



**SACRED HEART UNIVERSITY, INC.**

Consolidated Financial Statements

June 30, 2022 and 2021

(With Independent Auditors' Report Thereon)



KPMG LLP  
345 Park Avenue  
New York, NY 10154-0102

## **Independent Auditors' Report**

The Board of Trustees  
Sacred Heart University, Inc.:

### *Opinion*

We have audited the consolidated financial statements of Sacred Heart University, Inc. (the University), which comprise the consolidated balance sheets as of June 30, 2022 and 2021, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the University as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

### *Basis for Opinion*

We conducted our audits 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 Consolidated Financial Statements section of our report. We are required to be independent of the University and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Responsibilities of Management for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with U.S. generally accepted accounting principles, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

### *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements*

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for a reasonable period of time.

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

*KPMG LLP*

New York, New York  
October 28, 2022

**SACRED HEART UNIVERSITY, INC.**

Consolidated Balance Sheets

June 30, 2022 and 2021

<b>Assets</b>	<b>2022</b>	<b>2021</b>
Cash and cash equivalents	\$ 141,336,327	115,607,860
Accounts receivable:		
Students, net of allowance of \$5,423,331 in 2022 and \$4,370,941 in 2021	474,841	194,786
Contributions and other, net (note 3)	8,052,568	4,123,094
Loans to students, net of allowance of \$43,597 in 2022 and \$17,768 in 2021	183,982	280,536
Prepaid expenses	5,911,580	5,361,162
Investments (note 4)	240,889,341	245,417,725
Interest in split-interest agreements	124,103	124,103
Funds held by bond trustee (notes 4 and 5)	128,275,740	54,852,519
Other assets	2,704,623	1,708,655
Right-of-use assets – operating leases (note 13)	21,947,683	23,671,811
Land, buildings, and equipment, net (note 6)	717,226,964	660,502,146
Total assets	\$ <u>1,267,127,752</u>	<u>1,111,844,397</u>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable and accrued liabilities	\$ 65,197,805	57,779,989
Lease liability (note 13)	22,633,788	24,183,706
Deferred revenue	56,351,731	53,710,552
Government grants refundable – student loans	140,150	289,821
Bonds and notes payable, net (note 8)	456,936,114	363,644,274
Total liabilities	<u>601,259,588</u>	<u>499,608,342</u>
Net assets (note 9):		
Without donor restrictions	608,334,737	560,631,953
With donor restrictions	57,533,427	51,604,102
Total net assets	<u>665,868,164</u>	<u>612,236,055</u>
Total liabilities and net assets	\$ <u>1,267,127,752</u>	<u>1,111,844,397</u>

See accompanying notes to consolidated financial statements.

**SACRED HEART UNIVERSITY, INC.**

## Consolidated Statements of Activities

Years ended June 30, 2022 and 2021

	<b>2022</b>	<b>2021</b>
Changes in net assets without donor restrictions:		
Operating revenues:		
Tuition and fees (net of scholarship allowance of \$114,553,473 in 2022 and \$105,030,421 in 2021)	\$ 243,398,402	224,622,649
Auxiliary revenues (net of scholarship allowance of \$1,328,475 in 2022 and \$1,252,118 in 2021)	63,519,354	48,602,530
Total	306,917,756	273,225,179
Contributions	2,740,573	1,383,311
Investment return, net (note 4)	200,059	169,856
Other, net	5,901,789	6,220,351
Net assets released from restrictions (note 10)	26,711,191	20,609,969
Total operating revenues	342,471,368	301,608,666
Operating expenses (note 12):		
Instruction	99,799,779	90,039,188
Student services	53,633,179	48,829,864
Scholarships and Fellowships	5,411,467	2,142,822
Public service radio station	6,043,000	5,655,879
Auxiliary activities	54,649,932	44,635,115
Academic support	19,585,476	17,316,153
Institutional supporting services	44,768,411	40,560,203
Total operating expenses	283,891,244	249,179,224
Net operating revenues	58,580,124	52,429,442
Nonoperating activities:		
Investment return in excess of amounts utilized in operations (note 4)	(15,138,677)	40,143,748
Net assets released from restrictions – capital (note 10)	47,589	146,364
Change in the value of interest rate swaps (note 8)	4,213,748	2,820,267
Total nonoperating activities	(10,877,340)	43,110,379
Increase in net assets without donor restrictions	47,702,784	95,539,821

**SACRED HEART UNIVERSITY, INC.**

## Consolidated Statements of Activities

Years ended June 30, 2022 and 2021

	<b>2022</b>	<b>2021</b>
Changes in net assets with donor restrictions:		
Contributions	\$ 18,004,135	11,372,651
Federal grants and contracts	17,524,461	11,006,007
State grants and contracts	115,073	627,113
Investment return, net (note 4)	(2,955,564)	7,616,703
Net assets released from restrictions (note 10)	<u>(26,758,780)</u>	<u>(20,756,333)</u>
Increase in net assets with donor restrictions	<u>5,929,325</u>	<u>9,866,141</u>
Changes in net assets	53,632,109	105,405,962
Net assets:		
Beginning of year	<u>612,236,055</u>	<u>506,830,093</u>
End of year	<u>\$ 665,868,164</u>	<u>612,236,055</u>

See accompanying notes to consolidated financial statements.

**SACRED HEART UNIVERSITY, INC.**

Consolidated Statements of Cash Flows

Years ended June 30, 2022 and 2021

	<b>2022</b>	<b>2021</b>
Cash flows from operating activities:		
Changes in net assets	\$ 53,632,109	105,405,962
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	25,432,203	24,265,225
Net amortization of deferred financing (premiums)/costs	(1,870,510)	(1,622,048)
Provision for bad debts	1,467,479	(507,355)
Change in value of swap agreement	(4,213,748)	(2,820,267)
Net depreciation (appreciation) in fair value of investments	26,067,486	(43,828,289)
Amortization of the operating lease right-of-use assets	4,262,848	4,550,460
Contributions restricted for permanent investment and capital	(4,057,901)	(2,014,759)
Changes in operating assets and liabilities:		
Student accounts receivable	(1,332,445)	830,085
Contributions and other receivables	(5,073,734)	(210,768)
Prepaid expenses and other assets	(923,766)	(768,197)
Accounts payable and accrued liabilities, net of investing amounts	(6,582,638)	(12,287,245)
Operating lease liability	(4,088,638)	(4,038,565)
Deferred revenue	2,641,179	521,764
Net cash provided by operating activities	<u>85,359,924</u>	<u>67,476,003</u>
Cash flows from investing activities:		
Additions to land, buildings, and equipment	(64,110,697)	(67,064,485)
Accounts payable and accrued liabilities for construction	(454,742)	8,304,751
Purchases of investments	(62,263,895)	(87,829,825)
Proceeds from sales of investments	40,724,793	76,706,271
Student loans collections (issued), net	70,725	10,010
Net cash used in investing activities	<u>(86,033,816)</u>	<u>(69,873,278)</u>
Cash flows from financing activities:		
Proceeds from lines of credit	—	59,771,259
Proceeds from bonds	100,000,000	125,000,000
Net deferred financing costs	11,757,561	24,473,844
Principal payments for retirement of debt	—	(109,771,259)
Principal payments on bonds and notes payable	(16,595,211)	(8,639,301)
Contributions restricted for permanent investment and capital	4,057,901	1,012,970
Change in endowment and capital contributions receivable	755,000	998,947
Government grants refundable – student loans	(149,671)	(14,222)
Net cash provided by financing activities	<u>99,825,580</u>	<u>92,832,238</u>
Net increase in cash and cash equivalents	99,151,688	90,434,963
Cash, cash equivalents, and restricted cash equivalents:		
Beginning of year	<u>170,460,379</u>	<u>80,025,416</u>
End of year	\$ <u><u>269,612,067</u></u>	\$ <u><u>170,460,379</u></u>
Reconciliation of cash, cash equivalents, and restricted cash equivalents reported within the consolidated balance sheets that sum to the total of the same such amounts shown above:		
Cash and cash equivalents	\$ 141,336,327	115,607,860
Restricted cash equivalents included in funds held by bond trustees	<u>128,275,740</u>	<u>54,852,519</u>
Total cash, cash equivalents, and restricted cash equivalents shown above	\$ <u><u>269,612,067</u></u>	\$ <u><u>170,460,379</u></u>
Supplemental information:		
Interest paid (interest expense \$14,604,235 and \$12,381,472, respectively)	\$ 13,805,477	10,273,928
Right-of-use assets upon ASC 842 implementation – operating leases	—	24,830,130
Right-of-use assets obtained in exchange for new operating lease liabilities	—	3,392,141
Additions to land, buildings, and equipment included in accounts payable and accrued liabilities	18,046,324	—

See accompanying notes to consolidated financial statements.

## **SACRED HEART UNIVERSITY, INC.**

### **Notes to Consolidated Financial Statements**

June 30, 2022 and 2021

#### **(1) The University**

Sacred Heart University, Inc. (the University) is a Catholic university in New England and offers more than 80 undergraduate, graduate, doctoral, and certificate programs on its main campus in Fairfield, Connecticut, online, and a satellite in Ireland. More than 9,000 students attend the University's six colleges: the College of Arts & Sciences; the Isabelle Farrington College of Education; the College of Health Professions; the Dr. Susan L. Davis, RN, & Richard J. Henley College of Nursing; St Vincent's College at SHU; and the Jack Welch College of Business & Technology.

The University is exempt from federal income taxes under Section 501(a), as an organization described in Section 501(c)(3) of the Internal Revenue Code, as amended. Accordingly, it is not subject to income taxes except to the extent it has taxable income from activities that are not related to its exempt purpose. The University recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. No provision for income taxes was required for fiscal 2022 or 2021.

#### **(2) Summary of Significant Accounting Policies**

##### **(a) Principles of Consolidation**

On September 15, 2017, the University formed Sacred Heart Campus in Dingle, an Irish for-profit Company Limited by Guarantee (CLG) (the Company) to support the University in its efforts to expand its curriculum in Dingle, Co. Kerry, Ireland. In the fiscal year 2021, the Company amended its corporate designation to Sacred Heart Campus in Dingle Limited, in which Sacred Heart University Incorporated is now the sole member. The consolidated financial statements include the accounts of Sacred Heart Campus in Dingle since Sacred Heart University, Inc. is the sole member.

Coram Lane, LLC is a single member limited liability company with the University as its only member and a disregarded entity for tax purposes.

The accompanying consolidated financial statements include the consolidated balance sheets, statements of activities and cash flows of Sacred Heart Campus in Dingle (CLG) and Coram Lane, LLC (collectively, the University).

All significant intercompany accounts and transactions have been eliminated in consolidation.

##### **(b) Basis of Presentation**

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (U.S. GAAP).

##### **(c) Net Asset Classifications**

The University reports net assets and net activity based on the absence or existence of donor-imposed restrictions. Net assets are reported in two categories: without donor restrictions and with donor restrictions.

*Net assets without donor restrictions* are not restricted by donors, or the donor-imposed restrictions have expired. The University's Board of Trustees has designated a portion of net assets without donor restrictions for fixed assets and long-term investment (quasi-endowment).



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*Net assets with donor restrictions* contain donor-imposed restrictions that permit the University to use or expend the assets as specified. The restrictions are satisfied either by the passage of time or by action of the University. In addition, net assets with donor restrictions include contributions with donor-imposed restrictions that stipulate the corpus of the gift be maintained in perpetuity, but permit the University to use the residual income for specified or unspecified operating activities.

Revenues are reported as increases in net assets without donor restrictions unless their use is limited by donor-imposed stipulations. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets and liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law.

#### **(d) Measure of Operations**

In the consolidated statements of activities, the University includes in operations all revenue and expenses that are an integral part of its program and supporting activities. Investment return, including net realized and unrealized gains and losses in excess of or less than the University's authorized spending policy, net assets released from restrictions for capital, and other nonrecurring activities are recognized as nonoperating activities.

#### **(e) Cash and Cash Equivalents**

Cash and cash equivalents include highly liquid short-term investments with initial maturities of three months or less, with the exception of cash and cash equivalents held for long-term investment purposes.

#### **(f) Investments**

Investments in debt and equity securities (including investments held by bond trustee) with readily determinable fair values are reported at fair value based upon quoted or published market values. The alternative investments, which are not readily marketable, are carried at an estimated fair value using net asset value (NAV) as provided by the investment managers as a practical expedient. The University reviews and evaluates the value provided by the alternative investment managers. The estimated fair value may differ significantly from the value that would have been used had a ready market for the alternative investment existed.

Investment return (including net realized and unrealized gains or losses) is allocated between net assets without donor restrictions and with donor restrictions based upon donor-imposed restrictions or the absence thereof.

#### **(g) Deferred Revenue**

The University recognizes revenue from tuition and fees in a manner that depicts the transfer of promised services to students and revenue from contracts with service providers is recognized over the life of the contract. Amounts collected in advance of such revenue recognition are deferred.

#### **(h) Land, Buildings, and Equipment**

Land, buildings, and equipment are recorded at cost on the date of acquisition or fair value on the date of donation. Depreciation is computed on a straight-line basis over the estimated useful lives of the

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### Notes to Consolidated Financial Statements

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related plant assets as follows: buildings, 30-50 years; leasehold improvements, 30 years or the term of the lease; land improvements, 20 years; equipment and furniture, 3, 5, or 7 years; art, 20 years; and library books, 10 years.

#### **(i) Disaggregation of Revenue**

The University has various sources of operating revenue as presented in the consolidated statement of activities. The following revenues are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 606, *Revenue from Contracts with Customers* (Topic 606):

##### **(i) Tuition and Fees, Net of Scholarships**

The University's primary source of operating revenue is derived from providing educational services to students including undergraduate, graduate, doctoral, and certificate programs. Tuition and fees, which are considered one performance obligation, for academic programs is earned by the University as the educational services are delivered over the course of the academic term. Institutional scholarships awarded by the University represent a reduction of the tuition transaction price. The University bills tuition and fees in advance of the academic term and recognizes the revenue on a straight-line basis as the educational services are performed. Students are typically entitled to a partial refund through a specific point in the academic term, after which no refunds are due upon withdrawal. Refunds issued reduce the amount of revenue recognized.

##### **(ii) Auxiliary Services, Net of Scholarships**

Auxiliary services revenue primarily consists of fees for room and dining services (board), which are each considered separate performance obligations. Room fees and dining fees are charged in advance of each academic term and recognized on a straight-line basis over the period the services are provided. The University considers the residential arrangement to be a distinct performance obligation from the academic services. Although first and second-year students are expected to live on campus, there are exemptions, primarily for students living with family or married students.

##### **(iii) Other Operating Revenue**

This category generally consists of revenue generated by the University under contractual arrangements deemed to be exchange transactions. Major revenue streams in the category include NCAA distributions and Student Government dues and activities. Revenue from these activities is recognized as the services are performed.

#### **(j) Contributions**

Contributions, including grants, contracts, and unconditional promises to give (pledges), are recognized initially at fair value as revenues in the period received. Conditional contributions are recognized as revenue when the conditions on which they depend have been met.

The University records contributions in the net asset activity with donor restrictions if they are received with donor stipulations that limit their use through purpose or time restrictions. When donor-imposed restrictions expire, that is, when a purpose restriction is fulfilled or a time restriction ends, net assets

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### **Notes to Consolidated Financial Statements**

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with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions.

Contributions expected to be received after one year are discounted at an appropriate discount rate commensurate with the risk involved. Amortization of the discount is recorded as additional contributions revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible contributions receivable is provided based upon management's judgment, including such factors as prior collection history, type of contribution, and nature of fundraising activity.

Government grants are evaluated on an individual basis and accounted for as contributions with donor restrictions or as exchange transactions.

Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulation, the University reports expirations of donor-imposed restrictions when the donated or acquired long-lived assets are placed in service.

The University has interests in charitable remainder trusts. The interests are carried at the present value of the estimated future benefit to be received when the trust assets are distributed.

Conditional contributions are not recognized until they become unconditional, that is, when the conditions on which they depend are met. As of June 30, 2022, and 2021, the University received conditional contributions of \$663,303 and \$89,927, respectively, for which there exists measurable performance-related barriers, that have not been reflected in the accompanying consolidated statements of activities because the conditions on which they depend have not been met.

#### **(k) Leases**

The University classifies leases as either operating or financing depending on the terms and conditions set forth in the contract. On the consolidated balance sheets, right-of-use assets represent the University's right to use the underlying assets for the lease term, and lease liabilities represent the University's obligation to make lease payments arising from the leases. Right-of-use assets and lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at commencement date. Lease expense for minimum lease payments is recognized on a straight-line basis over the lease term. Leases with an initial term of 12 months or less are not included in the consolidated balance sheets, and instead the related lease payments are recognized as expenses on a straight-line basis over the respective lease term in which the obligation for those payments is incurred.

#### **(l) Functional and Natural Classification of Expenses**

The University reports operating costs on the consolidated statements of activities by functional classification, which include allocations of costs for depreciation and amortization, interest, and operation and maintenance of plant. The University allocates depreciation and amortization, and operation and maintenance of plant costs to the functional categories based on building square footage while interest is allocated based on use of debt proceeds.

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### Notes to Consolidated Financial Statements

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#### **(m) Estimates**

The preparation of 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 the reported amounts of revenues and expenses during the reporting period. Significant estimates in the consolidated financial statements include the valuation of investments. Actual results could differ from those estimates.

#### **(n) Fair Value Measurements**

Certain of the University's assets are reported at fair value. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The three levels of inputs that may be used to measure fair value are as follows:

- Level 1: Quoted or published prices in active markets for identical assets or liabilities
- Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3: Unobservable inputs that are supported by little or no market activity.

Alternative investments consist of shares or units in investment funds as opposed to direct interests in the funds' underlying holdings, which may be marketable.

#### **(3) Contributions and Other Receivables**

Contributions and other receivables, net as of June 30, 2022 and 2021 are summarized as follows:

	<u>2022</u>	<u>2021</u>
Unconditional promises expected to be collected:		
Within one year	\$ 2,495,000	666,000
Between one and five years	3,215,167	1,688,017
After five years	<u>75,000</u>	<u>82,500</u>
	5,785,167	2,436,517
Less:		
Allowance for uncollectible amounts	(558,586)	(169,326)
Discount to present value	<u>(213,439)</u>	<u>(97,940)</u>
Contributions receivable, net	5,013,142	2,169,251
Other receivables	<u>3,039,426</u>	<u>1,953,843</u>
Contributions and other receivables, net	<u>\$ 8,052,568</u>	<u>4,123,094</u>

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Amounts receivable from five donors represented 76% and 73% of gross contributions receivable as of June 30, 2022 and 2021, respectively.

**(4) Investments and Fair Value**

The following tables present the University's fair value hierarchy for investments and funds held by bond trustees at the respective consolidated balance sheet dates at fair value.

<b>2022</b>				
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Investments:				
Money market	\$ 3,694,585	—	—	3,694,585
Equity securities – Domestic	83,838,060	—	—	83,838,060
Equity securities – International	40,574,783	—	—	40,574,783
Fixed income – Investment grade	42,786,359	—	—	42,786,359
Fixed income – Other	16,376,967	—	—	16,376,967
Other – Currency	3,876,826	—	—	3,876,826
	<u>\$ 191,147,580</u>	<u>—</u>	<u>—</u>	<u>191,147,580</u>
Alternative investments (measured at net asset value)				<u>49,741,761</u>
Total investments				<u>\$ 240,889,341</u>

<b>2022</b>				
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Funds held by bond trustee:				
Cash equivalents	\$ 128,275,740	—	—	128,275,740

<b>2021</b>				
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Investments:				
Money market	\$ 1,692,320	—	—	1,692,320
Equity securities – Domestic	93,757,630	—	—	93,757,630
Equity securities – International	48,469,848	—	—	48,469,848
Fixed income – Investment grade	42,249,498	—	—	42,249,498
Fixed income – Other	15,735,760	—	—	15,735,760
Other – Currency	2,766,320	—	—	2,766,320
	<u>\$ 204,671,376</u>	<u>—</u>	<u>—</u>	<u>204,671,376</u>
Alternative investments (measured at net asset value)				<u>40,746,349</u>
Total investments				<u>\$ 245,417,725</u>

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<b>2021</b>				
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Funds held by bond trustee:				
Cash equivalents	\$ 54,852,519	—	—	54,852,519

The University uses the net asset value to determine the fair value of all the investments that (a) do not have a readily determinable fair value and (b) prepare their financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company. The following tables list investments in other investment companies by major category:

2022						
	Strategy	NAV in funds	Number of funds	Remaining life	Amount of unfunded commitments	Redemption terms
Private equity	Investment in funds, representing primarily limited partnerships, which were formed for the purpose of investing in private companies various strategies stages of development	\$ 31,861,934	29	Less than one year to 15 years	\$ 27,766,309	No redemptions.
Hedge funds	Investment in funds representing instruments in a broad range of investments that seek attractive risk adjusted returns with low correlation to traditional asset classes	14,918,947	4	N/A	—	Various redemption frequencies, with 65-70 days notice. Certain restrictions may limit the total portion of the investment that may be liquidated at one time.
Core real estate	Investments representing a diversified portfolio of institutional quality real estate assets, seeking to generate consistent income streams through market cycles	2,960,880	2	N/A	—	Quarterly, with 95 days notice.
		\$ 49,741,761	35		\$ 27,766,309	

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2021					
Strategy	NAV in funds	Number of funds	Remaining life	Amount of unfunded commitments	Redemption terms
Private equity	Investment in funds, representing primarily limited partnerships, which were formed for the purpose of investing in private companies various strategies stages of development				
	\$ 21,508,814	24	Less than one year to 15 years	\$ 20,052,438	No redemptions.
Hedge funds	Investment in funds representing instruments in a broad range of investments that seek attractive risk adjusted returns with low correlation to traditional asset classes				
	16,950,958	11	N/A	—	Various redemption frequencies, with 2-91 days notice. Certain restrictions may limit the total portion of the investment that may be liquidated at one time.
Core real estate	Investments representing a diversified portfolio of institutional quality real estate assets, seeking to generate consistent income streams through market cycles				
	2,286,577	2	N/A	—	Quarterly, with 95 days notice.
	<u>\$ 40,746,349</u>	<u>37</u>		<u>\$ 20,052,438</u>	

The following tables present the University's alternative investments as of June 30, 2022 and 2021 based on their redemption frequency:

2022				
	Private equity	Hedge funds	Core real estate	Total
Redemption frequency:				
Monthly	\$ —	335,465	—	335,465
Quarterly	—	8,039,325	2,960,880	11,000,205
Annually	—	1,784,770	—	1,784,770
Lockup	<u>31,861,934</u>	<u>4,759,387</u>	<u>—</u>	<u>36,621,321</u>
Total	<u>\$ 31,861,934</u>	<u>14,918,947</u>	<u>2,960,880</u>	<u>49,741,761</u>

**SACRED HEART UNIVERSITY, INC.**

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

		2021			
		Private equity	Hedge funds	Core real estate	Total
Redemption frequency:					
Monthly	\$	—	1,205,167	—	1,205,167
Quarterly		—	11,471,123	1,126,737	12,597,860
Annually		—	1,074,263	—	1,074,263
Lockup		21,508,814	3,200,405	1,159,840	25,869,059
Total	\$	21,508,814	16,950,958	2,286,577	40,746,349

Investment return was as follows for the years ended June 30:

		<b>2022</b>		
		<b>Without donor restrictions</b>	<b>With donor restrictions</b>	<b>Total</b>
Investment earnings, net of \$733,370 of expenses	\$	6,965,873	1,207,431	8,173,304
Net depreciation in fair value of investments		(21,904,491)	(4,162,995)	(26,067,486)
Total investment loss		(14,938,618)	(2,955,564)	(17,894,182)
Less: Portion designated for operations		(200,059)	—	(200,059)
Nonoperating portion of investment return	\$	<u>(15,138,677)</u>	<u>(2,955,564)</u>	<u>(18,094,241)</u>

		<b>2021</b>		
		<b>Without donor restrictions</b>	<b>With donor restrictions</b>	<b>Total</b>
Investment earnings, net of \$527,324 of expenses	\$	3,471,745	630,273	4,102,018
Net appreciation in fair value of investments		36,841,859	6,986,430	43,828,289
Total investment return		40,313,604	7,616,703	47,930,307
Less: Portion designated for operations		(169,856)	—	(169,856)
Nonoperating portion of investment return	\$	<u>40,143,748</u>	<u>7,616,703</u>	<u>47,760,451</u>



**SACRED HEART UNIVERSITY, INC.**

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

**(5) Funds Held by Bond Trustee**

In connection with the issuance of Connecticut Housing and Education Facilities Authority (CHEFA) Revenue Bonds and the Direct Bank Placement Issues (note 8), the University is required to maintain certain funds with a bond trustee. Funds held by the bond trustee as of June 30, 2022 and 2021 consisted of the following:

	<u>2022</u>	<u>2021</u>
Series I:		
Debt service account	\$ 9,749,395	9,625,831
Series K:		
Debt service account	5,615,162	5,546,982
Capital construction fund	—	39,679,706
Series L:		
Debt service account	1,000,229	—
Capital construction fund	111,910,954	—
	<u>\$ 128,275,740</u>	<u>54,852,519</u>

**(6) Land, Buildings, and Equipment**

Land, buildings, and equipment, net consisted of the following at June 30:

	<u>2022</u>	<u>2021</u>
Land and land improvements	\$ 106,605,120	96,332,389
Buildings and leasehold improvements	697,599,171	685,681,059
Equipment, furniture, and other	85,420,454	84,040,731
Library books	12,233,014	12,204,194
Construction in progress	90,738,948	32,181,313
Total	992,596,707	910,439,686
Less: Accumulated depreciation	<u>(275,369,743)</u>	<u>(249,937,540)</u>
	<u>\$ 717,226,964</u>	<u>660,502,146</u>

**SACRED HEART UNIVERSITY, INC.**

## Notes to Consolidated Financial Statements

June 30, 2022 and 2021

**(7) Liquidity and Availability of Resources**

As of June 30, 2022 and 2021, financial assets and liquidity resources available within one year for general expenditure, such as operating expenses, principal payments on debt, and capital construction, were as follows:

	<u>2022</u>	<u>2021</u>
Financial assets available to meet cash need for general expenditures within one year:		
Cash and cash equivalents	\$ 141,336,327	115,607,860
Accounts receivable	474,841	194,786
Contributions and other receivables	5,534,426	2,619,843
Funds held by bond trustee	<u>128,275,740</u>	<u>54,852,519</u>
Financial assets available to meet cash need for general expenditures within one year	<u>275,621,334</u>	<u>173,275,008</u>
Liquidity resources:		
Funds functioning as endowment, available for operations upon board action	199,179,287	206,220,718
Less: Funds functioning as endowment, in lockup	<u>(30,325,663)</u>	<u>(21,824,697)</u>
Net, funds functioning as endowment, available for operations upon board action	168,853,624	184,396,021
Bank line of credit	<u>50,000,000</u>	<u>50,000,000</u>
Total financial assets and liquidity resources available to meet cash need for general expenditures within one year	<u>\$ 494,474,958</u>	<u>407,671,029</u>

The University structures its financial assets to be available as its general expenditures and other obligations come due. In addition, the University maintains a line of credit that can be drawn upon, as needed, during the year to manage cash flows. At June 30, 2022, no amounts were drawn on the line of credit. Additionally, although the University does not intend to spend from the funds functioning as endowment, amounts from its board-designated funds could be made available for expenditure with board approval.

**SACRED HEART UNIVERSITY, INC.**

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

**(8) Bonds and Notes Payable**

Bonds and notes payable consist of the following as of June 30:

	<u>2022</u>	<u>2021</u>
Bonds payable (a)	\$ 456,936,114	357,830,997
Notes and construction line payable (b)	<u>—</u>	<u>5,813,277</u>
	<u>\$ 456,936,114</u>	<u>363,644,274</u>

**(a) Bonds Payable**

Facility financed	Maturity	<u>2022</u>		<u>2021</u>	
		Weighted average rate	Principal balance	Weighted average rate	Principal balance
Series K – Student residential housing, parking garage, other, line of credit payoff	In installments through July 1, 2046	4.411 %	\$ 122,405,000	4.423 %	\$ 125,000,000
Series I-1 – Student facilities, land, health, and residential housing	In installments through July 1, 2042	5.000	121,070,000	5.000	124,780,000
Series I-2 – Student facilities, land, health, and residential housing	In installments through July 1, 2028	3.017	17,995,000	2.939	20,015,000
Series J-1 – Student facilities, land, health, and residential housing	In installments through July 1, 2037	2.625	44,062,069	2.625	46,028,878
Series J-2 – Student facilities, land, health, and residential housing	In installments through July 1, 2022	3.196	40,954	3.196	531,079
Series L – Student facilities, land, health and residential housing	In installments through July 1, 2052	5.000	<u>100,000,000</u>		<u>—</u>
			405,573,023		316,354,957
Plus: net unamortized premium			54,359,542		43,757,372
Less: unamortized bond issuance costs			<u>(2,996,451)</u>		<u>(2,281,332)</u>
			<u>\$ 456,936,114</u>		<u>\$ 357,830,997</u>

**(i) Series K Bonds**

On September 22, 2020, the University issued a State of Connecticut Health and Educational Facilities Authority revenue bond, Sacred Heart University Issue Series K in the amount of \$125,000,000, at a premium of \$25,439,692. The proceeds were used to pay off the 2017 Bank of America Line of Credit. The remaining \$40,668,433 in proceeds were set aside to cover cost of issuance and to finance various construction projects, such as Pioneer Village, the South Lot Parking Garage and various building and land improvement projects. The bonds are secured by the University's tuition receipts.

# SACRED HEART UNIVERSITY, INC.

## Notes to Consolidated Financial Statements

June 30, 2022 and 2021

(ii) *Series I-1 and I-2 Bonds*

On November 22, 2017, the University issued CHEFA Series I-1 (Tax-Exempt) and I-2 (Taxable) Revenue Bonds in the amount of \$160,655,000, at a premium of \$22,421,506. The proceeds were used to refund the outstanding principal of \$34,545,000 on the CHEFA Series H Revenue Bonds and settle the \$105,000,000 Bank of America Line of Credit. The remaining \$50,463,245 in proceeds were set aside to finance the various construction projects, such as the Center for Healthcare Education, Pierre Toussaint Hall, WSHU Broadcast Center & Public Safety Building, and the Bobby Valentine Recreation Center. The bonds are secured by the University's tuition receipts with a covenant not to further encumber 5151 Park Avenue in Fairfield, Connecticut, except for Permitted Encumbrances (the Negative Pledge).

(iii) *Series J-1 and J-2 Bonds*

On November 22, 2017, the University issued Direct Bank Placement Issue Series J-1 (Tax-Exempt) and J-2 (Taxable) in the amount of \$55,765,000. The proceeds were used to refund the outstanding principal of \$37,945,000 on the CHEFA Series G Revenue Bond and \$16,530,000 on the CHEFA Series F Variable Rate Demand Revenue Bond. The bonds are secured by the University's tuition receipts with a covenant not to further encumber 5151 Park Avenue in Fairfield, Connecticut, except for Permitted Encumbrances (the Negative Pledge). In fiscal year 2018, the University entered into two interest rate swap agreements. One swap agreement with a termination date of July 1, 2037, on \$53,465,000 (notional) of the Series J-1 bond issued, in order to convert variable rate borrowings to a fixed rate liability, effectively locks in a fixed rate liability of 2.625%. The second swap agreement with a termination date of July 1, 2022, on \$2,300,000 (notional) of the Series J-2 bond issue, in order to convert variable rate borrowings to a fixed rate liability, effectively locks in a fixed rate liability of 3.196%. As of June 30, 2022, and 2021, the University's consolidated balance sheets include an interest rate swap asset of \$622,620 and a liability of \$3,591,128, respectively. A corresponding increase in the fair value of the interest swaps totaling \$4,213,748 and \$2,820,267, for June 30, 2022 and 2021, respectively, is included on the consolidated statements of activities.

(iv) *Series L Bonds*

On April 1, 2022, the University issued CHEFA Series L Tax exempt bonds in the amount of \$100,000,000. A premium of \$12,608,678 was recorded as a result of the issuance. The proceeds were set aside to finance various new construction projects, such as residence halls 7 and 8 in Pioneer Village, an expansion on the Center for Healthcare Education, and capital improvements on Merton Hall and Seton Hall. The bonds are secured by the University's tuition receipts.

(b) *Notes Payable*

	<u>Maturity</u>		<u>2022</u>	<u>2021</u>
Note payable – chapel	2027	\$	<u>—</u>	<u>5,813,277</u>

On November 1, 2021, the University paid off the note payable in connection with the financing of the chapel at a fixed rate of 3.04% with a maturity date of November 22, 2027.

**SACRED HEART UNIVERSITY, INC.**

Notes to Consolidated Financial Statements

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At June 30, 2022, the University had one bank line of credit, collateralized by the University's tuition receipts with a covenant not to further encumber 5151 Park Avenue in Fairfield, Connecticut, except for Permitted Encumbrances (the Negative Pledge), totaling \$50,000,000 with an interest rate of LIBOR plus 0.7%. There were no amounts outstanding at June 30, 2022 and 2021, respectively.

The aggregate amount of principal due in respect to notes and bonds payable at June 30, 2022 is as follows:

2023	\$ 10,777,183
2024	13,209,051
2025	13,817,759
2026	14,482,919
2027	15,129,079
Thereafter	<u>338,157,032</u>
	<u>\$ 405,573,023</u>

Pursuant to the Series K, I-1 and I-2, and Series L CHEFA Bonds issued, as well as the direct placement Series J Bonds issue, the University met the liquidity ratio and debt service coverage ratio as of June 30, 2022.

**(9) Net Assets**

The University's net assets as of June 30 consist of the following:

	<u>2022</u>	<u>2021</u>
Without donor restrictions:		
Board-designated endowment funds	\$ 199,179,287	206,220,718
Undesignated	<u>409,155,450</u>	<u>354,411,235</u>
Total net assets without donor restrictions	<u>608,334,737</u>	<u>560,631,953</u>
With donor restrictions:		
Subject to expenditure by donor specified purpose and appropriation through endowment spending policy:		
Student financial assistance	33,364,713	33,040,556
Capital improvements	6,107,501	2,370,990
Time restricted	1,088,035	1,126,506
Instructional	7,443,119	8,674,598
Public service radio station	251,000	251,000
Academic support	<u>9,279,059</u>	<u>6,140,452</u>
Total net assets with donor restrictions	<u>57,533,427</u>	<u>51,604,102</u>
Total net assets	<u>\$ 665,868,164</u>	<u>612,236,055</u>

**SACRED HEART UNIVERSITY, INC.**

## Notes to Consolidated Financial Statements

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The University's endowment consists of individual funds established for a variety of purposes. The endowment includes both donor-restricted funds and funds designated by the Board of Trustees to function as endowment. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. Expenditures from board-designated funds can be made available for operations subject to board approval. As of June 30, 2022, and 2021, included in board-designated endowment funds were \$41,200,000 and \$35,200,000, respectively, approved for the reimbursement of operating funds previously used for investment in plant.

Endowment net assets consist of the following at June 30, 2022:

	<b>Without donor restrictions</b>	<b>With donor restrictions</b>	<b>Total</b>
Donor-restricted	\$ —	40,879,742	40,879,742
Board-designated	199,179,287	—	199,179,287
Total endowment net assets	<u>\$ 199,179,287</u>	<u>40,879,742</u>	<u>240,059,029</u>

Endowment net assets consist of the following at June 30, 2021:

	<b>Without donor restrictions</b>	<b>With donor restrictions</b>	<b>Total</b>
Donor-restricted	\$ —	40,897,278	40,897,278
Board-designated	206,220,718	—	206,220,718
Total endowment net assets	<u>\$ 206,220,718</u>	<u>40,897,278</u>	<u>247,117,996</u>

# SACRED HEART UNIVERSITY, INC.

## Notes to Consolidated Financial Statements

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Changes in endowment net assets, including pledges receivable of \$1,469,117, for the year ended June 30, 2022 are as follows:

	<b>Without donor restrictions</b>	<b>With donor restrictions</b>	<b>Total</b>
Endowment at June 30, 2021	\$ 206,220,718	40,897,278	247,117,996
Investment return	(15,141,454)	(2,965,193)	(18,106,647)
Contributions	—	4,057,901	4,057,901
Appropriation for expenditure	—	(1,110,244)	(1,110,244)
Transfer to create board-designated funds	8,100,023	—	8,100,023
Endowment at June 30, 2022	<u>\$ 199,179,287</u>	<u>40,879,742</u>	<u>240,059,029</u>
Investments by type of fund:			
Donor restricted permanent endowment	\$ —	27,294,877	27,294,877
Endowment appreciation	—	13,584,865	13,584,865
Board-designated endowment funds	199,179,287	—	199,179,287
Total	<u>\$ 199,179,287</u>	<u>40,879,742</u>	<u>240,059,029</u>

Changes in endowment net assets, including pledges receivable of \$1,525,551, for the year ended June 30, 2021 are as follows:

	<b>Without donor restrictions</b>	<b>With donor restrictions</b>	<b>Total</b>
Endowment at June 30, 2020	\$ 158,274,601	33,293,685	191,568,286
Investment return	40,142,795	7,604,023	47,746,818
Contributions	—	1,012,970	1,012,970
Appropriation for expenditure	—	(1,013,400)	(1,013,400)
Transfer to create board-designated funds	7,803,322	—	7,803,322
Endowment at June 30, 2021	<u>\$ 206,220,718</u>	<u>40,897,278</u>	<u>247,117,996</u>
Investments by type of fund:			
Donor-restricted permanent endowment	\$ —	23,236,976	23,236,976
Endowment appreciation	—	17,660,302	17,660,302
Board-designated endowment funds	206,220,718	—	206,220,718
Total	<u>\$ 206,220,718</u>	<u>40,897,278</u>	<u>247,117,996</u>

### Return Objectives and Risk Parameters

The University has adopted investment and spending policies for endowment assets that seek to provide a predictable stream of income, while maintaining the purchasing power of the endowment assets. Under these policies, as approved by the University's Finance Committee and the Board of Trustees, the endowment assets are invested in a number of different asset classes and investment strategies to diversify the investments to provide a balance that will enhance the long-term total return of the overall

## SACRED HEART UNIVERSITY, INC.

### Notes to Consolidated Financial Statements

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investment portfolio while avoiding undue risk or concentration in any single asset class or investment category. The amount available for spending is determined annually by applying a rate (4% for fiscal years 2022 and 2021) to the fair value of the permanently restricted endowment using the average market value for the past 12 quarters through the preceding December 31 provided the market value of the donor-restricted endowment exceeds the endowment contributions previously adjusted for inflation through December 31, 2010. Based on the calculation, the appropriation for expenditures was \$1,110,244 for 2022 and \$1,013,400 for 2021.

From time to time, the University's Board of Trustees appropriates a special distribution from the funds designated for expenditure. There were no such appropriations for the years ended June 30, 2022 and 2021, respectively.

#### *Funds with Deficiencies*

From time to time, the fair value of assets associated with an individual donor-restricted endowment fund may fall below the original value of the fund. Deficiencies of this nature are reported in the net assets with donor restrictions. The University's policy prevents spending from underwater endowment funds. At June 30, 2022, 20 endowment funds, with an aggregate original gift value of \$601,782, were underwater by \$36,710. At June 30, 2021, there were no such deficiencies.

#### **(10) Net Assets Released from Restrictions**

Net assets were released from donor restrictions due to the passage of time or by incurring expenses satisfying the restricted purposes specified by the donors as follows for fiscal years 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Restricted for specified purposes:		
Student financial assistance	\$ 9,410,934	6,097,848
Instruction	3,810,492	2,547,604
Student services	592,854	452,941
Public service radio station	4,877,382	5,147,924
Institutional supporting services	7,890,922	6,302,353
Academic support	21,904	9,910
Operations and maintenance	106,703	51,389
Net assets released from restrictions designated for operating activities	26,711,191	20,609,969
Released for capital	47,589	146,364
Total net assets released from restrictions	<u>\$ 26,758,780</u>	<u>20,756,333</u>



# SACRED HEART UNIVERSITY, INC.

## Notes to Consolidated Financial Statements

June 30, 2022 and 2021

### (11) Retirement Benefits

The University has a 403(b) defined contribution retirement plan for all employees. The University contributes a defined percentage of a participant's compensation for the purchase of individual annuities (8% for eligible faculty and administrators with a 5% participant contribution and 3% for eligible nonexempt employees). For fiscal year 2021, the University provided a one-time noncontributory 2% compensatory contribution to all benefit eligible employees (as they became eligible) in relation to the 3-month suspension of the University's contribution in response to the COVID-19 pandemic. The cost of the plan is funded as accrued through direct payments to qualified carriers. Total contributions made during fiscal years 2022 and 2021 were \$5,083,187 and \$5,308,832, respectively.

### (12) Expenses

Operating expenses by functional and natural classification for the years ended June 30, 2022 and 2021 were as follows:

	Program services					Supporting activities		2022 Total
	Instruction	Student services	Scholarships and Fellowships	Public service radio station	Auxiliary activities	Academic support	Institutional supporting services	
Salaries and benefits	\$ 73,279,440	24,210,517	—	2,903,096	5,340,366	12,354,504	19,995,275	138,083,198
Occupancy, utilities, and maintenance	3,831,089	2,692,884	—	504,016	7,248,272	1,003,175	1,979,448	17,258,884
Professional fees and contract services	7,178,717	10,845,558	—	497,564	22,423,854	1,906,789	6,728,927	49,581,409
Depreciation, amortization, and interest	10,320,567	4,347,671	—	532,031	16,388,740	1,254,919	5,322,000	38,165,928
Student aid	—	—	5,411,467	—	—	—	—	5,411,467
Other operating expenses	5,189,966	11,536,549	—	1,606,293	3,248,700	3,066,089	10,742,761	35,390,358
Total	\$ 99,799,779	53,633,179	5,411,467	6,043,000	54,649,932	19,585,476	44,768,411	283,891,244

  

	Program services					Supporting activities		2021 Total
	Instruction	Student services	Scholarships and Fellowships	Public service radio station	Auxiliary activities	Academic support	Institutional supporting services	
Salaries and benefits	\$ 66,774,146	22,389,709	—	2,566,916	3,343,293	11,251,951	19,151,077	125,477,092
Occupancy, utilities, and maintenance	3,254,003	2,186,614	—	606,947	7,743,348	603,161	1,734,340	16,128,413
Professional fees and contract services	6,182,692	12,786,485	—	553,269	18,889,496	1,363,553	7,504,875	47,280,370
Depreciation, amortization, and interest	10,362,717	4,578,043	—	544,065	13,373,272	1,201,190	5,165,611	35,224,898
Student aid	—	—	2,142,822	—	—	—	—	2,142,822
Other operating expenses	3,465,630	6,889,013	—	1,384,682	1,285,706	2,896,298	7,004,300	22,925,629
Total	\$ 90,039,188	48,829,864	2,142,822	5,655,879	44,635,115	17,316,153	40,560,203	249,179,224

## SACRED HEART UNIVERSITY, INC.

### Notes to Consolidated Financial Statements

June 30, 2022 and 2021

Institutional supporting services include total fundraising costs of \$2,415,238 and \$2,901,967 as of June 30, 2022 and 2021, respectively. Fundraising activities of the University include salaries and employee benefits of program staff that develop proposals for fundraising; solicit contributions for those needs and for endowment purposes from individuals, corporations, government agencies, and foundations; and conduct specific fundraising events. Fundraising costs are expensed as incurred.

#### (13) Commitments and Contingent Liabilities

The University has entered into operating and short-term leases primarily for office space, residence halls, and 62 acres of land, which expire through 2080. Effective May 1, 1990, the University extended its lease agreement on approximately 53 acres of land, amended June 28, 2016 to include an additional 8 contiguous acres, and buildings thereon with the Diocese of Bridgeport for 90 years. In connection with the lease, the University instituted a scholarship program providing for a minimum tuition benefit per academic year. The initial tuition benefit was \$180,000. The University entered into memorandum of understanding with the Diocese and agreed to adjust the minimum tuition benefit for inflation every 5 years. The minimum benefits \$357,205 for fiscal years 2022 and 2021, respectively. The actual tuition benefits afforded under the lease agreement in fiscal years 2022 and 2021 were \$198,869 and \$336,562, respectively.

Operating leases with lease terms greater than one year are reported as operating lease right-of-use assets and operating lease liabilities in the consolidated balance sheets.

The table below presents a maturity analysis of operating lease liabilities and a reconciliation of the total amount of such liabilities in the consolidated balance sheet as of June 30, 2022:

2023	\$	3,960,531
2024		2,590,096
2025		891,643
2026		784,067
2027		715,270
Thereafter		20,491,888
		<hr/> 29,433,495
Less discount for present value		<hr/> (6,799,707)
	\$	<hr/> <hr/> 22,633,788

Lease costs and other related information for the years ended June 30, 2022 and 2021 were as follows:

	<u>2022</u>	<u>2021</u>
Lease cost:		
Operating lease cost	\$ 4,377,249	4,378,732
Short-term lease cost	<hr/> 1,122,245	<hr/> 1,841,786
Total lease cost	<hr/> \$ 5,499,494	<hr/> 6,220,518

**SACRED HEART UNIVERSITY, INC.**  
Notes to Consolidated Financial Statements  
June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Other information:		
Cash paid for amounts included in measurement of lease liabilities:		
Operating cash flows for operating leases	\$ 4,088,638	4,038,565
Weighted-average remaining lease term	37.96 years	32.2 years
Weighted-average discount rate	1.43 %	1.65 %

The University has nine outstanding contracts in connection with construction. The contracts relate to new construction and/or renovations on leased property at 5151 Park Avenue in Fairfield, Connecticut and 3135 Easton Turnpike in Fairfield, Connecticut. The amount of the contracts remaining total approximately \$97 million at June 30, 2022.

There are various lawsuits and other legal proceedings against the University. Management is of the opinion that the ultimate disposition of such litigation will not have a material adverse effect on the University's consolidated financial statements.

**(14) Impact of COVID-19**

The World Health Organization declared COVID-19 (Coronavirus) a pandemic on March 11, 2020. In fiscal year 2022 and 2021, the University received an allocation from the Higher Education Emergency Relief Fund (HEERF) of \$11,226,185 and \$8,081,168, respectively, of which the University distributed \$4,690,452 and \$1,114,600, respectively, for the purpose of providing emergency aid to eligible students. The University established procedures for disbursement of ongoing aid to eligible students. In fiscal year 2021, the University reimbursed themselves in the amount of \$5,929,994 for lost revenue from the institutional award portion of HEERF. In addition, in fiscal year 2022, the University received a total disbursement of \$1,365,880 from FEMA to reimburse the cost related to diagnostic testing of students and staff for COVID-19.

**(15) Related-Party Transactions**

The University has a written conflict-of-interest policy that requires, among other things, that no member of the Board of Trustees can participate in any decision in which he or she (or an immediate family member) has a material financial interest. Each trustee is required to certify compliance with the conflict-of-interest policy on an annual basis and indicate whether the University does business with an entity in which a trustee has a material financial interest. When such relationships exist, measures are taken to mitigate any actual or perceived conflict, including requiring that such transactions be conducted at arm's length, for good and sufficient consideration, based on terms that are fair and reasonable to and in the best interest of the University, and in accordance with relevant conflict-of-interest laws. Members of the Board of Trustees, officers, and employees are subject to the University's conflict-of-interest policies, under which business and financial relationships must be disclosed and are subject to review and approval. University employees reporting directly to a Vice President or have fiduciary responsibilities for their departments are required to complete, sign, and submit annual conflict-of-interest statements. Statements that contain significant conflicts must include conflict mitigation measures approved by their manager. Disclosures about the University's related-party transactions, including with affiliated institutions, are referenced in notes 2 and 13 to the consolidated financial statements.

**SACRED HEART UNIVERSITY, INC.**  
Notes to Consolidated Financial Statements  
June 30, 2022 and 2021

**(16) Subsequent Events**

In connection with the preparation of the consolidated financial statements, the University evaluated subsequent events after the balance sheet date of June 30, 2022 through October 28, 2022, the date the consolidated financial statements were issued. The University is not aware of any subsequent events that would require recognition or disclosure in the consolidated financial statements.