



WESLEYAN UNIVERSITY

Independent Auditors' Reports as Required by the Uniform Guidance and
U.S. Department of Education Financial Responsibility Standards, and
Related Information

Year ended June 30, 2022

WESLEYAN UNIVERSITY

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Independent Auditors' Report

The Board of Trustees
Wesleyan University:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Wesleyan University (the University), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the University as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (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 Auditors' 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 audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles, 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 for one year after the date the financial statements are issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 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.

Report on Summarized Comparative Information

We have previously audited the University's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 28, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Supplementary Schedule of Financial Responsibility Data is presented for purposes of additional analysis as required by the US 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 auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Schedule of Financial Responsibility Data 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 October 28, 2022, 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.

KPMG LLP

Hartford, Connecticut
October 28, 2022

WESLEYAN UNIVERSITY

Statement of Financial Position

June 30, 2022

(with comparative financial information for June 30, 2021)

(In thousands of dollars)

Assets	2022	2021
Cash and cash equivalents	\$ 58,223	15,801
Deposits with trustees	40,647	—
Short-term investments	207,320	165,724
Receivables, net, and other assets	12,221	12,919
Pledges receivable, net	31,945	28,353
Long-term investments	1,610,246	1,730,308
Investment in plant	407,132	376,215
Total assets	<u>\$ 2,367,734</u>	<u>2,329,320</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 27,543	23,347
Liabilities associated with investments	16,969	20,961
Deferred revenues and other liabilities	15,304	4,970
Split-interest obligations	10,175	10,640
Postretirement benefit obligation	17,180	20,402
Long-term debt	454,119	354,916
Asset retirement obligation	12,067	11,981
Federal student loan advances	2,635	3,004
Total liabilities	<u>555,992</u>	<u>450,221</u>
Net assets:		
Without donor restrictions	585,139	602,488
With donor restrictions	1,226,603	1,276,611
Total net assets	<u>1,811,742</u>	<u>1,879,099</u>
Total liabilities and net assets	<u>\$ 2,367,734</u>	<u>2,329,320</u>

See accompanying notes to financial statements.

WESLEYAN UNIVERSITY

Statement of Activities

Year ended June 30, 2022

(with summarized comparative financial information for the year ended June 30, 2021)

(In thousands of dollars)

	2022			
	Without donor restrictions	With donor restrictions	Total	Total 2021
Operating activities:				
Revenues and other support:				
Net student charges	\$ 183,410	—	183,410	148,649
Contributions	7,181	—	7,181	8,987
Government and foundation grants	19,240	—	19,240	11,061
Other revenues	7,001	—	7,001	6,199
Nonoperating net assets used in operations:				
Endowment return used in operations	47,180	—	47,180	45,625
Restricted and designated net assets used in operations	4,421	—	4,421	6,501
Total revenues and other support	268,433	—	268,433	227,022
Expenses:				
Salaries and benefits	143,150	—	143,150	128,678
Supplies, services and other	78,341	—	78,341	65,557
Interest	16,601	—	16,601	14,783
Depreciation	12,732	—	12,732	11,460
Total expenses	250,824	—	250,824	220,478
Changes in net assets from operating activities	17,609	—	17,609	6,544
Nonoperating activities:				
Contributions	1,223	57,252	58,475	53,493
Foundation grants	—	2,505	2,505	1,373
Net investment return	(24,921)	(59,820)	(84,741)	598,660
Nonoperating net assets used in operations	(51,601)	—	(51,601)	(52,126)
Other changes	(12,676)	(474)	(13,150)	(1,242)
Postretirement benefit obligation changes other than service cost	3,546	—	3,546	(222)
Net assets released from restrictions	49,471	(49,471)	—	—
Total non-operating activities	(34,958)	(50,008)	(84,966)	599,936
Change in net assets	(17,349)	(50,008)	(67,357)	606,480
Net assets at beginning of year	602,488	1,276,611	1,879,099	1,272,619
Net assets at end of year	\$ 585,139	1,226,603	1,811,742	1,879,099

See accompanying notes to financial statements.

WESLEYAN UNIVERSITY

Statement of Cash Flows

Year ended June 30, 2022

(with comparative financial information for the year ended June 30, 2021)

(In thousands of dollars)

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Change in net assets	\$ (67,357)	606,480
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	12,675	11,406
Amortization of bond premium and cost of issuance	(797)	51
Net losses (gains) from investments and trusts	81,046	(598,399)
Gifts received for long-term investment	(34,225)	(28,898)
Gifts of property, plant and equipment	—	(154)
Postretirement benefit obligation change	(3,222)	88
Changes in assets and liabilities that provide (use) cash:		
Receivables, net and other assets	698	(1,101)
Pledges receivable, net	(3,592)	(5,879)
Accounts payable and accrued expenses	8,301	3,505
Deferred revenues and other liabilities	10,334	(988)
Change in valuation of split-interest obligations	480	1,150
Asset retirement obligation	86	73
Net cash provided by (used in) operating activities	<u>4,427</u>	<u>(12,666)</u>
Cash flows from investing activities:		
Additions to property and equipment	(47,697)	(21,729)
Change in deposit with brokers for short sales	3,703	(12,582)
Purchases of securities sold short	(20,289)	(2,706)
Sales of securities sold short	21,175	10,770
Purchases of long-term investments	(399,290)	(354,381)
Sales of long-term investments	429,227	387,492
Purchases of short-term investments	(119,546)	(134,528)
Sales of short-term investments	77,950	111,386
Net cash used in investing activities	<u>(54,767)</u>	<u>(16,278)</u>
Cash flows from financing activities:		
Gifts received for long-term investment	34,225	28,898
Payments to beneficiaries of split-interest agreements	(945)	(908)
Proceeds from issuance of long-term debt	100,856	—
Cost of debt issuance	(856)	—
Changes in federal student loan advances	(369)	(405)
Net cash provided by financing activities	<u>132,911</u>	<u>27,585</u>
Net change in cash, cash equivalents, and restricted cash	82,571	(1,359)
Cash, cash equivalents and restricted cash at beginning of year	19,912	21,271
Cash, cash equivalents and restricted cash at end of year	\$ <u>102,483</u>	<u>19,912</u>
Other cash flow information:		
Cash paid for interest	\$ 18,056	14,870
Change in accounts payable related to property and equipment	(4,105)	1,338
Right of use assets acquired under operating leases	—	1,909
Reconciliation of cash, cash equivalents and restricted cash:		
Cash and cash equivalents	\$ 58,223	15,801
Deposits with trustees	40,647	—
Long-term investments	3,613	4,111
Cash, cash equivalents and restricted cash	\$ <u>102,483</u>	<u>19,912</u>

See accompanying notes to financial statements.

WESLEYAN UNIVERSITY

Notes to Financial Statements

June 30, 2022

(with summarized comparative information for June 30, 2021)

(Dollars in thousands)

(1) Organization

Wesleyan University (the University), founded in 1831, is a private residential not-for-profit institution of higher learning. The University is co-educational and has approximately 3,000 undergraduate and 200 graduate students situated on a 316-acre campus in Middletown, Connecticut. The University offers Bachelor of Arts in 45 fields, plus Bachelor of Liberal Studies, Master's degrees and PhDs in selected disciplines. The University is accredited by the New England Commission of Higher Education.

(2) Summary of Significant Accounting Policies

The significant accounting policies followed by the University are described below:

(a) Basis of Reporting

The financial statements of the University have been prepared on the accrual basis in accordance with U.S. generally accepted accounting principles (GAAP). The University applies the Financial Accounting Standards Board's (FASB's) Accounting Standards Codification (ASC), which is the single source of authoritative GAAP.

The financial statements include prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the University's financial statements for the year ended June 30, 2021, from which the summarized information was derived.

(b) Net Asset Classes

The accompanying financial statements present information regarding the University's financial position and activities based upon the existence or absence of donor-imposed restrictions in the following net asset categories:

With donor restrictions: net assets subject to donor restrictions that expire with the passage of time, can be fulfilled by actions pursuant to the restrictions, or which may be perpetual.

Without donor restrictions: net assets not subject to donor restrictions on their use.

(c) Statement of Activities

The statement of activities reports changes in net assets from operating and nonoperating activities. Operating revenues consist of those items attributable to the University's undergraduate and graduate education programs and research conducted by the academic departments, as well as all contributions other than those restricted for long-term investment or not available for current operations.

Nonoperating activities include investment return on long-term investments, postretirement benefit obligation adjustments other than service cost, changes in value of split-interest agreements, as well as certain items not related to the University's ongoing academic or research activities. To the extent nonoperating contributions, investment income and returns are used for operations, they are reclassified as nonoperating assets used in operations.

WESLEYAN UNIVERSITY
Notes to Financial Statements
June 30, 2022
(with summarized comparative information for June 30, 2021)
(Dollars in thousands)

(d) Revenue Recognition

(i) Net Student Charges

Net student charges consist of tuition and fees and room and board charges, which are recorded as revenue in the year in which the related services are rendered. Revenue from student charges is determined based on published rates and billed and reflected net of reductions from institutional financial aid, which may be funded by endowment funds or other institutional resources. Disbursements made directly to students for living costs or other purposes are reported as an expense. Student charges received in advance of services rendered are categorized as deferred revenues and other liabilities in the statement of financial position.

Student charges were as follows for the years ended June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Tuition and fees	\$ 205,987	177,040
Room and board	<u>56,945</u>	<u>41,641</u>
Gross student charges	262,932	218,681
Less scholarships	<u>(79,522)</u>	<u>(70,032)</u>
Net student charges	<u><u>\$ 183,410</u></u>	<u><u>148,649</u></u>

(ii) COVID-19

Federal stimulus packages created by the Coronavirus Aid, Relief, and Economic Security Act (CARES), Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA) and the American Rescue Plan (ARP) provided funding to support higher education institutions and the students they serve through the Higher Education Emergency Relief Fund (HEERF).

In addition, the Federal Emergency Management Agency (FEMA) has reimbursed the University for costs incurred to mitigate the spread of COVID-19 on campus.

WESLEYAN UNIVERSITY

Notes to Financial Statements

June 30, 2022

(with summarized comparative information for June 30, 2021)

(Dollars in thousands)

For the years ended June 30, 2022 and 2021, Wesleyan recognized the following activity from government agencies, which is recorded in government and foundation grants on the statement of activities:

	2022	2021
Emergency financial aid grants distributed to students	\$ 2,936	1,633
Other institutional support	2,936	2,627
Total HEERF	5,872	4,260
Federal Emergency Management Agency	5,489	—
Total FEMA	5,489	—
Total federal support for COVID-19	\$ 11,361	4,260

(iii) Contributions

Contributions, including unconditional promises to give, are recognized in the period received. Contributions of assets other than cash are reported at their estimated fair value. Contributions to be received after one year are discounted at the appropriate rate commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue. Contributions of cash or other assets that must be used to acquire long-lived assets are reported as increases in net assets with donor restrictions until the assets are acquired and placed in service.

The University accounts for nonexchange transfers of assets from government agencies and foundations as contributions. Contributions containing both a barrier and a right of return are accounted for as conditional contributions, and revenue is recognized when conditions are met. However, the University has elected the simultaneous release option for conditional contributions that are also subject to purpose restrictions. Under this option, net assets without donor restrictions include donor restricted-contributions for which purpose restrictions and conditions are met in the same reporting period.

(e) Cash Equivalents and Short-Term Investments

Cash equivalents include only short-term-, highly liquid working capital investments (those with original maturities three months or less), exclusive of those recorded as long-term- or short-term- investments. Short-term- investments include amounts invested in short-term-, liquid assets selected to provide optimum return for the University's ongoing operations.

(f) Deposits With Trustees

The University maintains unspent proceeds from the issuance of CHEFA Series I as required by the associated bond agreements. The deposits with trustees of debt obligations are reported in deposits with trustees on the balance sheet.

WESLEYAN UNIVERSITY

Notes to Financial Statements

June 30, 2022

(with summarized comparative information for June 30, 2021)

(Dollars in thousands)

(g) Receivables

The University extends credit to students in the form of accounts receivable and loans for educational purposes. At June 30, 2022 and 2021, student accounts receivable were \$672 and \$670, net of an allowance for doubtful accounts of \$301 and \$260, respectively. Student loans receivable at June 30, 2022 and 2021 were \$2,208 and \$2,675, respectively, net of an allowance for doubtful accounts of \$1,058.

(h) Fair Value Measurements

Investments are reported at fair value. Fair value generally represents the price that would be received upon the sale of an asset or paid upon the transfer of a liability in an orderly transaction between market participants as of the measurement date. GAAP establishes a fair value hierarchy that prioritizes inputs used to measure fair value into three levels:

- Level 1 – quoted prices (unadjusted) in active markets that are accessible at the measurement date for assets or liabilities;
- Level 2 – observable prices that are based on inputs not quoted in active markets, but corroborated by market data; and
- Level 3 – unobservable inputs are used when little or no market data is available.

The University utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. The University classifies its assets and liabilities in the hierarchy based on these inputs.

Most of the University's investments are held through limited partnerships and commingled funds for which fair value is estimated using net asset values (NAVs) reported by the fund managers as a practical expedient. These NAV-measured investments are not categorized within the fair value hierarchy.

These investments are generally redeemable or may be liquidated at NAV under the original terms of the subscription agreements and operations of the underlying funds. However, it is possible that these redemption rights may be restricted or eliminated by the funds in the future in accordance with the underlying fund agreements. The nature of certain investments held by these funds, changes in market conditions and the economic environment may significantly impact the NAV of the funds and, consequently, the fair value of the University's interests in the funds. Furthermore, changes to the liquidity provisions of the funds may significantly impact the fair value of the University's interest in the funds. Although certain investments may be sold in secondary market transactions, subject to meeting certain requirements of the governing documents of the funds, the secondary market is not active and individual transactions are not necessarily observable. It is therefore reasonably possible that if the University were to sell its interest in a fund in the secondary market, the sale could occur at an amount materially different than the reported value.

As of June 30, 2022 and 2021, the University had no specific plans or intentions to sell investments at amounts different than NAV.

WESLEYAN UNIVERSITY

Notes to Financial Statements

June 30, 2022

(with summarized comparative information for June 30, 2021)

(Dollars in thousands)

(i) Investment in Plant

Investment in plant is stated at cost at the date of acquisition or estimated fair value at the date of donation in the case of gifts. Depreciation is calculated on a straight-line basis using useful lives of 50 years for buildings, 25 years for building improvements, 10 years for equipment and 7 years for computer hardware and software.

The University recognizes the fair value of a liability for legal obligations associated with asset retirements in the period in which the obligation is incurred, in accordance with ASC 410, *Asset Retirement and Environmental Obligations*, if a reasonable estimate of the fair value of the obligation can be made. When the liability is initially recorded, the cost of the asset retirement obligation is capitalized by increasing the carrying amount of the related long-lived-asset. The liability is accreted to its present value each period, and the capitalized cost associated with the retirement obligation is depreciated over the useful life of the related asset. Any difference between the cost to actually settle the asset retirement obligation and the liability recorded is recognized as an operating gain or loss in the statement of activities.

(j) Liabilities Associated with Investments

The University may, from time to time, incur liabilities associated with its investment portfolio as a result of securities sold short or other transactions. In order to terminate a short position, the University must acquire and deliver to the lender a security identical to the one it borrowed and sold short, and a gain or loss is recognized for the difference between the short sale proceeds and the cost of the identical security acquired. Liabilities reported on the statement of financial position represent the fair value of the identical securities that must be acquired to settle the obligation to the lender. The liabilities would be classified as Level 1 in the fair value hierarchy given that they are measured based on marketable securities.

(k) Split Interest Obligations

The University has a charitable gift annuity plan whereby donors may contribute assets in exchange for the right to receive a fixed-dollar periodic payment of the gift assets during their lifetimes. Payments begin in accordance with the timing stipulated in the gift annuity contracts. The difference between the original annuity amount invested and the discounted liability for future payments, determined on an actuarial basis, is recognized as contribution revenue at the date of the gift. The actuarial liability is revalued annually and any surplus or deficiency is recognized as a change in value in the statements of activities.

Assets under Wesleyan's gift annuity program were \$11,953 and \$14,312, and liabilities to donors were of \$8,161 and \$8,138, as of June 30, 2022 and 2021, respectively.

(l) Income Taxes

The University is generally exempt from income taxes under Internal Revenue Code, Section 501(a), as an organization described in Section 501(c)(3). The University assesses uncertain tax positions and determined that there were no such positions that have a material effect on the financial statements.

WESLEYAN UNIVERSITY

Notes to Financial Statements

June 30, 2022

(with summarized comparative information for June 30, 2021)

(Dollars in thousands)

As of June 30, 2021, the University became subject to a federal excise tax of 1.4% on net investment income under the Tax Cuts and Jobs Act signed into law on December 22, 2017. Net investment income includes interest, dividends and net realized gains on the sale of investments. Estimated excise tax expense of \$1,657 is reported in accounts payable and accrued expenses on the statement of financial position and in other changes on the statement of activities.

The University has also made provisions for deferred taxes in the amount of \$10,900. The deferred tax liability represents future excise tax payable on unrealized gains in excess of the tax basis of the investments. The liability is reported in deferred revenues and other liabilities on the statement of financial position and in other changes on the statement of activities.

(m) Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(n) Risks and Uncertainties

Investments are exposed to various risks, such as interest rate, market and credit. Due to the level of risk associated with certain investments and the level of uncertainty related to changes in their value, it is reasonably possible that changes in these risks in the near term could materially affect amounts reported in the financial statements.

The COVID-19 global pandemic may continue to impact various elements of the University's fiscal year 2023 operations and financial results, including, but not limited to fluctuations in enrollment, loss of auxiliary revenues, and increases in costs relating to COVID-19 testing, technology and cleaning. The future impact of COVID-19 cannot be reasonably estimated.

(3) Financial Assets and Liquidity Resources

The University's cash flows have seasonal variations during the year attributable to billings for student charges and there is a concentration of contributions received at calendar and fiscal year ends. To manage liquidity, the University maintains a working capital portfolio conservatively invested in cash and short-term-investments with daily liquidity. As further described in note 11, the University maintains two lines of credit with JPMorgan Chase that provide up to \$80,000, which can be drawn on to manage cash flows.

WESLEYAN UNIVERSITY

Notes to Financial Statements

June 30, 2022

(with summarized comparative information for June 30, 2021)

(Dollars in thousands)

As of June 30, 2022, financial assets and liquidity resources available within one year for general expenditures, such as operating expenses, scheduled debt service, and capital construction costs not financed with debt, were as follows:

Financial assets:

Cash and cash equivalents	\$	58,223
Short-term investments		207,320
Accounts and student loans receivable, net due within one year		5,366
Pledges receivable, net available for operations due within one year		1,468
Fiscal 2023 Board-approved endowment appropriation		<u>55,378</u>
Total financial assets available within one year		327,755

Liquidity resources:

Line of credit, undrawn		<u>80,000</u>
Total financial assets and liquidity resources	\$	<u><u>407,755</u></u>

In addition, as of June 30, 2022, subject to liquidity provisions, the University had an additional \$79,501 in working capital investments and \$368,086 in board-designated endowment, which is available for general expenditure with Board approval.

(4) Contributions Receivable

The following is a summary of unconditional promises to give at June 30 is as follows:

	<u>2022</u>	<u>2021</u>
Contributions expected to be collected within:		
Less than one year	\$ 16,605	10,911
One to five years	15,230	17,729
More than five years	<u>1,495</u>	<u>3,000</u>
	33,330	31,640
Less allowance for uncollectible pledges	(613)	(3,001)
Less discount for present value	<u>(772)</u>	<u>(286)</u>
Net unconditional promises to give	\$ <u><u>31,945</u></u>	<u><u>28,353</u></u>

The University applies an allowance for uncollectible pledges based on factors such as prior collection history, type of contribution, nature of the fundraising activity, and future collection expectations. Discount rates used range from 0.22% to 3.69%.

As of June 30, 2022, approximately 47% of the pledge receivable balance was due from three donors.

WESLEYAN UNIVERSITY

Notes to Financial Statements

June 30, 2022

(with summarized comparative information for June 30, 2021)

(Dollars in thousands)

Office of Advancement expenditures, which are primarily for fundraising purposes and alumni activity, totaled \$9,133 and \$7,365 in fiscal years 2022 and 2021, respectively.

Conditional contributions receivable as of June 30, 2022 and 2021 are \$13,051 and \$13,771, respectively.

(5) Investments

The University's assets that are reported at estimated fair value are summarized in the following tables by their fair value hierarchy classification as of June 30, 2022 and 2021:

As of June 30, 2022	Investments measured at NAV	Investments classified in the fair value hierarchy			Total
		Level 1	Level 2	Level 3	
Cash and cash equivalents	\$ —	58,223	—	—	58,223
Funds on deposit with trustee*	—	40,647	—	—	40,647
Short-term investments	—	207,320	—	—	207,320
Long-term investments:					
Money market funds and cash equivalents	—	51,981	—	—	51,981
Fixed income	—	47,765	—	—	47,765
Global Equity	304,872	37,451	—	9,678	352,001
Real estate	77,699	—	—	19,552	97,251
Natural resources	41,216	—	—	—	41,216
Venture capital	426,223	—	—	—	426,223
Buyout	269,815	—	—	—	269,815
Other private equity	23,132	—	—	—	23,132
Absolute return:					
Long/short equity	46,748	—	—	—	46,748
Multi-strategy absolute return	87,891	—	—	—	87,891
Other absolute return	139,875	—	—	—	139,875
Split-interest agreements *	—	17,112	—	—	17,112
Other investments	—	—	—	2,551	2,551
Funds held or administered by others	—	—	—	6,685	6,685
Total long-term investments	1,417,471	154,309	—	38,466	1,610,246
Total	\$ 1,417,471	460,499	—	38,466	1,916,436

* Invested in mutual funds with daily liquidity.

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(with summarized comparative information for June 30, 2021)

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As of June 30, 2021	Investments measured at NAV	Investments classified in the fair value hierarchy			Total
		Level 1	Level 2	Level 3	
Cash and cash equivalents	\$ —	15,801	—	—	15,801
Short-term investments	—	165,724	—	—	165,724
Long-term investments:					
Money market funds and cash equivalents	—	124,222	—	—	124,222
Fixed income	—	49,049	—	—	49,049
Global Equity	393,028	40,117	—	15,750	448,895
Real estate	65,351	—	—	16,011	81,362
Natural resources	33,531	5,417	—	—	38,948
Venture capital	378,772	—	—	—	378,772
Buyout	259,305	—	—	—	259,305
Other private equity	32,364	1,338	—	—	33,702
Absolute return:					
Long/short equity	67,615	—	—	—	67,615
Multi-strategy absolute return	82,546	—	—	—	82,546
Other absolute return	134,464	—	—	—	134,464
Split-interest agreements *	—	20,446	—	—	20,446
Other investments	—	—	—	2,609	2,609
Funds held or administered by others	—	—	—	8,373	8,373
Total long-term investments	<u>1,446,976</u>	<u>240,589</u>	<u>—</u>	<u>42,743</u>	<u>1,730,308</u>
Total	<u>\$ 1,446,976</u>	<u>422,114</u>	<u>—</u>	<u>42,743</u>	<u>1,911,833</u>

* Invested in mutual funds with daily liquidity.

Short-term investments consist primarily of money market accounts and other short-term liquid assets.

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The following tables present the University's activity for the fiscal years ended June 30, 2022 and 2021 for Level 3 investments:

June 30, 2022					
Level 3 roll forward	Beginning balance as of June 30, 2021	Additions	Sales and maturities	Net realized and unrealized gains	Ending balance as of June 30, 2022
Real estate	\$ 16,011	—	(865)	4,406	19,552
Other investments	2,609	—	(80)	22	2,551
Global Equity	15,750	—	(6,072)	—	9,678
Funds held or administered by others	8,373	—	—	(1,688)	6,685
	<u>\$ 42,743</u>	<u>—</u>	<u>(7,017)</u>	<u>2,740</u>	<u>38,466</u>

June 30, 2021					
Level 3 roll forward	Beginning balance as of June 30, 2020	Additions	Sales and maturities	Net realized and unrealized gains	Ending balance as of June 30, 2021
Real estate	\$ 11,622	—	(1,513)	5,902	16,011
Other investments	2,643	—	(65)	31	2,609
Global Equity	—	15,750	—	—	15,750
Funds held or administered by others	7,043	—	—	1,330	8,373
	<u>\$ 21,308</u>	<u>15,750</u>	<u>(1,578)</u>	<u>7,263</u>	<u>42,743</u>

The University has committed to invest in various limited partnerships. Under the terms of the partnership agreements, the University is obligated to remit additional funding periodically as managers exercise capital calls. These partnerships have a limited existence, generally 10 years, and such agreements may provide annual extensions for the purpose of disposing portfolio holdings and returning capital to investors. Depending on market conditions, an inability to execute the fund's strategy, and other factors, a manager may extend the terms of a fund beyond its originally anticipated existence or may wind the fund down prematurely. As a result, the timing and amount of future capital calls expected in any particular future year is uncertain within a range of between 1 and 11 years. The aggregate amount of unfunded commitments associated with investments as of June 30, 2022 was \$364,381.

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Investment liquidity as of June 30, 2022 is aggregated below based on redemption or sale terms:

	In liquidation	Daily	Monthly to quarterly	Semi-annual to annual	Initial lockup	Illiquid	Total
Cash and cash equivalents	\$ —	58,223	—	—	—	—	58,223
Deposits with trustees	—	40,647	—	—	—	—	40,647
Short-term investments	—	207,320	—	—	—	—	207,320
Long-term investments:							
Money market funds and							
cash equivalents	—	51,981	—	—	—	—	51,981
Fixed income	—	47,765	—	—	—	—	47,765
Global Equity	9,740	9,688	178,346	54,888	51,904	47,435	352,001
Real estate	—	—	—	—	—	97,251	97,251
Natural resources	—	—	—	—	—	41,216	41,216
Venture capital	—	—	—	—	—	426,223	426,223
Buyout	—	—	—	—	—	269,815	269,815
Other private equity	—	—	—	—	—	23,132	23,132
Absolute return	4,569	—	61,204	108,851	74,654	25,236	274,514
Split-interest agreements	—	17,112	—	—	—	—	17,112
Other investments	—	—	—	—	—	2,551	2,551
Funds held or administered by others	—	—	—	—	—	6,685	6,685
Total long-term investments	14,309	126,546	239,550	163,739	126,558	939,544	1,610,246
Total	\$ 14,309	432,736	239,550	163,739	126,558	939,544	1,916,436

Certain funds contain lockup provisions. Under such provisions, share classes of the investment are available for redemption at prescribed dates in accordance with the partnership agreement of the fund. In some cases, funds may impose fees in exchange for advanced liquidity opportunities. A portion of the underlying investments within the categories of monthly to quarterly and semi-annual to annual may include private or side-pocket investments from which the University may not have an ability to redeem. Additionally, tranches of certain funds within these categories may restrict redemptions to a portion of the value over a rolling quarterly or annual basis.

(6) Endowment

The University follows the guidelines in ASC 958-205 to classify net assets of donor-restricted endowment funds for a not-for-profit organization that is subject to the State of Connecticut's version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA).

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The University's endowment consists of approximately 1,300 individual funds established for a variety of purposes, including both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

(a) Relevant Law

The University classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Also included in net assets with donor restrictions is accumulated appreciation on donor-restricted endowment funds until those amounts are appropriated for expenditure by the University in a manner consistent with the standard of prudence prescribed by UPMIFA.

UPMIFA provides standards for investing in a prudent manner by establishing a duty to minimize cost; diversify the investments; investigate facts relevant to the investment of the fund; and consider tax consequences of investment decisions and that investment decisions be made in light of the fund's entire portfolio as a part of an investment strategy having risk and return objectives reasonably suited to the fund and to the University. UPMIFA also permits the University to appropriate for expenditure or accumulate so much of an endowment fund as the University determines to be prudent for the uses, benefits, purposes, and duration for which the endowment fund is established, thereby eliminating the restriction that a fund could not be spent below its historical dollar value. The University considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the University and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the University
- The investment policies of the University

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Endowment funds consisted of the following at June 30, 2022 and 2021:

2022					
	Without donor restrictions	With donor-restrictions			Total funds
		Original gift	Accumulated gains (losses)	Total donor restricted	
Board designated endowment funds	\$ 368,086	687	555	1,242	369,328
Donor-restricted endowment funds:					
Underwater	—	29,743	(1,898)	27,845	27,845
Other	—	381,936	705,911	1,087,847	1,087,847
Sub-total	368,086	412,366	704,568	1,116,934	1,485,020
Working capital funds	79,501	—	—	—	79,501
Total endowment assets	<u>\$ 447,587</u>	<u>412,366</u>	<u>704,568</u>	<u>1,116,934</u>	<u>1,564,521</u>
2021					
	Without donor restrictions	With donor-restrictions			Total funds
		Original gift	Accumulated gains (losses)	Total donor restricted	
Board designated endowment funds	\$ 395,960	687	658	1,345	397,305
Donor-restricted endowment funds:					
Underwater	—	508	(4)	504	504
Other	—	377,862	796,980	1,174,842	1,174,842
Sub-total	395,960	379,057	797,634	1,176,691	1,572,651
Working capital funds	97,145	—	—	—	97,145
Total endowment assets	<u>\$ 493,105</u>	<u>379,057</u>	<u>797,634</u>	<u>1,176,691</u>	<u>1,669,796</u>

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Changes in endowment funds for the years ended June 30, 2022 and 2021 are as follows:

	Without donor restrictions	With donor restrictions	Total
Endowment assets, June 30, 2021	\$ 493,105	1,176,691	1,669,796
Investment return	(22,061)	(57,891)	(79,952)
Contributions	—	33,307	33,307
Working capital changes	(13,818)	—	(13,818)
Other increases (decreases)	2,368	—	2,368
Appropriation of endowment assets for expenditure	(12,007)	(35,173)	(47,180)
Endowment assets, June 30, 2022	<u>\$ 447,587</u>	<u>1,116,934</u>	<u>1,564,521</u>

	Without donor restrictions	With donor restrictions	Total
Endowment assets, June 30, 2020	\$ 331,046	799,861	1,130,907
Investment return	174,288	413,403	587,691
Contributions	6	10,543	10,549
Working capital changes	(2,129)	—	(2,129)
Other increases (decreases)	1,559	(13,156)	(11,597)
Appropriation of endowment assets for expenditure	(11,665)	(33,960)	(45,625)
Endowment assets, June 30, 2021	<u>\$ 493,105</u>	<u>1,176,691</u>	<u>1,669,796</u>

Working capital funds are operating reserves invested in the endowment and are not subject to the endowment spending policy.

(b) Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below their original contributed value. These deficiencies result from unfavorable market fluctuations that occur after the investment of new donor-restricted contributions and/or appropriation from such funds. Subsequent market gains will be used to restore this reduction in net assets.

(c) Return Objectives and Risk Parameters

A portion of the endowment assets is included in an investment pool that is accounted for on a unitized market value basis, with each individual fund subscribing to or disposing of units on the basis of the market value per unit of the pool at the end of the calendar month within which the transaction took place. The value of the units is based on a total return investment policy.

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The University has adopted investment and spending policies for the endowment that attempt to provide a predictable stream of funding to programs supported by the endowment while seeking to maintain the purchasing power of the endowment assets.

(d) Strategies Employed for Achieving Objectives

To satisfy its long term rate-of-return objectives, the University relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The University targets a diversified asset allocation that places emphasis on investments in equities, fixed income, and alternative investments to achieve its long-term return objectives with prudent risk constraints.

(e) Spending Policy and How the Investment Objectives Relate to Spending Policy

The University follows a spending policy known as the Tobin rule, named for James Tobin, recipient of the 1981 Nobel Prize in Economics. This rule sets the annual distribution using a quantitative formula that combines elements of stability and market conditions. The University's endowment spending is 70% based on the prior year's spending plus inflation (measured by the Higher Education Price Index (HEPI) as of June 30 of the past fiscal year) and 30% from 4.5% of the market value of endowment as of June 30 of the previous fiscal year. For fiscal 2022 and 2021, \$47,180 and \$45,625 was appropriated, respectively.

(7) Net Assets

At June 30, 2022 and 2021, net assets without donor-restrictions were comprised as follows:

	<u>2022</u>	<u>2021</u>
Undesignated	\$ 64,861	25,702
Net investment in plant	72,691	83,681
Board designated endowment	368,002	395,861
Working capital and reserves	<u>79,585</u>	<u>97,244</u>
Total	<u>\$ 585,139</u>	<u>602,488</u>

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At June 30, 2022 and 2021, net assets with donor restrictions were comprised as follows:

2022	Held in perpetuity	Subject to endowment appropriation	Subject to time and/ or donor- restrictions	Total net assets with donor restrictions
Capital projects	\$ —	—	68,987	68,987
Financial aid	232,516	249,394	1,387	483,297
Instruction and research	146,496	198,011	7,770	352,277
Library	3,547	18,305	3	21,855
General purpose and other	32,896	245,227	22,064	300,187
	<u>\$ 415,455</u>	<u>710,937</u>	<u>100,211</u>	<u>1,226,603</u>

2021	Held in perpetuity	Subject to endowment appropriation	Subject to time and/ or donor- restrictions	Total net assets with donor restrictions
Capital projects	\$ —	—	57,611	57,611
Financial aid	223,855	284,768	1,797	510,420
Instruction and research	125,023	225,554	9,353	359,930
Library	3,489	20,276	4	23,769
General purpose and other	32,698	269,697	22,486	324,881
	<u>\$ 385,065</u>	<u>800,295</u>	<u>91,251</u>	<u>1,276,611</u>

(8) Investment in Plant

At June 30, 2022 and 2021, the components of the University's investment in plant were as follows:

	2022	2021
Campus land and improvements	\$ 37,488	37,312
Buildings and improvements	492,163	479,716
Equipment	127,876	126,197
Construction in progress	48,635	19,398
Total	706,162	662,623
Less accumulated depreciation	(299,030)	(286,408)
Total investment in plant	<u>\$ 407,132</u>	<u>376,215</u>

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The construction in progress balance at June 30, 2022 primarily relates to construction of two academic buildings.

(9) Operating Expenses

Expenses presented by natural classification and function are as follows for the year ended June 30, 2022 and 2021:

2022	Salaries and benefits	Supplies, services and other	Interest expense	Depreciation	Total
Instruction	\$ 90,435	19,611	4,955	3,793	118,794
Research	2,723	1,576	1,660	1,271	7,230
Academic support	4,652	5,821	1,210	926	12,609
Student services	14,517	5,819	347	266	20,949
Institutional support	24,355	6,508	478	391	31,732
Auxiliary activities	6,468	39,006	7,951	6,085	59,510
Total	<u>\$ 143,150</u>	<u>78,341</u>	<u>16,601</u>	<u>12,732</u>	<u>250,824</u>

2021	Salaries and benefits	Supplies, services and other	Interest expense	Depreciation	Total
Instruction	\$ 79,894	10,834	4,413	3,413	98,554
Research	3,488	2,925	1,478	1,143	9,034
Academic support	4,057	5,291	1,078	834	11,260
Student services	13,045	6,937	309	239	20,530
Institutional support	22,790	4,915	425	356	28,486
Auxiliary activities	5,404	34,655	7,080	5,475	52,614
Total	<u>\$ 128,678</u>	<u>65,557</u>	<u>14,783</u>	<u>11,460</u>	<u>220,478</u>

The University allocates physical plant operations, depreciation, and interest expenses to functional expenditure categories based on square footage of facilities identified for each functional expenditure category.

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(10) Debt

At June 30, 2022 and 2021, long-term debt consisted of the following:

	<u>2022</u>	<u>2021</u>
Taxable bonds, Series 2021	\$ 55,520	—
Taxable bonds, Series 2020	75,000	75,000
Taxable bonds, Series 2016	250,000	250,000
Revenue bonds payable (CHEFA Series I)	35,390	—
Revenue bonds payable (CHEFA Series H)	20,105	20,105
Term loans	<u>12,920</u>	<u>12,920</u>
Total	448,935	358,025
Unamortized costs of issuance	(3,862)	(3,109)
Unamortized premium	<u>9,046</u>	<u>—</u>
Long term debt	<u>\$ 454,119</u>	<u>354,916</u>

(a) Taxable Bonds, Series 2021

In July 2021, the University issued \$55,520 of taxable bonds at a fixed rate of 2.872% with all principal due in 2052.

(b) Taxable Bonds, Series 2020

In January 2020, the University issued \$75 million of taxable bonds at a fixed rate of 3.37% with all principal due in 2050. The University is required to make semi-annual payments of interest.

(c) Taxable Bonds, Series 2016

In May 2016, the University issued \$250 million of taxable bonds at a fixed rate of 4.78% with all principal due in 2116. The University is required to make semi-annual payments of interest.

(d) CHEFA Series I

In July 2021, the University issued tax-exempt bonds with \$35,390 in par outstanding with a fixed coupon of 4.0% payable semi-annually. Series I was issued at a premium with an unamortized balance at June 30, 2022 of \$9,046. All principal is due July 1, 2031.

(e) CHEFA Series H

\$20,105 variable rate demand bonds have their interest rates set weekly. The interest rate at June 30, 2022 and 2021 was 0.84% and 0.02% respectively. The University makes monthly payments of interest. The University may make prepayments of principal and is required to pay any remaining principal balance on July 1, 2040. The University maintains sufficient liquidity to purchase the bonds if remarketing is not successful.

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(f) Term Loans

In January 2016, the University entered into a term loan with Farmington Bank in the amount of \$12,920. Farmington Bank was subsequently acquired by People's United Bank during fiscal year 2020. In February 2021, the loan agreement was amended to lower the fixed interest rate from 2.9% to 1.1%. The University makes semi-annual payments of interest and all principal is due in February 2024.

(g) Debt Maturities

Payments for the principal of all long-term debt for each of the next five fiscal years and thereafter are as follows:

<u>Fiscal year</u>	<u>Amount due</u>
2022	\$ —
2023	—
2024	12,920
2025	—
2026	—
Thereafter	<u>436,015</u>
Total outstanding debt	<u>\$ 448,935</u>

(h) Debt Covenants

The University is subject to certain financial covenants that would be imposed if the University does not maintain its credit rating. The University maintained its credit rating during the years ended June 30, 2022 and 2021, and thus the financial covenants were not applicable.

(11) Lines of Credit

As of June 30, 2022, the University had the following revolving loan agreements with JPMorgan Chase:

<u>Expiration date</u>	<u>Amount</u>
July 6, 2023	\$ 40,000
July 6, 2025	<u>40,000</u>
Total lines of credit	<u>\$ 80,000</u>

The interest rate on both loans is set at 60 basis points above Secured Overnight Financing Rate (SOFR). The University did not utilize these lines in fiscal 2022 or 2021. No amounts were outstanding as of June 30, 2022 and 2021.

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(12) Benefit Plans

(a) Defined Contribution Plan

The University has defined contribution retirement plans, with contributions based on a percentage of salary, covering substantially all employees. Total expense was \$9,747 and \$8,989 for fiscal 2022 and 2021, respectively.

(b) Postretirement Benefits

The University provides certain postretirement health care benefits to employees. Employees become eligible to receive medical and life insurance benefits at various age and service requirements based on their group classifications (faculty, non-faculty, or physical plant bargaining unit). The University recognizes the cost of providing such benefits to the employees and dependents, if applicable, in the financial statements during the employees' active working lives. Those who elect early retirement before they are eligible for Medicare can continue in plans for active faculty and staff, which require premium sharing. Upon reaching Medicare eligibility, retirees may elect to participate in the Medicare Part D supplement plan or receive a \$300 per year annuity.

The University applies the provisions of ASC 715, Compensation-Retirement Benefits, to its postretirement plan. The status of the University's plan and the amounts recognized in the statements of financial position at June 30, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Change in benefit obligation:		
Benefit obligation as of beginning of year	\$ 20,402	20,314
Service cost	706	733
Interest cost	505	446
Plan participants' contributions	145	149
Plan amendments	1,458	—
Benefits paid	(575)	(1,070)
Medicare Part D Subsidy	48	54
Actuarial (gain) loss	<u>(5,509)</u>	<u>(224)</u>
Benefit obligation and funded status as of end of year	\$ <u>17,180</u>	<u>20,402</u>

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Components of net periodic benefit cost are as follows for the years ended June 30:

	<u>2022</u>	<u>2021</u>
Operating:		
Service cost	\$ 706	733
Total operating, included in salaries and benefits	<u>706</u>	<u>733</u>
Nonoperating:		
Interest on accumulated postretirement benefit obligation	505	446
Prior service cost amortization	33	—
Amortization of actuarial gain	<u>(1,538)</u>	<u>(493)</u>
Total nonoperating	<u>(1,000)</u>	<u>(47)</u>
Total net periodic benefit cost	<u>\$ (294)</u>	<u>686</u>

For measurement purposes, an annual rate of increase of 6.6% in the per capita cost of covered healthcare and prescription drug benefits was assumed as of June 30, 2022. The rates were assumed to decrease to 4.8% by 2060 and remain at that level thereafter. Assumed healthcare cost trend rates have a significant effect on the amounts reported for the healthcare plans.

The weighted average discount rates used to determine benefit obligations are 4.4% and 2.5% for fiscal 2022 and 2021, respectively.

The weighted average discount rates used to determine net periodic benefit costs were 2.5% and 2.2% for fiscal 2022 and 2021, respectively.

The benefits, as of June 30, 2022, expected to be paid in each of the next five fiscal years and in the aggregate for the five fiscal years thereafter, are as follows:

<u>Fiscal year</u>	<u>Amount</u>
2023	\$ 954
2024	1,019
2025	1,089
2026	1,044
2027	1,103
Five fiscal years thereafter	6,480

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(13) Commitments and Contingencies

All funds expended in conjunction with government grants and contracts are subject to audit by governmental agencies. In the opinion of management, any potential liability resulting from these audits will not have a material effect on the University's financial position.

The University is a defendant in various legal actions arising out of the normal course of its operations. Although the final outcome of such actions cannot currently be determined, the University believes that eventual liability not reflected on the statement of financial position, if any, will not have a material effect on the University's financial position.

(14) Related-Party Transactions

Members of the Board of Trustees and senior management may, from time to time, be associated, either directly or indirectly with companies doing business with the University. The University has a written conflict of interest policy that requires annual reporting by each Board member as well as the University senior management. When such relationships exist, measures are taken to mitigate any actual or perceived conflict, including requiring that such transactions be conducted at arms' length, based on terms in the best interest of the University.

(15) Subsequent Events

Management has evaluated events subsequent to June 30, 2022 and through October 28, 2022, the date on which the financial statements were issued, to provide additional evidence relative to certain estimates or to identify matters that require additional disclosure. No additional disclosures were deemed to be necessary.

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(16) Financial Responsibility Standards

The University participates in federal Title IV student financial assistance programs, which require it to meet standards of financial responsibility based on criteria determined by the U.S. Department of Education (ED), as set forth in 34 CFR 668.171. The criteria for private institutions include the annual calculation by ED of a financial responsibility composite score using audited financial statements submitted through ED's eZ-Audit system. The composite score is based on three ratios: Primary Reserve, Equity, and Net Income. These ratios utilize the following financial data (in bold) of the University, which are not otherwise presented in the financial statements or other notes to the financial statements, as of and for the year ended June 30, 2022:

Required input	Ratio(s)	Amount
(a) Net Assets With Donor Restrictions		
Net assets with donor restrictions: restricted in perpetuity	Primary reserve	\$ 415,455
Life income funds and annuities with donor restrictions	Primary reserve	3,792
(b) Property, Plant, and Equipment, Net		
Property, plant and equipment, gross; pre-implementation	N/A	\$ 603,327
Less: accumulated depreciation; pre-implementation	N/A	<u>(296,798)</u>
Total property, plant and equipment, net; pre-implementation	Primary reserve	<u>306,529</u>
Property, plant and equipment, gross: post-implementation:		
Campus land and land improvements	N/A	842
Buildings and improvements	N/A	45,570
Equipment	N/A	7,788
Less: accumulated depreciation; post-implementation	N/A	<u>(2,232)</u>
Total property, plant and equipment, net; post-implementation	Primary reserve	51,968
Construction in progress	Primary reserve	<u>48,635</u>
Total property, plant and equipment, net (Statement of Financial Position)	N/A	<u><u>\$ 407,132</u></u>

Property, plant and equipment, net: pre-implementation represents the June 30, 2022 carrying value of assets placed in service prior to July 1, 2019.

WESLEYAN UNIVERSITY
Notes to Financial Statements
June 30, 2022
(with summarized comparative information for June 30, 2021)
(Dollars in thousands)

Required input	Ratio(s)	Amount
(c) Debt		
Long-term debt, net: pre-implementation	Primary reserve	\$ 280,703
Long-term debt, net: post-implementation for the purchase of property, plant and equipment	Primary reserve	42,370
Long-term debt not for the purchase of property, plant and equipment	N/A	<u>131,046</u>
Total long-term debt, net (Statement of Financial Position)	N/A	<u>\$ 454,119</u>
(d) Lease right-of-use assets and liabilities		
Lease right-of-use assets; post-implementation	Primary reserve	\$ 1,696
Lease right-of-use liabilities; post implementation	Primary reserve	1,757
(e) Total expenses and losses without donor restrictions (Statement of Activities)		
Total operating expenses	N/A	\$ 250,824
Plus: expenses and losses included within other changes, net	N/A	<u>12,676</u>
Total expenses and losses without donor restrictions	Primary reserve	<u>\$ 263,500</u>
(f) Total revenues and gains without donor restrictions (Statement of Activities)		
Total operating revenues and other support	N/A	\$ 268,433
Changes in net assets from nonoperating activities:		
Less: nonoperating net assets used in operations	N/A	(51,601)
Plus: net assets released for capital purposes	N/A	49,471
Plus: contributions	N/A	1,223
Plus: net post retirement periodic benefit credit included in other changes, net	N/A	<u>3,546</u>
Total revenue and gains without donor restrictions	Net income ratio	<u>\$ 271,072</u>

WESLEYAN UNIVERSITY

Supplementary Schedule of Financial Responsibility Data

As of and for the year ended June 30, 2022

(Dollars in thousands)

Ratio element	Reference to financial statements and/or note	Element amount
Primary reserve ratio:		
Expendable net assets:		
Net assets without donor restrictions	Statement of Financial Position	\$ 585,139
Net assets with donor restrictions	Statement of Financial Position	1,226,603
Net assets with donor restrictions: restricted in perpetuity	Note 16(a)	415,455
Life income funds and annuities with donor restrictions	Note 16(a)	3,792
Property, plant and equipment, net: pre-implementation	Note 16(b)	306,529
Property, plant and equipment, net: post-implementation	Note 16(b)	51,968
Construction in progress	Note 16(b)	48,635
Long-term debt, net: pre-implementation	Note 16(c)	280,703
Long-term debt, net: post-implementation for the purchase of property, plant and equipment	Note 16(c)	42,370
Lease right-of-use assets; post-implementation	Note 16(d)	1,696
Lease right-of-use liabilities; post-implementation	Note 16(d)	1,757
Post-employment benefit obligations	Statement of Financial Position	17,180
Total expenses and losses without donor restrictions:		
Total expenses and losses without donor restrictions	Note 16(e)	\$ 263,500
Equity ratio:		
Modified net assets:		
Net assets without donor restrictions	Statement of Financial Position	\$ 585,139
Net assets with donor restrictions	Statement of Financial Position	1,226,603
Modified assets:		
Total assets	Statement of Financial Position	\$ 2,367,734
Net income ratio:		
Change in net assets without donor restrictions:		
Change in net assets without donor restrictions	Statement of Activities	\$ (17,349)
Total revenue and gains without donor restrictions:		
Total revenue and gains without donor restrictions	Note 16(f)	\$ 271,072

See accompanying independent auditors' report.

WESLEYAN UNIVERSITY

Supplementary Schedule of Expenditures of Federal Awards

Year ended June 30, 2022

Federal grantor/pass-through grantor/program title	Direct award or pass-through entity identification number	Assistance Listing number	Passed through to subrecipients	Federal expenditures
Student Financial Assistance Cluster:				
United States Department of Education:				
Federal Supplemental Educational Opportunity Grant Program	Direct	84.007	\$ —	859,693
Federal Work Study Program	Direct	84.033	—	469,328
Federal Perkins Loan Program (note 4)	Direct	84.038	—	2,018,984
Federal Pell Grant Program	Direct	84.063	—	2,502,317
Federal Direct Loan Program (note 5)	Direct	84.268	—	6,451,489
Total Student Financial Assistance Cluster			—	12,301,811
Research and Development Cluster:				
National Science Foundation:				
Engineering Grants	Direct	47.041	—	66,548
Engineering Grants – Washington University in St. Louis	Subaward No.WU-17-123	47.041	—	43,794
Engineering Grants – goTenna	Subaward No.WGM3693	47.041	—	1,166
Subtotal			—	111,508
Mathematical and Physical Sciences	Direct	47.049	—	86,968
Mathematical and Physical Sciences – National Radio Astronomy Observation	NRAO for R.Marino	47.049	—	10,288
Subtotal			—	97,256
Geosciences	Direct	47.050	—	13,152
Geosciences – Columbia University	Subaward 98B(GG009393)	47.050	—	63,093
Subtotal			—	76,245
Computer and Information Science and Engineering	Direct	47.070	—	158,169
Biological Sciences	Direct	47.074	—	6,238
Biological Sciences – American Society for Cell Biology	Subaward ASCB WES2134725	47.074	—	5,417
Subtotal			—	11,655
Social, Behavioral and Economic Science	Direct	47.075	—	30,212
Education and Human Resources	Direct	47.076	—	1,401,929
Total National Science Foundation			—	1,886,974
United States Department of Health and Human Services:				
Mental Health Research Grants	Direct	93.242	—	116,941
Cancer Cause and Prevention Research – Pennsylvania State University	Subaward S001289-DHHS PSU	93.393	—	113,617
Arthritis, Musculoskeletal and Skin Diseases Research	Direct	93.846	—	298,197
Extramural Research Programs in the Neurosciences and Neurological Disorders	Direct	93.853	—	102,750
Pharmacology, Physiology, and Biological Chemistry Research	Direct	93.859	—	1,067,029
Total United States Department of Health and Human Services			—	1,698,534
National Aeronautics and Space Administration:				
Education – Connecticut Space Grant College Consortium	Subcontract P-1637	43.008	—	2,000
Education – Connecticut Space Grant College Consortium	Subcontract P-1711	43.008	—	5,000
Education – Connecticut Space Grant College Consortium	Subcontract P-1712	43.008	—	5,000
Education – Connecticut Space Grant College Consortium	Subcontract P-1713	43.008	—	2,000
Education – Connecticut Space Grant College Consortium	Subcontract P-1714	43.008	—	2,000
Education – Connecticut Space Grant College Consortium	Subcontract P-1795	43.008	—	999
Education – Connecticut Space Grant College Consortium	Subcontract P-1796	43.008	—	1,000
Education – Connecticut Space Grant College Consortium	Subcontract P-1794	43.008	—	1,000
Education – Connecticut Space Grant College Consortium	Subcontract P-1797	43.008	—	1,000
Education – Connecticut Space Grant College Consortium	Subcontract P-1783	43.008	—	5,000
Education – Connecticut Space Grant College Consortium	Subcontract P-1779	43.008	—	8,000
Education – Connecticut Space Grant College Consortium	Subcontract P-1777	43.008	—	1,164
Education – Connecticut Space Grant College Consortium	Subcontract P-1851	43.008	—	3,000
Subtotal			—	37,163
Science	Direct	43.001	73,455	416,273
Science – Makel Engineering, Inc.	SUB0180NSSC20C0158	43.001	—	50,998
Science – Ohio Aerospace Institute	OAI-NSSC1-20163	43.001	—	4,022
Subtotal			73,455	471,293
Total National Aeronautics and Space Administration			73,455	508,456
U.S. Department of Commerce:				
Measurement and Engineering Research and Standards	Direct	11.609	—	242,886
Total U.S. Department of Commerce			—	242,886
Department of Defense:				
Air Force Defense Research Sciences Program – University of San Diego	USD A21-0038-S005	12.800	—	113,003
Air Force Defense Research Sciences Program – Carnegie Mellon University	CMU Sub# 1150129-338515	12.800	—	6,719
Subtotal			—	119,722

WESLEYAN UNIVERSITY

Supplementary Schedule of Expenditures of Federal Awards

Year ended June 30, 2022

Federal grantor/pass-through grantor/program title	Direct award or pass-through entity identification number	Assistance Listing number	Passed through to subrecipients	Federal expenditures
Basic and Applied Scientific Research	Direct	12.300	\$ —	154,475
Basic and Applied Scientific Research – University of Utah	Sub No 10046049	12.300	—	177,643
Subtotal			—	332,118
Basic Scientific Research	Direct	12.431	—	170,430
Subtotal			—	170,430
Total Department of Defense			—	622,270
Total Research and Development Cluster			73,455	4,959,120
TRIO Cluster:				
United States Department of Education:				
Upward Bound	Direct	84.047	—	517,620
McNair Post-Baccalaureate Achievement	Direct	84.217A	—	231,151
Total TRIO Cluster			—	748,771
Other Federal Awards:				
National Endowment for the Humanities:				
Promotion of the Arts Grants to Organizations and Individuals	Direct	45.024	—	72,274
Promotion of the Arts Partnership Agreements – NEFA	NEFA #20-37084	45.025	—	9,020
Promotion of the Arts Partnership Agreements – NEFA	NEFA #21-39208	45.025	—	9,000
Total National Endowment for the Humanities			—	90,294
Department of Education:				
Office of Postsecondary Education	Direct	84.016A	—	2,541
COVID -19 - Education Stabilization Fund – University of Connecticut	Sub 158093012	84.425	—	20,566
COVID -19 - Education Stabilization Fund	Direct	84.425E	—	2,935,966
COVID -19 - Education Stabilization Fund	Direct	84.425F	—	2,935,965
Subtotal Education Stabilization Fund			—	5,892,497
Total United States Department of Education			—	5,895,038
Department of Homeland Security:				
COVID -19 - Disaster Grants – Public Assistance (Presidentially Declared Disasters) - State of Connecticut	Sub FEMA PA-CT-4500 PW#423 and FEMA PA-CT-4500 PW#425	97.036	—	5,489,186
Total Department of Homeland Security			—	5,489,186
Department of the Interior:				
National Cooperative Geologic Mapping	Direct	15.810	—	50,528
National Park Service Conservation, Protection, Outreach, and Education	Direct	15.954	—	2,090
Total Department of the Interior			—	52,618
Total expenditures of federal awards			\$ 73,455	29,536,838

See accompanying notes to supplementary schedule of expenditures of federal awards.

WESLEYAN UNIVERSITY

Notes to Supplementary Schedule of Expenditures of Federal Awards

Year ended June 30, 2022

(1) Basis of Presentation

The accompanying supplementary schedule of expenditures of federal awards (the Schedule) summarizes the expenditures of Wesleyan University (the University) under programs of the federal government for the year ended June 30, 2022. 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*. 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.

For purposes of the Schedule, federal awards include all grants, contracts, and similar agreements entered into directly between the University and agencies and departments of the federal government and all sub-awards to the University by nonfederal organizations pursuant to federal grants, contracts, and similar agreements. Amounts disbursed from the University to subrecipient entities are also presented on the Schedule.

(2) Significant Accounting Policies

The accompanying Schedule is presented on the accrual basis of accounting.

(3) Indirect Costs

The University has an approved rate agreement with the Department of Health and Human Services for recovering indirect costs on grants and contracts with the Federal Government. The agreement contains a predetermined facilities and administrative cost rate of 64.3%. The University did not elect to utilize the 10% de minimis indirect cost rate allowed under the Uniform Guidance. The predetermined facilities and administrative rate is effective from July 1, 2017 to June 30, 2022.

(4) Federal Perkins Loan Program

During the year ended June 30, 2022, there were no loans advanced under the Federal Perkins Loan Program. There was no administrative cost allowance claimed for the year ended June 30, 2022. As of June 30, 2022 and 2021, the Perkins loans receivable balances were \$1,703,874 and \$2,018,984, respectively. The University is continuing to service loans under the Perkins programs; however, no new loans were made subsequent to September 30, 2017.

(5) Federal Direct Loan Program

The amount of loans advanced during the year ended June 30, 2022 to students and parents under the Federal Direct Loan Program (FDL) was \$6,451,489.

With respect to the FDL program, the University is responsible only for the performance of certain administrative duties and, accordingly, these loans are not included in the University's financial statements. It is not practical to determine the balances of loans outstanding to students of the University under this program at June 30, 2022.



KPMG LLP
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Hartford, CT 06103

**Independent Auditors' 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***

The Board of Trustees:
Wesleyan University

We have audited, in accordance with the auditing standards generally accepted in the United States of America 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 Wesleyan University (the University), which comprise the University's statement of financial position as of June 30, 2022, 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 October 28, 2022.

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 entity'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. 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Hartford, Connecticut
October 28, 2022



KPMG LLP
One Financial Plaza
755 Main Street
Hartford, CT 06103

Independent Auditors' 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

The Board of Trustees
Wesleyan University:

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Wesleyan University's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of Wesleyan University's major federal programs for the year ended June 30, 2022. Wesleyan University's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Wesleyan University complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (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 Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Wesleyan 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 Wesleyan 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 Wesleyan University's federal programs.

Auditors' 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 Wesleyan 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 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 Wesleyan University's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with 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 Wesleyan 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 Wesleyan 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 Wesleyan 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 Auditors' 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 Wesleyan University as of and for the year ended June 30, 2022, and have issued our report thereon dated October 28, 2022, which contained an unmodified opinion on those financial statements. Our audit was conducted 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 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.

KPMG LLP

Hartford, Connecticut
March 14, 2023

WESLEYAN UNIVERSITY
Schedule of Findings and Questioned Costs
Year ended June 30, 2022

(1) Summary of Auditors' Results

Financial Statements

- (a) Type of report issued on whether the financial statements were prepared in accordance with U.S. generally accepted accounting principles: **Unmodified**
- (b) Internal control deficiencies over financial reporting disclosed by the audit of the financial statements:
 - Material weaknesses: **No**
 - Significant deficiencies: **None reported**
- (c) Noncompliance material to the financial statements: **No**

Federal Awards

- (d) Internal control deficiencies over major programs disclosed by the audit:
 - Material weaknesses: **No**
 - Significant deficiencies: **None reported**
- (e) Type of report issued on compliance for major programs: **Unmodified**
- (f) Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?: **None**
- (g) Major programs:
 - COVID-19 – Education Stabilization Fund – Assistance listing numbers 84.425, 84.425E, 84.425F
 - COVID-19 – Disaster Grants – Public Assistance (Presidentially Declared Disasters) – Assistance listing number 97.036
- (h) Dollar threshold used to distinguish between Type A and Type B programs: **\$886,105**
- (i) Auditee qualified as a low-risk auditee: **Yes**

(2) Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards*

None

(3) Findings and Questioned Costs Relating to Federal Awards

None