**Financial Statement Summary for the Year Ended June 30, 2020**

**Overview**

The financial statements of Merrimack College (the “College”), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities and cash flows and notes to the financial statements for the year then ended, were audited by Mayer Hoffman McCann P.C. (“MHM”). MHM’s independent auditors’ report dated September 10, 2020 reported an unmodified, or “clean”, audit opinion. In addition, there were no reported significant deficiencies or material weaknesses in internal control over financial reporting nor over compliance with the College’s major federal programs.

The following discussion and analysis provide commentary and data related to the financial performance of the College for the year ended June 30, 2020.

**Conditions Relating to COVID-19**

The outbreak of COVID-19 was declared a pandemic by the World Health Organization on March 11, 2020 and declared a state of emergency in Massachusetts by Governor Charlie Baker on March 10, 2020. In an effort to safeguard health and to minimize the risk of the spread of COVID-19 on campus, the College ceased in-person classes for all students in March 2020 and transitioned to virtual instruction for the remainder of the Spring semester. The transition occurred while students were already off campus for Spring break, so the College did not have to coordinate an out-of-cycle move from residence halls. The College’s immediate technology investments, coupled with those significant investments made over prior years, allowed the College to make the transition to remote education in one week, minimizing the break in students’ educational experience.

With little understanding as to the long term health and economic impacts of COVID on society or the College, and appreciating that three quarters of the fiscal year were complete, and planning for the following fiscal year was underway, the leadership took an aggressive and proactive approach to financial planning with a singular focus on ensuring the long term health of the institution and its employees, and the continuity of student learning.

This approach included providing students with a financial credit for housing during the period of remote learning. As a result, the College credited $2.7M in room and board fees back to students. Additionally, the College adjusted its spending policies and reduced expenses by over $7M that had a direct impact on the current fiscal year. Further, the College made several spending policy and practice changes in FY20, that built the foundation of a strategic approach to FY21 such as postpoing capital projects, halting the purchase of goods and services, and reducing salary.

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

As a result of the fiscal measures developed by the College’s leadership, and towards a goal of being best positioned financially for an unpredictable period going forward, the College ended the the fiscal year as of June 30, 2020 with total assets at $277M compared to $267M at June 30, 2019, a $10M or 4% increase. The increase was largely attributed to additions of buildings and equipment, mainly for the new Nursing Center which opened in 2020. The College had decreases in deposits with trustees and investments which were from the planned use of bond proceeds for the new Nursing Center. The decrease in endowment investments was further due to overall investment market conditions. These decreases were offset by the cash balance which, as a result of College’s spending and budgeting measures, more than doubled from $15.7M in 2019 to $34.8M in 2020, largely due to the positive results of operations in 2020, as further described in the Statement of Activities section.

The College’s total liabilities remained consistent at $139.2M at June 20, 2020 compared to $137.5 at June 20, 2019.

The College’s total net assets, the equivalent of the College’s net worth, totaled $137.8M at June 30, 2020 compared to $129.8M in 2019, a $8M or 6% increase.

**Statement of Activities**

**Operating Results**

Despite the outbreak of COVID-19 in the fourth quarter of fiscal year 2020, the College’s operating revenues, consisting of tuition, fees, room and board, grants and contributions, grew $10.6M or 8% over 2019. Although auxiliary enterprises revenue, mainly consisting of student room and board revenue, decreased $3.5M as a result of the transition to remote living and learning, this was more than offset by strong net tuition and fees growth of $13.6M. The College’s undergraduate enrollment grew by over 20% through 2020. Much of the enrollment growth can be attributed to the College’s success in strengthening its market position in Massachusetts and expanding its market footprint without experiencing any large declines in admissions yield.

**Non-Operating Results**

In 2020 the College’s net assets decreased $3.6M from non-operating activities. This decrease was primarily driven by the decline in investment returns, as previously discussed.

**Statement of Cash Flows**

The College continues to generate significant positive cash flow from operations. Net cash provided by operating activities was $24.7M in 2020 and $9.6M in 2019.

**US Department of Education (the “DOE”) Financial Responsibility Standards**

The DOE has established ratios for determining whether an institution has sufficient financial responsibility using a methodology based on three ratios – primary reserve, equity and net income. These ratios measure different aspects of financial health and are combined into a composite score to measure financial responsibility. The College’s composite score for the year ended June 30, 2020 is 3.0, the highest rating possible, which indicates strong financial health.

**Looking Forward**

The College entered the COVID-19 crisis from a position of financial strength. The College will provide in-person, hybrid, and remote learning for students beginning Fall 2020. The College will make substantial investments to create a safe campus environment. To enable such investment and make up for unrealized revenue, the College will reduce or allocate budgets by approximately $36M.