



INNOVATION FOR A HEALTHIER PLANET

FINANCIAL STATEMENTS

with

**FEDERAL REPORTS IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS AND
THE UNIFORM GUIDANCE**

and

RELATED SUPPLEMENTARY INFORMATION

May 31, 2024 and 2023

With Independent Auditor's Report



INDEPENDENT AUDITOR'S REPORT

Board of Trustees
University of New England

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the University of New England (the University), which comprise the statements of financial position as of May 31, 2024 and 2023, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the University as of May 31, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles (U.S. GAAP).

Basis for Opinion

We conducted our audits in accordance with U.S. generally accepted auditing standards (U.S. GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the University 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 1 to the financial statements, the University adopted Financial Accounting Standards Board Accounting Standards Update No. 2016-13, *Financial Instruments - Credit Losses* (Topic 326): *Measurement of Credit Losses on Financial Instruments*, and related guidance, during the year ended May 31, 2024. Our opinion is not modified with respect to that matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether these financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 U.S. GAAS and *Government Auditing Standards* 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 financial statements.

In performing an audit in accordance with U.S. GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 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 University'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the University'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.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Financial Responsibility Supplemental Schedule is presented for purposes of additional analysis as required by the U.S. Department of Education and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. GAAS. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 13, 2024 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

Berry Dunn McNeil & Parker, LLC

Manchester, New Hampshire
September 13, 2024

UNIVERSITY OF NEW ENGLAND

Statements of Financial Position

May 31, 2024 and 2023

ASSETS

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 61,206,533	\$ 43,774,330
Short-term investments	74,613,089	187,637,581
Accounts receivable, less allowance for credit losses and contractual allowances of \$2,013,061 and \$2,242,120 in 2024 and 2023, respectively	7,386,086	4,433,425
Grants and contracts receivable	6,161,126	6,332,168
Prepaid expenses and other assets	4,583,856	3,473,886
Unconditional promises to give, net	9,206,499	6,698,378
Loans to students, less allowance for credit losses of \$338,676 and \$277,178 in 2024 and 2023, respectively	2,091,069	3,248,030
Long-term investments	336,029,104	180,777,171
Assets whose use is limited	22,095,095	61,086,726
Right of use assets	6,546,816	7,337,558
Property, plant, and equipment, net of accumulated depreciation	<u>258,902,517</u>	<u>222,288,067</u>
Total assets	\$ <u>788,821,790</u>	\$ <u>727,087,320</u>

LIABILITIES AND NET ASSETS

Liabilities		
Accounts payable and accrued expenses	\$ 20,902,675	\$ 20,117,904
Unearned tuition and fees	19,279,180	18,664,027
Student deposits and credits	952,910	1,103,079
Deferred grants and contracts revenue	439,639	802,581
Refundable student loan programs	2,833,803	3,095,857
Bonds payable, net	149,139,871	155,202,659
Lease obligations	8,056,727	8,746,216
Other long-term liabilities	<u>1,747,831</u>	<u>1,646,535</u>
Total liabilities	<u>203,352,636</u>	<u>209,378,858</u>
Net assets		
Without donor restrictions	510,852,583	456,988,261
With donor restrictions	<u>74,616,571</u>	<u>60,720,201</u>
Total net assets	<u>585,469,154</u>	<u>517,708,462</u>
Total liabilities and net assets	\$ <u>788,821,790</u>	\$ <u>727,087,320</u>

The accompanying notes are an integral part of these financial statements.

UNIVERSITY OF NEW ENGLAND

Statement of Activities

Year Ended May 31, 2024

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Operating revenues and support			
Educational and general, net of \$46,196,910 in scholarships	\$ 169,517,724	\$ -	\$ 169,517,724
Auxiliary enterprises	31,476,429	107,088	31,583,517
Gifts, grants, and contracts	15,585,759	5,145,906	20,731,665
Investment income - other	9,754,441	-	9,754,441
Spending policy investment income availed	4,507,400	-	4,507,400
Other income	<u>999,124</u>	<u>7,875</u>	<u>1,006,999</u>
Total operating revenues and support	231,840,877	5,260,869	237,101,746
Net assets released from restrictions for current operations	<u>6,218,592</u>	<u>(6,218,592)</u>	<u>-</u>
Total operating revenues, support, and releases	<u>238,059,469</u>	<u>(957,723)</u>	<u>237,101,746</u>
Expenses			
Program	176,028,124	-	176,028,124
Administrative	<u>32,396,546</u>	<u>-</u>	<u>32,396,546</u>
Total expenses	<u>208,424,670</u>	<u>-</u>	<u>208,424,670</u>
Change in net assets from current operations	<u>29,634,799</u>	<u>(957,723)</u>	<u>28,677,076</u>
Non-operating income (loss)			
Gifts, grants, and contracts	-	8,961,882	8,961,882
Investment income, net of spending policy investment income availed	24,374,265	6,255,169	30,629,434
Other losses	<u>(507,700)</u>	<u>-</u>	<u>(507,700)</u>
Net non-operating income	23,866,565	15,217,051	39,083,616
Net assets released from restrictions for capital projects	<u>362,958</u>	<u>(362,958)</u>	<u>-</u>
Change in net assets from non- operating activities	<u>24,229,523</u>	<u>14,854,093</u>	<u>39,083,616</u>
Total change in net assets	53,864,322	13,896,370	67,760,692
Net assets at beginning of year	<u>456,988,261</u>	<u>60,720,201</u>	<u>517,708,462</u>
Net assets at end of year	\$ <u>510,852,583</u>	\$ <u>74,616,571</u>	\$ <u>585,469,154</u>

The accompanying notes are an integral part of these financial statements.

UNIVERSITY OF NEW ENGLAND

Statement of Activities

Year Ended May 31, 2023

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Operating revenues and support			
Educational and general, net of \$47,295,244 in scholarships	\$ 163,799,969	\$ -	\$ 163,799,969
Auxiliary enterprises	30,465,701	112,906	30,578,607
Gifts, grants, and contracts	12,205,380	7,221,024	19,426,404
Investment income - other	8,330,888	-	8,330,888
Spending policy investment income availed	3,762,200	-	3,762,200
Other income	<u>989,858</u>	<u>4,200</u>	<u>994,058</u>
Total operating revenues and support	219,553,996	7,338,130	226,892,126
Net assets released from restrictions for current operations	<u>7,764,506</u>	<u>(7,764,506)</u>	<u>-</u>
Total operating revenues, support, and releases	<u>227,318,502</u>	<u>(426,376)</u>	<u>226,892,126</u>
Expenses			
Program	163,655,051	-	163,655,051
Administrative	<u>28,275,059</u>	<u>-</u>	<u>28,275,059</u>
Total expenses	<u>191,930,110</u>	<u>-</u>	<u>191,930,110</u>
Change in net assets from current operations	<u>35,388,392</u>	<u>(426,376)</u>	<u>34,962,016</u>
Non-operating (loss) income			
Gifts, grants, and contracts	-	8,052,062	8,052,062
Investment (loss) income, net of spending policy investment			
Income availed	(1,906,118)	155,861	(1,750,257)
Other losses	<u>(95,122)</u>	<u>-</u>	<u>(95,122)</u>
Net non-operating (loss) income	(2,001,240)	8,207,923	6,206,683
Net assets released from restrictions for capital projects	<u>1,291,536</u>	<u>(1,291,536)</u>	<u>-</u>
Change in net assets from non-operating activities	<u>(709,704)</u>	<u>6,916,387</u>	<u>6,206,683</u>
Total change in net assets	34,678,688	6,490,011	41,168,699
Net assets at beginning of year	<u>422,309,573</u>	<u>54,230,190</u>	<u>476,539,763</u>
Net assets at end of year	\$ <u>456,988,261</u>	\$ <u>60,720,201</u>	\$ <u>517,708,462</u>

The accompanying notes are an integral part of these financial statements.

UNIVERSITY OF NEW ENGLAND
Statement of Functional Expenses
Year Ended May 31, 2024

	Program Expenses					Administrative Expenses			
	Instruction and Academic Support	Research and Public Service	Auxiliary Enterprises	Student Services	Total	Institutional Support	Fundraising	Total	Total Expenses
Compensation	\$ 59,128,509	\$ 6,060,321	\$ 6,812,864	\$ 12,430,720	\$ 84,432,414	\$ 9,390,760	\$ 1,973,978	\$ 11,364,738	\$ 95,797,152
Fringe benefits	17,826,811	1,754,541	2,044,319	3,104,803	24,730,474	2,903,031	592,538	3,495,569	28,226,043
Clinical rotations	5,308,026	-	-	-	5,308,026	-	-	-	5,308,026
Repair and maintenance	2,368,292	440,220	2,451,143	1,559,090	6,818,745	5,454,355	3,776	5,458,131	12,276,876
Outside services	3,335,482	5,536,390	969,062	1,552,790	11,393,724	5,578,537	267,708	5,846,245	17,239,969
Other operating costs	8,120,974	1,533,285	2,690,308	5,378,034	17,722,601	3,728,526	400,294	4,128,820	21,851,421
Utilities	1,199,593	212,353	2,126,358	1,007,962	4,546,266	220,370	-	220,370	4,766,636
Marketing and advertising	1,683,136	711	10,678	150,296	1,844,821	1,098,088	2,907	1,100,995	2,945,816
Dining services	-	300	4,918,440	136,581	5,055,321	-	-	-	5,055,321
Depreciation	3,267,192	578,850	4,300,158	2,747,593	10,893,793	600,705	-	600,705	11,494,498
Interest	<u>984,297</u>	<u>174,388</u>	<u>1,295,495</u>	<u>827,759</u>	<u>3,281,939</u>	<u>180,973</u>	<u>-</u>	<u>180,973</u>	<u>3,462,912</u>
	<u>\$ 103,222,312</u>	<u>\$ 16,291,359</u>	<u>\$ 27,618,825</u>	<u>\$ 28,895,628</u>	<u>\$ 176,028,124</u>	<u>\$ 29,155,345</u>	<u>\$ 3,241,201</u>	<u>\$ 32,396,546</u>	<u>\$ 208,424,670</u>

The accompanying notes are an integral part of these financial statements.

UNIVERSITY OF NEW ENGLAND
Statement of Functional Expenses
Year Ended May 31, 2023

	Program Expenses					Administrative Expenses			
	Instruction and Academic Support	Research and Public Service	Auxiliary Enterprises	Student Services	Total	Institutional Support	Fundraising	Total	Total Expenses
Compensation	\$ 55,708,290	\$ 5,208,360	\$ 5,979,082	\$ 11,512,250	\$ 78,407,982	\$ 8,357,904	\$ 1,901,083	\$ 10,258,987	\$ 88,666,969
Fringe benefits	17,073,219	1,494,689	1,818,590	2,852,945	23,239,443	2,526,928	564,189	3,091,117	26,330,560
Clinical rotations	4,949,448	-	-	-	4,949,448	7,562	-	7,562	4,957,010
Repair and maintenance	2,069,923	385,308	1,872,422	1,175,117	5,502,770	3,377,417	3,366	3,380,783	8,883,553
Outside services	2,846,009	5,289,126	918,937	1,465,466	10,519,538	5,735,484	154,586	5,890,070	16,409,608
Other operating costs	7,244,547	1,883,997	2,096,714	4,856,658	16,081,916	3,237,050	443,196	3,680,246	19,762,162
Utilities	1,115,963	197,457	2,044,803	938,697	4,296,920	204,913	-	204,913	4,501,833
Marketing and advertising	1,458,529	11,782	12,819	63,533	1,546,663	946,726	967	947,693	2,494,356
Dining services	-	-	4,230,492	119,968	4,350,460	-	-	-	4,350,460
Depreciation	3,287,770	582,496	4,327,242	2,768,577	10,966,085	604,489	-	604,489	11,570,574
Interest	<u>1,137,818</u>	<u>201,588</u>	<u>1,497,555</u>	<u>956,865</u>	<u>3,793,826</u>	<u>209,199</u>	<u>-</u>	<u>209,199</u>	<u>4,003,025</u>
	<u>\$ 96,891,516</u>	<u>\$ 15,254,803</u>	<u>\$ 24,798,656</u>	<u>\$ 26,710,076</u>	<u>\$ 163,655,051</u>	<u>\$ 25,207,672</u>	<u>\$ 3,067,387</u>	<u>\$ 28,275,059</u>	<u>\$ 191,930,110</u>

The accompanying notes are an integral part of these financial statements.

UNIVERSITY OF NEW ENGLAND

Statements of Cash Flows

Years Ended May 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Cash flows from operating activities		
Change in net assets	\$ 67,760,692	\$ 41,168,699
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	11,494,498	11,570,574
Net accretion of bond premiums and cost of issuance	(577,788)	(597,167)
Refundable student loan programs – non-operating loss	659,853	192,999
Gain on sale of property, plant, and equipment	(4,600)	(36,763)
Accretion of asset retirement obligation	72,475	68,544
Changes to allowance for credit losses on accounts receivable	267,814	(294,206)
Net realized and unrealized gain on investments	(29,812,544)	(508,695)
Contributions for capital projects and other long-term purposes	(8,961,882)	(8,052,062)
Changes in operating assets and liabilities:		
Accounts receivable	(3,116,275)	343,824
Prepaid expenses and other assets	(1,109,970)	589,100
Grants and contracts receivable	(546,164)	76,155
Accounts payable and accrued expenses	(1,051,431)	2,641,332
Unearned tuition and fees	615,153	637,349
Student deposits and credits	(150,169)	(262,967)
Deferred grants and contracts revenue	<u>(362,942)</u>	<u>734,939</u>
Net cash provided by operating activities	<u>35,176,720</u>	<u>48,271,655</u>
Cash flows from investing activities		
Proceeds from sale of property, plant, and equipment	4,600	38,450
Purchases of property, plant, and equipment	(46,080,494)	(19,886,299)
Payments received on student loans	944,659	1,255,212
Purchases of investments	(475,268,192)	(502,095,647)
Proceeds from maturities and sales of investments	<u>462,853,294</u>	<u>222,916,298</u>
Net cash used by investing activities	<u>(57,546,133)</u>	<u>(297,771,986)</u>
Cash flows from financing activities		
Payments of finance lease obligations	(90,998)	(117,057)
Contributions received for capital projects and other long-term purposes	7,196,807	4,385,460
Payment of long-term debt	(5,485,000)	(4,260,000)
Payments to annuitants	(27,123)	(25,270)
Refundable student loan programs-funds returned	(813,805)	(951,638)
Other net changes	<u>30,104</u>	<u>37,222</u>
Net cash provided (used) by financing activities	<u>809,985</u>	<u>(931,283)</u>
Net decrease in cash and cash equivalents	(21,559,428)	(250,431,614)
Cash and cash equivalents, beginning of year	<u>104,861,056</u>	<u>355,292,670</u>
Cash and cash equivalents, end of year	\$ <u>83,301,628</u>	\$ <u>104,861,056</u>
Reconciliation of cash and cash equivalents, and assets whose use is limited		
Cash and cash equivalents	\$ 61,206,533	\$ 43,774,330
Assets whose use is limited	<u>22,095,095</u>	<u>61,086,726</u>
	\$ <u>83,301,628</u>	\$ <u>104,861,056</u>

The accompanying notes are an integral part of these financial statements.

UNIVERSITY OF NEW ENGLAND

Notes to Financial Statements

May 31, 2024 and 2023

Nature of the University

The University of New England (UNE or the University) is a private university, with two coastal Maine campuses, online programs, and study abroad opportunities including a campus in Tangier, Morocco. UNE offers more than 50 bachelor's degrees and over 30 graduate, professional, and doctoral degrees. The University builds on a legacy of health professions programs (including Maine's only medical college and physician assistant programs, and Northern New England's only dental college) and its national leadership in interprofessional health care education. The University's mission is to prepare students to thrive in a rapidly changing world and, in so doing, to improve the health of people, communities, and our planet.

1. Summary of Significant Accounting Policies

Basis of Presentation

The financial statements of the University have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (U.S. GAAP).

Resources are reported, for accounting purposes, in separate classes of net assets based on the existence or absence of donor-imposed restrictions. In the accompanying financial statements, net assets that have similar characteristics have been combined into categories as follows:

Net assets without donor restrictions - Net assets that are not subject to donor-imposed stipulations or restricted by state law and may be expended for any purpose in performing the primary objectives of the University. These net assets may be designated for specific purposes by action of the Board of Trustees or may otherwise be limited by contractual agreements with outside parties.

Net assets with donor restrictions - Net assets subject to donor-imposed restrictions that may be perpetual, or may expire with the passage of time, or when actions are taken to meet restrictions. These assets include the corpus and accumulated gains of donor restricted endowment funds, unconditional promises to give and split-interest agreements that are subject to the passage of time, and appropriated endowment funds not yet expended for their restricted purpose.

Contributions, interest and dividends, and investment return comprised of net realized and unrealized gains and losses with donor-imposed or state law restrictions are reported as increases in net assets with donor restrictions. Net assets with donor restrictions that are temporary in nature are reclassified to net assets without donor restrictions when an expenditure is incurred, or the passage of time occurs, that satisfies the donor-imposed or state law restriction.

Contributions restricted for the acquisition of property, plant, and equipment are reported as increases in net assets with donor restrictions. These contributions are reclassified to net assets without donor restrictions when the assets are placed in service.

UNIVERSITY OF NEW ENGLAND

Notes to Financial Statements

May 31, 2024 and 2023

Newly Adopted Accounting Principle

Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* (Topic 326), and related guidance that is referred to as the current expected credit loss (CECL) methodology. The CECL methodology is applicable to financial assets measured at amortized cost, including accounts and loan receivables. The University's adoption of Topic 326 during the year ended May 31, 2024 did not have a material impact on its financial statements.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Statement of Financial Position

Cash and Cash Equivalents

Cash equivalents consist of cash in banks and highly liquid investments with original maturities of three months or less unless held for meeting restrictions of a capital or endowment nature. The University maintains its cash and cash equivalents with high credit quality financial institutions, which typically exceeds the federally insured limits. The University participates in an Insured Cash Sweep program to maintain Federal Deposit Insurance Corporation coverage on most cash balances held at the financial institutions. The University has not experienced losses on accounts and believes it is not unreasonably exposed to significant credit risk on cash and cash equivalents.

Short-term Investments

Short-term investments are reported at fair value using observable Level 1 and Level 2 inputs and consists primarily of Treasury notes, Treasury bills, and commercial paper with maturities of greater of 90 days and less than 12 months from the date of purchase.

Accounts, Grants, and Contracts Receivable

Accounts receivable consist of amounts due from students, health center patients, and other sundry billings. Grants and contracts receivable consist primarily of federal and state government awards for financial aid, public service, and research activities. Receivables are reported at the amount management expects to collect on balances outstanding at year-end. The University determines its past due receivables based on contractual terms and assesses finance charges on student receivables.

UNIVERSITY OF NEW ENGLAND

Notes to Financial Statements

May 31, 2024 and 2023

Management's evaluation of the adequacy of the allowance for credit losses of accounts, grants and contract receivables is based on past experience, known and inherent risks, review of specific receivables, and situations that may affect the parties' ability to pay.

Unconditional Promises to Give

Unconditional promises to give consist of long-term pledges recorded at their estimated present value using a discount rate after providing an allowance for uncollectible pledges.

An unconditional promise to give is a written or oral agreement to contribute cash or other assets to the University. Unconditional promises to give that are scheduled to be received after the statement of financial position date are shown as increases in net assets with donor restrictions and are reclassified to net assets without donor restrictions when the restrictions are met. Promises to give subject to a donor-imposed stipulation that the corpus be maintained permanently are recognized as increases in net assets with donor restrictions held in perpetuity.

Contributions to be received beyond one year from the statement of financial position date have been recorded at present value using discount rates ranging from 4.5% to 5.0%. The University uses the reserve method of accounting for uncollectible pledges. Management's evaluation of the adequacy of the allowance is based on past experience, known and inherent risks, review of specific receivables, and adverse situations that may affect the donors' ability to pay.

Conditional Promises to Give

Conditional promises to give are not recorded until specified obligations or barriers such as milestones or performance targets are met.

The University is regularly awarded federal and state grants that are conditional contributions, with revenue to be recorded as conditions are met. These conditions are met based on the underlying contract agreements and have been historically met over the term of the contract. Grants awarded with outstanding conditions to be met at May 31, 2024 and 2023 were approximately \$15,460,000 and \$15,950,000, respectively.

The University has received notification that it has been named in several wills, revenue from which is recorded once the bequests have been through probate and the contribution can be valued.

Split Interest Agreements

The University is party to various split interest agreements including charitable trusts and pooled life income funds. Assets held in pooled life income funds and charitable gift annuities are included in long-term investments at the fair market value of the underlying assets and the University's obligations under these arrangements are recorded as annuities payable at estimated net present value and are included in other long-term liabilities on the statements of financial position.

Charitable trusts which are held by an outside party are included in unconditional promises to give at the University's share of the fair market value of the underlying assets net of a discount for the present value of estimated future payments to beneficiaries. The value of these trusts were \$259,113 and \$245,046 at May 31, 2024 and 2023, respectively.

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Donor contributions to split interest agreements are recorded as contribution revenue in the non-operating section of the statements of activities in the year the gift is made. The discount rate used to calculate the present value of estimated future payments to beneficiaries were 4.5% and 4.25% at May 31, 2024 and 2023, respectively.

Loans to Students

The loans receivable from students are stated at the amount the University expects to collect from outstanding balances, which includes adjustments for allowances for credit losses. The allowance for credit losses is a valuation account that is deducted from the loans' amortized cost basis to present the net amount expected to be collected on the loans. Management's evaluation of the adequacy of the allowance for credit losses of student loan receivables is based on past experience, known and inherent risks, review of specific receivables, and situations that may affect the students' ability to pay. The University has one portfolio segment as the University's loans possess the same characteristics when determining the appropriate level of allowance.

Repayments of principal and interest on student loans receivable generally do not commence until after the borrower graduates or otherwise ceases enrollment. For the majority of loans, interest income is charged from the beginning of the repayment period, which is typically nine months after the borrower ceases to be at least a half time student at an institution of higher education.

Student loans receivable includes both funds advanced to the University by the United States Department of Education (ED) under Federal Student Loan Programs and amounts provided by the University. The University may reloan Federal Nursing Loan and Primary Care Loan funds after collection, whereas the Perkins Student Loan program, as directed by ED, was terminated and no new Perkins loans are permitted. Amounts advanced by the federal government are ultimately refundable and are classified as refundable student loan programs.

The Federal Perkins Student Loan, Nursing Loan, and Primary Care Loan Programs have provisions for deferment, forbearance, and cancellation of the individual loans. Principal payments, interest, and losses due to cancellation are shared by the University and the U.S. Government in proportion to their share of funds provided. The University is required to maintain separate cash accounts for Federal Student Loans. The balance of these cash accounts is included with assets whose use is limited.

Investments

Investments are stated at fair value. Fair values denominated in foreign currencies, if any, are translated into U.S. dollars using exchange rates prevailing at the end of the fiscal year. Due to the level of risk associated with investment securities, such as interest rates, credit, and overall market volatility, and the level of uncertainty related to the changes in the value of these investments, there is a possibility that changes in value in the near term could materially impact the amounts reported as the fair value of investments at May 31, 2024.

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The University defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. U.S. GAAP establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

Fair Value Measurements

- Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.
- Level 2: Significant other observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, and other inputs that are observable or can be corroborated by observable market data. The University values Level 2 investments based on quoted prices for similar assets and the fair value market approach, as determined by several factors, including their credit ratings relative to the fixed income with similar maturity and duration.
- Level 3: Significant unobservable inputs that reflect an entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability. The University does not have any assets measured at fair value using Level 3.

At May 31, 2024 and 2023, the University had no investments using Level 3 inputs.

Leases

At the inception of a contract or arrangement, the University determines if the contract or arrangement is, or contains, a lease based on the facts and circumstances. Lease classification then is determined as of the lease commencement date. The University (i) identifies the lease and non-lease components, (ii) determines the consideration of the contract, (iii) determines whether the lease is an operating or financing lease, and (iv) recognizes lease right of use (ROU) assets and lease obligations. At inception, the lease assets and liabilities are recorded based on the net present value of lease payments over the expected lease term. The interest rate used by the University to determine net present value is typically the estimated incremental borrowing commensurate with the term of the lease. Some leases may include options to renew or terminate at the direction of the University. The University considers these options in determining the expected lease term at inception when it is reasonably certain that such options will be exercised. Lease obligations and the related ROU assets are not recognized for those leases with an original term of 12 months or less.

Lease payments on operating leases are recognized over the expected lease term on a straight-line basis, while payments on finance leases are recognized using the effective interest rate method. Lease expense on operating leases is reported as other operating costs, whereas finance lease ROU assets are amortized to expense over the lease term and interest costs are expensed on the lease obligation throughout the lease term.

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Property, Plant, and Equipment

Land, buildings, fixtures, and equipment are stated at cost, or fair value at date of donation in the case of gifts. Gifts of long-lived assets are reported as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used.

Depreciation expense is computed on a straight-line basis over the estimated useful lives of the assets as follows:

	Estimated Useful <u>Lives (Years)</u>
Land improvements	20 – 25
Buildings and building improvements	25 – 60
Furnishings and fixtures	5 – 15
Vehicles and machinery	5 – 15
Operational equipment	3 – 15

The cost of repairs and maintenance is charged to expense as incurred, whereas major renovations and projects that prolong an asset's useful life are capitalized as property, plant, and equipment. When assets are sold or disposed of, the cost of the asset and related accumulated depreciation are removed from the accounts and any gain or loss is included in the statements of activities.

Bond Premium, Net of Issuance Costs

A bond premium (including the costs of issuance such as underwriting, bond rating, and legal) resulting from the issuance of debt occurs when the proceeds from a bond issuance exceed the par value of bonds issued. The premium, net of issuance costs, is amortized to interest expense over the bond maturities.

Statement of Activities

Significant aspects of the presentation of the statement of activities include:

- The statement of activities reflects the change in net assets for the two net asset categories described in the Basis of Presentation section above.
- Contributions are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions, in which case they are reported as increases in net assets with donor restrictions.
- Expenses are reported as decreases in net assets without donor restrictions.

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- When resources with donor-imposed restrictions (including endowment income allocated under the University's spending formula) are expended for the purposes specified by the donor, the amounts are reclassified from support with donor restrictions to support without donor restrictions. The reclassification appears either in the operating section or non-operating section of the statement of activities as net assets released from restrictions, depending on whether the donor restricted net assets are used for operating purposes (e.g., student aid) or non-operating purposes (e.g., capital projects). Absent explicit donor stipulations about how long-lived assets must be maintained, the University reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Revenue Recognition

Net educational and general revenues consist primarily of undergraduate and graduate tuition, net of scholarships, and fees derived from courses taught by the University at its Biddeford and Portland, Maine and Tangier, Morocco campuses, as well as from online education courses. Tuition revenue is recognized pro-rata over the applicable period of instruction. Revenue recognition occurs once a student starts attending a course. The University has elected the short-term contract exemption with respect to its performance obligations under its agreements with students which have original terms of less than one year.

The University has an institutional tuition refund policy, which provides for all or a portion of tuition to be refunded if a student withdraws during the stated refund periods. At the time of withdrawal, revenue recognition amounts are reassessed for the remainder of the instruction period (i.e., the academic semester), net of a student's financial aid amounts, if any, that must be returned to the financial aid provider (e.g., the Department of Education).

Auxiliary enterprise revenues include room and board revenues that are recognized over the period the services are provided, health center and oral health clinical service revenues that are recognized as services are performed, net of discounts and contractual allowances, as these services are provided at a point in time and revenue from conferences and property rentals that are recognized when the conference or rental occurs.

Student billings occur in advance of the course start date, and are due prior to the start of the course, unless payment plans have been established. Included in each invoice to the student are all educational related items including tuition, net of scholarships, housing, educational materials, and fees.

Student tuition and fees received in excess of amounts earned and recognized as revenue in the statements of activities are recorded as unearned tuition and fees and student deposits and credits on the statements of financial position. Likewise, the University's remaining obligations for performance under grants and contracts are reported as deferred grants and contracts revenue in the statements of financial position and such amounts, if any, represent grant and contract receipts in excess of amounts recognized as grant and contract revenue in the statements of activities. Accounts receivable and grants and contract receivables totaled \$10,780,188 at May 31, 2022, whereas unearned tuition and fees, student deposits and credits, and deferred contracts revenue totaled \$19,460,366 at May 31, 2022.

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Operations

The statement of activities reflects a subtotal for the change in net assets from current operations. This subtotal reflects revenues and support that the University earned, and expenses incurred for operating purposes. Non-operating activity includes gifts, grants, and contracts for endowment and plant purposes, investment income on investments held for long-term purposes and other income (loss). The University also includes in the operating section endowment income and board designated investment income available for operations as determined by its spending policy, whether drawn or not drawn, and excludes from operations return (loss) on investments in excess of (less than) the endowment income available for operations.

Statement of Functional Expenses

The statement of functional expenses presents expenses among the University's program related purposes (instruction and academic support, research and public service, student services, and auxiliary enterprises) and supporting activities such as institutional support costs and fundraising expenses.

Operations of plant, depreciation, and interest expense are allocated to program and supporting activities based on the relative percentage of plant assets used to support the functional expense category. Fringe benefits are allocated to program and supporting activities based on salaries and wages.

Statement of Cash Flows

The purpose of the statement of cash flows is to reflect the sources and uses of cash in the following categories:

- Operating - Measures cash generated from or used by current operations and excludes gifts for plant and endowment, and investment gains/losses not used for operations.
- Investing - Measures the cash generated from or used by investments in plant, student loans, and investments.
- Financing - Measures the cash generated or used in financing current and future operations. Includes contributions received for capital projects and long-term investments and also reflects the level of activity during the year for other financing transactions.

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The following table summarizes supplemental cash flow information related to leases for the years ended May 31:

	<u>2024</u>	<u>2023</u>
Cash paid for amounts included in liabilities		
Operating cash flows:		
Finance leases	\$ 299,411	\$ 327,278
Operating leases	\$ 1,211,109	\$ 1,526,619
Non-cash lease related items		
Right of use assets recognized in the current year:		
Finance leases	\$ 16,888	\$ -
Operating leases	\$ 506,832	\$ 891,978

Additional supplemental disclosures of cash flow information include the following:

	<u>2024</u>	<u>2023</u>
Cash paid for interest	\$ 5,955,000	\$ 6,213,469
Noncash transactions:		
Property, plant, and equipment purchases payable to vendors at year-end	\$ 5,908,849	\$ 4,072,647

Tax Status

The University is exempt from income taxes under Internal Revenue Code (Code) Section 501(c)(3) whereby only unrelated business income, as defined by Section 512(a)(1) of the Code, is subject to income tax.

The University records income tax liabilities and assets using a threshold of more likely than not for recognition and derecognition of tax positions taken or expected to be taken in a tax return. The University does not believe that there are any unrecognized tax benefits or costs that should be recorded in the financial statements. The University is subject to audits by taxing jurisdictions and provisions for audit adjustments, if any, are included in the financial statements when estimable.

Reclassification

Certain amounts in the 2023 financial statements have been reclassified to conform to the current year's presentation.

Subsequent Events

For purposes of the preparation of these financial statements in conformity with U.S. GAAP, the University has considered transactions or events occurring through September 13, 2024, which was the date that the financial statements were issued.

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Notes to Financial Statements

May 31, 2024 and 2023

2. Availability and Liquidity of Financial Assets

The University manages its resources to meet its ongoing operating, debt service, and capital expenditures. Cash inflows from student revenues, investment income, gifts and grants in addition to its available cash and cash equivalents and certain investments without donor-imposed restrictions are currently sufficient to meet annual expenditure requirements. The University also has a line of credit available to meet short-term needs, as described in Note 11.

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statements of financial position date comprise the following:

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 61,206,533	\$ 43,774,330
Short-term investments	74,613,089	187,637,581
Accounts and grants/contracts receivable	13,547,212	10,765,593
Unconditional promises to give, net	9,206,499	6,698,378
Long-term investments	<u>336,029,104</u>	<u>180,777,171</u>
	494,602,437	429,653,053
<u>Less:</u>		
Net assets with donor-imposed restrictions	(74,616,571)	(60,720,201)
Board designated endowments	(282,884,403)	(134,733,710)
<u>Plus:</u>		
Expected appropriation of endowment and long-term investment income for unrestricted use within one year	3,605,800	2,945,500
Capital projects with donor restrictions (Note 13)	<u>20,308,715</u>	<u>12,736,069</u>
	\$ <u>161,015,978</u>	\$ <u>249,880,711</u>

3. Concentration of Credit Risk and Economic Dependency

Accounts receivable and loans to students consist of amounts due from students and other individuals. Credit is extended without collateral.

The University receives significant revenue from federal student financial aid programs and various student loan programs. Future non-compliance with federal regulations, or a change in the laws governing the programs, could severely impact the operations of the University.

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Notes to Financial Statements

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4. Promises to Give

Unconditional promises to give are as follows:

	<u>2024</u>	<u>2023</u>
Capital campaigns	\$ 9,140,802	\$ 5,896,750
Scholarships	237,458	289,388
Contributions held in outside trusts	259,113	245,046
Other	<u>214,155</u>	<u>591,196</u>
	<u>\$ 9,851,528</u>	<u>\$ 7,022,380</u>
Receivable in less than one year	\$ 495,317	\$ 1,016,565
Receivable in one to five years	9,097,098	5,760,769
Receivable beyond five years	<u>259,113</u>	<u>245,046</u>
Total unconditional promises to give	9,851,528	7,022,380
Less allowance for uncollectible unconditional promises to give	(259,774)	(146,002)
Less discount to present value from 4.5% to 5.0%	<u>(385,255)</u>	<u>(178,000)</u>
Net unconditional promises to give	<u>\$ 9,206,499</u>	<u>\$ 6,698,378</u>

As of May 31, 2024 and 2023, the University has also received pledges from donors conditioned upon future events and performance milestones totaling \$18.6 million and \$22.7 million, respectively. These amounts will be recognized as revenue in the periods in which the conditions have been fulfilled.

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5. Investments

Investments, at fair value, are summarized below:

	Fair Value Measurement at May 31, 2024		
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>
Short-term investments			
Commercial Paper	\$ 18,627,570	\$ -	\$ 18,627,570
Treasury notes	2,764,358	2,764,358	-
Treasury bills	52,943,135	52,943,135	-
Cash and cash equivalents awaiting investment	<u>278,026</u>	<u>278,026</u>	<u>-</u>
Total short-term investments	<u>74,613,089</u>	<u>55,985,519</u>	<u>18,627,570</u>
Long-term investments			
Cash and cash equivalents awaiting investment	12,244,718	12,244,718	-
Equities and equity mutual funds			
Large cap U.S. equity	90,936,666	90,936,666	-
Small/mid cap U.S. equity	70,786,777	70,786,777	-
International equity	28,984,897	28,984,897	-
Emerging markets	11,999,490	11,999,490	-
Fixed income and bond funds			
Corporate bonds	49,869,844	26,050,938	23,818,906
International bonds	19,853,541	17,883,587	1,969,954
Other fixed income funds	190,330	183,824	6,506
Multi-asset funds	279,749	279,749	-
Commodities – mutual funds	8,420,191	8,420,191	-
Hedge funds – publicly traded	40,736,640	40,736,640	-
Real estate funds	<u>1,726,261</u>	<u>-</u>	<u>1,726,261</u>
Total long-term investments	<u>336,029,104</u>	<u>308,507,477</u>	<u>27,521,627</u>
Total investments, at fair value	\$ <u>410,642,193</u>	\$ <u>364,492,996</u>	\$ <u>46,149,197</u>

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	<u>Fair Value Measurement at May 31, 2023</u>		
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>
Short-term investments			
Commercial Paper	\$ 51,541,694	\$ -	\$ 51,541,694
Treasury notes	87,307,695	87,307,695	-
Treasury bills	46,630,545	46,630,545	-
Cash and cash equivalents awaiting investment	<u>2,157,647</u>	<u>2,157,647</u>	<u>-</u>
Total short-term investments	<u>187,637,581</u>	<u>136,095,887</u>	<u>51,541,694</u>
Long-term investments			
Cash and cash equivalents awaiting investment	10,439,936	10,439,936	-
Equities and equity mutual funds			
Large cap U.S. equity	41,047,943	41,047,943	-
Small/mid cap U.S. equity	44,078,402	44,078,402	-
International equity	14,880,341	14,880,341	-
Emerging markets	6,299,917	6,299,917	-
Fixed income and bond funds			
Corporate bonds	21,761,315	10,755,342	11,005,973
International bonds	13,319,952	12,587,080	732,872
Other fixed income funds	206,697	201,349	5,348
Multi-asset funds	216,800	216,800	-
Commodities – mutual funds	3,494,242	3,494,242	-
Hedge funds – publicly traded	23,265,897	23,265,897	-
Real estate funds	<u>1,765,729</u>	<u> </u>	<u>1,765,729</u>
Total long-term investments	<u>180,777,171</u>	<u>167,267,249</u>	<u>13,509,922</u>
Total investments, at fair value	<u>\$ 368,414,752</u>	<u>\$ 303,363,136</u>	<u>\$ 65,051,616</u>

The following summarizes the purposes of investments held as of May 31:

	<u>2024</u>	<u>2023</u>
Short-term investments	\$ <u>74,613,089</u>	\$ <u>187,637,581</u>
Endowment	<u>330,754,456</u>	176,069,053
Operating investments	<u>4,280,368</u>	<u>3,913,428</u>
Long-term investment pool	<u>335,034,824</u>	179,982,481
Split interest agreements' investments	<u>531,817</u>	437,920
Other investments	<u>462,463</u>	<u>356,770</u>
Total long-term investments	<u>336,029,104</u>	<u>180,777,171</u>
Total investments, at fair value	<u>\$410,642,193</u>	<u>\$368,414,752</u>

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The University operates a long-term investment pool for the purpose of investment management and the determination of annual investment income distribution under its spending policy described below. Each individual fund subscribes to, or disposes of, units on the basis of the market value per unit within the long-term investment pool.

For the years ended May 31, 2024 and 2023, the long-term investment pool investment income available for operations was \$4,507,400 and \$3,762,200, respectively.

Investment custodial and advisory fees were \$624,881 and \$350,544 for the years ended May 31, 2024 and 2023, respectively.

Endowments

The University's endowment consists of approximately 200 individual funds established for a variety of purposes including both donor-restricted endowment funds and funds designated by the Board of Trustees to act as endowments. Net assets associated with endowments, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Relevant Law

The Board of Trustees has interpreted the Maine Uniform Prudent Management of Institutional Funds Act as requiring preservation of the original value of the gifts, as of the gift date, to donor-restricted endowment funds, absent any explicit donor restrictions to the contrary in the gift instrument. As a result of this interpretation for accounting and financial statement purposes, the University classifies the original value of assets donated to the permanent endowment as net assets with donor restrictions held in perpetuity, along with any investment earnings that are directed by the donor to be reinvested in perpetuity (i.e., historic book value).

The remaining portion of the donor-restricted endowment fund that is not classified as net assets with donor restrictions held in perpetuity is classified as net assets with donor restrictions that are temporary in nature until those assets are appropriated for expenditure.

Strategies Employed for Achieving Objectives

The University has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowments. Under this policy, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the benchmark as stated in the University's investment policy.

To satisfy its long-term objectives, the University relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and yield (dividends and interest). The University targets a diversified asset allocation that places emphasis on investments primarily in equities and flexible capital, and to a lesser extent in fixed income and real assets to achieve its long-term objectives.

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Spending Policy and How the Investment Objectives Relate to the Spending Policy

The University's investment policy states that spendable investment income shall not exceed 6% of the average portfolio value based on the portfolio market value at the end of the most recent sixteen quarters. In establishing this policy, the University considered the expected return on the endowment to maintain its purchasing power by growing at an average rate equal to planned payouts and inflation. Additional growth will be provided through new gifts, excess investment returns, and internal funding to board designated endowment funds.

Endowment net assets consist of the following as of May 31, 2024:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 48,742,190	\$ 48,742,190
Board-designated endowment funds	282,884,403	-	282,884,403
Underwater endowment funds	-	(872,137)	(872,137)
Total endowed net assets	<u>\$ 282,884,403</u>	<u>\$ 47,870,053</u>	<u>\$ 330,754,456</u>

Endowment net assets consist of the following as of May 31, 2023:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 43,900,252	\$ 43,900,252
Board-designated endowment funds	134,733,710	-	134,733,710
Underwater endowment funds	-	(2,564,909)	(2,564,909)
Total endowed net assets	<u>\$ 134,733,710</u>	<u>\$ 41,335,343</u>	<u>\$ 176,069,053</u>

Changes in endowment assets for the year ended May 31, 2024 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, June 1, 2023	\$ 134,733,710	\$ 41,335,343	\$ 176,069,053
Investment income, net of fees	5,160,562	1,144,885	6,305,447
Net appreciation in fair value	23,144,369	5,071,064	28,215,433
Transfer of internal funds	119,981,262	18,738	120,000,000
Contributions	-	1,140,048	1,140,048
Withdrawal of endowment income	(135,500)	(840,025)	(975,525)
Endowment net assets, May 31, 2024	<u>\$ 282,884,403</u>	<u>\$ 47,870,053</u>	<u>\$ 330,754,456</u>

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Changes in endowment assets for the year ended May 31, 2023 are as follows:

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Endowment net assets, June 1, 2022	\$ 42,905,297	\$ 41,547,354	\$ 84,452,651
Investment income, net of fees	2,336,058	1,284,081	3,620,139
Net depreciation in fair value	(389,946)	(1,114,771)	(1,504,717)
Transfer of internal funds	90,000,101	-	90,000,101
Contributions	-	683,411	683,411
Withdrawal of endowment income	<u>(117,800)</u>	<u>(1,064,732)</u>	<u>(1,182,532)</u>
Endowment net assets, May 31, 2023	\$ <u>134,733,710</u>	\$ <u>41,335,343</u>	\$ <u>176,069,053</u>

Funds with Deficiencies

From time to time, the fair value of the assets associated with individual donor-restricted endowments may fall below the level of the donors' original gift(s). The deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new contributions with donor-imposed restrictions and continued appropriation for certain programs that was deemed prudent by the Board of Trustees. The University has a policy that permits spending from underwater endowment funds depending on the degree to which the fund is underwater, unless specifically prohibited by the donor or relevant laws and regulations. Any deficiencies are reported in net assets with donor restrictions. At May 31, 2024, donor endowment funds with a fair value of \$14,574,315 were below the donor's original gift or stipulated levels by \$872,137. At May 31, 2023, donor endowment funds with a fair value of \$15,477,306 were below the donor's original gift or stipulated levels by \$2,564,909.

6. Student Loans Receivable

Student loans receivable consist of the following programs as of May 31:

	<u>2024</u>	<u>2023</u>
Federal Government student loan programs:		
Perkins	\$ 2,010,294	\$ 3,005,066
Nursing	33,232	69,296
Primary Care	<u>386,219</u>	<u>434,588</u>
	<u>2,429,745</u>	<u>3,508,950</u>
University loan programs	-	16,258
Student loans outstanding	<u>2,429,745</u>	<u>3,525,208</u>
Less allowance for credit losses	<u>(338,676)</u>	<u>(277,178)</u>
Student loans receivable, net	\$ <u>2,091,069</u>	\$ <u>3,248,030</u>

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7. Assets Whose Use is Limited

Assets whose use is limited consists of cash equivalents and short-term investments held by the University under contractual arrangements described below.

	<u>2024</u>	<u>2023</u>
Cash and short-term investments held by bond trustee as required under bond agreements:		
Construction funds – 2021 Bonds	\$ 10,438,506	\$ 49,077,084
Deposits held for future debt service on Bonds	<u>5,276,590</u>	<u>5,289,618</u>
	<u>15,715,096</u>	<u>54,366,702</u>
Cash and cash equivalents held separately for student loan programs		
Federal Perkins Student Loans	1,602,389	3,278,973
Federal Nursing Loans	39,298	32,455
Primary Care Loans	<u>360,941</u>	<u>380,992</u>
	<u>2,002,628</u>	<u>3,692,420</u>
Cash and cash equivalents held in escrow for the College of Medicine relocation	<u>4,377,371</u>	<u>3,027,604</u>
Total assets whose use is limited	<u>\$ 22,095,095</u>	<u>\$ 61,086,726</u>

8. Property, Plant and Equipment

Property, plant, and equipment is presented at cost less accumulated depreciation as summarized below:

	<u>2024</u>	<u>2023</u>
Land	\$ 7,051,478	\$ 6,076,478
Land improvements	16,740,411	16,524,541
Building and improvements	303,527,730	302,095,126
Equipment, vehicles, furnishings	51,666,263	49,928,163
Works of art	151,567	151,567
Construction in progress	<u>64,449,952</u>	<u>21,042,454</u>
Property, plant and equipment, at cost	443,587,401	395,818,329
Accumulated depreciation	<u>(184,684,884)</u>	<u>(173,530,262)</u>
Property, plant, and equipment, net	<u>\$ 258,902,517</u>	<u>\$ 222,288,067</u>

As of May 31, 2024, the University had several construction projects in process primarily related to the College of Medicine relocation to the Portland campus. Remaining construction commitments for those projects are approximately \$15 million.

The University capitalizes net interest costs for property, plant, and equipment financed with long-term debt. For the years ended May 31, 2024 and 2023, interest capitalized was \$739,619 and \$217,231, respectively.

UNIVERSITY OF NEW ENGLAND

Notes to Financial Statements

May 31, 2024 and 2023

9. Bonds Payable

A summary of bonds payable, issued by the Maine Health and Higher Educational Facilities Authority (Authority), is as follows:

<u>Series</u>	<u>Remaining Interest Rates, at Par Value</u>	<u>Annual Principal Payments Ranging From</u>	<u>Final Maturity Date, July 1</u>	<u>Balance at May 31, 2024</u>	<u>Balance at May 31, 2023</u>
2017A	3.12 - 5.0%	\$1,000,000 - \$2,770,000	2047	\$ 41,680,000	\$ 42,650,000
2017B	3.0 - 5.0%	\$1,590,000 - \$2,785,000	2038	31,745,000	33,285,000
2021A	2.75 - 5.0%	\$0 - \$6,325,000	2051	42,930,000	43,780,000
2021B	1.36 - 3.05%	\$0 - \$2,180,000	2043	24,530,000	<u>26,655,000</u>
Total bonds payable, at par value				<u>140,885,000</u>	<u>146,370,000</u>
Unamortized premiums				11,306,918	12,120,145
Unamortized deferred issuance costs				<u>(3,052,047)</u>	<u>(3,287,486)</u>
Unamortized premiums and deferred issuance costs, net				<u>8,254,871</u>	<u>8,832,659</u>
Bonds payable, net				<u>\$ 149,139,871</u>	<u>\$155,202,659</u>

The balances of the unamortized premiums, net of deferred issuance costs, follow:

	<u>Balance at May 31, 2024</u>	<u>Balance at May 31, 2023</u>
2017A and 2017B bonds	\$ 2,473,460	\$ 2,598,821
2021A and 2021B bonds	<u>5,781,411</u>	<u>6,233,838</u>
	<u>\$ 8,254,871</u>	<u>\$ 8,832,659</u>

In December 2021, the University issued the Series 2021 A and B bonds. A portion of the Series 2021 A and B bonds were placed in irrevocable escrow accounts to refund the Series 2011C through 2016A bonds. The Series 2021 A and B proceeds deposited in the irrevocable escrow accounts (along with debt service reserve funds held by the University and the Authority for those refunded bonds) were determined through an independent valuation so as to be sufficient to pay the principal and interest of the refunded Series 2011C through 2016A bonds through their respective applicable maturity or redemption dates.

In addition to providing those refunding proceeds noted above, the Series 2021 A (non-taxable) and Series B (taxable) bonds provided additional proceeds of \$40 and \$10 million, respectively, that were deposited in separate construction accounts with the bond trustee. Those construction proceeds are for the construction, furnishing, and equipping of a new center for a health sciences and medical school building relocating to the Portland, Maine campus, as well as other University projects.

UNIVERSITY OF NEW ENGLAND

Notes to Financial Statements

May 31, 2024 and 2023

As security for its obligation to make payments, the University grants to the Authority a secured interest in its gross receipts.

The 2017 A bonds were issued for the construction and equipping of certain University facilities and the 2017 B bonds were issued to refinance certain debt obligations of the University.

The agreements contain various covenants regarding such items as additional permitted indebtedness, permitted dispositions, and acquisitions of property, among other requirements. In accordance with the terms of the bond agreements, the University has established certain principal, interest, and construction funds as described in Note 7.

Total interest costs on bonds payable, excluding amortization of bond premiums, net of costs of issuance, and capitalized interest for the years ended May 31, 2024 and 2023 were \$5,689,711 and \$5,845,613, respectively. Interest income received on bond construction funds, net of arbitrage expense, of \$1,190,279 and \$1,311,189 is netted against interest expense for the years ended May 31, 2024 and 2023, respectively.

Future maturities of bonds payable, at par, follow:

2025	5,355,000
2026	5,315,000
2027	4,960,000
2028	5,160,000
2029	5,350,000
Later years	<u>114,745,000</u>
Total	<u>\$140,885,000</u>

10. Leases

The following table summarizes the University's right of use assets and lease obligations as of May 31:

	<u>2024</u>	<u>2023</u>
Right of use assets		
Operating	\$ 1,100,287	\$ 1,715,667
Finance	<u>5,446,529</u>	<u>5,621,891</u>
Total right of use assets	<u>\$ 6,546,816</u>	<u>\$ 7,337,558</u>
Lease obligations		
Operating	\$ 1,137,752	\$ 1,753,132
Finance	<u>6,918,975</u>	<u>6,993,084</u>
Total lease obligations	<u>\$ 8,056,727</u>	<u>\$ 8,746,216</u>

UNIVERSITY OF NEW ENGLAND

Notes to Financial Statements

May 31, 2024 and 2023

The finance lease amounts are primarily related to a June 2012 land lease agreement with the American School of Tangier for the University's Morocco campus. Annual lease payments for the years ended 2024 and 2023 were \$299,411 and \$289,406, respectively. The lease, with a maximum term of 99 years and tri-annual price increases, may be terminated at the option of the University at the end of each eight-year period. For purposes of determining right of use asset and the lease obligation, the University assumed a lease term through January 2053.

The following table summarizes the University's lease related costs reported in the statements of activities for the years ended May 31:

	<u>2024</u>	<u>2023</u>
Finance Leases		
Depreciation	\$ 192,250	\$ 189,788
Interest expense	208,414	213,972
Operating Leases		
Rent – other operating costs	<u>1,211,109</u>	<u>1,658,874</u>
Total lease costs	<u>\$ 1,611,773</u>	<u>\$ 2,062,634</u>

The maturity analysis of the annual undiscounted cash flows reconciled to the carrying value at the net present value of the operating and finance lease obligations is as follows:

	<u>Finance</u>	<u>Operating</u>	<u>Total</u>
2025	\$ 301,389	\$ 780,250	\$ 1,081,639
2026	308,624	356,162	664,786
2027	308,624	63,737	372,361
2028	313,453	-	313,453
2029	319,070	-	319,070
Thereafter	<u>9,369,027</u>	<u>-</u>	<u>9,369,027</u>
Total	10,920,187	1,200,149	12,120,336
Less discount	<u>(4,001,212)</u>	<u>(62,397)</u>	<u>(4,063,609)</u>
Total	<u>\$ 6,918,975</u>	<u>\$ 1,137,752</u>	<u>\$ 8,056,727</u>

At May 31, 2024, the weighted average of remaining lease terms is 1.6 years for operating leases and 28.5 years for finance leases and the weighted average discount rate is 3.8% for operating leases and 3.0% for finance leases. At May 31, 2023, the weighted average of remaining lease terms is 1.9 years for operating leases and 29.6 years for finance leases. The weighted average discount rate is 2.9% for operating leases and 3.0% for finance leases.

UNIVERSITY OF NEW ENGLAND

Notes to Financial Statements

May 31, 2024 and 2023

11. Bank Line of Credit

The University has an unsecured line of credit with M&T Bank. As of May 31, 2024, the line of credit was \$30,000,000. The line of credit bears interest at the Secured Overnight Financing Rate (SOFR rate) plus 1.50% and is available through September 2025. The University had no outstanding borrowings as of May 31, 2024 or 2023.

12. Asset Retirement Obligations

The University accrues for asset retirement obligations in the period in which they are incurred if sufficient information is available to reasonably estimate the fair value of the obligation. Over time, the liability is accreted to its settlement value. Upon settlement of the liability, the University will recognize a gain or loss for any difference between the settlement amount and liability recorded. As of May 31, 2024, and 2023, the balance of the asset retirement obligation was \$1,521,971 and \$1,449,496, respectively, and is included in other long-term liabilities on the statements of financial position.

13. Detail of Net Assets

The University's net assets are composed of the following categories (without or with donor restrictions), purposes and designations:

	<u>May 31, 2024</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment funds to support the following activities:			
General University operations	\$ 275,533,793	\$ 14,574,315	\$ 290,108,108
Other purposes	3,819,117	3,375,958	7,195,075
Scholarships	3,531,493	22,132,068	25,663,561
Instructional and research	-	5,140,870	5,140,870
Library and collections	-	2,646,842	2,646,842
Total endowment net assets	<u>282,884,403</u>	<u>47,870,053</u>	<u>330,754,456</u>
Other internal designations or donor restrictions:			
Net investment in property, plant, and equipment	120,038,273	-	120,038,273
General University operations	97,446,327	-	97,446,327
Instructional and research	6,609,935	4,496,803	11,106,738
Other purposes	3,873,645	1,492,601	5,366,246
Capital projects	-	20,308,715	20,308,715
Scholarships	-	448,399	448,399
Total other net assets	<u>227,968,180</u>	<u>26,746,518</u>	<u>254,714,698</u>
Total net assets	<u>\$ 510,852,583</u>	<u>\$ 74,616,571</u>	<u>\$ 585,469,154</u>

UNIVERSITY OF NEW ENGLAND

Notes to Financial Statements

May 31, 2024 and 2023

	<u>May 31, 2023</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment funds to support the following activities:			
General University operations	\$ 128,197,566	\$ 12,684,313	\$ 140,881,879
Other purposes	3,361,627	2,554,695	5,916,322
Scholarships	3,174,517	18,840,132	22,014,649
Instructional and research	-	4,837,274	4,837,274
Library and collections	-	2,418,929	2,418,929
Total endowment net assets	<u>134,733,710</u>	<u>41,335,343</u>	<u>176,069,053</u>
Other internal designations or donor restrictions:			
Net investment in property, plant and equipment	117,420,240	-	117,420,240
General University operations	191,880,743	-	191,880,743
Instructional and research	10,370,791	3,696,399	14,067,190
Other purposes	2,582,777	2,127,833	4,710,610
Capital projects	-	12,736,069	12,736,069
Scholarships	-	824,557	824,557
Total other net assets	<u>322,254,551</u>	<u>19,384,858</u>	<u>341,639,409</u>
Total net assets	<u>\$ 456,988,261</u>	<u>\$ 60,720,201</u>	<u>\$ 517,708,462</u>

Net assets restricted in perpetuity were \$37,420,942 and \$35,996,650 for the years ended May 31, 2024 and 2023, respectively.

14. Retirement Plan

Retirement benefits for faculty and staff are provided under plans administered by the Teachers Insurance and Annuity Association and the College Retirement Equities Fund and Fidelity. The University's expense under this program is based on the qualifying salaries of the participants and amounted to \$5,135,753 and \$4,685,623 for the years ended May 31, 2024 and 2023, respectively.

15. Commitments and Contingent Liabilities

The University participates in a number of federal award programs. Although these programs have been audited in accordance with the provisions of the Federal Single Audit Act, as amended in 1996, the final determination of allowability of costs has not occurred. The amount, if any, of expenditures, which may be disallowed by grantor agencies, cannot be determined at this time, although the University expects such amounts to be immaterial.

In the normal course of business, the University may be involved in legal proceedings, claims, and assessments arising from the ordinary course of business. Such matters are subject to many uncertainties, and outcomes are not predicable with assurance.

UNIVERSITY OF NEW ENGLAND

Notes to Financial Statements

May 31, 2024 and 2023

The University has entered into long-term service agreements with different vendors. These services include the operation of the dining services, information technology, administrative software maintenance, marketing, student recruitment, and retention. The agreements expire between October 31, 2024 and June 30, 2029. The cost of these services was approximately \$16,873,000 and \$10,732,000 for the years ended May 31, 2024 and 2023, respectively.

The approximate remaining commitments under current arrangement for these services follow:

2025	\$ 15,360,000
2026	7,574,000
2027	6,946,000
2028	6,903,000
2029	9,301,000
Thereafter	<u>9,226,000</u>
Total	\$ <u>55,310,000</u>

16. Related Party Disclosures Required by the U.S Department of Education – (Unaudited)

The University's Board of Trustees and senior management may, from time to time, be associated, either directly or indirectly, with conducting business with the University. All members of the University's Board are required to submit a conflict of interest report on an annual basis. Senior administrators and all employees are annually required to review the University's Codes of Conduct/COI policies and report conflict of interests to their immediate supervisor/senior administration for resolution. Declared trustee conflicts are reported to the Board officers for determination and proper resolution of the conflict. Should an issue arise in which a board member has a direct conflict resulting in potential personal benefit, that trustee would be required to recuse themselves from any and all board activities related to the conflict.

The following list of related party transactions consisting of contributions is provided solely to comply with the Financial Responsibility, Administrative Capability, Certification Procedures, Ability to Benefit regulation promulgated by the U.S. Department of Education:

	<u>2024</u>	<u>2023</u>
Board of Trustees & Senior Management	\$ 118,647	\$ 92,088
Employees	<u>2,906</u>	<u>3,077</u>
Total Contributions	\$ <u>121,553</u>	\$ <u>95,165</u>

SUPPLEMENTARY INFORMATION

UNIVERSITY OF NEW ENGLAND
FINANCIAL RESPONSIBILITY SUPPLEMENTAL SCHEDULE
AS OF AND FOR THE YEAR ENDED MAY 31, 2024

Location in Financial Statements or Related Notes	Financial Element	GAAP Financial Statement Line Item or Disclosure	Amount Used as Ratio Input
Primary Reserve Ratio: Expendable Net Assets			
Statement of Financial Position	Net assets without donor restrictions	\$ 510,852,583	\$ 510,852,583
Statement of Financial Position	Net assets with donor restrictions	\$ 74,616,571	\$ 74,616,571
N/A	Secured and unsecured related party receivable	\$ -	\$ -
Statement of Financial Position	Total property, plant and equipment	\$ 258,902,517	
Notes to the FRSS	Property, plant, and equipment (PP&E) pre-implementation		\$ 169,291,627
Notes to the FRSS	PP&E post-implementation with outstanding debt for original purchase including construction in progress		43,608,983
Notes to the FRSS	PP&E post-implementation without outstanding debt for original purchase including construction in progress		46,001,907
Statement of Financial Position	PP&E, net (includes CIP) - Total		\$ 258,902,517
N/A	Lease right-of-use asset, pre-implementation		\$ -
Statement of Financial Position	Lease right-of-use asset, post-implementation		6,546,816
Statement of Financial Position	Lease right-of-use asset, net - Total	\$ 6,546,816	\$ 6,546,816
N/A	Intangible assets	\$ -	\$ -
Included in accounts payable and accrued expenses	Post-employment and pension liabilities		\$ 762,463
Statement of Financial Position	Total long-term debt	\$ 149,139,871	
Financial Statement Note 7, Assets Whose Use Is Limited	Deposits with Bond Trustees for Construction	\$ 10,438,506	
Notes to the FRSS	Long-term debt - for long-term purposes pre-implementation - principal outstanding		\$ 73,425,000
Notes to the FRSS	Long-term debt - for long-term purposes pre-implementation - unamortized premium on bonds		5,022,828
Notes to the FRSS	Long-term debt - for long-term purposes post-implementation - principal outstanding		73,744,090
Notes to the FRSS	Long-term debt - for long-term purposes post-implementation - unamortized premium on bonds		-
Notes to the FRSS	Long-term debt not for the purchase of PP&E, net of unamortized premiums		-
Notes to the FRSS	Long-term debt costs of issuance		(3,052,047)
	Total long-term debt		\$ 149,139,871
N/A	Pre-implementation right-of-use asset liability		\$ -
Statement of Financial Position	Post-implementation right-of-use asset liability		8,056,727
Statement of Financial Position	Lease right-of-use asset liability		\$ 8,056,727
	Annuities with donor restrictions		-
Included in net assets with donor restrictions in the Financial Statements	Term endowments with donor restrictions	\$ 229,113	\$ 229,113
Included in net assets with donor restrictions in the Financial Statements	Life income funds with donor restrictions	73,103	73,103
	Annuities, term endowments and life income with donor restrictions - Total	\$ 302,216	\$ 302,216
Financial Statement Note 13, Net Assets with Donor Restrictions	Net assets with donor restrictions: restricted in perpetuity	\$ 37,420,942	\$ 37,420,942

UNIVERSITY OF NEW ENGLAND
FINANCIAL RESPONSIBILITY SUPPLEMENTAL SCHEDULE
AS OF AND FOR THE YEAR ENDED MAY 31, 2024

Primary Reserve Ratio: Expenses and Losses

Statement of Activities	Total expenses without donor restrictions	<u>\$ 208,424,670</u>	<u>\$ 208,424,670</u>
Notes to the FRSS	Total non-operating and investment losses without donor restriction	<u>\$ (507,700)</u>	<u>\$ (507,700)</u>
N/A	Pension-related changes other than net periodic costs with donor restrictions	<u>\$ -</u>	<u>\$ -</u>

Equity Ratio: Modified Net Assets

Statement of Financial Position	Net assets without donor restrictions	<u>\$ 510,852,583</u>	<u>\$ 510,852,583</u>
Statement of Financial Position	Net assets with donor restrictions	<u>\$ 74,616,571</u>	<u>\$ 74,616,571</u>
N/A	Intangible assets	<u>\$ -</u>	<u>\$ -</u>
N/A	Secured and unsecured related party receivables	<u>\$ -</u>	<u>\$ -</u>

Equity Ratio: Modified Assets

Statement of Financial Position	Total assets	<u>\$ 788,821,790</u>	<u>\$ 788,821,790</u>
N/A	Lease right-of-use asset pre-implementation	<u>\$ -</u>	<u>\$ -</u>
N/A	Pre-implementation right-of-use asset liability	<u>\$ -</u>	<u>\$ -</u>
N/A	Intangible assets	<u>\$ -</u>	<u>\$ -</u>
N/A	Unsecured related party receivables	<u>\$ -</u>	<u>\$ -</u>

Net Income Ratio

Statement of Activities	Change in net assets without donor restrictions	<u>\$ 53,864,322</u>	<u>\$ 83,864,322</u>
Notes to the FRSS	Total revenues and gains without donor restrictions	<u>\$ 262,433,734</u>	<u>\$ 262,433,734</u>

UNIVERSITY OF NEW ENGLAND
NOTES TO THE FINANCIAL RESPONSIBILITY SUPPLEMENTAL SCHEDULE
AS OF AND FOR THE YEAR ENDED MAY 31, 2024

Property, Plant and Equipment, Net

Pre-implementation property, plant, and equipment, net

Ending balance of last financial statement submitted to the Department of Education	
a. (May 31, 2023 financial statements)	\$ 179,181,145
b. Less subsequent depreciation and disposals	<u>(9,889,518)</u>
c. Balance Pre-implementation property, plant, and equipment, net	169,291,627
PP&E post-implementation with outstanding debt for original purchase including	
contruction in progress	43,608,983
Post-implementation property, plant, and equipment, net acquired without debt	<u>46,001,907</u>
Total property, plant, and equipment, net - May 31, 2024	<u><u>\$ 258,902,517</u></u>

Debt to be excluded from expendable net assets

Ending balance of last financial statement submitted to the Department of Education

a. (May 31, 2023 financial statements)	\$ 155,202,659
b. Less subsequent debt repayments	(5,485,000)
Less subsequent amortization of premiums	(813,227)
c. Less subsequent amortization of deferred issuance costs	<u>235,439</u>
d. Balance Pre-implentation debt	<u><u>\$ 149,139,871</u></u>

Pre-implementation debt:

Series 2017A principal outstanding in Note 9 to the financial statements	\$ 41,680,000
Series 2017B principal outstanding in Note 9 to the financial statements	<u>31,745,000</u>
Pre-implementation debt - Principal outstanding	73,425,000
Unamortized premium on Pre-implementation debt	5,022,828
Unamortized issuance costs on Pre-implementation debt	<u>(2,549,368)</u>
Pre-implementation debt - Net	<u>75,898,460</u>

Post-implementation debt:

Series 2021A principal outstanding in Note 9 to the financial statements	42,930,000
Series 2021B principal outstanding in Note 9 to the financial statements	<u>24,530,000</u>
Post-implementation debt - Principal outstanding	67,460,000
Unamortized premium on Post-implementation debt	6,284,090
Unamortized issuance costs on Post-implementation debt	<u>(502,679)</u>
Post-implementation debt - Net	<u>73,241,411</u>
Long-term debt - Net, per Note 9 to the financial statements	<u><u>\$ 149,139,871</u></u>

Non-operating and investment losses without donor restriction

Spending policy investment income availed	\$ -
Investment loss	-
Other losses	<u>(507,700)</u>
	<u><u>\$ (507,700)</u></u>

Total revenue and gains without donor restrictions

Total operating revenues, support, and releases	\$ 238,059,469
Investment income in non-operating income (loss)	<u>24,374,265</u>
	<u><u>\$ 262,433,734</u></u>

SECTION II - SCHEDULES AND REPORTS ON INTERNAL CONTROL AND COMPLIANCE



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Trustees
University of New England

We have audited, in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the University of New England (the University), which comprise the statement of financial position as of May 31, 2024, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 13, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the University's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the University's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Berry Dunn McNeil & Parker, LLC

Manchester, New Hampshire
September 13, 2024



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE;
AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
REQUIRED BY THE UNIFORM GUIDANCE**

Board of Trustees
University of New England

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the University of New England's (the University's) compliance with the types of compliance described in the Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the University's major federal programs for the year ended May 31, 2024. The University's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended May 31, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards (U.S. GAAS); the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the University and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the University's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the University's major federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the University's compliance based on our audit. 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 U.S. GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the University's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with U.S. GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 University's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the University's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the University as of and for the year ended May 31, 2024, and have issued our report thereon dated September 13, 2024, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. GAAS. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Berry Dunn McNeil & Parker, LLC

Manchester, New Hampshire
September 13, 2024

UNIVERSITY OF NEW ENGLAND
Schedule of Expenditures of Federal Awards
Year Ended May 31, 2024

Federal grantor/pass-through grantor/program title	Federal AL Number	Pass-through Number	Pass-through to Subrecipients	Federal Expenditures
Research and Development Cluster				
U.S. Department of Agriculture Direct Programs:		AWD00000334SUB		
Cooperative Forestry Assistance	10.664	00000232	\$ - \$	10,776
Urban and Community Forestry Program	10.675	22-dk-160	-	1,390
Total U.S. Department of Agriculture			-	12,166
U.S. Department of Commerce				
Passed through: National Oceanic and Atmospheric Administration				
Fisheries Development and Utilization Research and Development Grants and Cooperative Agreements Program	11.427	2022-1438-02	-	39,087
Total U.S. Department of Commerce			-	39,087
U.S. Department of the Interior				
Passed through: US Fish and Wildlife Service				
Neotropical Migratory Bird Conservation	15.635	F23AP01457-00	-	27,823
Total U.S. Department of the Interior			-	27,823
National Aeronautics & Space Administration				
Passed through: Maine Space Grant Consortium				
Education	43.008	N/A	-	4,545
Direct Programs:				
Education	43.008	EP-24-04	-	28,049
Education	43.008	SG-23-25	-	13,815
Total National Aeronautics & Space Administration			-	46,409
National Science Foundation				
Direct Programs:				
Geosciences	47.050	1948108	-	55,364
Education and Human Resources	47.076	2021261	-	4,595
Integrative Activities	47.083	PZL0203	-	206,034
Integrative Activities	47.083	UMS1225	-	15,241
Total National Science Foundation			-	281,234
U.S. Department of Health and Human Services				
Passed through: National Institute of Health		158333.5126253.01		
Oral Diseases and Disorders Research	93.121	06	-	24,698
Drug Abuse and Addiction Research Programs	93.279	628322	-	117,805
Nursing Research	93.361	AH001010	-	87,981
Cancer Treatment Research	93.395	5R01CA267554	-	370,052
Arthritis, Musculoskeletal and Skin Diseases Research	93.846	Motyl-R01-UNE- Houseknecht	-	43,998
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	AH000949	-	30,306
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	1R01NS121533	34,878	410,577
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	1R01NS132674	-	135,061

See accompanying notes to schedule of expenditures of federal awards

UNIVERSITY OF NEW ENGLAND
Schedule of Expenditures of Federal Awards
Year Ended May 31, 2024

Federal grantor/pass-through grantor/program title	Federal AL Number	Pass-through Number	Pass-through to Subrecipients	Federal Expenditures
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	1R03NS126842	\$ - \$	9,289
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	1R15NS131952	-	114,974
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	1R21NS130249	-	197,565
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	2R15NS095195	-	26,106
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	5R01NS109936	-	116,522
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	5R01NS131571	-	214,114
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	7R21NS125484	-	133,340
Biomedical Research and Research Training	93.859	N/A	-	644
Biomedical Research and Research Training	93.859	1P20GM152330	-	515,596
Biomedical Research and Research Training	93.859	1R16GM150784	-	80,763
Biomedical Research and Research Training	93.859	5P20GM103643	-	71,522
Biomedical Research and Research Training	93.859	5P30GM145497	-	1,064,804
Biomedical Research and Research Training	93.859	CTR-Pilot-Yr7-UNE-Cao	-	33,617
Biomedical Research and Research Training	93.859	MH-Sawyer-111410-Gagnon	-	45,867
Biomedical Research and Research Training	93.859	P02GM103423-23/UNE	-	22,832
Aging Research	93.866	5128631	-	16,272
Vision Research	93.867	5U01EY034709	914,034	1,343,667
Total U.S. Department of Health and Human Services			948,912	5,227,972
Total Research and Development Cluster			948,912	5,634,691
Student Financial Assistance Cluster				
U.S. Department of Education				
Direct Programs:				
Federal Supplemental Educational Opportunity Grants	84.007	N/A	-	429,801
Federal Work-Study Program	84.033	N/A	-	982,701
Federal Perkins Loan Program	84.038	N/A	-	2,010,294
Federal Pell Grant Program	84.063	N/A	-	2,396,626
Federal Direct Student Loans	84.268	N/A	-	127,998,802
Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)	84.379	N/A	-	15,088
Total U.S. Department of Education			-	133,833,312
U.S. Department of Health and Human Services				
Direct Programs:				
Health Professions Student Loans, Including Primary Care Loans/Loans for Disadvantaged Students	93.342	N/A	-	474,165
Total U.S. Department of Health and Human Services			-	474,165
Total Student Financial Assistance Cluster			-	134,307,477

See accompanying notes to schedule of expenditures of federal awards

UNIVERSITY OF NEW ENGLAND
Schedule of Expenditures of Federal Awards
Year Ended May 31, 2024

Federal grantor/pass-through grantor/program title	Federal AL Number	Pass-through Number	Pass-through to Subrecipients	Federal Expenditures
U.S. Department of Agriculture				
SNAP Cluster				
Passed through: U.S. Department of Agriculture				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	OFI-22-351A	\$ 966,824	\$ 1,521,292
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	OFI-24-351	1,727,531	2,921,071
Total SNAP Cluster			<u>2,694,355</u>	<u>4,442,363</u>
Total U.S. Department of Agriculture			<u>2,694,355</u>	<u>4,442,363</u>
U.S. Department of Commerce				
Passed through: University of Maine System				
Sea Grant Support	11.417	N/A	-	58
Total U.S. Department of Commerce			<u>-</u>	<u>58</u>
U.S. Department of Housing and Urban Development				
Direct Programs:				
Lead-Based Paint Hazard Control in Privately-Owned Housing	14.900	MELHB0717-19	-	4
Lead-Based Paint Hazard Control in Privately-Owned Housing	14.900	MELHB0788-22	-	40,500
Total AL Number 14.900:			<u>-</u>	<u>40,504</u>
Total U.S. Department of Housing and Urban Development			<u>-</u>	<u>40,504</u>
U.S. Department of Justice				
Passed through: Office of Violence Against Women				
Rural Domestic Violence, Dating Violence, Sexual Assault, and Stalking Assistance Program	16.589	15JOVW-23-GG- 02792-RURA	-	80,156
Total U.S. Department of Justice			<u>-</u>	<u>80,156</u>
U.S. Department of Treasury				
Direct Programs:				
Coronavirus State and Local Fiscal Recovery Funds	21.027	2022100400000000 0000	-	45,967
Total U.S. Department of Treasury:			<u>-</u>	<u>45,967</u>
National Science Foundation				
Direct Programs:				
Polar Programs	47.078	2210822	-	138
Total National Science Foundation			<u>-</u>	<u>138</u>
U.S. Department of Health and Human Services				
Passed through: ACL				
Special Programs for the Aging Title III, Part C Nutrition Services	93.045	90INNU0032	-	240,530

See accompanying notes to schedule of expenditures of federal awards

UNIVERSITY OF NEW ENGLAND
Schedule of Expenditures of Federal Awards
Year Ended May 31, 2024

Federal grantor/pass-through grantor/program title	Federal AL Number	Pass-through Number	Pass-through to Subrecipients	Federal Expenditures
Direct Programs:				
Environmental Health	93.113	N/A	\$ -	\$ 9,128
Area Health Education Centers Point of Service Maintenance and Enhancement Awards	93.107	6 U77HP03021	321,813	480,679
Maternal and Child Health Federal Consolidated Programs	93.110	5 T73MC30118	36,078	513,477
Nurse Anesthetist Traineeships	93.124	6 A22HP30944	-	26,315
Telehealth Programs	93.211	N/A	-	33,297
Advanced Nursing Education Grant Program	93.247	6 T96HP32509	-	713,134
Passed through: Center for Disease Control Drug-Free Communities Support Program Grants	93.276	5 NH28CE002994	-	148,423
Direct Programs:				
Congressional Directives	93.493	N/A	-	31,071
Congressional Directives	93.493	6 CE1HS47024	-	3,608,518
Total AL Number 93.493			-	3,639,589
Affordable Care Act (ACA) Public Health Training Centers Program	93.516	4500004839	-	27,458
Certified Community Behavioral Health Clinic Expansion Grants	93.696	1A09302023	-	65,010
Certified Community Behavioral Health Clinic Expansion Grants	93.696	1A09302022	-	80,011
Certified Community Behavioral Health Clinic Expansion Grants	93.696	N/A	-	104,887
Total AL Number 93.696			-	249,908
Mental and Behavioral Health Education and Training Grants	93.732	4 M01HP31369	-	22,250
Section 223 Demonstration Programs to Improve Community Mental Health Services	93.829	N/A	-	18,627
Section 223 Demonstration Programs to Improve Community Mental Health Services	93.829	N/A	-	13,375
Total AL Number 93.829			-	32,002
Child Health and Human Development Extramural Research	93.865	4500002783	-	15,862
Grants for Primary Care Training and Enhancement	93.884	4 T13HP31911	-	132,058
Grants for Primary Care Training and Enhancement	93.884	5 T9DHP45635	-	285,325
Total AL Number 93.884			-	417,383

See accompanying notes to schedule of expenditures of federal awards

UNIVERSITY OF NEW ENGLAND
Schedule of Expenditures of Federal Awards
Year Ended May 31, 2024

Federal grantor/pass-through grantor/program title	Federal AL Number	Pass-through Number	Pass-through to Subrecipients	Federal Expenditures
Rural Health Care Services Outreach, Rural Health Network Development and Small Health Care Provider Quality Improvement	93.912	23040	\$ - \$	52,660
Rural Health Care Services Outreach, Rural Health Network Development and Small Health Care Provider Quality Improvement	93.912	23049	-	38,012
Total AL Number 93.912			-	90,672
PPHF Geriatric Education Centers	93.969	6 U1QHP33080	426,843	927,809
PPHF Geriatric Education Centers	93.969	FED712-19163-N4	-	14,296
Total AL Number 93.969			426,843	942,105
Total U.S. Department of Health and Human Services			784,734	7,602,212
Total Expenditures of Federal Awards			\$ 4,428,001	\$ 152,153,566

See accompanying notes to schedule of expenditures of federal awards

UNIVERSITY OF NEW ENGLAND

Schedule of Findings and Questioned Costs Related to Federal Awards

Year Ended May 31, 2024

1. **Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) presents the activity of all federal financial assistance programs of the University of New England (the University) for the year ended May 31, 2024. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the University, it is not intended to, and does not present the financial position, changes in net assets, or cash flows of the University.

2. **Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

3. **Indirect Cost Rate**

The University has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

4. **Loan Program Balances**

The federal student loan programs listed subsequently are administered directly by the University, and balances and transactions relating to these programs are included in the University's financial statements. Loans outstanding at the beginning of the year and loans made during the year are included in the federal expenditures presented in the Schedule. The balance of loans outstanding at May 31, 2024 consists of:

<u>AL Number</u>	<u>Program Name</u>	<u>Outstanding Balance</u>
84.038	Federal Perkins Loans	\$ <u>2,010,294</u>
93.342	Health Professions Student Loans	\$ <u>419,451</u>

UNIVERSITY OF NEW ENGLAND

Schedule of Findings and Questioned Costs Related to Federal Awards

Year Ended May 31, 2024

Section I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified	
Internal control over financial reporting:		
Material weakness(es) identified?	_____ Yes	<u> X </u> No
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	_____ Yes	<u> X </u> None reported
Noncompliance material to the financial statements noted?	_____ Yes	<u> X </u> No

Federal Awards

Internal control over major programs:		
Material weakness(es) identified?	_____ Yes	<u> X </u> No
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	_____ Yes	<u> X </u> None reported
Type of report issued on compliance for major programs:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516?	_____ Yes	<u> X </u> No

Identification of major programs:

<u>AL Number(s)</u>	<u>Name of Federal Program or Cluster</u>
93.969	PPHF Geriatric Education Centers
93.493	Congressional Directives
Various	U.S. Department of Education – Student Financial Assistance Cluster
Dollar threshold used to distinguish between Type A and Type B programs	\$750,000
Auditee qualified as low-risk auditee?	<u> X </u> Yes _____ No

UNIVERSITY OF NEW ENGLAND

Schedule of Findings and Questioned Costs Related to Federal Awards (Concluded)

Year Ended May 31, 2024

Section II. Findings Relating to the Financial Statements that are Required to be Reported in Accordance with Government Auditing Standards

None noted.

Section III. Federal Award Findings and Questioned Costs

None noted.

UNIVERSITY OF NEW ENGLAND

Summary Schedule of Prior Year Audit Findings

Year Ended May 31, 2024

Section I. Prior Year Findings Related to Financial Statements Which are Required to be Reported in Accordance with Government Auditing Standards

None noted.

Section II. Prior Year Audit Findings for Major Federal Programs

None noted.