Johnson & Wales University
Summary of Fiscal Year 2021
This summary has been prepared by management and should be read in conjunction with the University's audited financial statements and accompanying footnotes for the respective fiscal year.

A major component of the University's strategic plan, FOCUS 2022, 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. The University's Board of Trustees 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.

Statement of Financial Position

The University's cash position, which provides liquidity to meet its day-to-day operating expenses, totaled $19.6 million at June 30, 2021. Student loans, notes and other receivables, which were at $8.3 million at June 30, 2021, decreased nearly $14 million, primarily due to the payment of a $10.4 million receivable established at the end of fiscal year (FY) 2020 for COVID-19 relief programs awarded to the university through the Higher Education Emergency Relief Fund (HEERF). The investment balance, which totaled $329.2 million at year end, was over 86% unrestricted. Due to the adoption of the new lease standard, the statement of financial position reflects leased assets of $5.2 million, which is offset by a $5.8 million lease liability. Net property and equipment totaled $418.5 million, reflecting a decrease from the prior year as annual depreciation expense exceeds current year capital additions. Assets of discontinued operations is composed principally of the net property and equipment of the closed branch campuses. At June 30, 2021, assets of discontinued operations totaled $45 million, a decrease of approximately $100 million from the prior year due to the sale of all Denver Campus properties and two dormitories on the North Miami Campus in June 2021. The proceeds from the sale of the Denver Campus were used to repay all of the University's outstanding bonds issued through the Colorado Educational and Cultural Facilities Authority, which totaled $59 million. Together with regular principal payments, the University's long-term debt fell by $75.6 million to $62.2 million at June 30, 2021.

The increase in cash and investments of $73.7 million coupled with the decrease of $75.6 million in long-term debt strengthened the University's financial position such that the value of investments is over five times the long-term debt balance. Total assets of $851.5 million is 7.3 times total liabilities of $116.9 million.

Statement of Activities

Despite the impact of the COVID-19 pandemic and the final year of operations for its North Miami and Denver campuses, the University ended fiscal 2021 with an increase in net assets of $16 million. This was primarily driven by strong earnings on the University's investments, which helped propel the balance to reach $329.2 million by June 30, 2021.

Tuition and fee revenue, net of financial aid and scholarships, totaled $137.2 million. Due to COVID social distancing measures and state mandates for single dorm occupancy, the University opened student housing only to new students and returning students enrolled in lab intensive programs. As a result, residence and dining revenue, which totaled $32.8 million, experienced an additional decline from FY2020. Contributions, grants and federal aid to students of $30 million includes federal COVID-19 relief programs awarded to the university through HEERF. HEERF student relief aid totaled $9.5 million and institutional aid totaled $17.8 million. Investment returns appropriated for operations of $12.6 million represents the policy withdrawal of 5% of the average endowment value over the prior twelve quarters. Total operating revenue, gains and other support of $220.3 million, offset by operating expenses of $220.9 million, resulted in a decrease in net assets from operations of $617,000.

Operating expenses of $220.9 million are comprised of the following functional categories: instructional at 38.7%, student services at 30.1%, auxiliary enterprises at 12.8%, academic support at 6.7%, institutional support at 11.6%, and public services at 0.1%. The University experienced an entire year of COVID related operational modifications, including hybrid learning, many faculty and staff working virtually, reduced density in the dormitories, suspension of athletic competitions, and travel bans. In addition to careful expense management, these operational changes caused operating expenses to fall in every category except HEERF student relief aid expense.

Non-operating long-term investment returns of $80.9 million were offset by $12.6 million in investment returns appropriated for operations. Under discontinued operations, losses from the final operating year of the North Miami and Denver campuses, were $52 million, including losses on the sale of the underlying assets of $20.8 million.

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.