

Johnson & Wales University

Consolidated Financial Report
June 30, 2022

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RSM US LLP

Independent Auditor's Report

Board of Trustees
Johnson & Wales University

Opinion

We have audited the consolidated financial statements of Johnson & Wales University (the University), which comprise the consolidated statements of financial position as of June 30, 2022 and 2021, the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

In our opinion, the accompanying 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 accounting principles generally accepted in the United States of America.

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 Auditor's Responsibilities for the Audit of the 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 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 University's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditor's 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 auditor's 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 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 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.

RSM US LLP

Boston, Massachusetts
October 31, 2022

Johnson & Wales University

Consolidated Statements of Financial Position

June 30, 2022 and 2021

(In Thousands)

	2022	2021
Assets		
Cash and cash equivalents	\$ 48,321	\$ 19,555
Short-term investments	2,757	2,517
Student accounts receivable, net	10,605	10,401
Inventories, deferred charges and prepaid expenses	8,017	8,498
Contributions receivable, net	2,109	2,597
Student loans, notes and other receivables, net	10,133	8,255
Asset held for sale	37,343	1,513
Investments	321,959	329,170
Right of use asset	4,097	5,155
Property and equipment, net	367,024	418,533
Assets of discontinued operations	-	45,336
Total assets	\$ 812,365	\$ 851,530
Liabilities and Net Assets		
Accounts payable and accrued expenses	\$ 28,809	\$ 29,447
Deferred revenue and student deposits	24,365	14,731
Retirement plan and annuity obligations	1,989	2,249
Refundable U.S. Government grants	1,078	1,779
Right of use liability	4,683	5,844
Bonds and notes payable and line of credit	55,284	62,233
Liabilities of discontinued operations	-	652
Total liabilities	116,208	116,935
Commitments and contingencies		
Net assets:		
Without donor restrictions:		
Available for operations and designated for long-term investment	298,075	275,182
Net investment in property and equipment	348,497	402,285
Loan program	5,268	8,623
Total without donor restrictions	651,840	686,090
With donor restrictions	44,317	48,505
Total net assets	696,157	734,595
Total liabilities and net assets	\$ 812,365	\$ 851,530

See notes to consolidated financial statements.

Johnson & Wales University

Consolidated Statements of Activities Years Ended June 30, 2022 and 2021 (In Thousands)

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Operating revenue, gains and other support:						
Tuition and fees, net of financial aid and scholarships (\$109,785 and \$112,912 at June 30, 2022 and 2021, respectively)	\$ 128,904	\$ -	\$ 128,904	\$ 137,234	\$ -	\$ 137,234
Residence and dining	44,558	-	44,558	32,794	-	32,794
Hotels	6,083	-	6,083	3,148	-	3,148
Contributions, grants and federal aid to students	43,776	-	43,776	30,046	-	30,046
Investment return appropriated for operations	12,207	-	12,207	12,590	-	12,590
Other student generated	1,426	-	1,426	1,125	-	1,125
Other sources	3,602	-	3,602	2,026	-	2,026
Net assets released from restrictions	1,607	-	1,607	1,529	-	1,529
Loss on disposal of property and equipment	(1,295)	-	(1,295)	(185)	-	(185)
Total operating revenue, gains and other support	240,868	-	240,868	220,307	-	220,307
Operating expenses:						
Instructional	83,745	-	83,745	85,622	-	85,622
Academic support	16,272	-	16,272	14,804	-	14,804
Student services	78,876	-	78,876	66,489	-	66,489
Auxiliary enterprises	29,121	-	29,121	28,233	-	28,233
Institutional support	26,193	-	26,193	25,717	-	25,717
Public service	131	-	131	59	-	59
Research and development	337	-	337	-	-	-
Total operating expenses	234,675	-	234,675	220,924	-	220,924
Increase (decrease) in net assets from operations	6,193	-	6,193	(617)	-	(617)
Nonoperating activities:						
Return on long-term investments, net	(29,229)	(3,491)	(32,720)	70,567	10,313	80,880
Investment return appropriated for operations	(10,772)	(1,435)	(12,207)	(11,613)	(977)	(12,590)
Restricted contributions	-	2,345	2,345	-	1,926	1,926
Net assets released from restrictions	-	(1,607)	(1,607)	-	(1,529)	(1,529)
Loss on extinguishment of debt	(442)	-	(442)	-	-	-
(Decrease) increase in net assets from nonoperating activities	(40,443)	(4,188)	(44,631)	58,954	9,733	68,687
(Decrease) increase in net assets from continuing operations	(34,250)	(4,188)	(38,438)	58,337	9,733	68,070
Discontinued operations:						
North Miami (including loss on disposal of \$610)	-	-	-	(10,621)	(1,040)	(11,661)
Denver (including loss on disposal of \$20,185)	-	-	-	(39,637)	(771)	(40,408)
(Decrease) increase in net assets	(34,250)	(4,188)	(38,438)	8,079	7,922	16,001
Net assets at beginning of year	686,090	48,505	734,595	678,011	40,583	718,594
Net assets at end of year	\$ 651,840	\$ 44,317	\$ 696,157	\$ 686,090	\$ 48,505	\$ 734,595

See notes to consolidated financial statements.

Johnson & Wales University

Consolidated Statements of Cash Flows Years Ended June 30, 2022 and 2021 (In Thousands)

	2022	2021
Cash flows from operating activities:		
Continuing operations:		
(Decrease) increase in net assets	\$ (38,438)	\$ 68,070
Adjustments to reconcile (decrease) increase in net assets to net cash provided by continuing operating activities:		
Depreciation and amortization expense	23,276	25,781
Net realized and unrealized gain on investments	33,042	(81,164)
Change in allowance for uncollectible accounts	(1,989)	(4,177)
Contributions restricted for long-term investment	(525)	(1,481)
Loss (gain) on sale of property and equipment	375	46
Impairment of assets held for sale	920	138
Amortization of right of use asset	1,094	3,517
Payments on right of use liability	(1,197)	(4,042)
Loss on extinguishment of debt	442	5,410
Transition adjustment for adoption of ASC 842	-	1,214
Changes in assets and liabilities:		
(Increase) decrease in:		
Student accounts receivable	249	2,180
Inventories, deferred charges and prepaid expenses	481	1,804
Contributions receivable	675	2,745
Student loans, notes and other receivables	(2,790)	11,534
Increase (decrease) in:		
Accounts payable and accrued expenses	(2,234)	(1,299)
Deferred revenue and student deposits	9,634	(1,000)
Retirement plan and annuity obligations	(260)	623
Cash provided by continuing operating activities	22,755	29,899
Discontinued operations:		
Decrease in net assets	-	(52,069)
Adjustments to reconcile decrease in net assets to net cash used in operating activities:		
Depreciation and amortization expense	-	7,095
Loss on sale of property and equipment	-	17,062
Impairment of assets held for sale	-	3,733
Changes in assets and liabilities:		
(Increase) decrease in:		
Inventories, deferred charges and prepaid expenses	175	1,066
Contributions receivable	-	1,364
Notes and other receivables	-	229
Increase (decrease) in:		
Accounts payable and accrued expenses	(652)	(3,764)
Deferred revenue and student deposits	-	(2,215)
Cash used in discontinued operating activities	(477)	(27,499)
Net cash provided by operating activities	22,278	2,400

(Continued)

Johnson & Wales University

Consolidated Statements of Cash Flows (Continued) Years Ended June 30, 2022 and 2021 (In Thousands)

	2022	2021
Cash flows from investing activities:		
Purchase of property, plant and equipment	\$ (8,928)	\$ (3,262)
Proceeds from sale of property, plant and equipment	477	-
Proceeds from sale of property, plant and equipment—discontinued operations	45,143	68,207
Purchase of investments	(185,390)	(28,806)
Proceeds from short-term investments	-	5
Purchase of short-term investments	(240)	-
Proceeds from maturity and sale of investments	159,559	44,529
Student loans, notes and other receivables collected	3,361	5,470
Net cash provided by investing activities	13,982	86,143
Cash flows from financing activities:		
Principal repayments on bonds and notes payable	(31,591)	(75,499)
Repayments on line of credit	-	(5,838)
Payments for bond defeasance	(625)	-
Proceeds from issuance of bonds	24,900	-
Proceeds from note payable	197	-
Payment of bond issuance costs	(199)	-
Contributions restricted for long-term investment	525	1,481
Repayment of refundable U.S. grants	(701)	(627)
Net cash used in financing activities	(7,494)	(80,483)
Net increase in cash and cash equivalents	28,766	8,060
Cash and cash equivalents, beginning of year	19,555	11,495
Cash and cash equivalents of continuing operations, end of year	\$ 48,321	\$ 19,555
Cash paid for interest	\$ 2,160	\$ 5,160
Sale of property and equipment with note receivable	\$ 1,100	\$ -
Property and equipment included in accounts payable	\$ 1,671	\$ 75
Student loans cancelled or assigned to the federal government	\$ 2,671	\$ 991

See notes to consolidated financial statements.

Johnson & Wales University

Notes to Consolidated Financial Statements (In Thousands)

Note 1. Nature of the University and Summary of Significant Accounting Policies

Founded in 1914, Johnson & Wales University (the University) is a private, nonprofit, accredited institution with approximately 8,700 graduate, undergraduate and online students at its campuses in Providence, Rhode Island, and Charlotte, North Carolina. An innovative educational leader, the University offers undergraduate and graduate degree programs in arts and science, business, engineering, food innovation, hospitality, nutrition, and health and wellness. It also offers undergraduate programs in culinary arts, dietetics and design. The University's unique model provides students with the personalized attention, academic expertise and industry connections that inspire professional success and personal growth. The time students spend at the University is nothing short of transformative, as demonstrated by career outcomes, expected earnings, and economic mobility rankings. The University's impact is global, with alumni in 125 countries pursuing careers worldwide.

A major component of the University's FOCUS 2022 strategic plan was the sustainability of the branch campuses. After extensive deliberations and analysis, it was determined that the University's unique status as one university, with four geographically diverse on-the-ground campuses, was no longer viable in the rapidly changing landscape of higher education. The rapid spread of the coronavirus brought to the forefront for many colleges and universities the need to revisit their delivery models. In June 2020, the University's Board of Trustees (the Board) concluded that the time had come to consolidate the university system into a two-campus model (Providence and Charlotte) coupled with a robust online delivery model. In July 2020, the University announced the planned closure of the North Miami and Denver branch campuses at the end of the 2020/2021 academic year.

The North Miami and Denver branch campuses were closed as of June 30, 2021. The Denver campus and a portion of the North Miami campus were sold prior to June 30, 2021, and the remainder of the North Miami campus was sold in July 2021. As a result of the campus closures, the University presented North Miami and Denver campus' operating results as discontinued operations for the year ended June 30, 2021. See Note 14 for additional details.

The University consists of the following entities, which have been consolidated in the accompanying financial statements: Johnson & Wales University, Johnson & Wales University Club, Wildcat Realty Holdings LLC, and The FIX, LLC (FIX). FIX was dissolved during the year ended June 30, 2022. All intercompany balances and transactions have been eliminated in the accompanying consolidated financial statements.

Basis of statement presentation: The consolidated financial statements of the University have been prepared on the accrual basis of accounting and in accordance with accounting standards set by the Financial Accounting Standards Board (FASB). The FASB defines accounting principles generally accepted in the United States (U.S. GAAP) to ensure financial condition, results of operations, and cash flows are consistently reported. References to U.S. GAAP issued by the FASB in these footnotes are to the FASB Accounting Standards Codification (ASC).

Classification and reporting of net assets: The University reports two classes of net assets and the changes in those net assets in the consolidated statements of financial position and consolidated statements of activities, respectively. The two classes of net assets—without donor restrictions and with donor restrictions—are based on the existence or absence of donor-imposed restrictions, either explicit or implicit. The two classifications are defined as follows:

Without donor restrictions: Net assets are not subject to donor-imposed stipulations. Net assets without donor restrictions include expendable funds available for support of the University as well as funds invested in plant, including campus buildings and loan programs. In addition, net assets without donor restrictions include funds which represent resources designated by the Board for endowment.

Notes to Consolidated Financial Statements
(In Thousands)

Note 1. Nature of the University and Summary of Significant Accounting Policies (Continued)

With donor restrictions: Net assets are subject to donor-imposed restrictions that require they be maintained in perpetuity or that permit the University to use or expend the donated assets as specified and are satisfied by either the passage of time or by actions of the University. Net assets with donor restrictions also include, under Rhode Island law, amounts representing cumulative unexpended gains on donor-restricted endowment funds, which are subject to prudent appropriation by the Board in accordance with donor use restrictions, but which have not yet been appropriated by the Board. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the consolidated statements of activities as net assets released from restrictions.

Operating activities: The consolidated statements of activities report the changes in net assets without donor restrictions from operating and nonoperating activities. Operating revenues without donor restrictions and expenses consist of those items attributable to the University's primary mission of providing education. Investment return included in operations reflects the amounts appropriated from the endowment computed using the spending policy for the period as approved by the Board. All other investment income or losses are reported as nonoperating activities commensurate with any restrictions. The University also considers restricted contributions as nonoperating activities, until released into operations.

Investments: Investments are carried at fair value. Purchases and sales of securities are recorded on trade dates, and realized gains and losses are determined on the basis of average cost of securities sold.

Interest, dividends and net gains or losses on investments are reported as increases or decreases in net assets with donor restrictions if the terms of the original gift require that they be applied to the principal of a donor-restricted endowment fund or if the terms of the gift and/or relevant state law impose restrictions on the current use of the income or net gains and losses, and as increases or decreases in net assets without donor restrictions in all other cases.

The University invests in alternative investments consisting of absolute return funds, marketable asset partnerships, nonmarketable asset partnerships and real estate funds. Alternative investments utilize a variety of investment strategies incorporating marketable and nonmarketable securities and, in some cases, derivative instruments, all of which are reported at fair value by the fund managers. Nonmarketable asset partnerships (investments for which there may not be a value established by major security markets) are valued on a quarterly basis and are carried at fair values based upon the most recent financial information provided by the general partners. Management believes this method provides a reasonable estimate of fair value. These investments provide broad diversification, offering sources of return that are not generally correlated with traditional equity and fixed-income markets. Hedging strategies may include securities denominated in foreign currencies, options, futures, forward contracts, short sales or other financial instruments whose value and performance are derived, at least in part, from the performance of an underlying asset or index and the creditworthiness of the counterparty of the transactions.

Notes to Consolidated Financial Statements
(In Thousands)

Note 1. Nature of the University and Summary of Significant Accounting Policies (Continued)

Fair value measurements: The University reports certain types of financial instruments at fair value depending on the underlying accounting policy for the particular instrument. Recurring fair value measurements include the University's investment accounts. Nonrecurring measurements include contributions receivable and annuity obligations. Fair value standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or valuation techniques) to determine fair value. In addition, the University reports certain investments using net asset value (NAV) per share as determined by investment managers under the so called, practical expedient. The practical expedient allows NAV per share to represent fair value for reporting purposes when the criteria for using this method are met. Fair value standards also require the University to classify recurring fair values of financial instruments into a three-level hierarchy based on the priority of inputs to the valuation technique or in accordance with NAV practical expedient rules.

Instruments measured and reported at fair value on a recurring basis are classified and disclosed in one of the following categories:

- Level 1:** Quoted prices are available in active markets for identical instruments as of the reporting date. Instruments which are generally included in this category include listed equity and debt securities publicly traded on a stock exchange.
- Level 2:** Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.
- Level 3:** Pricing inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument. The inputs into the determination of fair value require significant management judgment or estimation.

The University has various processes and controls in place to ensure that fair value is reasonably estimated. In some instances, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such instances, the inputs are based on the lowest level of input that is significant to the fair value measurement.

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. Investments, in general, are exposed to various risks, such as interest rate, credit and overall market volatility. As such, it is reasonably possible that changes in values of these instruments will occur in the near term and that such changes could materially affect amounts reported in these consolidated financial statements.

The following is a description of the valuation methodologies used for instruments measured at fair value:

Equity and fixed-income securities and other investments: The fair value of equity and fixed-income securities and other investments is the market value based on quoted market prices, when available, or market prices provided by recognized broker-dealers. If listed prices or quotes are not available, fair value is based upon externally developed models that use unobservable inputs due to the limited market activity of the instrument.

Johnson & Wales University

Notes to Consolidated Financial Statements (In Thousands)

Note 1. Nature of the University and Summary of Significant Accounting Policies (Continued)

Cash equivalents: Cash equivalents, except those that are managed by external investment managers as part of their long-term strategies, are carried at cost, which approximates fair value.

During the years ended June 30, 2022 and 2021, there were no changes to the University's valuation techniques that had, or are expected to have, a material impact on its consolidated financial position or consolidated statements of activities.

Equity method investment: The University accounted for its investment in FIX under the equity method of accounting. At June 30, 2021, the University had a 50% ownership in FIX, a research and development company that focused on developing appetizing nutritional products that have specific medicinal or health related benefits. At June 30, 2021 based on continued losses, and the decision to wind down and dissolve FIX by December 31, 2021, management determined the investment was fully impaired and recorded an impairment charge of \$1,768 within returns from unrestricted investments in the consolidated statement of activities to reduce June 30, 2021, investment carrying value to \$0. On June 30, 2021, the members of FIX resolved by unanimous written consent to cease operations and enter into a wind-up agreement to dissolve FIX. The agreement included the redemption of the members' interest in July 2021 other than that of the University, which resulted in the University becoming the sole member. The University had a \$52 gain from the initial consolidation of FIX less expenses incurred during the wind-down period, which is included in other sources of operating revenue for the year ended June 30, 2022, in the consolidated statement of activities. The entity was dissolved in December 2021.

Use of estimates: The preparation of the 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 reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Significant management estimates included in the consolidated financial statements relate to the allowance for doubtful loans, contributions and accounts receivable, fair value of certain investments, the estimate of annuity and pension obligations, recoverability of long-lived assets, valuation of assets held for sale and the allocation of common expenses over program functions.

Liquidity: In order to provide information about liquidity, assets are sequenced in the consolidated statements of financial position according to their nearness of conversion to cash and liabilities based on their estimated maturity.

Cash and cash equivalents: The University considers highly liquid investments with maturities of three months or less at the date of purchase to be cash equivalents. Cash equivalents held by investment managers are considered part of investments, given the expectation of near-term reinvestment.

The University's banking relationship with Truist Commercial Equity, Inc. requires the University to maintain a minimum account balance of \$10,000, which is included in cash and cash equivalents on the consolidated statement of financial position at June 30, 2022.

Johnson & Wales University

Notes to Consolidated Financial Statements (In Thousands)

Note 1. Nature of the University and Summary of Significant Accounting Policies (Continued)

The University maintains its cash balances at several financial institutions which, at times, may exceed federally insured limits. The University monitors its exposure associated with cash and cash equivalents and has not experienced any losses in such accounts.

Short-term investments: Short-term investments are highly liquid investments which are available to be used to pay liabilities of the University within the next year.

Inventory: Inventory is carried at the lower of cost (average cost) or net realizable value.

Contributions: Contributions received, including unconditional promises to give, are initially recorded at fair value in the period the donor's commitments are received based on Level 2 inputs. Unconditional pledges which are receivable in future periods are included in the consolidated financial statements as contributions receivable. Unconditional contributions receivable is recognized at the estimated net present value using a discount rate commensurate with the risk involved.

Unconditional promises to give are recorded net of an allowance and periodically reviewed to assess an estimate of an allowance for doubtful collections. Management estimates the allowance based on a review of historical experience and a specific review of collection trends that differ from plan on individual accounts.

Conditional promises to give, that is those with a measurable performance or other barrier and a right of return, are not recognized as revenue until the conditions on which they depend are met. There are no conditional contributions, other than the conditional grants described below, at June 30, 2022 and 2021.

Individual grant arrangements have been evaluated and determined to be nonreciprocal, meaning the granting entity has not received a direct benefit in exchange for the resources provided. Instead, revenue is recognized like a conditional contribution when the barrier to entitlement is overcome. The barrier to entitlement is considered overcome when expenditures associated with each grant are determined to be allowable and all other significant conditions of the grant are met. These transactions are then recognized as unconditional and classified as increases to unrestricted net assets.

The University was awarded funding from the federal government through three COVID-19 relief programs, which are referred to as the Higher Education Emergency Relief Funds (HEERF). The cumulative amount of the grants available through the years ended June 30, 2022 and 2021, were \$76,095 and included a requirement that the University use no less than \$33,105 of the funds for emergency financial aid grants to students, with the remainder available for institutional expenses. During the years ended June 30, 2022 and 2021, the University distributed \$18,923 and \$9,508, respectively, of the funds to eligible students to help offset the expenses related to the disruption of campus operations beginning in the spring of 2020. The institutional portion contains an additional barrier relating to limited discretion over the types of expenditures for which the funds can be used. During the years ended June 30, 2022 and 2021, the University recorded \$19,861 and \$17,761, respectively, in institutional funds. The revenue associated with both the student distributions and institutional aid is included within contributions, grants and federal aid to students on the consolidated statements of activities. As of June 30, 2022, the University had met all barriers relating to the expenditure of funds and all of the HEERF funds have been expended. The total conditional grants as of June 30, 2021, was \$38,784 which was recognized as contribution revenue during fiscal 2022, when the remaining barrier was met.

Johnson & Wales University

Notes to Consolidated Financial Statements (In Thousands)

Note 1. Nature of the University and Summary of Significant Accounting Policies (Continued)

Gifts in kind: Gifts in kind are noncash, tangible donations received by the University. Gifts-in-kind donations are valued at fair market value as determined by a written appraisal from an independent qualified appraiser or other substantiating documentation. Gifts-in-kind contributions are reported as part of contributions, grants and federal aid to students in the consolidated statements of activities. Detail of gifts in kind as of June 30 is as follows:

	2022	2021
Horse and equipment for equine program	\$ 29	\$ 32
Classroom supplies, including food for culinary program	246	200
	<u>\$ 275</u>	<u>\$ 232</u>

Student accounts receivable: Receivables are carried at the outstanding amount less an estimate made for doubtful receivables based on a periodic review using historical experience applied to an aging of accounts. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received as a reduction of bad debt expense. Accounts receivables are considered past due if any portion of the receivable balance is outstanding for more than 90 days. Interest is not charged on receivables.

Student loans: Included in loans receivable are University funds loaned to students and funds advanced by the University via the Federal Perkins Loan Program (Perkins).

The Perkins program was terminated effective September 30, 2017. As such, no further loans can be awarded to students on or after October 1, 2017. Perkins loans receivable are unsecured and carried at their estimated net realizable value. Interest and late fees are recorded when received. Perkins loans that are in default and meet certain requirements can be assigned to the U.S. Department of Education (DOE). The federal portion of the funds are ultimately refundable to the federal government. The federal government has begun the wind down of Perkins and has begun collecting the federal share of the Perkins funds through the revolving fund distribution of assets process.

Included in loans receivable are University-funded achievement loans, which are carried at their net realizable value. These amounts represent unsecured loans to students which are payable in accordance with established terms. Interest and late fees are recorded when received. The Achievement Loan program ended during the fiscal year ended June 30, 2006.

For all loans, management estimates the allowance for credit losses based on historical experience applied to an aging of accounts, current economic conditions and the credit quality of the loans.

Property and equipment: Constructed and purchased property and equipment are carried at cost. Land, buildings or equipment donated to the University are carried at estimated fair value at the date of the gift. If donors stipulate how long the assets must be used, the contributions are recorded within net assets with donor restrictions. In the absence of such stipulations, contributions of land, buildings and equipment are recorded within net assets without donor restriction at fair value.

Long-lived fixed assets, with the exception of land, library holdings and artwork, are depreciated using the straight-line method over the estimated useful lives of the respective assets.

Johnson & Wales University

Notes to Consolidated Financial Statements (In Thousands)

Note 1. Nature of the University and Summary of Significant Accounting Policies (Continued)

Costs incurred in connection with construction projects are accumulated in construction in progress until the project is complete and placed in service, at which time the cost is transferred to the appropriate asset account and depreciation begins.

Expenditures for maintenance and repairs are charged to expense as incurred; betterments are capitalized. When assets are sold or retired, the related cost and accumulated depreciation are removed from the respective accounts, and any resulting gain or loss is credited or charged to operating or nonoperating activities, depending on the nature of the transaction.

The University reviews the carrying value of its long-lived assets to assess the recoverability of these assets whenever events or changes in circumstances indicate the need; any impairment is recognized in operating results if a permanent reduction in value is deemed to have occurred. As of June 30, 2022 and 2021, no impairment indicators were identified for assets used in continuing operations.

The University had previously determined the existence of certain environmental obligations which are managed by the University's facilities department, including regular external inspections, to ensure compliance with various environmental regulations. The recording of a liability is required if the obligation can be reasonably estimated and legally required. The University has estimated the liability at June 30, 2022 and 2021, to be \$325 and \$307, respectively, which is included in accrued expenses in the consolidated statements of financial position.

Assets held for sale: The University classified certain buildings as held for sale during the years ended June 30, 2022 and 2021, at the time the University committed to sell the assets and began actively marketing the assets and the assets were available for immediate sale in their present condition. As of June 30, 2022, three buildings at the Providence campus and one building and a lot at the Charlotte campus were classified as held for sale on the consolidated statements of financial position. As of June 30, 2021, a building at the Providence campus was classified separately as an asset held for sale and the remainder of the North Miami campus was classified as held for sale included in assets of discontinued operations on the consolidated statements of financial position. The assets are reported at the lower of the carrying value or fair value, less costs to sell. As of June 30, 2022 and 2021, the University recorded an impairment loss of \$920 and \$3,871, respectively, which is included in loss from disposal of property and equipment on the consolidated statements of activities, to reduce the value of the assets to fair value less costs to sell. All assets classified as held for sale as of June 30, 2021, were sold during the year ended June 30, 2022. Certain assets held for sale of June 30, 2022, have been sold subsequent to year-end (see Note 15).

Collections: Collections consist of items that include works of art that were donated or purchased by the University. These items are capitalized at cost, if the items were purchased, or at the fair value on their accession date, if the items were contributed. These collections are protected and preserved for public exhibition, education, research and the furtherance of public service and, therefore, are not depreciated. Proceeds from deaccessions are reflected as increases in the appropriate net asset class and can be used to acquire new items or used as direct care for existing items already in possession. Direct care is defined as costs incurred that enhance the life, usefulness, or quality of the University's collections.

Right-of-use asset: The University determines if an arrangement is a lease at inception of a contract. A contract is determined to be or contain a lease if the contract conveys the right to control the use of identified property, plant or equipment (an identified asset) in exchange for consideration. The University's lease agreements do not contain any material residual value or restrictive covenants.

Notes to Consolidated Financial Statements
(In Thousands)

Note 1. Nature of the University and Summary of Significant Accounting Policies (Continued)

Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the consolidated statements of activities. Leases result in the recognition of right-of-use assets and lease liabilities on the consolidated statements of financial position. Right-of-use assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis. The University determines lease classification as operating or finance at the lease commencement date.

At lease inception, the lease liability is measured at the present value of the lease payments over the lease term. The right-of-use asset equals the lease liability adjusted for any initial direct costs, prepaid or deferred rent. The University elected the private company alternative to use the risk-free rate in determining the present value of lease payments. The value of an option to extend or terminate a lease is reflected to the extent it is reasonably certain management will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. Interest expense is recognized as a component of the lease payment for finance leases.

Bond issuance costs: Bond issuance costs are capitalized and amortized using the effective interest method over the life of the associated bond issue. The bond issuance costs are included within bonds and notes payable and line of credit in the consolidated statements of financial position. Amortization expense was \$45 and \$102 in 2022 and 2021, respectively, and is included as a component of interest expense in the consolidated statements of activities.

Revenue recognition: The University uses a five-step model for revenue recognition defined by FASB ASC Topic 606, Revenue from Contracts with Customers, which requires the University to: (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 in the contract and (5) recognize revenue when each performance obligation is satisfied.

The University has identified a performance obligation associated with the provision of its educational instruction and other educational services, housing services, and other academic-related services and uses the output measure for recognition as the period of time over which the services are provided.

Tuition revenue and discounts: Tuition and fees revenue is substantially billed and collected prior to the end of each semester. Revenues are earned and recognized over the course of each semester as academic programs are delivered. Institutional financial aid and scholarships awarded to students reduce the amount of revenue recognized. In addition, students who adjust their course load or withdraw completely may receive a full or partial refund in accordance with the University's refund policy. Refunds issued reduce the amount of revenue recognized. Students are responsible for paying all charges in full or for making arrangements for monthly or by term payments by due dates published by the University. Accounts and notes receivable from students for services provided from contracts are disclosed in Note 3 of the consolidated financial statements. Payments received prior to the start of an academic period are recorded as deposits, to be recognized as revenue over the academic period as services are rendered, which totaled \$15,049 and \$4,202 at June 30, 2022 and 2021, respectively, and are included in deferred revenue and student deposits on the consolidated statements of financial position.

The portion of tuition revenue received by June 30, 2022 and 2021, for the summer terms that is earned subsequent to the years ended June 30, 2022 and 2021, is treated as deferred revenue. The deferred revenue balance of \$8,475 at June 30, 2021, was recognized as tuition revenue during the year ended June 30, 2022. The deferred revenue balance of \$7,713 as of June 30, 2022, will be recognized as tuition revenue during the year ending June 30, 2023.

Johnson & Wales University

Notes to Consolidated Financial Statements (In Thousands)

Note 1. Nature of the University and Summary of Significant Accounting Policies (Continued)

The composition of tuition and fees based on degree programs for the years ended June 30 is as follows:

	2022	2021
Undergraduate (net of financial aid and scholarships of \$108,178 and \$126,860 in 2022 and 2021, respectively)	\$ 108,215	\$ 130,756
Graduate (net of financial aid and scholarships of \$1,607 and \$2,295 in 2022 and 2021, respectively)	20,131	21,717
Non-degree programs	558	309
	<u>\$ 128,904</u>	<u>\$ 152,782</u>

Residence and dining, other student generated and other sources: These consist principally of goods and services to the campus community, including dining facilities, residence halls, parking garage, banquet operations, facility rentals and other miscellaneous fees, such as print shop services. These revenues and expenses are reported as a component of changes in net assets without donor restrictions. Revenue associated with other student generated and other sources are recorded at the point in time the associated service is provided.

Charges to students for campus residence and dining services are substantially billed and collected prior to the end of each semester. Associated revenues are earned and recognized over the course of each semester as these services are delivered.

Hotels: Room, food, beverage and other sales revenue from the Doubletree Hotel, owned by the University and managed by Hilton Hotels, is recognized as services are provided and obligations are fulfilled.

Annuity obligations: The University's split-interest agreements consist principally of irrevocable charitable remainder trusts for which the University serves as trustee. Assets held in these trusts are included in investments and reported at fair value. Contribution revenues are initially recognized at fair value at the date the trusts are established after recording liabilities for the present value of the estimated future payments to be made to beneficiaries to arrive at fair value using Level 2 inputs. The liabilities are adjusted during the term of the trusts for changes in the actuarial value, accretion of the discount and other changes affecting the estimates of future obligations. The liabilities are included in retirement plan and annuity obligations on the consolidated statements of financial position.

Fundraising expenses: Fundraising costs of \$2,965 and \$4,184 in fiscal years 2022 and 2021, respectively, are charged to expense and are included in institutional support expenses in the consolidated statements of activities.

Advertising, promotions and publication expenses: The University expenses advertising, promotion and publication costs as incurred. Advertising, promotions and publications expenses for the years ended June 30, 2022 and 2021, were \$9,065 and \$8,215, respectively.

Tax status: Johnson & Wales University is recognized by the Internal Revenue Service as an educational institution as described in Section 501(c)(3) of the Internal Revenue Code (the Code) and is generally exempt from federal and state income taxes on related income. Any tax on the subsidiaries or unrelated business activities is not significant to the consolidated financial statements.

Johnson & Wales University

Notes to Consolidated Financial Statements (In Thousands)

Note 1. Nature of the University and Summary of Significant Accounting Policies (Continued)

The University has identified its tax status as a tax-exempt entity and its decision to include or exclude items of income unrelated to its operations as tax positions; however, the University has determined that such tax positions do not result in an uncertainty requiring recognition. Management believes the University has no uncertain tax positions as of June 30, 2022 or 2021.

With few exceptions, the University is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for fiscal years before 2018. Interest and penalties, if any, are included in income tax expense.

Reclassifications: Certain reclassifications within the consolidated financial statements have been made to the 2021 consolidated financial statements to conform to the 2022 presentation.

Recently adopted accounting pronouncement: In September 2020, the FASB issued Accounting Standards Update (ASU) 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires not-for-profit entities to change their financial statement presentation and disclosure of contributed nonfinancial assets, or gifts in kind. Contributed nonfinancial assets are to be presented as a separate line item in the statement of activities, apart from contributions of cash and other financial assets. Disclosure requirements have also been added on disaggregated contributed nonfinancial assets by type. The amendments in this ASU are effective for annual financial statements issued for fiscal years beginning after June 15, 2021, and for interim periods within fiscal years beginning after June 15, 2022. Early application of the amendments is permitted. The amendments in this ASU should be applied on a retrospective basis. The adoption of this standard did not have a significant impact on the consolidated financial statements.

Recently issued accounting pronouncement: In June 2016, the FASB issued ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which creates a new credit impairment standard for financial assets measured at amortized cost and available-for-sale debt securities. The ASU requires financial assets measured at amortized cost (including loans, trade receivables and held-to-maturity debt securities) to be presented at the net amount expected to be collected, through an allowance for credit losses that are expected to occur over the remaining life of the asset, rather than incurred losses. The measurement of credit losses for newly recognized financial assets (other than certain purchased assets) and subsequent changes in the allowance for credit losses are recorded in the statement of activities as the amounts expected to be collected change. The ASU is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. Early adoption is permitted. The University is currently evaluating the impact of adopting this new guidance on the consolidated financial statements.

Johnson & Wales University

Notes to Consolidated Financial Statements (In Thousands)

Note 2. Liquidity and Availability

As of June 30, financial assets and liquidity resources available within one year for general expenditure, such as operating expenses, scheduled principal payments on debt and capitalized construction costs not financed with debt, were as follows:

	2022	2021
Financial assets at year-end:		
Cash and cash equivalents	\$ 48,321	\$ 19,555
Short-term investments	2,757	2,517
Student accounts receivable	10,605	10,401
Contributions receivable, net	2,109	2,597
Student loans, notes and other receivables, net	10,133	8,255
Investments	321,959	329,170
	<u>395,884</u>	<u>372,495</u>
Less amounts not available to be used within one year:		
Net asset with donor restrictions	(44,215)	(48,132)
Net assets with time restrictions	(1,847)	(24)
Net assets with contractual restrictions	(15,751)	(8,137)
Board-designated for endowment	(275,321)	(276,506)
	<u>(337,134)</u>	<u>(332,799)</u>
Add amounts available to be used within one year:		
Net assets with donor restrictions to be met within one year	1,750	2,050
Investment return to be appropriated for operations	13,368	12,207
	<u>15,118</u>	<u>14,257</u>
Financial assets available to meet general expenditure within one year	<u>\$ 73,868</u>	<u>\$ 53,953</u>

As part of its liquidity management, the University evaluates, on an annual basis, liquidity requirements taking into consideration operating expectations, capital plans and debt service requirements. Financial assets are structured to be available as general expenditures, liabilities and other obligations become due. In addition, the University has a board-designated endowment totaling \$275,321 and \$276,506 as of June 30, 2022 and 2021, respectively. Although the University does not intend to spend from its board-designated endowment, other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation process, amounts from its board-designated endowment could be made available if necessary.

The University's cash flows have seasonal variations attributable to the timing of tuition billing and contributions received. To manage liquidity, the University maintains a working capital portfolio conservatively invested where the amounts and duration of investments correspond with the University's projected liquidity need.

In addition, the University has a \$26 million line of credit available for use as of June 30, 2022 and 2021 (see Note 8).

Johnson & Wales University

Notes to Consolidated Financial Statements (In Thousands)

Note 3. Student Accounts Receivable, Student Loans, Notes and Other Receivables

Student accounts receivables consist of the following at June 30:

	2022	2021
Student accounts receivable:		
Student receivables	\$ 12,309	\$ 12,558
Allowance for doubtful accounts	(1,704)	(2,157)
Student accounts receivable, net	<u>\$ 10,605</u>	<u>\$ 10,401</u>

Student loans, notes and other receivables consist of the following at June 30:

	2022	2021
Achievement loans	\$ 2,849	\$ 3,178
Perkins loans	5,490	11,193
	<u>8,339</u>	<u>14,371</u>
Less allowance for doubtful accounts:		
Beginning of year	8,893	12,902
Current year (write-offs/recoveries) provisions	(4,002)	(3,981)
Achievement loan cancellations	(18)	(28)
End of year	<u>4,873</u>	<u>8,893</u>
Student loans and notes receivable, net	3,466	5,478
Notes and other receivables	6,667	2,777
Student loans, notes and other receivables, net	<u>\$ 10,133</u>	<u>\$ 8,255</u>

At June 30, the following is an aging analysis of amounts due under the student loan programs:

	2022					
	31-120 Days Past Due	121-360 Days Past Due	Greater Than 360 Days Past Due	Total Past Due	Current	Total Financing Receivable
Achievement loans	\$ 7	\$ 17	\$ 2,768	\$ 2,792	\$ 57	\$ 2,849
Perkins loans	731	344	1,016	2,091	3,399	5,490
Student loans and notes receivable	<u>\$ 738</u>	<u>\$ 361</u>	<u>\$ 3,784</u>	<u>\$ 4,883</u>	<u>\$ 3,456</u>	<u>\$ 8,339</u>

Johnson & Wales University

Notes to Consolidated Financial Statements
(In Thousands)

Note 3. Student Accounts Receivable, Student Loans, Notes and Other Receivables
(Continued)

	2021				
	31-120 Days Past Due	121-360 Days Past Due	Greater Than 360 Days Past Due	Total Past Due	Total Financing Receivable
Achievement loans	\$ 10	\$ 10	\$ 3,071	\$ 3,091	\$ 87
Perkins loans	1,518	435	3,864	5,817	5,376
Student loans and notes receivable	\$ 1,528	\$ 445	\$ 6,935	\$ 8,908	\$ 5,463
					\$ 14,371

Performing loans are those which are less than or equal to 120 days past due. Nonperforming loans are those which are greater than 120 days past due.

Note 4. Contributions Receivable

Contributions receivables consist of the following at June 30:

	2022	2021
Unconditional promises expected to be collected in:		
Less than one year	\$ 1,194	\$ 1,299
One to five years	1,213	1,783
	2,407	3,082
Less:		
Allowance for uncollectible contributions	(102)	(214)
Discount to present value	(196)	(271)
Contributions receivable, net	\$ 2,109	\$ 2,597

The discount rates used to calculate the discounted value of contributions receivable ranged from 5.01% to 2.07% for the years ended June 30, 2022 and 2021.

Johnson & Wales University

Notes to Consolidated Financial Statements (In Thousands)

Note 5. Investments and Fair Value Measurements

Fair values of financial instruments: The following table presents financial instruments at June 30, for which the University measures fair value on a recurring basis, by level, within the fair value hierarchy:

2022					
	Level 1	Level 2	Level 3	Investments Measured at NAV (a)	Total
Investments:					
U.S. equities	\$ 27,012	\$ -	\$ -	\$ -	\$ 27,012
Global equities	43,617	-	-	-	43,617
Fixed income	17,250	-	-	-	17,250
Marketable alternative assets	-	-	-	197,066	197,066
Nonmarketable alternative assets:					
Restructuring funds	-	-	-	16,913	16,913
Private equity funds	-	-	-	4,268	4,268
Nonmarketable inflation hedging	-	-	-	2,660	2,660
Cash and cash equivalents	11,365	-	-	-	11,365
Other investments	9	1,799	-	-	1,808
Investments measured at fair value	<u>\$ 99,253</u>	<u>\$ 1,799</u>	<u>\$ -</u>	<u>\$ 220,907</u>	<u>\$ 321,959</u>
Short-term investments:					
U.S. fixed income	<u>\$ 2,757</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,757</u>
2021					
	Level 1	Level 2	Level 3	Investments Measured at NAV (a)	Total
Investments:					
U.S. equities	\$ 21,404	\$ -	\$ -	\$ -	\$ 21,404
Global equities	41,958	-	-	-	41,958
Fixed income	9,149	-	-	-	9,149
Marketable alternative assets	-	-	-	224,351	224,351
Nonmarketable alternative assets:					
Restructuring funds	-	-	-	19,589	19,589
Private equity funds	-	-	-	4,931	4,931
Nonmarketable inflation hedging	-	-	-	2,404	2,404
Cash and cash equivalents	3,225	-	-	-	3,225
Other investments	9	2,150	-	-	2,159
Investments measured at fair value	<u>\$ 75,745</u>	<u>\$ 2,150</u>	<u>\$ -</u>	<u>\$ 251,275</u>	<u>\$ 329,170</u>
Short-term investments:					
U.S. fixed income	<u>\$ 2,517</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,517</u>

- (a) In accordance with ASC Subtopic 820-10, Fair Value Measurements, certain investments that are measured at fair value using the NAV per share (or its equivalent) practical expedient have not been classified within the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy amounts to amounts presented in the consolidated statements of financial position.

Johnson & Wales University

Notes to Consolidated Financial Statements (In Thousands)

Note 5. Investments and Fair Value Measurements (Continued)

During the years ended June 30, 2022 and 2021, there were no purchases, issuances or settlements of Level 3 investments. For the years ended June 30, 2022 and 2021, there were no transfers in or out of Level 3.

The University invests in certain investments that calculate NAV per share and these investments are reported at fair value based on the NAV per share as reported by the investment manager. A summary of the significant categories of such investments and their attributes is as follows:

2022					
	Number of Funds	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
				Semimonthly/ Quarterly/ Annually	
Marketable alternative assets	4	\$ 197,066	\$ -	Annually	5-90 days
Nonmarketable alternative assets	12	21,181	1,808	N/A	N/A
Nonmarketable inflation hedging	4	2,660	188	N/A	N/A
	20	\$ 220,907	\$ 1,996		
2021					
	Number of Funds	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
				Semimonthly/ Quarterly/ Annually	
Marketable alternative assets	4	\$ 224,351	\$ -	Annually	5-90 days
Nonmarketable alternative assets	13	24,520	1,849	N/A	N/A
Nonmarketable inflation hedging	4	2,404	188	N/A	N/A
	21	\$ 251,275	\$ 2,037		

Following are the investment strategies employed by the various investment managers:

Marketable alternative assets: This includes both domestic and global investments, such as investments in distressed securities, corporate restructuring and merger arbitrage, as well as investments in emerging markets and funds of funds, designed to give the managers flexibility to invest both long- and short-term within their areas of expertise.

At June 30, 2022 and 2021, 98.5% and 94.0%, respectively, of the marketable alternative assets is an investment in the Agility Fund, which has an endowment allocation focus and utilizes Agility's five Building Block Portfolios. A Building Block is organized around a specific asset class; Global Equities, Global Fixed Income, Absolute Return (hedged strategies), Real Assets and Private Capital. Each Building Block is diversified by manager, geography, investment strategy and underlying security. By utilizing these Building Blocks in constructing its portfolio, JWU manages its portfolio risk, and has access to a customized asset allocation and an investment portfolio that is unique to the University.

Johnson & Wales University

Notes to Consolidated Financial Statements (In Thousands)

Note 5. Investments and Fair Value Measurements (Continued)

The University's investment in the Agility Fund totaled \$194,169 and \$210,869, and is broken into the following categories at June 30:

	2022	2021
Global equities	\$ 62,802	\$ 82,305
Global fixed income	548	11,715
Absolute return	69,712	61,691
Real assets	24,731	17,797
Private capital	36,278	37,289
Cash	98	72
	<u>\$ 194,169</u>	<u>\$ 210,869</u>

Nonmarketable alternative assets: This includes investments in pooled investment vehicles and private equity funds. These investments can never be redeemed. Instead, the nature of the investments in this category is that distributions will be received as the underlying investments of the fund are liquidated.

Nonmarketable inflation hedging: This includes funds that invest in natural resources, such as crude oil, natural gas production and timberland. These investments can never be redeemed. Instead, the nature of the investments in this category is that distributions will be received as the underlying investments of the fund are liquidated.

Note 6. Property and Equipment

The following is a summary of the University's property and equipment as of June 30:

	Estimated Useful Lives	2022	2021
Cost:			
Land	N/A	\$ 44,128	\$ 55,977
Building and land improvements	25-40	541,507	581,102
Equipment and furniture	3-12	122,779	132,777
Leasehold improvements	5-15	6,081	6,081
Library and museum holdings	N/A	6,666	6,666
Construction in progress	N/A	6,590	637
Total cost		<u>727,751</u>	<u>783,240</u>
Less accumulated depreciation		<u>(360,727)</u>	<u>(364,707)</u>
Property and equipment, net		<u>\$ 367,024</u>	<u>\$ 418,533</u>

Depreciation expense charged to operations was \$23,350 and \$25,430 in 2022 and 2021, respectively. Depreciation expense charged to discontinued operations was \$7,095 in 2021.

The University has construction in progress relating to renovations and construction of various buildings. Outstanding commitments at June 30, 2022, totaled \$8,835, excluding retainage of \$230 included in construction in progress and accrued expenses, in the consolidated statement of financial position. Two of the projects were completed in September 2022 and the remaining project is expected to be completed in August 2024.

Johnson & Wales University

Notes to Consolidated Financial Statements (In Thousands)

Note 7. Retirement Plans

Defined contribution retirement savings plan: The University has a qualified 401(k) retirement savings plan for its employees. The University contributes 6% of eligible compensation of each eligible employee, as well as matching 100% of employee contributions up to 4% of eligible compensation, subject to limits. The plan document was amended on June 18, 2020, effective August 1, 2020, to remove the 6% contribution through December 31, 2021, and allow the reduction or discontinuance of the matching contribution effective January 1, 2021 at the discretion of the Board. The University's contributions to the plan for the years ended June 30, 2022 and 2021, amounted to \$6,227 and \$3,962, respectively.

Section 457(b) deferred compensation plan: The University has an executive retirement plan that is designed in accordance with Section 457(b) of the Code. Participants are designated by the Board. The University's contributions to the plan were \$117 and \$137 for the years ended June 30, 2022 and 2021, respectively. The participants are responsible for making investment selections within their designated accounts. However, the funds remain assets of the University until such time as the participant withdraws the funds in accordance with plan provisions. Assets held for this plan were \$1,799 and \$2,150 as of June 30, 2022 and 2021, respectively, and are reported in investments in the consolidated statements of financial position. A corresponding liability to plan participants is reported in retirement plan obligations in the consolidated statements of financial position.

Section 457(f) deferred compensation plan: The University has a deferred compensation plan that is a noneligible deferred compensation plan under Section 457(f) of the Code covering a key employee of the University. The plan commenced on January 1, 2021 and will vest on December 31, 2024. The University's contribution to the Plan for the year ending June 30, 2022, amounted to \$81. A corresponding liability to plan participant is reported in retirement plan obligations in the consolidated statements of financial position.

Note 8. Bonds and Notes Payable and Line of Credit

The University had the following notes and bonds payable and line of credit outstanding as of June 30:

	2022	2021
Bonds payable, net of discounts and premiums at fixed rates:		
Rhode Island Health and Educational Building Corporation (RIHEBC):		
Facility Revenue Bonds:		
Series 2015, 2.18%, maturing 2030	\$ 18,288	\$ 20,105
North Carolina Capital Facilities Finance Agency (NCCFFA):		
Educational Facilities Revenue Bonds:		
Series 2014, 2.65% to 2.95%, maturing 2029	11,926	13,693
Educational Facilities Refunding Revenue Bonds:		
Series 2013, 2% to 5%, maturing 2033	-	28,297
Taxable Revenue Refunding Bonds:		
Series 2022, 3.42%, maturing in 2033	24,900	-
Notes payable:		
National Grid, maturing 2024, 2025 and 2026	434	415
Total bonds and notes payable	55,548	62,510
Bond issuance costs	(264)	(277)
Total bonds and notes payable, net of bond issuance costs	\$ 55,284	\$ 62,233

Johnson & Wales University

Notes to Consolidated Financial Statements (In Thousands)

Note 8. Bonds and Notes Payable and Line of Credit (Continued)

Maturities of notes and bonds payable, net of discounts and premiums, for the fiscal years after June 30, 2022, are as follows:

Years ending June 30:

2023	\$	3,981
2024		5,949
2025		5,982
2026		6,061
2027		6,131
Thereafter		27,180
	\$	<u>55,284</u>

On July 18, 2013, the University issued \$40 million in North Carolina Capital Facilities Finance Agency (NCCFFA) Revenue Refunding bonds to refinance the NCCFFA series 2003A bonds of \$42.5 million. In May 2022, the University defeased the outstanding balance totaling \$26,065 of the 2013 NCCFFA revenue bonds through funding a defeasance escrow using the proceeds from the issuance of new taxable bonds and operating funds. The new taxable bonds are a private placement with Truist Bank using a Cinderella structure, which will convert the taxable debt to tax-exempt when the bonds are eligible to be called, at January 1, 2023. At that time, the interest rate will drop to 2.7%. At the closing date of May 12, 2022, the 2013 NCCFFA series was considered legally defeased and met the liability derecognition criteria. As such, the associated liability, including related discounts, premiums and bond issuance costs, and related assets were derecognized from the University's consolidated statements of financial position. A loss on extinguishment of debt was recognized upon derecognition of \$442 during the year ended June 30, 2021.

On March 11, 2014, the University issued \$26.5 million NCCFFA Revenue Refunding bonds to purchase a dormitory located on the Charlotte, North Carolina, campus. This debt was paid off subsequent to year-end (see Note 15). On September 22, 2015, the University issued \$30 million Rhode Island Health and Educational Building Corporation (RIHEBC) Facility Revenue Bonds to construct an academic building located on the Providence, Rhode Island, campus.

On August 21, 2013, the University issued \$30.3 million in Colorado Education and Cultural Facilities Authority (CECFA) Revenue Bonds to fund the renovation of existing buildings located on the Denver, Colorado, campus. Also, on August 21, 2013, the University issued \$81.9 million in CECFA Revenue Refunding bonds to refinance the CECFA series 2003A, the City of North Miami, Florida Educational Facilities series 2003A, the RIHEBC series 2003A, the callable portion of the RIHEBC series 1999 and the RIHEBC series 1996 bonds totaling \$87.1 million. In connection with the sale of certain facilities financed and refinanced with proceeds of these bonds, the University funded a defeasance escrow account for the payment of debt service to maturity or earlier redemption of the bonds in the amount of \$64,704 on June 17, 2021. The bonds were legally defeased and met the liability derecognition criteria. As such, the associated liability, including related discounts, premiums and bond issuance costs, and related assets were derecognized from the University's consolidated statements of financial position. A loss on extinguishment of debt was recognized upon derecognition of \$5,410 during the year ended June 30, 2021, and is recorded in discontinued operations on the consolidated statements of activities.

Discounts on bonds payable at June 30, 2022 and 2021, are \$0 and \$68, respectively. Premiums on bonds payable at June 30, 2022 and 2021, are \$0 and \$535, respectively. The discounts and premiums were amortizing on the effective-interest method to par value of the bonds on their maturity date.

Johnson & Wales University

Notes to Consolidated Financial Statements (In Thousands)

Note 8. Bonds and Notes Payable and Line of Credit (Continued)

RIHEBC Revenue Bonds are secured by tuition and other revenues.

The University has one line of credit totaling \$26 million. The line of credit is a demand note with an expiration date of December 31, 2022. The line of credit is uncollateralized. Management expects to renew the line in the ordinary course of business. At June 30, 2022 and 2021, there were no amounts outstanding on the line of credit. Interest rate on the line of credit was 2.66% and 1.59% at June 30, 2022 and 2021, respectively.

The bond agreements and line of credit agreements contain covenants regarding certain operating activities and financial statement amounts and bond agency ratings of the University, the most restrictive of which require that the University maintain a certain debt service coverage ratio, days cash on hand and certain long-term debt ratings by Standard & Poor's Ratings Service and Moody's Investors Service, Inc.

Interest costs for the years ended June 30, 2022 and 2021, were \$1,962 and \$5,160, respectively.

Note 9. Net Assets and Endowment Matters

Net assets with donor restrictions consist of the following as of June 30:

	2022	2021
Subject to expenditure for specific purpose:		
Student aid and instructional	\$ 1,748	\$ 1,382
Other	3,140	3,213
	<u>4,888</u>	<u>4,595</u>
Subject to time restrictions:		
Annuities and other	13	35
Contributions receivable	36	227
	<u>49</u>	<u>262</u>
Subject to the University's spending policy and appropriation:		
Investments in perpetuity (including original gift amount of \$25,159 and \$24,646 as of June 30, 2022 and 2021, respectively) and the investment income from which is expendable to support:		
Student aid and instructional	37,002	41,174
Other	706	810
	<u>37,708</u>	<u>41,984</u>
Term scholarship endowments	171	212
	<u>37,879</u>	<u>42,196</u>
Subject to investment in donor-restricted endowment:		
Annuities	87	146
Contributions receivable	1,414	1,306
Total net assets with donor restrictions	<u>\$ 44,317</u>	<u>\$ 48,505</u>

Johnson & Wales University

Notes to Consolidated Financial Statements (In Thousands)

Note 9. Net Assets and Endowment Matters (Continued)

Net assets released from restrictions: Net assets released from net assets with donor restrictions by incurring expenses satisfying the restricted purposes, passage of time, or by occurrence of events specified by the donors were as follows:

	2022	2021
Student aid	\$ 754	\$ 833
Instructional	218	53
Building/facility projects	226	9
Program support	198	172
Time-restricted	211	873
	<u>\$ 1,607</u>	<u>\$ 1,940</u>

Composition of endowment by net asset class: The following is the composition of endowment assets and those functioning as endowment assets by net asset class as of June 30:

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 37,879	\$ 37,879
Board-designated endowment funds:			
General operating support	275,321	-	275,321
Total funds	<u>\$ 275,321</u>	<u>\$ 37,879</u>	<u>\$ 313,200</u>
	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 42,196	\$ 42,196
Board-designated endowment funds:			
General operating support	276,506	-	276,506
Total funds	<u>\$ 276,506</u>	<u>\$ 42,196</u>	<u>\$ 318,702</u>

Johnson & Wales University

Notes to Consolidated Financial Statements (In Thousands)

Note 9. Net Assets and Endowment Matters (Continued)

Activity by net asset class of endowment and those functioning as endowment assets and other investments: The following summarizes the activities within the donor and Board-designated endowment assets and other investments:

2022							
	Endowment			Available for Operations	Total Board-Managed Investments	Other Investments	Total Endowment and Other Investments
	Without Donor Restrictions	With Donor Restrictions	Total Endowment				
Endowment and those functioning as endowment assets and other investments, beginning of year	\$ 276,506	\$ 42,196	318,702	\$ 7,756	326,458	\$ 2,712	329,170
Contributions restricted for long-term investments	-	525	525	-	525	-	525
Investment return, net	(28,413)	(3,407)	(31,820)	(769)	(32,589)	(131)	(32,720)
Investment return appropriated for operations	(10,772)	(1,435)	(12,207)	-	(12,207)	-	(12,207)
Other activity:							
Transfers and withdrawals	38,000	-	38,000	(475)	37,525	(334)	37,191
Total other activity	38,000	-	38,000	(475)	37,525	(334)	37,191
Total change	(1,185)	(4,317)	(5,502)	(1,244)	(6,746)	(465)	(7,211)
Endowment and those functioning as endowment assets and other investments, end of year	\$ 275,321	\$ 37,879	\$ 313,200	\$ 6,512	\$ 319,712	\$ 2,247	\$ 321,959

2021							
	Endowment			Available for Operations	Total Board-Managed Investments	Other Investments	Total Endowment and Other Investments
	Without Donor Restrictions	With Donor Restrictions	Total Endowment				
Endowment and those functioning as endowment assets and other investments, beginning of year	\$ 179,959	\$ 31,679	\$ 211,638	\$ 48,424	\$ 260,062	\$ 3,667	\$ 263,729
Contributions restricted for long-term investments	-	1,481	1,481	-	1,481	-	1,481
Investment return, net	58,160	10,293	68,453	15,259	83,712	(2,788)	80,924
Investment return appropriated for operations	(11,613)	(1,174)	(12,787)	-	(12,787)	-	(12,787)
Other activity:							
Transfers and withdrawals	50,000	(83)	49,917	(56,284)	(6,367)	1,833	(4,534)
Current year investment return available but not withdrawn	-	-	-	1,174	1,174	-	1,174
Net due to (from) operations	-	-	-	(817)	(817)	-	(817)
Total other activity	50,000	(83)	49,917	(55,927)	(6,010)	1,833	(4,177)
Total change	96,547	10,517	107,064	(40,668)	66,396	(955)	65,441
Endowment and those functioning as endowment assets and other investments, end of year	\$ 276,506	\$ 42,196	\$ 318,702	\$ 7,756	\$ 326,458	\$ 2,712	\$ 329,170

Endowment: The endowment includes both donor-restricted endowment funds and funds designated by the Board to function as endowments. Donor-restricted funds are composed of approximately 100 individual funds established for a variety of purposes.

Note 9. Net Assets and Endowment Matters (Continued)

Interpretation of relevant law and spending policy: The University has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) signed into law in the state of Rhode Island, requiring the preservation of the original value 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 University classifies as net assets with donor restrictions: (a) the original value of gifts donated to the donor-restricted endowment, (b) the original gift value of subsequent gifts to the donor-restricted endowment and (c) accumulations to the donor-restricted endowments made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund over the original gift value and accumulated unexpended gains is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Board in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the University considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the University and the donor-restricted endowment fund
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 University
7. The investment policies of the University

The University will generally make available for distribution to the operating fund, an amount equal to a maximum of 5% of the total endowment funds' average fair value calculated over the 12 quarters ending December 31 of the preceding calendar year. For purposes of this calculation, the total endowment includes both donor-restricted/true endowment funds, as well as Board-designated/quasi-endowment funds. Included in the total 5% spending pool, the University will generally make available for distribution to the operating fund, for the purposes directed by the donors, up to 5% of the donor-restricted/true endowment funds' average fair value over the 12 quarters ending December 31 of the preceding calendar year. In the event that a donor fund has been in existence for less than 12 quarters, the average shall be calculated on the total quarters since the inception of the fund. Per the University's spending policy, the corpus of donor-restricted/true endowment funds will remain intact, with only earnings on the corpus available to be spent. At the discretion of the University's Board, in accordance with principals espoused by UPMIFA, the University may distribute more, or less, than 5% of the average fair value of a fund if circumstances arose that would cause such additional spending to be prudent. The difference between the calculated 5% annual spent for the fiscal year and the amount appropriated from the donor-restricted endowment is withdrawn from the Board-designated endowment.

Notes to Consolidated Financial Statements
(In Thousands)

Note 9. Net Assets and Endowment Matters (Continued)

The spending policy is intended for the general benefit of the University's current, present and future students, and for the furtherance of the educational mission of the University. In establishing this policy, the University considered the long-term expected return on its endowment. In the event that the University does not distribute the entire 5% to the operating fund account in any year, it may add the undistributed portion to the amount to be distributed in future years. For the years ended June 30, 2022 and 2021, \$12,207 and \$12,787, respectively, were appropriated to operating income, of which \$1,435 and \$1,174, respectively, were from donor-restricted funds.

Funds with deficiencies: From time to time, the fair value of assets associated with donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the University to retain as a fund of perpetual duration. There were no such deficiencies as of June 30, 2022 and 2021.

Return objectives and risk parameters: The purpose of the endowment is to support the mission of the University over the long term. Accordingly, the primary investment objectives of the endowment are to:

1. Preserve and enhance the real purchasing power of the principal, and
2. Provide a stable source of perpetual financial support to endowment beneficiaries in accordance with the University's spending policy.

In order to preserve the purchasing power of both principal and of withdrawals made available for spending, the long-term annualized total rate of return objective for the endowment is inflation plus 5%. A minimum rate of return equal to the rate of inflation is required to preserve the real purchasing power of the endowment and the additional 5% is required to provide for spending.

Strategies employed for achieving objectives: To satisfy its long-term rate of return objective, the endowment relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and from current yield (interest and dividends). Asset allocation guidelines and the investment manager structure were designed to provide adequate diversification in order to reduce the volatility of investment returns.

To achieve its investment objectives, the endowment is allocated among a number of diverse asset classes. These asset classes may include, but are not limited to, domestic equity, domestic fixed income, international equity, international fixed income, hedge funds, absolute return funds, real estate, inflation hedging assets and private capital. The purpose of allocating among asset classes is to provide for the proper level of diversification within the endowment.

The general policy is to diversify investments among equity, fixed income and alternative strategies so as to provide a balance that will enhance total return while avoiding undue risk concentration in any single asset class or investment category.

Johnson & Wales University

Notes to Consolidated Financial Statements (In Thousands)

Note 10. Leasing

The University leases office, classroom, dormitory facilities and equipment under noncancelable leases expiring at various dates through 2026. During fiscal year 2021, the University entered into a finance lease obligation for computer equipment that expires in 2026. During fiscal year 2022, the University entered into an operating lease obligation for office space that expires in 2026. Amortization and interest for 2022 was \$683 and \$6, respectively, and amortization and interest in 2021 was \$989 and \$7, respectively. Operating lease payments during 2022 and 2021 were \$1,463 and \$4,582, respectively. The weighted-average remaining lease term is 4.66 years and 4.00 years, and the weighted-average discount rate is 1.38% and 1.12% for operating and finance leases, respectively.

Minimum lease payments at June 30, 2022:

	Finance	Operating	Total
Years ending June 30:			
2023	\$ 45	\$ 1,106	\$ 1,151
2024	45	1,133	1,178
2025	45	1,161	1,206
2026	45	1,190	1,235
Thereafter	-	601	601
Total minimum lease payments	180	5,191	5,371
Less:			
Amount representing amortization/interest	(7)	(681)	(688)
Present value of lease liabilities	\$ 173	\$ 4,510	\$ 4,683

Note 11. Commitments, Contingencies and Uncertainties

The University participates in a number of federal programs that are subject to financial and compliance audits. Management believes its programs have been conducted in accordance with the terms of the agreements and, thus, does not expect any significant impact if such programs are further audited by funders.

The University is involved in other claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the University's financial condition or results of operations.

Johnson & Wales University

Notes to Consolidated Financial Statements (In Thousands)

Note 12. Related-Party Transactions

The University has a conflict of interest policy which requires that each trustee, officer and senior executive shall disclose to the Board at least once each year all the material facts concerning his or her relationship with or interest in any person, firm, corporation or other entity with whom the University has, or proposes to enter into, any contract or other transaction which may, directly or indirectly, result in financial gain or other advantage to such trustee, officer or senior executive by reason of such relationship or interest.

In the ordinary course of business, the University purchased supplies and services, which included health insurance administration, internet and phone services and gas and electricity from entities whose officers, partners and/or stockholders are trustees, officers or senior executives of the University. Total amounts paid for these supplies and services during the years ending June 30, 2022 and 2021, were \$25,817 and \$17,218, respectively. When such a relationship exists, trustees, officers and senior executives are responsible to make decisions without favor or preference to third parties, but solely on the basis that the decision is in the best interest of the University.

One trustee is affiliated with a financial institution which holds outstanding bonds of the University of \$24,900 and which the University has a cash balance of \$10,006 at the institution on June 30, 2022.

As of June 30, 2022 and 2021, contributions receivable from trustees totaled \$93 and \$389, respectively.

Note 13. Classification of Expenses

The following reflects the classification of the University's expenses, by both the underlying nature of the expense and function, for the years ended June 30, 2022 and 2021. An individual expense is allocated to the underlying activity through which it was incurred. The consolidated statements of activities include certain expenses which must be allocated on a reasonable basis which has been consistently applied. The expenses that are allocated include depreciation and amortization, occupancy and maintenance costs, interest expense and information technology. Depreciation expense, occupancy and interest are allocated based on functional square footage usage. Information technology (IT) is allocated using a blended method: nonpayroll expenses are allocated by the functions supported by the expense, as identified by IT, and payroll expenses are allocated by the headcount in each functional area.

Continuing Operations	2022							Total
	Instructional	Academic Support	Student Services	Auxiliary Enterprises	Institutional Support	Public Service	Research & Development	
Salaries and wages	\$ 45,643	\$ 9,984	\$ 25,336	\$ 6,829	\$ 12,963	\$ 29	\$ 227	\$ 101,011
Benefits other than retirement plan	10,251	1,181	7,055	1,692	3,719	3	31	23,932
Retirement plan	2,923	307	1,599	288	1,323	1	7	6,448
Food and beverage	1,413	-	-	2,744	-	-	-	4,157
Professional fees and contracted services	1,127	216	2,045	1,882	1,843	8	26	7,147
Occupancy	6,205	1,000	3,225	4,708	796	6	2	15,942
Depreciation	8,985	1,541	5,195	6,172	1,445	9	3	23,350
Advertising, promotions and publications	89	2	7,967	482	525	-	-	9,065
Travel and training	480	12	1,675	241	178	63	19	2,668
Supplies and miscellaneous	2,725	750	2,489	1,136	267	10	21	7,398
Insurance, taxes, fees and dues	1,247	211	905	1,749	2,146	2	1	6,261
Hardware, software and telecommunications	1,894	956	2,110	421	1,829	-	-	7,210
Bad debt (recovery)	-	-	-	-	(890)	-	-	(890)
Interest and amortization	763	112	352	777	49	-	-	2,053
Cares Act Student Relief Aid	-	-	18,923	-	-	-	-	18,923
Total	\$ 83,745	\$ 16,272	\$ 78,876	\$ 29,121	\$ 26,193	\$ 131	\$ 337	\$ 234,675

Johnson & Wales University

Notes to Consolidated Financial Statements (In Thousands)

Note 13. Classification of Expenses (Continued)

Continuing Operations	2021						Total
	Instructional	Academic Support	Student Services	Auxiliary Enterprises	Institutional Support	Public Service	
Salaries and wages	\$ 49,636	\$ 8,712	\$ 24,372	\$ 6,126	\$ 14,271	\$ 4	\$ 103,121
Benefits other than retirement plan	9,827	1,097	6,836	1,664	2,944	1	22,369
Retirement plan	1,650	149	827	165	613	-	3,404
Food and beverage	1,293	-	-	1,473	-	-	2,766
Professional fees and contracted services	626	100	1,200	1,501	2,682	1	6,110
Occupancy	6,215	1,041	3,293	5,692	657	8	16,906
Depreciation	9,462	1,662	5,721	6,971	1,605	9	25,430
Advertising, promotions and publications	54	-	7,639	222	202	-	8,117
Travel and training	54	6	737	163	128	20	1,108
Supplies and miscellaneous	2,546	660	2,200	795	414	13	6,628
Insurance, taxes, fees and dues	1,465	236	1,017	1,754	1,060	1	5,533
Hardware, software and telecommunications	1,699	981	2,594	464	1,918	1	7,657
Bad debt (recovery)	-	-	-	(1)	(867)	-	(868)
Interest and amortization	1,095	160	545	1,244	90	1	3,135
Cares Act Student Relief Aid	-	-	9,508	-	-	-	9,508
Total	\$ 85,622	\$ 14,804	\$ 66,489	\$ 28,233	\$ 25,717	\$ 59	\$ 220,924

Discontinued Operations	2021						Total
	Instructional	Academic Support	Student Services	Auxiliary Enterprises	Institutional Support	Public Service	
Salaries and wages	\$ 9,187	\$ 1,481	\$ 3,505	\$ 660	\$ 5,795	\$ -	\$ 20,628
Benefits other than retirement plan	1,891	202	979	180	269	-	3,521
Retirement plan	318	29	119	22	197	-	685
Food and beverage	477	-	-	-	-	-	477
Professional fees and contracted services	1,108	229	1,229	1,528	170	1	4,265
Occupancy	1,375	278	809	761	396	2	3,621
Depreciation	2,265	467	1,292	2,852	217	2	7,095
Advertising, promotions and publications	-	-	27	-	71	-	98
Travel and training	-	2	19	6	3	-	30
Supplies and miscellaneous	236	137	161	158	106	-	798
Insurance, taxes, fees and dues	244	50	203	133	285	-	915
Hardware, software and telecommunications	107	20	86	35	259	-	507
Bad debt (recovery)	-	-	-	-	(337)	-	(337)
Interest and amortization	816	174	368	732	48	1	2,139
Total	\$ 18,024	\$ 3,069	\$ 8,797	\$ 7,067	\$ 7,479	\$ 6	\$ 44,442

Operating expenses generated by the hotel for fiscal years 2022 and 2021, were \$5,651 and \$3,975, respectively, and are included in auxiliary enterprises expense on the consolidated statements of activities.

North Miami and Denver campus operations ended in May 2021. North Miami and Denver students who did not graduate by May 2021 were provided the option to transfer to the University's Providence or Charlotte campuses (whether in-person or remotely) or to finish their degree requirements online. In addition, the University entered agreements with institutions in Florida and Colorado to secure opportunities for students who wished to remain in their respective campus states. In June 2021, the University sold the Denver campus and three properties in North Miami, with the remaining North Miami properties sold in July 2021.

Johnson & Wales University**Notes to Consolidated Financial Statements**
(In Thousands)

Note 14. Discontinued Operations

Major classes of revenues and expenses of discontinued operations are listed below:

North Miami Campus	2021
Operating revenues:	
Tuition and fees, net of financial aid and scholarships (\$10,097)	\$ 9,624
Residence and dining	2,301
Other	790
Total operating revenues	<u>12,715</u>
Operating expenses:	
Instructional	8,333
Academic support	1,492
Student services	4,921
Auxiliary enterprises	3,509
Institutional support	4,471
Total operating expenses	<u>22,726</u>
Nonoperating activities:	
Return on long-term investments	44
Investment return appropriated for operations	(160)
Restricted contributions	(690)
Net assets released from restrictions	(234)
Gain on disposal of property and equipment	3,123
Impairment of assets held for sale	(3,733)
Total nonoperating activities	<u>(1,650)</u>
Decrease in net assets	<u>\$ (11,661)</u>

Johnson & Wales University

Notes to Consolidated Financial Statements (In Thousands)

Note 14. Discontinued Operations (Continued)

Denver Campus	2021
Operating revenues:	
Tuition and fees, net of financial aid and scholarships (\$6,146)	\$ 5,924
Residence and dining	1,137
Other	613
Total operating revenues	<u>7,674</u>
Operating expenses:	
Instructional	9,691
Academic support	1,577
Student services	3,876
Auxiliary enterprises	3,558
Institutional support	3,008
Public service	6
Total operating expenses	<u>21,716</u>
Nonoperating activities:	
Return on long-term investments	
Investment return appropriated for operations	(38)
Restricted contributions	(556)
Net assets released from restrictions	(177)
Loss on early extinguishment of debt	(5,410)
Loss on disposal of property and equipment	(20,185)
Total nonoperating activities	<u>(26,366)</u>
Decrease in net assets	<u>\$ (40,408)</u>

Major classes of assets and liabilities of discontinued operations are listed below:

North Miami Campus	2021
Assets:	
Inventories, deferred charges and prepaid expenses	\$ 175
Assets held for sale	45,161
Total assets	<u>\$ 45,336</u>
Liabilities:	
Accounts payable and accrued expenses	\$ 652
Total liabilities	<u>\$ 652</u>

Johnson & Wales University

Notes to Consolidated Financial Statements (In Thousands)

Note 15. Subsequent Events

The University evaluated all events and transactions through October 31, 2022, the date on which the consolidated financial statements were issued. There were no material subsequent events requiring accounting recognition or disclosure in the accompanying consolidated financial statements.

On July 28, 2022, one of the Providence properties classified as held for sale as of June 30, 2022, was sold for \$13,550.

On August 25, 2022, one of the Charlotte properties classified as held for sale as of June 30, 2022, was sold for \$49,000. On August 25, 2022, the associated debt totaling \$11,631 was paid. A portion of the remaining proceeds from the sale totaling \$15,000 was designated by the Board for investment into the endowment. The remaining proceeds will be used to support operations to fund new academic programs and capital investments.

On September 30, 2022, one of the Providence properties classified as held for sale as of June 30, 2022, was sold for \$2,325.