



**Consolidated Financial Statements
and Supplemental Information**

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

June 30, 2023 and 2022



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, 2023 and 2022, 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, 2023 and 2022, 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.

Change in Accounting Principle

As discussed in Note 2 to the consolidated financial statements, the College changed its method of accounting for leases as a result of the adoption of Accounting Standards Codification Topic 842, *Leases*, effective July 1, 2022, under the modified retrospective transition method. Our opinion is not modified with respect to this matter.

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
October 27, 2023

THE NEW ENGLAND COLLEGE OF OPTOMETRY AND AFFILIATE

Consolidated Statements of Financial Position

June 30,

Assets	2023	2022
Cash and cash equivalents	\$ 7,396,354	\$ 8,157,419
Accounts receivable, net	1,362,339	944,762
Prepayments and other assets	1,059,739	1,336,383
Restricted cash	671,465	1,100,719
Contributions receivable, net	421,834	704,942
Student loans, net	7,136,870	7,137,583
Investments	53,273,824	46,709,022
Operating lease right-of-use assets	1,415,377	-
Property, plant and equipment, net	9,093,959	9,397,602
Total assets	\$ 81,831,761	\$ 75,488,432
<i>Liabilities and Net Assets</i>		
Liabilities:		
Accounts payable and accrued expenses	\$ 1,548,512	\$ 2,455,530
Deferred revenue	2,776,808	2,851,616
Operating lease liability	1,554,063	-
Bonds payable	3,365,000	3,910,000
Refundable U.S. government grants	6,271,952	6,837,737
Total liabilities	15,516,335	16,054,883
Net assets:		
Without donor restrictions	52,732,344	46,382,223
With donor restrictions	13,583,082	13,051,326
Total net assets	66,315,426	59,433,549
Total liabilities and net assets	\$ 81,831,761	\$ 75,488,432

THE NEW ENGLAND COLLEGE OF OPTOMETRY AND AFFILIATE

Consolidated Statement of Activities

Year Ended June 30, 2023
(with comparative totals for 2022)

	2023		2022	
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Operating revenues:				
Student tuition and fees, net of student aid of \$1,597,518 in 2023 and \$1,361,725 in 2022	\$ 22,799,000	\$ -	\$ 22,799,000	\$ 21,975,924
Contributions and bequests	197,605	763,638	961,243	722,371
Patient care	2,900,144	-	2,900,144	3,057,992
Professional service agreements	2,189,627	-	2,189,627	2,125,079
Grants and contracts	2,112,949	-	2,112,949	2,866,481
Interest income on other than investments	230,783	-	230,783	34,889
Other sources	223,792	-	223,792	123,510
Auxiliary enterprises	124,045	-	124,045	110,125
	<hr/>	<hr/>	<hr/>	<hr/>
Total operating revenues	30,777,945	763,638	31,541,583	31,016,371
Net assets released from restrictions	<hr/>	<hr/>	<hr/>	<hr/>
	1,009,442	(613,175)	396,267	375,584
	<hr/>	<hr/>	<hr/>	<hr/>
Total operating revenues and net assets released from restrictions	31,787,387	150,463	31,937,850	31,391,955
Operating expenses:				
Clinical instruction and patient care	7,520,908	-	7,520,908	7,663,793
Instruction	6,306,094	-	6,306,094	6,439,388
Research	1,836,263	-	1,836,263	1,859,856
Academic support	3,051,391	-	3,051,391	2,429,623
Student and auxiliary services	2,446,321	-	2,446,321	2,833,151
Institutional support and fundraising	6,955,910	-	6,955,910	6,510,727
	<hr/>	<hr/>	<hr/>	<hr/>
Total operating expenses	28,116,887	-	28,116,887	27,736,538
Change in net assets from operating activities	<hr/>	<hr/>	<hr/>	<hr/>
	3,670,500	150,463	3,820,963	3,655,417
Nonoperating activities:				
Net assets released from restrictions	-	(396,267)	(396,267)	(375,584)
Investment return (loss)	2,786,922	777,560	3,564,482	(6,095,234)
Change in value of annuity obligations	(1,347)	-	(1,347)	(2,573)
Loss on sale/disposal of assets	<hr/>	<hr/>	<hr/>	<hr/>
	(105,954)	-	(105,954)	-
Change in net assets	<hr/>	<hr/>	<hr/>	<hr/>
	6,350,121	531,756	6,881,877	(2,817,974)
Net assets as of beginning of year	<hr/>	<hr/>	<hr/>	<hr/>
	46,382,223	13,051,326	59,433,549	62,251,523
Net assets as of end of year	<hr/>	<hr/>	<hr/>	<hr/>
	\$ 52,732,344	\$ 13,583,082	\$ 66,315,426	\$ 59,433,549

THE NEW ENGLAND COLLEGE OF OPTOMETRY AND AFFILIATE

Consolidated Statement of Activities

Year Ended June 30, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Operating revenues:			
Student tuition and fees, net of student aid of \$1,361,725 in 2022	\$ 21,975,924	\$ -	\$ 21,975,924
Contributions and bequests	143,910	578,461	722,371
Patient care	3,057,992	-	3,057,992
Professional service agreements	2,125,079	-	2,125,079
Grants and contracts	2,866,481	-	2,866,481
Interest income on other than investments	34,889	-	34,889
Other sources	123,510	-	123,510
Auxiliary enterprises	110,125	-	110,125
Total operating revenues	<u>30,437,910</u>	<u>578,461</u>	<u>31,016,371</u>
Net assets released from restrictions	<u>749,890</u>	<u>(374,306)</u>	<u>375,584</u>
Total operating revenues and net assets released from restrictions	<u>31,187,800</u>	<u>204,155</u>	<u>31,391,955</u>
Operating expenses:			
Clinical instruction and patient care	7,663,793	-	7,663,793
Instruction	6,439,388	-	6,439,388
Research	1,859,856	-	1,859,856
Academic support	2,429,623	-	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>27,736,538</u>	<u>-</u>	<u>27,736,538</u>
Change in net assets from operating activities	3,451,262	204,155	3,655,417
Nonoperating activities:			
Net assets released from restrictions	-	(375,584)	(375,584)
Investment loss	(4,646,452)	(1,448,782)	(6,095,234)
Change in value of annuity obligations	<u>(2,573)</u>	<u>-</u>	<u>(2,573)</u>
Change in net assets	<u>(1,197,763)</u>	<u>(1,620,211)</u>	<u>(2,817,974)</u>
Net assets as of beginning of year	<u>47,579,986</u>	<u>14,671,537</u>	<u>62,251,523</u>
Net assets as of end of year	<u>\$ 46,382,223</u>	<u>\$ 13,051,326</u>	<u>\$ 59,433,549</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, 2023
(with comparative totals for 2022)

	2023										2022	
	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	\$ 4,367,292	\$ 3,534,840	\$ 712,960	\$ 1,224,388	\$ 1,218,309	\$ 11,057,789	\$ 3,319,188	\$ 793,769	\$ 4,112,957	\$ 165,737	\$ 15,336,483	\$ 15,024,985
Employee benefits	1,086,234	848,018	167,087	296,677	300,987	2,699,003	842,287	190,481	1,032,768	44,324	3,776,095	3,744,148
Advertising and promotion	-	-	-	13,214	4,661	17,875	32,238	-	32,238	-	50,113	171,326
Conferences and meetings	6,809	25,512	499	56,171	119,210	208,201	74,550	258	74,808	64,916	347,925	178,829
Cost of goods (optical and campus store)	642,747	-	-	-	113,613	756,360	-	-	-	-	756,360	737,502
Depreciation and amortization	165,003	599,390	179,366	174,022	176,527	1,294,308	338,190	-	338,190	37,577	1,670,075	1,713,380
Employee development and training	605	2,025	344	24,539	1,897	29,410	74,314	2,015	76,329	2,045	107,784	108,045
Equipment and building maintenance	49,343	14,953	11,116	1,503	775	77,690	36,202	218,263	254,465	-	332,155	433,583
Information technology	153,731	3,259	51,403	69,398	34,315	312,106	456,701	-	456,701	897	769,704	669,931
Insurance	77,334	-	-	-	-	77,334	287,093	-	287,093	-	364,427	324,944
Interest	10,773	39,132	11,710	11,361	11,525	84,501	22,079	-	22,079	2,453	109,033	124,587
Occupancy and utilities	454,510	242,746	-	-	-	697,256	9,208	249,850	259,058	-	956,314	971,679
Other expenses	95,214	42,649	13,539	310,197	142,635	604,234	189,151	73,823	262,974	7,485	874,693	1,325,072
Professional services	144,250	192,250	404,914	606,100	108,555	1,456,069	405,571	270,422	675,993	33,773	2,165,835	1,711,885
Supplies	70,310	55,656	42,725	6,652	11,369	186,712	24,091	33,790	57,881	1,200	245,793	357,126
Travel	15,685	47,918	43,771	66,205	8,230	181,809	62,833	-	62,833	9,456	254,098	139,516
Allocation of facility operations	181,068	657,746	196,829	190,964	193,713	1,420,320	371,116	(1,832,671)	(1,461,555)	41,235	-	-
Total functional expenses	\$ 7,520,908	\$ 6,306,094	\$ 1,836,263	\$ 3,051,391	\$ 2,446,321	\$ 21,160,977	\$ 6,544,812	\$ -	\$ 6,544,812	\$ 411,098	\$ 28,116,887	\$ 27,736,538

THE NEW ENGLAND COLLEGE OF OPTOMETRY AND AFFILIATE

Consolidated Statement of Functional Expenses

Year Ended June 30, 2022

	<u>Program Services</u>					<u>Supporting Services</u>					<u>Total</u>
	<u>Clinical Instruction and Patient Care</u>	<u>Instruction</u>	<u>Research</u>	<u>Academic Support</u>	<u>Student and Auxiliary Services</u>	<u>Total Program Services</u>	<u>Institutional Support</u>	<u>Facilities Operations</u>	<u>Total General and Administrative</u>	<u>Fundraising</u>	
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
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
Advertising and promotion	500	-	-	-	24,444	24,944	146,382	-	146,382	-	171,326
Conferences and meetings	3,626	11,005	432	21,876	122,309	159,248	10,581	117	10,698	8,883	178,829
Cost of goods (optical and campus store)	635,163	-	1,874	-	100,465	737,502	-	-	-	-	737,502
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
Employee development and training	2,112	-	-	34,086	3,751	39,949	68,096	-	68,096	-	108,045
Equipment and building maintenance	38,053	6,357	42,884	3,050	471	90,815	97,208	245,560	342,768	-	433,583
Information technology	153,507	1,854	41,270	84,059	61,275	341,965	326,907	125	327,032	934	669,931
Insurance	75,475	-	-	-	-	75,475	249,469	-	249,469	-	324,944
Interest	12,309	44,714	13,381	12,982	13,169	96,555	25,229	-	25,229	2,803	124,587
Occupancy and utilities	469,004	247,034	-	-	-	716,038	13,807	241,834	255,641	-	971,679
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
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
Supplies	62,899	47,649	48,726	11,050	9,159	179,483	173,242	3,096	176,338	1,305	357,126
Travel	12,174	12,857	22,911	38,832	7,713	94,487	40,518	969	41,487	3,542	139,516
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

THE NEW ENGLAND COLLEGE OF OPTOMETRY AND AFFILIATE

Consolidated Statements of Cash Flows

Years Ended June 30,

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Change in net assets	\$ 6,881,877	\$ (2,817,974)
Adjustments to reconcile change in net assets to net cash, cash equivalents, and restricted cash provided by operating activities:		
Depreciation and amortization	1,670,075	1,713,380
Non-cash operating lease expense	367,380	-
Net unrealized and realized (gain) loss on investments	(1,950,263)	7,946,196
Loss on sale/disposal of assets	105,954	-
Change in:		
Endowment restricted contributions received	(68,752)	(172,467)
Accounts receivable, net	(417,577)	(36,233)
Prepayments and other assets	276,644	(486,942)
Contributions receivable, net	283,108	(206,289)
Accounts payable and accrued expenses	(818,985)	1,033,778
Operating lease liability	(389,025)	-
Deferred revenue	85,523	(44,382)
Net cash, cash equivalents, and restricted cash provided by operating activities	<u>6,025,959</u>	<u>6,929,067</u>
Cash flows from investing activities:		
Purchases of investments	(15,845,891)	(12,731,167)
Sales of investments	11,231,352	8,870,151
Proceeds from sale of property, plant and equipment	17,650	-
Additions to property, plant and equipment	(1,578,069)	(1,461,154)
Change in student loans, net	713	(266,519)
Net cash, cash equivalents, and restricted cash used in investing activities	<u>(6,174,245)</u>	<u>(5,588,689)</u>
Cash flows from financing activities:		
Endowment restricted contributions received	68,752	172,467
Repayments of bonds payable	(545,000)	(525,000)
Increase (decrease) in refundable U.S. government grants and institutional loans	(565,785)	149,863
Net cash, cash equivalents, and restricted cash used in financing activities	<u>(1,042,033)</u>	<u>(202,670)</u>
Change in cash, cash equivalents, and restricted cash	(1,190,319)	1,137,708
Cash, cash equivalents, and restricted cash as of beginning of year	<u>9,258,138</u>	<u>8,120,430</u>
Cash, cash equivalents, and restricted cash as of end of year	<u>\$ 8,067,819</u>	<u>\$ 9,258,138</u>
Supplemental data:		
Interest paid	\$ 110,371	\$ 125,877
Fixed asset additions included in accounts payable and accrued expenses	241,126	329,159
Deferred rent and lease incentives included in operating lease right-of-use assets on July 1, 2022	160,331	-

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)

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 \$671,465 and \$1,100,719 of cash and escrow accounts held for the Federal Perkins Loan Program, Health Professionals Student Loans, and Loans for Disadvantaged Students at June 30, 2023 and 2022, 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.

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.

THE NEW ENGLAND COLLEGE OF OPTOMETRY AND AFFILIATE

Notes to Consolidated Financial Statements

Note 2 - Summary of Significant Accounting Policies (Continued)

Fair Value Measurements (Continued)

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.

Leases

NECO Center for Eye Care leases its clinical campus and administrative office space under two operating leases that expire through December 2026 for which expense is recognized on a straight-line basis of the term of the leases. 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 short-term basis. The short-term lease cost recognized and disclosed for those leases in 2023 is \$164,554. The remaining lease payments due in 2024 are \$164,554.

Effective July 1, 2022, the College adopted changes required in lease accounting on the modified retrospective transition method which requires that operating leases be included as operating lease right-of-use (ROU) assets, and operating lease liabilities be included on the accompanying Consolidated Statements of Financial Position as of the date of adoption. The effect of this change was an increase in right-of-use assets of \$1,782,757 and a corresponding liability of \$1,943,088 being recorded as of July 1, 2022. Excluded from ROU assets at inception were deferred rent and lease incentives of \$160,331. This change did not impact amounts recognized in the Consolidated Statements of Activities. During the adoption process, the College made certain accounting policy elections allowed under the accounting standards.

ROU assets represent the College's right to use an underlying asset for the lease term and lease liabilities represent the College's obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As the College's leases do not provide an implicit rate, the College uses a risk-free rate based on the information available at commencement date in determining the present value of lease payments.

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

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

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 and contracts.

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.

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

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.

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.

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

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.

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 endowment 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.

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 consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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.

Subsequent Events

The College has evaluated subsequent events through October 27, 2023, 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.

THE NEW ENGLAND COLLEGE OF OPTOMETRY AND AFFILIATE

Notes to Consolidated Financial Statements

Note 3 - Liquidity and Availability (Continued)

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:

	2023	2022
Cash and cash equivalents	\$ 7,396,354	\$ 8,157,419
Accounts receivable, net	1,362,339	944,762
Contributions receivable, net	263,713	438,171
Endowment spending rate distributions and appropriations	449,850	424,811
Investments not encumbered by donor or board restrictions	42,254,810	36,029,794
	\$ 51,727,066	\$ 45,994,957

Note 4 - Accounts Receivable

Accounts receivable consisted of the following as of June 30:

	2023	2022
Students	\$ 637,095	\$ 391,575
Patient care	241,477	230,274
Professional service agreements	195,533	154,373
Grants	173,982	136,149
Other	255,084	155,137
	1,503,171	1,067,508
Less allowances for:		
Uncollectible student accounts	(175)	(13,756)
Uncollectible patient accounts and other adjustments	(96,829)	(95,838)
Uncollectible professional service agreements	(43,828)	(13,152)
Accounts receivable, net	\$ 1,362,339	\$ 944,762

THE NEW ENGLAND COLLEGE OF OPTOMETRY AND AFFILIATE

Notes to Consolidated Financial Statements

Note 5 - Contributions Receivable

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

	2023	2022
Amounts due in:		
Less than one year	\$ 314,000	\$ 507,500
Two to five years	202,500	328,000
	516,500	835,500
Less discount and allowance for uncollectible contributions	(94,666)	(130,558)
Contributions receivable, net	\$ 421,834	\$ 704,942

Contributions and bequests revenue for the years ended June 30, 2023 and 2022 includes approximately \$235,000 and \$221,000, respectively, of restricted gifts and pledges for scholarships and other support to increase underrepresented populations among the College's student and employee populations.

Note 6 - Financing Receivables

Financing loan receivables consist of the following at June 30:

	Past Due	Current	Total Financing Receivable
June 30, 2023			
Perkins Loans	\$ 19,784	\$ 771,994	\$ 791,778
HPSL Loans	56,453	3,926,663	3,983,116
LDS Loans	12,789	1,196,962	1,209,751
College Loans	49,524	1,206,314	1,255,838
Credit Reserve	(103,613)	-	(103,613)
Student loans receivable, net	\$ 34,937	\$ 7,101,933	\$ 7,136,870
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

THE NEW ENGLAND COLLEGE OF OPTOMETRY AND AFFILIATE

Notes to Consolidated Financial Statements

Note 6 - Financing Receivables (Continued)

Changes in the allowances for credit losses are as follows:

	Total
Balance as of July 1, 2021	\$ 155,115
Net change in provision	(17,142)
Balance as of June 30, 2022	137,973
Net change in provision	(34,360)
Balance as of June 30, 2023	\$ 103,613

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

Note 7 - Investments and Fair Value Measurements

Investments are as follows at June 30:

	2023	2022
Investments:		
Cash equivalents	\$ 3,574,097	\$ 3,405,143
U.S. Treasury securities	3,069,709	-
Exchange traded funds		
U.S. equities	15,294,378	13,392,420
Non-U.S. equities	1,327,426	851,942
Fixed income funds	1,813,811	1,907,023
Alternative funds	1,778,020	1,886,549
Mutual funds		
U.S. equity funds	2,817,302	2,504,724
Non-U.S. equity funds	5,802,551	5,026,561
Fixed income funds	10,657,863	10,441,984
Alternative funds	6,230,409	6,086,175
Real estate	908,258	1,206,501
Total assets at fair value	\$ 53,273,824	\$ 46,709,022

All investments are considered Level 1 at June 30, 2023 and 2022.

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:

	2023	2022
Interest and dividends, net	\$ 1,614,219	\$ 1,850,961
Net realized (loss) gain	(407,332)	1,334,073
Net unrealized gain (loss)	2,357,595	(9,280,268)
Total investment return	\$ 3,564,482	\$ (6,095,234)

Direct investment management and advisory fees paid were \$37,290 and \$32,891 for the years ended June 30, 2023 and 2022, 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:

	2023	2022
Land and buildings	\$ 2,003,640	\$ 2,003,640
Land and building improvements	23,387,221	22,577,401
Furniture, fixtures and equipment	12,067,095	11,168,723
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	63,481	405,241
	43,004,920	41,638,488
Less accumulated depreciation and amortization	(33,910,961)	(32,240,886)
Property, plant and equipment, net	\$ 9,093,959	\$ 9,397,602

THE NEW ENGLAND COLLEGE OF OPTOMETRY AND AFFILIATE

Notes to Consolidated Financial Statements

Note 9 - Leases

The College does not have any financing leases. The College's operating leases have the following information for the year ended June 30, 2023:

The components of lease expense were as follows for the year ended June 30, 2023:

Operating lease cost	\$ <u>436,748</u>
Total lease cost	\$ <u><u>436,748</u></u>

Other information related to leases was as follows for the year ended June 30, 2023:

Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	\$ 458,393
Weighted average remaining lease term:	
Operating leases	3.5 years
Weighted average discount rate:	
Operating leases	4.01%

Approximate annual minimum non-cancelable rental payments under operating leases for the years ending June 30 are as follows:

2024	\$ 466,784
2025	475,174
2026	483,564
2027	<u>241,782</u>
	1,667,304
Less amount representing interest	<u>(113,241)</u>
Operating lease liability	\$ <u><u>1,554,063</u></u>

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 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:

2024	\$	570,000
2025		590,000
2026		610,000
2027		630,000
2028		650,000
Thereafter		<u>340,000</u>
Bonds payable sub-total		3,390,000
Less bond issuance costs, net of amortization		<u>(25,000)</u>
Total bonds payable, net	\$	<u><u>3,365,000</u></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 \$1,088,751 and \$1,127,129 for the years ended June 30, 2023 and 2022, 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. Assets and liabilities relating to this plan amounted to \$191,628 and \$106,180 for the years ended June 30, 2023 and 2022, respectively.

THE NEW ENGLAND COLLEGE OF OPTOMETRY AND AFFILIATE

Notes to Consolidated Financial Statements

Note 12 - Net Assets Released from Restrictions

Net assets released from temporary donor restrictions by incurring expenses satisfying the restricted purposes, by occurrence of events specified by the donors, by the passage of time or in accordance with the College's spending policy were as follows for the years ended June 30:

	<u>2023</u>	<u>2022</u>
Purpose restrictions:		
Scholarships	\$ 300,174	\$ 122,691
Instruction and academic support	78,763	78,992
Other purpose restrictions	<u>234,238</u>	<u>172,623</u>
Operating net assets released from restrictions	<u>613,175</u>	<u>374,306</u>
Purpose restrictions:		
Scholarships	264,955	255,841
Instruction and academic support	126,137	118,872
Other purpose restrictions	<u>5,175</u>	<u>871</u>
Nonoperating net assets released from restrictions	<u>396,267</u>	<u>375,584</u>
Total net assets released from restriction	\$ <u>1,009,442</u>	\$ <u>749,890</u>

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.

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.

THE NEW ENGLAND COLLEGE OF OPTOMETRY AND AFFILIATE

Notes to Consolidated Financial Statements

Note 13 - Endowments (Continued)

Interpretation of Relevant Law and Spending Policy (Continued)

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.

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.

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.

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)

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

	<u>2023</u>	<u>2022</u>
Unexpended gains on donor-restricted endowment	\$ 2,740,201	\$ 2,492,085
Donor-restricted endowment funds	<u>8,279,072</u>	<u>8,187,143</u>
Total endowment funds	<u>\$ 11,019,273</u>	<u>\$ 10,679,228</u>

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

	<u>2023</u>	<u>2022</u>
Endowment assets, beginning of year	\$ <u>10,679,228</u>	\$ <u>12,466,891</u>
Gifts and additions	<u>68,752</u>	<u>146,703</u>
Investment return (loss)	<u>777,560</u>	<u>(1,448,782)</u>
Withdrawals	<u>(110,000)</u>	<u>(110,000)</u>
Expenditures:		
Amounts appropriated for operations:		
Scholarships	(264,955)	(255,841)
Academic support	(126,137)	(118,872)
Other	<u>(5,175)</u>	<u>(871)</u>
Total expenditures	<u>(396,267)</u>	<u>(375,584)</u>
Change in endowment assets	<u>340,045</u>	<u>(1,787,663)</u>
Endowment assets, end of year	<u>\$ 11,019,273</u>	<u>\$ 10,679,228</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:

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Detail of Net Assets			
Operating funds:			
Net investment in plant	\$ 5,728,959	\$ -	\$ 5,728,959
Net assets related to operations	47,003,385	-	47,003,385
Total operating funds	52,732,344	-	52,732,344
Endowment corpus:			
Academic support	-	1,178,319	1,178,319
Scholarships	-	3,356,256	3,356,256
Research	-	150,886	150,886
Clinical	-	1,000	1,000
Other	-	97,792	97,792
Total endowment corpus	-	4,784,253	4,784,253
Unexpended gain on donor-restricted endowment	-	2,740,201	2,740,201
Purpose restricted funds:			
Academic support	-	44,521	44,521
Scholarships	-	2,267,622	2,267,622
International education	-	956,525	956,525
Clinical	-	18,745	18,745
Institutional loans	-	199,442	199,442
Other	-	7,964	7,964
Total purpose restricted funds	-	3,494,819	3,494,819
Total endowment funds	-	11,019,273	11,019,273
Other purpose restricted funds:			
Institutional loans	-	1,504,837	1,504,837
Other purposes	-	637,138	637,138
Contributions receivable	-	421,834	421,834
Total other purpose restricted funds	-	2,563,809	2,563,809
Total net assets	\$ 52,732,344	\$ 13,583,082	\$ 66,315,426

THE NEW ENGLAND COLLEGE OF OPTOMETRY AND AFFILIATE

Notes to Consolidated Financial Statements

Note 14 - Net Assets (Continued)

	2022		Total
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	
Detail of Net Assets			
Operating funds:			
Net investment in plant	\$ 5,487,602	\$ -	\$ 5,487,602
Net assets related to operations	<u>40,894,621</u>	<u>-</u>	<u>40,894,621</u>
Total operating funds	<u>46,382,223</u>	<u>-</u>	<u>46,382,223</u>
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	<u>-</u>	<u>97,272</u>	<u>97,272</u>
Total endowment corpus	<u>-</u>	<u>4,720,878</u>	<u>4,720,878</u>
Unexpended gain on donor-restricted endowment	<u>-</u>	<u>2,492,085</u>	<u>2,492,085</u>
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	<u>-</u>	<u>7,413</u>	<u>7,413</u>
Total purpose restricted funds	<u>-</u>	<u>3,466,265</u>	<u>3,466,265</u>
Total endowment funds	<u>-</u>	<u>10,679,228</u>	<u>10,679,228</u>
Other purpose restricted funds:			
Institutional loans	-	1,394,837	1,394,837
Other purposes	-	272,319	272,319
Contributions receivable	<u>-</u>	<u>704,942</u>	<u>704,942</u>
Total other purpose restricted funds	<u>-</u>	<u>2,372,098</u>	<u>2,372,098</u>
Total net assets	<u>\$ 46,382,223</u>	<u>\$ 13,051,326</u>	<u>\$ 59,433,549</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 was expected to 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 first cohort of students was expected to enroll in Fall of 2023 or Fall 2024. In accordance with the terms of the agreement, the College terminated its agreement with Noodle Partners in December 2022 due to the inability to achieve accreditation with ACOE (Accreditation Council on Optometric Education). Total direct expenses incurred during the years ended June 30, 2023 and 2022 were approximately \$778,000 and \$314,000, respectively

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, 2023.

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 for the year ended June 30, 2022.

THE NEW ENGLAND COLLEGE OF OPTOMETRY AND AFFILIATE

Notes to Consolidated Financial Statements

Note 17 - Related Party Transactions

A former member of the Board of Trustees provided consulting services to the College which amounted to \$33,333 and \$9,167 for the years ended June 30, 2023 and 2022, respectively. No amounts were outstanding as of June 30, 2023 and 2022.

A company formerly affiliated with a member of the Board of Trustees provided mental health counseling services to the College which amounted to \$12,633 and \$11,638 for the years ended June 30, 2023 and 2022, respectively. \$1,062 and \$1,006 were outstanding as of June 30, 2023 and 2022, respectively.

Supplemental Information

THE NEW ENGLAND COLLEGE OF OPTOMETRY AND AFFILIATE

Schedule 1 - Consolidating Schedule of Financial Position

June 30, 2023

Assets	NECO	NECO Center for Eye Care	Eliminating Entries	Consolidated
Cash and cash equivalents	\$ 7,281,271	\$ 115,083	\$ -	\$ 7,396,354
Accounts receivable, net	1,065,987	296,352	-	1,362,339
Loans receivable from NECO Center for Eye Care	621,921	-	(621,921)	-
Operating receivables from NECO Center for Eye Care	113,516	-	(113,516)	-
Prepayments and other assets	847,355	212,384	-	1,059,739
Restricted cash	671,465	-	-	671,465
Contributions receivable, net	413,674	8,160	-	421,834
Student loans, net	7,136,870	-	-	7,136,870
Investments	53,163,986	109,838	-	53,273,824
Operating lease right-of-use assets	512,762	902,615	-	1,415,377
Property, plant and equipment, net	7,885,249	1,208,710	-	9,093,959
Total assets	<u>\$ 79,714,056</u>	<u>\$ 2,853,142</u>	<u>\$ (735,437)</u>	<u>\$ 81,831,761</u>
Liabilities and Net Assets				
Liabilities:				
Accounts payable and accrued expenses	\$ 1,297,702	\$ 250,810	\$ -	\$ 1,548,512
Deferred revenue	2,754,077	22,731	-	2,776,808
Loans payable to NECO	-	621,921	(621,921)	-
Operating payables due to NECO	-	113,516	(113,516)	-
Operating lease liability	563,005	991,058	-	1,554,063
Bonds payable	3,365,000	-	-	3,365,000
Refundable U.S. government grants	6,271,952	-	-	6,271,952
Total liabilities	<u>14,251,736</u>	<u>2,000,036</u>	<u>(735,437)</u>	<u>15,516,335</u>
Net assets:				
Without donor restrictions	51,942,782	789,562	-	52,732,344
With donor restrictions	13,519,538	63,544	-	13,583,082
Total net assets	<u>65,462,320</u>	<u>853,106</u>	<u>-</u>	<u>66,315,426</u>
Total liabilities and net assets	<u>\$ 79,714,056</u>	<u>\$ 2,853,142</u>	<u>\$ (735,437)</u>	<u>\$ 81,831,761</u>

THE NEW ENGLAND COLLEGE OF OPTOMETRY AND AFFILIATE

Schedule 2 - Consolidating Schedule of Activities

Year Ended June 30, 2023

	<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 \$1,597,518 in 2023	\$ 22,799,000	\$ -	\$ -	\$ 22,799,000
Education service/administrative	920,000	3,229,561	(4,149,561)	-
Contributions and bequests	887,458	73,785	-	961,243
Patient care	-	2,900,144	-	2,900,144
Professional service agreements	-	2,189,627	-	2,189,627
Grants and contracts	2,087,164	25,785	-	2,112,949
Interest income on other than investments	230,543	240	-	230,783
Other sources	214,629	9,163	-	223,792
Auxiliary enterprises	124,045	-	-	124,045
Total operating revenues	<u>27,262,839</u>	<u>8,428,305</u>	<u>(4,149,561)</u>	<u>31,541,583</u>
Net assets released from restrictions	<u>391,267</u>	<u>5,000</u>	<u>-</u>	<u>396,267</u>
Total operating revenues and net assets released from restrictions	<u>27,654,106</u>	<u>8,433,305</u>	<u>(4,149,561)</u>	<u>31,937,850</u>
Operating expenses:				
Clinical instruction and patient care	-	8,440,908	(920,000)	7,520,908
Instruction	6,306,094	-	-	6,306,094
Research	1,836,263	-	-	1,836,263
Academic support	6,280,952	-	(3,229,561)	3,051,391
Student and auxiliary services	2,446,321	-	-	2,446,321
Institutional support and fundraising	6,955,910	-	-	6,955,910
Total operating expenses	<u>23,825,540</u>	<u>8,440,908</u>	<u>(4,149,561)</u>	<u>28,116,887</u>
Change in net assets from operating activities	3,828,566	(7,603)	-	3,820,963
Nonoperating activities:				
Net assets released from restrictions	(396,267)	-	-	(396,267)
Investment return	3,556,879	7,603	-	3,564,482
Change in value of annuity obligations	(1,347)	-	-	(1,347)
Loss on sale/disposal of assets	(105,954)	-	-	(105,954)
Change in net assets	6,881,877	-	-	6,881,877
Net assets as of beginning of year	<u>58,580,443</u>	<u>853,106</u>	<u>-</u>	<u>59,433,549</u>
Net assets as of end of year	\$ <u>65,462,320</u>	\$ <u>853,106</u>	\$ <u>-</u>	\$ <u>66,315,426</u>