



Financial Statements
New England Law | Boston
June 30, 2022 and 2021



NEW ENGLAND LAW | BOSTON

Financial Statements

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Independent Auditors' Report

To the Board of Trustees
New England Law | Boston
Boston, Massachusetts

Opinion

We have audited the financial statements of New England Law | Boston (the "School"), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

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

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the School and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matter

The financial statements of New England Law | Boston for the year ended June 30, 2021 were audited by another auditor who expressed an unmodified opinion on those statements on December 17, 2021.

Responsibilities of Management 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 and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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



Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Maye Hoffman McCann P.C.

Boston, Massachusetts
December 14, 2022

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Statements of Financial Position

June 30,

	2022	2021
Assets		
Cash	\$ 1,674,632	\$ 1,560,404
Accounts receivable, net	227,679	349,736
Pledges receivable	-	399,758
Prepaid expenses	556,945	419,067
Student loans, net	289,474	342,252
Investments	82,844,680	93,453,318
Property, plant and equipment, net	<u>14,564,182</u>	<u>15,311,217</u>
Total assets	\$ <u>100,157,592</u>	\$ <u>111,835,752</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued liabilities	\$ 1,243,941	\$ 1,088,856
Student deposits and deferred income	592,659	556,295
Excise tax payable	-	791,874
Refundable U.S. government student loans	304,217	376,017
Deferred compensation	<u>900,000</u>	<u>1,150,000</u>
Total liabilities	<u>3,040,817</u>	<u>3,963,042</u>
Net assets:		
Without donor restrictions	93,690,964	104,335,300
With donor restrictions	<u>3,425,811</u>	<u>3,537,410</u>
Total net assets	<u>97,116,775</u>	<u>107,872,710</u>
Total liabilities and net assets	\$ <u>100,157,592</u>	\$ <u>111,835,752</u>

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Statement of Activities

Year Ended June 30, 2022
(with comparative totals for 2021)

	2022			2021
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Operating revenues:				
Tuition and fees, net of student aid of \$34,109,276 in 2022 and \$27,071,632 in 2021	\$ 18,796,250	\$ -	\$ 18,796,250	\$ 16,271,637
Government agency grants	764,661	-	764,661	818,456
Private gifts and grants	136,675	98,476	235,151	464,597
Endowment spending in accordance with School's spending policy	4,200,000	-	4,200,000	4,250,000
Other income	753,644	-	753,644	621,665
Net assets released from restrictions	216,179	(216,179)	-	-
Total operating revenues	24,867,409	(117,703)	24,749,706	22,426,355
Operating expenses:				
Instructional	13,237,659	-	13,237,659	12,576,133
Student services	3,568,776	-	3,568,776	3,192,998
Institutional support	4,467,029	-	4,467,029	4,664,696
Fundraising	414,034	-	414,034	380,803
Total operating expenses	21,687,498	-	21,687,498	20,814,630
Increase (decrease) in net assets from operating activities	3,179,911	(117,703)	3,062,208	1,611,725
Nonoperating activities:				
Investment return	(9,624,247)	6,104	(9,618,143)	10,527,024
Endowment spending in accordance with School's spending policy	(4,200,000)	-	(4,200,000)	(4,250,000)
Excise tax	-	-	-	(25,674)
Total nonoperating activities	(13,824,247)	6,104	(13,818,143)	6,251,350
Increase (decrease) in net assets	(10,644,336)	(111,599)	(10,755,935)	7,863,075
Net assets, beginning of year	104,335,300	3,537,410	107,872,710	100,009,635
Net assets, end of year	\$ 93,690,964	\$ 3,425,811	\$ 97,116,775	\$ 107,872,710

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Statement of Activities

Year Ended June 30, 2021

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Operating revenues:			
Tuition and fees, net of student aid of \$27,071,632	\$ 16,271,637	\$ -	\$ 16,271,637
Government agency grants	818,456	-	818,456
Private gifts and grants	180,921	283,676	464,597
Endowment spending in accordance with School's spending policy	4,250,000	-	4,250,000
Other income	621,665	-	621,665
Net assets released from restrictions	16,290	(16,290)	-
Total operating revenues	22,158,969	267,386	22,426,355
Operating expenses:			
Instructional	12,576,133	-	12,576,133
Student services	3,192,998	-	3,192,998
Institutional support	4,664,696	-	4,664,696
Fundraising	380,803	-	380,803
Total operating expenses	20,814,630	-	20,814,630
Increase in net assets from operating activities	1,344,339	267,386	1,611,725
Nonoperating activities:			
Investment return	10,526,129	895	10,527,024
Endowment spending in accordance with School's spending policy	(4,250,000)	-	(4,250,000)
Excise tax	(25,674)	-	(25,674)
Total nonoperating activities	6,250,455	895	6,251,350
Increase in net assets	7,594,794	268,281	7,863,075
Net assets, beginning of year	96,740,506	3,269,129	100,009,635
Net assets, end of year	\$ 104,335,300	\$ 3,537,410	\$ 107,872,710

See accompanying notes to financial statements.

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Statements of Cash Flows

Years Ended June 30,

	2022	2021
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ (10,755,935)	\$ 7,863,075
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:		
Depreciation expense	1,102,938	1,172,420
Realized and unrealized (gain) loss on investments	12,514,127	(8,807,033)
Loss on property, plant and equipment disposal	4,400	421,994
Excise tax payable	(791,874)	25,674
(Increase) decrease in operating assets:		
Accounts receivable, net	122,057	194,979
Prepaid expenses	(137,878)	(8,623)
Pledge receivable	399,758	99,177
Increase (decrease) in operating liabilities:		
Accounts payable and accrued liabilities	155,085	(4,692)
Deferred compensation	(250,000)	(4,298,570)
Student deposits and deferred income	36,364	(26,337)
	2,399,042	(3,367,936)
Net cash provided by (used in) operating activities		
Cash flows from investing activities:		
Student loans collected	52,778	63,438
Purchases of property, plant and equipment	(360,303)	(474,982)
Purchases of investments	(49,853,091)	(96,710,476)
Proceeds from the sale of investments	47,947,602	98,140,357
	(2,213,014)	1,018,337
Net cash provided by (used in) investing activities		
Cash flows from financing activities:		
Refundable U.S. government student loans	(71,800)	(94,092)
	(71,800)	(94,092)
Net cash used in financing activities		
Net increase (decrease) in cash	114,228	(2,443,691)
Cash, beginning of year	1,560,404	4,004,095
Cash, end of year	\$ 1,674,632	\$ 1,560,404

See accompanying notes to financial statements.

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Notes to Financial Statements

Note 1 - Nature of Operations

New England Law | Boston (the “School”) is an independent, non-profit, law school located in Boston, Massachusetts. Founded in 1908 as the only law school in the world exclusively for women and coeducational since 1938, the School has always held its doors open to highly motivated students, without regard to race, creed, or national origin. The School is fully accredited by the American Bar Association and is a member of the American Association of Law Schools. The School is supported primarily by tuition, contributions from alumni, and earnings on its endowment. Students are primarily from the Northeast region, but also include students from many other states and a number of countries.

The School dedicates itself to preparing students to be successful lawyers and leaders in the public and private sectors through integrated practical, theoretical, and ethical education of the highest caliber, and to contributing to the improvement of American, foreign and international legal systems through participation in the debate over the fairness and efficacy of those systems, research and publication, public service, and other work that furthers the interests of justice.

The School participates in student financial aid programs sponsored by the United States Department of Education (“DOE”), which facilitates the payment of tuition and other expenses for a significant portion of its students.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (“GAAP”). The School reports information regarding its financial position and activities according to the following net asset classifications:

Net Assets Without Donor Restrictions – Net assets available for general use and not subject to donor restrictions. The Board of Trustees has designated net assets to function as endowment from net assets without donor restrictions. This designation may be removed at the discretion of the Board of Trustees. Net assets without donor restrictions also include the net investment in property, plant and equipment.

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

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

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Notes to Financial Statements

Note 2 - Summary of Significant Accounting Policies (Continued)

Cash

The School maintains its cash balances at financial institutions which, at times, may exceed federally insured limits. The School monitors its exposure associated with cash and cash equivalents and has not experienced any losses in such accounts. Cash held by investment managers are considered part of investments given the expectation of near-term reinvestment.

Included in cash is \$102,215 and \$295,512 at June 30, 2022 and 2021, respectively, mainly restricted for DOE sponsored Federal programs.

Accounts Receivable

Accounts receivable amounts are primarily related to amounts due from students. Students are billed based on dates outlined in the academic catalog as agreed in advance of the delivery of the related academic activity. Payments for tuition and fees are generally due by the start of the academic period with the recognition that on behalf payments being made by the DOE or others are subject to specific requirements within those programs as to when those funds can be availed. Certain DOE funding can be availed prior to the commencement of the academic period, while other amounts are paid at specified intervals based on the rules as promulgated by the DOE. Cash flows on accounts receivable balances and the measurement of deferred revenues do not directly depend on meeting specified performance obligations of the School. Student accounts are not collateralized.

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to the allowance based on its assessment of the current status of individual accounts. The allowance for uncollectible amounts was \$495,000 and \$250,000 at June 30, 2022 and 2021, respectively.

Pledges Receivable

Unconditional promises to give are recorded at fair value when initially pledged. The initially recorded fair value is considered a Level 2 approach. Initial recording for pledges expected to be collected in one year or more is arrived at by using the present value of a risk adjusted rate to account for the inherent risk associated with the expected future cash flows. Amortization of the discount is included in private gift and grant revenue. Unconditional promises to give are periodically reviewed to estimate an allowance for doubtful collections. Management evaluates the need for an allowance by a review of historical experience and a specific review of collection trends that differ from the plan on individual accounts. Conditional promises to give are not included as support until the conditions are substantially met. Management determined that an allowance for doubtful accounts was not necessary at June 30, 2022 and 2021.

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Notes to Financial Statements

Note 2 - Summary of Significant Accounting Policies (Continued)

Investments

Investments are carried at fair value. Fair value is determined as per the fair value policies described later in this section.

Net investment return (loss) is reported in the statement of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external investment management expenses.

Fair Value Measurements

The School reports required types of financial instruments in accordance with the fair value standards of accounting. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. These standards require an entity to maximize the use of observable inputs (such as quoted market prices in active markets) and minimize the use of unobservable inputs (such as appraisals or other valuation techniques) to determine fair value. Recurring fair value measures relate to investments while non-recurring fair values include items such as the initial recording of pledges.

The fair value standards require that for each item carried at fair value that such be disclosed in accordance with the valuation methods used which fall into three categories (but for those items valued at NAV) as follows:

- Level 1 – inputs are quoted prices in active markets for identical assets or liabilities that the School has the ability to access at measurement date.
- Level 2 – inputs are other than quoted prices included in Level 1 that are either directly or indirectly observable.
- Level 3 – inputs are derived from valuation methodologies, including pricing models, discounted cash flow models and similar techniques, and are not based on market, exchange, dealer, or broker-traded transactions. In addition, Level 3 valuations incorporate assumptions and projections that are not observable in the market and significant professional judgment is required in determining the fair value assigned to such assets or liabilities.

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level of input that is significant to the fair value measurement in its entirety.

It is possible that redemption rights may be restricted or eliminated by investment managers in the future in accordance with the underlying fund agreements. 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. It is reasonably possible those 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.

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Notes to Financial Statements

Note 2 - Summary of Significant Accounting Policies (Continued)

Property, Plant and Equipment

Property, plant and equipment are recorded at cost when the useful life is over one year and such amounts exceed a management established capitalization threshold. Equipment disposals are removed from the records at the time of disposal with any gain or loss on disposal recorded at that time. Expenditures for major renewals and betterments that extend the useful lives of property, plant and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred. Depreciation is computed using the straight-line method over the estimated useful lives as follows:

Buildings and building improvements	15-40 years
Furniture and equipment	5-7 years
Library books	20 years

Student Loans and Refundable U.S. Government Student Loans

Student loans receivable represent amounts due from students associated with the DOE sponsored campus-based Perkins Loan program. The School shared funding of such resources creating a revolving loan fund in concert with funds from the DOE. Funds provided by the DOE are considered refundable U. S. government student loans. Perkins loans in default that meet certain requirements are assigned to the DOE which reduces the obligation. The DOE has ended this program and as funds are collected such amounts will be returned to the DOE and the School as applicable based on original funding. Management has omitted detailed disclosures given the modest amounts involved.

The School regularly evaluates the allowance for doubtful accounts by performing ongoing evaluations of the loans considering such factors as prior collection history and the economic environment. Credit risk on the Perkins loans is mitigated given the ability to assign such loans to the DOE as outlined above, however, the School has recorded an allowance of \$50,000 for each of the years ended June 30, 2022 and 2021.

Student Deposits and Deferred Income

Student deposits represent reservation deposits and other advance payments by students on account. Deferred income represents the amount of unearned services that are in progress as of year-end related to net tuition and fees. Such amounts are reflected as revenue ratably over time with such amounts generally being recognized on a current basis given the nature and duration of the underlying services being provided.

Excise Tax Payable

The School had an excise tax payable at June 30, 2021 associated with special tax rules that provide for an excise tax when compensation for an individual exceeds certain thresholds in a measurement period. This amount was paid during fiscal 2022 and there was no excise tax payable at June 30, 2022.

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Notes to Financial Statements

Note 2 - Summary of Significant Accounting Policies (Continued)

Deferred Compensation

The School has accrued amounts owed a key employee associated with an agreement to make certain specified payments. Final payment will be made in fiscal 2023.

Revenue Recognition and Operations

Revenues are reported as increases in net assets without donor restrictions unless the use of the related asset is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Realized and unrealized gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or by law. Expirations of donor-imposed restrictions on net assets, such as the donor stipulated purposes being fulfilled and/or the stipulated time period has elapsed, are reported as net assets released from restrictions between the classes of net assets.

Earned Revenues

Earned revenues are recorded using a principles-based process that requires the School 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; and 5) recognize revenue when (or as) performance obligations are satisfied. Earned revenues are primarily from tuition and fees in addition to certain rental income.

Tuition and fees are recorded at established rates, net of institutional financial aid and scholarships provided directly to students. Such net amounts are recorded as revenue when performance obligations are satisfied which is generally over time as services are rendered relating to educational services. Management believes that recognizing revenue over time is the best measure of services rendered based on its academic calendar and has not made any changes in the timing of satisfaction of its performance obligations or amounts allocated to those obligations. Discounts provided to employees are considered part of fringe benefits within operating expenses and likewise are recorded over time. Management does not consider there to be significant judgment involved in the timing of satisfaction of performance obligations as those are directly linked to the academic calendar of the related academic activity.

Students may withdraw from programs of study within certain time limits as under the School's withdrawal policies by semester. These policies vary by program but allow for up to a 100% refund before the start of classes declining to no refund shortly after the start of classes. Given the normal timing of the School's programs, the exposure to withdrawal rights is limited at year end.

Payments made by third parties such as DOE relative to loans and grants to students are a mechanism to facilitate payment on behalf of students, and accordingly, such funding does not represent revenue of the School. Cash flows are also impacted by DOE rules which differ for newly enrolled versus continuing students with respect to financial aid. Generally, funds made available by DOE for new students are available later than for continuing students. Management does not view there to be other qualitative factors that have a significant impact on the nature and amount of revenue and cash flow.

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Notes to Financial Statements

Note 2 - Summary of Significant Accounting Policies (Continued)

Earned Revenues (Continued)

Rental income is recorded as earned during the related period of occupancy to which the payment relates to. Rental income is included in other income in the statement of activities.

Investment return is reported in the fiscal year based on the fair market value of investment funds which includes the effects of interest, dividends, realized and unrealized changes in fair value net of any investment fees.

Contributed Support

Private gifts and grants, including unconditional promises to give, are recognized as revenues as either without or with donor restrictions in the period verifiably committed by the donor. Conditional contributions/ promises are recognized as revenues when the barriers to entitlement have been met. Contributions of assets other than cash are recorded at their estimated fair value and per the fair value policies described elsewhere in this section.

Government agency grants have been accounted for as conditional contributions and are recorded as revenue when such amounts become unconditional which generally involves the meeting of a barrier to entitlement. This can include items like meeting a matching provision, incurring specified allowable expenses in accordance with a framework of allowable costs or other barriers.

Advertising Costs

Advertising costs are expensed as incurred. Total advertising expense amounted to \$477,687 and \$485,701 for the years ended June 30, 2022 and 2021, respectively.

Income Taxes

The School is a not-for-profit organization and is generally exempt from Federal and state income taxes on related income as described in Section 501(c)(3) of the Internal Revenue Code. Given the limited taxable activities of the School, management has concluded that disclosures related to tax provisions is not necessary.

Uncertain Tax Positions

The School accounts for the effect of any uncertain tax positions based on a “more likely than not” threshold to the recognition of the tax positions being sustained based on the technical merits of the position under scrutiny by the applicable taxing authority. If a tax position or positions are deemed to result in uncertainties of those positions, the unrecognized tax benefit is estimated based on a “cumulative probability assessment” that aggregates the estimated tax liability for all uncertain tax positions. The School has identified its tax status as a tax-exempt entity and its determination of which revenues are related or unrelated to be its only significant tax positions; however, the School has determined that such tax positions do not result in uncertainties requiring recognition. The School is not currently under examination by any taxing jurisdictions. The School’s Federal and state tax returns are generally open for examination for three years following the date filed.

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Notes to Financial Statements

Note 2 - Summary of Significant Accounting Policies (Continued)

Estimates

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

Operating and Nonoperating Activity

The statement of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to the School's primary mission of providing education. Investment income and gains/losses on investments are classified as non-operating activities. Any release of the restrictions to operating activities or transfers to endowment are also classified as nonoperating activities.

Functional Expenses

The costs of providing the various programs and activities and supporting services have been summarized on a functional basis in the statements of activities. Note 9 presents the natural classification of expenses by function. Depreciation and operation and maintenance of property, plant and equipment are allocated to functional classifications based on square footage.

Subsequent Events

Subsequent events were evaluated through December 14, 2022, which is the date the financial statements were available to be issued.

Pending Accounting Standards

Certain accounting standards are pending adoption including standards for lease accounting among others. The School is evaluating the effect this update will have on its future financial statements and related disclosures.

Note 3 - Liquidity and Availability

The School regularly monitors the availability of resources required to meet its general operating expenditures. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the School considers all expenditures related to its ongoing teaching, as well as the conduct of services undertaken to support those activities, to be general expenditures. Perkins loans receivable are not included in this analysis as principal and interest on these loans are generally refundable to the Federal government and are, therefore, not available to meet current operating needs.

In addition to the financial assets available to meet general expenditures over the next 12 months, the School anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

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Notes to Financial Statements

Note 3 - Liquidity and Availability (Continued)

Financial assets available for general expenditure within one year of the statement of financial position are as follows at June 30:

	2022	2021
Cash	\$ 1,572,417	\$ 1,264,892
Accounts receivable, net	227,679	349,736
Unencumbered investments	8,482,784	5,404,798
Investment income appropriated for operations	<u>4,250,000</u>	<u>4,200,000</u>
Total financial assets available to management for general expenditure within one year	<u>\$ 14,532,880</u>	<u>\$ 11,219,426</u>

Board designated endowment funds amounted to \$74,025,979 and \$87,713,549 at June 30, 2022 and 2021, respectively. Although the School does not intend to spend from these board designated endowment funds (other than amounts appropriated for general expenditure as part of the board's annual budget approval and appropriation), these amounts can also be made available with board approval should the liquidity outlined above not meet current requirements.

Note 4 - Pledges Receivable

Pledges receivable are as follows June 30:

	2022	2021
Receivable in less than one year	\$ -	\$ 300,000
Receivable in one to five years	<u>-</u>	<u>100,000</u>
	-	400,000
Less: discount for present value	<u>-</u>	<u>(242)</u>
Pledges receivable, net	<u>\$ -</u>	<u>\$ 399,758</u>

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Notes to Financial Statements

Note 5 - Property, Plant and Equipment

Net property, plant and equipment consist of the following at June 30:

	2022	2021
Land, buildings and building improvements	\$ 23,397,619	\$ 23,255,246
Furniture and equipment	11,078,900	10,918,595
Library books	<u>12,215,420</u>	<u>12,169,528</u>
	46,691,939	46,343,369
Less: accumulated depreciation	<u>32,127,757</u>	<u>31,032,152</u>
Property, plant and equipment, net	\$ <u>14,564,182</u>	\$ <u>15,311,217</u>

Depreciation expense was \$1,102,938 and \$1,172,420 for the years ended June 30, 2022 and 2021, respectively.

Note 6 - Investments and Fair Value Measurements

The following tables summarize the School's recurring fair value measurements at June 30:

	2022		
	Level 1	NAV	Total
Assets			
Equities	\$ 37,903,286	\$ 1,603,500	\$ 39,506,786
Fixed income	31,880,475	-	31,880,475
Cash and cash equivalents	<u>11,457,419</u>	<u>-</u>	<u>11,457,419</u>
Total investments and assets at fair value	\$ <u>81,241,180</u>	\$ <u>1,603,500</u>	\$ <u>82,844,680</u>

	2021		
	Level 1	NAV	Total
Assets			
Equities	\$ 35,748,725	\$ 1,523,253	\$ 37,271,978
Fixed income	49,984,022	-	49,984,022
Cash and cash equivalents	<u>6,197,318</u>	<u>-</u>	<u>6,197,318</u>
Total investments and assets at fair value	\$ <u>91,930,065</u>	\$ <u>1,523,253</u>	\$ <u>93,453,318</u>

The vast majority of the NAV investments are illiquid at June 30, 2022 and 2021.

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Notes to Financial Statements

Note 7 - Endowment and Other Net Assets

Endowment

The net assets associated with the School's endowment funds are classified in accordance with relevant state law which is reviewed and interpreted by the Board of Trustees. Net asset classifications are (1) without donor restrictions and, (2) with donor restrictions, based on the existence or absence of donor-imposed restrictions. Net assets without donor restrictions include board designated funds and any accumulated income and appreciation thereon. Net assets with donor restrictions include contributions designated by donors to be invested in perpetuity to produce income for general or specific purposes, as well as accumulated income and appreciation on those funds.

The Board of Trustees of the School has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the tracking 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 School tracks (a) the original value of gifts donated to the permanent endowment and (b) the original value of subsequent gifts to the permanent endowment. The School also tracks appreciation on these funds.

The School may make appropriations in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the School considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the school and donor-restricted endowment funds, (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 School, and (7) the School's investment policies.

Return Objectives and Risk Parameters

The long-term performance objective of the endowment portfolio is to attain a reasonable "market" return based on a balanced portfolio of debt and equities, not to exceed moderate risk.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the School relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The principal objective is to generate a total return over a full market cycle.

Spending Policy

The Board of Trustees has established a spending policy for its endowment. The policy is intended to preserve the purchasing power of endowment assets while providing a predictable stream of annual operating support. The spending rate is up to 5% of the rolling prior 36-month average market value of the endowment investments as of the calculation date (typically December 31), subject to Board approval each year. Under this policy, the School appropriated \$4,200,000 and \$4,250,000 for the years ended June 30, 2022 and 2021, respectively, from the board-designated endowment funds. In addition the School's board has appropriated \$4,250,000 for fiscal year 2023.

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Notes to Financial Statements

Note 7 - Endowment and Other Net Assets (Continued)

Underwater Endowment Funds

The School has not spent from funds with market values less than historical value. To the extent that the fair value of a donor restricted endowment fund falls below its historic dollar value, it is reported as a reduction of net assets with donor restrictions. As of June 30, 2022 and 2021, there are no endowment funds with a market value less than historical value.

Changes in Board-designated, without donor restrictions, and donor restricted endowment funds are as follows for the years ended June 30:

	2022			
	Without Donor Restrictions	With Donor Restrictions		Total
		Original Gift	Accumulated Gains	
Endowment funds, beginning of year	\$ 87,713,549	\$ 262,647	\$ 72,324	\$ 88,048,520
Contributions	136,677	-	-	136,677
Net investment return	(9,624,247)	-	946	(9,623,301)
Endowment spending allocation	(4,200,000)	-	-	(4,200,000)
Endowment funds, end of year	\$ 74,025,979	\$ 262,647	\$ 73,270	\$ 74,361,896

	2021			
	Without Donor Restrictions	With Donor Restrictions		Total
		Original Gift	Accumulated Gains	
Endowment funds, beginning of year	\$ 81,455,210	\$ 247,397	\$ 72,237	\$ 81,774,844
Contributions	-	15,250	-	15,250
Net investment return	10,508,339	-	87	10,508,426
Endowment spending allocation	(4,250,000)	-	-	(4,250,000)
Endowment funds, end of year	\$ 87,713,549	\$ 262,647	\$ 72,324	\$ 88,048,520

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Notes to Financial Statements

Note 7 - Endowment and Other Net Assets (Continued)

Net assets are for the following purposes at June 30:

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment funds	\$ 74,025,979	\$ 335,917	\$ 74,361,896
Operating funds	4,861,284	-	4,861,284
Net investment in plant	14,564,182	-	14,564,182
Scholarships	239,519	2,158,839	2,398,358
Student loans	-	139,265	139,265
Contributions for plant assets	-	633,755	633,755
Student programs	-	6,080	6,080
Academic programs	-	151,955	151,955
Total net assets	\$ 93,690,964	\$ 3,425,811	\$ 97,116,775

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment funds	\$ 87,713,549	\$ 334,971	\$ 88,048,520
Operating funds	1,071,441	-	1,071,441
Net investment in plant	15,311,217	-	15,311,217
Scholarships	239,093	2,131,036	2,370,129
Student loans	-	106,082	106,082
Contributions for plant assets	-	627,408	627,408
Student programs	-	199,905	199,905
Academic programs	-	138,008	138,008
Total net assets	\$ 104,335,300	\$ 3,537,410	\$ 107,872,710

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Notes to Financial Statements

Note 8 - Revenue Matters

The School has a lease agreement with an unrelated third party to lease certain of its premises under an operating lease arrangement that runs through 2027. The tenant has an option for an additional five-year extension. Rental income is recorded on the straight-line basis over the lease term. The annual basic rent is payable in equal monthly installments as of the first day of each month.

The School recorded rental income of \$550,000 for each of the years ended June 30, 2022 and 2021 and is included in other income in the statement of activities.

The future minimum rental income is as follows for the years ended June 30:

2023	\$	550,000
2024		550,000
2025		550,000
2026		550,000
2027		<u>504,167</u>
	\$	<u>2,704,167</u>

Given the effects of COVID-19, the School was eligible for certain funding in 2022 and 2021. These programs provided support as follows:

Higher Education Emergency Relief Funds

The School was granted three awards from the Department of Education to assist students and the College with the impact of COVID-19 which totaled \$1,322,496 through the year ended June 30, 2022. The majority of these funds have been expended as of June 30, 2022. The School recorded grant revenue of \$602,032 and \$702,534 for the years ended June 30, 2022 and 2021, respectively.

Federal Emergency Management Agency Grant

The School applied for and received a grant of \$53,033 for the year ended June 30, 2022 for various COVID-related costs incurred in 2022 and prior. The grant payment was received in full during the year ended June 30, 2022 and is included in government agency grants on the statement of activities.

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Notes to Financial Statements

Note 9 - Functional Expenses

Expenses by functional and natural classification are as follows at June 30:

	2022				
	Instructional	Student Services	Institutional Support	Fundraising	Total
Salaries and wages	\$ 7,455,661	\$ 1,933,771	\$ 1,550,240	\$ 223,317	\$ 11,162,989
Payroll taxes	496,557	122,560	98,817	14,471	732,405
Benefits	1,413,182	373,130	330,502	40,928	2,157,742
Supplies, services and other	3,000,938	1,029,021	2,388,206	113,259	6,531,424
Depreciation	871,321	110,294	99,264	22,059	1,102,938
	\$ 13,237,659	\$ 3,568,776	\$ 4,467,029	\$ 414,034	\$ 21,687,498

	2021				
	Instructional	Student Services	Institutional Support	Fundraising	Total
Salaries and wages	\$ 7,164,618	\$ 1,833,368	\$ 1,492,561	\$ 194,946	\$ 10,685,493
Payroll taxes	485,019	132,170	117,399	17,429	752,017
Benefits	1,323,523	408,489	357,886	37,530	2,127,428
Supplies, services and other	2,676,761	701,729	2,591,332	107,450	6,077,272
Depreciation	926,212	117,242	105,518	23,448	1,172,420
	\$ 12,576,133	\$ 3,192,998	\$ 4,664,696	\$ 380,803	\$ 20,814,630

Note 10 - Defined Contribution Plan

The School sponsors a qualified defined contribution retirement plan for eligible employees that is organized under code section 403(b) of the Internal Revenue Code. The School contributes 10% of eligible compensation to TIAA, provided the employee contributes 5%. Expenses under this plan amounted to \$908,604 and \$908,478 for the years ended June 30, 2022 and 2021, respectively.

Note 11 - Commitments and Contingencies

Various legal cases arise in the normal course of the School's operations. The School believes that there are currently no outstanding cases which would have a material adverse effect on the financial position of the School.

The School has a long-term employment agreement with a certain key employee that stipulates a variety of business terms typical in the education sector.

Notes to Financial Statements

Note 11 - Commitments and Contingencies (Continued)

The School outsources services in connection with its bookstore activities under a long-term contract. Management believes this arrangement is under commercially reasonable terms.

All funds expended by the School in connection with government grants are subject to review or audit by governmental agencies. In addition, the School has any number of regulators/oversight bodies that from time-to-time inspect the records and activities of the School.