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
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
Advertising and promotion	500	-	674	-	13,145	14,319	252,052	-	252,052	-	266,371
Conferences and meetings	1,734	5,984	414	3,909	40,586	52,627	2,628	1,298	3,926	4,342	60,895
Cost of goods (optical and campus store)	664,885	-	-	-	102,844	767,729	-	-	-	-	767,729
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
Employee development and training	467	1,573	-	24,044	2,734	28,818	23,961	-	23,961	140	52,919
Equipment and building maintenance	127,350	12,681	139,032	20,199	-	299,262	100,143	232,959	333,102	-	632,364
Information technology	161,155	8,888	9,657	70,031	46,861	296,592	233,834	625	234,459	5,219	536,270
Insurance	75,361	-	7,279	-	-	82,640	198,010	-	198,010	-	280,650
Interest	13,830	50,239	15,034	14,586	14,796	108,485	28,346	-	28,346	3,150	139,981
Occupancy and utilities	463,178	242,649	-	-	-	705,827	18,718	211,449	230,167	-	935,994
Other expenses	111,198	6,715	5,440	292,944	215,849	632,146	129,360	64,605	193,965	7,633	833,744
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
Supplies	64,415	48,001	40,754	1,120	1,119	155,409	416,937	69,413	486,350	852	642,611
Travel	2,749	2,532	(459)	4,251	100	9,173	4,763	26	4,789	71	14,033
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	\$ 2,150,275	\$ 19,241,551	\$ 5,828,201	\$ -	\$ 5,828,201	\$ 560,016	\$ 25,629,768

THE NEW ENGLAND COLLEGE OF OPTOMETRY AND AFFILIATE

Consolidated Statements of Cash Flows

Years Ended June 30,

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Change in net assets	\$ (2,817,974)	\$ 13,189,457
Adjustments to reconcile change in net assets to net cash, cash equivalents, and restricted cash provided by operating activities:		
Depreciation and amortization	1,713,380	1,804,525
Net unrealized and realized (gain) loss on investments	7,946,196	(7,615,594)
Loss on sale/disposal of assets	-	5,894
Change in:		
Endowment restricted contributions received	(172,467)	(9,075)
Accounts receivable, net	(36,233)	(173,339)
Prepayments and other assets	(486,942)	(245,971)
Contributions receivable, net	(206,289)	(372,862)
Accounts payable and accrued expenses	1,033,778	43,589
Deferred revenue	(44,382)	277,074
Net cash, cash equivalents, and restricted cash provided by operating activities	<u>6,929,067</u>	<u>6,903,698</u>
Cash flows from investing activities:		
Purchases of investments	(12,731,167)	(17,496,025)
Sales of investments	8,870,151	11,054,733
Additions to property, plant and equipment	(1,461,154)	(756,399)
Change in student loans, net	(266,519)	751,362
Net cash, cash equivalents, and restricted cash used in investing activities	<u>(5,588,689)</u>	<u>(6,446,329)</u>
Cash flows from financing activities:		
Endowment restricted contributions received	172,467	9,075
Repayments of bonds payable	(525,000)	(505,000)
Increase (decrease) in refundable U.S. government grants and institutional loans	149,863	(709,747)
Net cash, cash equivalents, and restricted cash used in financing activities	<u>(202,670)</u>	<u>(1,205,672)</u>
Change in cash, cash equivalents, and restricted cash	1,137,708	(748,303)
Cash, cash equivalents, and restricted cash as of beginning of year	<u>8,120,430</u>	<u>8,868,733</u>
Cash, cash equivalents, and restricted cash as of end of year	\$ <u>9,258,138</u>	\$ <u>8,120,430</u>
Supplemental data:		
Interest paid	\$ 125,877	\$ 141,312
Fixed asset additions included in accounts payable and accrued expenses	329,159	164,461

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 consolidated financial statements.

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.

THE NEW ENGLAND COLLEGE OF OPTOMETRY AND AFFILIATE

Notes to Consolidated Financial Statements

Note 2 - Summary of Significant Accounting Policies (Continued)

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 \$1,100,719 and \$1,206,243 of cash and escrow accounts held for the Federal Perkins Loan Program, Health Professionals Student Loans, and Loans for Disadvantaged Students at June 30, 2022 and 2021, 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.

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.

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 (Continued)

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.

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	10-30 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

THE NEW ENGLAND COLLEGE OF OPTOMETRY AND AFFILIATE

Notes to Consolidated Financial Statements

Note 2 - Summary of Significant Accounting Policies (Continued)

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.

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.

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)

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.

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.

The College was awarded certain Federal grant funds to assist students and the College with COVID-19 related effects for the years ended June 30, 2022 and 2021.

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.

THE NEW ENGLAND COLLEGE OF OPTOMETRY AND AFFILIATE

Notes to Consolidated Financial Statements

Note 2 - Summary of Significant Accounting Policies (Continued)

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.

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.

THE NEW ENGLAND COLLEGE OF OPTOMETRY AND AFFILIATE

Notes to Consolidated Financial Statements

Note 2 - Summary of Significant Accounting Policies (Continued)

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

Reclassification

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

Subsequent Events

The College has evaluated subsequent events through November 16, 2022, the date that the consolidated financial statements were authorized to be issued.

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>2022</u>		<u>2021</u>
Cash and cash equivalents	\$ 8,157,419	\$	6,914,187
Accounts receivable, net	944,762		908,529
Contributions receivable, net	438,171		216,127
Endowment spending rate distributions and appropriations	424,811		394,813
Investments not encumbered by donor or board restrictions	36,029,794		38,327,311
	<u>\$ 45,994,957</u>	<u>\$</u>	<u>46,760,967</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:

	2022	2021
Students	\$ 391,575	\$ 230,999
Patient care	230,274	248,195
Professional service agreements	154,373	181,401
Grants	136,149	210,202
Other	155,137	144,949
	1,067,508	1,015,746
Less allowances for:		
Uncollectible student accounts	(13,756)	(2,716)
Uncollectible patient accounts and other adjustments	(95,838)	(104,501)
Uncollectible professional service agreements	(13,152)	-
Accounts receivable, net	\$ 944,762	\$ 908,529

Note 5 - Contributions Receivable

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

	2022	2021
Amounts due in:		
Less than one year	\$ 507,500	\$ 243,000
Two to five years	328,000	329,000
	835,500	572,000
Less discount and allowance for uncollectible contributions	(130,558)	(73,347)
Contributions receivable, net	\$ 704,942	\$ 498,653

Contributions and bequests revenue for the years ended June 30, 2022 and 2021 includes approximately \$221,000 and \$523,000, respectively, 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, 2022			
Perkins Loans	\$ 54,360	\$ 1,093,409	\$ 1,147,769
HPSL Loans	101,662	3,786,120	3,887,782
LDS Loans	12,789	1,039,086	1,051,875
College Loans	39,778	1,148,352	1,188,130
Credit Reserve	(137,973)	-	(137,973)
Student loans receivable, net	\$ 70,616	\$ 7,066,967	\$ 7,137,583
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

Changes in the allowances for credit losses are as follows:

	<i>Total</i>
Balance as of July 1, 2020	\$ 172,990
Net change in provision	(17,875)
Balance as of June 30, 2021	155,115
Net change in provision	(17,142)
Balance as of June 30, 2022	\$ 137,973

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:

	2022	2021
Investments:		
Cash equivalents	\$ 3,405,143	\$ 2,388,256
Exchange traded funds		
U.S. equities	13,392,420	13,302,304
Non-U.S. equities	851,942	503,850
Fixed income funds	1,907,023	679,444
Alternative funds	1,886,549	367,954
Mutual funds		
U.S. equity funds	2,504,724	7,357,616
Non-U.S. equity funds	5,026,561	7,995,214
Fixed income funds	10,441,984	10,212,254
Alternative funds	6,086,175	6,610,217
Real estate	1,206,501	1,377,093
Total assets at fair value	\$ 46,709,022	\$ 50,794,202

All investments are considered Level 1 at June 30, 2022 and 2021.

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

	2022	2021
Interest and dividends, net	\$ 1,850,961	\$ 941,295
Net realized gain	1,334,073	2,396,073
Net unrealized gain (loss)	(9,280,268)	5,219,521
Total investment return	\$ (6,095,234)	\$ 8,556,889

Direct investment management and advisory fees paid were \$32,891 and \$31,914 for the years ended June 30, 2022 and 2021, respectively, and are netted against interest and dividends.

THE NEW ENGLAND COLLEGE OF OPTOMETRY AND AFFILIATE

Notes to Consolidated Financial Statements

Note 8 - Property, Plant and Equipment

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

	2022	2021
Land and buildings	\$ 2,003,640	\$ 2,003,640
Land and building improvements	22,577,401	22,336,254
Furniture, fixtures and equipment	11,168,723	10,142,272
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	405,241	46,987
	41,638,488	40,012,636
Less accumulated depreciation and amortization	(32,240,886)	(30,527,506)
Property, plant and equipment, net	\$ 9,397,602	\$ 9,485,130

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 was three years with a two-year extension. The second lease, including extension, expired during the year ended June 30, 2022, but the College continues to rent the related space on a month-to-month basis.

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 \$613,521 and \$610,908 for the years ended June 30, 2022 and 2021, respectively.

Anticipated lease commitments are as follows:

2023	\$ 469,733
2024	478,124
2025	486,514
2026	494,904
2027	247,452
	\$ 2,176,727

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

THE NEW ENGLAND COLLEGE OF OPTOMETRY AND AFFILIATE

Notes to Consolidated Financial Statements

Note 9 - Leases (Continued)

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 was operating since then on a month-to-month basis through December 2021. During the years ended June 30, 2022 and 2021, a total of \$72,910 and \$118,796, respectively, was paid for these contracts. Anticipated future payments are as follows:

2023	\$	10,731
2024		9,540
2025		4,770
	\$	<u>25,041</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:

2023	\$	550,000
2024		570,000
2025		590,000
2026		610,000
2027		630,000
Thereafter		<u>990,000</u>
Bonds payable sub-total		3,940,000
Less bond issuance costs, net of amortization		<u>(30,000)</u>
Total bonds payable, net	\$	<u>3,910,000</u>

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 \$1,127,129 and \$1,027,983 for the years ended June 30, 2022 and 2021, respectively.

THE NEW ENGLAND COLLEGE OF OPTOMETRY AND AFFILIATE

Notes to Consolidated Financial Statements

Note 11 - Retirement Plan (Continued)

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. Assets and liabilities relating to this plan amounted to \$106,180 and \$71,074 for the years ended June 30, 2022 and 2021, respectively.

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:

	2022	2021
Purpose restrictions:		
Scholarships	\$ 122,691	\$ 19,522
Instruction and academic support	78,992	127,450
Other purpose restrictions	172,623	31,985
Operating net assets released from restrictions	374,306	178,957
Purpose restrictions:		
Scholarships	255,841	171,481
Instruction and academic support	118,872	90,250
Other purpose restrictions	871	-
Nonoperating net assets released from restrictions	375,584	261,731
Total net assets released from restriction	\$ 749,890	\$ 440,688

Note 13 - Endowments

Endowment

The College's endowment consists of individual funds established for a variety of purposes. The 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.

THE NEW ENGLAND COLLEGE OF OPTOMETRY AND AFFILIATE

Notes to Consolidated Financial Statements

Note 13 - Endowments (Continued)

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. There were four funds with deficiencies in the aggregate amount of \$13,641 as of June 30, 2022; there were no funds with deficiencies as of June 30, 2021.

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 4% of the three-year rolling average market value.

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

	<u>2022</u>	<u>2021</u>
Unexpended gains on donor-restricted endowment	\$ 2,492,085	\$ 3,728,597
Donor-restricted endowment funds	<u>8,187,143</u>	<u>8,738,294</u>
Total endowment funds	\$ <u>10,679,228</u>	\$ <u>12,466,891</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>2022</u>	<u>2021</u>
Endowment assets, beginning of year	\$ 12,466,891	\$ 10,434,269
Gifts and additions	146,703	45,509
Investment return (loss)	(1,448,782)	2,358,844
Withdrawals	(110,000)	(110,000)
Expenditures:		
Amounts appropriated for operations:		
Scholarships	(255,841)	(171,481)
Academic support	(118,872)	(90,250)
Other	(871)	-
Total expenditures	<u>(375,584)</u>	<u>(261,731)</u>
Change in endowment assets	<u>(1,787,663)</u>	<u>2,032,622</u>
Endowment assets, end of year	<u><u>\$ 10,679,228</u></u>	<u><u>\$ 12,466,891</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:

	2022		
	<i>Without Donor Restrictions</i>	<i>With Donor Restrictions</i>	<i>Total</i>
Detail of Net Assets			
Operating funds:			
Net investment in plant	\$ 5,487,602	\$ -	\$ 5,487,602
Net assets related to operations	40,894,621	-	40,894,621
Total operating funds	46,382,223	-	46,382,223
Endowment corpus:			
Academic support	-	1,178,319	1,178,319
Scholarships	-	3,296,966	3,296,966
Research	-	147,321	147,321
Clinical	-	1,000	1,000
Other	-	97,272	97,272
Total endowment corpus	-	4,720,878	4,720,878
Unexpended gain on donor-restricted endowment	-	2,492,085	2,492,085
Purpose restricted funds:			
Academic support	-	41,439	41,439
Scholarships	-	2,194,171	2,194,171
International education	-	914,732	914,732
Clinical	-	17,447	17,447
Institutional loans	-	291,063	291,063
Other	-	7,413	7,413
Total purpose restricted funds	-	3,466,265	3,466,265
Total endowment funds	-	10,679,228	10,679,228
Other purpose restricted funds:			
Institutional loans	-	1,394,837	1,394,837
Other purposes	-	272,319	272,319
Contributions receivable	-	704,942	704,942
Total other purpose restricted funds	-	2,372,098	2,372,098
Total net assets	\$ 46,382,223	\$ 13,051,326	\$ 59,433,549

THE NEW ENGLAND COLLEGE OF OPTOMETRY AND AFFILIATE

Notes to Consolidated Financial Statements

Note 14 - Net Assets (Continued)

	2021		
	<u>Without</u>	<u>With</u>	
	<u>Donor</u>	<u>Donor</u>	
	<u>Restrictions</u>	<u>Restrictions</u>	<u>Total</u>
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	<u>-</u>	<u>97,022</u>	<u>97,022</u>
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	<u>-</u>	<u>6,723</u>	<u>6,723</u>
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	<u>-</u>	<u>498,653</u>	<u>498,653</u>
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 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.

Agile OD Program

On October 29, 2021, the College, with board approval, entered into an agreement with Noodle Partners for the development of an "Agile OD Degree" Program. The program will include an online didactic component, and a set of immersive, place-based clinical training experiences in specific designated marketing areas throughout the United States. The College will begin with a cohort of 25 students and increase the entering class to a steady state cohort of 55 students, after four years. The contract term shall continue until four years after the first cohort of students enrolls in the Agile OD Program, which is expected to take place in Fall of 2023 or Fall 2024. Under certain conditions – for example, the inability to achieve accreditation or meet specific enrollment targets - the College can terminate the agreement. Development of the Agile OD Program initially required an aggregate investment of approximately \$5.4 million over the first four years, net of projected tuition revenue; this initial investment was increased to \$6.4 million over the first five years, net of projected tuition revenue and assuming an 80% reimbursement rate from clinical homes in which the College faculty are placed. Total direct expenses incurred during the year ended June 30, 2022 was approximately \$314k.

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, 2022.

Note 16 - Federal Support Associated with COVID-19

Higher Education Emergency Relief and Disaster Relief Funds

The College was granted awards to assist students and the institution with the impact of COVID-19. The College recorded grant revenue of \$546,343 and \$625,307 for the years ended June 30, 2022 and 2021, respectively.

THE NEW ENGLAND COLLEGE OF OPTOMETRY AND AFFILIATE

Notes to Consolidated Financial Statements

Note 17 - Related Party Transactions

A member of the Board of Trustees provided consulting services to the College which amounted to \$9,167 and \$20,833 for the years ended June 30, 2022 and 2021, respectively. No amounts were outstanding as of June 30, 2022 and 2021.

A company affiliated with a member of the Board of Trustees provided mental health counseling services to the College which amounted to \$11,638 and \$7,875 for the years ended June 30, 2022 and 2021, respectively. \$1,006 and \$788 were outstanding as of June 30, 2022 and 2021, respectively.

A member of the Board of Trustees law firm provided legal services to the College which amounted to \$400 for the year ended June 30, 2021. No amounts were outstanding as of June 30, 2022 and 2021.

Supplemental Information

THE NEW ENGLAND COLLEGE OF OPTOMETRY AND AFFILIATE

Schedule 1 - Consolidating Schedule of Financial Position

June 30, 2022

Assets	NECO	NECO Center for Eye Care	Eliminating Entries	Consolidated
Cash and cash equivalents	\$ 8,006,207	\$ 151,212	\$ -	\$ 8,157,419
Accounts receivable, net	619,175	325,587	-	944,762
Loans receivable from NECO Center for Eye Care	722,823	-	(722,823)	-
Operating receivables from NECO Center for Eye Care	210,754	-	(210,754)	-
Prepayments and other assets	1,111,968	224,415	-	1,336,383
Restricted cash	1,100,719	-	-	1,100,719
Contributions receivable, net	696,308	8,634	-	704,942
Student loans, net	7,137,583	-	-	7,137,583
Investments	46,606,787	102,235	-	46,709,022
Property, plant and equipment, net	8,002,196	1,395,406	-	9,397,602
Total assets	<u>\$ 74,214,520</u>	<u>\$ 2,207,489</u>	<u>\$ (933,577)</u>	<u>\$ 75,488,432</u>
Liabilities and Net Assets				
Liabilities:				
Accounts payable and accrued expenses	\$ 2,170,713	\$ 284,817	\$ -	\$ 2,455,530
Deferred revenue	2,715,627	135,989	-	2,851,616
Loans payable to NECO	-	722,823	(722,823)	-
Operating payables due to NECO	-	210,754	(210,754)	-
Bonds payable	3,910,000	-	-	3,910,000
Refundable U.S. government grants	6,837,737	-	-	6,837,737
Total liabilities	<u>15,634,077</u>	<u>1,354,383</u>	<u>(933,577)</u>	<u>16,054,883</u>
Net assets:				
Without donor restrictions	45,592,196	790,027	-	46,382,223
With donor restrictions	12,988,247	63,079	-	13,051,326
Total net assets	<u>58,580,443</u>	<u>853,106</u>	<u>-</u>	<u>59,433,549</u>
Total liabilities and net assets	<u>\$ 74,214,520</u>	<u>\$ 2,207,489</u>	<u>\$ (933,577)</u>	<u>\$ 75,488,432</u>

THE NEW ENGLAND COLLEGE OF OPTOMETRY AND AFFILIATE

Schedule 2 - Consolidating Schedule of Activities

Year Ended June 30, 2022

	<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 \$1,361,725 in 2022	\$ 21,975,924	\$ -	\$ -	\$ 21,975,924
Education service/administrative	893,000	3,109,860	(4,002,860)	-
Contributions and bequests	686,561	35,810	-	722,371
Patient care	-	3,057,992	-	3,057,992
Professional service agreements	-	2,125,079	-	2,125,079
Grants and contracts	2,573,611	292,870	-	2,866,481
Interest income on other than investments	34,669	220	-	34,889
Other sources	114,027	9,483	-	123,510
Auxiliary enterprises	110,125	-	-	110,125
Total operating revenues	<u>26,387,917</u>	<u>8,631,314</u>	<u>(4,002,860)</u>	<u>31,016,371</u>
Net assets released from restrictions	<u>365,370</u>	<u>10,214</u>	<u>-</u>	<u>375,584</u>
Total operating revenues and net assets released from restrictions	<u>26,753,287</u>	<u>8,641,528</u>	<u>(4,002,860)</u>	<u>31,391,955</u>
Operating expenses:				
Clinical instruction and patient care	-	8,556,793	(893,000)	7,663,793
Instruction	6,439,388	-	-	6,439,388
Research	1,789,045	70,811	-	1,859,856
Academic support	5,539,483	-	(3,109,860)	2,429,623
Student and auxiliary services	2,833,151	-	-	2,833,151
Institutional support and fundraising	6,510,727	-	-	6,510,727
Total operating expenses	<u>23,111,794</u>	<u>8,627,604</u>	<u>(4,002,860)</u>	<u>27,736,538</u>
Change in net assets from operating activities	3,641,493	13,924	-	3,655,417
Nonoperating activities:				
Net assets released from restrictions	(375,495)	(89)	-	(375,584)
Investment loss	(6,081,399)	(13,835)	-	(6,095,234)
Change in value of annuity obligations	(2,573)	-	-	(2,573)
Change in net assets	<u>(2,817,974)</u>	<u>-</u>	<u>-</u>	<u>(2,817,974)</u>
Net assets as of beginning of year	<u>61,398,417</u>	<u>853,106</u>	<u>-</u>	<u>62,251,523</u>
Net assets as of end of year	<u>\$ 58,580,443</u>	<u>\$ 853,106</u>	<u>\$ -</u>	<u>\$ 59,433,549</u>