

# **Johnson & Wales University**

Consolidated Financial Report  
June 30, 2021

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## Independent Auditor's Report

Board of Trustees  
Johnson & Wales University

### Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Johnson & Wales University (the University), which comprise the consolidated statements of financial position as of June 30, 2021 and 2020, the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the financial statements (collectively, the financial statements).

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

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, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*RSM US LLP*

Boston, Massachusetts  
November 23, 2021

**Johnson & Wales University**

**Consolidated Statements of Financial Position  
June 30, 2021 and 2020  
(In Thousands)**

	2021	2020
<b>Assets</b>		
Cash and cash equivalents	\$ 19,555	\$ 11,256
Short-term investments	2,517	2,522
Student accounts receivable, net	10,401	12,693
Inventories, deferred charges and prepaid expenses	8,498	10,302
Contributions receivable, net	2,597	4,071
Student loans, notes and other receivables, net	8,255	22,241
Asset held for sale	1,513	-
Investments	329,170	263,729
Right of use asset	5,155	-
Property and equipment, net	418,533	440,475
Assets of discontinued operations	45,336	146,253
	<u>45,336</u>	<u>146,253</u>
<b>Total assets</b>	<b>\$ 851,530</b>	<b>\$ 913,542</b>
<b>Liabilities and Net Assets</b>		
Accounts payable and accrued expenses	\$ 29,447	\$ 30,746
Deferred revenue and student deposits	14,731	15,731
Retirement plan and annuity obligations	2,249	1,626
Refundable U.S. Government grants	1,779	2,406
Right of use liability	5,844	-
Bonds and notes payable and line of credit	62,233	137,808
Liabilities of discontinued operations	652	6,631
	<u>652</u>	<u>6,631</u>
<b>Total liabilities</b>	<b>116,935</b>	<b>194,948</b>
Commitments and contingencies		
Net assets:		
Without donor restrictions:		
Available for operations and designated for long-term investment	275,182	220,183
Net investment in property and equipment	402,285	445,847
Loan program	8,623	11,981
	<u>8,623</u>	<u>11,981</u>
<b>Total without donor restrictions</b>	<b>686,090</b>	<b>678,011</b>
With donor restrictions	48,505	40,583
	<u>48,505</u>	<u>40,583</u>
<b>Total net assets</b>	<b>734,595</b>	<b>718,594</b>
	<u>734,595</u>	<u>718,594</u>
<b>Total liabilities and net assets</b>	<b>\$ 851,530</b>	<b>\$ 913,542</b>
	<u>\$ 851,530</u>	<u>\$ 913,542</u>

See notes to consolidated financial statements.

## Johnson & Wales University

### Consolidated Statements of Activities Years Ended June 30, 2021 and 2020 (In Thousands)

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Operating revenue, gains and other support:						
Tuition and fees, net of financial aid and scholarships (\$112,912 and \$108,843 at June 30, 2021 and 2020, respectively)	\$ 137,234	\$ -	\$ 137,234	\$ 142,989	\$ -	\$ 142,989
Residence and dining	32,794	-	32,794	39,174	-	39,174
Hotels	3,148	-	3,148	6,839	-	6,839
Contributions, grants and federal aid to students	30,046	-	30,046	13,135	-	13,135
Investment return appropriated for operations	12,590	-	12,590	35,984	-	35,984
Other student generated	1,125	-	1,125	1,564	-	1,564
Other sources	2,026	-	2,026	4,418	-	4,418
Net assets released from restrictions	1,529	-	1,529	1,703	-	1,703
(Loss) gain on disposal of property and equipment	(185)	-	(185)	24	-	24
<b>Total operating revenue, gains and other support</b>	<b>220,307</b>	<b>-</b>	<b>220,307</b>	<b>245,830</b>	<b>-</b>	<b>245,830</b>
Operating expenses:						
Instructional	85,598	-	85,598	84,998	-	84,998
Academic support	14,804	-	14,804	16,261	-	16,261
Student services	66,489	-	66,489	66,947	-	66,947
Auxiliary enterprises	28,233	-	28,233	34,075	-	34,075
Institutional support	25,717	-	25,717	31,735	-	31,735
Public service	83	-	83	113	-	113
<b>Total operating expenses</b>	<b>220,924</b>	<b>-</b>	<b>220,924</b>	<b>234,129</b>	<b>-</b>	<b>234,129</b>
<b>(Decrease) increase in net assets from operations</b>	<b>(617)</b>	<b>-</b>	<b>(617)</b>	<b>11,701</b>	<b>-</b>	<b>11,701</b>
Non-operating activities:						
Return on long-term investments, net	70,567	10,313	80,880	2,412	(38)	2,374
Investment return appropriated for operations	(11,613)	(977)	(12,590)	(35,197)	(787)	(35,984)
Restricted contributions	-	1,926	1,926	-	242	242
Net assets released from restrictions	-	(1,529)	(1,529)	-	(1,703)	(1,703)
<b>Increase (decrease) in net assets from non-operating activities</b>	<b>58,954</b>	<b>9,733</b>	<b>68,687</b>	<b>(32,785)</b>	<b>(2,286)</b>	<b>(35,071)</b>
<b>Increase (decrease) in net assets from continuing operations</b>	<b>58,337</b>	<b>9,733</b>	<b>68,070</b>	<b>(21,084)</b>	<b>(2,286)</b>	<b>(23,370)</b>
Discontinued operations:						
North Miami (including loss on disposal of \$610)	(10,621)	(1,040)	(11,661)	(780)	545	(235)
Denver (including loss on disposal of \$20,185)	(39,637)	(771)	(40,408)	(8,211)	525	(7,686)
<b>Increase (decrease) in net assets</b>	<b>8,079</b>	<b>7,922</b>	<b>16,001</b>	<b>(30,075)</b>	<b>(1,216)</b>	<b>(31,291)</b>
Net assets at beginning of year	678,011	40,583	718,594	708,086	41,799	749,885
Net assets at end of year	\$ 686,090	\$ 48,505	\$ 734,595	\$ 678,011	\$ 40,583	\$ 718,594

See notes to consolidated financial statements.

# Johnson & Wales University

## Consolidated Statements of Cash Flows Years Ended June 30, 2021 and 2020 (In Thousands)

	2021	2020
Cash flows from operating activities:		
Continuing operations:		
Increase (decrease) in net assets	\$ 68,070	\$ (23,370)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization expense	25,781	26,334
Net realized and unrealized gain on investments	(81,164)	(351)
Change in allowance for uncollectible accounts	(4,177)	212
Contributions restricted for long-term investment	(1,481)	(304)
Loss (gain) on sale of property and equipment	46	(24)
Impairment of assets held for sale	138	-
Amortization of right of use asset	3,517	-
Payments on right of use liability	(4,042)	-
Loss on extinguishment of debt	5,410	-
Transition adjustment for adoption of ASC 842	1,214	-
Changes in assets and liabilities:		
(Increase) decrease in:		
Student accounts receivable	2,180	(2,070)
Inventories, deferred charges and prepaid expenses	1,804	(1,602)
Contributions receivable	2,745	1,166
Notes and other receivables	11,534	(10,825)
Increase (decrease) in:		
Accounts payable and accrued expenses	(1,299)	(4,552)
Deferred revenue and student deposits	(1,000)	1,495
Retirement plan and annuity obligations	623	(630)
<b>Cash provided by (used) in continuing operations</b>	<b>29,899</b>	<b>(14,521)</b>
Discontinued operations:		
Decrease in net assets	(52,069)	(7,921)
Adjustments to reconcile decrease in net assets to net cash used in operating activities:		
Depreciation and amortization expense	7,095	7,891
Loss on sale of property and equipment	17,062	-
Impairment of assets held for sale	3,733	-
Changes in assets and liabilities:		
(Increase) decrease in:		
Inventories, deferred charges and prepaid expenses	1,066	(1,241)
Contributions receivable	1,364	(1,364)
Notes and other receivables	229	(229)
Increase (decrease) in:		
Accounts payable and accrued expenses	(3,764)	4,416
Deferred revenue and student deposits	(2,215)	2,215
<b>Cash (used in) provided by in discontinued operations</b>	<b>(27,499)</b>	<b>3,767</b>
<b>Net cash provided by (used in) operating activities</b>	<b>2,400</b>	<b>(10,754)</b>

(Continued)

**Johnson & Wales University**

**Consolidated Statements of Cash Flows (Continued)**  
**Years Ended June 30, 2021 and 2020**  
**(In Thousands)**

	2021	2020
Cash flows from investing activities:		
Purchase of property, plant and equipment	\$ (3,262)	\$ (13,426)
Proceeds from sale of property, plant and equipment – discontinued operations	-	1,086
Proceeds from sale of property, plant and equipment – discontinued operations	68,207	-
Purchase of investments	(28,806)	(26,738)
Proceeds from short-term investments	5	5,199
Proceeds from maturity and sale of investments	44,529	36,883
Student loans, notes and other receivables collected	5,470	6,813
<b>Net cash provided by investing activities</b>	<b>86,143</b>	<b>9,817</b>
Cash flows from financing activities:		
Principal repayments on bonds and notes payable	(75,499)	(16,168)
(Repayments on) proceeds from line of credit	(5,838)	5,838
Proceeds from note payable	-	301
Contributions restricted for long term investment	1,481	304
Repayment of refundable grants	(627)	(1,007)
<b>Net cash used in financing activities</b>	<b>(80,483)</b>	<b>(10,732)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>8,060</b>	<b>(11,669)</b>
Cash and cash equivalents, beginning of year	11,495	23,164
Cash and cash equivalents, end of year	19,555	11,495
Less cash and cash equivalents of discontinued operations	-	(239)
Cash and cash equivalents of continuing operations, end of year	<b>\$ 19,555</b>	<b>\$ 11,256</b>
Cash paid for interest	<b>\$ 5,160</b>	<b>\$ 5,748</b>
Property and equipment included in accounts payable	<b>\$ 75</b>	<b>\$ 75</b>
Student loans cancelled or assigned to the federal government	<b>\$ 991</b>	<b>\$ 966</b>

See notes to consolidated financial statements.



## Johnson & Wales University

### Notes to Consolidated Financial Statements (In Thousands)

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#### **Note 1. Nature of the University and Summary of Significant Accounting Policies**

Founded in 1914, Johnson & Wales University (the University) is a private, nonprofit, accredited institution with approximately 9,000 graduate, undergraduate and online students at its campuses in Providence, Rhode Island; North Miami, Florida; Denver, Colorado and Charlotte, North Carolina. An innovative educational leader, the University offers undergraduate and graduate degree programs in arts and sciences, business, engineering, food innovation, hospitality, nutrition and health and wellness. It also offers undergraduate programs in culinary arts, dietetics and design. The University's unique model provides students with the personalized attention, academic expertise and industry connections that inspire professional success and personal growth. The time students spend at the University is nothing short of transformative, as demonstrated by career outcomes, expected earnings and economic mobility rankings. The University's impact is global, with alumni in 125 countries pursuing careers worldwide.

A major component of the University's FOCUS 2022 strategic plan was the sustainability of the branch campuses. After extensive deliberations and analysis, it was determined that the University's unique status as one university, with four geographically diverse on-the-ground campuses, was no longer viable in the rapidly changing landscape of higher education. The rapid spread of the coronavirus brought to the forefront for many colleges and universities the need to revisit their delivery models. In June 2020, the University's Board of Trustees (the Board) concluded that the time had come to consolidate the university system into a two-campus model (Providence and Charlotte) coupled with a robust online delivery model. In July 2020, the University announced the planned closure of the North Miami and Denver branch campuses at the end of the 2020/2021 academic year.

The North Miami and Denver branch campuses were closed as of June 30, 2021. The Denver campus and a portion of the North Miami campus were sold prior to June 30, 2021, and the remainder of the North Miami campus was sold in July 2021 (Note 15). As a result of the campus closures, the University has presented North Miami and Denver campus' operating results as discontinued operations for all periods presented. See Note 14 for additional details.

The University consists of the following entities, which have been consolidated in the accompanying financial statements: Johnson & Wales University, Johnson & Wales University Club and Wildcat Realty Holdings LLC. PodCo, Inc. was dissolved during the year ended June 30, 2020. All intercompany balances and transactions have been eliminated in the accompanying consolidated financial statements.

**Basis of statement presentation:** The consolidated financial statements of the University have been prepared on the accrual basis of accounting and in accordance with accounting standards set by the Financial Accounting Standards Board (FASB). The FASB defines accounting principles generally accepted in the United States (U.S. GAAP) to ensure financial condition, results of operations and cash flows are consistently reported. References to U.S. GAAP issued by the FASB in these footnotes are to the FASB Accounting Standards Codification (ASC).

**Classification and reporting of net assets:** The University reports two classes of net assets and the changes in those net assets in the consolidated statements of financial position and consolidated statements of activities, respectively. The two classes of net assets – with donor restrictions and without donor restrictions – are based on the existence or absence of donor-imposed restrictions, either explicit or implicit. The two classifications are defined as follows:

**Without donor restrictions:** Net assets which are not subject to donor-imposed stipulations. Net assets without donor restrictions include expendable funds available for support of the University as well as funds invested in plant, including campus buildings and loan programs. In addition, net assets without donor restrictions include funds which represent resources designated by the Board for endowment.

## Johnson & Wales University

### Notes to Consolidated Financial Statements (In Thousands)

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#### Note 1. Nature of the University and Summary of Significant Accounting Policies (Continued)

**With donor restrictions:** Net assets subject to donor-imposed restrictions that require they be maintained in perpetuity or that permit the University to use or expend the donated assets as specified and are satisfied by either the passage of time or by actions of the University. Net assets with donor restrictions also include, under Rhode Island law, amounts representing cumulative unexpended gains on donor restricted endowment funds, which are subject to prudent appropriation by the Board in accordance with donor use restrictions, but which have not yet been appropriated by the Board. When a 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 are reported in the consolidated statements of activities as net assets released from restrictions.

**Operating activities:** The consolidated statements of activities report the changes in net assets without donor restrictions from operating and non-operating activities. Operating revenues without donor restrictions and expenses consist of those items attributable to the University's primary mission of providing education. Investment return included in operations reflects the amounts appropriated from the endowment computed using the spending policy for the period as approved by the Board. All other investment income or losses are reported as non-operating activities commensurate with any restrictions. The University also considers as non-operating activities restricted contributions until released into operations.

**Investments:** Investments are carried at fair value. Purchases and sales of securities are recorded on trade dates, and realized gains and losses are determined on the basis of average cost of securities sold.

Interest, dividends and net gains or losses on investments are reported as increases or decreases in net assets with donor restrictions if the terms of the original gift require that they be applied to the principal of a donor restricted endowment fund or if the terms of the gift and/or relevant state law impose restrictions on the current use of the income or net gains and losses, and as increases or decreases in net assets without donor restrictions in all other cases.

The University invests in alternative investments consisting of absolute return funds, marketable asset partnerships, non-marketable asset partnerships and real estate funds. Alternative investments utilize a variety of investment strategies incorporating marketable and non-marketable securities and, in some cases, derivative instruments, all of which are reported at fair value by the fund managers. Non-marketable asset partnerships (investments for which there may not be a value established by major security markets) are valued on a quarterly basis and are carried at fair values based upon the most recent financial information provided by the general partners. Management believes this method provides a reasonable estimate of fair value. These investments provide broad diversification, offering sources of return that are not generally correlated with traditional equity and fixed income markets. Hedging strategies may include securities denominated in foreign currencies, options, futures, forward contracts, short sales or other financial instruments whose value and performance are derived, at least in part, from the performance of an underlying asset or index and the creditworthiness of the counterparty of the transactions.

**Note 1. Nature of the University and Summary of Significant Accounting Policies (Continued)**

**Fair value measurements:** The University reports certain types of financial instruments at fair value depending on the underlying accounting policy for the particular instrument. Recurring fair value measurements include the University's investment accounts. Nonrecurring measurements include contributions receivable and annuity obligations. Fair value standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or valuation techniques) to determine fair value. In addition, the University reports certain investments using net asset value (NAV) per share as determined by investment managers under the so called "practical expedient." The practical expedient allows NAV per share to represent fair value for reporting purposes when the criteria for using this method are met. Fair value standards also require the University to classify recurring fair values of financial instruments into a three-level hierarchy, based on the priority of inputs to the valuation technique or in accordance with NAV practical expedient rules.

Instruments measured and reported at fair value on a recurring basis are classified and disclosed in one of the following categories:

- Level 1:** Quoted prices are available in active markets for identical instruments as of the reporting date. Instruments which are generally included in this category include listed equity and debt securities publicly traded on a stock exchange.
- Level 2:** Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.
- Level 3:** Pricing inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument. The inputs into the determination of fair value require significant management judgment or estimation.

The University has various processes and controls in place to ensure that fair value is reasonably estimated. In some instances, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such instances, the inputs are based on the lowest level of input that is significant to the fair value measurement.

Market price is affected by a number of factors, including the type of instrument and the characteristics specific to the instrument. Instruments with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. Investments, in general, are exposed to various risks, such as interest rate, credit and overall market volatility. As such, it is reasonably possible that changes in values of these instruments will occur in the near term and that such changes could materially affect amounts reported in these financial statements.

The following is a description of the valuation methodologies used for instruments measured at fair value:

**Equity and fixed income securities and other investments:** The fair value of equity and fixed income securities and other investments is the market value based on quoted market prices, when available, or market prices provided by recognized broker dealers. If listed prices or quotes are not available, fair value is based upon externally developed models that use unobservable inputs due to the limited market activity of the instrument.

## Johnson & Wales University

### Notes to Consolidated Financial Statements (In Thousands)

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#### Note 1. Nature of the University and Summary of Significant Accounting Policies (Continued)

**Cash equivalents:** Cash equivalents, except those that are managed by external investment managers as part of their long-term strategies, are carried at cost, which approximates fair value.

During the years ended June 30, 2021 and 2020, there were no changes to the University's valuation techniques that had, or are expected to have, a material impact on its consolidated financial position or consolidated statements of activities.

**Equity method investment:** The University has accounted for its investment in The FIX, LLC (FIX) under the equity method of accounting. At June 30, 2021 and 2020, the University had a 50% ownership in FIX. FIX is a research and development company that focuses on developing appetizing nutritional products that have specific medicinal or health related benefits. The University contributed \$1,215 and \$800 to FIX in fiscal 2021 and 2020, respectively, as part of its annual commitment for capital contributions of not more than \$1,800 in each calendar year for ongoing research and development and related strategic activities. The University may terminate this annual commitment with one year's advance notice, which it did on December 16, 2020. Under the operating agreement, the University absorbed all losses; as such, the University has recognized these losses in the University's consolidated statements of activities as part of the return on unrestricted investments. The University's share of income or losses have been treated as additions to or subtractions from the carrying value of the investment account. The fiscal year for FIX ends on December 31, and the University has consistently followed the practice of recognizing the net earnings of FIX on that basis. Therefore, the net gains or losses of FIX which are reported in the University's consolidated statements of activities are for the year which ended on the previous December 31. Losses for the years ended December 31, 2021 and 2020, of \$1,163 and \$1,904, respectively, are included in the returns from unrestricted investments in the consolidated statements of activities. At June 30, 2021, based on continued losses, and the decision to winddown and dissolve FIX by December 31, 2021, management determined the investment was fully impaired and recorded an impairment charge of \$1,768 which was recorded within returns from unrestricted investments in the consolidated statements of activities to reduce the carrying value of the investment to \$0 at June 30, 2021. The carrying value of the investment in FIX at June 30, 2020, was \$1,716 and was included in investments in the consolidated statements of financial position. On July 16, 2021, the members of FIX resolved by unanimous written consent to cease operations and enter into a wind-up agreement to dissolve FIX. The agreement included the redemption of the members' interest other than that of the university, which resulted in the University becoming the sole member (Note 15).

**Use of estimates:** The preparation of the consolidated 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 disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Significant management estimates included in the consolidated financial statements relate to the allowance for doubtful loans, contributions and accounts receivable, fair value of certain investments, the estimate of annuity and pension obligations, recoverability of long-lived assets, valuation of assets held for sale and the allocation of common expenses over program functions.

**Liquidity:** In order to provide information about liquidity, assets are sequenced in the consolidated statements of financial position according to their nearness of conversion to cash and liabilities based on their estimated maturity.

**Cash and cash equivalents:** The University considers highly liquid investments with maturities of three months or less at the date of purchase to be cash equivalents. Cash equivalents held by investment managers are considered part of investments given the expectation of near-term reinvestment.

## Johnson & Wales University

### Notes to Consolidated Financial Statements (In Thousands)

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#### **Note 1. Nature of the University and Summary of Significant Accounting Policies (Continued)**

The University maintains its cash balances at several financial institutions which, at times, may exceed federally insured limits. The University monitors its exposure associated with cash and cash equivalents and has not experienced any losses in such accounts.

**Short term investments:** Short term investments include amounts which will be used to pay liabilities of the University within the next year.

**Inventory:** Inventory is carried at the lower of cost (average cost) or net realizable value.

**Contributions:** Contributions received, including unconditional promises to give, are initially recorded at fair value in the period the donor's commitments are received based on Level 2 inputs. Unconditional pledges which are receivable in future periods are included in the consolidated financial statements as contributions receivable. Unconditional contributions receivable are recognized at the estimated net present value using a discount rate commensurate with the risk involved.

Unconditional promises to give are recorded net of an allowance and periodically reviewed to assess an estimate of an allowance for doubtful collections. Management estimates the allowance based on a review of historical experience and a specific review of collection trends that differ from plan on individual accounts.

Conditional promises to give, that is those with a measurable performance or other barrier and a right of return, are not recognized as revenue until the conditions on which they depend are met. There are no conditional contributions, other than the conditional grants described below, at June 30, 2021 and 2020.

Individual grant arrangements have been evaluated and determined to be nonreciprocal, meaning the granting entity has not received a direct benefit in exchange for the resources provided. Instead, revenue is recognized like a conditional contribution when the barrier to entitlement is overcome. The barrier to entitlement is considered overcome when expenditures associated with each grant are determined to be allowable and all other significant conditions of the grant are met. These transactions are then recognized as unconditional and classified as increases to unrestricted net assets.

The University was awarded funding from the federal government through three COVID-19 relief programs which are referred to as the Higher Education Emergency Relief Funds (HEERF). The cumulative amount of the grants available through the years ended June 30, 2021 and 2020, were \$76,095 and \$14,874, respectively, and included a requirement that the University use no less than \$33,105 of the funds for emergency financial aid grants to students, with the remainder available for institutional expenses. During the years ended June 30, 2021 and 2020, the University distributed \$9,507 and \$4,675, respectively, of the funds to eligible students to help offset the expenses related to the disruption of campus operations beginning in the spring of 2020. The institutional portion contains an additional barrier relating to limited discretion over the types of expenditures for which the funds can be used. During the years ended June 30, 2021 and 2020, the University recorded \$17,761 and \$5,366, respectively, in institutional funds. The revenue associated with both the student distributions and institutional aid is included within contributions, grants and federal aid to students on the consolidated statements of activities. The remaining grant award of \$38,784, of which \$18,922 will be for student aid, will be recognized as revenue in fiscal 2022. As of June 30, 2021, the University had not met the identified barriers relating to the expenditure of funds, as a result, the remaining student and institutional portion was considered a conditional grant. The total conditional grants as of June 30, 2020, was \$4,832 which was recognized as contribution revenue during fiscal 2021, when the remaining barrier was met.

## Johnson & Wales University

### Notes to Consolidated Financial Statements (In Thousands)

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#### **Note 1. Nature of the University and Summary of Significant Accounting Policies (Continued)**

Included in notes and other receivables as of June 30, 2020, were amounts due from the government for qualifying expenditures made from the HEERF grants and refundable tax credits made available under the CARES Act in the amount of \$10,402. All amounts were received during fiscal 2021 and remaining funds will be drawn down when expended during fiscal 2022.

**Accounts receivable:** Receivables are carried at the outstanding amount less an estimate made for doubtful receivables based on a periodic review using historical experience applied to an aging of accounts. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received as a reduction of bad debt expense. Accounts receivable are considered past due if any portion of the receivable balance is outstanding for more than 90 days. Interest is not charged on receivables.

**Student loans:** Included in loans receivable are University funds loaned to students and funds advanced by the University via the Federal Perkins Loan Program (Perkins).

The Perkins program was terminated effective September 30, 2017. As such, no further loans can be awarded to students on or after October 1, 2017. Perkins loans receivable are unsecured and carried at their estimated net realizable value. Interest and late fees are recorded when received. Perkins loans that are in default and meet certain requirements can be assigned to the U.S. Department of Education (DOE). The federal portion of the funds are ultimately refundable to the Federal government. The Federal government has begun the wind-down of the Perkins Loan Program and has begun collecting the Federal share of the Perkins funds through the revolving fund distribution of assets process.

Included in loans receivable are University funded Achievement Loans, which are carried at their net realizable value. These amounts represent unsecured loans to students which are payable in accordance with established terms. Interest and late fees are recorded when received. The Achievement Loan program ended during the fiscal year ended June 30, 2006.

For all loans, management estimates the allowance for credit losses based on historical experience applied to an aging of accounts, current economic conditions and the credit quality of the loans.

**Property and equipment:** Constructed and purchased property and equipment are carried at cost. Land, buildings or equipment donated to the University are carried at estimated fair value at the date of the gift. If donors stipulate how long the assets must be used, the contributions are recorded within net assets with donor restrictions. In the absence of such stipulations, contributions of land, buildings and equipment are recorded within net assets without donor restriction at fair value.

Long-lived fixed assets, with the exception of land, library holdings and artwork, are depreciated using the straight-line method over the estimated useful lives of the respective assets.

Costs incurred in connection with construction projects are accumulated in construction in progress until the project is complete and placed in service, at which time the cost is transferred to the appropriate asset account and depreciation begins.

Expenditures for maintenance and repairs are charged to expense as incurred; betterments are capitalized. When assets are sold or retired, the related cost and accumulated depreciation are removed from the respective accounts, and any resulting gain or loss is credited or charged to operating or non-operating activities depending on the nature of the transaction.

## Johnson & Wales University

### Notes to Consolidated Financial Statements (In Thousands)

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#### **Note 1. Nature of the University and Summary of Significant Accounting Policies (Continued)**

The University reviews the carrying value of its long-lived assets to assess the recoverability of these assets whenever events or changes in circumstances indicate the need; any impairment is recognized in operating results if a permanent reduction in value is deemed to have occurred. As of June 30, 2021 and 2020, no impairment indicators were identified for assets used in continuing operations.

The University had previously determined the existence of certain environmental obligations which are managed by the University's facilities department, including regular external inspections, to ensure compliance with various environmental regulations. The recording of a liability is required if the obligation can be reasonably estimated and legally required. The University has estimated the liability at June 30, 2021 and 2020, to be \$307 and \$1,799, respectively, which is included in accrued expenses in the consolidated statements of financial position. During the year ended June 30, 2021, the liability decreased due to the sale of certain buildings with associated environmental obligations.

**Assets held for sale:** The University classified certain buildings as held for sale during the year ended June 30, 2021, at the time the University committed to sell the assets and began actively marketing the assets and the assets were available for immediate sale in their present condition. As of June 30, 2021, a building at the Providence campus was classified separately as an asset held for sale and the remainder of the North Miami campus was classified as held for sale included in assets of discontinued operations on the consolidated statements of financial position. The assets are reported at the lower of the carrying value or fair value, less costs to sell. As of June 30, 2021, the University recorded an impairment loss of \$3,871 to reduce the value of the assets to fair value less costs to sell. These assets were sold subsequent to year end (Note 15).

**Collections:** Collections consist of items that include works of art that were donated or purchased by the University. These items are capitalized at cost, if the items were purchased, or at the fair value on their accession date, if the items were contributed. These collections are protected and preserved for public exhibition, education, research and the furtherance of public service and, therefore, are not depreciated. Proceeds from deaccessions are reflected as increase in the appropriate net asset class and can be used to acquire new items or used as direct care for existing items already in possession. Direct care is defined as costs incurred that enhance the life, usefulness or quality of the University's collections.

**Leasing:** The University determines if an arrangement is a lease at inception of a contract. A contract is determined to be or contain a lease if the contract conveys the right to control the use of identified property, plant or equipment (an identified asset) in exchange for consideration. The University's lease agreements do not contain any material residual value or restrictive covenants.

Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the consolidated statements of activities. Leases result in the recognition of right of use assets and lease liabilities on the consolidated statements of financial position. Right of use assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis. The University determines lease classification as operating or finance at the lease commencement date.

At lease inception, the lease liability is measured at the present value of the lease payments over the lease term. The right of use asset equals the lease liability adjusted for any initial direct costs, prepaid or deferred rent. The University elected the private company alternative to use the risk-free rate in determining the present value of lease payments. The value of an option to extend or terminate a lease is reflected to the extent it is reasonably certain management will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. Interest expense is recognized as a component of the lease payment for finance leases.

## Johnson & Wales University

### Notes to Consolidated Financial Statements (In Thousands)

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#### Note 1. Nature of the University and Summary of Significant Accounting Policies (Continued)

**Bond issuance costs:** Bond issuance costs are capitalized and amortized using the effective interest method over the life of the associated bond issue. The bond issuance costs are included within bonds and notes payable and line of credit in the consolidated statements of financial position. Amortization expense was \$102 and \$113 in 2021 and 2020, respectively, and is included as a component of interest expense in the consolidated statements of activities.

**Revenue recognition:** The University uses a five-step model for revenue recognition defined by FASB ASC Topic 606, Revenue from Contracts with Customers, which requires the University to: (1) identify the contract with the customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract and (5) recognize revenue when each performance obligation is satisfied.

The University has identified a performance obligation associated with the provision of its educational instruction and other educational services, housing services and other academic related services and uses the output measure for recognition as the period of time over which the services are provided.

**Tuition revenue and discounts:** Tuition and fees revenue is substantially billed and collected prior to the end of each semester. Revenues are earned and recognized over the course of each semester as academic programs are delivered. Institutional financial aid and scholarships awarded to students reduce the amount of revenue recognized. In addition, students who adjust their course load or withdraw completely may receive a full or partial refund in accordance with the University's refund policy. Refunds issued reduce the amount of revenue recognized. Students are responsible for paying all charges in full or for making arrangements for monthly or by-term payments by due dates published by the University. Accounts and notes receivable from students for services provided from contracts are disclosed in Note 3 of the consolidated financial statements. Payments received prior to the start of an academic period are recorded as deposits, to be recognized as revenue over the academic period as services are rendered, which totaled \$4,202 and \$3,395 at June 30, 2021 and 2020, respectively, and are included in deferred revenue and student deposits on the consolidated statements of financial position.

The portion of tuition revenue received by June 30, 2021 and 2020, for the summer terms that is earned subsequent to the years ended June 30, 2021 and 2020, is treated as deferred revenue. The deferred revenue balance of \$13,254 at June 30, 2020, was recognized as tuition revenue during the year ended June 30, 2021. The deferred revenue balance of \$8,475 as of June 30, 2021, will be recognized as tuition revenue during the year ended June 30, 2022.

The composition of tuition and fees based on degree programs for the years ended June 30, is as follows:

	2021	2020
Undergraduate (net of financial aid and scholarships of \$126,860 and \$139,836 in 2021 and 2020, respectively)	\$ 130,756	\$ 153,070
Graduate (net of financial aid and scholarships of \$2,295 and \$1,037 in 2021 and 2020, respectively)	21,717	19,935
Non-degree programs	309	490
	<u>\$ 152,782</u>	<u>\$ 173,495</u>



## Johnson & Wales University

### Notes to Consolidated Financial Statements (In Thousands)

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#### Note 1. Nature of the University and Summary of Significant Accounting Policies (Continued)

**Residence and dining, other student generated and other sources:** These consist principally of goods and services to the campus community, including dining facilities, residence halls, parking garage, banquet operations, facility rentals and other miscellaneous fees, such as print shop services. These revenues and expenses are reported as a component of changes in net assets without donor restrictions.

Charges to students for campus residence and dining services are substantially billed and collected prior to the end of each semester. Associated revenues are earned and recognized over the course of each semester as these services are delivered.

Room, food, beverage and other sales revenue from the Doubletree Hotel, owned by the University and managed by Hilton Hotels, is recognized as services are provided and obligations are fulfilled.

**Annuity obligations:** The University's split-interest agreements consist principally of irrevocable charitable remainder trusts for which the University serves as trustee. Assets held in these trusts are included in investments and reported at fair value. Contribution revenues are initially recognized at fair value at the date the trusts are established after recording liabilities for the present value of the estimated future payments to be made to beneficiaries to arrive at fair value using Level 2 inputs. The liabilities are adjusted during the term of the trusts for changes in the actuarial value, accretion of the discount and other changes affecting the estimates of future obligations. The liabilities are included in retirement plan and annuity obligations on the consolidated statements of financial position.

**Fundraising expenses:** Fundraising costs of \$4,144 and \$4,229 in fiscal years 2021 and 2020, respectively, are charged to expense and are included in institutional support expenses in the consolidated statements of activities.

**Advertising, promotions and publication expenses:** The University expenses advertising, promotion and publication costs as incurred. Advertising, promotions and publications expenses for the years ended June 30, 2021 and 2020, were \$8,215 and \$9,588, respectively.

**Tax status:** Johnson & Wales University is recognized by the Internal Revenue Service as an educational institution as described in Section 501(c)(3) of the Internal Revenue Code (the Code) and is generally exempt from federal and state income taxes on related income. Any tax on the subsidiaries or unrelated business activities is not significant to the consolidated financial statements.

The University has identified its tax status as a tax-exempt entity and its decision to include or exclude items of income unrelated to its operations as tax positions; however, the University has determined that such tax positions do not result in an uncertainty requiring recognition. Management believes the University has no uncertain tax positions as of June 30, 2021 or 2020.

With few exceptions, the University is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for fiscal years before 2018. Interest and penalties, if any, are included in income tax expense.

**Reclassifications:** Certain reclassifications within the financial statements have been made to the 2020 consolidated financial statements to conform to the 2021 presentation.

## Johnson & Wales University

### Notes to Consolidated Financial Statements (In Thousands)

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#### Note 1. Nature of the University and Summary of Significant Accounting Policies (Continued)

**Recently adopted accounting pronouncements:** Effective July 1, 2020, the University adopted Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. The University elected the package of practical expedients permitted under the transition guidance within the new standard, which, among other things, allows the carry forward of historical lease classification for leases that were within the scope of the standard. A modified retrospective transition approach was required. The University adopted the guidance retrospectively at the beginning of the period of adoption, July 1, 2020, through a cumulative-effect adjustment resulting in a net decrease to net assets of \$1,214 and did not apply the new standard to comparative periods presented.

Effective July 1, 2020, the University adopted ASU 2019-03, *Not-for-Profit Entities (Topic 956): Updating the Definition of Collections*. This ASU modifies the definition of the term collections and requires that a collection holding entity disclose its policy for the use of proceeds from when collection items are deaccessioned (that is, removed from a collection). If a collection holding entity has a policy that allows proceeds from deaccessioned collection items to be used for direct care, it should disclose its definition of direct care. The adoption of this standard did not have a significant impact on the consolidated financial statements.

**Recently issued accounting pronouncements:** In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which creates a new credit impairment standard for financial assets measured at amortized cost and available-for-sale debt securities. The ASU requires financial assets measured at amortized cost (including loans, trade receivables and held-to-maturity debt securities) to be presented at the net amount expected to be collected, through an allowance for credit losses that are expected to occur over the remaining life of the asset, rather than incurred losses. The measurement of credit losses for newly recognized financial assets (other than certain purchased assets) and subsequent changes in the allowance for credit losses are recorded in the statement of activities as the amounts expected to be collected change. The ASU is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. Early adoption is permitted. The University is currently evaluating the impact of adopting this new guidance on the consolidated financial statements.

In September 2020, the FASB issued ASU 2020-07, *Not for Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires not for profit entities to change their financial statement presentation and disclosure of contributed nonfinancial assets, or gifts-in-kind. Contributed nonfinancial assets are to be presented as a separate line item in the statement of activities, apart from contributions of cash and other financial assets. Disclosure requirements have also been added on disaggregated contributed nonfinancial assets by type. The amendments in this ASU are effective for annual financial statements issued for fiscal years beginning after June 15, 2021, and for interim periods within fiscal years beginning after June 15, 2022. Early application of the amendments is permitted. The amendments in this ASU should be applied on a retrospective basis. The University is currently evaluating the impact of adopting this new guidance on the consolidated financial statements.

## Johnson & Wales University

### Notes to Consolidated Financial Statements (In Thousands)

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#### Note 2. Liquidity and Availability

As of June 30, 2021 and 2020, financial assets and liquidity resources available within one year for general expenditure, such as operating expenses, scheduled principal payments on debt and capitalized construction costs not financed with debt, were as follows:

	2021	2020
Financial assets at year-end:		
Cash and cash equivalents	\$ 19,555	\$ 11,495
Short-term investments	2,517	2,522
Student accounts receivables	10,401	12,693
Contributions receivable, net	2,597	5,435
Student loans, notes and other receivables, net	8,255	22,470
Investments	329,170	263,729
	<u>372,495</u>	<u>318,344</u>
Less amounts not available to be used within one year:		
Net asset with donor restrictions	(48,132)	(39,515)
Net assets with time restrictions	(24)	(1,457)
Net assets with contractual restrictions	(8,137)	(10,792)
Board designated for endowment	(276,506)	(179,959)
	<u>(332,799)</u>	<u>(231,723)</u>
Add amounts available to be used within one year:		
Net assets with donor restrictions to be met within one year	2,050	2,200
Investment return to be appropriated for operations	12,207	68,813
	<u>14,257</u>	<u>71,013</u>
Financial assets available to meet general expenditure within one year	<u>\$ 53,953</u>	<u>\$ 157,634</u>

As part of its liquidity management, the University evaluates, on an annual basis, liquidity requirements taking into consideration operating expectations, capital plans and debt service requirements. Financial assets are structured to be available as general expenditures, liabilities and other obligations become due. In addition, the University has a board designated endowment totaling \$276,506 as of June 30, 2021. Although the University does not intend to spend from its board designated endowment, other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation process, amounts from its board designated endowment could be made available if necessary.

The increased Board designated appropriation as of June 30, 2020, was intended to manage the University through the period of transition until which point the North Miami and Denver campuses were sold. Due to the sale of the campuses and reduced need for increased appropriations to support operations, the Board designated to endowment certain previously appropriated funds during June 30, 2021 (Note 9). In addition, the Board designated a portion of the proceeds from the sale of these campuses to endowment subsequent to June 30, 2021 (Note 15).

The University's cash flows have seasonal variations attributable to the timing of tuition billing and contributions received. To manage liquidity, the University maintains a working capital portfolio conservatively invested where the amounts and duration of investments correspond with the University's projected liquidity need.

## Johnson & Wales University

### Notes to Consolidated Financial Statements (In Thousands)

#### Note 2. Liquidity and Availability (Continued)

The University's cash flows have seasonal variations attributable to the timing of tuition billing and contributions received. To manage liquidity, the University maintains a working capital portfolio conservatively invested where the amounts and duration of investments correspond with the University's projected liquidity need.

In addition, the University has a \$26 million line of credit available for use as of June 30, 2021 and 2020 (Note 8).

#### Note 3. Student Accounts Receivable, Student Loans, Notes and Other Receivables

Student accounts receivables consist of the following at June 30:

	2021	2020
Student accounts receivable:		
Student receivables	\$ 12,558	\$ 14,738
Allowance for doubtful accounts	(2,157)	(2,045)
Student accounts receivable, net	<u>\$ 10,401</u>	<u>\$ 12,693</u>

Student loans, notes and other receivables consist of the following at June 30:

	2021	2020
Achievement loans	\$ 3,178	\$ 3,618
Perkins loans	11,193	17,214
	<u>14,371</u>	<u>20,832</u>
Less allowance for doubtful accounts:		
Beginning of year	12,902	14,707
Current year (write-offs/recoveries) provisions	(3,981)	(1,784)
Achievement loan cancellations	(28)	(21)
End of year	<u>8,893</u>	<u>12,902</u>
Student loans and notes receivable, net	5,478	7,930
Notes and other receivables	<u>2,777</u>	<u>14,540</u>
Student loans, notes and other receivables, net	<u>\$ 8,255</u>	<u>\$ 22,470</u>

At June 30, the following is an aging analysis of amounts due under the student loan programs:

	2021					
	31-120 Days Past Due	121-360 Days Past Due	Greater Than 360 Days Past Due	Total Past Due	Current	Total Financing Receivable
Achievement loans	\$ 10	\$ 10	\$ 3,071	\$ 3,091	\$ 87	\$ 3,178
Perkins loans	1,518	435	3,864	5,817	5,376	11,193
Student loans and notes receivable	<u>\$ 1,528</u>	<u>\$ 445</u>	<u>\$ 6,935</u>	<u>\$ 8,908</u>	<u>\$ 5,463</u>	<u>\$ 14,371</u>

**Johnson & Wales University**

**Notes to Consolidated Financial Statements  
(In Thousands)**

**Note 3. Student Accounts Receivable, Student Loans, Notes and Other Receivables  
(Continued)**

	2020					
	31-120 Days Past Due	121-360 Days Past Due	Greater Than 360 Days Past Due	Total Past Due	Current	Total Financing Receivable
Achievement loans	\$ 21	\$ 43	\$ 3,435	\$ 3,499	\$ 119	\$ 3,618
Perkins loans	1,642	800	5,113	7,555	9,659	17,214
Student loans and notes receivable	<u>\$ 1,663</u>	<u>\$ 843</u>	<u>\$ 8,548</u>	<u>\$ 11,054</u>	<u>\$ 9,778</u>	<u>\$ 20,832</u>

Performing loans are those which are less than or equal to 120 days past due. Nonperforming loans are those which are greater than 120 days past due.

**Note 4. Contributions Receivable**

Contributions receivable consist of the following at June 30:

	2021	2020
Unconditional promises expected to be collected in:		
Less than one year	\$ 1,299	\$ 2,345
One to five years	1,783	4,845
	<u>3,082</u>	<u>7,190</u>
Less:		
Allowance for uncollectible contributions	(214)	(556)
Discount to present value	(271)	(1,199)
Contributions receivable, net	<u>\$ 2,597</u>	<u>\$ 5,435</u>

The discount rates used to calculate the discounted value of contributions receivable ranged from 2.07% to 4.73% for the years ended June 30, 2021 and 2020.

## Johnson & Wales University

### Notes to Consolidated Financial Statements (In Thousands)

#### Note 5. Investments and Fair Value Measurements

**Fair values of financial instruments:** The following table presents financial instruments at June 30, for which the University measures fair value on a recurring basis, by level, within the fair value hierarchy:

	2021				
	Level 1	Level 2	Level 3	Investments Measured at NAV (a)	Total
Investments:					
U.S. equities	\$ 21,404	\$ -	\$ -	\$ -	\$ 21,404
Global equities	41,958	-	-	-	41,958
Fixed income	9,149	-	-	-	9,149
Marketable alternative assets	-	-	-	224,351	224,351
Non-marketable alternative assets:					
Restructuring funds	-	-	-	19,589	19,589
Private equity funds	-	-	-	4,931	4,931
Non-marketable inflation hedging	-	-	-	2,404	2,404
Cash and cash equivalents	3,225	-	-	-	3,225
Other investments	9	2,150	-	-	2,159
Investments measured at fair value	<u>\$ 75,745</u>	<u>\$ 2,150</u>	<u>\$ -</u>	<u>\$ 251,275</u>	<u>\$ 329,170</u>
Short-term investments:					
U.S. fixed income	<u>\$ 2,517</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,517</u>
	2020				
	Level 1	Level 2	Level 3	Investments Measured at NAV (a)	Total
Investments:					
U.S. equities	\$ 15,452	\$ -	\$ -	\$ -	\$ 15,452
Global equities	37,936	-	-	-	37,936
Fixed income	5,780	-	-	-	5,780
Marketable alternative assets	-	-	-	171,651	171,651
Non-marketable alternative assets:					
Restructuring funds	-	-	-	13,974	13,974
Private equity funds	-	-	-	4,161	4,161
Non-marketable inflation hedging	-	-	-	2,337	2,337
Cash and cash equivalents	9,175	-	-	-	9,175
Other investments	9	1,538	-	-	1,547
Investments measured at fair value	<u>\$ 68,352</u>	<u>\$ 1,538</u>	<u>\$ -</u>	<u>\$ 192,123</u>	<u>262,013</u>
Investments accounted for using equity method					<u>1,716</u>
Total investments					<u>\$ 263,729</u>
Short-term investments:					
U.S. fixed income	<u>\$ 2,522</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,522</u>

(a) In accordance with ASC Subtopic 820-10, Fair Value Measurements, certain investments that are measured at fair value using the NAV per share (or its equivalent) practical expedient have not been classified within the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy amounts to amounts presented in the consolidated statements of financial position.

During the years ended June 30, 2021 and 2020, there were no purchases, issuances or settlements of Level 3 investments. For the years ended June 30, 2021 and 2020, there were no transfers in or out of Level 3.

## Johnson & Wales University

### Notes to Consolidated Financial Statements (In Thousands)

#### Note 5. Investments and Fair Value Measurements (Continued)

The University invests in certain investments that calculate NAV per share and these investments are reported at fair value based on the NAV per share as reported by the investment manager. A summary of the significant categories of such investments and their attributes is as follows:

2021						
	Number of Funds	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period	
Marketable alternative assets	4	\$ 224,351	\$ -	Semi-monthly/ Quarterly/ Annually	5-90 days	
Non-marketable alternative assets	13	24,520	1,849	N/A	N/A	
Non-marketable inflation hedging	4	2,404	188	N/A	N/A	
	<u>21</u>	<u>\$ 251,275</u>	<u>\$ 2,037</u>			
2020						
	Number of Funds	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period	
Marketable alternative assets	4	\$ 171,651	\$ -	Semi-monthly/ Quarterly/ Annually	5-90 days	
Non-marketable alternative assets	14	18,135	1,938	N/A	N/A	
Non-marketable inflation hedging	4	2,337	218	N/A	N/A	
	<u>21</u>	<u>\$ 192,123</u>	<u>\$ 2,156</u>			

Following are the investment strategies employed by the various investment managers:

**Marketable alternative assets:** Includes both domestic and global investments, such as investments in distressed securities, corporate restructuring and merger arbitrage, as well as investments in emerging markets and funds of funds, designed to give the managers flexibility to invest both long- and short-term within their areas of expertise.

At June 30, 2021 and 2020, 99.1% of the marketable alternative assets is an investment in the Agility Fund, which has an endowment allocation focus and utilizes Agility's five Building Block Portfolios. A Building Block is organized around a specific asset class; Global Equities, Global Fixed Income, Absolute Return (hedged strategies), Real Assets and Private Capital. Each Building Block is diversified by manager, geography, investment strategy and underlying security. By utilizing these Building Blocks in constructing its portfolio, JWU manages its portfolio risk, and has access to a customized asset allocation and an investment portfolio that is unique to the University.

## Johnson & Wales University

### Notes to Consolidated Financial Statements (In Thousands)

#### Note 5. Investments and Fair Value Measurements (Continued)

The University's investment in the Agility Fund totaled \$210,869 and \$161,587, and is broken into the following categories at June 30:

	2021	2020
Global equities	\$ 82,305	\$ 58,574
Global fixed income	11,715	7,620
Absolute return	61,691	52,455
Real assets	17,797	15,507
Private capital	37,289	27,123
Cash	72	308
	<u>\$ 210,869</u>	<u>\$ 161,587</u>

**Non-marketable alternative assets:** Includes investments in pooled investment vehicles and private equity funds. These investments can never be redeemed. Instead, the nature of the investments in this category is that distributions will be received as the underlying investments of the fund are liquidated.

**Non-marketable inflation hedging:** Includes funds that invest in natural resources, such as crude oil, natural gas production and timberland. These investments can never be redeemed. Instead, the nature of the investments in this category is that distributions will be received as the underlying investments of the fund are liquidated.

#### Note 6. Property and Equipment

The following is a summary of the University's property and equipment as of June 30:

	Estimated Useful Lives	2021	2020
Cost:			
Land	N/A	\$ 55,977	\$ 73,459
Building and land improvements	25-40	581,102	779,159
Equipment and furniture	3-12	132,777	168,988
Leasehold improvements	5-15	6,081	6,260
Library and museum holdings	N/A	6,666	7,993
Construction in progress	N/A	637	1,629
Total cost	N/A	<u>783,240</u>	<u>1,037,488</u>
Less accumulated depreciation		<u>(364,707)</u>	<u>(453,833)</u>
Property and equipment, net		<u>\$ 418,533</u>	<u>\$ 583,655</u>

Depreciation expense charged to operations was \$25,430 and \$26,742 in 2021 and 2020, respectively. Depreciation expense charged to discontinued operations was \$7,095 and \$7,891 in 2021 and 2020, respectively.

The University has construction in progress relating to land improvements and information technology upgrades not yet placed in service at June 30, 2021. There were no outstanding commitments at June 30, 2021.



## Johnson & Wales University

### Notes to Consolidated Financial Statements (In Thousands)

#### Note 7. Retirement Plans

**Defined contribution retirement savings plan:** The University has a qualified 401(k) retirement savings plan for its employees. The University contributes 6% of eligible compensation of each eligible employee, as well as matching 100% of employee contributions up to 4% of eligible compensation, subject to limits. The plan document was amended on June 18, 2020, effective August 1, 2020, to remove the 6% contribution through December 31, 2021, and allow the reduction or discontinuance of the matching contribution effective January 1, 2021. The University's contributions to the plan for the years ended June 30, 2021 and 2020, amounted to \$3,962 and \$10,685, respectively.

**Section 457(b) deferred compensation plan:** The University has an executive retirement plan that is designed in accordance with Section 457(b) of the Code. Participants are designated by the Board. The University's contributions to the plan for the year ended June 30, 2021, amounted to \$137. The University did not make any contributions to the plan during the year ended June 30, 2020. The participants are responsible for making investment selections within their designated accounts. However, the funds remain assets of the University until such time as the participant withdraws the funds in accordance with plan provisions. Assets held for this plan were \$2,150 and \$1,538 as of June 30, 2021 and 2020, respectively, and are reported in investments in the consolidated statements of financial position. A corresponding liability to plan participants is reported in retirement plan obligations in the consolidated statements of financial position.

#### Note 8. Bonds and Notes Payable and Line of Credit

The University had the following notes and bonds payable and line of credit outstanding as of June 30:

	2021	2020
Bonds payable, net of discounts and premiums at fixed rates:		
Rhode Island Health and Educational Building Corporation (RIHEBC):		
Facility Revenue Bonds:		
Series 2015, 2.18%, maturing 2030	\$ 20,105	\$ 21,882
North Carolina Capital Facilities Finance Agency (NCCFFA):		
Educational Facilities Revenue Bonds:		
Series 2014, 2.65% to 2.95%, maturing 2029	13,693	15,460
Educational Facilities Refunding Revenue Bonds:		
Series 2013, 2% to 5%, maturing 2033	28,297	30,124
Colorado Educational and Cultural Facilities Authority (CECFA):		
Educational Facilities Revenue Bonds:		
Series 2013A Bonds, 3% to 5%, repaid in June 2021	-	26,056
Educational Facilities Refunding Revenue Bonds,		
Series 2013B Bonds, 3% to 5%, repaid in June 2021	-	38,600
Notes payable:		
DOE:		
5.5% fixed, matured on November 1, 2021	-	70
National Grid, maturing 2024 through 2025	415	555
Line of credit:		
Washington Trust	-	5,837
Total bonds and notes payable and line of credit	62,510	138,584
Bond issuance costs	(277)	(776)
Total bonds and notes payable and line of credit, net of bond issuance costs	\$ 62,233	\$ 137,808

## Johnson & Wales University

### Notes to Consolidated Financial Statements (In Thousands)

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#### Note 8. Bonds and Notes Payable and Line of Credit (Continued)

Maturities of notes and bonds payable, net of discounts and premiums, for the fiscal years after June 30, 2021, are as follows:

Year ending June 30:		
2022	\$	5,562
2023		5,675
2024		5,751
2025		5,801
2026		5,901
Thereafter		33,543
	\$	<u>62,233</u>

On July 18, 2013, the University issued \$40 million in NCCFFA Revenue Refunding bonds to refinance the NCCFFA series 2003A bonds of \$42.5 million. On March 11, 2014, the University issued \$26.5 million NCCFFA Revenue Refunding bonds to purchase a dormitory located on the Charlotte, North Carolina Campus. On September 22, 2015, the University issued \$30 million RIHEBC Facility Revenue Bonds to construct an academic building located on the Providence, Rhode Island Campus.

On August 21, 2013, the University issued \$30.3 million in CECFA Revenue Bonds to fund the renovation of existing buildings located on the Denver, Colorado campus. Also, on August 21, 2013, the University issued \$81.9 million in CECFA Revenue Refunding bonds to refinance the CECFA series 2003A, the City of North Miami, Florida Educational Facilities series 2003A, the RIHEBC series 2003A, the callable portion of the RIHEBC series 1999 and the RIHEBC series 1996 bonds totaling \$87.1 million. In connection with the sale of certain facilities financed and refinanced with proceeds of these bonds, the University funded a defeasance escrow account for the payment of debt service to maturity or earlier redemption of the bonds in the amount of \$64,704 on June 17, 2021. The bonds were legally defeased and met the liability derecognition criteria. As such, the associated liability, including related discounts, premiums and bond issuance costs, and related assets were derecognized from the University's consolidated statements of financial position. A loss on extinguishment of debt was recognized upon derecognition of \$5,410 and is recorded in discontinued operations on the consolidated statements of activities.

Discounts on bonds payable at June 30, 2021 and 2020, are \$68 and \$587, respectively. Premiums on bonds payable at June 30, 2021 and 2020, are \$535 and \$1,267, respectively. The discounts and premiums are amortizing on the effective interest method to par value of the bonds on their maturity date.

RIHEBC Revenue Bonds are secured by tuition and other revenues.

Notes payable to the DOE were secured by real estate. This note was fully repaid during the year ended June 30, 2021.

The University has one line of credit totaling \$26 million. The line of credit is a demand note with an expiration date of December 31, 2021. The line of credit is uncollateralized. Management expects to renew the line in the ordinary course of business. At June 30, 2021 and 2020, \$0 and \$5,837, respectively, was outstanding on the line of credit. Interest rate on the line of credit was 1.59% and 1.67% at June 30, 2021 and 2020, respectively.

## Johnson & Wales University

### Notes to Consolidated Financial Statements (In Thousands)

#### Note 8. Bonds and Notes Payable and Line of Credit (Continued)

The bond agreements and line of credit agreements contain covenants regarding certain operating activities and financial statement amounts and bond agency ratings of the University, the most restrictive of which require that the University maintain certain long-term debt ratings by Standard & Poor's Ratings Service and Moody's Investors Service, Inc.

Interest costs for the years ended June 30, 2021 and 2020, were \$5,160 and \$5,641, respectively.

#### Note 9. Net Assets and Endowment Matters

Net assets with donor restrictions consist of the following as of June 30:

	2021	2020
Subject to expenditure for specific purpose:		
Student aid and instructional	\$ 1,382	\$ 1,736
Other	3,213	2,556
	<u>4,595</u>	<u>4,292</u>
Subject to time restrictions		
Annuities and other	35	21
Contributions receivable	227	953
	<u>262</u>	<u>974</u>
Subject to the University's spending policy and appropriation:		
Investments in perpetuity (including original gift amount of \$24,646 and \$23,212 as of June 30, 2021 and 2020, respectively) and the investment income from which is expendable to support:		
Student aid and instructional	41,174	30,865
Other	810	633
	<u>41,984</u>	<u>31,498</u>
Term scholarship endowments	212	181
	<u>42,196</u>	<u>31,679</u>
Subject to investment in donor restricted endowment:		
Annuities	146	104
Contributions receivable	1,306	3,534
Total net assets with donor restrictions	<u>\$ 48,505</u>	<u>\$ 40,583</u>

**Net assets released from restrictions:** Net assets released from net assets with donor restrictions by incurring expenses satisfying the restricted purposes, passage of time or by occurrence of events specified by the donors were as follows:

	2021	2020
Student aid	\$ 833	\$ 995
Instructional	53	35
Building/facility projects	9	420
Program support	172	333
Time restricted	873	376
	<u>\$ 1,940</u>	<u>\$ 2,159</u>

## Johnson & Wales University

### Notes to Consolidated Financial Statements (In Thousands)

#### Note 9. Net Assets and Endowment Matters (Continued)

**Composition of endowment by net asset class:** The following is the composition of endowment assets and those functioning as endowment assets by net asset class as of June 30:

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 42,196	\$ 42,196
Board-designated endowment funds:			
General operating support	276,506	-	276,506
Total funds	<u>\$ 276,506</u>	<u>\$ 42,196</u>	<u>\$ 318,702</u>
	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 31,679	\$ 31,679
Board-designated endowment funds:			
General operating support	179,959	-	179,959
Total funds	<u>\$ 179,959</u>	<u>\$ 31,679</u>	<u>\$ 211,638</u>

**Activity by net asset class of endowment and those functioning as endowment assets and other investments:** The following summarizes the activities within the donor and Board-designated endowment assets and other investments:

	2021						
	Endowment			Available for Operations	Total Board Managed Investments	Other Investments	Total Endowment and Other Investments
Without Donor Restrictions	With Donor Restrictions	Total Endowment					
Endowment and those functioning as endowment assets and other investments, beginning of year	\$ 179,959	\$ 31,679	\$ 211,638	\$ 48,424	\$ 260,062	\$ 3,667	\$ 263,729
Contributions restricted for long-term investments	-	1,481	1,481	-	1,481	-	1,481
Investment return, net	58,160	10,293	68,453	15,259	83,712	(2,788)	80,924
Investment return appropriated for operations	(11,613)	(1,174)	(12,787)	-	(12,787)	-	(12,787)
Other activity:							
Transfers, withdrawals and adjustments	50,000	(83)	49,917	(56,284)	(6,367)	1,833	(4,534)
Current year investment return available but not withdrawn	-	-	-	1,174	1,174	-	1,174
Net due to (from) operations	-	-	-	(817)	(817)	-	(817)
Total other activity	50,000	(83)	49,917	(55,927)	(6,010)	1,833	(4,177)
Total change	96,547	10,517	107,064	(40,668)	66,396	(955)	65,441
Endowment and those functioning as endowment assets and other investments, end of year	<u>\$ 276,506</u>	<u>\$ 42,196</u>	<u>\$ 318,702</u>	<u>\$ 7,756</u>	<u>\$ 326,458</u>	<u>\$ 2,712</u>	<u>\$ 329,170</u>

# Johnson & Wales University

## Notes to Consolidated Financial Statements (In Thousands)

### Note 9. Net Assets and Endowment Matters (Continued)

	2020						
	Endowment			Available for Operations	Total Board Managed Investments	Other Investments	Total Endowment and Other Investments
	Without Donor Restrictions	With Donor Restrictions	Total Endowment				
Endowment and those functioning as endowment assets and other investments, beginning of year	\$ 211,540	\$ 31,795	\$ 243,335	\$ 24,642	\$ 267,977	\$ 5,025	\$ 273,002
Contributions restricted for long-term investments	-	304	304	-	304	-	304
Investment return, net	3,615	648	4,263	447	4,710	(1,650)	3,060
Investment return appropriated for operations	(35,197)	(1,041)	(36,238)	-	(36,238)	-	(36,238)
Other activity:							
Transfers, withdrawals and adjustments	1	(27)	(26)	-	(26)	292	266
Current year investment return available but not withdrawn	-	-	-	23,533	23,533	-	23,533
Net due to (from) operations	-	-	-	(198)	(198)	-	(198)
Total other activity	1	(27)	(26)	23,335	23,309	292	23,601
Total change	(31,581)	(116)	(31,697)	23,782	(7,915)	(1,358)	(9,273)
Endowment and those functioning as endowment assets and other investments, end of year	\$ 179,959	\$ 31,679	\$ 211,638	\$ 48,424	\$ 260,062	\$ 3,667	\$ 263,729

**Endowment:** The endowment includes both donor-restricted endowment funds and funds designated by the Board to function as endowments. Donor restricted funds are comprised of approximately 90 individual funds established for a variety of purposes.

**Interpretation of relevant law and spending policy:** The University has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) signed into law in the state of Rhode Island, requiring the preservation of the original value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the University classifies as net assets with donor restrictions: (a) the original value of gifts donated to the donor restricted endowment, (b) the original gift value of subsequent gifts to the donor restricted endowment and (c) accumulations to the donor restricted endowments made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund over the original gift value and accumulated unexpended gains is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Board in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the University considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the University and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the University

## Johnson & Wales University

### Notes to Consolidated Financial Statements (In Thousands)

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#### Note 9. Net Assets and Endowment Matters (Continued)

##### (7) The investment policies of the University

The University will generally make available for distribution to the operating fund, an amount equal to a maximum of 5% of the total endowment funds' average fair value calculated over the 12 quarters ending December 31 of the preceding calendar year. For purposes of this calculation, the total endowment includes both donor-restricted/true endowment funds, as well as Board-designated/quasi-endowment funds. Included in the total 5% spending pool, the University will generally make available for distribution to the operating fund, for the purposes directed by the donors, up to 5% of the donor restricted/true endowment funds' average fair value over the 12 quarters ending December 31 of the preceding calendar year. In the event that a donor fund has been in existence for less than 12 quarters, the average shall be calculated on the total quarters since the inception of the fund. Per the University's spending policy, the corpus of donor-restricted/true endowment funds will remain intact, with only earnings on the corpus available to be spent. At the discretion of the University's Board, in accordance with principals espoused by UPMIFA, the University may distribute more, or less, than 5% of the average fair value of a fund if circumstances arise that would cause such additional spending to be prudent. The difference between the calculated 5% annual spend for the fiscal year and the amount appropriated from the donor restricted endowment is withdrawn from the Board-designated endowment.

The spending policy is intended for the general benefit of the University's current, present and future students, and for the furtherance of the educational mission of the University. In establishing this policy, the University considered the long-term expected return on its endowment. In the event that the University does not distribute the entire 5% to the operating fund account in any year, it may add the undistributed portion to the amount to be distributed in future years. For the years ended June 30, 2021 and 2020, \$12,787 and \$36,238, respectively, (\$12,787 based on the spending policy, and \$12,726 based on spending policy plus an additional \$23,512 appropriation approved by the Board from Board-designated funds, respectively) were appropriated to operating income, of which \$1,174 and \$1,041, respectively, were from donor restricted funds.

**Funds with deficiencies:** From time to time, the fair value of assets associated with donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the University to retain as a fund of perpetual duration. There were no such deficiencies as of June 30, 2021 and 2020.

**Return objectives and risk parameters:** The purpose of the endowment is to support the mission of the University over the long term. Accordingly, the primary investment objectives of the endowment are to:

- (1) Preserve and enhance the real purchasing power of the principal and
- (2) Provide a stable source of perpetual financial support to endowment beneficiaries in accordance with the University's spending policy.

In order to preserve the purchasing power of both principal and of withdrawals made available for spending, the long-term annualized total rate of return objective for the endowment is inflation plus 5%. A minimum rate of return equal to the rate of inflation is required to preserve the real purchasing power of the endowment, and the additional 5% is required to provide for spending.

**Strategies employed for achieving objectives:** To satisfy its long-term rate of return objective, the endowment relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and from current yield (interest and dividends). Asset allocation guidelines and the investment manager structure were designed to provide adequate diversification in order to reduce the volatility of investment returns.

## Johnson & Wales University

### Notes to Consolidated Financial Statements (In Thousands)

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#### Note 9. Net Assets and Endowment Matters (Continued)

To achieve its investment objectives, the endowment is allocated among a number of diverse asset classes. These asset classes may include, but are not limited to, domestic equity, domestic fixed income, international equity, international fixed income, hedge funds, absolute return funds, real estate, inflation hedging assets and private capital. The purpose of allocating among asset classes is to provide for the proper level of diversification within the endowment.

The general policy is to diversify investments among equity, fixed income and alternative strategies so as to provide a balance that will enhance total return while avoiding undue risk concentration in any single asset class or investment category.

#### Note 10. Leasing

The University leases office, classroom, dormitory facilities and equipment under non-cancellable leases expiring at various dates through 2055. During fiscal year 2021, the University entered into a finance lease obligation for computer equipment that expires in 2026. Amortization and interest for 2021 was \$989 and \$7, respectively. Operating lease payments during 2021 was \$4,582. The weighted average remaining lease term is 5.66 years and 5 years, and the weighted average discount rate is 0.42% and 1.12% for operating and finance leases, respectively.

Minimum lease payments at June 30, 2021:

	Finance	Operating	Total
Years ending June 30:			
2022	\$ 45	\$ 1,455	\$ 1,500
2023	45	1,099	1,144
2024	45	1,125	1,170
2025	45	1,153	1,198
2026	45	1,182	1,227
Thereafter	-	601	601
Total minimum lease payments	225	6,615	6,840
Less:			
Amount representing amortization/interest	(7)	(989)	(996)
Present value of lease liabilities	\$ 218	\$ 5,626	\$ 5,844

#### Note 11. Commitments, Contingencies and Uncertainties

The University participates in a number of federal programs that are subject to financial and compliance audits. Management believes its programs have been conducted in accordance with the terms of the agreements and, thus, does not expect any significant impact if such programs are further audited by funders.

The University is involved in other claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the University's financial condition or results of operations.

## Johnson & Wales University

### Notes to Consolidated Financial Statements (In Thousands)

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#### **Note 11. Commitments, Contingencies and Uncertainties (Continued)**

**Coronavirus:** On March 11, 2020, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus a pandemic, now known as COVID-19. In response to COVID-19, governments took preventative or protective actions, such as temporary closures of non-essential businesses, “shelter-at-home” guidelines for individuals and phased reopening plans. As a result, there have been significant negative effects on local, regional and global economies. COVID-19 has impacted the University in a number of ways, including the transition to remote learning in March 2020, the refund of approximately \$17.3 million of residence and dining revenue in the Spring of 2020, significant reduction in residence and dining revenue for the year ended June 30, 2021, and unexpected costs due to COVID-19 testing and other costs to reduce the spread and transmission of the virus.

To offset the financial impact to students and the losses incurred by the University due to the disruption caused by COVID-19, the University received grants and other relief from the Federal government, primarily through HEERF grants.

The severity of the continued impact due to COVID-19 on the University's financial condition, results of operations and cash flows will depend on a number of factors, including, but not limited to, the continued duration and severity of the pandemic, and the extent and severity of the impact on the University's community, all of which are uncertain and cannot be predicted with confidence. In particular, the continued spread of COVID-19 could adversely impact the University's operations and may have a material adverse effect on the financial condition of the University.

#### **Note 12. Related-Party Transactions**

The University has a conflict of interest policy which requires that each trustee, officer and senior executive shall disclose to the Board at least once each year all the material facts concerning his or her relationship with or interest in any person, firm, corporation or other entity with whom the University has, or proposes to enter into, any contract or other transaction which may, directly or indirectly, result in financial gain or other advantage to such trustee, officer or senior executive by reason of such relationship or interest.

In the ordinary course of business, the University purchased supplies and services, which included health insurance administration, internet and phone services and gas and electricity from entities whose officers, partners and/or stockholders are trustees, officers or senior executives of the University. Total amounts paid for these supplies and services during the years ending June 30, 2021 and 2020, were \$17,218 and \$18,100, respectively. When such a relationship exists, trustees, officers and senior executives are responsible to make decisions without favor or preference to third parties, but solely on the basis that the decision is in the best interest of the University.

Certain trustees, officers and senior executives of the University are on the governing boards of investment companies in which the University has direct investments. Such direct investments represented approximately 0% and 1% of the University's total investments as of as of June 30, 2021 and 2020, respectively.

As of June 30, 2021 and 2020, contributions receivable from trustees totaled \$389 and \$1,051, respectively.



## Johnson & Wales University

### Notes to Consolidated Financial Statements (In Thousands)

#### Note 13. Classification of Expenses

The following reflects the classification of the University's expenses, by both the underlying nature of the expense and function, for the years ended June 30, 2021 and 2020. An individual expense is allocated to the underlying activity through which it was incurred. The consolidated statements of activities include certain expenses which must be allocated on a reasonable basis which has been consistently applied. The expenses that are allocated include depreciation and amortization, occupancy and maintenance costs, interest expense and information technology. Depreciation expense, occupancy and interest are allocated based on functional square footage usage. Information technology (IT) is allocated using a blended method: non-payroll expenses are allocated by the functions supported by the expense, as identified by IT, and payroll expenses are allocated by the headcount in each functional area.

Continuing Operations	2021						Total
	Instructional	Academic Support	Student Services	Auxiliary Enterprises	Institutional Support	Public Service	
Salaries and wages	\$ 49,614	\$ 8,712	\$ 24,372	\$ 6,126	\$ 14,271	\$ 26	\$ 103,121
Benefits other than retirement plan	9,825	1,097	6,836	1,664	2,944	3	22,369
Retirement plan	1,650	149	827	165	613	-	3,404
Food and beverage	1,293	-	-	1,473	-	-	2,766
Professional fees and contracted services	626	100	1,200	1,501	2,682	1	6,110
Occupancy	6,215	1,041	3,293	5,692	657	8	16,906
Depreciation	9,462	1,662	5,721	6,971	1,605	9	25,430
Advertising, promotions and publications	54	-	7,639	222	202	-	8,117
Travel and training	54	6	737	163	128	20	1,108
Supplies and miscellaneous	2,546	660	2,200	795	414	13	6,628
Insurance, taxes, fees and dues	1,465	236	1,017	1,754	1,060	1	5,533
Hardware, software and telecommunications	1,699	981	2,594	464	1,918	1	7,657
Bad debt	-	-	-	(1)	(867)	-	(868)
Interest and amortization	1,095	160	545	1,244	90	1	3,135
Cares Act Student Relief Aid	-	-	9,508	-	-	-	9,508
<b>Total</b>	<b>\$ 85,598</b>	<b>\$ 14,804</b>	<b>\$ 66,489</b>	<b>\$ 28,233</b>	<b>\$ 25,717</b>	<b>\$ 83</b>	<b>\$ 220,924</b>

Discontinued Operations	2021						Total
	Instructional	Academic Support	Student Services	Auxiliary Enterprises	Institutional Support	Public Service	
Salaries and wages	\$ 9,187	\$ 1,481	\$ 3,505	\$ 660	\$ 5,795	\$ -	\$ 20,628
Benefits other than retirement plan	1,891	202	979	180	269	-	3,521
Retirement plan	318	29	119	22	197	-	685
Food and beverage	477	-	-	-	-	-	477
Professional fees and contracted services	1,108	229	1,229	1,528	170	1	4,265
Occupancy	1,375	278	809	761	396	2	3,621
Depreciation	2,265	467	1,292	2,852	217	2	7,095
Advertising, promotions and publications	-	-	27	-	71	-	98
Travel and training	-	2	19	6	3	-	30
Supplies and miscellaneous	236	137	161	158	106	-	798
Insurance, taxes, fees and dues	244	50	203	133	285	-	915
Hardware, software and telecommunications	107	20	86	35	259	-	507
Bad debt	-	-	-	-	(337)	-	(337)
Interest and amortization	816	174	368	732	48	1	2,139
<b>Total</b>	<b>\$ 18,024</b>	<b>\$ 3,069</b>	<b>\$ 8,797</b>	<b>\$ 7,067</b>	<b>\$ 7,479</b>	<b>\$ 6</b>	<b>\$ 44,442</b>

# Johnson & Wales University

## Notes to Consolidated Financial Statements (In Thousands)

### Note 13. Classification of Expenses (Continued)

Continuing Operations	2020						Total
	Instructional	Academic Support	Student Services	Auxiliary Enterprises	Institutional Support	Public Service	
Salaries and wages	\$ 45,617	\$ 10,008	\$ 28,025	\$ 8,307	\$ 11,918	\$ 27	\$ 103,902
Benefits other than retirement plan	9,165	853	6,644	1,951	3,783	4	22,400
Retirement plan	4,294	321	2,257	460	1,554	2	8,888
Food and beverage	1,283	-	-	2,717	4	-	4,004
Professional fees and contracted services	1,426	143	1,605	1,753	2,116	44	7,087
Occupancy	6,711	1,143	3,574	5,953	742	7	18,130
Depreciation	9,883	1,627	5,892	7,104	2,228	8	26,742
Advertising, promotions and publications	57	1	7,652	497	884	-	9,091
Travel and training	936	11	1,890	72	260	11	3,180
Supplies and miscellaneous	2,630	682	2,606	1,264	247	6	7,435
Insurance, taxes, fees and dues	1,529	254	1,199	2,327	622	1	5,932
Hardware, software and telecommunications	220	1,019	316	312	6,405	2	8,274
Bad debt	-	-	-	3	862	-	865
Interest and amortization	1,247	199	612	1,355	110	1	3,524
Cares Act Student Relief Aid	-	-	4,675	-	-	-	4,675
<b>Total</b>	<b>\$ 84,998</b>	<b>\$ 16,261</b>	<b>\$ 66,947</b>	<b>\$ 34,075</b>	<b>\$ 31,735</b>	<b>\$ 113</b>	<b>\$ 234,129</b>

Discontinued Operations	2020						Total
	Instructional	Academic Support	Student Services	Auxiliary Enterprises	Institutional Support	Public Service	
Salaries and wages	\$ 10,446	\$ 1,816	\$ 6,422	\$ 905	\$ 392	\$ -	\$ 19,981
Benefits other than retirement plan	1,934	254	1,429	199	340	-	4,156
Retirement plan	908	102	519	72	159	-	1,760
Food and beverage	546	-	-	-	-	-	546
Professional fees and contracted services	1,101	228	1,291	3,463	292	1	6,376
Occupancy	1,458	286	883	1,088	246	2	3,963
Depreciation	2,394	502	1,344	2,976	672	3	7,891
Advertising, promotions and publications	13	-	459	-	25	-	497
Travel and training	122	9	969	17	3	-	1,120
Supplies and miscellaneous	583	244	619	84	147	-	1,677
Insurance, taxes, fees and dues	262	52	313	195	449	-	1,271
Hardware, software and telecommunications	45	11	71	48	463	-	638
Bad debt	-	-	-	-	253	-	253
Interest and amortization	862	185	396	835	52	1	2,331
<b>Total</b>	<b>\$ 20,674</b>	<b>\$ 3,689</b>	<b>\$ 14,715</b>	<b>\$ 9,882</b>	<b>\$ 3,493</b>	<b>\$ 7</b>	<b>\$ 52,460</b>

Operating expenses generated by the hotel for the fiscal years 2021 and 2020, were \$3,975 and \$6,277, respectively, and are included in auxiliary enterprises expense on the consolidated statements of activities.

North Miami and Denver campus operations ended in May 2021. North Miami and Denver students who did not graduate by May 2021 were provided the option to transfer to the university's Providence or Charlotte campuses (whether in-person or remotely) or to finish their degree requirements online. In addition, the University entered agreements with institutions in Florida and Colorado to secure opportunities for students who wished to remain in their respective campus states. In June 2021, the university sold the Denver campus and three properties in North Miami, with the remaining North Miami properties sold in July 2021.

**Johnson & Wales University****Notes to Consolidated Financial Statements  
(In Thousands)****Note 14. Discontinued Operations**

Major classes of revenues and expenses of discontinued operations:

North Miami campus	2021	2020
Operating revenues:		
Tuition and fees, net of financial aid and scholarships (\$10,097 and \$18,907 at June 30, 2021 and 2020, respectively)	\$ 9,624	\$ 18,011
Residence and dining	2,301	6,504
Other	790	1,281
Total operating revenues	<u>12,715</u>	<u>25,796</u>
Operating expenses:		
Instructional	8,333	9,789
Academic support	1,492	1,755
Student services	4,921	7,895
Auxiliary enterprises	3,509	5,307
Institutional support	4,471	1,830
Total operating expenses	<u>22,726</u>	<u>26,576</u>
Non-operating activities:		
Return on long-term investments	44	421
Investment return appropriated for operations	(160)	(171)
Restricted contributions	(690)	514
Net assets released from restrictions	(234)	(219)
Gain on disposal of property and equipment	3,123	-
Impairment of assets held for sale	(3,733)	-
Total non-operating activities	<u>(1,650)</u>	<u>545</u>
Decrease in net assets	<u>\$ (11,661)</u>	<u>\$ (235)</u>

**Johnson & Wales University**

**Notes to Consolidated Financial Statements  
(In Thousands)**

**Note 14. Discontinued Operations (Continued)**

Denver campus	2021	2020
Operating revenues:		
Tuition and fees, net of financial aid and scholarships (\$6,146 and \$13,123 at June 30, 2021 and 2020, respectively)	\$ 5,924	\$ 12,495
Residence and dining	1,137	3,991
Other	613	1,187
Total operating revenues	7,674	17,673
Operating expenses:		
Instructional	9,691	10,885
Academic support	1,577	1,934
Student services	3,876	6,820
Auxiliary enterprises	3,558	4,575
Institutional support	3,008	1,663
Public Service	6	7
Total operating expenses	21,716	25,884
Non-operating activities:		
Return on long-term investments		265
Investment return appropriated for operations	(38)	(83)
Restricted contributions	(556)	580
Net assets released from restrictions	(177)	(237)
Loss on early extinguishment of debt	(5,410)	-
Loss on disposal of property and equipment	(20,185)	-
Total non-operating activities	(26,366)	525
Decrease in net assets	\$ (40,408)	\$ (7,686)

Major classes of assets and liabilities of discontinued operations:

North Miami campus	2021	2020
Assets:		
Cash and cash equivalents	\$ -	\$ 93
Inventories, deferred charges and prepaid expenses	175	760
Contributions receivable, net	-	766
Student loans, notes and other receivables, net	-	36
Property and equipment, net	-	57,537
Assets held for sale	45,161	-
Total assets	\$ 45,336	\$ 59,192
Liabilities:		
Accounts payable and accrued expenses	\$ 652	\$ 1,539
Deferred revenue and student deposits	-	1,054
Total liabilities	\$ 652	\$ 2,593

## Johnson & Wales University

### Notes to Consolidated Financial Statements (In Thousands)

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#### Note 14. Discontinued Operations (Continued)

Denver campus	2021	2020
Assets:		
Cash and cash equivalents	\$ -	\$ 146
Inventories, deferred charges and prepaid expenses	-	481
Contributions receivable, net	-	598
Student loans, notes and other receivables, net	-	193
Property and equipment, net	-	85,643
Total assets	<u>\$ -</u>	<u>\$ 87,061</u>
Liabilities:		
Accounts payable and accrued expenses	\$ -	\$ 2,877
Deferred revenue and student deposits	-	1,161
Total liabilities	<u>\$ -</u>	<u>\$ 4,038</u>

#### Note 15. Subsequent Events

The University evaluated all events and transactions through November 23, 2021, the date on which the consolidated financial statements were issued. There were no material subsequent events requiring accounting recognition or disclosure in the accompanying consolidated financial statements.

On July 8, 2021, the remaining portion of the North Miami campus which was included in assets of discontinued operations was sold for \$47,000. A portion of the proceeds from the sale totaling \$38,000 was designated by the Board for investment into the endowment. The remaining proceeds will be used to support operations.

On September 15, 2021, the Providence building classified as held for sale as of June 30, 2021 was sold for \$1,600.

On July 16, 2021, the University redeemed the members' interests in FIX which resulted in the University becoming the sole member (Note 1). This resulted in a change of control and FIX will be consolidated into the University's financial statements for the year ending June 30, 2022.