



Northeastern

Letter from the Senior Vice President for Finance and Treasurer

Northeastern University demonstrated strong financial performance during fiscal 2020 and remains in a strong financial position. The university, like most institutions around the globe, experienced unprecedented challenges that impacted our operations as the COVID-19 pandemic unfolded in March 2020, including lost student-related revenues as it moved to safely close the campus and increased costs to support the infrastructure for online learning and remote work arrangements. Despite these challenges, the university experienced healthy overall net asset growth of \$194M, ending with \$2.2B in net assets at June 30.

In fiscal 2021, it is expected that the university will continue to experience financial pressures due to reduced student-related revenues as a result of lowering campus density and increased costs related to a safe campus re-open. A strong balance sheet, consistently healthy operating performance, the generous support from our donors, positive endowment returns, along with vigilant monitoring and prudent spending puts the university in a strong position to successfully manage in an evolving, uncertain economic environment.

I am pleased to present the audited financial statements for the university for fiscal 2020. Northeastern has consistently operated with a balanced operating budget. For fiscal year 2020, the increase in the University's net assets from operating activities was \$184.6 million. An 8.5% increase in operating revenues and other support from fiscal year 2019 was driven primarily by continued growth in net student related revenues, growth in graduate professional enrollments and strong donor support. The increase in operating revenues and other support was offset by an increase of 5.5% in operating expenses primarily due to employee compensation, increased research and institutional support, and academic program enhancements. Additionally, the University continues to report strong cash flows from operating results. The University maintains a strong current operating liquid cash position of \$481 million as of June 30.

In fiscal year 2020, the University continued to have diversified sources of operating revenue, including: Net tuition and fees (69%), auxiliary enterprises (8%), contributions, investment and other income (12%) and sponsored support (11%). An additional source of revenue diversification comes from the mix between undergraduate students and graduate/professional students—for example, full-time undergraduate revenue as a percentage of net student-related revenue has declined from 74% in fiscal year 2006 to 58% in fiscal year 2020. Auxiliary enterprises include revenues primarily related to the operation of residence halls and dining services.

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For the fiscal year 2020, total assets increased by \$176.0 million or 5.1% from fiscal year 2019 to \$3.6 billion. The increase was attributable primarily to an increase in property, plant, and equipment, positive operating performance and positive investment returns. Total liabilities decreased by \$17.9 million, or 1.3%, during fiscal year 2020 to \$1.38 billion. The decrease was primarily due to principal paid on long-term debt. Total net assets increased by 9.6% to \$2.2 billion during fiscal year 2020. This change consisted of an increase in net assets from operating activities of \$184.6 million and an increase of \$9.3 million from non-operating activities, due primarily to an increase in long term contributions and endowment and other investment returns.

Overall, there continues to be strong demand for Northeastern's distinctive education model. The University has shown the ability to control cost increases, make strategic academic investments and fully fund depreciation to reinvest in the physical plant. This combination positions the University well as conditions continue to evolve throughout the current fiscal year.

Sincerely,

Thomas Nedell

Senior Vice President for Finance and Treasurer