



Financial Statement Summary for the Year Ended June 30, 2021

Overview

The financial statements of Merrimack College (the “College”), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities and cash flows and notes to the financial statements for the year then ended, were audited by Mayer Hoffman McCann P.C. (“MHM”). MHM’s independent auditors’ report dated September 16, 2021 reported an unmodified, or “clean”, audit opinion. In addition, there were no reported significant deficiencies or material weaknesses in internal control over financial reporting nor over compliance with the College’s major federal programs.

The following discussion and analysis provide commentary and data related to the financial performance of the College for the year ended June 30, 2021.

Conditions Relating to COVID-19

The College not only opened the campus for academic year 2020-2021, but it did so in a manner that afforded students maximum optionality to advance their studies and provided faculty and staff the best opportunity to remain working and engaged. The College offered both on campus/hybrid and remote learning options for students to continue their education. To aid students and parents in navigating their decision to come to campus, the College provided handbooks and multiple town halls to disseminate information to its community. The College made substantial investments to create a safe campus environment for in-person learning in the academic year 2020-2021. In an effort to provide students more financial aid to assist in a difficult economic environment, all employees agreed to take a pay reduction, including the leadership which took significant pay reductions.

As a result of strong planning, a focus on safety and course delivery options, and strong fiscal discipline, the college maintained strong enrollments. For example, 1,399 students opted for remote learning in Fall 2020 and 1,639 in Spring 2021, resulting in over 800,000 Zoom class hours.

Statement of Financial Position (Total Assets, Liabilities, and Net Assets)

In anticipation of several unknowns for the fiscal year, the College made significant fiscal changes so as to weather potential worst case scenarios, including reducing or allocating appropriately \$36M in budget resources. As a result of careful planning and a track record of agility and community support, enrollments remained strong, and worst case scenarios were not realized. The College’s total assets at June 30, 2021 were \$325M compared to \$277M at June 30, 2020, a \$48M or 17% increase. Nearly two-thirds of the increase is attributed to growth in investments (endowment) due to market earnings with a total return gain of \$17.5M in 2021 versus a \$1M loss in 2020 and an increase of \$18M in deposits with trustees, related to a new bond issuance for capital projects as described in the Agenda for the Future, the College’s strategic plan (as further



described below). The College also had an increase of \$10.7M in cash and cash equivalents accounting for the growth. The increase in cash and cash equivalents was mainly attributed to the significant positive results of operations in a significantly altered budget in 2021, as further described in the Statement of Activities section.

The College's total liabilities at June 30, 2021 were \$157.2M compared to \$139.2 in 2020, a \$18M or 13% increase. The increase was mainly due to issuance of \$22.8M revenue bonds from Massachusetts Development Finance Agency ("MDFA") to finance the construction, furnishing and equipment of various administrative and academic buildings on the College's campus. In fiscal year 2021 the College took advantage of low interest rates and also executed a refunding agreement on the Series 2012A MDFA bonds and through this refunding executed the purchase of MDFA Series 2021A-1 bonds. This transaction provided the College, on average, over \$500,000 in annual cash flow to be utilized to offset additional debt service with the new bonds, at a significantly lower interest rate.

The College's total net assets, the equivalent of the College's net worth, totaled \$167.8M at June 30, 2021 compared to \$137.8M in 2020, a \$30M or 22% increase.

Statement of Activities

Operating Results

Despite the ongoing challenges of a global pandemic, the College had an increase in net assets from operations of \$12.9M in 2021. Total operating revenues, which includes revenues from tuition, fees, room and board, grants and contributions, grew \$8.8M or 6% in 2021 and total operating expenses increased \$7.4M or 5%. The College was granted \$14M of Higher Education Emergency Relief Funds to assist students and the College with the impact of COVID-19. The College recorded grant revenue of \$6.7M in 2021. The remaining approximately \$7.3M is expected to be reported as revenue in fiscal 2022.

While the College implemented significant cost containment actions across all departments, these were offset to a certain extent by the increase in expenses related to COVID-19 such as testing costs and costs for additional safety measures such as physical barriers, reduced density, increasing locations on campus where students could dine, providing all meals in to-go containers as well as hiring additional staff to convert self-serve stations to full service.

Non-Operating Results

In 2021 the College's net assets increased \$17.1M from non-operating activities. This increase was primarily driven by investment returns, as previously discussed, and an increase in contributions of \$3M over 2020.

Statement of Cash Flows

The College continues to generate significant positive cash flow from operations. Net cash provided by operating activities was \$17.3M in 2021 and \$24.7M in 2020.

US Department of Education (the "DOE") Financial Responsibility Standards



The DOE has established ratios for determining whether an institution has sufficient financial responsibility using a methodology based on three ratios – primary reserve, equity and net income. These ratios measure different aspects of financial health and are combined into a composite score to measure financial responsibility. The College’s composite score for the year ended June 30, 2021 is 3.0, the highest rating possible, which indicates strong financial health.

Looking Forward

As described above, the College is well positioned as it enters fiscal year 2022. The College will continue to build on these positive results as it looks toward the future. The College’s strategic plan: the Agenda for the Future (2021-2026) is framed by three overarching strategic directions: Growth, Mission and Impact. The Agenda for the Future will leverage the College’s recent success and focus on strategic initiatives that will further enhance its enrollment, reputation and financial health through, and beyond, the year 2026. It is designed to align the College’s rising reputation and enrollment success with a desire for affordability, accessibility and opportunity in higher education. The College’s Board of Trustees approved this strategic plan in 2021 and the College is in the process of implementing the substantive and strategic direction within the plan.