



Unity Environmental University

FINANCIAL STATEMENTS

June 30, 2023 and 2022

With Independent Auditor's Report



UNITY ENVIRONMENTAL UNIVERSITY

FINANCIAL STATEMENTS

June 30, 2023

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INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
Unity Environmental University

Opinion

We have audited the accompanying financial statements of Unity Environmental University (the University), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses, 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 June 30, 2023 and 2022, 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). 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 Codification Topic 842, *Leases*, in 2023. 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 are available to be issued.

Auditor's 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 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 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, 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.

Berry Dunn McNeil & Parker, LLC

Bangor, Maine
November 6, 2023

UNITY ENVIRONMENTAL UNIVERSITY

Statements of Financial Position

June 30, 2023 and 2022

ASSETS

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents (Notes 1 and 12)	\$ 20,477,502	\$ 8,559,725
Inventories and other assets	1,199,982	474,351
Accounts and interest receivable (net of allowance for doubtful accounts of \$2,468,657 in 2023 and \$903,344 in 2022) (Notes 1 and 12)	582,170	2,055,653
Contributions and grants receivable (Notes 1 and 12)	1,052,362	1,656,512
Intermediate-term investments (Notes 1, 2, and 10)	3,058,254	3,408,455
Gift of future interest	-	65,834
Federal funds and grants receivable (Note 12)	-	2,889,620
Land, buildings, and equipment, net of accumulated depreciation (Notes 1, 6, and 9)	8,371,193	25,898,079
Available for sale land, buildings, and equipment, net of accumulated depreciation (Notes 1, 6, and 9)	15,588,888	-
Right-of-use assets—operating (Note 11)	8,688,883	-
Interest rate swaps (Notes 1 and 10)	396,080	74,435
Long-term investments (Notes 1, 2, and 10)	<u>15,865,309</u>	<u>15,715,241</u>
Total assets	<u>\$ 75,280,623</u>	<u>\$ 60,797,905</u>

LIABILITIES AND NET ASSETS

Liabilities		
Accounts payable and accrued expenses (Note 8)	\$ 2,431,177	\$ 3,740,520
Student deposits and deferred revenue (Note 1)	731,212	632,062
Asset retirement obligation and other liabilities (Note 9)	187,678	173,617
Lease liabilities—operating (Note 11)	10,145,433	-
Long-term debt (Note 5)	<u>11,367,185</u>	<u>12,156,655</u>
Total liabilities	<u>24,862,685</u>	<u>16,702,854</u>
Net assets		
Without donor restrictions (Note 1)	34,049,404	26,259,046
With donor restrictions (Notes 1 and 3)	<u>16,368,534</u>	<u>17,836,005</u>
Total net assets	<u>50,417,938</u>	<u>44,095,051</u>
Total liabilities and net assets	<u>\$ 75,280,623</u>	<u>\$ 60,797,905</u>

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

UNITY ENVIRONMENTAL UNIVERSITY

Statements of Activities

Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Changes in net assets without donor restrictions		
Operating revenues, (losses) gains, and other support		
Tuition and fees (Note 1)	\$45,317,641	\$29,308,066
Auxiliary enterprises and other revenue (Note 1)	883,235	879,358
Investment gain (loss)	96,751	(313,136)
Contributions and other (Note 1)	234,632	2,845,023
Loss on disposal of land, buildings, and equipment	(1,299,272)	-
Net assets released from restrictions (Notes 1 and 4)	<u>2,892,428</u>	<u>3,603,071</u>
Total operating revenues, (losses) gains, and other support	<u>48,125,415</u>	<u>36,322,382</u>
Operating expenses (Note 1)		
Instructional	8,065,736	4,701,612
Academic support	15,703,657	14,092,945
Student services	2,114,035	1,806,122
Institutional support	11,444,120	4,852,233
Scholarships and fellowships	160,364	1,206,255
Auxiliary enterprises	3,046,867	3,712,451
Fundraising	<u>121,923</u>	<u>83,234</u>
Total operating expenses	<u>40,656,702</u>	<u>30,454,852</u>
Change in net assets from operations	7,468,713	5,867,530
Nonoperating activities		
Change in value of interest rate swaps (Note 1)	<u>321,645</u>	<u>902,975</u>
Change in net assets without donor restrictions	<u>7,790,358</u>	<u>6,770,505</u>
Changes in net assets with donor restrictions		
Contributions (Note 1)	311,074	2,177,004
Investment gain (loss) (Note 2)	1,113,883	(2,085,975)
Net assets released from restrictions (Notes 1 and 4)	<u>(2,892,428)</u>	<u>(3,603,071)</u>
Change in net assets with donor restrictions	<u>(1,467,471)</u>	<u>(3,512,042)</u>
Change in net assets	6,322,887	3,258,463
Net assets, beginning of year	<u>44,095,051</u>	<u>40,836,588</u>
Net assets, end of year	<u>\$50,417,938</u>	<u>\$44,095,051</u>

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

UNITY ENVIRONMENTAL UNIVERSITY

Statement of Functional Expenses

Year Ended June 30, 2023

	<u>Instructional</u>	<u>Academic Support</u>	<u>Student Services</u>	<u>Institutional Support</u>	<u>Scholarships and Fellowships</u>	<u>Auxiliary Enterprises</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and benefits (Note 7)	\$ 7,417,490	\$ 2,241,546	\$ 1,783,962	\$ 2,476,823	\$ -	\$ 464,237	\$ 116,137	\$ 14,500,195
Utilities, Maintenance, and Technology	57	127,865	2,840	2,124,632	-	326,117	572	2,582,083
Marketing/Recruitment	225	12,955,545	-	6,625	-	4,041	-	12,966,436
Professional Fees/Contracted Services	19,706	134,406	102,975	2,745,334	-	594,526	-	3,596,947
Insurance	-	-	28,966	218,032	-	49,303	-	296,301
Interest (Notes 5)	14,675	-	14,675	-	-	391,762	-	421,112
Other	308,891	202,607	68,746	2,545,904	160,364	168,786	5,214	3,460,512
Depreciation and amortization	<u>304,692</u>	<u>41,688</u>	<u>111,871</u>	<u>1,326,770</u>	<u>-</u>	<u>1,048,095</u>	<u>-</u>	<u>2,833,116</u>
Total	<u>\$ 8,065,736</u>	<u>\$ 15,703,657</u>	<u>\$ 2,114,035</u>	<u>\$ 11,444,120</u>	<u>\$ 160,364</u>	<u>\$ 3,046,867</u>	<u>\$ 121,923</u>	<u>\$ 40,656,702</u>

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

UNITY ENVIRONMENTAL UNIVERSITY

Statement of Functional Expenses

Year Ended June 30, 2022

	<u>Instructional</u>	<u>Academic Support</u>	<u>Student Services</u>	<u>Institutional Support</u>	<u>Scholarships and Fellowships</u>	<u>Auxiliary Enterprises</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and benefits (Note 7)	\$ 3,669,948	\$ 3,730,024	\$ 955,038	\$ 2,773,742	\$ -	\$ 416,116	\$ 68,205	\$ 11,613,073
Utilities, Maintenance, and Technology	208,627	78,985	292,899	171,233	-	647,430	1,610	1,400,784
Marketing	-	8,088,490	189,403	75,420	-	-	-	8,353,313
Professional Fees/Contracted Services	6,437	715,401	78,121	839,064	-	207,135	-	1,846,158
Insurance	14,165	-	-	84,823	-	27,736	-	126,724
Interest (Notes 5)	15,179	-	15,179	-	-	405,217	-	435,575
Other	381,642	1,423,763	150,166	634,875	1,206,255	894,383	13,419	4,704,503
Depreciation and amortization	<u>405,614</u>	<u>56,282</u>	<u>125,316</u>	<u>273,076</u>	<u>-</u>	<u>1,114,434</u>	<u>-</u>	<u>1,974,722</u>
Total	<u>\$ 4,701,612</u>	<u>\$ 14,092,945</u>	<u>\$ 1,806,122</u>	<u>\$ 4,852,233</u>	<u>\$ 1,206,255</u>	<u>\$ 3,712,451</u>	<u>\$ 83,234</u>	<u>\$ 30,454,852</u>

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

UNITY ENVIRONMENTAL UNIVERSITY

Statements of Cash Flows

Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities		
Change in net assets	\$ 6,322,887	\$ 3,258,463
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	2,847,745	1,974,722
Loss on disposal of land, buildings, and equipment	1,299,272	-
Net (appreciation) depreciation in fair value of investments	(906,255)	2,741,607
Change in value of gift of future interest	65,834	-
Decrease (increase) in		
Accounts and interest receivable	1,473,483	(1,424,846)
Inventories and other assets	(725,631)	103,657
Contributions and grants receivable	604,150	(1,594,882)
Federal funds and grants receivable	2,889,620	(2,889,110)
Increase (decrease) in		
Accounts payable for operating activities and accrued expenses	(627,873)	2,540,618
Student deposits and deferred revenue	99,150	(472,504)
Lease liabilities—operating	(211,538)	-
Interest rate swaps	(321,645)	(902,975)
Net cash provided by operating activities	<u>12,809,199</u>	<u>3,334,750</u>
Cash flows from investing activities		
Purchase of land, buildings, and equipment	(1,193,711)	(5,608,814)
Purchase of investments	(8,435,778)	(7,069,537)
Proceeds from sale of investments	9,542,166	7,928,756
Net cash used by investing activities	<u>(87,323)</u>	<u>(4,749,595)</u>
Cash flows from financing activities		
Principal payments on long-term debt	(804,099)	(776,960)
Net cash used by financing activities	<u>(804,099)</u>	<u>(776,960)</u>
Net increase (decrease) in cash and cash equivalents	11,917,777	(2,191,805)
Cash and cash equivalents, beginning of year	<u>8,559,725</u>	<u>10,751,530</u>
Cash and cash equivalents, end of year	<u>\$ 20,477,502</u>	<u>\$ 8,559,725</u>
Supplemental disclosure		
Cash and cash equivalents	\$ 20,477,502	\$ 8,559,725
Intermediate-term investments	<u>3,058,254</u>	<u>3,408,455</u>
Total cash, cash equivalents, and intermediate-term investments per statements of financial position	<u>\$ 23,535,756</u>	<u>\$ 11,968,180</u>
Cash paid for interest	<u>\$ 421,112</u>	<u>\$ 435,575</u>
Supplemental noncash transactions		
Right-of-use assets obtained in exchange for new operating leases	<u>\$ 97,920</u>	<u>\$ -</u>

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

UNITY ENVIRONMENTAL UNIVERSITY

Notes to Financial Statements

June 30, 2023 and 2022

Nature of Activities

The Unity Environmental University (the University) is a small, private university in rural Maine that provides dedicated, engaged students with a liberal arts education that emphasizes the environment and natural resources. Graduates of the University are prepared to be environmental stewards, effective leaders, and responsible citizens through active learning experiences within a supportive community. The University was operating as Unity College prior to the fiscal year ended June 30, 2023.

In 2017, the University adopted an enterprise model as its organizational structure. An enterprise model allows for the creation of distinct education and business units within the overall University. The enterprise model is similar to a matrix organization, with some real advantages, allowing the University to be responsive to the rapidly changing environment, student necessities, and the organization as it continues to develop. The enterprise model currently consists of four Sustainable Educational Business Units and an Enterprise organization supporting them. The Enterprise organization expenses should consist of 20 - 30% of the overall Unity budget. For the year ended June 30, 2023, the Enterprise organization was 18% of the overall expenses of the institution.

1. Summary of Significant Accounting Policies

Reporting Standard

The University's financial statements have been prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP), which require the University to report the information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the University. These net assets may be used at the discretion of the University's management and the Board of Trustees.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the University or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Estimates

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

UNITY ENVIRONMENTAL UNIVERSITY

Notes to Financial Statements

June 30, 2023 and 2022

Support With and Without Donor Restriction

In accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 958, *Not-for-Profit Entities*, the University reports contributions of cash or other assets, including unconditional promises to give, in the statement of activities when the cash, unconditional promise, or other assets are received. Unconditional promises to give are reported at their fair value, and an allowance for uncollectible promises is subsequently established when appropriate. Conditional promises to give are reported in the statement of activities when the conditions are met.

The University reports gifts of cash and other assets as support with donor restrictions if they are received with donor stipulations that limit use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

The University reports gifts of land, buildings, and equipment as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. The University reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

The University reports grants from federal and state granting authorities as restricted support when earned. Upon expenditure of funds as stipulated by the terms of the underlying grants, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Cash and Cash Equivalents

All liquid investments with an original maturity of three months or less, other than those held by custodians as part of the investment portfolio, are considered to be cash equivalents.

The University maintains its cash and certificates of deposit in bank deposit accounts which, at times, may exceed federally insured limits. The University has not experienced any losses in such accounts. The University believes it is not exposed to any significant risk with respect to these accounts.

Leases

Effective July 1, 2022, the University adopted FASB ASC Topic 842, *Leases*. The new standard requires lessees to recognize leases on the statements of financial position and disclose key information about leasing arrangements. The new standard establishes a right of use model that requires a lessee to recognize a right-of-use asset and lease liability on the statement of financial position for all leases with a term longer than 12 months. Leases have been classified as finance or operating, with classification affecting the pattern of expense recognition and classification of expense in the statement of activities.

UNITY ENVIRONMENTAL UNIVERSITY

Notes to Financial Statements

June 30, 2023 and 2022

The University elected the "package of practical expedients," an option which permits it to not reassess prior conclusions about lease identification, lease classification, and initial direct costs under the new standard.

At the inception of an arrangement, the University determines if an arrangement is, or contains, a lease based on the unique facts and circumstances present in that arrangement. Lease classification, recognition, and measurement are then determined as of the lease commencement date. For arrangements that contain a lease, the University (i) identifies lease and non-lease components, (ii) determines the consideration in the contract, (iii) determines whether the lease is an operating or finance lease, and (iv) recognizes lease right-of-use assets and lease liabilities. Lease liabilities and their corresponding right-of-use assets are recorded based on the present value of lease payments over the expected lease term. The interest rate implicit in lease contracts is typically not readily determinable, and as such, the University uses its incremental borrowing rate based on the information available at the lease commencement date, a rate which represents one that would be incurred to borrow, on a collateralized basis, over a similar term, an amount equal to the lease payments in a similar economic environment. Some leases include options to renew and/or terminate the lease, which can impact the lease term. The exercise of these options is at the University's discretion and the University does not include any of these options within the expected lease term where it is not reasonably certain that these options will be exercised.

Fixed, or in-substance fixed, lease payments on operating leases are recognized over the expected term of the lease on a straight-line basis, while fixed, or in-substance fixed, payments on finance leases are recognized using the effective interest method. Variable lease expenses that are not considered fixed, or in-substance fixed, are recognized as incurred. Fixed and variable lease expense on operating leases is recognized within other operating expenditures in the statements of activities. Finance lease right-of-use asset amortization and interest costs are recorded within depreciation and amortization, and interest in the statement of activities. The University has elected the short-term lease exemption and, therefore, does not recognize a right-of-use asset or corresponding liability for lease arrangements with an original term of 12 months or less.

Operating leases are included in right-of-use assets and lease liabilities in the University's statement of financial position as of June 30, 2023.

UNITY ENVIRONMENTAL UNIVERSITY

Notes to Financial Statements

June 30, 2023 and 2022

Land, Buildings, and Equipment

Land, buildings, and equipment are stated at construction cost, acquisition cost, or fair value at the date of gift, less accumulated depreciation computed on a straight-line basis over the estimated useful lives of the assets. The University capitalizes assets with a cost of \$1,000 or greater and an estimated useful life greater than one year. Following is a summary of estimated useful lives by asset category:

	<u>Estimated Useful Lives (Years)</u>
Land improvements	7
Buildings and improvements	7 – 30
Furniture and equipment	3 – 5
Vehicles	5
Library collection	7
Other	7

Investments

Investments are carried at fair value. Fair values are based on quoted market prices, if available, or estimated using quoted market prices for similar securities.

Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in value in the near term would materially affect the amounts reported in the statement of financial position and statement of activities.

Interest Rate Swaps

The University entered into interest rate swap agreements in conjunction with issuance of the bonds described in Note 5. The interest rate swap agreements are used to offset the variability of expected future cash flows due to the variable interest rates of the bond instruments. The swap notional amounts equal the outstanding principal balance of the bond instruments. The swaps terminate on December 18, 2030, December 19, 2029, and December 23, 2028, respectively. The University pays fixed rates of 3.12%, 3.25%, and 3.74%, respectively, and receives a variable rate based on 65% of the Term Secured Overnight Financing Rate (SOFR), plus 2.5%. The swaps are carried at fair value in the statement of financial position.

Bond Issuance Costs

Certain costs related to long-term debt such as accountants, attorneys, and underwriting fees are capitalized and amortized on a straight-line basis over the lives of the respective debt issues, which mature at various dates through December 2030. The unamortized bond issuance costs are presented as a reduction of the related long-term debt.

UNITY ENVIRONMENTAL UNIVERSITY

Notes to Financial Statements

June 30, 2023 and 2022

Functional Allocation of Expenses

The financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of the University. Those expenses include depreciation and amortization, operations and maintenance, and interest. For these expenses, depreciation and amortization, and operations and maintenance are allocated based on square footage and interest is allocated based on the use of the related debt proceeds.

Income Taxes

The University is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code (the Code) whereby only unrelated business income, as defined by Section 512(a)(1) of the Code, is subject to federal and state income tax.

Accounts Receivable

Student accounts receivable are carried at the unpaid balance of the original amount billed to students, less an estimate made for doubtful accounts based on a review of all outstanding amounts. Management determines the allowance for doubtful accounts by regularly evaluating individual receivables and considering a student's financial condition and current economic conditions. Student accounts receivable are written off when deemed uncollectible. Recoveries of student accounts receivable previously written off are recorded when received.

	<u>2023</u>	<u>2022</u>
Balance, beginning of year	\$ 2,055,653	\$ 630,807
Net charges, payments, and adjustments	<u>(1,473,483)</u>	<u>1,424,846</u>
Balance, end of year	<u>\$ 582,170</u>	<u>\$ 2,055,653</u>

Revenue Recognition

Net revenues consist primarily of undergraduate and graduate tuition, net of scholarships, and fees derived from courses taught by the University. A contract is entered into with a student and covers a course or semester. Revenue recognition begins once a student starts attending a course. Tuition revenue is recognized pro-rata over the applicable period of instruction. The University has elected the short-term contract exemption with respect to its performance obligations under its contracts with students as all such contracts have original terms of less than one year.

UNITY ENVIRONMENTAL UNIVERSITY

Notes to Financial Statements

June 30, 2023 and 2022

The University maintains an institutional tuition refund policy, which provides for all or a portion of tuition to be refunded if a student withdraws during stated refund periods. If a student withdraws at a time when only a portion, or none of the tuition is refundable, then in accordance with its revenue recognition policy, the University continues to recognize the tuition that was not refunded pro-rata over the applicable period of instruction. The University does not record revenue on amounts that may be refunded. However, for students that have taken out financial aid to pay their tuition and for which a return of such money to the Department of Education under Title IV is required as a result of his or her withdrawal, the University reassesses collectability for these students for the estimated revenue that will be returned.

Auxiliary revenues primarily include room and board fee revenues that are recognized over the period the services are provided.

The University's accounts receivable represent unconditional rights to consideration from contracts with students; accordingly, accounts receivable are not recognized until the student starts attending a course and the revenue recognition process has commenced. 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.

The University's contract liabilities are reported as student deposits and deferred revenue in the statement of financial position. Such amounts represent the excess of tuition, fees, and other student payments billed over amounts recognized as revenue in the statement of activities. The University's educational programs have starting and ending dates that differ from its fiscal year-end. Therefore, at the end of each fiscal year, a portion of revenue from these programs is not yet earned. Student deposits and deferred revenue was \$731,212, \$632,062, and \$1,104,566 at June 30, 2023, 2022, and 2021, respectively.

Relief Funding

During the year ended June 30, 2022, the University was awarded Higher Education Emergency Relief Funds (HEERF) in the amount of \$1,977,172. Consistent with the terms of the HEERF grant agreements, a portion of the grant must be awarded to students enrolled at the time and a portion for institutional use as a result of the pandemic. This was included in revenue on the statement of activities for the year ended June 30, 2022.

During 2022, the University determined it was eligible to file for an employee retention credit (ERC) under an Internal Revenue Service program based. The ERC is calculated at approximately \$1 million and was recorded as contributions and grants receivables as of June 30, 2022 and contributions and other revenue for the year ended June 30, 2022.

During 2020, the University received a Paycheck Protection Program (PPP) loan from a program implemented by the U.S. Small Business Administration (SBA) in the amount of \$3,024,200. The University applied for and was granted forgiveness during 2021. Forgiveness is subject to audit by the SBA for six years from the date of forgiveness.

UNITY ENVIRONMENTAL UNIVERSITY

Notes to Financial Statements

June 30, 2023 and 2022

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 November 6, 2023, which was the date that the financial statements were available to be issued.

Subsequent to June 30, 2023, the University entered into contracts with vendors for student recruitment services, food services, public safety, and other services. The University entered into contracts for student recruitment services for approximately \$16,000,000 due in monthly installments, for public safety costs for \$294,000, and food service costs of approximately \$210,000. Other facility and technology contracts entered into subsequent to June 30, 2023 totaled approximately \$2,575,000. These contracts were entered subsequent to year end as part of the regular course of business.

2. Investments

The fair values of investments at June 30 were as follows:

	<u>2023</u>	<u>2022</u>
<u>Intermediate-term investments</u>		
U.S. Government and agencies	\$ 1,444,035	\$ 771,500
Mutual funds	-	1,219,735
Corporate bonds	<u>1,614,219</u>	<u>1,417,220</u>
	<u>\$ 3,058,254</u>	<u>\$ 3,408,455</u>
<u>Long-term investments</u>		
Cash and money market funds	\$ 513,538	\$ 442,492
U.S. equities	7,439,840	7,385,451
Fixed income funds	4,073,206	3,996,489
International equity funds	3,433,086	3,417,777
Commodities	<u>405,639</u>	<u>473,032</u>
	<u>\$ 15,865,309</u>	<u>\$ 15,715,241</u>

UNITY ENVIRONMENTAL UNIVERSITY

Notes to Financial Statements

June 30, 2023 and 2022

The composition of endowment net assets, reported as long-term investments, by type of fund as of June 30, 2023 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 15,342,818	\$ 15,342,818
Board-designated endowment funds	<u>522,491</u>	<u>-</u>	<u>522,491</u>
	<u>\$ 522,491</u>	<u>\$ 15,342,818</u>	<u>\$ 15,865,309</u>

Changes in endowment net assets for the year ended June 30, 2023 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 539,520	\$ 15,175,721	\$ 15,715,241
Investment gain, net	39,389	1,113,883	1,153,272
Appropriation of endowment assets for expenditure	<u>(56,418)</u>	<u>(946,786)</u>	<u>(1,003,204)</u>
Endowment net assets, end of year	<u>\$ 522,491</u>	<u>\$ 15,342,818</u>	<u>\$ 15,865,309</u>

The composition of endowment net assets, reported as long-term investments, by type of fund as of June 30, 2022 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 15,175,721	\$ 15,175,721
Board-designated endowment funds	<u>539,520</u>	<u>-</u>	<u>539,520</u>
	<u>\$ 539,520</u>	<u>\$ 15,175,721</u>	<u>\$ 15,715,241</u>

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Notes to Financial Statements

June 30, 2023 and 2022

Changes in endowment net assets for the year ended June 30, 2022 are as follows:

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 631,991	\$ 18,039,079	\$ 18,671,070
Investment (loss), net	(83,946)	(2,085,975)	(2,169,921)
Contributions	93,103	(93,103)	-
Appropriation of endowment assets for expenditure	<u>(101,628)</u>	<u>(684,280)</u>	<u>(785,908)</u>
Endowment net assets, end of year	\$ <u>539,520</u>	\$ <u>15,175,721</u>	\$ <u>15,715,241</u>

The University has interpreted the State of Maine Uniform Prudent Management of Institutional Funds Act as requiring the preservation of the contributed value of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the University classifies as net assets of perpetual duration an amount equal to the aggregate value in dollars of (a) each perpetual duration donor-restricted endowment fund at the time it became an endowment fund, (b) each subsequent donation to the fund at the time the donation is made, and (c) each accumulation made pursuant to a direction in the applicable gift instrument at the time the accumulation is added to the fund. Accordingly, unless explicitly stated otherwise by the donor, realized and unrealized net appreciation in investments in donor-restricted endowment funds of perpetual duration is reported as net assets with donor restrictions until appropriated by the Board of Trustees for expenditure. Funds designated by the Board of Trustees to function as endowments are classified as net assets without donor restrictions.

The objective of the endowment fund is to preserve the real (inflation adjusted) purchasing power of assets and to provide relatively predictable and constant income for current use, in accordance with the spending policy. The intention of the spending policy is to maintain and grow the real value of the portfolio while funding any identified needs the Board of Trustees may specify. Absent extraordinary circumstances, the annual spending from the endowment asset base is limited to 4% of the three-year rolling average of the endowment's market value, calculated quarterly (5% for the year ended June 30, 2022 and a budgeted 6% for the year ended June 30, 2023). Management fees and other applicable expenses are not included with the spending allocation. The University has a policy that permits spending from underwater funds (those whose fair value is less than the historic amounts of the contributions) depending on the degree to which the fund is underwater, unless specifically prohibited by the donor or relevant laws and regulations.

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Notes to Financial Statements

June 30, 2023 and 2022

Under the University's investment policy, the total endowment fund shall be diversified both by asset class and within asset classes. Specifically, equity investments shall not be more than 75%, nor less than 50%, of the endowment. To encourage prudent asset diversification, no single stock (or convertible), at original cost, shall exceed 5% of the total endowment value. Developed and emerging international equity shall not exceed 30%. Fixed income shall not be less than 20%, nor greater than 40%, of the endowment. Except for government obligations guaranteed or backed by the U.S. Government, no single debt issuer shall exceed 5% of the total endowment value. Alternative investments shall not exceed 15% and cash shall not exceed 6% of the endowment portfolio.

3. Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following:

	<u>2023</u>	<u>2022</u>
Purpose restricted		
Scholarships	\$ 30,433	\$ 315,590
Sky Lodge	-	1,653,146
Other programs	402,378	406,931
Time restricted until board appropriated—appreciation on perpetual endowment funds without purpose restrictions	<u>4,100,928</u>	<u>3,625,543</u>
	<u>4,533,739</u>	<u>6,001,210</u>
Investment in perpetuity, the income from which is expendable to support:		
Scholarships	970,875	970,875
Field of Dreams and Unity Centre for the Performing Arts	150,000	150,000
Any activities of the University	<u>10,121,014</u>	<u>10,121,014</u>
	11,241,889	11,241,889
Land held with perpetual restrictions (Note 6)	527,072	527,072
Other	<u>65,834</u>	<u>65,834</u>
Net assets held in perpetuity	<u>11,834,795</u>	<u>11,834,795</u>
Total net assets with donor restrictions	<u>\$ 16,368,534</u>	<u>\$ 17,836,005</u>

UNITY ENVIRONMENTAL UNIVERSITY

Notes to Financial Statements

June 30, 2023 and 2022

4. Net Assets Released From Restrictions

Net assets were released from donor or grantor restrictions by incurring expenses satisfying the restricted purposes as follows:

	<u>2023</u>	<u>2022</u>
Scholarship and fellowship disbursements	\$ 234,246	\$ 348,208
Davis Educational Foundation Grant	-	140,668
Library	53,000	186,145
Higher Education Emergency Relief Funds	-	1,974,447
Appropriation of endowed assets	946,786	684,280
Sky Lodge	1,653,146	13,995
Various other program expenses	<u>5,250</u>	<u>255,328</u>
	<u>\$ 2,892,428</u>	<u>\$ 3,603,071</u>

5. Borrowings

Long-term debt consists of the following:

	<u>2023</u>	<u>2022</u>
Finance Authority of Maine Revenue Obligation Securities Bond payable to bank; interest fixed at 3.25% (pursuant to interest rate swap), due in monthly installments of \$28,932, including interest, with balance due December 2029; collateralized by substantially all assets ⁽¹⁾	\$ 3,267,098	\$ 3,497,070
Finance Authority of Maine Revenue Obligation Securities Bond payable to bank; interest fixed at 3.74% (pursuant to interest rate swap), amortized over 20 years, due in monthly installments of \$38,688, including interest, with balance due December 2028; collateralized by substantially all assets ⁽²⁾	4,015,186	4,320,854
Finance Authority of Maine Revenue Obligation Securities Bond payable to bank; interest fixed at 3.12% (pursuant to interest rate swap), amortized over 20 years, due in monthly installments of \$33,776, including interest, with balance due December 2030; collateralized by substantially all assets ⁽³⁾	<u>4,179,420</u>	<u>4,447,880</u>
	11,461,704	12,265,804
Less bond issuance costs, net of amortization	<u>(94,519)</u>	<u>(109,149)</u>
Long-term debt, net	<u>\$ 11,367,185</u>	<u>\$ 12,156,655</u>

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Notes to Financial Statements

June 30, 2023 and 2022

- (1) The variable interest rate is equal to 65% of the Term SOFR Rate, plus 2.5%. The interest rate is repriced monthly to an effective rate of 3.25% via an interest rate swap (Note 1).
- (2) The variable interest rate is equal to 65% of the Term SOFR Rate, plus 2.5%. The interest rate is repriced monthly to an effective rate of 3.74% via an interest rate swap (Note 1).
- (3) The variable interest rate is equal to 65% of the Term SOFR Rate, plus 2.5%. The interest rate is repriced monthly to an effective rate of 3.12% via an interest rate swap (Note 1).

Maturities of long-term debt for the next five years are as follows:

<u>Year Ending</u>	<u>Amount</u>
2024	\$ 831,200
2025	861,300
2026	891,400
2027	922,600
2028	954,100

The loan agreements contain various covenants regarding such items as submission of financial statements and budgets, permitted dispositions and acquisitions of property, additional debt, and meeting certain debt coverage financial ratios.

The University has available an unsecured line of credit in the amount of \$750,000. The line bears interest at prime, less 0.25%, with a floor of 4.50%, and expires in February 28, 2024. There were no advances under this line at June 30, 2023 or 2022.

The University has an available reducing revolver in the amount of \$3,750,000. This revolver is collateralized by the University's investment portfolio, an assignment of \$1,000,000 deposit account, and a security interest in all business assets. No amounts were extended on the revolver as of June 30, 2023 or 2022.

UNITY ENVIRONMENTAL UNIVERSITY

Notes to Financial Statements

June 30, 2023 and 2022

6. Land, Buildings, and Equipment

Land, buildings, and equipment consist of:

	<u>2023</u>	<u>2022</u>
Land and improvements	\$ 957,951	\$ 3,213,045
Buildings and improvements	7,487,994	36,924,701
Furniture and equipment	2,667,121	10,238,104
Vehicles	1,307,851	1,267,052
Library collection	-	799,671
Other	59,555	59,555
Construction in progress	<u>841,976</u>	<u>1,299,272</u>
	13,322,448	53,801,400
Less accumulated depreciation	<u>4,951,255</u>	<u>27,903,321</u>
Land, buildings, and equipment, excluding those available for sale	8,371,193	25,898,079
Available-for-sale land, buildings, and equipment, net of accumulated depreciation of \$21,254,052	<u>15,588,888</u>	<u>-</u>
	<u>\$ 23,960,081</u>	<u>\$ 25,898,079</u>

In a prior year, the University received a gift of land, buildings, equipment, and other assets valued at \$1,631,690. As the assets are subject to a right of first offer agreement between the University and a third-party beneficiary, the value of land and other non-depreciable assets of \$408,100 is included in net assets of perpetual duration. Per the terms of this agreement, if the University desires to transfer the assets, the University must first offer to give the assets to the third-party beneficiary at no cost. If the third-party beneficiary waives the offer, and the University sells the land and buildings, all net proceeds will (a) add to the \$150,000 endowment the donor established at the date of the gift to support ongoing maintenance of the property, if the sale is of less than all the land and buildings, or (b) be paid to the third-party beneficiary if all the land and buildings are sold. If the University sells the equipment and other assets, it is entitled to retain the net proceeds.

In 2018, the University received a gift of land, buildings, and furniture and equipment. The assets were recorded at fair market value at the date of the gift. The land, buildings, and furniture and equipment were valued at \$400,000, \$1,350,000, and \$722,150, respectively. Per the terms of the agreement, the University is not permitted to sell, transfer, or convey, any asset with an aggregate inventory value of \$5,000 or more within the next five years. As the assets are subject to these donor restrictions, the value of the gift is included in net assets with donor restrictions, net of accumulated depreciation.

Net assets with donor restrictions also include a donated land parcel initially valued at \$76,472. Proceeds from any sale of the land must be maintained as a perpetual endowment fund to provide scholarships to students at the University who are pursuing a degree in sustainable agriculture.

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Notes to Financial Statements

June 30, 2023 and 2022

Net assets with donor restrictions also include a donated land parcel initially valued at \$42,500 which the University is not permitted to sell.

During the year ended June 30, 2023, the University's Board voted to offer the 90 Quaker Hill property for sale. After June 30, 2023, the University began marketing the location for sale without a set asking price. The land, buildings, and equipment associated with the 90 Quaker Hill location have been listed as available for sale in the statement of financial position.

7. Retirement Plans

The University has established a tax deferred annuity plan with TIAA and CREF. All regular full and part-time employees and faculty who work a minimum of 1,000 hours per year are eligible to participate in the plan on a voluntary basis. Contributions to the plan, provided contributions are made by participants at a minimum of 3% of gross wages, are made by the University at 8% and 6% of the participant's gross wages in 2023 and 2022, respectively. Contributions to the tax deferred annuity plan were \$517,359 and \$356,601 for 2023 and 2022, respectively.

The University sponsors a 457(b) deferred compensation retirement plan for the Executive Director. The plan assets and related plan liability are included in the statement of financial position as part of inventories and other assets and accounts payable and accrued expenses as of June 30, 2023 and 2022 for \$210,734 and \$207,511, respectively.

8. Commitments and Contingencies

As is common practice in the field of higher education, the University has various employment contracts with faculty and administrators. Certain faculty members continue to be paid throughout the summer months for services rendered prior to June 30. Accordingly, these accruals, as well as other employee related accruals, are included in accrued expenses in the statement of financial position.

The University is involved in litigation arising in the normal course of business. After consultation with legal counsel, management estimates these matters will be resolved without material adverse effect to the University's future financial position or results of operations.

During the year, the University entered into a contract for a software implementation project. Approximately \$321,750 in outstanding commitments remain as of June 30, 2023 related to this project.

During 2022, an officer of the University was employed by a firm the College engaged to provide approximately \$122,000 in legal services. During 2023, the individual was no longer an officer of the University.

UNITY ENVIRONMENTAL UNIVERSITY

Notes to Financial Statements

June 30, 2023 and 2022

9. Asset Retirement Obligation

The University has evaluated its facilities and has determined that certain buildings contain asbestos, resulting in a conditional asset retirement obligation if the buildings are renovated or razed. The University has recorded a liability for these costs to the extent it plans to undertake activities that will require abatement of asbestos. The related cost has been capitalized in land, buildings, and equipment and is being depreciated over the estimated number of years until abatement. The University has not accrued any remaining asbestos removal obligation as its fair value cannot be reasonably estimated due to the conditional nature of the obligation.

10. Fair Value

FASB ASC Topic 820, *Fair Value Measurement*, 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. FASB ASC Topic 820 also 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. The standard describes three levels of inputs that may be used to measure fair value:

- 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 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.
- 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 did not have any Level 3 investments as of June 30, 2023 and 2022.

Assets measured at fair value on a recurring basis at June 30, 2023 are summarized below:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>
Assets			
Cash and money market funds	\$ 513,537	\$ 513,537	\$ -
U.S. Government and agencies	1,444,035	1,444,035	-
Corporate bonds	1,614,319	1,518,524	95,795
Fixed income funds	4,073,206	4,073,206	-
International equity funds	3,433,086	3,433,086	-
U.S. equities	7,439,840	7,439,840	-
Commodities	405,639	405,639	-
Interest rate swaps	<u>396,080</u>	<u>-</u>	<u>396,080</u>
Total	<u>\$ 19,319,742</u>	<u>\$ 18,827,867</u>	<u>\$ 491,875</u>

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Notes to Financial Statements

June 30, 2023 and 2022

Assets and liabilities measured at fair value on a recurring basis at June 30, 2022 are summarized below:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>
Assets			
Cash and money market funds	\$ 442,492	\$ 442,492	\$ -
U.S. Government and agencies	771,500	771,500	-
Corporate bonds	1,417,220	1,319,679	97,541
Fixed income funds	3,996,489	3,996,489	-
International equity funds	3,417,777	3,417,777	-
U.S. equities	7,385,451	7,385,451	-
Mutual funds	1,219,735	1,219,735	-
Commodities	473,032	473,032	-
Interest rate swaps	<u>74,435</u>	<u>-</u>	<u>74,435</u>
Total	<u>\$ 19,198,131</u>	<u>\$ 19,026,155</u>	<u>\$ 171,976</u>

The estimated fair value of the interest rate swaps was provided by the financial institution counterparty and is based on Level 2 inputs under FASB ASC Topic 820. The interest rate swaps were valued using the income approach. The fair value adjustments on the interest rate swaps reverse to zero at the maturity date of the agreements.

Level 2 corporate bonds are valued based on quoted market prices of similar instruments.

11. Right-of-Use Assets and Lease Liabilities

The following table summarizes the University's right-of-use assets and lease liabilities as of June 30, 2023:

<u>Right-of-use assets and liabilities</u>	<u>Statement of financial position location</u>	<u>Amount</u>
Right-of-use assets—Operating	Right-of-use assets	\$ 8,688,883
Lease—Operating	Lease liabilities	10,145,433

The following table summarizes the University's lease related costs for the year ended June 30, 2023:

<u>Lease cost</u>	<u>Statement of activities location</u>	<u>Amount</u>
Operating lease cost	Facilities	\$ 1,000,679

UNITY ENVIRONMENTAL UNIVERSITY

Notes to Financial Statements

June 30, 2023 and 2022

The following table summarizes maturities of lease liabilities and information about financing and operating leases as of June 30, 2023:

2024	\$	515,386
2025		762,952
2026		782,390
2027		802,213
Thereafter		<u>17,119,048</u>
Total minimum lease payments		19,981,989
Less amount representing interest		<u>9,836,556</u>
Present value of minimum lease payments	\$	<u><u>10,145,433</u></u>

The weighted average remaining lease term is 12.31 years and the weighted average discount rate is 5.64%. Cash paid for the determination of lease liabilities was \$211,538 for the year ended June 30, 2023.

12. Available Resources and Liquidity

The University regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The University has various sources of liquidity at its disposal, including cash and cash equivalents, intermediate and long-term investments, and a line of credit. See Note 5 for information about the University's line of credit.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the University considers all expenditures related to its ongoing activities of teaching, research, and public service as well as the conduct of services undertaken to support those activities to be general expenditures.

In addition to financial assets available to meet general expenditures over the next 12 months, the University operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. Refer to the statement of cash flows which identifies the sources and uses of the University's cash and shows positive cash generated by operations for fiscal years 2023 and 2022.

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Notes to Financial Statements

June 30, 2023 and 2022

The following table shows the financial assets held by the University that are readily available within one year of the statement of financial position date to meet general expenditures as of June 30:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$20,477,502	\$ 8,559,725
Accounts and interest receivable, net	582,170	2,055,653
Federal funds and grants receivable	-	2,889,620
Contributions for general expenditures due in one year or less	1,052,362	1,656,512
Payout on donor-restricted endowments for use over next 12 months	<u>1,013,862</u>	<u>1,003,204</u>
	<u>\$23,125,896</u>	<u>\$16,164,714</u>