



## Financial Statement Review for the Year Ended June 30, 2022

### Overview

The financial statements of Merrimack College (the “College”), which comprise the statement of financial position as of June 30, 2022, 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 November 8, 2022 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, 2022.

### Statement of Financial Position

The financial statements at June 30, 2022 demonstrate continued balance sheet strength and strong financial management, despite investment market volatility. After a period of historic gains, the College’s investments declined from \$76.2M in 2021 to \$68.2M in 2022. The reporting on the statement of financial position is a point in time and the College has seen its investments, post June 30, 2022, rebound to near June 30, 2021 levels. Even with a decline from 2021 to 2022, the College’s total investments have increased over 15% in the last 5 years as a result of years of continued growth.

Despite the impact of 2022’s investment losses, the College’s total assets have grown from \$325M at June 30, 2021 to \$336M in 2022. Total net assets have also grown from \$167.8M in 2021 to \$169.8M in 2022.

### Statement of Activities

#### Operating Results

Despite the ongoing challenges of a global pandemic, student demographic headwinds, investment market volatility and overall global economic uncertainty, the College had an increase in net assets from operations of \$10.1M in 2022. Total operating expenses increased \$14.2M or 9.7%. The main driver for the increase in expenses is growth in student enrollment and a return to in-person activity and pre-pandemic operations.

The College recorded grant revenue of \$7.2M and \$6.7M in 2022 and 2021, respectively, associated with the Higher Education Emergency Relief Fund (“HEERF”), of which emergency financial aid grants to students were provided in accordance with HEERF funding and College



policy. The College was also granted \$3.8M through FEMA to reimburse costs associated with controlling the spread of COVID-19.

### **Statement of Cash Flows**

The College continues to generate significant positive cash flow from operations. Net cash provided by operating activities was \$21.2M in 2022 and \$17.3M in 2021.

### **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, 2022 is 3.0, the highest rating possible, which indicates strong financial health.

### **Looking Forward**

Merrimack celebrated its 75<sup>th</sup> anniversary in 2022. As described above, the College is well positioned as it enters fiscal year 2023. The College will continue to build on these positive results and will make plans and strategic decisions based on external impacts that still exist such as demographic change and economic conditions. The College’s strategic plan: 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.