



## **FINANCIAL STATEMENT YEAR END REVIEW JUNE 30, 2022**

### **Overview**

NECO's fiscal year 2022 financial statements illustrate continued strength in net assets, cash, and balance sheet strength, despite the ongoing challenges faced by the global pandemic, and the \$6.1M loss on the aggregate investment portfolio (restricted and unrestricted). NECO's operating performance (\$3.7M, 11.6%) remained exceptionally strong for a single-professional institution of higher education, despite the ubiquitous trends affecting every college and university – inflation, increasing labor costs, flat tuition revenue growth, and the relationship between student academic performance and mental health, post the pandemic shut down.

The June 30, 2022, audited financial statements were reviewed and accepted by the Board of Trustees on November 16, 2022, and NECO received an unmodified (“clean”) audit opinion with no significant deficiencies or material weaknesses in controls from Mayer Hoffman McCann P.C.

### **Statement of Financial Position**

NECO's total assets on June 30, 2022, were \$75.5M, which was a \$2M decrease over the previous year (\$77.5M). This change is related primarily to the loss on investment value. We saw an increase in pre-payments, donor contributions and net student loans. The decrease in property, plant and equipment is attributed to depreciation expenses exceeding current year additions. Liabilities increased during the fiscal year, from \$15.3M in 2021 to \$16.1M in 2022. This increase reflects an uptick in accrued expenses (a timing issue as we aligned the payroll cycles of exempt and non-exempt employees), offset by the reductions in bonds payable and refundable U.S. government grants.

### **Statement of Activities**

Operating revenues increased 2.8% from FY2021 to FY2022, largely due to an increase in net patient care revenue and professional services agreements (as clinics fully reopened), grants and contracts, and other sources revenue associated with a color vision conference in Greece (offset by expenses). Operating expenses increased 8.2% from FY2021 to FY2022, mostly due to an increase in labor costs and additional instructional and academic support associated with remote learning.

NECO's decrease in net assets from operating activities, while still strong, is related primarily to the sharp increase in labor costs, and illustrates our need to carefully

manage this expense in the wake of increased overall costs due to inflation and tempered tuition revenue growth.

	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022
Pooled investment fund	\$14,843,249	\$15,297,745	\$16,852,301	\$21,929,339	\$25,560,850	\$26,696,620	\$34,733,988	\$48,739,590	\$44,699,426
Short-term investments							\$2,003,328	\$2,054,612	\$2,009,596
Total investments	\$14,843,249	\$15,297,745	\$16,852,301	\$21,929,339	\$25,560,850	\$26,696,620	\$36,737,316	\$50,794,202	\$46,709,022
Net investment income	\$2.246M	\$410K	(\$72K)	\$1.956M	\$1.667M	\$1.596M	\$1.034M	\$8.557M	(\$6.095M)
Transfers to the Pooled investment fund			\$1.7M	\$2.5M	\$2.0M		\$7.0M	\$5.5M	

	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022
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	\$3,655,417
Operating revenue	\$24,994,725	\$26,656,068	\$28,461,480	\$29,609,597	\$27,735,433	\$28,610,853	\$28,526,428	\$30,534,008	\$31,391,955
Operating expenses (including 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	\$25,629,768	\$27,736,538
Margin	3.9%	11.9%	14.5%	14.2%	11.6%	14.3%	16.4%	16.1%	11.6%

	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022
Net assets	\$21,401,162	\$24,725,214	\$28,476,785	\$34,044,036	\$38,648,234	\$44,022,545	\$49,062,066	\$62,251,523	\$59,433,549
without donor restrictions	\$13,349,337	\$16,740,600	\$19,286,916	\$22,881,849	\$27,036,325	\$32,088,629	\$37,088,774	\$47,579,986	\$46,382,223
with donor restrictions	\$8,051,825	\$7,984,614	\$9,189,869	\$11,162,187	\$11,611,909	\$11,933,916	\$11,973,292	\$14,671,537	\$13,051,326

	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022
Year-end cash position (does not include restricted cash)	\$3,054,061	\$7,157,045	\$9,051,742	\$7,561,366	\$6,064,479	\$11,307,607	\$7,545,676	\$6,914,187	\$8,157,419

## Cash Flows

NECO generates sufficient cash flows from operations and uses excess funds to support capital expenditures and to build the pooled investment fund.

## Projections

NECO remains 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 online didactic courses, and providing exceptional education and clinical training to our students, and care to our patients. We are mindful of the lasting impacts of the pandemic on our employees and students, including mental health. We will continue to monitor and manage the increased cost of debt; inflation; rising labor costs; and shifting expectations around remote learning *and work*, and how this affects collaboration, engagement, and space utilization.

Traci Logan  
Executive Vice President, COO, CFO